

**IMPACT OF DETERMINANTS OF OWN SOURCE REVENUE COLLECTION
ON FINANCIAL PERFORMANCE OF COUNTY
GOVERNMENT OF MERU, KENYA**

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DECLARATION AND APPROVAL

This project is my original work and has not been presented for a degree in any other University or for any other award.

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DEDICATION

I dedicate this research project to my family for their moral, spiritual and financial support.

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First and foremost, I express my gratitude to the Almighty God for the gift of life and the journey He has guided me through. Secondly, I want to acknowledge the invaluable support and guidance provided by my supervisors, Dr. Harrison Kinyua, who meticulously reviewed my project. His commitment and dedication have ensured the quality of the proposal for presentation.

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ABSTRACT

The objective of OSR collection was to address disparities in income and wealth distribution, and in contemporary economics, taxes stood out as the most crucial revenue sources. With the implementation of a devolved system of government, counties were expected to experience an increase in instances of financial deficits in their budgets. This study aimed to identify the effect of operational factors influencing OSR collection on financial performance in the County Government of Meru. The specific objectives were to assess the impact of competence, evaluate the effects of revenue automation, examine the influence of internal control, and gauge the impact of County policies on the financial performance of the County Government. The study drew guidance from the new public management theory, stakeholders' theory, and resource view-based theory, employing an explanatory research design. The target population consisted of 276 staff from the County Government of Meru, including chief officers, technical finance staff, technical accounting staff, and members of the County Assembly. Using stratified random sampling, 163 respondents were selected. The study employed both descriptive and inferential statistical analyses. Data collection involved the administration of a self-administered questionnaire, and the reliability of the instrument was tested using Cronbach's alpha. Descriptive and inferential statistical analyses were conducted on the quantitative data, using Pearson's correlation coefficient to determine relationships between independent and dependent variables. Regression analysis was employed to predict the impact of operational determinants of OSR collection on financial performance. The study found that internal controls had the most significant impact on the financial performance of the Meru County government. In contrast, staff competencies, county government policies, and automation of revenue collection had a lesser effect. All variables were significant ($p < 0.05$). The study recommends that county governments allocate more funds for training and seminars for tax workers to enhance their competencies and expertise. Additionally, it suggests strengthening internal control mechanisms to improve monitoring of financial performance and boost overall financial results for the county government.

TABLE OF CONTENTS

DECLARATION AND APPROVAL	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
ABSTRACT	v
TABLE OF CONTENTS	vi
LIST OF TABLES	ix
LIST OF FIGURES	x

LIST OF ABBREVIATION AND ACRONYMS	xi
CHAPTER ONE: INTRODUCTION	12
1.0 Introduction	12
1.1.1 Global Perspective of Own Source Collection Determinants	13
1.1.2 Regional Perspective of Own Source Collection	14
1.1.3 Local Perspective of OSR Collection	14
1.1.4 Determinant of OSR Collection.	17
1.3 Purpose of the Study	20
1.4 Specific Objectives	20
1.5 Research Questions	20
1.6 Significance of the Study	21
1.7 Scope of the Study	21
1.8 Limitations of the Study	22
1.9 Assumptions of the Study	22
2.0 Operational Definition of Key Terms	23
CHAPTER TWO: LITERATURE REVIEW	25
2.1 Introduction	25
2.2 Theoretical Literature Review	25
2.2.1 The New Public Management Theory	25
2.2.2 Resource Based View Theory	27
2.2.3 Theory of Public Participation	28
2.3 Empirical Literature Review	29
2.3.1 Financial Performance of County Governments	29
2.3.2 Revenue Staff Competence and Financial Performance	30
2.3.3 Effect of Automation on Financial Performance	33
2.3.4 Effect of Internal Control on Financial Performance	39
2.3.5 Effect of County Policies on Financial Performance	42
2.4 Conceptual Framework	44
CHAPTER THREE: RESEARCH METHODOLOGY	46

3.1 Introduction	46
3.2 Research Design	46
3.3 Location of the Study	46
3.4 Target Population	47
3.5 Sampling Technique and Sample Size	48
3.5.1 Sample Size	48
3.5.2 Sampling Procedure	48
3.6 Data Collection Instruments	49
3.7 Pilot study	50
3.8 Testing for Validity and Reliability	50
3.8.1 Validity of the Research Instrument	50
3.8.2 Reliability of the Research Instrument	51
3.9 Data Collection Procedures	52
3.9 Data Analysis and Presentations	52
3.10 Ethical consideration	53
CHAPTER FOUR	54
RESEARCH FINDINGS AND DISCUSSIONS	54
4.1 Introduction	54
4.2 Response Rate	54
4.3 Reliability of the Pre-Tested Research Instrument	55
4.4 Respondents' Background Information	56
4.4.1 Distribution by Gender	56
4.4.2 Respondents' Age	57
4.4.3 Highest Level of Education	57
4.4.4 Professional Training	58
4.4.5 Duration worked in the County Government	59
4.4.6 Designation	60

4.5 Descriptive Analysis	61
4.5.1 Staff Competence and Financial Performance	61
4.5.2 Automation of Revenue Collection and Financial Performance	64
4.5.3 Internal Control Systems and Financial Performance	66
4.5.4 County Government Policies and Financial Performance	68
4.6 Inferential Statistics	70
4.6.1 Correlation Analysis	70
4.6.2 Regression Analysis Assumption Tests	71
4.6.3 Regression Analysis	74
CHAPTER FIVE	78
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	78
5.1 Introduction	78
5.2 Summary of the Findings	78
5.2.1 Staff Competence and Financial Performance	78
5.2.2 Automation of Revenue Collection Systems and Financial Performance	78
5.2.3 Internal Controls and Financial Performance	79
5.2.4 Government Rules and Regulations	79
5.3 Conclusion	79
5.4 Recommendation	80
5.4.1 Staff Competence and Financial Performance	80
5.4.2 Automation of revenue collection and Financial Performance	80
5.4.3 Internal Controls and Financial Performance	80
5.5 Suggestions for Further Research	80
REFERENCES	82
APPENDICES	87
Appendix I: Informed Consent	87

Appendix II: Questionnaire	89
Appendix IV: Work Plan	91
Appendix V: Budget	93
Appendix VI: Similarity Index	95

LIST OF TABLES

Table 1: Target Population	47
Table 2: Sample Size	49
Table 3: Response Rate	55
Table 4: Reliability Coefficient	55
Table 5: Professional Training	58
Table 6: Descriptive Statistics of Staff Competence	61
Table 7: Descriptive Statistics of Automation of Revenue Collection	64
Table 8: Descriptive Statistics of Internal Control System	66
Table 9: Descriptive Statistics of Financial Performance	68
Table 10: Correlation	70
Table 11: Linearity Test	72
Table 12: Tests for normality	73
Table 13: Multicollinearity Test	73
Table 14: KMO and Bartlett's Test for OSR determinants.....	74
Table 15: Model Summary	75
Table 16: Analysis of Variance (ANOVA)	75
Table 17: Coefficients of Regression	76

LIST OF FIGURES

Figure 1: Conceptual Framework	45
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Figure 2: Distribution by Gender 56

Figure 3: Respondents' Age 57

Figure 4: Highest Level of Education 58

Figure 5: Duration Worked in the County Government 60



LIST OF ABBREVIATION AND ACRONYMS

EU:	European Union
GOK:	Government of Kenya
ICPAK:	Institute of Certified Public Accountants of Kenya
ICT:	Information and Communication Technology
IGFs:	Internal Generated Funds
IS:	Information Systems
KRA:	Kenya Revenue Authority
NACOSTI:	National Commission for Science, Technology and Innovation
OECD:	Organization for Economic Cooperation and Development
OSR:	Owner Source Revenue
RBV:	Resource-Based View
SPSS:	Statistical Package for Social Scientists
UK:	United Kingdom
UNCTAD:	United Nations Conference on Trade and Development
UNDP:	United Nations Development Programme
NPM:	New Public Management

CHAPTER ONE: INTRODUCTION

1.0 Introduction

Prioritising global, regional, and local settings, the first part provides a brief background on the research issue. In addition to outlining the issue, the study's goals and purpose are highlighted. The study's guiding research questions are laid forth here. Along with the study's scope, limitations, and parameters, the significance of the research is also discussed. Finally, the study's underlying assumptions are outlined. Prioritising global, regional, and local settings, the first part provides a brief background on the research issue. In addition to outlining the issue, the study's goals and purpose are highlighted. The study's guiding research questions are laid forth here. Along with the study's scope, limitations, and parameters, the significance of the research is also discussed. Finally, the study's underlying assumptions are outlined.

1.1 Background of the Study

Governments across the globe place a premium on collecting taxes and other forms of internal income since it is essential to the smooth operation of government operations and the growth of economies. The efficiency and efficacy of government service delivery, which in turn affects the public sector's financial performance and economic growth, are heavily influenced by the variables that affect the collection of internal revenue (Ewetan et al., 2021). Governments operate mostly in the field of public finance across the world (Dexu & Wenlong, 2022). This includes the government's role in macroeconomic stability, resource allocation, and income distribution. It is also underlined that operating expenses and revenue distribution are included in government

spending. The challenges encountered by revenue collection systems on a global scale, such as corruption, have prompted various taxation reforms (Aghion et al., 2016). Consequently, entrepreneurs bear a significant burden, especially in regions where corruption hinders infrastructure development by local authorities, thereby impeding overall welfare gains.

1.1.1 Global Perspective of Own Source Collection Determinants

A number of Asian and Pacific countries, such as Singapore, Australia, New Zealand, and Papua New Guinea, have developed independent tax systems, according to Hawksley and Ward (2019). Because of the need of duties in service delivery and tax regulation, which eventually contributes to profitability, nations like India, Indonesia, the Philippines, and Cambodia place a strong focus on responsibility, high integrity, and efficient performance management of staff. Budgetary, organizational, and human resource autonomy all provide flexibility and protect against political meddling (Bird, 2015). Robert (2014) emphasizes autonomy's benefit in keeping tax systems intact by avoiding legislative intervention. Furthermore, some revenue agencies like those in the Philippines, Malaysia, Cambodia, India, Indonesia, and so on as well as developments in ICT have been shown to be important indicators of cheap tax expenses and good compliance (Musya, 2014).

The COVID-19 pandemic substantially impacted tax revenue collection in European countries using the euro, with most EU member states seeing sharp declines in 2021 compared to 2020. To improve and stabilize tax collection, the European Union recommended increased automation of revenue gathering processes (Țibulcă, 2022). Similarly, research in India by Sidhu et al., (2018) revealed inefficient and ineffective revenue collection on extensive road networks when traditional manual methods were utilized.

1.1.2 Regional Perspective of Own Source Collection

According to the OECD (2014), governments in emerging countries and Africa rely heavily on revenue accumulation as a stimulus for budgetary expenditure. De La Cuesta et al. (2019) asserts that in order to maximise social and economic growth, governments engage in a wide range of political, social, and economic activities. Governments require enormous financial resources to carry out these responsibilities and tasks. The total revenues collected from all dependent federal departments, commissions, and other entities constitute the government's budget. These revenues, accounted for through standardized procedures, are categorized by their sources into various public funds, excluding intra-governmental transfers, associations, and private trusts. Whereas revenues in Ghana and Uganda are centralized into the national budgets, funds in Liberia are transferred between different levels of government.

Studies conducted in Zimbabwe and Nigeria show that digitizing tax systems has a favorable impact on revenue collection. The introduction of electronic tax identification, e-filing of returns, e-payments, and electronic tax registration in Nigeria greatly improved revenue performance, as the move to digital systems as a whole had a positive impact (Yusuf, 2022). Chilunjika (2018) discovered that online systems have an effect on small taxpayers' compliance with regard to tax registration, filing, and payment in Zimbabwe. Chilunjika strongly advised automating processes in order to boost efficiency. To summarize, studies in these two countries showed revenue improvements after implementing electronic and online tax systems, leading researchers to advocate for further digitization to continue enhancing revenue collection.

1.1.3 Local Perspective of OSR Collection

However, extreme redistribution of wealth to state and local levels may impede federal efforts to stabilise the economy and implement other significant reforms (Karimi Maina

& Kinyua, 2017). Kenyan County Governments get money from a number of different places, including as taxes, licensing fees, discontinuances, and permission fees. As has historically happened, programs may fail, county governments' operational activity may stop, and some counties may experience a slowdown or labor strikes. (Muriithi, 2015). There are 47 county administrations in Kenya, each having a comparable constitutional structure, authority, and mission as stipulated in the 2010 Kenyan The Constitution. Each county gets a certain amount of money from the national government, but it also has to make money on its own.

The effective collection of obligatory taxes from the general public is the responsibility of county governments in order to guarantee that people get vital services. The needs of county governments also put a strain on the federal government's finances, which hurts the economy of the whole country (Muriithi, 2015). According to the Government of Kenya Report, the County Governments Act No. 17 of 2018 was the legal basis for the establishment of county governments in Kenya. Every responsibility that is entrusted to the County Government by the Constitution or by law must be met by it, as stated in the Act. According to Waema and Bowman (2014), all responsibilities outlined in Article 186 of the Constitution, as well as management activities, are included in the tasks that the federal government assigns to county governments..

By focussing on local needs and improving public services, devolved county governments do better than federal ones (Beekes & Brown, 2014). When it comes to decentralisation, county administrations are in a better position than federal ones when it comes to meeting local needs and improving public service quality (Beekes & Brown, 2014). In line with this perspective, the Meru County administration has been tasked with finding and collecting monies from regional sources, such county property taxes, fines, and penalties, to enhance the amount of money that may be allocated for local

development. While relying on IGFs is important, the county administration is also looking to launch programs and activities to alleviate poverty in the area (Aketch & Karanja, 2013). Additionally, County Revenue Funds and provisions for the development of additional county-level funds are established under Article 207 of the Public Finance Act of 2018.

Tax revenue and non-tax income are the two main components of the county's budget, which comes from a number of places including property taxes and individual company licenses. Business income is the money that comes in from sources that are specific to a company, partnership, or sole proprietorship. According to Article 209 of the constitution, the primary sources of municipal income for Kenyan counties are from property and entertainment taxes, parking fees, and single business licenses. This suggests that legislative actions are required to approve any new sources of funding for county administrations. The county's long-term survival, service delivery, and infrastructure depend heavily on its revenue stream. The importance of these county income cannot be understated, especially for Meru, where funds are used, among other things, to build administrative headquarters, co-fund economic development projects, provide scholarships, and pay personnel wages.

Adenya and Muturi (2017) state that Kenyan counties often barely collect around half of the funds allotted in their budgets. There is a significant dependence on money from the National Government, despite expectations that counties should increase their financial foundation for local development by generating cash from local sources. Due to the growing county population, rising infrastructure development demands, and other factors, many county governments are facing a large shortfall between their available funds and their spending requirements. Service delivery is being adversely affected by

the gap between revenue growth and economic activity growth, as the 2014 ICPAK Devolution Baseline Survey made clear.

As seen by the collection of Sh219 million in FY2022/2023, Meru County has had difficulties with OSR and has fallen short of expectations (Controller of Budget, 2023). Compared to Kshs. 435 million in FY 2020/21, the own source income produced in FY 2020-21/2022 was Kshs. 385.39 million, indicating a drop. Against a goal of Ksh.705 million, the County earned Ksh.383 million from its own sources of income in FY 2019–20. As of FY 2018–19, the County's own-source income was Kshs. 550 million, or 50% of the Kshs. 1100 million collection objective (Controller of Budget, 2023).

1.1.4 Determinant of OSR Collection.

Tax revenue, including that from customs duties, excise taxes, licenses, and other sources, is extremely important for ensuring that government programs and services can be properly funded and implemented. Taxation is a major way that governments across the world raise money. Research shows that developed countries tend to have sophisticated tax systems that allow them to collect higher revenues. In contrast, developing countries often struggle with suboptimal tax policies and administrative structures, which hamper their ability to efficiently gather tax monies (O'Reilly, 2018).

Countries south of the Sahara still struggle with significant overall budget deficits despite a variety of changes because they have made very little headway in raising domestic income. Fjeldstad (2001) looked at the chances and difficulties that Anglophone Africa had when it came to collecting local taxes. He emphasized the administrative and political barriers that certain income streams face in addition to citizen tax compliance. Case studies conducted in Anglophone African countries show that while local government authorities' attempts to raise income are significant, they are still inadequate to produce and provide the people with the services that they need. According to Orwa (2019),

illiteracy on the part of both taxpayers and tax collectors and a shortage of competent workers are the main causes of revenue collection shortcomings. Bird notes that appointing tax officers who lack the accounting knowledge and comprehension of tax rules necessary to carefully review returns has significantly hampered revenue collection. Qualified tax workers with the essential skills to uphold laws and maximize system efficiency are necessary for efficient tax administration (Orwa, 2019).

More money in the bank has been linked to technological developments like simplified taxes and changes to tax procedures. Almost 85% of established tax authorities feel that their tax effectiveness might be enhanced by greater technology and integration, as noted by Nyaga (2019). According to Jones (2009), revenue professionals may better use their resources to analyse data and create plans to increase income and decrease expenditures when they take a strategic approach to tax technology. This contrasts with wasting precious time accumulating data. Overall, revenue collection technologies allow revenue functions to become more effective by assessing current revenue gathering processes, pinpointing areas for improvement, and utilizing the most helpful technologies at the opportune time. Rather than expend effort amassing data, the focus shifts to strategy development and targeted data analysis to grow income and decrease costs.

The mobilization of OSR is influenced by the legislative and policy directions set by both national and county governments (Cheruiyot, 2018). In the Kenyan context, the focus has been on the legislative and policy aspects of devolution, which have been addressed by bodies such as the Council of Governors and the National Assembly through various reports and legislative measures. A sectorial policy and legislative analysis concerning devolution was conducted by the UND and the Council of Governors in 2015, as highlighted by Amuhaya (2019). This analysis examined the implications of various constitutional, legal, policy, and institutional frameworks being negotiated by both

national and county governments, as well as other state entities. Recommendations from the report included the need for effective government relations, alignment of policy and legal frameworks, and clarification of roles between the two levels of government.

Furthermore, the National Policy to Support County's OSR (2019) identifies inadequate revenue policies and legislation as significant hindrances to OSR generation.

1.2 Statement of the Research Problem

The National Treasury has been the primary source of funding for Kenyan county governments since their establishment in April 2013. The fact that they want a national vote to boost their allocation demonstrates that there is a significant issue with the way counties collect their own revenue, since they rely excessively on the federal government.

The Meru County Government has failed to achieve its source collection objectives for each of the last five fiscal years, as reported by the Controller of Budget. The county governments' restricted ability to raise money within their borders is the cause of this deficit. In the 2018/2019 fiscal year, the County Government of Meru specifically attained 50% of its own-source income against the yearly objective; however, in the 2019/2020 fiscal year, the target decreased from 1100 million to 705 million, and only 54.6% of its own-source revenue was accomplished. The trend has remained on downward move in the subsequent years. In financial year 2020/2021 the fall short with 37.3%, 2021/2022 with 44.9% and 2022/2023 the county fell short of OSR by 36.5%.

Thus, in order to improve county financial performance, a strong own source income collecting system must be established (Rugutt, 2019). According to Adenya and Muturi (2017), there are large gaps in local revenue collection as a result of counties' incapacity to raise enough money to satisfy their budgetary objectives, which causes problems with county financial performance. The study lists some of the problems that counties face, such as not having enough staff, not having the right IT tools, not paying their taxes, and

cheating in regional governments. Because of these issues, we need to look at several things that affect how counties collect their own source of income and how those things affect their financial health. Finding out how the operational elements that decide the County Government of Meru's source revenue collection affect its financial performance is the goal of this study..

1.3 Purpose of the Study

This study's goal is to determine how the County Government of Meru, Kenya's financial performance is impacted by the operational factors that determine its own source of collection.

1.4 Specific Objectives

The following specific objectives will guide the study;

- i. To determine the effect of staff competence on financial performance of county government of Meru, Kenya
- ii. To establish the effect of automation of revenue collection on financial performance of county government of Meru, Kenya
- iii. To establish the effect of internal control systems on financial performance of county government of Meru Kenya
- iv. To determine the effect of county policies on financial performance of county government of Meru Kenya

1.5 Research Questions

The study intends to give answer to the following questions;

- i. Is there any effect of staff competence on financial performance of county government of Meru Kenya?
- ii. To what extent does automation of revenue collection affect financial performance of county government of Meru Kenya?

- iii. How does internal controls on OSR collection affect financial performance of county government of Meru Kenya?
- iv. To what extent does county policies affect financial performance of county government of Meru Kenya?

1.6 Significance of the Study

The study's goal is to find the factors that affect receiving income on its own and how they work. those variables affect the County Government of Meru's bottom line. With this knowledge, policymakers will be able to create efficient measures to increase OSR collection, which will boost financial performance. Decision-makers in the county may also benefit from the research as it offers information that might help them make choices that will improve the County Government of Meru's financial performance. Furthermore, the study adds significant and current empirical data on OSR in the Kenyan setting, enhancing the body of previous work. It is anticipated that the research would significantly advance knowledge by providing a thorough grasp of the complexities of revenue collecting. It is important because it establishes a basis for other research projects in this area by delving into income collecting and related factors in later studies.

1.7 Scope of the Study

Among the subjects of the study were employees of the Meru County Government, and the focus was on how the county's own source of revenue affected the organization's bottom line. Years 2018 through 2022 were a part of the study's time frame. Competent staff, automated revenue collection, internal control systems, and county regulations were the four main tenets of the study's conceptual framework that dictated OSRs. New public management, resource-based vision, and public engagement theories were all part of the theoretical framework..

1.8 Limitations of the Study

Several things could have gone wrong with this study. At first, it was difficult to obtain information from the County Government of Meru's top leaders because some were too busy or chose not to fill out the surveys. The researcher overcame this challenge by allowing participants enough time to do the surveys at their own pace using a drop-and-pick strategy and closely monitoring the findings. Secondly, a few individuals raised concerns, mostly because they had reservations about the research's intended outcomes. Nevertheless, the college sent them an introduction letter guaranteeing their privacy and making it plain that the data will be used only for educational objectives. Respondents' honesty was crucial to the reliability of the results, thus the researcher offered assurances in the hopes that they would be truthful..

1.9 Assumptions of the Study

The following basic assumptions underpin this study:

When it came to the financial performance and revenue collection of the Meru County Government, there was sufficient and reliable data accessible for study. The study's data, which included financial performance indicators and records of revenue collection, was accurate and devoid of any major mistakes or inconsistencies. In order to generalise the results to the larger context of Meru County Government, the study's sample was carefully chosen to suitably reflect the community. The political environment within Meru County remained stable throughout the study period, with minimal disruptions or changes in governance that could have impacted revenue collection and financial performance.

2.0 Operational Definition of Key Terms

Automation: Means using scientific information in a practical way;

includes systems, technologies, and processes. Here, it refers only to the county government's automated systems that help with tax collection.

Competency:

It includes the new staff's ability to regularly meet the company's goals based on their skills. In this study, "competency of revenue staff" means that the county's revenue staff can collect money quickly and correctly by following set rules.

County policies

refer to a set of regulations, laws, actions, and financial priorities related to a specific subject matter, established by a governmental body or its representatives. In this study it specifically focus on regulations and laws enacted in the county government Meru to govern OSR generation.

Internal Controls:

Compliance with rules, regulations, and policies, as well as reliable financial reporting, are all part of this process, which aims to help organizations reach their objectives. The County Government of Meru has put these procedures in place to monitor various parts of financial management, according to this report.

Operational Determinants:

This chapter begins with a discussion of the theoretical literature that provides the theoretical groundwork for the study variables. It then moves on to a review of the empirical research and the conceptual framework. A concise synopsis of the material studied and any research gaps will round up the chapter..

Revenue Collection:

the procedure of gathering county levies imposed on traders and other assets as mandated by regulations. This encompasses sums in taxes and licenses. As per this investigation, it pertains specifically to the taxes collected by the County Government of Meru.



CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The theoretical literature that provides the theoretical underpinning for the study variables is discussed in the early half of this chapter. A survey of the relevant empirical studies and theoretical underpinnings follows. A concise synopsis of the material studied and any research gaps will round up the chapter..

2.2 Theoretical Literature Review

Here we establish the groundwork for the conceptualised relationship between issues impacting personal revenue collection and financial success by exploring several hypotheses. The theories under consideration include; the NPM, the RBV theory and theory of public participation.

2.2.1 The New Public Management Theory

The NPM, put out by Manning (2001), places an emphasis on the significance of attaining effectiveness in public performance. Following the lead of the business sector, NPM advocates for public affairs management to adopt private sector techniques. Having said that, NPM has only achieved moderate success. Radnor, Osborne and Glennon (2022) raise questions about the feasibility of applying business techniques directly to public organizations, given the differences between the two sectors. Nevertheless, the New Public Management Theory comprises a set of intricate ideas that incorporate market elements into the public sector arena (Osborne, Radnor & Nasi, 2013). Kenya is one of several industrialised and developing nations that has recently reformed its public sector, most notably its county finance system. Problems with policy enforcement during tax reform may be better understood with the use of this theory in the field of county finance. Typically, lower-level employees are assigned this task, and their personal views on new regulations may influence their implementation. Public reforms have failed in the past

for a variety of reasons, and the NPM Theory provides an explanation for these failures. One of these causes is a severe lack of personnel to carry out the necessary activities, which may lead to subpar results (Frederickson et al., 2018). This is an extremely important factor to examine since the way County Finance handles the revenue collecting process has a direct impact on how well operational determinants work to collect income from own sources.

The idea of the public market has entered the realm of public relations with the advent of operational determinants, which recognize that private companies' methods of providing products and services may not always be the most cost-effective. As a result, the study considers how county governments' revenue collection efforts might be impacted by variables affecting public sector performance and service delivery. Public service reform has not been successful in its two primary goals—improved administration of public finances and projects and enhanced capacity to provide better services—according to Belhassan and Azegagh (2020)..

The theory's main tenet is that the public sector may benefit by reforming its operations to more efficiently collect taxes by using a mix of private sector and public sector tactics and methods. Because of this, there is a connection between this theory and things like public awareness, staff competency, and automation when it comes to improving financial performance by maximizing revenue collecting. The idea of modern public management provides a solid theoretical foundation for the County Government of Meru's financial performance metrics, which include staff competency, automation, internal control mechanisms, and public awareness. Without a clear understanding of the importance and value of these determinants, management may inadvertently contribute to inefficiencies in financial performance.

2.2.2 Resource Based View Theory

The resource-based view (RBV) is the preeminent theory for obtaining a competitive advantage, according to Furrer et al. (2008). Penrose (1959) established RBV by highlighting the importance of organisational resources rather than industrial structure. Coined by Wernerfelt (1984), the term "resource-based view" conceptualizes businesses as collections of semi-permanently attached assets. According to RBV proponents, a company's competitive edge comes from its strategically valued and easily deployable abilities and tools (Barney, 1991).

Some have emerged to cast doubt on the RBV theory, which has led to changes (Foss et al., 2008; Makadok, 2001b). Two polemical works that take aim at RBV are the one by Foss and Knudsen (2003) and the other by Spender (2006). This research looks at the extent and veracity of RBV's critics. According to Alexy et al. (2018), RBV is only relevant for huge companies that control a substantial portion of the market. He contends that smaller businesses have distinct benefits over RBV that aren't possible for larger corporations since they concentrate on dynamic resources. According to Alexy et al. (2018), smaller enterprises may gain unique competitive advantages by using nontangible resources. The research looks at how county governments may improve their financial performance by automating revenue collection and having competent personnel. One way to do this is by increasing revenue collection efficiency. Essential to administration is "control," which may be described as structured plans, frameworks, and timetables based on facts that help with decision-making and the execution of strategies (Wade & Hulland, 2014).

In reference to the primary objective of the study, which was to ascertain the level of competence of the tax personnel, the RBV emphasises the need of allocating specific resources. The importance of a company's ability to generate value from its operations is

emphasised by RBV theory in relation to the second reason, automation. The RBV stresses the need of demonstrating that a product is imperfectly replicable in relation to the third objective of internal controls. Lastly, because the RBV theory stresses the significance of not being substitutable, it is pertinent to the end objective of the level of consciousness. Goal attainment depends on stakeholders continuing to have a high degree of awareness.

2.2.3 Theory of Public Participation

Four main elements emerge from Quick and Bryson's (2016) participation theory: expertise and participation, diversity and inclusion, legitimacy, and the difficulty of creating participation procedures. Legitimacy, according to their theory, is seen as a perception issue; if public participation is perceived as lacking legitimacy, it runs the risk of alienating the public from the government. The process's quality, which includes principles like justice, openness to the public, transparency, and consideration for stakeholders' concerns, is another component of legitimacy.

In terms of diversity and inclusion, Quick and Bryson (2016) recognize the importance of capturing a variety of interests, including ethnic, gender, racial, or socio-economic diversity. They align with Innes and Booher (2014), asserting that participation should involve deliberation and the creation of new understanding, rather than merely consulting the public for input (International Public Participation Association, 2014). Furthermore, they stress that achieving inclusivity should include actively navigating disparities in identities, opinions, boundaries, institutional viewpoints, and problem definitions. Regarding expertise and management, Quick and Bryson (2016) highlight the policymaking dichotomy between expert knowledge and lay knowledge, with the process often favoring the former. They advocate for an inclusive process that involves both groups, stating that any policy-making process excluding one group falls short of

achieving desired outcomes. Concerning the challenge of designing participation processes, Quick and Bryson (2016) observe that there is no one-size-fits-all formula for effective participation. Instead, each public policy situation presents unique interactions between participants and methodologies. This study will explore public awareness at the County level, employing the four thematic areas outlined in Quick and Bryson's (2016) theoretical model.

2.3 Empirical Literature Review

Internal control mechanisms and various degrees of punishment are used to supervise the financial performance of the County Government of Meru. This section also investigates the impacts of staff experience, innovation, and technology, as well as presents the major results of empirical investigation in relevant literature. The adequate funding of government activities is mostly dependent on taxes, licensing fees, and other sources of income.

2.3.1 Financial Performance of County Governments

To assess the monetary impact of a business's decisions and strategies, analysts utilise financial performance metrics such as value added, return on assets, and return on investment (Akoth, 2019). Okuodho and Ngaba (2020) state that these characteristics demonstrate a county government's ability to sustainably fund its operations, pay its debts on time, and deliver inhabitants necessary services when they need them.. The assessment include variables such as the share of money obtained from the federal government, the efficiency of local tax collection, and the distribution of funds for both ongoing and development costs (Njahi, 2017).

A study by Masuhara et al. (2019) in Sub-Saharan Africa underscored the correlation between efficient service delivery and citizen satisfaction with county government performance. The research identified factors such as institutional capacity, human

resource management, and infrastructure investment as critical determinants of service delivery efficiency. In Nigeria, a study by Adejuwon and Olukotun (2020) examined the impact of service delivery efficiency on public trust in local government institutions. The findings indicated that counties with higher levels of service delivery efficiency tend to enjoy greater public confidence and support for government initiatives.

Mutuku et al. (2021) looked examined the elements that affect the effectiveness of tax collection for county administrations in East Africa. Findings indicated that tax policy design, regulatory procedures, and interstate fiscal transfers were significant contributors to revenue collection. Mchunu and Mokhele's (2019) research in South Africa examined the relationship between effective revenue collection and the sustainability of county administrations. According to the study's results, counties with efficient revenue management systems often exhibit greater levels of financial resilience and are in a better position to fund infrastructure improvements and public services.

Mugambi et al.'s 2020 study on the fiscal imbalance and how it affects county governments' ability to provide services: A case of Kenya revealed that counties experiencing chronic budget deficits tend to face challenges in meeting their financial obligations, resulting in delayed payments to suppliers and contractors, as well as reduced investments in critical infrastructure and public services. Kariuki and Kamau (2018) examined budget deficits in selected counties and identified factors such as overreliance on volatile revenue sources, mismanagement of public funds, and inadequate fiscal planning as contributing factors to persistent budget shortfalls.

2.3.2 Revenue Staff Competence and Financial Performance

Enhancing employee performance through competency and training involves providing workers with the necessary understanding and knowledge (Muzam, 2023). Training, as a formal process, imparts knowledge and skills crucial for achieving high levels of

productivity. It focuses on increasing employees' knowledge and skills required for efficient job performance, while development aims to expand their capabilities and knowledge for future responsibilities. In developing nations, training plays a crucial role in supporting tax mobilization and is frequently integrated into aid programs to influence public sector service delivery (Maisiba & Atambo, 2016). As noted by Collins, Quick, Musau, Kraushaar, and Hussein (2016), who identify shortcomings as risks to economic growth, these initiatives seek to overcome obstacles within public administration, inform government policy, facilitate information exchange between nations, and stimulate debate on tax-related issues.

Improving service delivery and competitiveness in business, government, and the public and private sectors require addressing staff retention. Awitta (2015) conducted an empirical study in several cities in the UK to look at the effects of staff training on revenue collection and service delivery. A regression analysis involving 70 participants from 10 cities demonstrated a correlation between enhanced staff training and increased tax collection. Deniz (2023) studied 185 tax officers in Zonguldak city to find out how training affected revenue mobilisation in the tax collecting industry. Research shows that salary significantly affects several crucial outcomes, such as revenue collectors' satisfaction, recruitment, retention, performance, skill development, motivation, and turnover expectations. However, the report does not include specific details on the selection process or evaluation methods for the 185 tax officers. It is also unclear if the data used were primary or secondary sources.

Furthermore, using a random sample of 20 Chinese parking attendants, Tang and Zhang (2021) examined the relationship between employee education and tax collection. The research found that extrinsic variables like the capacity for training and the fairness of current training techniques have a direct impact on work performance in the tax collecting

industry. However, owing to a lack of incentives, low motivation, and issues with the Public Service Commission, local authorities in Kenya see a high turnover of specialists and technical professionals even with a sizable staff complement (Jepkoech, 2020).

The high rate of professional turnover in local government is a direct effect of the corruption and inefficiency they deal with, as well as a contributing factor. In addition to neglecting the needs of city dwellers and taxpayers, the majority of local governments sometimes fail to pay their employees on time (Henry, Yongsheng, & Jun, 2016). A few municipal workers use industrial action, such as skipping work, in order to force the payment of unpaid overtime. Under such circumstances, service delivery is hindered, delayed, and inadequate, which negatively affects staff morale and causes needless disruptions for taxpayers.

A study by Akinyi and Okwiri (2021) focused on the effects of revenue collection staff training and skills on the financial performance of small and medium enterprises (SMEs) in Nairobi, Kenya. The quantitative study included a sample of 150 SMEs and used regression analysis to assess the relationship between staff skills and financial outcomes. Results revealed that SMEs with trained revenue staff reported significantly higher profitability and better financial management practices compared to those with inadequately trained personnel. The study highlighted that firms investing in training for their revenue collection staff experienced enhanced financial performance due to improved operational efficiency and effective tax planning.

Research on performance management practices in Kenyan local government was carried out by Kibunja (2017), with an emphasis on the Nairobi City Council. The results highlight how important it is for businesses to have a strong organizational culture, set up a solid framework for performance management, and integrate with their present methods and procedures in order to succeed (Carol & Florah, 2019). Therefore,

organizational leadership must demonstrate their commitment to performance management.

Musyoka and Mutuku (2020), the researchers examined the impact of revenue staff competence on the financial performance of county governments in Kenya. The study adopted a quantitative research design, utilizing surveys distributed to revenue staff and financial managers across various counties. The findings indicated a positive correlation between the competence of revenue staff measured through their skills, knowledge, and ongoing training—and the overall financial performance of local governments. Competent revenue staff were found to enhance tax compliance, reduce revenue leakage, and boost the collection efficiency, which ultimately led to improved financial health in the counties. The study emphasized the importance of ongoing training and competency development as essential for effective revenue administration.

2.3.3 Effect of Automation on Financial Performance

The role of automation in tax and revenue collection has become increasingly significant. The introduction of new tools to enhance business efficiency has a direct impact on the methods employed for collecting taxes and revenues. The rapidly evolving landscape of IT renders existing fiscal systems outdated within a short span. With the ever-changing nature of financial processes, there is an increasing need to integrate pre-existing structures, which in turn necessitates the creation of new applications (Adams, 2013). Counties may take use of new tactics in lobbying, advocacy, design, implementation, and citizen service delivery made possible by ICT. Management information systems that take into account regional, national, and global trends are essential for this. Reducing expenses, standardizing operating procedures, and decreasing mistakes may be achieved by automating all aspects of the operations.

Ndonye (2018) examined the avenues in which the Nigerian Ministry of State for Immigration and Registration of Persons generates income. A large majority of respondents (65%) strongly agreed that people in need of assistance have difficulties with online application processes due to a lack of technological knowledge. The ministry's attempts to collect funds are subsequently hampered by this. Additionally, the inquiry brought to light a number of challenges. There were several factors contributing to this problem, such as revenue collection staff members lacking in IT knowledge and skills, ministry employees being resistant to change, an inadequate infrastructure for IT, and the persistence of non-automated methods. Due to a lack of factor analysis to isolate factors influencing revenue collection, such as technical skill, the study may have been biased..

Research conducted by Maisiba and Atambo (2016) examined the impact of modern information and communication technologies on revenue generation, organisational productivity, and cost savings from 1992 to 2013. The study focused on the years 1992 to 2013. There was a direct correlation between the employment of technological tools and increased income and decreased expenditures, according to the results. Worldwide use of ICT has boosted corporate efficiency and cut costs significantly in areas like crossborder money transfers. Another study, this one focussing on tax-makers in Malaysia, by Ling and Nawawi (2015), looked at how advanced fiscal education apps and ICT skills were integrated. The primary purpose of the research was to provide participants with the knowledge necessary to make good use of an electronic tax system. In order to make good use of automated tax systems, individuals need three specific abilities, according to the research. Even though the new online system cost the Malaysian tax office a lot of money, barely 20% of the intended filers were able to utilise it after three years. The lack of technological literacy was the main reason of this.

Akinyi and Odundo (2018) used the example of Homa Bay Water and Sewerage Company Limited to show how information systems (IS) contribute to the long-term viability of Kenya's public water utilities. Specifically, the study highlighted the possible advantages of completely integrating IS in water revenue collection, especially the electronic payment system, and found a favorable association between ICS and financial sustainability.

Yegon (2023) also looked at how e-tax affected collecting taxes in Uasin Gishu County using a case study method and data from 102 respondents. Research found that iTax had its own set of problems, particularly with taxpayers' ease of use and Kenya's low levels of computer expertise, even if e-filing system training has been effective in Kenya. To improve the scheme's efficacy, the report suggested that the KRA implement civic education. On the other hand, the study's goals and the respondents' contributions were not made clear, and the results and conclusions hinted to a double-blind approach, combining two investigations into one.

If you want to increase your productivity and efficiency in generating income, you must utilize technology. Technology is crucial in attaining revenue collection objectives by decreasing tax avoidance and evasion, however traditional paper-based approaches are still essential (Karimi, Maina, & Kinyua, 2017). A subfield of public administration, tax system technology seeks to increase profitability and efficiency on a national and regional scale. Policy discussions in industrialized nations have recently focused on the potential benefits of switching to computerized revenue collection.

According to Owino, Senaji, and Ntara (2017), for example, a tax assessment and collection system for online services is necessary because of current trends in public taxation. Potential advantages of state-building taxes, the financial and debt troubles in

Western countries, and the effects of trade deregulation on their budgets, and their need for foreign aid; and the urgent financial demands of emerging nations are some of the reasons for this concept. There is a discrepancy between anticipated and actual collections because developing nation governments face substantial obstacles in collecting tax revenues. It is essential to invest in current technologies like ICT when automating revenue collecting systems so that the system can be updated, convergence can be promoted, and knowledge sharing can be facilitated for improved performance (Kira, 2016).

Establishing efficient and effective revenue collection procedures that improve transparency and resource utilization throughout the county is crucial for ensuring adequate management of budgeted services and project activities (Amin, 2013). By automating processes and structures, technology—particularly notably information and communication technology plays an essential role in the evolution and simplification of tax administration (Mugambi & Wanjohi, 2018).

In light of this, Foster and Hope (2017) conducted an empirical study to assess the impact of technology on revenue mobilisation in India. Using regression analysis on a random sample of 20 local governments worldwide, the research demonstrated that the government may fulfil residents' development ambitions by significantly increasing its financial depth without increasing administrative expenses. Technology implementation, especially through automated systems, was identified as crucial for revenue collection, particularly in Malaysia, where it was observed to improve the acquisition of road parking fees, thereby boosting revenues.

The ease, dependability, and safety of payment methods, in addition to their speed, were highlighted by Henry et al. (2016) as crucial factors in attaining efficient and successful retail payment systems in Thailand, quality of services, and fees charged by financial

institutions. Tax payment automation, originally coined in the US, has been adopted by countries like Australia for the administration of municipalities (Owino et al., 2017). Turkey's tax strategy focuses on simplifying tax laws, aligning them with EU laws, and highlighting the critical role of modern technology in revenue mobilization, especially for developing nations promoting municipal growth.

Weru et al. (2017) examined potential tax structures and economic growth rates in Brazil and Japan. The lessons learned from Japan's tax system show that a country may make changes before it reaches a certain degree of growth. Alternatively, the domestic market and economic development might be boosted via a new system. Collins (2016) looked at the efficiency of the Automation System Procedure of the GRA in collecting taxes in the country. After implementing the UNCTAD, many waiting operations were discovered to be simplified, including tax clearing, accounting, processing customs declarations, transit, and others. The purpose of collecting trade data was to aid in economic and statistical analysis.

According to Kondo (2015), Zimbabwe has positively influenced the success of organizations in developing countries by implementing online receipt technologies. Unlike traditional receipt processes, online receipts offer added value by facilitating secure online communication between senders and recipients. Certified receipt processes need to ensure the validity of origin and receipt exchange. In case of successful transmission or delivery failure, confirmation from both the sender and the hindering mechanisms for new technology implementation is crucial.

Automation is positively correlated with revenue collection and productivity collection in Uganda, according to study by Omwono, John, and Kevin (2016). On the other hand, the time needed for tax clearance was adversely and strongly correlated with automation. Tax administration, automation, time efficiency, and revenue collection efficiency are all

greatly improved by this research. Another study by Awita et al. (2015) in Kenya demonstrated that implementing e-payment using mobile technology for parking increased parking rates. However, the study recommended designing a traffic control application for parking space allocation without addressing penalty payment schemes. In their 2016 study, Maisiba and Atambo investigated the mobile parking management system in Nairobi County and the loud demands for electronic payment. Although the research did find several obstacles, it did not specify how to control them. While the effects of electronic payments on tax collection were not immediately apparent, awita's (2015) study did indicate that automating such processes would greatly boost revenue collection. The Mombasa County Government was advised to automate their income collecting process, albeit the research did not reveal which technology will be used.

Revenue collection was one of the responsibilities shifted to county governments in Kenya under the 2010 Constitution (Muriithi & Moyi, 2013). Permit fees, cessation charges, licensing fees, and parking fees are some of the taxes that county governments use to fund their operations. For the system to work as intended, effective revenue collection is critical; otherwise, vital services may have to be cut, which might slow down the transition. The effectiveness of fiscal decentralization, which aims to empower communities by increasing administrative openness, depends on a strong revenue structure (Masaiba et al., 2016).

According to Muema Awita (2015), smart parking systems and other contemporary epayment solutions make it easy to collect payments using mobile phones. Nevertheless, due to its novelty and a lack of data and research on internet banking in Kenya, the implementation of e-payment by Kenyan County Governments encounters obstacles.

2.3.4 Effect of Internal Control on Financial Performance

In order to determine if internal controls improved tax collection, Robert (2014) undertook a study at the Kenya tax Authority. The study analyzed the collected data using quantitative and qualitative research methodologies to find out how control operations, information and communication, risk assessment, control setup, and monitoring affected internal controls. All five components must be readily available for internal controls to be successful, according to the research. According to the research, fraud, income loss, and embezzlement may result from collaboration that is facilitated by weak internal controls. In spite of many obstacles, the research proved that the Kenya tax Authority's internal controls work and found a strong link between the two in terms of tax collection. On the other hand, a more thorough analysis would have been possible if the research had included quantitative and qualitative findings.

Ewa and Udoayang (2018) set out to explore how the architecture of a control system affects banks' capacities to probe employee fraud, behaviours, and detection of fraud in Nigeria. We utilized percentages and ratios to analyze data collected from a questionnaire filled out by 13 Nigerian banks, using appropriate abbreviations. The study's findings suggest that workers' attitudes about fraud are impacted by the kind of internal control. Strong internal control mechanisms discourage employee fraud, whereas poor ones leave the system vulnerable to fraud possibilities. According to the study's findings, many Nigerian banks don't care about their workers' personal lives, and those workers think they can spot financial fraud. The research emphasized the significance of reliable control systems in addressing issues within the banking sector. It suggested that Nigerian banks should reconsider their internal control designs to consider staff lifestyles when identifying potential signs of fraud.

The importance of control setup in analyzing internal auditing processes is shown by looking at Belgian internal control case studies. Internal auditing and fraud detection are directly related to certain environmental controls, according to research by Chalmers, Hay, and Khlif (2019). These controls encompass various factors such as the tone set by top management, the level of risk involved, and the awareness of controls. Firms' ability to identify fraud via internal auditing activities is greatly affected by how well the roles of risk management and internal control are conveyed and understood.

According to study conducted by Okidi, Akello, and Opio (2021), effective revenue collection is greatly influenced by internal controls. With the use of questionnaires, the research team collected primary data from 38 participants using a mix of qualitative and quantitative methodologies. According to the data analysis, there are five parts to good internal controls: management, information, communication, risk assessment, and monitoring. According to the research, bribery, revenue loss, and abuse were all made easier when internal controls were lacking. Though it would have bolstered the study's arguments and debates, the research did not triangulate information from qualitative and quantitative sources. Also, it's hard to generalize the results since the research didn't say who was in the sample.

Badejo, Okuneye, and Taiwo (2018) surveyed thirteen different Nigerian banks using a Likert scale with four points. The effect on the banks' ability to probe staff fraud, employee lifestyles, and fraud detection in Nigeria via internal control design was then determined by analysing the data using suitable acronyms. The research showed that workers' views on fraud are affected by controls set up internally, and that a strong system of internal controls discourages employees from engaging in fraud. Workers at Nigerian banks think that a well-designed system of internal controls might uncover banking-related fraud, but many of these institutions do not pay enough attention to their

workers' personal lives, according to the survey. The study's authors acknowledged the need of a reliable banking sector internal control system and urged Nigerian banks to rethink their methods of internal inspection and take workers' personal lives into account as a possible indicator of fraud.

Vadasi, Bekiaris, and Andrikopoulos (2019) investigated new trends in internal control by bringing sociological risk theories and viewpoints into the discussion of risk management and internal controls in the context of UK corporate governance. An evaluation of the current changes in internal audit methods may be conducted thanks to the paper's demonstration that chances for risk misappropriation and group management arise as a result of advancement in Corporate Governance reporting requirements.

Adebayo and Olowe (2021) explored the impact of internal control on the financial performance of listed companies on the Nigerian Stock Exchange. Their results illustrated those stringent internal controls, especially in cash management and inventory tracking, significantly contribute to reducing inefficiencies and enhancing profitability. The study highlighted that companies investing in effective internal control systems demonstrate resilience against financial crises.

In another study, Uadiale (2019) assessed the relationship between internal control practices and financial performance in Nigerian SMEs. The findings indicated that companies with well-structured internal control systems not only exhibit better financial outcomes but also experience higher growth rates. The research underscored the need for SMEs in Nigeria to implement comprehensive internal control plans to thrive in a competitive market environment.

several studies have highlighted the significance of internal control systems in enhancing financial performance within Kenyan organizations. For instance, Omolayo et al. (2021) conducted a study on medium-sized enterprises in Nairobi and found a direct correlation

between robust internal control mechanisms and increased profitability. The research emphasized that internal controls, such as regular audits, segregation of duties, and accurate financial reporting, play a crucial role in minimizing errors and fraudulent activities. This, in turn, leads to improved financial performance and organizational sustainability. Furthermore, Mwangi (2020) conducted a survey on the banking sector in Kenya, revealing that effective internal control systems significantly reduce operational risks and enhance financial reporting accuracy. The findings indicated that banks with stronger internal controls experienced higher customer trust and loyalty, translating to improved financial outcomes. The study underlined the importance of adhering to international standards in internal control frameworks to safeguard assets and enhance overall financial integrity.

2.3.5 Effect of County Policies on Financial Performance

According to Smith et al. (2018), theories of decentralization suggest that counties with autonomous decision-making powers tend to have better financial outcomes. Operational reforms, such as performance-based budgeting, have been theorized to enhance fiscal efficiency and accountability (Prichard et al., 2019). Regulatory frameworks, as proposed by the World Bank (2020), are expected to promote transparency and good governance in county financial management practices.

Mugambi and Bosire (2021) investigated how county governments in Kenya managed their budgets and how much money they brought in after implementing institutional changes. Two hundred county authorities made up the sample for their quantitative study, and found that counties with stronger institutional structures tend to exhibit better fiscal discipline and resource mobilization. Mutuku et al. (2020) investigated the effectiveness of operational reforms, such as electronic revenue collection systems, in improving financial efficiency. Their study, based on a sample size of 150 county residents, revealed

that operational reforms significantly contributed to enhanced revenue collection and expenditure management.

Kariuki and Kamau (2019) evaluated the impact of institutional restructuring on county financial performance. They adopted a qualitative research design, conducting interviews with key stakeholders, and found that institutional restructuring led to improved financial accountability and transparency. Mchunu and Mokhele (2018) analyzed the effects of regulatory frameworks on revenue generation and expenditure management. Their study, based on a sample size of 10 counties, highlighted the importance of clear tax policies and financial reporting standards in promoting fiscal sustainability.

A significant body of research has examined the impact of fiscal policies on financial performance in Kenya. According to Mwangi (2020), tax incentives introduced by the Kenyan government have positively influenced the profitability of small and medium enterprises (SMEs). The study employed a quantitative approach, utilizing data from 150 SMEs across various sectors. The findings indicated that firms benefiting from reduced tax rates showed a 15% increase in net profits compared to those subjected to standard tax rates. However, the study also highlighted that the effectiveness of these incentives varied based on the industry, with the manufacturing sector reporting higher benefits than the service sector.

On the other hand, a study by Otieno and Muli (2021) explored the implications of government expenditure policies on financial performance. Their research focused on the relationship between public spending on infrastructure and the financial outcomes of private businesses. Through a mixed-methods approach, they found that increased government investment in infrastructure led to enhanced operational efficiencies for firms, ultimately resulting in an average 20% increase in revenue. The study emphasized

the critical role that government policies play in fostering an environment conducive to business growth, specifically citing improved transportation networks as a key factor enabling market access for companies.

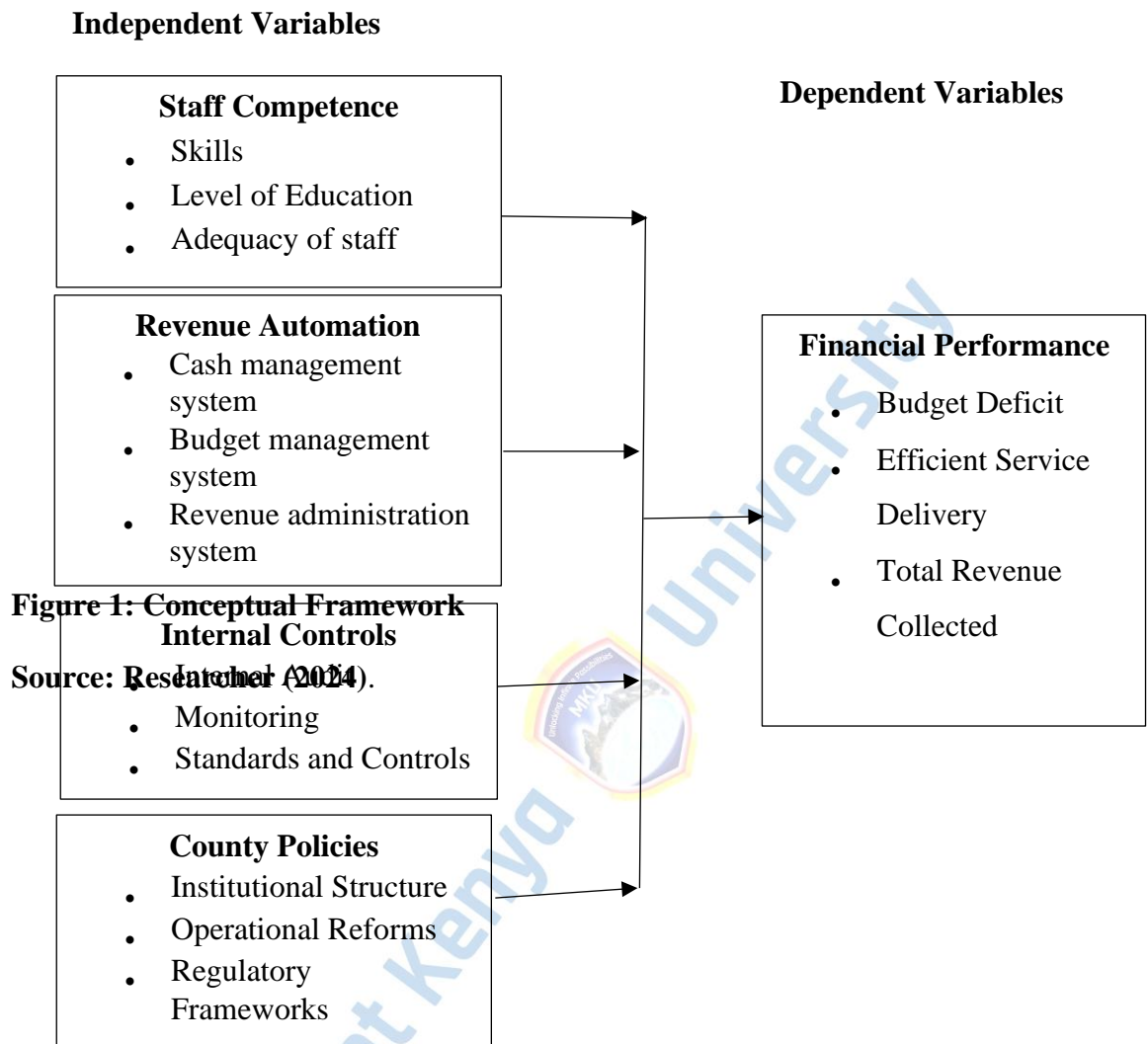
Regulatory policies are another essential aspect that has been studied in relation to financial performance in Kenya. A research study by Chege et al. (2022) focused on the effects of regulatory compliance costs on the financial health of businesses. They found that firms facing stringent regulatory frameworks experienced a decline in profitability due to increased compliance costs. The study surveyed 200 businesses and revealed that those operating in heavily regulated sectors, such as pharmaceuticals, reported an average decrease of 25% in profit margins, primarily due to costs associated with adhering to government regulations.

Conversely, a study by Njoroge (2022) explored how government policies aimed at promoting financial inclusion, such as microfinance regulations, impacted the financial performance of low-income enterprises. The research demonstrated that the implementation of supportive regulatory frameworks allowed these enterprises to access capital, leading to improved profitability and growth. The results indicated that businesses that utilized microfinance services experienced a 30% increase in revenue within two years of obtaining funding. This study underscored the significance of proactive government policies in enhancing financial outcomes for businesses in marginalized sectors.

2.4 Conceptual Framework

The theoretical relationship between the variables that are used as predictors and those that are used as outcomes is outlined in the conceptual framework (Eriksson & Kovalainen, 2015). The factors budget deficit, efficient service delivery, and total revenue received will reflect financial success in this research. Revenue Automation, The

independent variables in this study are revenue staff competence, internal control, and public awareness level.



CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This section provides a synopsis of the research approach, including the study's research design, location, population of interest, and sampling techniques. Ethical considerations, data collection methods, analytic techniques, dependability, and validity are all thoroughly addressed.

3.2 Research Design

According to Sekaran and Roger (2011), research design served as a comprehensive manual outlining the procedures and methods for collecting and analysing vital data. In an effort to better understand the world, this study used an explanatory research strategy to look for links between variables. The primary objective of explanatory research was to identify any elements or variables connected to the study's topic that may be considered causal. According to Johannesson, Ohlson, and Zhai (2023), the purpose of the study was to confirm hypotheses that were formulated in light of the current situation. This study used an explanatory research design to quantify the impact and magnitude of each independent variable on the dependent variable, which in this instance was the financial performance of the County Government of Meru. It also facilitated the investigation of the connections between different variables. Because the study used an explanatory research method, it was able to determine how OSR factors affected the County Government of Meru, Kenya's financial health.

3.3 Location of the Study

The research was carried out in Meru County, in the Eastern Region of Kenya. Meru County was 6,936 square kilometres on the eastern side of Mount Kenya. Its borders were shared by the Counties of Isiolo to the north, Tharaka-Nithi to the east, Nyeri to the south-west, and Laikipia to the west. Between the two censuses, the growth rate was 2.9%, slightly below the national growth rate of 3.1% (County Government of Meru, 2022)..

3.4 Target Population

According to Copper and Schindler (2014), a population is the whole set of items from which an analyst wishes to make inferences. Similarly, the whole group of individuals or objects with consistent characteristics that the researcher is examining is the target population, according to Saunders et al. (2014). According to Kothari (2016), a

population is a carefully defined set of individuals, objects, services, or events that are the focus of a study..

For this particular research, the population under examination consisted of 276 employees from Meru County. This includes 7 chief officers, 144 technical finance staff, 56 technical accounting staff, and 69 members of the County Assembly. The lists containing the numbers of staff at various levels were acquired from the Meru County Human Resource department, while the list of County Assembly members came from the Meru County Assembly itself. The composition of the study population is presented in Table 1.

Table 1: Target Population

Staff	Target Population	Percent
Chief Officers	7	2.5
Technical Staff (Accountant)	56	20.3
Technical Staff (Finance)	144	52.2
Members of County Assembly	69	25.0
Total	276	100

Source: Meru County (2024)

3.5 Sampling Technique and Sample Size

The study will employ the following sampling process to choose the respondent and establish the sample size.:

3.5.1 Sample Size

The following sampling design was used to determine how many samples were selected to fulfil the objectives of the research. Saunders, Lewis, and Thornhill (2003) found that as sample size increased, the probability of committing a population generalisation error reduced. Yamane (1967), as revised by Saunders et al. (2003) and used by Israel (2013), was used in the study to calculate sample sizes..

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

Where;

n=sample size,

N=target population

e=error of sampling.

While the sampling error of 0.05.

Thus, 163 respondents made up the study's sample size according to Saunders et al.'s (2009) calculation. The sample size is determined using the formula below.

$$n = \frac{276}{1 + 276(0.05)^2}$$

= 163 respondents

3.5.2 Sampling Procedure

When choosing the sample size, the need for a large enough group for good statistical analysis was taken into account. To achieve this, the population was divided into discrete, non-overlapping strata or subgroups using a stratified sampling strategy in this research. By providing sufficient data for the examination of subpopulations and for the use of various research techniques and processes across several strata, this strategy improved the statistical efficiency of the sample. Additionally, individuals within each stratum were chosen using a simple random sampling technique. The two selected strata were then assigned to respondents using the Neyman allocation algorithm, which aimed to optimize survey accuracy within a certain sample size. The ideal sample size for stratum h with Neyman allocation will be:

$$n_h = \left(\frac{N_h}{N} \right) n$$

N Where; n_h - The sample

size for stratum h , n - Total

sample size,

N_h -The population size for stratum h ,

N - The total population

Hence, distribution will be follows;

Table 2: Sample Size

Population Category	Target	Sample size Population	N_h
Chief Officers	7	4	
Technical Staff (Accountant)	56	33	
Technical Staff (Finance)	144	85	
Members of County Assembly	69	41	
Total	276	163	

Source: Researcher (2024)

3.6 Data Collection Instruments

The equipment used to collect data for the research are referred to as "data collecting instruments." The process of gathering information from those selected to participate in the research is known as data collecting. To collect primary data, the researcher developed study questions. Data on the variables influencing OSR collection was gathered using questionnaires in both structured and semi-structured modes. The selection of questions guarantees that respondents have enough time to provide insightful answers and helps remove interviewer bias (Kothari, 2016). For simplicity of administration and analysis, the questionnaire was composed of closed-ended questions with several possible answers. This methodology guarantees that participants maintain concentration on the research goals (Saunders et al., 2014).

Because they are a cost-effective tool and can standardize and arrange questions for data analysis, questionnaires was used to gather data.

3.7 Pilot study

According to Sreevidya and Sunitha (2011), a pilot study was an initial inquiry conducted to assess the reliability of the research instruments. A pilot test was carried out to see if the produced tools or items matched the content of the research questions. As part of this effort, the Meru County Government conducted a pilot study. This comprised 10% of the sample size, or 17 individuals chosen from the Meru County Government's financial division. The objective was to evaluate the instruments' appropriateness and efficacy in advance of the primary data gathering stage (Kothari, 2014).

3.8 Testing for Validity and Reliability

3.8.1 Validity of the Research Instrument

The level to which a research instrument assessed its intended constructs properly was referred to as its validity (Taherdoost, 2016). It included how effectively the tool measured the variables it was intended to evaluate and how data related to a particular construct were presented (Taherdoost, 2016). Construct validity, face validity, and content validity were the main areas of attention during the validation procedure. Face validity is the subjective assessment of whether a test or measure seemed to be assessing what it was intended to measure. The degree to which a measure accurately measured the theoretical construct or trait it was intended to evaluate was known as construct validity, and the degree to which a measure accurately and representatively sampled the domain or subject area of interest was known as content validity. A thorough analysis of the theoretical and empirical literature relevant to the research variables was required in order to ensure the construct validity and content of the instrument. The validity of the research

instrument was reinforced by this rigorous validation process, which made it easier to enhance and improve it.

3.8.2 Reliability of the Research Instrument

Dependability was defined by Saunders et al. (2009) as the degree to which the same individuals could likely replicate the same study's data collection or analysis procedures and get the same outcomes, as well as the degree to which the process was transparent for comprehending raw data. Errors or prejudices committed by participants or observers might jeopardise reliability. These hazards were decreased by using a systematic data collection method and delivering it on time. When utilising Likert-type scales, the Cronbach's alpha coefficient was used, which assessed the internal consistency reliability—the extent to which items in an instrument were consistent with one another and with the instrument overall (Croasmun & Ostrom, 2011). Cronbach's alpha determined the internal consistency by examining the relationships between each item and the other elements as well as the whole instrument. In this study, the reliability of the Likert-type scale items in the data collecting tool was evaluated using Cronbach's alpha, which was first introduced by Cronbach in 1951. Certain items had Cronbach's alpha numbers ranging from 0 to 1, and values nearer 1 were indicative of higher internal consistency. The variables in this research have to have a Cronbach's alpha level of at least 0.7 in order to be deemed credible..

3.9 Data Collection Procedures

After receiving research approval from the postgraduate program at Mount Kenya University, the researcher requested for data collection authorisation from NACOSTI. The researcher then went to the office of the county assembly clerk for clearance and to the Meru County Government for permission. Following the establishment of a data collecting schedule, the researcher visited each department to get authorisation to

administer the instruments, therefore gaining a deeper understanding of the participants. With the help of two trained research assistants, the researcher distributed questionnaires to the participants using the drop-and-pick method. Accompanying the questionnaire that participants filled out themselves was a cover letter that explained the study's aim and assured respondents of their anonymity. In the closed-ended survey, there was a predetermined set of options for respondents to choose from. The list of answers was defined in a way that was both clear and intelligible by the research assistants.

3.9 Data Analysis and Presentations

The data collected in the field was coded and cleaned before being loaded into the computer system for SPSS analysis. The data was compiled in accordance with the objectives and criteria of the research in order to identify new trends and issues related to certain subjects. The study obtained variable scores by combining indicator scores. According to Parveen and Leonhauser (2004), a mix of qualitative and quantitative approaches was used, depending on the data collected, to build indices from the combined scores of numerous factors.

The variables that influenced OSR collection and financial success were compared and contrasted using descriptive statistical approaches, such as frequency distributions and cross-tabulations. To further understand how the independent factors impacted the dependent variables, multiple regression analysis was conducted. This kind of study proved helpful for examining the interaction between a single dependent variable and several independent variables, according to Hair et al. (2005). The VIF was used in the study to solve the issue of multi-collinearity. The model gave beta (β) coefficients for each independent variable to show the impact of each variable on the dependent variable.

The required regression model is shown here.:

Model Specification

$$Y_1 = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where;

Y = Financial performance (dependent variable)

X₁ – staff competence

X₂ – Automation

X₃ – Internal Controls X₄ – County Policies β₀ –

regression constant β₁, β₂, β₃ and β₄, –

Coefficient factors ε – Error term assumed to

be randomly distributed

3.10 Ethical consideration

All essential clearances from the appropriate authorities were obtained before the study was started. First, a letter of introduction was sent to Mount Kenya University by the administration of postgraduate studies. The NACOSTI research permission application was filed and attached. The designated department of the County Government of Meru was then asked for approval to enable the research. A cover letter outlining the significance and rationale behind the study's conduct was provided in order to reassure respondents and guarantee a high response rate. In accordance with Johnstone's (2006) recommendation, an instrument with an anonymous nature was chosen for its low risk, ease of understanding, and avoidance of soliciting personal information, thereby increasing the response rate. The information gathered was used solely for this research and was not shared with any parties. Every person's data was handled with extreme secrecy, guaranteeing that the respondent's identity would not be revealed. The researcher maintained an open-minded approach, accurately representing opinions as they were given. No modifications were made to the collected information, and appreciation was expressed for all literature that contributed to this research in any way.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

The data analysis and a discussion of the conclusions drawn from it are presented in this section. Tables and figures are used to illustrate the findings. The results are evaluated in light of the goals of the research. The quantitative data is analysed using descriptive statistics, and then the literature review is used to inform conversations. Furthermore, the investigator used regression analysis to ascertain the impact of the independent variable on the dependent variables. Demographic information is presented in the first part, and the study's goals are described in the following sections.

4.2 Response Rate

163 questionnaires were given out by the researcher to members of the County Assembly, technical staff, and chief officers. Of these, 146 surveys were filled out and sent back, yielding an 89.6% response rate. A 50% response rate is deemed sufficient for analysis and reporting, 60% is acceptable, and 70% or more is exceptional, according to Mugenda & Mugenda (2003). Accordingly, the study's 89.6% response rate is exceptional by their standards.

Table 3: Response Rate

		Frequency	Percent
Valid	Response	146	89.6
	Non-Response	17	10.4
Total		163	100.0

Source: Researcher (2024)

4.3 Reliability of the Pre-Tested Research Instrument

The internal reliability of the questionnaire was assessed using Cronbach alpha, a metric for internal consistency. The more reliable the produced data, the better the mark. Since dependability of 0.7 has been shown to be acceptable by (Nunnally 1978), it was deemed sufficient for this investigation. The questionnaire was revised in light of the pilot test's comments, and a final version was created.

Table 4: Reliability Coefficient

Scale	Cronbach Alpha	Number of Items
Staff competence	0.729	6
Automation	0.713	6
Internal control	0.719	6
County Government policies	0.831	5
Financial performance	0.827	5

Source: Researcher (2024)

With an alpha over the recommended cutoff of 0.7, the table demonstrates that every scale was meaningful. Internal control and automation were lower at $\alpha=0.719$ and $\alpha=0.713$, respectively, while county government policies were the most reliable ($\alpha=0.831$), followed by financial performance ($\alpha=0.827$) and staff competence ($\alpha=0.729$). As a result, the study concluded that the questionnaire was trustworthy and suitable for use in future research.

4.4 Respondents' Background Information

The purpose of this section is to collect biodata from the participants. Their gender, age, professional training, degree of education, work history, job title, and duration of employment in their present role were among the background information they were requested to provide. The next parts will address the findings.

4.4.1 Distribution by Gender

By asking respondents to identify their gender, they aimed to ascertain their identity. The results are shown in Figure.

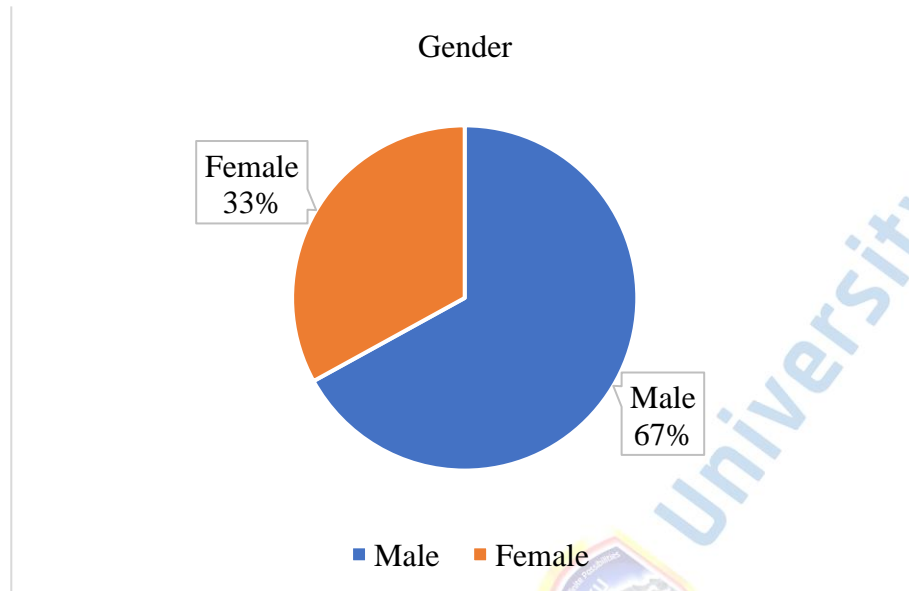


Figure 2: Distribution by Gender

Source: Researcher (2024)

According to the table's findings, men made up the bulk of respondents (67%) compared to women (33%). According to the study's findings, all sexes took part. Nonetheless, males predominate in the county governments' financial divisions. Nevertheless, fulfilling no more than two-thirds of the overall representation.

4.4.2 Respondents' Age

It was necessary for each responder to provide their age. The results are shown in the figure 3.

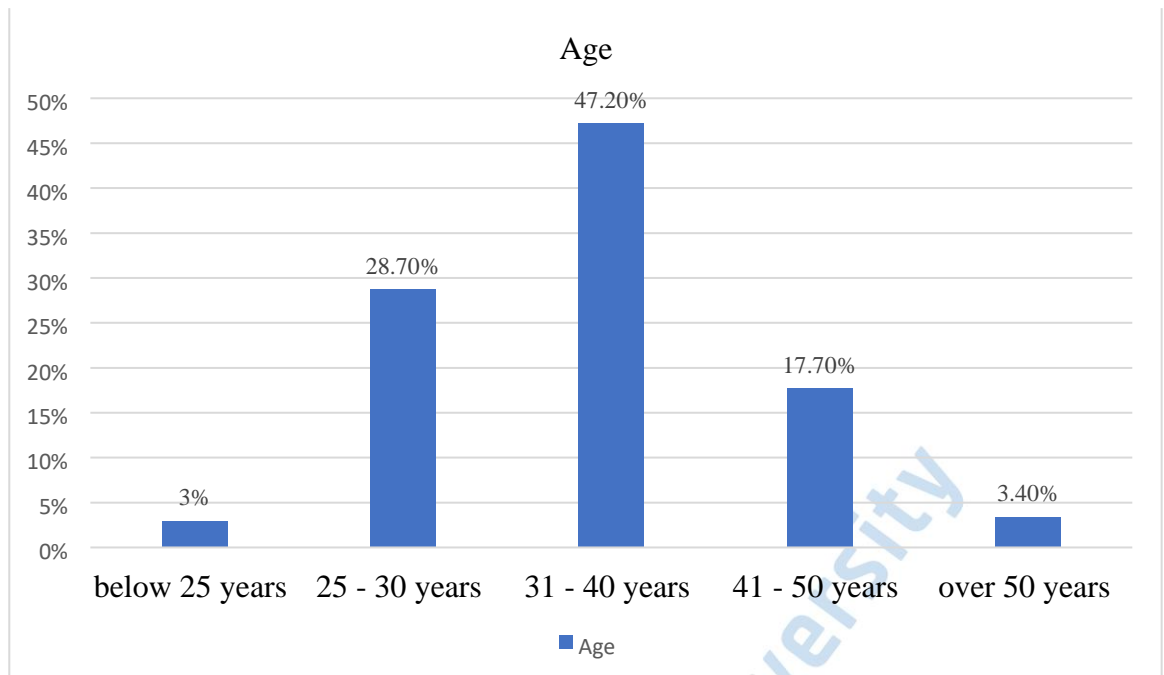


Figure 3: Respondents' Age

Source: Researcher (2024)

The bulk of responders (47.2%) were between the ages of 31 and 40, according to the findings in the figure. Furthermore, 17.7% were between the ages of 41 and 50, and 28.7% were between the ages of 25 and 30. In general, the majority of responders are middle-aged, with the majority being over thirty.

4.4.3 Highest Level of Education

A question on the respondents' greatest degree of education was posed. The results are shown in the figure 4.

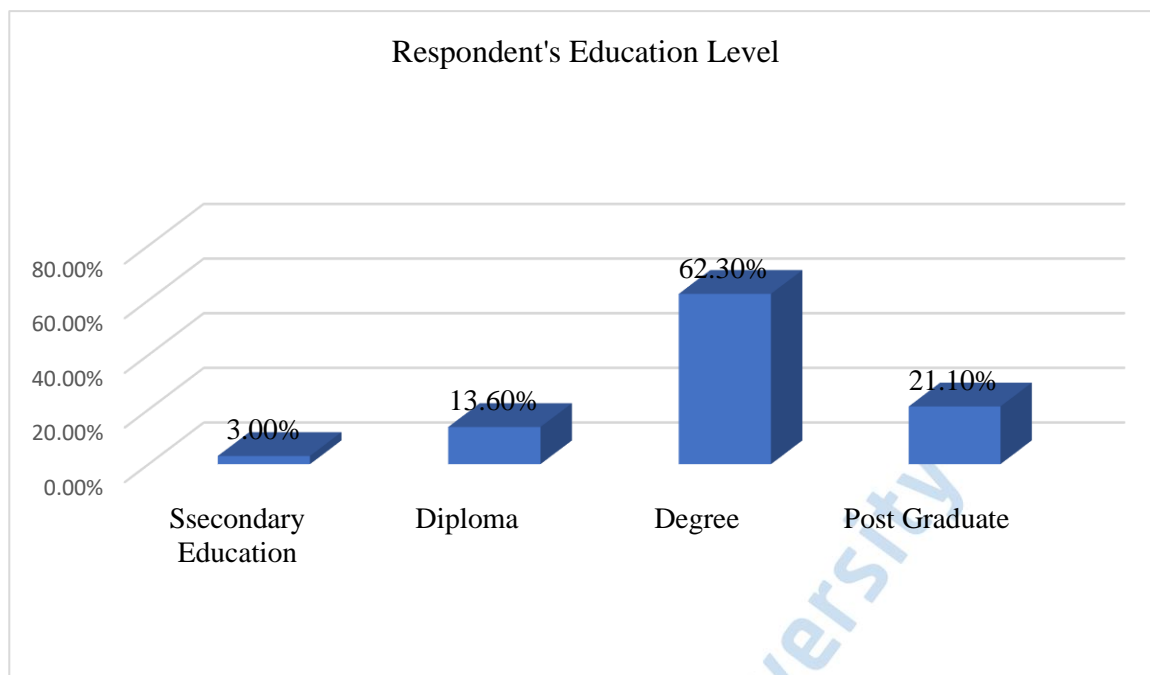


Figure 4: Highest Level of Education

Source: Researcher (2024)

Significant trends in the participants' educational backgrounds are shown by the data in Table; the majority of respondents (62.3%) had a university degree, followed by postuniversity education (19.1%), and diploma certificates (13.6%) as their highest academic qualification. Just 3% had completed secondary school. These suggested that the majority of responders had a strong academic foundation and, thus, a solid grasp of the topic. Educational credentials have an impact on county governments' income collection to some degree.

4.4.4 Professional Training

In addition to their academic credentials, the participants were asked to describe the greatest level of professional training they had received. The results are shown in Table 5.

Table 5: Professional Training

	Frequency	Percent

Valid	Technical	25	17.4
	Diploma Course	57	38.9
	Professional courses (Accountants, CHRP)	37	25.7
	Revenue Administration	27	18.0
	Total	146	100.0

Source: Researcher (2024)

Majority of respondents (38.9%) reported having diploma training in business-related courses, according to the survey results in Table. Additionally, according to the data, 25.7% of the respondents said they received professional training, mostly in CHRP and accounting. By contrast, 17.4% of the respondents had technical training in other domains, and 18% had revenue administration training. According to the study's results, a small percentage of responders received appropriate revenue training, which may have affected their effectiveness.

4.4.5 Duration worked in the County Government

The purpose of the research was to find out how long the respondents had been employed by the county administration. The results are shown in Figure 5.

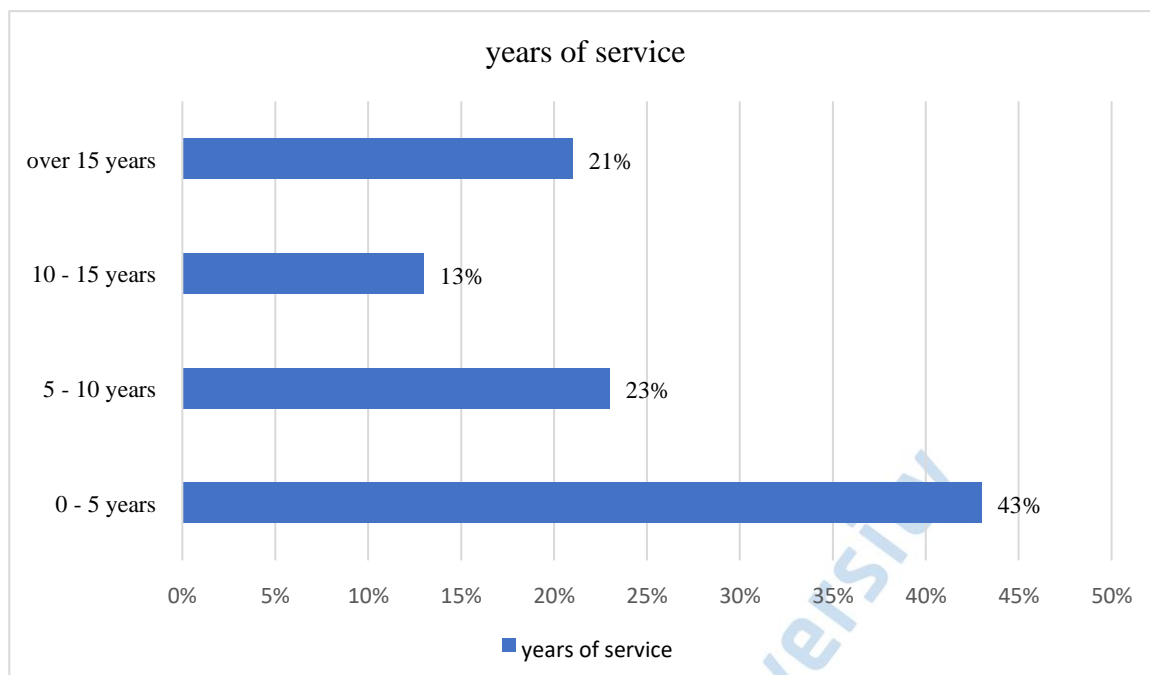


Figure 5: Duration Worked in the County Government

Source: Researcher (2024)

According to the survey, most workers (43%) had been there for less than five years.

Twenty-three percent of the workforce had five to ten years of experience. Furthermore, 13% of workers had between 10 and 15 years of experience, while 21% had more than 15 years. Together, the results show that more than 58% of tax collectors have worked for more than five years, indicating that these staff members were probably kept on from Embu's previous local government, which consisted of county and municipal councils that have since disbanded. Additionally, the data suggests that 43% of tax collectors with fewer than five years of experience are younger workers who were brought on board shortly after Kenya's county administrations were established in early 2013.

4.4.6 Designation

For this survey, we contacted county government employees and asked them to identify themselves. The survey found that county government revenue officials made up the

majority of respondents (97). According to the results, 49 people filled out the survey identified as financial officials.

4.5 Descriptive Analysis

Discussions and descriptive results pertaining to the study objectives are presented in this part. We show the results using means and standard deviations, which are indicators of central tendency and dispersion, respectively...

4.5.1 Staff Competence and Financial Performance

The primary goal of the research was to ascertain how competent personnel impacted the fiscal health of the Meru County administration. Respondents' degrees of agreement with different claims about staff competency were assessed in the research. Everything from "strongly disagree" to "neutral" to "agree" to "strongly agree" was considered. The results may be shown in Table 6.

Table 6: Descriptive Statistics of Staff Competence

Statements	N	Min	Max	Mean	SDiation
Challenges in revenue collection within county government stem from a lack of competent staff.	146	1.00	4.00	3.40	0.846
The recruitment of skilled revenue officers is crucial for improving revenue collection in county government.	146	1.00	5.00	3.64	0.798
Having qualified revenue personnel enhances the administration of revenue collection effectively.	146	1.00	5.00	3.52	0.956
Corruption and collusion between revenue officers and taxpayers are significant factors contributing to the county government's poor revenue collection.	146	1.00	4.00	3.48	0.809

Employee compliance directly impacts the performance of revenue collection.	146	3.00	5.00	3.58	0.937
County revenue officers often lack necessary training for their roles.	146	2.00	5.00	3.02	0.896
The organization has conducted various training sessions and workshops for revenue officers.	146	3.00	5.00	3.59	0.941
	146	1.00	5.00	3.32	0.902
In order to increase tax collections, the county administration is concentrating on raising the competency level of revenue officials. Valid N (listwise)	146				

Source: Researcher (2024)

The survey found that most respondents (Mean=3.40, SD=0.846) agreed with the assertion that inept personnel is the cause of the county government's income collection problem. The findings also indicate that the majority of respondents believe that the county government's ability to collect taxes depends on the employment of qualified revenue officers (Mean=3.64, SD=0.798). The results showed that the statement was accepted by the respondents.

Effective administration of tax collection will be ensured by qualified revenue professionals (Mean=3.52, SD=0.956). The majority of respondents (Mean=3.48, Std, Dev=0.809) agreed that the primary causes of the county government's subpar revenue collection are corruption and collaboration among revenue officials as taxpayers. The study's findings indicate that revenue collection performance is directly impacted by staff compliance (Mean=3.58, Std=0.937). The findings indicate that many respondents were undecided about whether the county's tax officers lacked the required training (Mean=3.02, SDiation=0.896). According to the results, most respondents (Mean=3.59,

SD=0.941) agree that the organisation has conducted many revenue officer training sessions and seminars. Lastly, the statement that the county administration is eager to improve the revenue officers' abilities and competences in revenue collection received no response from respondents (Mean=3.32, SD=0.902). The results indicate that the response variation is modest (SD < 1). The results of the research suggest that the county government's efforts to increase revenue collection depend heavily on the competency and abilities of its employees.

The respondents' claim that the county government's increased revenue collection depended on hiring qualified revenue staff lends credence to Asongu and Nnanna's (2020) contention that a lack of funding is to blame for employing personnel who lack the accounting and tax law expertise required for efficient revenue collection. They go on to stress that competent tax workers with the necessary abilities are essential to efficient tax administration as well as the system's and operations' long-term viability. The results are also in line with the research of Owolabi and Egbunike (2020), who pointed out that a lack of knowledgeable revenue employees and taxpayer ignorance often result in ineffective tax administration in developing nations.

The results of Ogundipe et al. (2021), who investigated the difficulties of tax collection in urban areas and discovered that dishonest tax officers were accepting bribes to lower tax liability, are consistent with the study's findings that corruption and collusion between revenue officers and taxpayers are the primary causes of the county government's poor revenue collection. Furthermore, the study's conclusions on the consequences of revenue officers' corruption support those of Alakiria and Kachaka (2019), who discovered that unlawful activities, such as tax officers' manipulation of deductions, had an influence on turnover tax collection. Alakiria pointed out that after accepting bribes, tax officials sometimes conspire with taxpayers to reduce charges.

4.5.2 Automation of Revenue Collection and Financial Performance

The second goal of the research was to determine how the financial performance of the Meru County government was affected by the automation of tax collecting. Using the strongly disagree, disagree, disagree, neutral, and agree scales, the researcher assessed the respondents' degree of agreement with the different assertions made about the Automation of Revenue Collection. The results are shown in Table 7.

Table 7: Descriptive Statistics of Automation of Revenue Collection

Statements	N	Min	Max	Mean	SDiation
Delay in revenue collection in the county government is attributed to issues with revenue computation.	146	1.00	5.00	3.33	0.910
Automation of the revenue collection process has significantly improved the system	146	1.00	5.00	3.46	0.879
Automation has reduced instances of fraud	146	1.00	5.00	3.51	0.909
Automation has increased efficiency, and promoted accountability in revenue management	146	1.00	5.00	3.54	0.973
Automation led to an increase in collected revenue	146	1.00	5.00	3.62	0.926
Proper management of revenue resources has also been enhanced through the implementation of automation in the county government.	146	1.00	5.00	3.26	0.700
Valid N (listwise)	146				

Source: Researcher (2024)

According to the study's results, most respondents were ambivalent about the idea that the county government's revenue collection delays are caused by problems with tax

calculation (Mean=3.33, SD=0.910). Furthermore, a sizable portion of respondents agreed that automating tax collection had enhanced the county government's overall operations (Mean=3.46, SD=0.879). Automation has decreased revenue collection fraud, according to respondents (Mean=3.51, SD=0.909). Additionally, everyone agreed that automation had improved the revenue collecting process's accountability and efficiency (Mean=3.54, SD=0.973).

Automating revenue collection has reduced waste, according to respondents (Mean=3.62, SD=0.926). Respondents were indifferent (Mean=3.26, SD=0.700) when asked whether automation enhanced the administration of county income resources. With a SD below 1, the results demonstrated that the answers were very consistent throughout the trial. Taken together, these findings point to an impact of automated revenue collection on the financial performance of the Meru county administration.

The study findings indicate that automating revenue collection has improved the overall process in various county governments. This aligns with the observations of Laban and Muthinja (2023), who noted that automation significantly impacts total revenue collection enhancing financial performance in Nyandarua County. Additionally, it supports Sande et al., (2020), who highlighted that an automation-based approach enhances revenue collection, leading to increased government revenue and enabling better service delivery to citizens.

Furthermore, the results show that automation has improved efficiency and accountability in revenue collection within county governments. This is consistent with the research of Adams (2021), Williams and Roberts (2022), Thompson and Baker (2020), and Green (2019), all of whom noted that automating revenue collection fosters effectiveness, efficiency, accountability, and transparency among revenue authorities, thereby helping governments achieve their objectives.

4.5.3 Internal Control Systems and Financial Performance

Examining the effect of internal control mechanisms on the financial performance of Kenya's Meru County Government was the third goal of the research. A scale consisting of the following options was used by the researchers to gauge respondents' agreement with different claims about the organization's internal control systems: "strongly disagree," "disagree," "neutral," "agree," and "strongly agree." Each statement's mean and SD were determined by the research. The findings are shown in Table 8.

Table 8: Descriptive Statistics of Internal Control System

Statements	N	Min	Max	Mean	SDiation
The accuracy and dependability of financial and operational data are routinely examined by the government.	146	1.00	4.00	2.70	0.931
The government examines the measures used to protect assets.	146	1.00	5.00	3.41	0.930
Employee adherence to management rules, processes, and relevant laws and regulations is evaluated by the government.	146	1.00	5.00	3.03	0.996
assesses how well management accomplishes its organisational goals in terms of efficiency and effectiveness.	146	1.00	4.00	2.76	0.974
Internal control systems have been established by the government as a regulatory need.	146	1.00	5.00	3.60	0.879
Internal mechanisms guarantee that all management tasks are completed correctly.	146	1.00	4.00	3.46	0.929
There are controls in place that may anticipate such issues before they arise, remedy them, and avoid mistakes.	146	1.00	5.00	3.56	1.021
The independence of the audit committee reduced fraud.	146	1.00	5.00	3.48	0.840

Organizations segregation of duties	146	1.00	4.00	2.49	0.858	enhanced revenue collection at county
Internal control system important in	146	1.00	5.00	3.54	0.937	management of collection of revenue

Valid N (listwise) 146

Source: Researcher (2024)

The claim that the government routinely examined the accuracy and dependability of the financial and operational data was met with neutrality by respondents (Mean=2.70, SD=0.931). Additionally, respondents (Mean=3.41, SD=0.930) continued to mention that the government examines the measures used to protect assets. Additionally, respondents (Mean=3.03, SD=0.996) had no opinion about whether the government evaluated workers' adherence to management rules, processes, and relevant laws and regulations. The results of the research showed that the respondents were neither in agreement nor disagreement with the assertion that the governments assessed the management's ability to accomplish organisational goals effectively and efficiently (Mean=2.76, SD=0.974). The results of the survey showed that most respondents agreed with the assertion that internal control systems had been established by the county governments as a regulatory requirement (Mean=3.60, SD=0.879). According to the study's results, respondents also agreed with the assertion that internal procedures made sure that all management tasks were completed correctly (Mean=3.46, SD=0.929). According to the survey, participants believed that the controls in place might anticipate such issues before they materialised, preventing and correcting mistakes (Mean=3.56, SD=1.021).

Additionally, respondents (Mean=3.48, SD=0.840) agreed that the independence of the audit committee has reduced fraud in the county governments. According to the study's

findings, participants were undecided about the claim that the organization's division of labour had improved county revenue collection (Mean=2.49, SD=0.858). The results showed that most respondents (Mean=3.54, SD=0.937) agreed that the internal control system had an impact on managing revenue collection. With the exception of two claims that the government has established an internal control system as a regulatory requirement and is capable of anticipating possible issues before they arise, correcting them, and preventing errors, the study's findings indicate that there were little differences in the responses for the majority of the areas tested ($SD < 1$). The results of the research suggest that internal control has a major impact on the Meru County government's financial performance.

Consistent with previous research, our results suggest that companies with fewer activities and independent directors are less likely to be linked to misleading financial statements (Cohen et al., 2017). These results are in line with those of Dalla Valle and Puglisi (2019), who found a strong correlation between the control environment, the function of internal audits, and the ability to identify fraud. Contrary to what Goodwin and Yeo (2001) claimed, the study found that respondents disagreed with the statement that organisational segregation of duties enhances revenue collection at the county. Goodwin and Yeo argued that separation of duties and control activities can lead to higher costs of committing fraud. They suggested that in an environment where duties are segregated, committing fraud is only advantageous when the benefits outweigh the costs.

4.5.4 County Government Policies and Financial Performance

The fourth goal of the research was to ascertain how county policies affected Meru Kenya's county government's financial performance. The results are shown in the table 9.

Table 9: Descriptive Statistics of Financial Performance

Statements	N	Min	Max	Mean	Std. Dev
Policies, rules, and regulations overseeing revenue collection are in place.	146	1.00	5.00	4.28	0.940
Policies are publicly accessible and well-known.	146	1.00	5.00	4.04	1.004
Policies are effective	146	1.00	5.00	3.90	0.916
Policies implementation is carried out in line with government standards.	146	1.00	5.00	3.91	0.912
Further reforms have been introduced to improve the efficiency of revenue collection.	146	1.00	4.00	3.88	1.081
The e-government strategy also plays a role in overseeing this process.	146	1.00	5.00	3.86	1.103
Valid N (listwise)	146				

Source: Researcher (2024)

According to the study's findings, the respondents agreed that the county's revenue collection is governed by policies, rules, and regulations (Mean = 4.28: SD= 0.940), that these policies, rules, and regulations are known and accessible to the public, and that they have an impact (Mean = 3.90 SD= 0.916). Additionally, the respondents agreed that the policies, rules, and regulations were executed in accordance with government requirements (Mean = 3.91 SD=0.912) and that other operational improvements assured revenue collection efficiency (Mean = 3.88: SD=1.081). Lastly, the respondents agreed (Mean=3.86; SD=1.103) that the county employed e-government tactics to collect taxes. Effective revenue collection is favourably impacted by government policies, rules, and regulations, according to the research. This supports the findings of Muchiri (2023), who suggested that in order to improve revenue collection procedures, a tax collection

controlling system was required. This is accomplished by taking into account the best possible rate structure, suitable rules and regulations, and human ability to enhance control in order to decrease leakage. This includes conducting surprise audits to supplement the self-assessment procedure, enhancing the control procedures, attempting to enforce a severe and severe penalty for non-compliance, teaching financial discipline to employees who contribute to local revenue leakage, and attempting to link taxes. Fishlow and Friedman (2014) echoed this, stating that the ability of counties to reduce the cost of collecting revenues by improving the current tax administration procedures through administrative simplification was crucial for better revenue planning, administration improvement, and services provided by county governments.

4.6 Inferential Statistics

To ascertain the association between the variables under investigation, the research carried out further analysis. Regression analysis and correlation were among them.

4.6.1 Correlation Analysis

To evaluate the relationship between the study's independent and dependent variables, the Pearson correlation analysis was used. The outcomes are shown in the table 10.

Table 10: Correlation

		Staff Competence	Automation of Revenue Collection	Internal Control System	County Policies	Financial Performance
Staff Competence	Pearson Correlation	1				
	Sig. (2tail ed)					
	N	146				

Automation of Revenue Collection	Pearson Correlation	0.040	1			
	Sig. (2-tailed)	0.750				
Internal Control System	N	146	146			
	Pearson Correlation	0.152	0.449**	1		
	Sig. (2-tailed)	0.008	0.000			
County Policies	N	146	146	146		
	Pearson Correlation	0.082* 0.001	0.107**	0.191**	1	
	Sig. (2-tailed)					
	N	146	0.009	0.001		
Financial Performance	N	146	146	146	146	
	Pearson Correlation	0.696**	0.765**	0.832**	0.613**	1
	Sig. (2-tailed)	0.000	0.001	0.000	0.005	
	N	146	146	146	146	146

** . Correlation is significant at the 0.01 level (2-tailed).

Source: Researcher (2024)

Meru County financial performance and staff competence have a significant positive correlation ($r=0.696$, $p\text{-value} < 0.05$), as does financial performance and automation of the revenue collection system ($r=0.765$, $p\text{-value}<0.05$); financial performance and internal control have a significant positive correlation ($r=0.832$, $p\text{-value}<0.05$); and financial performance and county government policies have a significant positive correlation ($r=0.613$, $p\text{-value}<0.05$), according to the Pearson correlation results in the table. All of the tests were statistically significant, and there is often a positive correlation between the independent variables.

4.6.2 Regression Analysis Assumption Tests

A number of statistical presumptions need to be fulfilled before regression analysis is performed. The following tests were carried out for this investigation and are shown below: Shapiro-Wilk Test of Normalcy, Linearity, Homoscedasticity Test, and MultiCollinearity Test.

Linearity Test for determinant of own source revenue and financial performance

To ascertain whether or not there was a linear link between the Meru County Government's financial performance and its own source income determinant, the research used the linearity test. The connection between the independent variable and the dependent variable is linear if the analysis's significant departure from linearity is more than 0.05. The independent and dependent variables do not have a linear relationship if the significant departure from linearity is smaller than 0.05.

Table 11: Linearity Test

			Sum of Squares	Df	Mean Square	F	Sig
determinant of own source revenue* financial performance	Between groups	(Combined)	1320.774	124	4.627	9.34	.997
		Linearity	0.73	1	.0731	7.05	.942
		Deviation from linearity	1634.207		4.802	4.35	.995
	Within groups		1592.410	146	13.502		
Totals			4548.121	271			

Source: Researcher (2024)

A linear connection between the factors influencing own source income and the financial performance of the County Government of Meru is implied by the findings shown in the table, where the significant deviation from linearity is 0.995, more than 0.05.

Tests of Normality

The Shapiro-Wilk test was also used in the research to check for normalcy. A 95% confidence interval was used for the normalcy test. There is proof that the tested data does not come from a population that is normally distributed if the p-value is less than 0.05. Stated differently, under such conditions, the data is not regularly distributed. A regularly distributed population is the source of the data if the p-value is greater than 0.05. According to the study's findings, the p-value was 0.012, suggesting that the data under investigation did not come from a population with a normal distribution. The results are shown in Table 12.

Table 12: Tests for normality

Kolmogorov-Smirnov ^a			Shapiro-Wilk			
Statistic	df	Sig.	Statistic	df	Sig.	
Staff competence	.099	101	.066	.960	101	.064
Automation	.082	101	.091	.967	101	.113
Internal control systems	.082	101	.093	.981	101	.165
County government policies	.110	101	.094	.951	101	.091
Financial performance	.145	101	.300	.925	101	.312

Source: Researcher (2024)

Multicollinearity Test

In order to ascertain if the study's variables were strongly correlated—that is, whether one could be accurately predicted linearly from the other a multicollinearity test was also conducted. The results are shown in the table. Multicollinearity does not exist if the VIF value falls between 1 and 10. Multicollinearity exists if the VIF value is more than 10 or less than 1.

Table 13: Multicollinearity Test

Model	<u>Collinearity Statistics</u>	
	Tolerance	VIF

Staff Competence	.267	3.748
Automation	.281	3.564
Internal Control Systems	.631	1.586
County government policies	.259	3.867

Source: Researcher (2024)

The VIF value was 1.023, as shown in the table, indicating that the research had no problems with multicollinearity.

Principal Component Analysis

One measure of the proportionality of variance across variables that can have a shared variance is the principal component analysis statistic. The better the data for factor analysis, the lower the proportionality value. Values between 0 and 1 are returned by KMO. KMO values in the range of 0.8 and 1 show that the sampling is sufficient. KMO values below 0.6 suggest that corrective action is necessary since the sample is insufficient. Large partial correlations relative to the total of correlations are indicated by KMO values around zero. KMO had a value of 0.834, according to the research, and Bartlett's test showed that $\chi^2(4, N = 256) = 709.330, p = .000$. This suggests that sampling for OSR determinants was sufficient. The results are shown in Table 14.

Table 14: KMO and Bartlett's Test for OSR determinants

Factors	KMO test	Barlett's test of sphericity		
		Chi-Square	Df	Sig.
Staff Competence	0.840	213.523	15	0.000
Automation	0.790	171.361	15	0.000
Internal Control Systems	0.700	103.120	15	0.000
County government policies	0.756	218.950	28	0.000

Source: Researcher (2024)

4.6.3 Regression Analysis

To ascertain the link between the study variables, the researcher conducted a regression analysis. This was accomplished by regressing the dependent variable, financial performance, against the independent factors, which were staff competency, automation of revenue collection, internal control system, and county policies. Below is a summary of the findings.

Model Summary

The degree to which the independent factors predict the dependent variable is shown in the model summary table below.

Table 15: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	0.863 ^a	0.712	0.716	0.86990

a. Predictors: (Constant), Staff Competence, Automation of Revenue Collection, Internal Control System, County Policies

The four predictor variables have a positive correlation ($R = 0.863$) with the financial performance of the Meru County governments, according to the data in the table. According to the findings, the "R squared" value is 0.712. This indicates that differences in staff competency, revenue collection automation, internal control system, and county policies accounted for 71.2% of the variance in the Meru County government's financial performance. The findings also indicate that additional variables not included in the model or the focus of the present research were responsible for the 28.8% difference in Meru's financial performance.

Table16: Analysis of Variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.113	4	1.778	162.350	.000 ^b
	Residual	46.917	141	0.757		
	Total	54.030	145			

a. Dependent Variable: Financial performance

b. Predictors: (Constant), Staff Competence, Automation of Revenue Collection, Internal Control System, County Policies

The significance of the regression model for the gathered data was calculated with the aid of the ANOVA. The findings in Table indicate that the regression model's goodness of fit to the gathered data is statistically significant. At a 95% confidence level, this is shown by a high F-statistics value ($F_{cal} = 162.350 > F_{cri} = 4.123$), and the results are statistically significant (p values = 0.000, which is less than 0.05).

Table 17: Coefficients of Regression

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.365	0.665		5.063	0.000
	Staff Competence	0.079	0.124	0.234	1.944	0.006
	Automation of Revenue Collection	0.071	0.120	0.114	0.955	0.010
	Internal Control System	0.569	0.112	-0.148	-1.233	0.000
	County Policies	0.076	0.090	-0.134	1.129	0.013

a. Dependent Variable: Financial Performance

Source: Researcher (2024)

Based on the regression results shown on Table 18, the regression model becomes;

$$\text{Financial Performance} = 0.365 + 0.079X_1 + 0.071X_2 + 0.569X_3 + 0.076X_4$$

Where:

X1 is staff competences

X2 is automation of revenue collection

X3 is the internal control

X4 is the county government policies

According to the regression equation above, the Meru County Government's financial performance would vary by 0.365 if all other parameters remained the same. The findings also show that the Meru county government's financial performance will vary by 0.079 for every unit change in personnel competency development. The findings also indicate that the financial performance of the Meru county government will alter by 0.071 for every unit increase in tax collecting automation. Additionally, the findings indicate that the Meru county government's financial performance would shift by 0.569 for every unit change in internal control. Lastly, the findings indicate that the financial performance of the Meru county government will vary by 0.076 for every unit change in county government policies. With p-values less than 0.05, the findings demonstrate that the variables were statistically significant. According to the report, the factors have a beneficial impact on Meru County Government's financial performance.

These results corroborate a number of earlier investigations. For example, Gidisu (2012) observed that revenue collection automation had a good impact, lowering administrative expenses while increasing revenue collection. Mitullah provided further support for these conclusions, pointing out that improving the management of revenue resources via automation of tax collecting led to higher revenue.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

Summary, conclusions, and recommendations based on study goals are presented in this chapter by the researcher. The proposed research directions are further upon below.

5.2 Summary of the Findings

The research in this section summarises the key findings of the study based on the study objectives.

5.2.1 Staff Competence and Financial Performance

Staff competency was shown to have a positive and statistically significant link with financial success in the county government of Meru. The results suggest that if workers are more skilled, the company's bottom line will improve. Competent employees will do a good job with their responsibilities, which in this instance is to improve the county government of Meru's financial performance, since employee productivity is closely correlated to relevant skills and competence. Consequently, the county government may improve its financial performance by employing skilled revenue professionals.

5.2.2 Automation of Revenue Collection Systems and Financial Performance

There was a favourable and statistically significant effect on the financial performance of the Meru County administration from automating tax collecting. It seems from these findings that automating the revenue collecting methods leads to better financial outcomes. When it comes to the accessibility and velocity of documents, automation makes information administration a breeze. Because taxpayers may pay for services directly via automation, numerous procedures are also eliminated, which minimises corruption..

5.2.3 Internal Controls and Financial Performance

The financial performance of the Meru County government was found to be significantly improved by the use of internal control. The results of the research suggest that the financial performance of the Meru county governments would improve in tandem with any improvement in internal control. A greater number of internal controls were implemented by the county administration to oversee the various organisations. The purpose of the internal controls is to reduce instances of mismanagement and maximise efficiency in the use of the organization's resources.

5.2.4 Government Rules and Regulations

When it came to minimising the cost of collecting revenues via enhanced tax administration procedures, the stringent government policies, rules, and regulations of the e-government played a pivotal role in guaranteeing self-assessment procedures by enhancing the control processes..

5.3 Conclusion

The research proved that a well-designed internal control system has a favourable effect on bottom-line results. Additionally, the research found that the financial performance of the Meru County governments is greatly impacted by the competency of the revenue personnel. Finally, the research found that financial performance was significantly impacted by automation. Meru County government's financial performance is favourably and considerably impacted by automation, competent revenue personnel, internal control, and county regulations, according to the study's conclusions. In order to decrease leakage, county workers should adhere to government laws, rules, and regulations. This includes conducting surprise audits to supplement self-assessment procedures, enhancing control mechanisms, and enforcing a severe penalty for non-compliance..

5.4 Recommendation

5.4.1 Staff Competence and Financial Performance

The research found that the county government's financial performance was favourably and considerably impacted by the performance and competence of the revenue personnel. Consequently, the study's author suggests that county governments provide more funds to training and seminars for tax workers in order to raise their level of competence and expertise. Effective financial performance may be achieved if county governments prioritise the employment of skilled people.

5.4.2 Automation of revenue collection and Financial Performance

County governments in Kenya saw an improvement in their financial performance after automating their tax collecting processes, according to the report. Therefore, in order to improve financial performance, the Kenyan county governments should think about automating all of their financial operations.

5.4.3 Internal Controls and Financial Performance

The study's findings indicate that financial performance is favourably and considerably impacted by internal control. Consequently, county government leadership in Kenya should strengthen internal control mechanisms to better monitor financial performance and boost county government financial performance.

5.5 Suggestions for Further Research

The financial performance of the governments of Kenya's Meru County was examined in this research, along with the effects of internal control, personnel competency, county policies, and revenue collection automation. The county governments' financial performance might be impacted by other variables. So, to find out how they affect the financial performance of Kenyan county governments, the report suggests doing further

research like this one. Meru County in Kenya was the only location that was considered in the research. All of Kenya's county administrations should conduct similar research.



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APPENDICES

Appendix I: Informed Consent

The study's title is "Effect of OSR Collection Determinants on Financial Performance of Meru Kenya County Government.

Researcher: **Lydia Kagendo**

Researcher's Contact Number: +254 711 222 436

Introduction and Purpose

Currently, I'm attending Mount Kenya University to get an MBA in business administration. I am seeking your participation in a research project that I am doing as

part of my academic obligations. The study's overarching goal is to identify the operational variables that influence the collection of revenue for the County Government of Meru, Kenya, and to draw conclusions about their effect on the government's financial performance. **Research Procedure**

If you want to take part, you will be required to answer questions on things like financial planning, donor funding management, income generation, and income diversification considered as strategies for financial resource mobilization implemented by your organization. The information collected will be summarized and used solely for academic purposes.

Benefits

There are no specific advantages to taking part in this research. Still, it's anticipated that the insights gained may contribute to improving the financial sustainability of your organization. **Confidentiality**

All gathered data will be encrypted to ensure privacy. Every research form will have a code to protect your privacy. The principal investigator will securely store all files and data in a locked cabinet, with access limited to research personnel. After data analysis, all information will be securely destroyed.

Voluntary Participation

Your participation in this research is completely optional, and you may stop at any moment without suffering any consequences.

Cost

There is no associated cost for participating in this study.

Inquiries

For inquiries about the research, please get in touch with the Principal Investigator at +254 711 222 436 alternatively, you can reach out to the Chairman of the Mount Kenya University Ethical Review Committee at P.O Box 342-01000, Thika.

CONSENT

I confirm that I have read and understood the information on this form by signing here. The opportunity to ask questions has been taken, and I am pleased with the responses.

My participation in this study is entirely voluntary..

Participant's signature _____ Date _____

Investigator's signature _____ Date _____



Appendix II: Questionnaire

SECTION A: DEMOGRAPHIC DATA 1.

- Sex? Male Female
2. Age?
 Below 25 years 25-30 years
 31-40 years 41-50 years Over 50 years
3. Academic qualification?
 College University Post University
4. What courses have you taken to further your career?? _____
5. What is your length of service with the county government??
 Less than 5 years 5-10 years 11-15 years Over
 15 years
6. What is your designation?_____

SECTION B: DETERMINANTS OF OSR COLLECTION

5 Please indicate how much you agree with each of the following statements.

SA. - Fully Concur: A - Accept: N - Neutral: D - Contrary: SA-Very Disagree.

Staff Competence

	SA	A	N	D	SD
The inept personnel is the root cause of the revenue collection difficulty in the county government.					
It is essential for the county government to hire competent revenue officers in order to collect taxes.					
Efficient management of tax collections is guaranteed by trained revenue agents.					
The county government's inadequate revenue collection is mostly caused by corrupt and colluding revenue officials who are themselves taxpayers.					
The efficiency with which employees are able to collect payments is directly related to how well they comply.					
Despite the group's best efforts, county revenue officers still lack the proper education and experience to do their jobs effectively.					

The county administration is very interested in improving the revenue officers' abilities to collect taxes.					
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Automation

Statements	SA	A	N	D	SD
The county government's revenue collection is running behind schedule due to an issue in revenue calculation.					
The whole procedure in the county administration has been improved by automating tax collecting.					
Revenue collection fraud in the county government has been reduced via automation.					
With the use of automation, the county administration was able to collect taxes more efficiently and with more transparency.					
There was less waste in the county government's tax collecting process after automating it.					
Enhanced revenue collection was a direct outcome of automation.					
The county government's income resources were better managed with the use of automation.					

Internal control

Statements	SA	A	N	D	SD
The trustworthiness and accuracy of the operational and financial data is routinely examined by the government.					
Controls used to protect assets are examined by the government.					
Compliance with management policies is evaluated by the government. regulations, rules, policies, and processes					
Assesses how well and efficiently management fulfils the goals set by its management					
Internal control systems have been established by the government as a regulatory measure. requirement					
The proper execution of all management tasks is guaranteed by the internal system.					

There are controls in place that can foresee issues before they happen.					
---	--	--	--	--	--

County Policies

Statements	SA	A	N	D	SD
Within the county, there are policies, rules, and laws that control the collecting of money.					
Any and all policies, rules, and regulations concerning the collection of county revenues are open to the public.					
These policies, rules, and regulations are put into action by government requirements.					
To guarantee effective tax collection, some operational adjustments have been put into place and put into play.					
Within the county, there is an e-government plan that regulates revenue collection.					

Financial Performance

Revenue Collection Efficiency	SA	A	N	D	SD
The County revenue collection level has increased since devolution					
County projects are implemented on time					
The county's demands are met by the revenue received.					
Better county services have been made available as a result of the income rise					
Revenue collected has ease tension in the county budget					

Appendix IV: ERC Certificate

Mount Kenya University



REF: MKU/ISERC/4231
TO: LYDIAH KAGENDO

Date: 14 August 2024

REG: MBA/2023/40646

Dear Sir/Madam,

RE: IMPACT OF DETERMINANTS OF OWN SOURCE REVENUE COLLECTION COLLECTION ON FINANCIAL PERFORMANCE OF COUNTY GOVERNMENT OF MERU, KENYA

This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **3015**. The approval period is **14/08/2024 - 13/08/2025**.

This approval is subject to compliance with the following requirements;

- i. Only approved documents including informed consents, study instruments, MTA will be used
- ii. All changes including amendments, deviations and violations are submitted for review and approval by **Mount Kenya University**
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to **Mount Kenya University** within 72 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affect the safety or welfare of study participants and others or affect the integrity of the research must be reported to **Mount Kenya University** within 72 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal
- vii. Submission of an executive summary report within 90 days upon completion of the study to **Mount Kenya University**

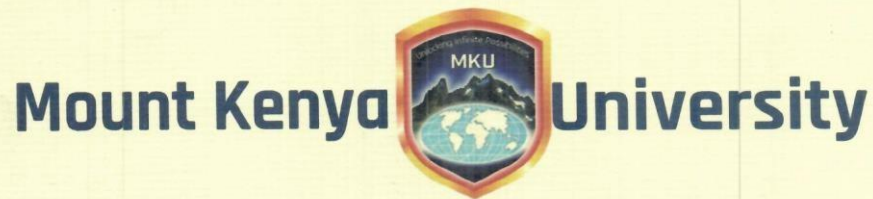
Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke> and also obtain other clearances needed.

Yours sincerely,

Dr. Alfred Owino, PhD
Chairman, Mount Kenya University ISERC



Appendix V: Introduction Letter



DIRECTORATE OF GRADUATE STUDIES

MBA/2023/40646

15th August, 2024

*National Commission for Science Technology & Innovation (NACOSTI)
Off Waiyaki Way, Upper Kabete,
P.O Box 30623- 00100
NAIROBI, KENYA*

Dear Sir/Madam,


RE: LYDIAH KAGENDO - REGISTRATION NO. MBA/2023/40646

The purpose of this letter is to introduce the above named student who is pursuing **Master of Business Administration** in the department of **Accounting and Finance** in the school of **Business and Economics**

The title of the research is **"Impact of Determinants of Own Source Revenue Collection on Financial Performance of County Government of Meru, Kenya."** It has been cleared by the University's Ethics Review Committee (Certificate attached) and now has to proceed to the field to collect data between **February 2024, and April 2024.**


Any assistance accorded to the student will be highly appreciated.

Thank you.


Dr. Samuel M. Karesya, Ph.D
Director, Graduate Studies
Enc.

Main Campus, General Kago Road, P.O. Box 342-01000 Thika.
Cell: +254 709 153 000 | +254 709 153 200

Appendix VI: Research Permit



REPUBLIC OF KENYA
National Commission for Science, Technology and Innovation



**NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY & INNOVATION**

Date of Issue: 05/September/2024

Ref No: 934044

RESEARCH LICENSE




This is to Certify that Miss. LYDIAH KAGENDO of Mount Kenya University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev:2014) in Meru on the topic: IMPACT OF DETERMINANTS OF OWN SOURCE REVENUE COLLECTION ON FINANCIAL PERFORMANCE OF COUNTY GOVERNMENT OF MERU, KENYA for the period ending : 05/September/2025.

License No: NACOSTI/P/24/39505

934044

Applicant Identification Number



**Director General
NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY &
INNOVATION**



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See overleaf for conditions

Appendix VI: Similarity Index

LYDIAH KAGENDO

IMPACT OF DETERMINANTS OF OWN SOURCE REVENUE COLLECTION ON FINANCIAL PERFORMANCE OF COUNTY G...

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MASTERS
Mount Kenya University

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Mount Kenya University

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0 Integrity Flags for Review

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Our system's algorithms look deeply at a document for any inconsistencies that would set it apart from a normal submission. If we notice something strange, we flag it for you to review.

A flag is not necessarily an indicator of a problem. However, we'd recommend you focus your attention there for further review.

Mount K