

**THE FACTORS INFLUENCING THE PERFORMANCE OF OWN SOURCE  
REVENUE IN COUNTIES: THE CASE FOR KWALE COUNTY**

**JACINTA MWELU MASILA**




**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE  
REQUIREMENTS FOR THE AWARD OF DEGREE OF MASTER OF PUBLIC  
POLICY MANAGEMENT OF STRATHMORE UNIVERSITY**

**MAY 2025**

## DECLARATION

This research thesis is my original work and has not been submitted for examination at any other institution/university. No part of this thesis may be reproduced without the permission of the Author and Strathmore University


Sign ..... Date 21/05/2025.....

Jacinta Mwelu Masila

MPPM 24125

## Approval

This thesis has been submitted for examination with the approval of the University Supervisor

Sign ..... Date 21/5/2025.....

Dr Thomas Kibua

Strathmore University

## ACKNOWLEDGEMENTS

I wish to thank God for giving me sufficient grace to soldier on. I acknowledge Dr Thomas Kibua for his guidance throughout the development of the dissertation. I acknowledge my family for always being there to cheer me on. I also acknowledge my faculty, colleagues and the class administrators, Darius and Simon, for their immense support whenever I needed help.



## DEDICATIONS

I dedicate this research to my son Kenneth, who has given me overwhelming support during my MPPM studies.



## ABSTRACT

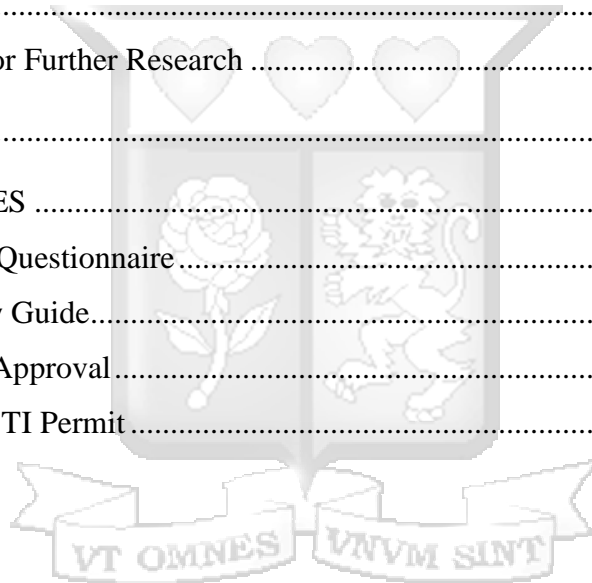
The main object of devolution is to make services available and closer to the people. However, service delivery has been affected by revenue challenges. The county governments mainly rely on funding from the National Government, and in some cases, delays occur, which in turn affect service delivery. Also, the funds provided by the National Government are not sufficient to accomplish the projects. For this reason, the county governments have been striving to improve their own source revenues (OSR) to supplement the funding from the National Treasury. However, the performance of OSR has faced various challenges, and it has been difficult for the county governments to meet their set Own Source Revenue (OSR) targets. This study aimed to determine the factors that influence the performance of OSR. Specifically, the study sought to determine the effect of public participation, revenue generation legislation, revenue collection systems, and human resources on OSR performance in Kwale County. A descriptive design was employed in the study. The study targeted Revenue Clerks, Revenue Officers and Finance Officers Data was collected from all four Sub-Counties in Kwale County (Matuga, Msambweni, Kinango and Lunga Lunga). Data from the Revenue Clerks was collected using a structured questionnaire. Data from other key informants was collected using interview guide questions. Data collected using structured questionnaires was analyzed using Statistical Package for the Social Sciences (SPSS) Version 26. Findings were presented using figures and tables. Data collected using interview guide questions was analyzed using the thematic method. The study generated key insights that may shape policies aimed at improving OSR performance in Kwale County as well as other 46 counties. Descriptive analysis showed that public participation, County revenue legislation and revenue management systems positively influence the performance of OSR in Kwale County. Correlation analysis revealed that public participation, county revenue legislation and revenue management system had significant influence on the performance of OSR in Kwale County. This study offers empirical foundations that may be used as a basis for policy formulation, legislation and practice among revenue administrators at both levels of government (National and County Governments). The findings of this study are limited to the extent of the influence of the three internal factors on OSR. Other factors which are not included in the study may be responsible for the performance of OSR in counties. Further research may involve a comprehensive analysis of both internal and external factors that affect OSR performance among county governments in Kenya.

## TABLE OF CONTENTS

DECLARATION.....	<b>Error! Bookmark not defined.</b>
ACKNOWLEDGEMENTS.....	iii
DEDICATIONS .....	iv
ABSTRACT .....	v
LIST OF TABLES.....	viii
LIST OF FIGURES .....	ix
ABBREVIATIONS AND ACRONYMS.....	xi
CHAPTER ONE.....	1
INTRODUCTION .....	1
1.0 Introduction.....	1
1.1 Background of the Study .....	1
1.1.1 Factors Influencing Own Source Revenue Collection in County Governments .....	3
1.2.2 Own Source Revenue (OSR) in County Governments.....	4
1.1.3 Kwale County’s OSR Performance .....	7
1.2 Research Problem.....	8
1.3 Research Objectives .....	10
1.3.1 Specific Objectives .....	10
1.4 Research questions .....	10
1.5 Significance of the Study.....	10
1.6 Scope of the Study.....	11
CHAPTER TWO.....	12
LITERATURE REVIEW .....	12
2.1. Introduction .....	12
2.2. Theoretical Framework.....	12
2.2.1 The Ladder of Citizen Participation Model .....	12
2.2.2 Ability to Pay Theory.....	13
2.2.3 Social Influence Theory .....	14

2.3. Empirical Literature Review .....	15
2.3.1 Public Participation and Performance of Own Source Revenue .....	15
2.3.2. Revenue Legislation and Performance of OSR .....	17
2.3.3 Revenue Collection Systems and OSR Performance.....	19
2.3.4. Human Resource and Own Source Revenue Performance.....	21
2.4 Summary of Research Gaps .....	22
2.5 Conceptual Framework.....	26
2.6 Operationalization of Study Variables .....	27
<b>CHAPTER THREE .....</b>	<b>28</b>
<b>RESEARCH METHODOLOGY .....</b>	<b>28</b>
3.1. Introduction .....	28
3.2 Research Design .....	28
3.3. Target Population .....	28
3.4. Sampling Design.....	29
3.5. Data Collection .....	30
3.6. Data Analysis.....	31
3.7. Research Quality.....	31
3.7.1 Reliability of Research Instrument .....	31
3.7.2 Validity of Research Instrument.....	32
3.8. Ethical Issues .....	32
<b>CHAPTER FOUR .....</b>	<b>33</b>
<b>DATA ANALYSIS AND PRESENTATION OF RESEARCH FINDINGS.....</b>	<b>33</b>
4.1 Introduction .....	33
4.2 Response Rate.....	33
4.3 Background Information.....	34
4.4 Descriptive Analysis.....	36
4.5 Diagnostic Tests .....	41
4.6 Correlation .....	45
4.7 Regression analysis.....	46
4.8 Qualitative Data Analysis.....	48

4.9 Chapter Summary .....	56
CHAPTER FIVE .....	57
DISCUSSIONS, CONCLUSION AND RECOMMENDATIONS .....	57
5.1 Introduction .....	57
5.2 Summary of the Study .....	57
5.3 Discussion of Findings .....	58
5.4 Conclusion .....	61
5.5 Study Contributions .....	62
5.6 Recommendations .....	63
5.7 Study Limitations .....	64
5.8 Suggested Areas for Further Research .....	65
REFERENCES .....	66
LIST OF APPENDICES .....	71
Appendix I: Research Questionnaire .....	71
Appendix II: Interview Guide .....	75
Appendix III: Ethical Approval .....	78
Appendix IV: NACOSTI Permit .....	79



## LIST OF TABLES

TABLE 2.2 OPERATIONALIZATION OF STUDY VARIABLES .....	27
---	----

TABLE 3.1: SAMPLE FRAME.....	30
FIGURE 4.1: RESPONSE RATE .....	34
TABLE 4.1: RESPONDENTS DEMOGRAPHIC CHARACTERISTICS .....	35
TABLE 4.2: DESCRIPTIVE STATISTICS ON PUBLIC PARTICIPATION .....	37
TABLE 4.3: DESCRIPTIVE STATISTICS ON COUNTY REVENUE LEGISLATION .....	38
TABLE 4.4: DESCRIPTIVE STATISTICS ON TECHNOLOGY AND HUMAN INTERACTIONS.....	39
TABLE 4.5: DESCRIPTIVE STATISTICS FOR OSR PERFORMANCE IN KWALE COUNTY .....	41
TABLE 4.6: COLLINEARITY TEST COEFFICIENTS .....	42
TABLE 4.7: NORMALITY TEST .....	43
TABLE 4.8: LINEARITY TEST.....	44
TABLE 4.9: CORRELATION ANALYSIS .....	45
TABLE 4.10: OVERALL REGRESSION RESULTS .....	46
TABLE 4.11: QUALITATIVE DATA ANALYSIS ON PUBLIC PARTICIPATION.....	49
TABLE 4.12: QUALITATIVE DATA ANALYSIS ON REVENUE LEGISLATION .....	50
TABLE 4.13: QUALITATIVE DATA ANALYSIS ON REVENUE MANAGEMENT SYSTEMS .....	52
TABLE 4.14: QUALITATIVE DATA ANALYSIS ON OWN SOURCE REVENUE PERFORMANCE.....	54



## LIST OF FIGURES

FIGURE 1.1: PERCENTAGE ACHIEVEMENT OF TARGETED OSR .....	6
FIGURE 1.2: PERCENTAGE ACHIEVEMENT OF TARGETED OSR .....	8

FIGURE 2.1: CONCEPTUAL FRAMEWORK----- 26

FIGURE 4.1: RESPONSE RATE----- 34



## ABBREVIATIONS AND ACRONYMS

CGBIRR	County Governments Budget Implementation Review Report
CIDPs	County Integrated Development Plans
CoK	Constitution of Kenya 2010
DoRA	Division of Revenue Act
ICT	Information Communication Technology
KRA	Kenya Revenue Authority
NT	National Treasury
O&M	Operation and Maintenance
OCOB	Office of the Controller of Budget
OSR	Own Revenue Source
PE	Personnel Emolument
PFM	Public Finance Management
SPSS	Statistical Package for Social Sciences
TAM	Technology acceptance model
USA	United States of America

# **CHAPTER ONE**

## **INTRODUCTION**

### **1.0 Introduction**

This chapter introduces the main aim of the research, the statement of the problem, the objectives, and the scope of the research. It also defines the factors influencing own source revenue collection in county governments.

### **1.1 Background of the Study**

Devolution is a political system that distributes political, administrative, and financial powers to territorial and subnational entities with a degree of autonomy (Muia, 2008a). It is, therefore, broader than de-concentration. It has gained popularity, and the devolution of revenue mobilization and spending powers to subnational governance levels has emerged as a key local governance theme recently (Mudalige, 2019). Reformers increasingly turn to devolution to split central governance and foster wider participation in democratic governance.

Devolution has emerged as among several forms of decentralization, a characteristic of all governments globally. Currently, devolved governance has been adopted widely to ensure efficient and effective service delivery to the people (Kosaye, 2018). In this governance type, the subnational entities are not directly accountable to the central government, but their operations are guided by the rules and statutes set by the national government. It is characterized by downward accountability and autonomy, and it is institutionalized to ensure harmoniously meets the aspirations of the governed.

Devolution has gained popularity across the world. In the USA, state governments were formed to reduce the powers of the federal government by transferring some of the responsibilities from the federal government to the state government (Woolf, 2022). Similarly, most countries in Europe have adopted the devolved form of governance. In the UK, for instance, devolution has taken many various forms, and it is widespread elsewhere in Europe. Due to devolution, today, countries such as Scotland, Wales, and Northern Ireland each have their legislatures and governments, which have authority over several policy areas that were previously under the UK government. Besides the UK, in other countries, including Germany, Belgium, Sweden and

Austria, there is devolution of power with well-established regional governments and local authorities. This has resulted in more effective and tailored policymaking.

In Asia, countries are increasingly adopting the devolved form of governance to improve service delivery. Most governments have been operating largely under centralized systems in theory if not in actual structure (Shair-Rosenfield, 2021). The trend is changing, and some governments have chosen decentralized administrative systems to accomplish some development programs. So far, devolution has achieved various outcomes whereby some have successfully achieved some development goals while in other cases, devolution is yet to achieve the goals. In Pakistan for instance, the devolved form of governance, while it has been in existence for less than five years, it has given people a promise (Ain et al., 2020). The move saw the shift of significant powers to provinces and local governments to bring power and services close to the people.

African nations are progressively implementing devolution to enhance governance and address institutional flaws brought about by highly centralized governments. These include ineffective bureaucracy, a lack of accountability and transparency, unfair resource distribution, and low levels of community involvement in development matters (Fiseha, 2023). It is considered a necessary and urgent corrective solution in response to the political and economic issues the countries have faced. It is deemed an effective tool to rebuild local communities and environments as the foundation for a democratic, integrated, prosperous, and truly inclusive society.

Since countries started adopting devolution, it has transformed the governance structure in most countries across the region. Historically, most countries in the region had fused and highly centralized governance systems (Vambe, 2019). However, the trend started changing in 1980, whereby a large number of states started transferring powers, responsibilities and resources to subnational governance units. This was geared towards searching for participatory, involving and inclusive governance. Since then, administrative and political reforms have been going on in many countries. The pace is, however, not even across the continent, with some states such as Uganda, South Africa and Ethiopia proceeding while others like Chad, Niger and Sierra Leone lag. In some states, the decentralization process is in the initial stages, while in others, the process is still in the announcement stage (Magessa et al., 2020).

In Kenya, devolution came into effect after the promulgation of the Constitution 2010. The Constitution devolved fiscal, political and administrative powers, among other functions, from

the National Government to the Counties (Achiba & Lengoiboni, 2020). Contrary to other nations where there has been sequential attainment of devolution of three powers, the Kenyan experience has been a big bang, all the three powers were achieved at once after the constitution was ratified. The constitution requires each level of governance to perform its functions and powers in a way that respects the institutional and functional integrity of the government at the other level.

The desire of the Kenyan people to devolve government and decision-making was at the core of the clamour for a new constitution. Chapter Eleven of the Kenyan Constitution provides for devolution, its goals and guiding principles, county governments, the roles and responsibilities of the national and county governments, and the relationship between the various levels of government (Achiba & Lengoiboni, 2020). According to the Constitution, the purpose of devolution was to promote the democratic and responsible exercise of power, foster national unity by recognizing diversity, give the people the ability to self-govern and increase the level of engagement of the people in the exercise of governmental authority and the formulation of policies that have an impact on them. Additionally, devolution was meant to enable communities to manage their affairs and advance their development, to advance the interests of minorities and marginalized communities to provide easily accessible services across the country and to ensure equitable distribution of national resources (The Constitution of Kenya, 2010).

### **1.1.1 Factors Influencing Own Source Revenue Collection in County Governments**

Globally, own source revenue (OSR) performance at sub-national levels is influenced by a range of legal, institutional, administrative, and socioeconomic factors (Benton, 2024). Studies from South Africa, Nigeria, and Uganda point to the importance of strong fiscal decentralization frameworks, sound financial reporting systems, public participation in revenue planning, and the adoption of digital tools to enhance transparency (Cirolia & Robbins, 2021). In South Africa, for example, municipalities with clear legislative mandates, skilled revenue officers, and digitized billing systems tend to outperform others in OSR mobilization (Mac Master, 2021). Similarly, in Ghana, issues such as political interference, weak audit systems, and low public confidence have been identified as barriers to effective revenue collection at the local level (Adanu, 2024).

In the Kenyan context, OSR performance across counties has been varied since the onset of devolution in 2013. According to the National Treasury and Planning (2019), key factors influencing revenue collection include the presence or absence of enabling legislation, the

effectiveness of administrative and institutional structures, the capacity of revenue personnel, and the level of automation in revenue processes. Some counties have not enacted or operationalized current revenue laws, instead relying on outdated frameworks inherited from former local authorities. Moreover, weak coordination between county departments and inconsistent reporting especially in cases where revenue collection is outsourced or decentralized have undermined transparency and accountability.

Another critical factor is the human resource capacity of revenue officers. Many counties lack trained staff knowledgeable in applicable laws and modern enforcement techniques, resulting in poor compliance and revenue leakage. Additionally, automation and integration of revenue management systems have been limited in scope and depth. Manual systems continue to dominate, exposing county finances to risks of fraud and inefficiencies. External infrastructural constraints, such as unreliable electricity and poor internet connectivity, further complicate the deployment of ICT solutions.

While numerous factors affect OSR collection, this study focuses on three key determinants: public participation, regulatory framework and revenue management systems. These were selected due to their prominence in the National OSR Enhancement Policy (2019) and their empirical relevance in both global and local literature. Other factors such as political interference, citizen compliance behavior, and intergovernmental fiscal transfers are acknowledged but are outside the scope of this study. The selected variables offer a balanced view of internal county-level drivers that can be addressed through policy and administrative reforms.

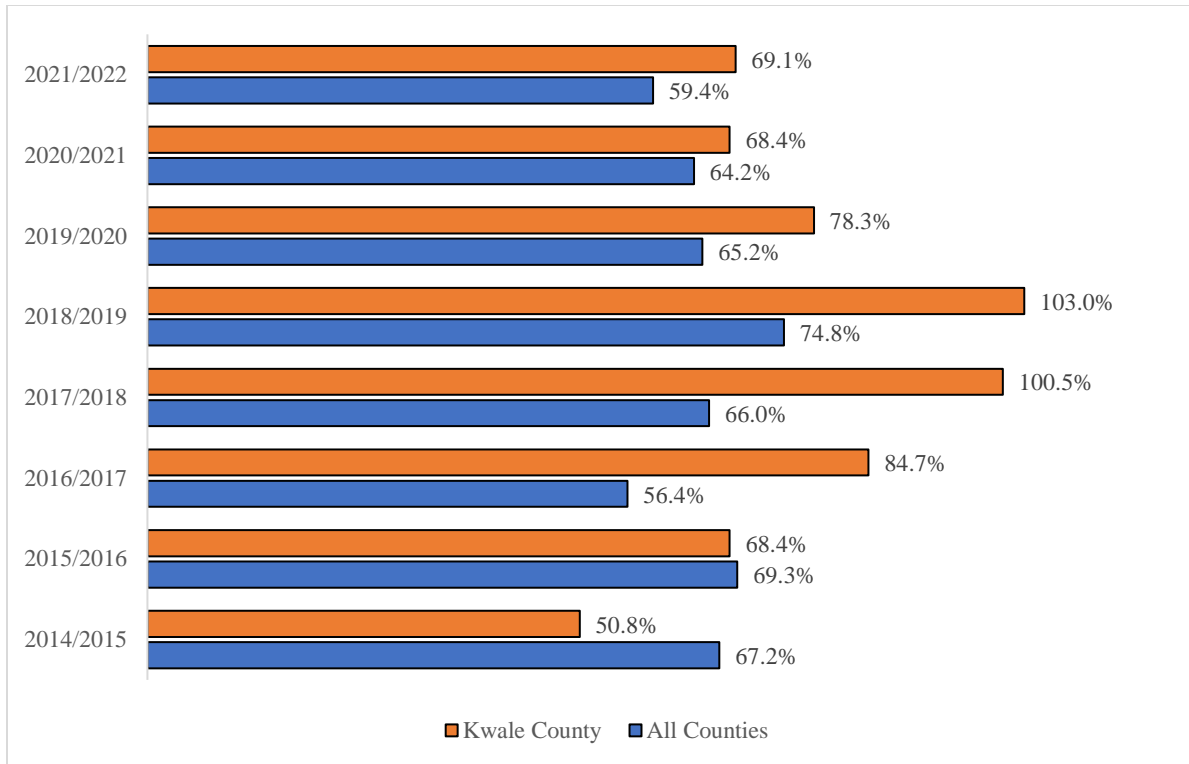
### **1.2.2 Own Source Revenue (OSR) in County Governments**

Since the establishment of the county governments in Kenya in 2013, the subnational units have been mainly depending on the National Government for funding. The funds allocated are, however, not sufficient for the county governments, which has created the need for the county governments to focus on their OSR (Mwaura, 2018). Article 209(3) of the Constitution of Kenya, 2010 gives county governments the power to impose property rates, entertainment taxes, and any other tax imposed to raise their revenue (Khadondi, 2018). Further, Article 209(4) allows counties to charge for services to raise revenue. This mandates the county governments to collect revenue through land and rent rates, building plan approvals, single business permits, parking fees,

conservancy fees, liquor license fees, sand cess, quarry extraction fees and market fees, among others (Mugambi & Wanjohi, 2018).

Counties with good performing OSR such as Nairobi and Nakuru, can collect revenues and fund their budgets consistently without waiting for the exchequer. These counties are also less affected by parliament's wrangles when the National Assembly and the Senate are not able to agree on a share of national revenue to be given to the counties, which is approved through the Division of Revenue Act (DoRA) (Ochieng, 2021). The DoRA gives the National Treasury the legal basis for releasing funds to Counties through the Office of the Controller of Budget (OCOB), which is the legal framework for approving the Exchequer for Counties (Engefu et al., 2021). One instance where there was a delay in releasing funds to the counties is where there was push and pull between the National Assembly and the Senate in the FY 2019/2020. The National Assembly recommended a revenue figure of KShs. 316 billion, while the Senate had approved a figure of KShs. 317 billion. This lack of agreement brought untold suffering to the County Government Treasuries because they could not fund non-discretionary expenditure of operation and maintenance (O&M) and personnel emolument (PE). This also meant that all the projects envisaged in the County Integrated Development Plans (CIDPs) could not be fully funded (Waribu et al., 2018).

OSR is critical in bridging the fiscal gap left after the equitable share, grants and donor funds (Kibigo, 2021). There have been situations where counties have formulated very ambitious budgets and used the OSR portion as the balancing figure. This has led to counties experiencing cash flow crunches as commitments are made based on the budget which is not balanced. Figure 1.1 illustrates the comparison in percentage achievement of targeted OSR between the counties jointly and Kwale County. Kwale County's performance moved from an upward trajectory, which saw the OSR targets for the FYs 2017/18 and 2018/19 surpassed and then changed into a nose dive to close to where it started, forming a perfect normal curve.



**Figure 1.1: Percentage Achievement of Targeted OSR**

**Source: OCOB BIRR 2023**

The fiscal gap due to the under-performance of OSR has ended up creating pending bills. This is a critical issue as counties have accumulated pending bills since their inception in the Financial 2013/2014 (Kerich, 2017). This has created the need for County Governments to seek ways of enhancing OSR to improve their resource base to discharge their mandate. There have been cases where County Governments have failed to meet their fiscal responsibility of ensuring the wage bill does not exceed 35 per cent of their total revenue and a development and recurrent expenditure ratio of 30:70 as required by the Public Finance Management (PFM) Act 2012. Improved OSR performance would help to lower the wage bill ratios and increase the expenditure on development, which is the reason for devolution.

Data comparing Counties' OSR and their wage bill from 2013 to date indicates that no County can meet its wage bill using its own source revenue. However, the situation in Kwale has been deteriorating. For instance, in FY 2017/2018, the county government had a target to collect

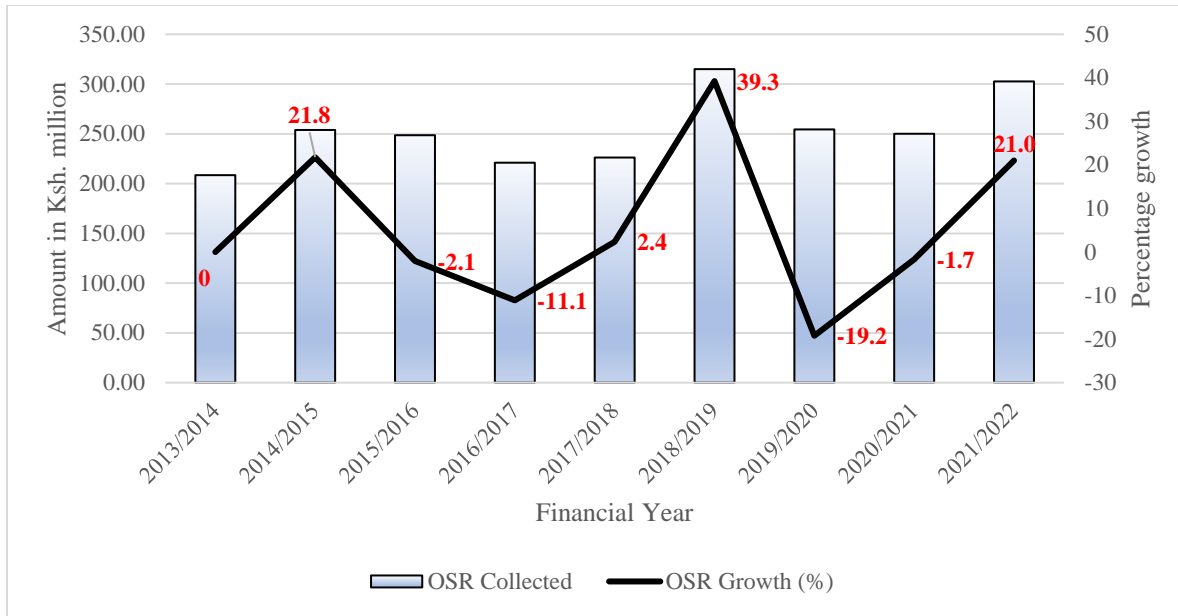
Kshs.275 million from local sources. However, it only managed to collect Kshs. 226 million from its own source revenues (Kwale County Annual Development Plan 2021-2022).

### **1.1.3 Kwale County's OSR Performance**

Kwale County is one of the 47 counties established under the First Schedule of the Constitution of Kenya 2010. It is in the South Coast region and is a member of the Jumuiya ya Kaunti za Pwani economic bloc, which has five other member counties: Mombasa, Kilifi, Lamu, Tana River, and Taita Taveta. Kwale is divided into four administrative units/sub-counties: Kinango, Lunga Lunga, Matuga, and Msambweni.

The Commission on Revenue Administration (CRA) has clustered counties into four main OSR collection categories, based on the average annual revenue collected over the first six years of the counties existence. These are: first category (average OSR of KShs. 1 billion and above), second category (average OSR between KShs. 601 and 900 million), third category (average OSR between KShs. 401 and 600 million), fourth category (average OSR between KShs. 200 and 400 million) and fifth category (average OSR of below KShs. 200 million). Kwale County and 11 other counties have been placed in category 4 (CRA, 2019).

OSR performance for Kwale County has been improving since FY 2013/2014. In its first year of existence, the County collected KShs. 208.50 million. This grew to KShs. 302.69 million in the FY 2021/2022. The highest ever revenue collected by the county was KShs. 315.03 million in FY 2018/2019. Despite this, however, the year-on-year OSR percentage growth has been somewhat erratic, with some years witnessing a negative percentage growth in the collections, as illustrated in **Figure 1.2**.



**Figure 1.2: Percentage achievement of targeted OSR**

*Source: County Government’s Annual Budget Implementation Review Report (CBIRR), FY 2021/22*

According to the County Governments Budget Implementation Review Reports prepared by the Office of the Controller of Budget, Kwale County’s OSR performance as a percentage of total revenue receipts averaged 2.7 per cent over the last four years (OCOB, 2019 - 2023). The County has attributed this to a number of challenges, including a lack of relevant County laws, inadequate staff for revenue enforcement and compliance, and low awareness among the citizens of the relevant levies and payments payable to the county.

### **1.2 Research Problem**

County governments are expected to provide services to citizens in line with the Constitutional provisions. The ability of the County Governments to ensure that these services are rendered to the people has always been hampered due to inadequate resources (Mwaura, 2018). County Governments in Kenya are mainly funded by the National Government through the National Treasury. Resources are supposed to follow functions, and in the costing of the devolved functions, the gap left by the Equitable Share is supposed to be plugged in by the Counties OSR (Khadondi, 2018). It is in this regard that the subnational units have focused on enhancing their own source revenue to supplement the resources they receive from the National Government. This

is anchored on the Constitution of Kenya, the Public Finance Management (PFM) Act 2012, the County Government Act 2012 and the Urban Areas and Cities Act 2011 (Nyagah and Njoka, 2022). These provisions allow the counties to impose property taxes, entertainment taxes and any other tax authorized by an Act of Parliament to generate revenue.

According to data from the Office of the Controller of Budget, County Governments have consistently missed their OSR targets since their inception. Kwale County OSR performance over the same period has been consistently below target save for the FYs 2017/2018 and 2018/2019 (OCOB, 2022). Further, the *2022 Comprehensive Own Source Revenue Potential and Tax Gap Study of County Governments report* revealed huge discrepancies/ gaps between the estimated revenue potential and the actual collections per revenue stream. Kwale County has a significant revenue gap in the Natural Resource Transportation revenue stream, collecting a paltry KShs. 16.6 million against the revenue potential of KShs. 2.15 billion, resulting in a 99 per cent revenue gap. The other six counties in this category and their revenue gaps are Machakos (83 per cent), Migori (100 per cent), Kiambu (99 per cent), Kilifi (100 per cent), Meru (100 per cent) and West Pokot (97 per cent), (CRA, 2022). The report further estimated the annual revenue potential for all 47 Counties at KShs. 260.574 Billion.

According to the FY 2021/22 CBIRR, Kwale County's annual revenue collection for FY 2014/2015 to FY 2021/2022 averaged KShs. 265.4 million (OCOB, 2022). This is against its revenue potential of KShs. 2.17 billion, resulting in an unrealized revenue potential of KShs. 1.91 billion, equivalent to a tax gap of 88 per cent. Pending bills continue to accumulate in counties, according to data from the Office of the Controller of Budget, and Kwale County had a stock of pending bills amounting to KShs. 2.1 billion, an indicator of the revenue expenditure gap (OCOB, 2022). This OSR gap creates the justification for this study to determine the factors behind the below-par OSR performance. Similar empirical studies have identified a number of factors affecting OSR in other counties, which include human resource capacity, ICT, county debt, infrastructure, public consultations, training, policies and organizational culture (Cheronoh, 2017; Abdille, 2022; Nzomo et al., 2023).

Identifying factors that influence the performance of OSR would help the county governments develop effective revenue-enhancing strategies that will improve its collections and reduce the county's overdependence on the national government for funding. Counties, including Kwale

County, need to realize their revenue potential to deliver both social and economic development to the citizens. To the researcher's knowledge, no other study has been done to establish the determinants of OSR in Kwale County.

### **1.3 Research Objectives**

The study's primary purpose was to determine the factors that influence the performance of Own Source Revenue (OSR) in Kwale County.

#### **1.3.1 Specific Objectives**

The following were the specific objectives of this study.

- i. Determine the extent to which public participation influences the performance of OSR in Kwale County.
- ii. Examine how the regulatory framework influences the performance of OSR in Kwale County.
- iii. Analyze the extent to which revenue management systems influence the performance of OSR in Kwale County.

#### **1.4 Research questions**

- i. To what extent does public participation influence the performance of OSR in Kwale County?
- ii. How does the regulatory framework influence the performance of OSR in Kwale County?
- iii. To what extent do revenue management systems influence the performance of OSR in Kwale County?

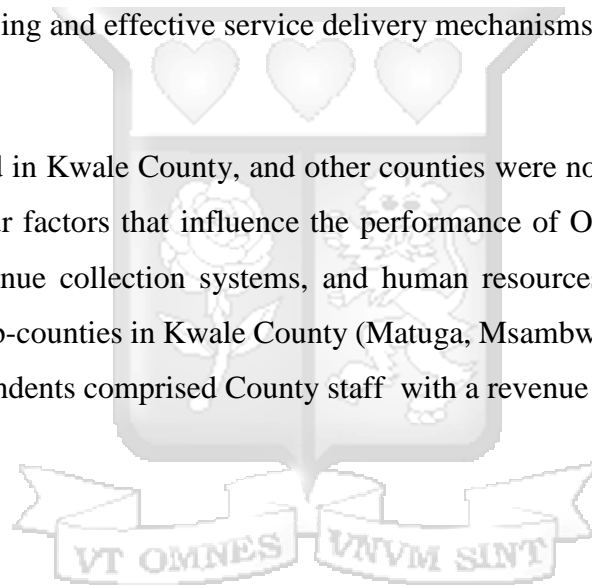
#### **1.5 Significance of the Study**

The findings of this study provide actionable policy insights for the County Government of Kwale to enhance OSR performance. By identifying and analyzing the key factors that influence OSR, the study has enabled county leadership to prioritize legislative reforms, institutional capacity-building, automation efforts, and human resource development. The insights generated can also be replicated by other county governments in Kenya seeking to strengthen their fiscal autonomy and improve local service delivery.

The findings from this study enlighten the people of Kwale County and the general public on the significance of OSR and how it contributes to achieving development goals. The findings highlight the role of citizen participation, transparency, and oversight in promoting tax compliance and accountability. This understanding is expected to positively influence public attitudes toward local taxation and reinforce the mandate of oversight bodies such as the County Assembly's Committee on Revenue Collection and Budget Appropriation. Additionally, the study contributes to the growing body of literature on fiscal decentralization and public finance in Kenya. It offers a valuable reference for scholars and researchers examining subnational revenue mobilization, especially in the context of devolution. By identifying current knowledge gaps and proposing areas for further investigation, the study lays the groundwork for future research on sustainable county financing and effective service delivery mechanisms.

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

The study was conducted in Kwale County, and other counties were not covered. Conceptually, the study focused on four factors that influence the performance of OSR: public participation, revenue legislation, revenue collection systems, and human resources. Methodologically, the study covered all four sub-counties in Kwale County (Matuga, Msambweni, Kinango, and Lunga Lungu). The target respondents comprised County staff with a revenue related responsibility.



## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1. Introduction**

This section presents the literature review. The first section reviews the theories that guided the research. The second section covers empirical literature, which is a review of related research studies. The third section presents research gaps, and the last section covers the conceptual framework.

#### **2.2. Theoretical Framework**

The study was anchored on three main theories: the ladder of citizen participation theory, the ability to pay theory, and the social influence theory.

##### **2.2.1 The Ladder of Citizen Participation Model**

This model is derived from the seminal works of Arnstein (1969) and forms the foundational theories of citizen engagement. The theory postulate that citizen participation can be categorized into eight levels arranged in a ladder-like structure, reflecting varying degrees of influence that citizens hold. These levels include manipulation and therapy (non-participation), informing, consultation, and placation (degrees of tokenism), and partnership, delegated power, and citizen control (degrees of citizen power) (Rahimi et al., 2023). The fundamental principle of the theory is that true participation entails redistributing power to allow ordinary citizens a meaningful role in shaping policies and programs that affect them. It emphasizes that without genuine power-sharing, citizen engagement is often superficial and serves only to legitimize decisions already made by authorities (Horn & Draude, 2023).

Despite its usefulness, the Ladder of Citizen Participation Theory has drawn several criticisms. First, scholars have argued that the model's linear and hierarchical structure oversimplifies the multifaceted and context-specific nature of citizen participation. It assumes that moving up the ladder is inherently better, without acknowledging that different contexts may require different levels or forms of participation (Willness et al., 2023). Second, the theory is often criticized for its lack of cultural and institutional sensitivity. It was developed in the context of the United States and does not fully consider the variations in governance systems, civic awareness, or political traditions in other countries, including developing nations like Kenya (Fahik et al., 2024). Third,

the theory's binary portrayal of citizens versus powerholders as opposing entities fails to accommodate collaborative governance models, where officials and citizens engage as partners rather than adversaries (Bridgeman, 2024). These critiques suggest that while the ladder remains a valuable conceptual tool, its application requires adaptation to specific governance settings.

The Ladder of Citizen Participation Theory is predominantly pertinent to this research as it offers a foundation for understanding how levels of public involvement affect the performance of own source revenue in Kwale County. It relates directly to objective two of the study, which is to evaluate the influence of taxpayer compliance on OSR performance. The theory suggests that when taxpayers are genuinely involved in decision-making processes such as being consulted in setting revenue priorities or being informed transparently about how revenues are utilized they are more likely to comply with revenue requirements. In the case of Kwale County, meaningful citizen participation can help bridge the trust gap between taxpayers and county authorities, thereby improving voluntary compliance, reducing enforcement costs, and ultimately enhancing OSR performance. The theory helps assess whether the county's public participation practices are substantive or merely symbolic and the extent to which this affects taxpayer behavior.

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

The Ability to Pay Theory, advanced by classical economists such as Adam Smith and formalized by Musgrave (1959), holds that taxes should be levied based on an individual's economic capacity. Those with higher income or wealth should contribute more toward public revenue. According to Musgrave (1959), taxation based on ability to pay ensures horizontal equity (equal treatment of equals) and vertical equity (different treatment of unequals), which are essential principles in a fair tax system. This approach contrasts with the benefit theory, which links tax payment to public service usage. The theory supports progressive taxation systems and underpins policies aimed at wealth redistribution, social justice, and economic equity. In public finance, it provides a basis for structuring tax instruments in ways that reflect taxpayers' income levels, asset ownership, or profitability, thereby enhancing legitimacy and compliance (Safarida et al., 2024).

Despite its influence, the Ability to Pay Theory has been subject to various criticisms. First, critics argue that it is often difficult to measure an individual's true ability to pay accurately due to variations in income sources, hidden wealth, and informal sector activities, especially in developing economies (Benton, 2024). Second, the theory does not adequately account for

behavioral responses to taxation. Higher-income individuals may seek tax avoidance strategies or shift economic activity to reduce tax liabilities, which may undermine the fairness and effectiveness of the system (Seriah, 2024). Third, in practical implementation, the theory may create economic distortions if excessively progressive taxation discourages investment or productivity (Khan & Hinterhuber, 2025). In contexts where tax administration is weak or data systems are unreliable, attempts to implement taxes based on ability to pay can also lead to arbitrary assessments, thereby eroding trust in the tax system.

The theory supports objective one of the research, which is to assess the effect of revenue administration systems on OSR performance. When counties design and implement taxes, fees, and charges that align with the economic capabilities of different taxpayers such as traders, landowners, or business operators they are more likely to promote compliance and enhance revenue collection. In Kwale County, if revenue instruments are perceived as fair and proportionate to income or property value, citizens may be more willing to comply voluntarily. Conversely, if fees are seen as regressive or arbitrarily imposed, compliance levels may drop, negatively affecting OSR performance. Thus, the theory helps assess whether the county's revenue systems uphold principles of equity and fairness, which are crucial for sustainable local revenue mobilization.

### **2.2.3 Social Influence Theory**

This theory was put forth by Kelman (1958), who outlined three distinct processes through which individuals are influenced by others: compliance, identification, and internalization. Compliance occurs when individuals conform to gain rewards or avoid punishment. Identification happens when individuals adopt behavior to be associated with someone they admire. Internalization involves adopting beliefs or behaviors because they are congruent with one's own value system (Davlembayeva et al., 2025). As per Aprianto et al. (2025), the theory emphasizes that people's decisions are shaped by social context, peer behavior, and perceived norms. In the realm of tax compliance, it suggests that individuals are more likely to comply with tax obligations when they observe others doing so or when compliance is encouraged by influential figures in their community.

Despite its contributions, social influence theory faces several criticisms. First, it tends to underplay the role of rational decision-making, such as weighing personal costs and benefits,

which is central to economic behavior (Butera et al., 2024). Second, its applicability varies across cultural and socioeconomic contexts social norms that drive compliance in one setting may have little impact in another (Hazari et al., 2024). Third, the theory does not fully address structural or institutional factors, such as corruption, lack of accountability, or poor public service delivery, which may discourage compliance even when social pressure exists (Huang et al., 2025). These limitations highlight the need to use the theory alongside other economic and institutional frameworks for a more comprehensive understanding of taxpayer behavior.

Social influence theory is relevant to this research as it offers a behavioral perspective on what drives taxpayer compliance in Kwale County. It directly supports objective two, which is to evaluate the influence of taxpayer compliance on OSR performance. The theory suggests that when taxpayers perceive compliance as a shared community norm or observe respected leaders fulfilling their tax obligations, they are more likely to comply voluntarily. On the other hand, if tax evasion is common or socially tolerated, compliance rates may decline. This perspective helps the study explore how social dynamics and peer influence affect OSR performance, especially in settings where enforcement mechanisms may be limited

### **2.3. Empirical Literature Review**

Various factors affect the performance of counties' revenue sources. These include public participation, legislation, technology, and human resources. Public participation research has focused on the rules, regulations, principles, or philosophies that guide public awareness and stakeholder engagement in the formulation of policy and implementation.

#### **2.3.1 Public Participation and Performance of Own Source Revenue**

Numerous studies have been conducted on the influence of public participation on OSR performance. Public participation is a key determinant of the performance of County Governments' initiatives. It helps to foster transparency, which is key in the management of public resources, including own source revenue. Through public participation, the citizens are sensitized to the role played by their own source revenue which in turn makes them pay taxes voluntarily to support County Government projects.

Park, Butler, and Petrovsky (2023) investigated the relationship between public participation and government fiscal outcomes through a study of participatory budgeting in Korean municipalities.

Drawing on panel data across seven fiscal years, the authors applied instrumental variable regression to address endogeneity and identify causal relationships. The findings showed that high-quality citizen participation characterized by informed deliberation and transparency positively influenced fiscal balance in local governments. Specifically, participatory budgeting improved budget literacy and transparency, which in turn promoted more responsible fiscal management. The study concluded that the effectiveness of public participation in achieving fiscal discipline depends less on formal authority delegation and more on the quality of engagement between citizens and government. However, the study was conducted in a developed Asian context and focused on participatory budgeting broadly, creating a contextual and thematic gap that the current study seeks to fill by examining how citizen participation influences own source revenue performance in a devolved African setting, specifically Kwale County, Kenya

Adenya and Muturi (2017) conducted a study to determine the factors affecting revenue collection by the Kiambu County Government. The analysis indicated that the failure of the County Government to engage with the landlords led to poor attitudes and perceptions, which in turn contributed to non-compliance. The findings further indicated that the landlords lacked tax knowledge and had negative perceptions about taxation, making them fail to remit taxes. The landlords were not effectively engaged through public participation, and therefore, they did not understand tax laws, tax requirements and their tax obligations. This, in turn, reduced voluntary rental tax compliance, which ultimately affected the revenue the County Government collected from rental income tax.

Public participation has become an indispensable democratic element and a key factor in promoting people-centred development (Zakhour, 2020). Public participation not only enhances and strengthens the state by legitimizing government actions but is also crucial for good and democratic government. To recognize the benefits of public participation, the Constitution of Kenya (CoK), 2010, has created provisions for interaction and demands that the public be involved in all governance aspects.

Beeri, Zaidan, and Zeedan (2022) assessed the willingness of the people to pay taxes through mutual trust, focusing on the local governments in Israel. The study concluded that public participation helped to improve people's perceptions, which in turn increased compliance. This contributed to increased revenue collection by the local authorities.

Hao, Nyaranga and Hongo (2022) conducted a study to determine the significance of enhancing public participation in Bungoma County. The study identified that public participation promotes good governance and sustainable development. Participation offered the people a suitable platform for comprehensive governance and helped to foster democracy. This is because it offers the people an avenue to air their issues on matters affecting them. Such participation platforms increase people's support for the projects and programs undertaken by the County Government. The study concluded that public participation helps to build credibility between the project implementers and the people. Public participation also helps to identify people's concerns and values and hastens the development of consensus among the County Government and the citizens who are the taxpayers. This works to reduce citizen-government conflict in implementing County Government policies and programs.

Abdille (2022) conducted a study to ascertain the role of own source revenue generation on the financial sustainability of Garissa County. The purpose was to determine whether public consultations, among other factors, contributed to financial sustainability. The study identified poor stakeholder engagement in designing the revenue collection policy. The County Government did not consult with the public when making the policy. Therefore, the public did not endorse revenue collection which in turn impacted on revenue collection and sustainability of the County's OSR.

Park, Butler and Petrovsky (2023) conducted a study to understand the role of public participation as a mechanism for improving government fiscal outcomes focusing on the Local Governments in South Korea. Based on the analysis, the study concluded that deliberation and public participation in the budgeting process have a positive contribution to the fiscal balance outcomes of the Local Governments. The study concluded that involving the public in the budget-making process helped the people to hold the Local Governments accountable for their fiscal decisions.

### **2.3.2. Revenue Legislation and Performance of OSR**

Fleck (2022) proposed a conceptual framework for optimizing OSR in local governments, highlighting four key pillars: strong legal and institutional frameworks, transparent revenue administration, citizen engagement, and capacity development. The study emphasized that effective OSR mobilization requires not only technical efficiency but also political legitimacy, where trust between citizens and local authorities is built through fairness in taxation and visible

reinvestment in public services. Fleck further argued that strategies for OSR enhancement must be tailored to local contexts to ensure sustainable fiscal autonomy. However, the study is largely conceptual and lacks empirical validation within specific developing country contexts. The current study addresses this gap by empirically examining the factors influencing OSR performance in Kwale County, Kenya, thus offering practical insights into how Fleck's framework applies in a devolved African setting.

The role of revenue legislation on its own source revenue has been an interesting subject of research. Mutua and Wamalwa (2017) did a study to determine the opportunities and challenges faced in revenue collection by the county Government of Nairobi and identified that revenue collected from the local avenues is crucial to the County Government and contributes to service delivery. However, the study concluded that while there was an increase in revenue collection, targets were not met. This was attributed to the lack of a comprehensive policy and the non-existence of proper legislation. This led to poor revenue mobilization. For instance, the lack of proper legislation led to poor revenue collection from property rates, which accounted for about 30 per cent of revenue generation in the County. While the County Government had updated most of its revenue-related laws and policies, it was still using laws inherited from the defunct local authorities. For instance, the County was still using outdated Valuation Rolls, trading licenses, and entertainment taxes.

Koskei, Cheruiyot and Naibei (2019) undertook a study to assess revenue collection efficiency by the Kericho County Government. The study findings established that there was good revenue legislation which enabled the County Government to mobilize revenue. For instance, the study identified that property tax was a fundamental source of revenue for the County Government, and this was facilitated by the existence of good legislation. The property tax system used was positively perceived by property owners because they ensured that they received the same and rational remedy. It fostered fairness, equity, and transparency. The property tax system was simple, smooth and cost-effective to administer.

Mubene (2019) examined the effects of tax policy on revenue management in Butaleja district in Uganda. This was in response to the challenge of declining local revenues due to the abolition of graduated taxes. The researcher used both qualitative and quantitative methods. Findings established that Butaleja district's local revenue sources include parking fees, fines and penalties,

market dues, rent and rates, licenses and permits. Revenue collection in the district had also been low due to the aggressiveness of revenue collectors, high administrative costs, corruption among revenue officers, inadequate sources of revenue and political interference. All these were considered issues that could be addressed through tax policy. It was recommended that licensing processes needed to be simplified to encourage compliance. As well computerization of processes was identified as a key strategy to reduce tax avoidance and evasion.

Sechero and Otinga (2020) conducted a study to examine the factors that influence revenue collection by the Busia County Government. It emerged from the analysis that the effectiveness of OSR was significantly influenced by the revenue legislation used. According to the findings, there were beneficial and practical County laws that taxpayers did not view as punitive. The study further found that the legal framework for tax collection was adequate, and there were efficient enforcement measures in place to increase the County Government's revenue. Property tax, entertainment tax, and other forms of taxes permitted by the Public Finance Management (PFM) Act 2012 were imposed by the County using efficient processes.

### **2.3.3 Revenue Collection Systems and OSR Performance**

The performance of own revenue source depends on the methods the County Government uses to collect revenue. Revenue can either be collected using manual systems or automated systems. Automated systems are more efficient and effective than manual systems. Before the Counties started using automated systems, they heavily relied on manual systems where manual receipts were used. This caused numerous challenges in the revenue collection system, such as high costs, high incidences of corrupt practices and revenue leakages. The manual revenue collection systems are attributed to the difficulties in tracking and identifying fraud and rogue revenue officers. The use of manual systems may also lead to delayed customer service and inaccurate analysis and reporting

Numerous research studies have been conducted to determine how revenue collection systems influence revenue collection. Mutisya (2014) undertook a study to ascertain the influence of an integrated revenue collection system and the implementation challenges in Machakos County. The study identified that Machakos County's revenue collection improved by introducing and implementing integrated revenue collection systems. Revenue collection improved in the first quarter after system implementation. While revenue collection dropped in some revenue streams

in some sub-counties, the decline in revenue collection was attributed to other challenges such as finances, infrastructure and lack of skills and competencies among the County staff in using the systems.

Kirimi, (2015) sought to determine how system automation influenced revenue mobilization by the Meru County government. The findings indicated that system automation increases efficiency and effectiveness in declaration and payments. Automation was also timesaving and cost-saving. The use of automated systems enhances online communication between the revenue collectors and the payers and simplifies the revenue collection process.

Mwakisisya (2020) conducted a study to assess the influence of a computerized revenue collection system on revenue performance in Arusha City Council. Through 63 respondents, the study aimed to establish whether there was a difference in Arusha City Council's revenue before and after the introduction of the local government revenue collection information system (LGRCIS). Findings revealed that revenue collection sharply increased after the introduction of the system, as evidenced by an increase in the five-year mean revenue following the introduction of LGRCIS. However, a number of challenges hindered the effective implementation of the system, including unreliable electricity, poor internet network, staff resistance to change and low technological know-how among the users.

Korir (2022) conducted a study to ascertain the significance of revenue systems in Bomet County. The county relied on manual systems to collect revenue which in turn impacted revenue collection. The use of manual systems was linked to challenges in tracking and identifying rogue revenue collectors and other types of fraud. The use of manual systems also caused customer service delays and was associated with high risks of revenue leakage. Reliance on manual systems made it hard for the County Government to closely monitor the entire revenue collection and management process.

Ratnawati et al. (2023) studied the impact of technological innovations on Indonesia's district's own source revenues. Specifically, the researchers wanted to understand whether the tapping box technology was contributing to the increase of local taxes and district revenues. They investigated taxes from 60 hotels, restaurants and entertainment areas collected over a period of 5 years. Results revealed a positive strengthening influence of the tapping box technology on the relationship of both restaurant and hotel taxes and the district's own source revenues, but not entertainment taxes.

#### **2.3.4. Human Resource and Own Source Revenue Performance**

The human resource function is very vital in every organization. Organizations leverage human capital to record good performance and to gain a competitive advantage. In this regard, organizations are focusing on developing effective strategies for enhancing the workforce to drive higher value. Organizations seek to optimize their workforce through the use of suitable human capital development programmes to achieve performance goals and long-term sustainability and survival. Organizations, therefore, invest resources to ensure the employees are equipped with the skills, competencies and knowledge they require to work effectively. Human resources play a crucial role in the collection of revenues in the Counties. In this regard, County Governments need to invest in employee training and development programmes, ensure there are sufficient staff members, and instil ethical values free from corruption and fraud. This facilitates revenue collection.

Peter et al. (2018) conducted a study to determine the perceived constraints to Effective County's own source revenue collection in Taita Taveta County. From the analysis, it emerged human resource factors influenced that own source revenue collection. The staff involved in revenue collection did not have the relevant skills and competencies needed to understand the own source revenue systems and procedures. The County Government lacked a thorough staff development plan that included training, performance monitoring, and evaluation to ensure employees could handle the demands of the tax collection process.

Ishak (2021) examined the determinant factors of financial independence in Indonesia's provincial governments' using multiple regression analysis. Using ten-year data from the year 2010, the researcher conducted a census to establish the factors determining financial independence. Results showed that local own-source revenue and balanced funds were significant predictors of financial independence, meaning that the two variables require special focus so as to bring financial independence to the two provinces. More importantly, an increase in human resource capacity was identified as among the critical steps the government could take.

Mwombeki (2021) assessed the influence of a variety of dimensions of an agency's capacities in the generation of its own source revenues among Tanzania government agencies. Using a case study of three agencies, the researcher surveyed 80 respondents comprising senior management and staff. From the study findings, human resource, organizational planning and development and

infrastructure capacity were found to significantly and positively influence own source revenue generating performance of the agencies. The study concluded that staff motivation was important to ensure that government agencies operate competitively.

Qanchora (2021) studied the effect of institutional-based strategies utilized to improve OSR mobilization in Isiolo County. The study concluded that human resources was a major determinant of revenue collection. Although most of the individuals involved in revenue collection were qualified and had much revenue-collecting expertise, the County Government's revenue collection strategies were ineffective, which had an impact on revenue collection. The County Government lacked motivational and rewarding programs for the staff engaged in revenue mobilization, as well as adequate capacity-building programs for the concerned employees. This was a significant obstacle to revenue collection and acted as a barrier to the County Government in meeting its revenue goals.

#### **2.4 Summary of Research Gaps**

The available research points out that the performance of OSR is affected by various factors. One of the factors is public participation. Zakhour (2020) identified that effective public participation helps to strengthen and legitimize the programs and projects undertaken by the government. Park et al. (2023) identified that deliberation and public participation in the budgeting process had a positive contribution to the programs undertaken by the local authorities in Korea. Similarly, Beerli et al. (2022) identified that public participation helped to increase compliance of the people undertaken by the local authorities in Israel. Locally, the available evidence indicated that revenue collection in Kiambu County was poor due to poor engagement between the county government and the people (Adenya & Muturi, 2017; Hao et al., 2022; & Abdille, 2022)

Revenue collection and the performance of OSR are also affected by the legislation. The available literature points out that effective policies and frameworks are paramount and offer a good foundation for understanding the aspects of own source revenue collection (Ambetsa, 2014). Revenue collection succeeded in cases where there was favourable and viable County Legislation, which the taxpayers did not perceive as punitive (Sechero & Otinga, 2020). Mutua and Wamalwa (2017) identified that in Nairobi County, revenue collection targets were not met due to lack of good legislation to underpin revenue collection. In Kericho County, Koskei et al. (2019) identified that revenue mobilization was facilitated by the existence of good revenue legislation.

Revenue generation is also affected by the systems used to collect taxes. The literature reviewed indicates that revenue collection performs poorly due to overreliance on manual revenue collection systems. These manual systems are not effective in tracking and identifying rogue revenue collectors and other types of fraud. The use of manual systems causes delays and is associated with high risks of revenue leakage. This was identified in Bomet County as a risk factor Korir (2022). The use of automated systems, on the other hand, increases revenue collection efficiency and effectiveness. This was the case in the Meru County government (Kirimi, 2015), Arusha City Council (Mwakisisya, 2020) and Indonesia (Ratnawati, 2023)

In the aspect of human resources as a determinant of OSR performance, the literature pointed out that in cases where organizations have leveraged their workforce by the use of comprehensive human capital development programs, they achieve their performance goals. This was the case in Isiolo County (Qanchora, 2021) and Tanzania (Mwombeki, 2021). In cases where the employees lacked skills and competencies due to the lack of a comprehensive staff development policy, revenue collection was negatively affected. This was the case in Taita Taveta County, as noted by Peter et al. (2018), and in Indonesia, as established by Ishak (2021).

A scrutiny of available literature has indicated that numerous studies have been done to analyze various factors that influence own-source revenue. However, contextual gaps emerge as the researcher did not find studies that focused on Kwale despite the County's low OSR performance. This gives the rationale for this research.

**Table 2.1 Summary of Research Gaps**

Author(s) and Year	Title of Research	Key Findings	Identified Research Gap	How Current Study Addresses the Gap
Okhun (2024)	Automation, mapping, legislation and revenue in Pallisa District	Automation, mapping, and legal frameworks improved revenue generation	Focused on a single Ugandan district; lacks Kenyan context	Current study examines similar factors in Kwale County, Kenya

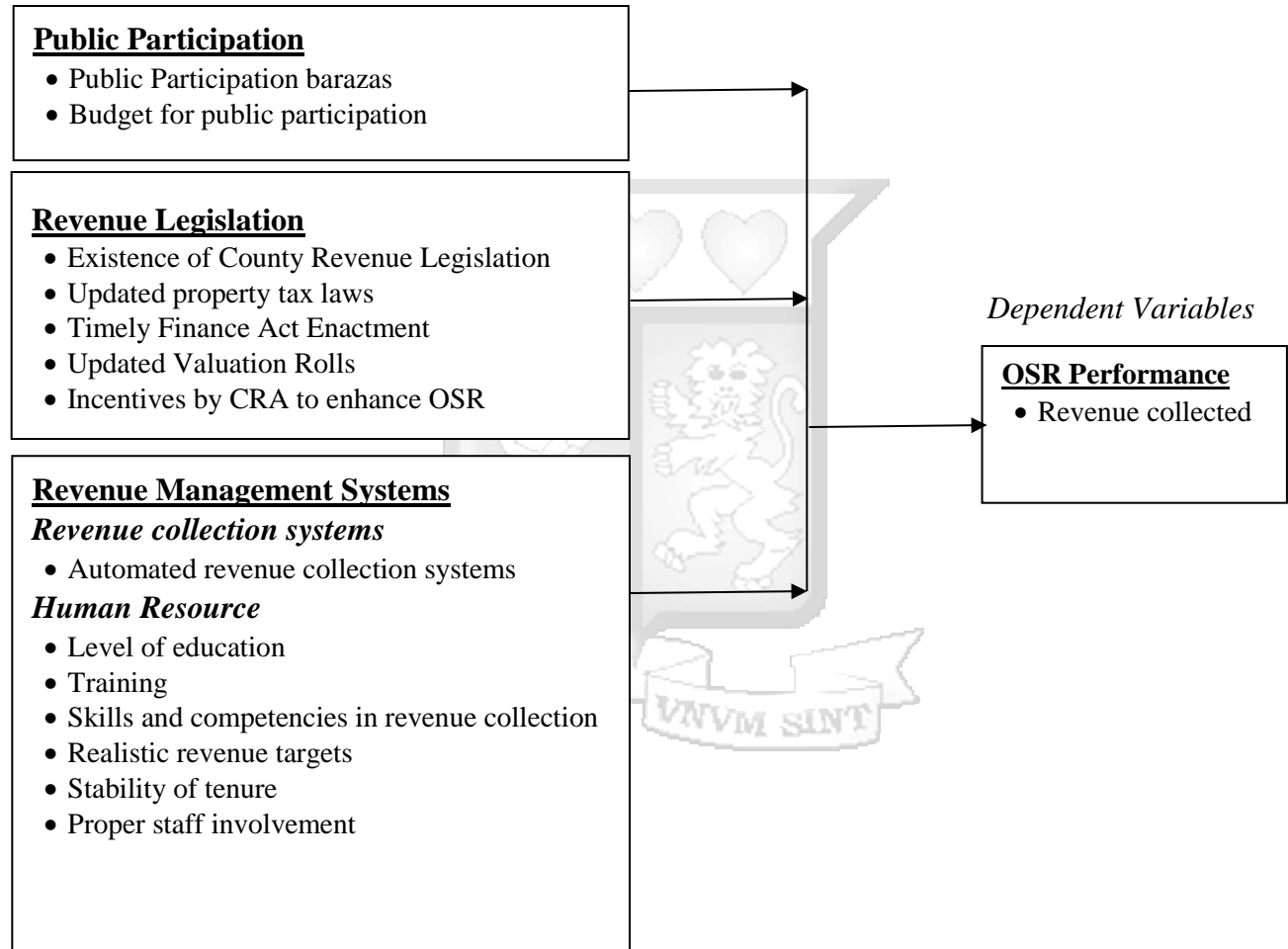
Author(s) and Year	Title of Research	Key Findings	Identified Research Gap	How Current Study Addresses the Gap
Park, Butler & Petrovsky (2023)	Public participation and government fiscal outcomes through participatory budgeting	High-quality citizen participation improved fiscal balance via transparency and budget literacy	Focused on South Korea and participatory budgeting; lacks context-specific analysis in Africa	Current study explores public participation and OSR performance in Kwale County, Kenya
Beeri, Zaidan & Zeedan (2022)	Willingness to pay taxes through mutual trust in Israel	Public participation enhanced tax perceptions and improved compliance	Context is Israel; lacks analysis in devolved African governance	Current study applies similar concepts to Kwale's devolved governance
Hao, Nyaranga & Hongo (2022)	Enhancing public participation in Bungoma County	Public participation promoted good governance, trust, and consensus building	Focus was on governance, not directly tied to OSR performance	Current study connects participation directly to OSR outcomes
Abdille (2022)	Role of OSR generation on Garissa County's financial sustainability	Poor public consultation reduced support for revenue policies	Narrow focus on sustainability; limited detail on mechanisms of OSR collection	Current study examines specific factors influencing OSR performance
Fleck (2022)	Framework for OSR optimization	Emphasized legal frameworks, transparency, engagement, and capacity	Conceptual in nature, lacked empirical testing in African counties	Current study empirically tests these elements in Kwale County
Koskei, Cheruiyot & Naibei (2019)	Revenue collection efficiency in Kericho County	Good legislation enabled efficient and fair property tax collection	Narrow scope on property tax only	Current study assesses broader legislation impacts on OSR
Peter et al. (2018)	Constraints to OSR collection	Lack of skills and staff development	Did not explore legislative, technological or	Current study includes human

Author(s) and Year	Title of Research	Key Findings	Identified Research Gap	How Current Study Addresses the Gap
	in Taita Taveta County	hindered revenue collection	participatory aspects	resource capacity as a factor among others
Adenya & Muturi (2017)	Factors affecting revenue collection by Kiambu County Government	Lack of taxpayer engagement led to poor tax knowledge and low compliance	Did not generalize findings beyond landlords or link to broader OSR systems	Current study investigates public participation's broader impact on OSR performance
Mutua & Wamalwa (2017)	Revenue collection challenges in Nairobi County	Lack of updated legislation weakened revenue mobilization	Focused on legislation gaps but did not assess OSR performance comprehensively	Current study includes legislative impact on OSR performance
Mutisya (2014)	Influence of integrated revenue systems in Machakos County	Automated systems initially improved revenue; skills and infrastructure were limiting	Lacked a multi-variable approach linking automation with other OSR factors	Current study integrates multiple systems-level factors

## 2.5 Conceptual Framework

A conceptual framework presents the study variables, and the variable constructs and presents the interaction between the variables. The independent variables are public participation, revenue legislation, revenue collection systems, and human resource capability. The dependent variable is the performance of own-source revenue. The conceptual framework is presented in the Figure 2.1.

### *Independent Variables*



**Figure 2.1: Conceptual Framework**

## 2.6 Operationalization of Study Variables

Operationalization of the study variables (public participation, revenue legislation, revenue management systems) is as shown below:

**Table 2.2 Operationalization of Study Variables**

Variable	Definition	Indicators	Measurement Approach
Public Participation	Inclusion of the public in decision-making to improve legitimacy and transparency in OSR management.	Public barazas, public participation budget, taxpayer sensitization	Likert scale responses on frequency, inclusivity, and influence of public forums
Revenue Legislation	Legal frameworks and policies used for revenue collection and management at the county level.	Existence of county revenue laws, Finance Act enactment, property tax laws, valuation rolls	Document review and Likert scale responses on effectiveness and adequacy
Revenue Collection Systems	Methods and tools used for revenue collection, including manual and automated systems.	Level of system automation, efficiency, cost-effectiveness	Rating of system use, frequency of manual vs. digital methods
Human Resource Capacity	Workforce quality in the revenue department including skills, training, and organization.	Education level, training, skills, competencies, realistic targets, chain of command	Survey-based assessment of training, skill levels, and job structure
Own Source Revenue (OSR) Performance	Sufficiency and efficiency of revenue collected by the county.	Revenue targets achieved, fiscal gaps, pending bill status	Comparison of actual vs. projected revenues, fiscal gap analysis

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. Introduction**

This section presents the research methodology. It discusses the techniques and methods used to carry out the study. The issues discussed here include the research design, the target population, sampling techniques, and data collection methods and procedures. The chapter further covers data analysis methods and ethical considerations.

#### **3.2 Research Design**

A research design is a structure, plan, and strategy used by a researcher to conduct a study and obtain answers to research questions (Asenahabi, 2019). A descriptive research design was utilized in this study to describe the status of OSR in Kwale County and the different factors that influence the performance of the county's own source revenue. This design was suitable when the study conducted an in-depth analysis of the issue to describe the research phenomenon. It was suitable for describing attitude, behaviour, character and value. This study's questionnaire was designed to collect data from the respondents. The respondents were allowed to describe how the Kwale County government collects and manages OSR, and the factors associated with the status of OSR in the county. After that, the data was analysed to get the insights.

#### **3.3. Target Population**

A target population is a collection of people or items with similar traits that the researcher is interested in researching (Taherdoost, 2016). This means that the units in the target population are homogenous (Alvi, 2016). The target population was the revenue collection clerks of Kwale County, involved either directly or indirectly in revenue collection totaling to 101 respondents as shown in table 3.1. Those directly involved in revenue were the key respondents while those indirectly involved in revenue collection were key informants. Kwale County has 114 revenue staff distributed across the four sub-counties. The study targeted 12 key informants who are stakeholders in the revenue management function at the county and are therefore well placed to give expert views regarding the performance of OSR and the different factors that influence it in the County.

### 3.4. Sampling Design

The study used a probability sampling approach, which gave every item in the population an equal chance of being selected and included in the sample, thereby eliminating bias (Kothari, 2004; Ngicuru et al., 2017). Specifically, simple random sampling was used to select a sample of the Revenue Clerks who were interviewed.

An equal number of revenue officers were selected from all four Sub-Counties of Kinango, Lunga Lunga, Matuga, and Msambweni and included as key respondents in the study. Twelve key informants were also sampled.

The Yamane method was employed for calculating the sample size. The formula is given below:

$$n \text{ (Yamane)} = N / (1 + Ne^2)$$

Where: N is the population size

e is the error level

The study assumed a 95 per cent confidence interval; hence, the error level “e” will be:

$$e = (100\% - 95\%) / 100 = 0.05$$

The study sample was given by:

$$\begin{aligned} \text{Sample (n)} &= N / [1 + N * (0.05)^2] = 114 / [1 + (114 * (0.05)^2)] \\ &= 114 / [1 + (114 * 0.0025)] \\ &= 114 / 1 + 0.285 \\ &= 114 / 1.285 \\ &= 89 \end{aligned}$$

**Table 3.1: Sample Frame**

<b>Category</b>	<b>Size</b>
<b>Key Informants</b>	
Chief Officer - Finance and Economic Planning	1
Chief Officer – Health	1
Director Revenue	1
Director Finance	1
Director Economic Planning	1
Director Budget	1
Chief Internal Auditor	1
Chairman – Revenue Committee of the County Assembly	1
Market Chairpersons	4
<b>Subtotal for key informants</b>	<b>12</b>
<b>Key Respondents</b>	
Senior Revenue Officers (in the respective sub-counties)	4
Revenue Clerks	85
<b>Subtotal for key respondents</b>	<b>89</b>
<b>Grand Total</b>	<b>101</b>

### 3.5. Data Collection

Data was collected using two main tools, a structured questionnaire for the key respondents (revenue officers) and an interview guide for the key informants. The questionnaire had closed-ended questions while the interview guide had open-ended questions. The closed-ended questions allowed the respondents to provide precise answers to the research questions based on a defined criterion, while the open-ended questions allowed the respondents to express their thoughts more fully and offer their opinions.

The questionnaires were self-administered while the researcher administered the interview guides to collect data from the key informants using in-depth interviews. This allowed the researcher to get rich insights into the research phenomenon (Roulston & Choi, 2018). As a result, the interview method enabled the interviewer to explore all the aspects, such as emotions, motivations,

assumptions, and opinions, which underlie the respondents' responses to the questions (Jiménez & Orozco, 2021). Ultimately, this approach aided data collection and helped increase the response rate while minimizing errors.

### **3.6. Data Analysis**

Since both quantitative and qualitative data were collected, the analysis involved quantitative and qualitative methods. Quantitative data collected from key respondents using the questionnaire were entered into an MS Excel sheet, coded and cleaned before being analyzed. Descriptive and inferential analysis methods were used to analyze the quantitative data. Descriptive analysis was done by generating frequencies, means, and standard deviations, while inferential analysis was done using regression analysis. Results were presented in the form of tables, charts and graphs.

#### **3.6.3 Qualitative Data Analysis**

Data collected using interview guide questionnaires was analyzed using qualitative analysis method. Content analysis was utilized to analyse the qualitative data, where key highlights were picked from the interview guide questionnaires to answer the research questions. Insights from the qualitative analysis were used to beef up the narratives of the analysis report.

### **3.7. Research Quality**

#### **3.7.1 Reliability of Research Instrument**

Reliability refers to the degree to which a research instrument yields consistent results over repeated trials under similar conditions. In this study, reliability will be assessed using Cronbach's Alpha coefficient, a statistical measure that estimates the internal consistency of multi-item scales (Snyder, 2019). In this study, reliability was tested using Cronbach's Alpha to assess the internal consistency of the questionnaire items. A threshold of 0.70 or above was considered acceptable. A pilot test was conducted with a small sample to identify inconsistencies or ambiguous questions, and the findings guided adjustments to improve the instrument's reliability before the main data collection.

### **3.7.2 Validity of Research Instrument**

Validity assesses the extent to which the research instrument accurately captures the intended variables. This study focused on construct validity by ensuring that the questionnaire items aligned with the theoretical definitions of public participation, revenue legislation, and revenue management systems. The instrument was developed based on prior validated studies and was reviewed by academic experts to confirm content accuracy and relevance. This process ensured that the tool effectively captured the intended constructs and provided valid data for analysis

### **3.8. Ethical Issues**

Several ethical guidelines were observed in this study. First, an introduction letter and a research license from NACOSTI were obtained. The license and the introduction letter helped to authenticate the study. After obtaining the letter, the researcher informed the Kwale County Government where the County Secretary gave authority for the study to commence. During the data collection exercise, the researcher explained to the respondents the purpose of the study and sought their consent before including them in the study. This was crucial as the respondents needed to comprehend what the study entailed before voluntarily participating. It was important for the respondents to understand the nature of the study they were to participate in and the roles they were supposed to play. Therefore, the researcher was obliged to inform the respondents of all the aspects that the study entailed for them to decide whether to participate or not. The researcher further clarified to the respondents that the data collected would be treated with the utmost confidentiality.

## CHAPTER FOUR

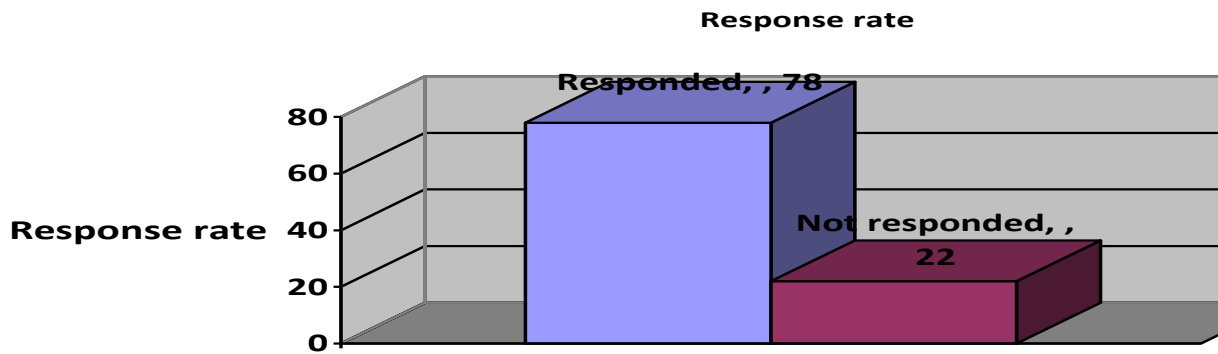
### DATA ANALYSIS AND PRESENTATION OF RESEARCH FINDINGS

#### 4.1 Introduction

This chapter presents the research findings derived from the analysis of the collected field data from the four Sub-Counties of Kwale County, namely Matuga, Kinango, Lunga Lunga, and Msambweni. Specifically, the Chapter includes the response rate, the background information of the respondents, the descriptive analysis, diagnostic checks, findings of the inferential analysis, and lastly, qualitative analysis. The results are presented in chronological order as per the research objectives.

#### 4.2 Response Rate

The research distributed questionnaires to a total of 89 respondents whom the researcher had identified to collect quantitative data, as well as 12 open-ended questions to 12 respondents whom the researcher had identified to collect qualitative data. Out of the 89 questionnaires, 71 were filled and returned, while out of the 12 open-ended questionnaires for the interview guide, 7 were filled and returned. A total of 78 responses were received out of the total of 101 questionnaires. This translated to a 78 per cent response rate, as shown in Figure 4.1. This response was considered adequate for the research as it was consistent with the range provided by Creswell (2022), who considers that a response of above 65 per cent is good and can be used in conducting research.



**Figure 4.1: Response rate**

### **4.3 Background Information**

The research sought to establish general demographic information about the respondents, including their place of work, designation, number of years worked, and education level. This background information was essential in contextualizing the responses in relation to the study objectives. For instance, understanding the respondents' roles and tenure provided insights into their familiarity with county revenue processes, directly supporting the objective of assessing the influence of human resource capacity on OSR performance. Similarly, education level and work experience helped interpret perspectives on revenue legislation, public participation, and the effectiveness of revenue collection systems, thereby enhancing the credibility and relevance of responses tied to each research objective.

**Table 4.1: Respondents Demographic Characteristics**

Variable		Count	Percentage
Place of work (Sub County)	Kinango	7	8.9%
	Lunga Lunga	17	21.8%
	Matuga	24	30.8%
	Msambweni	30	38.5%
	<b>Total</b>	<b>78</b>	<b>100%</b>
Designation	Finance clerks	71	91%
	Revenue officers	6	8%
	Finance officers	1	1%
	<b>Total</b>	<b>78</b>	<b>100%</b>
Number of years worked	Less than 1 year	6	7.7%
	1-5 Years	12	15.4%
	6-10 Years	37	47.4%
	Over 10 years	23	29.5%
	<b>Total</b>	<b>78</b>	<b>100%</b>
Education level	College/ Diploma	19	24.4%
	Undergraduate certificate	50	64.1%
	Post graduate certificate	9	11.5%
	<b>Total</b>	<b>78</b>	<b>100%</b>

Source (Research, 2025)

The data shows that Msambweni has the highest representation among the sub-counties, finance clerks constitute the largest group, most employees have substantial experience (6-10 years), and the majority hold undergraduate degrees. This profile highlights a mature and educated workforce that predominantly works as revenue clerks across different sub-counties. Recent studies support these findings by emphasizing the importance of experienced and well-educated personnel in enhancing organizational performance. Experienced employees with higher education levels significantly improve financial management and organizational effectiveness in local government settings (Gichuhi & Juma, 2022). This is further supported by research by Mwangi (2023), who highlighted that a well-educated and experienced workforce is crucial for the successful implementation of financial policies and achieving operational goals in public sector organizations.

#### 4.4 Descriptive Analysis

The descriptive analysis for this research was carried out using two statistical measures: the mean and the standard deviation. This method was selected as the most suitable for summarizing the responses received from the Likert scale statements.

##### 4.4.1 Influence of public participation on the performance of OSR in Kwale County.

The study analysed how public participation influences OSR performance in Kwale County, and the summary of results is shown in **Table 4.2**



**Table 4.2: Descriptive Statistics on Public Participation**

	<b>N</b>	<b>Sum</b>	<b>Mean</b>	<b>Std. Deviation</b>
Public Participation Barazas are well advertised, and the citizens are aware of them	71	253.00	3.563	.8901
Public participation barazas are well attended by the citizens who can interrogate policy documents	71	255.00	3.591	1.1781
Citizens' views are taken into consideration when enacting the finance acts	71	295.00	4.154	1.0508
The County sets aside adequate budgetary allocation to oversee public participation activities	71	262.00	3.690	1.1160
The public is aware of the fees that the counties are supposed to collect	71	276.00	3.887	.8544
<b>Valid N (listwise)</b>	<b>71</b>	<b>268.20</b>	<b>3.677</b>	<b>1.018</b>

From the analysis in **Table 4.2**, the average mean response regarding the influence of public participation on the performance of Own Source Revenue (OSR) in Kwale County is 3.677. This indicates that respondents generally agree that public participation positively influences OSR performance. The Standard Deviation of 1.018 reflects a moderate level of consensus among respondents on the impact of public participation on Own Source Revenue in Kwale County. The results suggest that consideration of their views in the Finance Acts significantly affects OSR performance, as evidenced by the highest mean of 4.155 and a standard deviation of 1.051. This further shows a strong agreement with the notion that incorporating citizen feedback is beneficial for OSR performance, though there is some variation in how strongly respondents feel about this. The analysis also highlights that public awareness of the fees and charges that counties are supposed to collect is seen positively, with a mean of 3.887 and a standard deviation of 0.854. This indicates a consensus that public awareness about fees and charges structures is important.

#### 4.4.2 Influence of County Revenue Legislation on the Performance of OSR in Kwale County.

The study analysed how county revenue legislation influenced the performance of OSR in Kwale County, and the summary of the result is shown in Table 4.3

**Table 4.3: Descriptive Statistics on County Revenue Legislation**

	N	Sum	Mean	Std. Deviation
The county government has effective revenue legislation to guide the collection and management of revenue	71	276.00	3.887	.8543
The property tax law used by the county government are updated	71	262.00	3.690	1.116
Timely Finance Acts enactment is crucial for the improvement of the OSR performance	71	295.00	4.155	.966
The county government utilizes updated valuation rolls	71	255.00	3.592	1.178
CRA incentivises county governments to enhance OSR	71	253.00	3.563	.8901
Valid N (listwise)	71	268.20	3.977	0.801

From the analysis in **Table 4.3**, the average mean response regarding the influence of county revenue legislation on Own Source Revenue (OSR) performance in Kwale County is 3.978. This suggests that respondents generally agree on the positive impact of effective revenue legislation on OSR performance. The standard deviation of 0.801 indicates a strong consensus among respondents about the significance of legislation in improving revenue performance. The analysis also highlights that respondents agree that timely enactment of the Finance Act is important for improving OSR performance, with a mean of 4.155 and a standard deviation of 0.966. This reflects a strong consensus on the importance of timely legislative actions for enhancing revenue collection. The results show that respondents also believe that the county government has effective revenue legislation guiding revenue collection and management, as indicated by a mean of 3.887 and a standard deviation of 0.854. This suggests a strong positive view of the effectiveness of existing legislation.

#### 4.4.3 Influence of Revenue Management Systems on the Performance of OSR in Kwale County.

The study analysed how revenue systems influence the performance of OSR in Kwale County, and the summary of the result is shown in **Table 4.4**

**Table 4.4: Descriptive Statistics on Technology and Human Interactions**

	N	Sum	Mean	Std. Deviation
The county government has adopted the necessary technological machines/equipment for the collection of revenue	71	279.00	3.930	.781
The machines/equipment have replaced the manual or cash payment systems	71	269.00	3.789	1.013
The use of machines/equipment enables timely reporting on the revenue collection	71	300.00	4.225	.865
The use of machines/equipment has led to efficiency and effectiveness in revenue collection	71	270.00	3.803	1.050
The use of revenue collection machines has helped seal revenue evasion loopholes	71	265.00	3.732	.844
The revenue staffs meet the minimum education qualification of at least a diploma certificate	71	280.00	3.944	.908
The county has taken deliberate efforts to improve the efficiency and effectiveness of its revenue personnel through regular staff training and incentives	71	293.00	4.127	.773
Revenue collectors have a clear and realistic job description to ensure they meet revenue targets	71	318.00	4.479	.808
Revenue staffs are involved in the formulation of revenue collection policies	71	293.00	4.127	.955
Employees skills and competence influence revenue collection	71	292.00	4.113	1.049
<b>Valid N (listwise)</b>	<b>71</b>	<b>255.90</b>	<b>4.220</b>	<b>0.705</b>

From the analysis in Table 4.4, the average mean response regarding the influence of technology and human interactions on OSR performance in Kwale County is 4.220. This indicates that respondents generally agree on the positive impact of technology and human interactions on OSR

performance. The standard deviation of 0.705 shows a strong consensus among respondents on the effectiveness of this factor in improving OSR performance.

The results show respondents agree that digitization of revenue collection enables timely reporting, as indicated by a mean of 4.225 and a standard deviation of 0.865. This suggests a clear perception of the benefits of technology in facilitating timely reporting of revenue collection. Furthermore, the analysis indicates that technology has led to efficiency and effectiveness in revenue collection, with a mean of 3.803 and a standard deviation of 1.050. This reflects a positive view on the role of technology in enhancing revenue collection processes, despite some variability in responses.

Respondents further agree that using revenue collection machines has helped address revenue evasion loopholes, shown by a mean of 3.732 and a standard deviation of 0.8444. This suggests a consensus that technology aids in mitigating revenue losses occasioned by revenue payers' evasion. Regarding staff qualifications, the mean response of 3.944 and a standard deviation of 0.90849 indicates that respondents believe the educational qualifications of revenue staff are adequate. Additionally, with a mean of 4.127 and a standard deviation of 0.773, there is strong agreement that the county's efforts to improve staff efficiency through training and incentives are effective. Respondents also agree that revenue collectors have clear and realistic job descriptions to meet revenue targets, as indicated by a mean of 4.479 and a standard deviation of 0.808. This reflects a high level of satisfaction with job clarity and target setting.

#### 4.4.4 Trend in performance of OSR in Kwale County

The study analysed OSR's performance in Kwale County, and Table 4.5 summarizes the results.

**Table 4.5: Descriptive Statistics for OSR Performance in Kwale County**

	N	Sum	Mean	Std. Deviation
The county government consistently meets its OSR budget targets	71	254.00	3.578	1.117
The revenue collection by the County government is progressive	71	264.00	3.718	.944
The county government can meet its obligations with its OSR	71	199.00	2.803	1.214
The revenue collection by the county government is adequate	71	221.00	3.113	1.260
The county government is never in budget deficit due to uncollected revenue	71	205.00	2.887	1.036
<b>Valid N (listwise)</b>	<b>71</b>	<b>228.60</b>	<b>3.024</b>	<b>1.114</b>

From the data analysis in Table 4.5, the average response regarding the performance of OSR in Kwale County is 3.024. This suggests that respondents generally hold a neutral to positive view of the performance of OSR in the county. The standard deviation of 1.114 indicates a moderate level of variability in opinions among respondents. The results indicate that respondents believe the county government's ability to consistently meet OSR budget targets is positive, as shown by a mean of 3.578 and a standard deviation of 1.117. This reflects some agreement on the effectiveness of meeting budget targets, though with noticeable differences in individual responses. The perception that revenue collection by the county government is progressive is also relatively positive, with a mean of 3.718 and a standard deviation of 0.944. This suggests a consensus that revenue collection has progressed, with less variability in responses

#### 4.5 Diagnostic Tests

Diagnostic tests are carried out to determine if regression models can be deployed to analyze research data. Various tests were applied to determine whether the assumptions of collinearity,

normality, linearity, and autocorrelation hold. Failure to perform these diagnostics may lead to biased and unreliable statistical results, which may compromise the validity of the study results (Field et al., 2019)

#### 4.5.1 Collinearity Test

The assumption of collinearity was tested by conducting variance inflation factor and tolerance values tests, and the findings are presented in Table 4.6. A common variance inflation factor (VIF) rule of thumb is that VIFs of 10 or higher is a sign of severe or serious multi-collinearity that affects the study (O'Brien, 2017)

**Table 4.6: Collinearity Test Coefficients**

Model		Collinearity Statistics	
		Tolerance	VIF
1	Public participation	.109	9.147
	Revenue legislation	.115	8.690
	Influence of Technology and Human Interactions	.832	1.202

a. Dependent Variable: Own Source Revenue Performance

In the current study, as displayed in Table 4.6, tolerance ranged from 0.109 for public participation, 0.115 for revenue legislation, and 0.832 for the influence of technology and human interactions with reciprocals. The VIF was 9.147, 8.690, and 1.202, respectively, which were below the maximum threshold value. This showed no violation of the collinearity assumption.

#### 4.5.2 Normality Test

Normality tests are central to statistics, especially when parametric tests such as correlation and regression analysis are to be used. Therefore, this study conducted normality tests to determine whether the data was well-modelled and normally distributed.

**Table 4.7: Normality Test**

	Kolmogorov-Smirnova			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Own Source Revenue Performance	.105	71	.079	.957	71	.076
Revenue legislation	.135	71	.073	.902	71	.066
Public participation	.140	71	.081	.906	71	.070
Influence of Revenue Management Systems	.132	71	.084	.939	71	.092

a. Lilliefors Significance Correction

The results displayed on Table 4.7 of the Kolmogorov-Smirnov and Shapiro-Wilk tests for normality reveal that for all variables, Own Source Revenue Performance, Revenue Legislation, Public Participation, and Influence of Technology and Human Interactions, the p-values for both tests are above the common significance level of 0.05. Specifically, the Kolmogorov-Smirnov p-values range from 0.073 to 0.084, and the Shapiro-Wilk p-values range from 0.070 to 0.092. These findings indicate that there is no significant deviation from normality for any of the variables, suggesting that the data distributions can be considered approximately normal. This supports the use of parametric statistical tests in further analysis of these variables.

### 4.5.3 Linearity test

The study tested data linearity using univariate analysis to ascertain a linear relationship between the variables prior to conducting regression analysis.

**Table 4.8: Linearity Test**

				Sum of Squares	df	Mean Square	F	Sig.
(Combined)				17.433	14	1.245	3.167	.001
Own Revenue Performance Public participation	Source *	Between Groups	Linearity	12.635	1	12.635	32.13	.000
			Deviation from Linearity	4.798	13	.369	.939	.521
		Within Groups		22.019	56	.393		
		Total		39.452	70			
(Combined)				20.708	14	1.479	4.419	.000
Own Revenue Performance Revenue legislation	Source *	Between Groups	Linearity	13.212	1	13.212	39.47	.000
			Deviation from Linearity	7.495	13	.577	1.723	.081
		Within Groups		18.745	56	.335		
		Total		39.452	70			
(Combined)				14.259	18	.792	1.635	.085
Own Revenue Performance Revenue management systems	Source *	Between Groups	Linearity	7.233	1	7.233	14.92	.000
			Deviation from Linearity	7.026	17	.413	.853	.628
		Within Groups		25.194	52	.484		
		Total		39.452	70			

The findings of the significant values of the deviation from linearity in the research objectives were; public participation Sig = .521; revenue legislation Sig = .081 and influence of

technology and human interactions Sig = .0628. Based on these sig values in the deviation from linearity >.05, it implied that the selected independent variable and dependent variable are linearly dependent.

#### 4.6 Correlation

Pearson's correlation analysis test was conducted to determine the relationship between dependent variables and independent variables. The study used Pearson correlation analysis to examine the strength and direction of relationships between the independent variables (public participation, revenue legislation, and revenue management systems) and the dependent variable (OSR performance)

**Table 4.9: Correlation Analysis**

		<b>Public participation</b>	<b>Revenue legislation</b>	<b>Influence Technology Human interactions</b>	<b>ofOSR andPerformance</b>
<b>Public participation</b>	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	71			
<b>Revenue legislation</b>	Pearson Correlation	.940**	1		
	Sig. (2-tailed)	.000			
	N	71	71		
<b>Revenue Management Systems</b>	Pearson Correlation	.396**	.335**	1	
	Sig. (2-tailed)	.001	.004		
	N	71	71	71	
<b>OSR Performance</b>	Pearson Correlation	.566**	.579**	.428**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	71	71	71	71

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

Table 4.9 presents the results of the correlation analysis between predictor variables and Own Source Revenue Performance as summarized. The analysis revealed that Public Participation had

a moderate positive and significant relationship with OSR Performance,  $r=0.566$ ,  $\text{sig}=.000 \leq .01$ . This suggests that OSR Performance tends to improve significantly as Public Participation increases. The correlation between revenue legislation and OSR Performance revealed a moderate positive and significant relationship  $r=0.579$ ,  $\text{sig}=.000 \leq .01$ . This indicates that improvements in revenue legislation are associated with better OSR performance. Lastly, the correlation analysis between the influence of Technology and Human Interactions revealed a moderate positive and significant relationship with OSR Performance,  $r=0.428$ ,  $\text{sig}=.000 \leq .01$ . This implies that an enhanced Technology and Human Interactions will result in enhanced OSR Performance. Moreover, public participation and revenue legislation were highly correlated ( $r = 0.940$ ,  $p < 0.01$ ), showing that the presence of strong legislation may facilitate or encourage greater public involvement in fiscal matters. All correlations were statistically significant at the 0.01 level, supporting the study's hypothesis that these factors positively influence OSR performance in Kwale County.

#### 4.7 Regression analysis

The research employed regression analysis to determine the joint effect of public participation, revenue legislation and revenue management system on own source revenue performance.

**Table 4.10: Overall Regression Results**

<b>Model Summary</b>						
<b>Model</b>	<b>R</b>	<b>R Square</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>		
1	.630 <sup>a</sup>	.397	.370	.59601		
a. Predictors: (Constant), Revenue management systems, Revenue legislation, public participation						
<b>ANOVA<sup>a</sup></b>						
<b>Model</b>		<b>Sum of Squares</b>	<b>Df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
1	Regression	15.652	3	5.217	14.688	.000 <sup>b</sup>
	Residual	23.800	67	.355		
	Total	39.452	70			
a. Dependent Variable: Own Source Revenue Performance						

b. Predictors: (Constant), Revenue Management Systems, Revenue Legislation, Public Participation

Model	Coefficients <sup>a</sup>			T	Sig.
	Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta		
(Constant)	-.532	.682		-.780	.438
1 Public participation	.007	.330	.006	.021	.983
Revenue legislation	.503	.290	.485	1.733	.088
Revenue Management Systems	.453	.179	.263	2.531	.014

a. Dependent Variable: Own Source Revenue Performance

From the results in Table 4.10,  $R^2$  for the overall regression model of independent variables (Public Participation, Revenue Legislation and Revenue Management Systems) on dependent variable (Own Source Revenue Performance) resulted in 0.397 meaning that combined effect of independent variables predicted 39.7 per cent of changes in dependent variable (OSR Performance) in Kwale County. The ANOVA results indicated *F-value of 14.688, Sig = .000*, depicting a positive and significant relationship between the independent variables and dependent variable (OSR performance).

The coefficient regression analysis results indicate that Revenue Management Systems has a significant and positive influence on Own Source Revenue Performance, with an unstandardized coefficient of 0.453 and a standardized coefficient (Beta) of 0.263, yielding a t-value of 2.531 and a significance level of 0.014, which is statistically significant at the 5 per cent level. In contrast, Public Participation and Revenue Legislation do not significantly impact Own Source Revenue Performance, with p-values of 0.983 and 0.088, respectively. Public Participation shows a negligible effect with a coefficient of 0.007, while Revenue Legislation has a moderate but not statistically significant impact with a coefficient of 0.503. Thus, when the predictors are combined,

revenue management systems have the most significant influence on performance of own source revenue in Kwale County.

From the study model,  $Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$

The results of the beta coefficients ( $\beta$ ) are as shown below

$\beta_0 = 0.532$ ,  $\beta_1 = 0.007$ ,  $\beta_2 = 0.503$  and  $\beta_3 = 0.453$

Therefore, the predictor regression equation for performance of OSR in Kwale County is:

$$Y = -0.532 + 0.007 X_1 + 0.503 X_2 + 0.453 X_3 + \varepsilon$$

( $X_1$ ,  $X_2$  and  $X_3$ ) represent the independent variables public participation, Revenue Legislation and Revenue Management Systems, respectively and  $\varepsilon$  represents the error term (other factors).

#### **4.8 Qualitative Data Analysis**

The researcher conducted semi-structured interviews as the main approach to collect the qualitative data. Qualitative data was collected from 7 key informants against a target of 12 from Kinango, Lunga Lunga, Matuga and Msambweni sub-county offices, which form Kwale County. The key informants were coded as Resp 1, Resp 2 .... up to Resp 7 to ensure confidentiality of the informants. Qualitative data was based on the study objective, which formed themes for data analysis.

##### **4.8.1 Influence of Public Participation on Own Source Revenue Performance**

The study's first objective explored how public participation influenced own source revenue performance at Kwale County.

**Table 4.11: Qualitative Data Analysis on Public Participation**

Theme	Codes	Count	Resp
Effect of public participation	Better resource allocation	4	Resp 1, 5, 6 and 7
	Compliance	1	Resp 3
	Transparency	1	Resp 2
	Awareness	1	Resp 4
Forms of public participation	Barazas	5	Resp 1, 3, 4, 5, 6 and 7
	Public debates	1	Resp 2
Challenges	Low turn-out	5	Resp 1,3,5, 6 and 7
	Cost implications	1	Resp 2
	Limited financial resources	1	Resp 4

The respondents were asked to state the effect of public participation on OSR performance. The results indicated that majority of the Key informants agree that public participation ensures better resource allocation. Resp 6 stated that *"Public participation allows for more effective resource allocation as it integrates community insights into the decision-making process, ensuring that resources are used where they are most needed."* The study findings resonates with the study findings of Olsson et al., (2023) public participation and resource allocation in local governance, that established that public participation in revenue-related activities is often associated with improved resource allocation.

Further, respondents were also asked to state the main form of public participation with respect to OSR performance. The study established that “Barazas” were the most preferred mode of public participation. Specifically, Resp 2 stated that *"Barazas are effective in fostering dialogue between the government and the public, allowing for meaningful participation and feedback on revenue management practices."* The findings are consistent with with a study by Kim and Lee (2023) on public forums (barazas) as a tool for citizen engagement in local governance that established that

Barazas, or public forums, are a common form of public participation in revenue management as they provide a platform for citizens to discuss and provide input on revenue-related issues, facilitating direct communication between the government and the community.

The study sought to explore challenges encountered in public participation with respect to own source revenue (OSR) performance. The results established that low turn-out was the most prominent challenge (count 5), while cost implications (Resp 2) and limited financial resources were also noted. The finding on low turnout is consistent with Brown and Edwards (2023), who observed that poor attendance undermines the effectiveness of public participation and limits the diversity of stakeholder input in local governance. These qualitative findings complement the regression results presented in Section 4.7, where public participation was found to have no significant influence on OSR performance ( $p = 0.983$ ). The limited impact observed in the quantitative analysis may be attributed to the practical challenges identified particularly low citizen engagement which reduce the effectiveness of participation initiatives. Thus, the qualitative data help explain why public participation, although important in theory, did not yield a significant statistical relationship with OSR performance in this context.

#### 4.8.2 Influence of Revenue Legislation on Own Source Revenue Performance

The second objective of the study explored how revenue legislation influenced Own source revenue performance in Kwale County.

**Table 4.12: Qualitative Data Analysis on Revenue Legislation**

Theme	Codes	Count	Respondent
Impact of revenue legislations	Reduced public resistance	4	Resp 2,3, 5, and 7
	New taxes hence more revenue	2	Resp 1 and 6
	Transparency in budgeting	1	Resp 4

The respondents were asked to state the impact of revenue legislation with respect to influence of revenue legislation on OSR performance. Majority of respondents emphasized that revenue legislation significantly reduces public resistance (with a count of 4), reflecting a strong consensus on this benefit. The introduction of new taxes, although important, was noted less frequently with a, while transparency in budgeting was the least mentioned benefit. Some of the quotes include

*"Effective revenue legislation significantly reduces public resistance, which is crucial for improving taxpayer acceptance and easing the revenue collection process." (Resp 6)*

The findings on the objective are complemented by a study by Doe and Roe (2023), where they evaluated the effects of revenue legislation on public compliance and fiscal transparency and concluded that effective revenue legislation plays a positive role in enhancing taxpayer compliance and improving fiscal transparency. They further found that when revenue legislation successfully addresses and reduces public resistance, it contributes significantly to smoother revenue collection processes, leading to increased public trust in fiscal management. These insights align with the regression results presented in Section 4.7, where revenue legislation showed a moderate positive influence on OSR performance ( $B = 0.503$ ), though not statistically significant at the 5% level ( $p = 0.088$ ). The complementarity of findings suggests that while revenue legislation has the potential to improve OSR performance, its impact may be constrained in practice by factors such as outdated laws or limited enforcement capacity. The qualitative contribution underscores the importance of strengthening legislative frameworks to build public trust and compliance, which are essential for achieving consistent revenue performance.

#### **4.8.3 Influence of Revenue Management Systems on Own Source Revenue Performance in Kwale County.**

The third objective of the study explored how Revenue Management Systems influenced Own Source Revenue Performance in Kwale County.

**Table 4.13: Qualitative Data Analysis on Revenue Management Systems**

Theme	Codes	Count	
Benefits of adopting revenue collection systems	Efficiency	4	Resp 5,6, 7, Resp 1
	Reduced fraud	2	Resp 3 and 2
	Timely collection of revenue	1	Resp 4
Type of revenue collection system	Cashless payment	7	Resp 5, 6, 7, 1, 3, 2, and 4
Challenges of human interaction in revenue collection	Poor supervision	4	Resp 5, 4, 7, and 2
	Inadequate competency and skills	3	Resp 1, 3,6
Ways of addressing human challenges in revenue collection	Adequate training	4	Resp 5, 4, 7, and 2
	Reward system	2	Resp 1, 3,
	Motivation	1	Resp 6

The study explored the benefits of adopting revenue collection systems with relation to the influence of Revenue Management Systems on OSR performance. The majority of the respondents agreed that the primary benefit identified is efficiency, indicating that revenue collection systems are highly valued for their ability to streamline and improve the effectiveness of revenue processes. The second benefit, reduced fraud, is mentioned less, but still highlights a significant advantage of these systems in minimizing financial misconduct. Timely collection of revenue, although important, is cited only once, suggesting it is a less emphasized benefit compared to efficiency and fraud reduction. One statement by Resp 5 stood out *"The adoption of revenue collection systems enhances efficiency by streamlining processes and reducing administrative burdens."* This finding is supported by Brown and Green (2021) study on advancements in revenue collection systems where he focused on addressing the challenges and enhancing efficiency. The study found that improved revenue collection systems led to efficiencies in revenue performance.

Further, the study established that Kwale County has adopted a cashless payment system in its revenue collection endeavours as agreed by all the respondents. While addressing the challenge of human resource in relation to OSR performance, it was established that the predominant issue is poor supervision, which suggests that insufficient oversight of revenue collection processes is a major concern. This lack of supervision can lead to inefficiencies and potential mismanagement, impacting the effectiveness of revenue collection systems. Another critical challenge is inadequate competency and skills. This indicates that revenue collection staff may lack the necessary training and expertise, which can hinder the proper execution of their duties and affect overall system performance. Inadequate skills and knowledge among personnel can result in errors, inefficiencies, and reduced effectiveness in collecting revenue. Resp 5 stated *"The effectiveness of revenue collection systems is significantly compromised by poor supervision, which has led to operational inefficiencies and reduced oversight."* These findings are in line with a study by Smith and Johnson (2022) wherein the researchers studied the human factors in revenue collection focusing on supervision and skills challenges. The results of the study revealed that the success of revenue collection in local government is directly influenced by the supervision and supervisory skills of those in charge of revenue collection. Further a statement by Resp 5 on skills also stood out *"Inadequate competency and skills among revenue collection staff are major barriers, impacting the efficiency and accuracy of revenue collection processes in this county"*

To address the challenges in human interaction with respect to OSR performance, the respondents gave out their recommendations. Adequate training was the most frequently cited solution. This suggests that enhancing the skills and knowledge of revenue collection staff through comprehensive training programs is crucial for improving performance and efficiency. Effective training can help address issues related to competency and ensure staff are well-equipped to handle

their responsibilities. Another notable approach recommended was the implementation of a reward system. This approach involves recognizing and rewarding employees for their performance, which may motivate staff and improve their effectiveness in revenue collection. Rewards can serve as an incentive for staff to perform better and meet targets. Motivation, was also mentioned as a way to address human challenges. While less emphasized compared to training and rewards, ensuring that staff are motivated is important for maintaining high levels of performance and engagement in their roles. The findings are consistent with a study by Brown and Clark (2021) on enhancing revenue collection: training, rewards, and motivation strategies which established that, enhancing revenue collection requires a comprehensive approach that integrates adequate training, a robust reward system, and effective motivation strategies to address human factors and improve overall performance. Some of the statements included:

*"Implementing adequate training programs for revenue collection staff is essential to improve their competency and efficiency in handling revenue-related tasks. (Resp 7)*

*"A well-structured reward system can significantly boost staff performance by recognizing and incentivizing their contributions to effective revenue collection." (Resp 3)*

*"Ensuring that staff remain motivated is crucial for maintaining their performance and commitment to revenue collection duties." (Resp 6)*

#### **4.8.4 Own Source Revenue Performance at Kwale County**

The researcher sought information on the performance of Own-Source Revenue, including trends in the last five years, the top three revenue streams, and measures that needed to be taken to enhance the performance of OSR in Kwale County.

**Table 4.14: Qualitative Data Analysis on Own Source Revenue Performance**

<b>Theme</b>	<b>Codes</b>	<b>Count</b>	<b>Resp</b>
Performance of OSR over 5 years	Slow paced	2	Resp 2 and 4
	Progressive	5	Resp 5, 6, 7, 1, and 3,
Top 3 Revenue streams for the county	Hospital fees	7	Resp 1,2,3,4,5,6,7

Measures to help enhance OSR performance at Kwale county	Single business permits	7	Resp 1,2,3,4,5,6,7
	Land rates	6	Resp 1,3,4,5,6,7
	Streamline and automate revenue streams	7	Resp 1,2,3,4,5,6,7
	Capacity enforcement for revenue officer	7	Resp 1,2,3,4,5,6,7
	Fastrack valuation roll	6	Resp 1,3,4,5,6,7
	Increase tax base and rates	5	Resp 1,3,4,6,7

Respondents were asked to state the performance of OSR of Kwale county over the 5 years. It was established that OSR performance was progressive. The progressive assessment indicates that there has been notable improvement in OSR performance. This aligns with Kipkiorui, (2024) study on the factors that influence the adoption of digital transformation in the manufacturing firms of Nairobi Region where he found that progressive reforms and modernisation of practices may lead to significant performance of revenues.

Furthermore, respondents were asked to state the three main sources of revenue for the county and the study established that Hospital Fees, Single Business Permits (SBP) and Land Rates were the largest sources of revenue for Kwale County. This concurs with a study done by Dan, (2024) on the evaluation of the determinants of innovation adoption by analytical laboratories in Kenya which established that, the role of health sector in local government finances and also a study by Ngbapia (2024) on the factors influencing the food security of smallholder farmers in Yambio County, South Sudan that established that, streamlined business permits can substantially boost local revenues and lastly a study by Chyiku, (2024) on the effect of corporate restructuring on employee performance on the NCBA merger that concluded that land rates contribute significantly to revenue, reflecting the importance of property-related taxes in local governments' revenues.

## 4.9 Chapter Summary

This chapter has presented analysis of collected study data. Analysis was conducted at three levels, where quantitative data underwent descriptive and inferential analysis, and qualitative data underwent qualitative analysis. The results were presented as per the study objectives. Descriptive analysis was done primarily through use of means and standard deviations. Following results of diagnostic tests, inferential analysis was done using regression analysis. The results have been presented in the form of tables and figures. The results emanating from this chapter therefore informs discussion of findings in the subsequent chapter.



## CHAPTER FIVE

### DISCUSSIONS, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Introduction

This chapter presents the summary of the study, discussions of the key findings, conclusion of the study, contribution of the study to the body of knowledge and the researcher's study recommendations and areas for further studies.

#### 5.2 Summary of the Study

The main objective of the study was to determine the factors influencing the performance of own source revenue in County Governments, with a focus on Kwale County. More specifically, the study sought to determine the influence of three factors on the County's OSR performance, namely: public participation, regulatory framework and revenue management systems.

Three main theories arrived at following an extensive review of literature guided the study. These were: the ladder of citizen participation theory; the ability to pay theory and the social influence theory. The ladder of citizen participation theory was relevant to this study because it advocates for citizen participation, arguing that citizen participation can only be considered effective if there is some level of redistribution of power between the Authority and citizens, which can be in the form of financial resources or decision-making authority. The ability to pay theory advocates for people to pay taxes based on their ability to pay and is relevant to this study because of its connection with the regulatory framework for taxation, which should ensure the commensurate sharing of the tax burden. The social influence theory relates to the taxpayers' behaviour, arguing that taxpayers will be willing to comply if they see value in how the government spends the collected revenue.

A descriptive research design was adopted to explore factors influencing OSR performance in Kwale County, integrating both quantitative and qualitative data. The study's background highlighted persistent challenges in achieving consistent OSR growth, despite constitutional provisions. While public participation, revenue legislation, and revenue management systems each showed a positive influence on OSR performance individually, only revenue management systems had a significant effect when considered jointly. This supports literature emphasizing the role of automation and human capacity (Kipkirui, 2024), and aligns with qualitative findings that pointed to weak participation and outdated laws as limiting factors. The results underscore the practical importance of strengthening revenue systems for sustainable performance.

### **5.3 Discussion of Findings**

This section presents a discussion of the main findings arising from the statistical analysis of the collected data. The results are presented thematically, in line with the study objectives.

#### **5.3.1 Influence of public participation on performance of OSR in Kwale County.**

The first study objective was meant to determine the extent to which public participation influences the performance of OSR in Kwale County. The key finding was that OSR was significantly positively influenced by public participation. Specifically, practices such as advertisement and awareness creation of public participation barazas, good attendance to the barazas and considering citizen's views during formulation of county legislations were found to have a positive influence on OSR collection in Kwale County. Similarly, adequate budgetary allocation for public participation activities and disclosure of the applicable tax fees were found to contribute positively to OSR performance.

These results align with those of Adenya and Muturi (2017), who established that failure by the County Government of Kiambu to effectively engage landlords led to non-compliance with the tax obligations. This was because the landlords lacked the requisite understanding of the applicable tax laws, tax requirements and their tax obligations, leading to a negative perception that ultimately reduced the county's property taxes as a result of non-compliance. Similarly, Abdille (2022) also found that the lack of public consultations during the design of the Garissa County revenue collection policy led to the lack of endorsement of revenue collection measures by the public, which in turn negatively impacted revenue collection and sustainability of the County's OSR.

### **5.3.2 Influence of revenue legislation on the performance of OSR in Kwale County.**

The second study objective sought to examine how the regulatory framework influences the performance of OSR in Kwale County. Revenue legislation was found to have a statistically significant positive influence on OSR in Kwale County. Specifically, the availability of relevant revenue legislation to guide the collection and management of revenue, use of updated property tax laws, timely enactment of the county Finance Acts, and use of updated valuation rolls by the county positively influenced OSR performance. An equally important factor that contributed to the influence of revenue legislation on OSR performance was the fact that the CRA incentivizes counties to enhance their OSR.

This finding corroborates the findings of Mutua and Wamalwa (2017), who established that the Nairobi County government consistently failed to meet its revenue targets due to a lack of a comprehensive revenue policy and the non-existence of proper guiding legislation. The county was found to be using outdated valuation rolls, trade license taxes and entertainment taxes, which contributed to over 30 per cent loss in tax revenues. Similarly, Sechero and Otinga (2020) arrived

at the conclusion that the availability of revenue legislation and implementation of enforcement measures significantly influenced the enforcement of OSR mobilization.

### **5.3.3 Influence of revenue management systems on the performance of OSR in Kwale County**

To address the third study objective, the researcher analyzed the extent to which revenue management systems influenced the performance of OSR in Kwale County. OSR was found to be influenced by both technology and human interactions. The adoption of revenue machines as opposed to manual payment systems was found to have contributed to timely reporting on revenue collection, improved efficiency and effectiveness in revenue collection, and sealing of revenue evasion loopholes.

Additionally, most county revenue staff met the minimum education qualification requirements, holding at least a diploma certificate; staff were regularly trained by the county government; and the set job descriptions for the revenue collectors were clear and realistic, enabling them to achieve their targets. Further, the revenue staff were involved in formulating revenue collection policies.

Integration of revenue collection systems and automation positively influences revenue collection, as established by both Mutisya (2014) and Kirimi (2015). The two authors found these findings, which support the current findings, to be true for the Machakos County government and Meru County government, respectively. However, they note that whereas there is increased revenue collection as a result of automation, challenges such as inadequate infrastructure, unreliable electricity, poor internet network, staff resistance to change and lack of skills and competencies among the staff in using the systems can dampen the increase (Kirimi, 2015; Mwakisisya, 2020).

Skills and competencies for the Kwale County staff were found to be adequate for the majority of

them, hence the positive influence on revenue collection. All the interviewed respondents had at least a college diploma.

#### **5.3.4 Joint Influence of public participation, revenue legislation and revenue management systems on performance of OSR in Kwale County.**

The analysis also sought to establish the joint effect of three factors on OSR performance. The three factors were found not to jointly significantly impact OSR performance in Kwale County. Analysis showed that when considered jointly, only the revenue management system had a significant positive impact on OSR in Kwale County. This may be attributed to the critical role of human resources in revenue mobilization. Deductively, effective public engagement and the availability of revenue legislation without the people and systems to coordinate the revenue collection processes are unlikely to yield much success.

This finding agrees with those of Mwombeki (2021), who established that among the various dimensions of an agency's capacities in generating own-source revenues among Tanzania government agencies, human resources, organizational planning and development, and infrastructure capacity were the significant influencers of the agencies' own-source revenue-generating performance.

#### **5.4 Conclusion**

The study concludes that a number of interconnected factors, including factors that are internal to the county governments, have an impact on their own source revenue performance. Key among these factors are the nature and level of public engagement, the legal and institutional frameworks governing revenue collection, and the capacity and efficiency of local revenue administration systems. Counties with well-developed revenue administrative systems, supported by clear legal

and policy frameworks, developed in a participatory manner that takes into consideration citizens' views, tend to perform better in terms of OSR mobilization.

Challenges such as inadequate citizens engagement and low civic education among taxpayers have the potential of creating widespread non-compliance by taxpayers, further hindering own source revenue mobilization efforts by the counties. Lack of a regulatory framework, or use of outdated laws tends to lead to revenue losses for the county governments. Similarly, inadequate technology and limited human resources creates a loophole for revenue leakages.

In order to improve the performance of own source revenue in Kenya's county governments, a holistic approach is required, which creates an enabling environment for citizens engagement, strengthens governance systems and enhances revenue administration capacity through introduction of both technological and human resource improvements.

## **5.5 Study Contributions**

The findings of this study make contributions in various ways, and to various categories of stakeholders. This can be looked at from the point of knowledge, policy and practice in the areas of county own source revenue mobilization.

### **5.5.1 Contribution to Theory**

The study conducted a comprehensive review of both theoretical and empirical literature from which the conceptual framework was developed. The framework postulated the existence of a linear statistical relationship between own source revenue performance and public participation, revenue legislation and revenue management systems. This relationship was confirmed after analysis of data collected from the respondents. The findings have therefore affirmed the existence

of a significant relationship as provided by theory. This therefore adds to the stock of available literature on revenue studies and will also form part of future literature on the topic.

### **5.5.2 Contribution to Policy and Practice**

Arising from the study findings and conclusions, a number of recommendations have been suggested and directed to policy makers and practitioners. This study has therefore offered empirical foundations that can be used as a basis for policy formulation, legislation and practice among revenue administrators. The study's findings point to a need for proper engagement of citizens during revenue policy making, where their views are taken into consideration, and the centrality of explicit legal mechanisms that support revenue collection. Additionally, the findings have brought to fore the critical role of human resources and automated systems in improving revenue performance.

### **5.6 Recommendations**

Based on the research findings, the study makes the following recommendations:

#### **5.6.1 Policy makers**

Policy makers at both the national and county levels of government play a key role in enhancing the performance of own source revenues by county governments. They include Members of Parliament, the Commission on Revenue Allocation, the Controller of Budget, the National Treasury, the Members of County Assemblies and the County Executive Committee. The above are charged with making, implementing or overseeing relevant legal and policy frameworks that guide county own source revenue mobilization.

This study recommends that the above bodies should develop, enact, implement, review and oversight the implementation of comprehensive county legislation and policies. These include the

County Finance Acts, the County Public Participation and Civic Education laws, policies and guidelines and the relevant oversight reports. Collectively, the legal and policy documents will serve to improve citizens engagement and revenue management practices.

### **5.6.2 Practitioners**

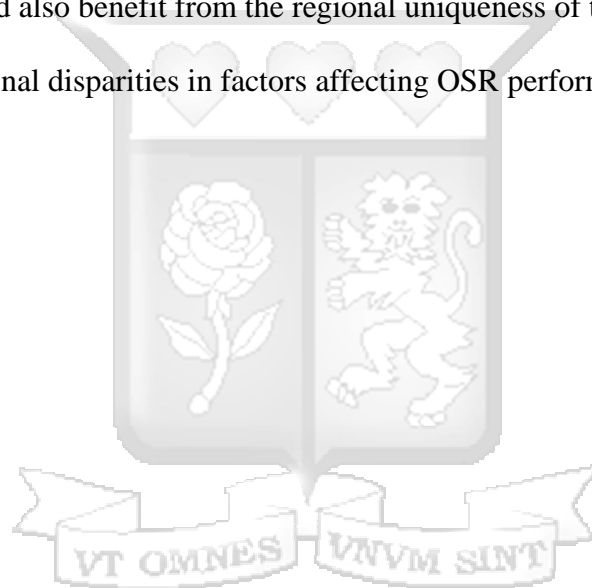
The county government leadership needs to put in place robust mechanisms for effective and meaningful engagement with taxpayers. This will ensure that citizens understand their revenue payment obligations, give input into the county revenue raising proposals and also offer an avenue for public oversight by the citizens. Ultimately, effective engagement fosters goodwill among the citizens and improves compliance with revenue payment obligations, positively impacting own source revenue mobilization.

### **5.7 Study Limitations**

The researcher acknowledges several limitations that may have influenced the scope and generalizability of the findings. While the study focused on internal factors public participation, revenue legislation, and revenue management systems OSR mobilization is also affected by external factors beyond the control of county governments. These include socio-economic characteristics of the population, levels of resource endowment, and the geographical size and accessibility of the county, all of which were not covered in this study. Additionally, data collection was limited to county officials directly involved in revenue administration. Members of the public, who are key stakeholders in OSR performance, were not included, thus excluding valuable perspectives on compliance behavior and citizen engagement. These limitations suggest that while the study offers important insights into internal drivers of OSR performance, it may not fully capture the broader range of determinants influencing revenue generation in Kenyan counties.

## 5.8 Suggested Areas for Further Research

A number of gaps still exist in the knowledge of the determinants of OSR performance among Kenya's county governments. This realization arises from the research findings and the identified study limitations and would benefit from further investigation. Further research may involve a comprehensive analysis of both internal and external factors that affect OSR performance among county governments in Kenya. Such a study would seek the views of both the revenue administrators and revenue payers within the counties. A larger scale study, that focuses on a number of counties would also benefit from the regional uniqueness of the counties and provide a better picture of the regional disparities in factors affecting OSR performance.



## REFERENCES

- Achiba, G. A., & Lengoiboni, M. N. (2020). Devolution and the politics of communal tenure reform in Kenya. *African Affairs*, 119(476), 338-369.
- Adanu, K. (2024). Intergovernmental Transfers and Local Revenues. Relook at the Ghanaian Local Government Case. *State and Local Government Review*, 56(2), 157-183.
- Ain, Q. U., Yousaf, T., Jie, Y., & Akhtar, Y. (2020). The impact of devolution on government size and provision of social services: Evidence from Pakistan. *Hacienda Publica Espanola*, (234), 105-135.
- Ambetsa, A. T. (2014). *County Governments' Sources of Revenue: A Legal Perspective on How the County Governments Are Funded* (Doctoral dissertation, University of Nairobi).
- Aprianto, R., Haris, R., Williams, A., Agustian, H., & Aptwell, N. (2025). Social influence on ai-driven air quality monitoring adoption: Smartpls analysis. *Sundara Advanced Research on Artificial Intelligence*, 1(1), 28-36.
- Arnstein, S. (1969.) A ladder of citizen participation. *Journal of the American Planning Association*, 35(4), 216–224.
- Beeri, I., Zaidan, A., & Zeedan, R. (2022). Willingness to pay taxes through mutual trust: The effect of fairness, governability, tax-enforcement and outsourcing on local tax collection rates. *Governance*, 35(4), 1229-1252.
- Benton, J. E. (2024). *Revenue Sources of Local Governments: Persisting Challenges and Emerging Opportunities*. Taylor & Francis.
- Bharti, K., Agrawal, R., & Sharma, V. (2015). Literature review and proposed conceptual framework. *International Journal of Market Research*, 57(4), 571-604.
- Bridgeman, J. (2024). Parents' perceptions of power in the school exclusion process examined through Arnstein's ladder of participation. *Educational Review*, 7(8);1-20.
- Butera, F., Dompnier, B., & Darnon, C. (2024). Achievement goals: A social influence cycle. *Annual Review of Psychology*, 75(1), 527-554.
- Cirolia, L. R., & Robbins, G. (2021). Transfers, taxes and tariffs: fiscal instruments and urban statecraft in Cape Town, South Africa. *Area development and policy*, 6(4), 398-423.

- Davlembayeva, D., Chari, S., & Papagiannidis, S. (2025). Virtual influencers in consumer behaviour: A social influence theory perspective. *British Journal of Management*, 36(1), 202-222.
- Engefu, G., Omoro, N. O., & Kinyua, H. (2021). The Politics of Revenue Allocation and Resource Control in Kenya: Implications for County Governments stability.
- Fahik, Y., Mbiri, A. L. C. B., & Seran, R. (2024). The description of community participation in development. *The International Journal of Politics and Sociology Research*, 12(1), 65-72.
- Fiseha, A. (2023). Federalism, devolution, and territorially-based cleavages in Africa: Does institutional design matter? In *Contemporary Governance Challenges in the Horn of Africa*. Taylor & Francis.
- Fleck, L. (2022). Towards a framework for own source revenue optimization. *UNCDF Local Government Finance is Development Finance: UNCDF Local Transformative Finance Investment Agenda*, 3(7), 139-147.
- George, A. J. (2016). Research ethics. *Medicine*, 44(10), 615-618.
- Hazari, S., Talpade, S., & Brown, C. O. M. (2024). Do brand influencers matter on TikTok? A social influence theory perspective. *Journal of Marketing Theory and Practice*, 32(3), 271-289.
- Horn, V., & Draude, C. (2023). The ladder of participation as a conceptual tool for sustainable socio-technical design of data-driven digital services. In *International Conference on Human-Computer Interaction* (pp. 60-67). Cham: Springer Nature Switzerland.
- Huang, Q., Li, X., & Wang, D. (2025). Social influence and the choice of product upgrades: evidence from virtual product adoption in online games. *Internet Research*, 35(1), 54-79.
- Ishak, J. F. (2021). The Determinants Factors of Regional Financial Independence. *Proceedings of the 2nd International Seminar of Science and Applied Technology (ISSAT 2021)*.
- Kerich, J. C. (2017). *An analysis of Revenue and Expenditure performance of County Governments in Kenya* (Doctoral dissertation, Strathmore University).

- Khadondi, S. (2018). Determinants of own source revenue mobilisation by counties in Kenya. *International Journal of Science and Research (IJSR)*. <https://www.ijsr.net/archive/v5i11/ART20162462.pdf>. Retrieved September, 7, 2018.
- Khan, O., & Hinterhuber, A. (2025). Personality traits and willingness to pay for sustainability in supply chains. *Journal of Revenue and Pricing Management*, 24(1), 3-11.
- Kibigo, C. (2021). *Effects of Intergovernmental Fiscal Transfers on County Own Source Revenue Generation in Kenya* (Doctoral dissertation, University of Nairobi).
- Koskei, A., Cheruiyot, P., & Naibei, I. (2019). Revenue Collection Efficiency in the County Government of Kericho, Kenya. *East African Journal of Business and Economics*, 1(1), 9-21.
- Mac Master, X. Y. Z. (2024). A Financial Health Measurement Framework for South African Municipal Governments. *African Development Finance Journal*, 8(1), 1-17.
- Magessa, K., Wynne-Jones, S., & Hockley, N. (2020). Are policies for decentralised forest governance designed to achieve full devolution? Evidence from Eastern Africa. *International Forestry Review*, 22(1), 83-100.
- Mubene, A. A. (2019). Effects of Tax Policy on Revenue Management in Local Governments. A Case of Butaleja District Local Government. *Unpublished undergraduate research report*.
- Mudalige, P. W. (2019). The Discussion of Theory and Practice on Decentralization and Service Delivery. *European Scientific Journal*, 15(14), 115-135.
- Mugambi, F. K., & Wanjohi, J. M. (2018). Factors affecting the implementation of revenue collection systems in county governments in Kenya's case of Meru County. *International journal for research in business, management and accounting*, 4(11), 525.
- Mutisya, J. M. (2014). *Effects of an integrated revenue collection system and challenges facing its implementation in Machakos County* (Doctoral dissertation, University of Nairobi).
- Mutua, J., & Wamalwa, N. (2017). Enhancing Mobilization of Own Source Revenue in Nairobi City County: Issues and Opportunities.

- Muwonge, A., Williamson, T. S., Owuor, C., & Kinuthia, M. (2022). *Making devolution work for service delivery in Kenya*. World Bank Publications.
- Mwakisisya, R. (2020). Influence Of Local Government Revenue Collection Information System On Revenue Performance In Arusha City Council. *Masters dissertation*. Institute of Accountancy, Arusha.
- Mwaura, C. W. (2018). *Modelling Own Source Revenue (OSR) of county governments in Kenya* (Doctoral dissertation, Strathmore University).
- Mwombeki, F. A. (2021). The Influence Of The Dimensions Of Agency's Capacities To The Performance In Generating Own Sources Revenues In The Government Agencies In Tanzania. *Business Education Journal, Volume 10*(Issue 3).
- Njiru, G. (2020). *Implementing Article 43 (1) (c) of the constitution; right to food in Kenya* (Doctoral dissertation, UoN).
- Nyagah, C. F., & Njoka, C. (2022). *Public Participation and Public Finance Management Performance in Embu County Government, Kenya* (Doctoral dissertation, Kenyatta University).
- Ochieng, W. K. (2021). Constitutional Guardianship in Kenya's Bicameral Legislature: An Assessment of Judicial Intervention in Inter-Cameral Disputes over the Enactment of the Division of Revenue Bill. *Strathmore LJ, 5*, 115.
- Office of the Controller of Budget. (2013 - 2022). *County Governments budget Implementation Review Reports*. Nairobi: Government Printer.
- Park, J., Butler, J. S., & Petrovsky, N. (2023). Understanding public participation as a mechanism affecting government fiscal outcomes: Theory and evidence from participatory budgeting. *Journal of Public Administration Research and Theory, 33*(2), 375-389.
- Peter, R. M., Ogada, M., & Shibairo, P. (2018). Perceived constraints to Effective County own source revenue collection in Taita-Taveta County of Kenya. *International Journal of Advanced Research in Management and Social Sciences, 7*(11), 1-14.
- Qanchora, R. A. (2021). *Institutional-Based Strategies for Enhancing Mobilization of Own-Source Revenue in Isiolo County* (Doctoral dissertation, KeMU).

- Rahimi, M., Sfandyarifard, E., & Teimoury, M. (2023). A Systematic Literature Review of Citizen's Participatory Ladder Models. *Creative City Design*, 6(3), 37-49.
- Ratnawati, J., Anna Sumaryati, Enny Susilowati Mardjono, & Melati Oktafiyani. (2023). Do Tapping Box Technology Increase Local Taxes And District Own Source Revenue?. *Jurnal Akuntansi*, 13(3), 216–228. <https://doi.org/10.33369/jakuntansi.13.3.216-228>
- Safarida, N., Hisan, K., & Lazira, W. A. (2024). Maximizing Local Own-Source Revenue: Tax Strategies from an Islamic Public Finance Perspective. *Share: Journal of Economics*, 13(2), 486-505.
- Sechero H., & Otinga, H. N. (2020). Determinants of revenue generation in county governments in Kenya; A case Of Busia County Government. *The Strategic Journal of Business & Change Management*, 7(1), 357 – 375.
- Seriah, B. (2024). A Literature Review of Three Applicable Theories to Taxation; the Ability to Pay Theory, the Benefit Theory and the Neutrality Theory. *Available at SSRN 4800892*.
- Shair-Rosenfield, S. (2021). Decentralization and subnational politics in Asia. *Handbook on Decentralization, Devolution and the State*, 1 (1), 131-46.
- Vambe, G. R. (2019). *Realisation of socio-economic rights through devolution in Africa. The case of Kenya and Zimbabwe* (Doctoral dissertation, Midlands State University).
- Waribu, J. K., Kabare, K., & Sakwa, M. M. (2018). Analysis of the effect of Institutionalization of programmes in Execution of County Integrated Development Plans by County Governments in Kenya. *Leadership Policy*, 3(4), 54-65.
- Willness, C. R., Boakye-Danquah, J., & Nichols, D. R. (2023). How Arnstein's ladder of citizen participation can enhance community-engaged teaching and learning. *Academy of Management Learning & Education*, 22(1), 112-131.
- Woolf, S. H. (2022). The growing influence of state governments on population health in the United States. *Jama*, 327(14), 1331-1332.
- Zakhour, S. (2020). The democratic legitimacy of public participation in planning: Contrasting optimistic, critical, and agnostic understandings. *Planning Theory*, 19(4), 349-370.

## LIST OF APPENDICES

### Appendix I: Research Questionnaire

My name is **Jacinta Mwelu Masila**. I am undertaking a study to determine the factors that influence own source revenue (OSR) in Kwale County. You have been randomly selected as a suitable respondent for this study on the basis that you are involved in the affairs of the revenue in the County Government of Kwale. I kindly request for your consent to participate in this study through provision of answers the below set of questions. I wish to assure you that all the information provided will be treated with utmost confidentiality.

Consent granted  Consent not granted

#### SECTION A: DEMOGRAPHIC INFORMATION

1. Respondent's Sub County

Kinango  Lunga Lunga  Matuga  Msambweni

2. Type of respondent

County Staff  Non staff

3. Respondent's designation

.....

4. For how long have you served in your current designation?

Less than 1 year

1-5 years

6-10 years

Over 10 years

5. Highest education qualification attained

No formal education

Undergraduate degree

Primary certificate

Postgraduate degree

Secondary certificate

College Certificate/Diploma

For sections B to E, state the extent to which you agree with the provided statements concerning own source revenue.

Use the rating criteria: 1 - Strongly Disagree; 2 - Disagree; 3 - Neutral; 4 - Agree; 5 - Strongly Agree.

### SECTION B: PERFORMANCE OF OWN SOURCE REVENUE

No.	Statement	1	2	3	4	5
B1	Kwale county meets its revenue collection target every year.					
B2	Kwale county has been increasing the amount of revenue collected every year.					
B3	The revenue collected by Kwale county is enough to pay all the pending debts.					
B4	The revenue collected by Kwale county is the maximum that the county can collect.					
B5	All revenues due to Kwale county are collected. No revenue goes uncollected.					

### SECTION C: INFLUENCE OF PUBLIC PARTICIPATION ON THE PERFORMANCE OF OSR

No.	Statement	1	2	3	4	5
C1	Public Participation Barazas are well publicized and the citizens are aware of them.					
C2	Public participation barazas are well attended by the citizens who can interrogate policy documents					
C3	Citizen views are taken into consideration when passing Kwale county's revenue laws and policies.					

C4	Kwale county allocates enough funds for public participation activities					
C5	Kwale county discloses information about revenue collected every year.					

**SECTION D: INFLUENCE OF REVENUE LEGISLATION ON THE PERFORMANCE OF OSR**

No.	Statement	1	2	3	4	5
D1	Kwale county government has passed into law all the required laws that help to guide revenue collection.					
D2	Kwale county does not use old revenue laws/policies that were used by the Local Authorities.					
D3	Every year, Kwale county ensures that the Finance Bill is passed into law without delays to enable collection of revenue.					
D4	Kwale county revenue laws have been publicized to the citizens.					
D5	The revenue staff are involved in the formulation of revenue collection policies					

**SECTION E: INFLUENCE OF REVENUE MANAGEMENT SYSTEMS ON THE PERFORMANCE OF OSR**

No.	Statement	1	2	3	4	5
E1	Revenue collection in Kwale county has been fully automated					

E2	Automation of revenue collected has led to an increase in the amount of revenue collected.					
E3	Automation of revenue has reduced the amount of revenue stolen,					
E4	Automation of revenue collection processes has made it easy to make and share reports on report					
E5	All the revenue staff meet the minimum education qualification of at least a diploma certificate					
E6	Revenue collectors have clear and realistic revenue targets					
E7	Revenue collectors participate in setting the targets for revenues to be collected.					
E8	All revenue staff are employed on permanent and pensionable terms.					
E9	Kwale county revenue staff are regularly trained on revenue collection measures.					
E10	Revenue officers know all the provisions of the County revenue laws.					

**THANK YOU FOR YOUR PARTICIPATION**



## Appendix II: Interview Guide

My name is **Jacinta Mwelu Masila**. I am undertaking a study to determine the factors that influence own source revenue (OSR) in Kwale County. You have been selected as a suitable key informant for this study on the basis of your involvement in the process of revenue management in the County Government of Kwale. I kindly request for your consent to participate in this study through provision of answers the below set of questions. I wish to assure you that all the information provided will be treated with utmost confidentiality.

Consent granted [ ] Consent not granted [ ]

### SECTION A: PERFORMANCE OF OWN SOURCE REVENUE

1. In your view, how can you describe the performance of OSR over the last 5 years?

.....

.....

.....

2. From the list provided below, please rank the top three revenue streams for the county's OSR?

OSR stream	Rank	OSR stream	Rank
Business permits		Cesses	
Property-related revenue		Market/trade centre fee	
Advertising		Game reserve fees	
Parking fees		County housing rent	
Hospital & public health services fees		Environment and Conservancy Administration Fees	
Natural resource revenue		Other unclassified receipts (specify)	

3. Why do you consider the above to be the top three?

.....  
.....  
.....

4. What measures do you recommend to the County Government of Kwale to effectively enhance its OSR?

.....  
.....  
.....

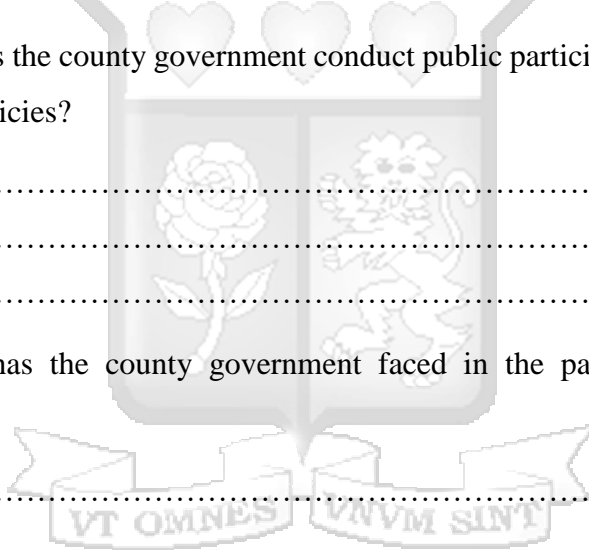
**SECTION B: PUBLIC PARTICIPATION VS. PERFORMANCE OF OSR**

5. In which ways does the county government conduct public participation during formulation of county revenue policies?

.....  
.....  
.....

6. What challenges has the county government faced in the past while conducting public participation?

.....  
.....  
.....



**SECTION C: LEGISLATION VS. PERFORMANCE OF OSR**

7. How have the existing revenue laws and policies used by the county government helped improve performance of OSR?

.....  
.....  
.....

**SECTION D: REVENUE MANAGEMENT SYSTEMS VS. PERFORMANCE OF OSR**

8. What kind of automation has the county government adopted, that is geared towards improving the performance of OSR?

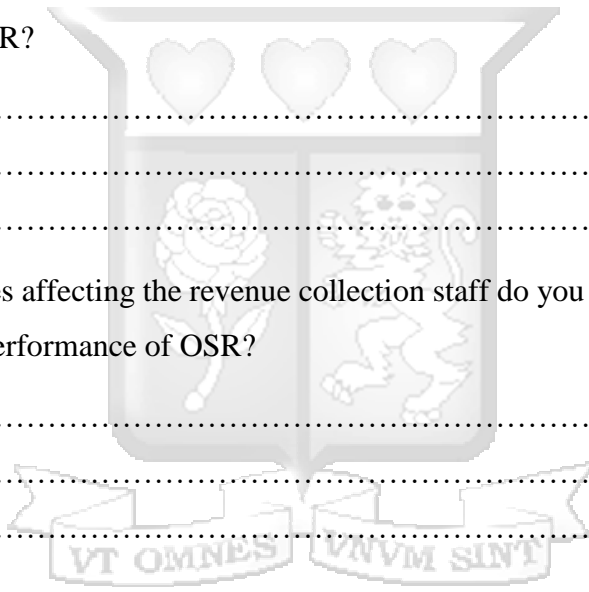
.....  
.....  
.....

9. In what ways do you think automation of revenue collection processes has improved the performance of OSR?

.....  
.....  
.....

10. What specific issues affecting the revenue collection staff do you think should be addressed to ensure improved performance of OSR?

.....  
.....  
.....



**THANK YOU FOR YOUR PARTICIPATION**

## Appendix III: Ethical Approval



13<sup>th</sup> March 2024

Ms Masila Jacinta,  
jacinta.masila@strathmore.edu

Dear Ms Masila,

**RE: The Factors Influencing the Performance of Own Source Revenue in Counties: The Case for Kwale County**

This is to inform you that SU-ISERC has reviewed and **approved** your above **SU-masters** research proposal. Your application reference number is **SU-ISERC2002/24**. The approval period is from **13<sup>th</sup> March 2024 to 12<sup>th</sup> March 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 SU-ISERC.
- 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 SU-ISERC within 72 hours of notification.
- iv. Any changes anticipated or otherwise that may increase the risks or affected safety or welfare of study participants and others or affect the integrity of the research must be reported to SU-ISERC within 72 hours.
- v. Clearance for the 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 the expiry of the approval period. Attach a comprehensive progress report to support the renewal.
- vii. Submission of an executive summary report within 90 days of completion of the study to SU-ISERC.

Before 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 obtain other clearances needed.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Ambrose Rachier".

**Mr Ambrose Rachier,  
Chairperson; SU-ISERC**



