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EFFECT OF ADMINISTRATIVE CAPACITY ON REVENUE COLLECTION IN NYERI COUNTY, KENYA

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Abstract: **Taxation is one of the leading avenues of revenue collection by governments all over the world. Therefore, this study sought to establish the influence of administrative capacity on revenue collection in Nyeri County, Kenya. The study was anchored on optimal theory of taxation. Descriptive and correlation research designs were used in the study. The target population for the study included employees in the revenue department in the county government of Nyeri. A sample of 78 respondents was drawn using random sampling technique from a population of 350 employees. A questionnaire constructed on a five point likert scale was used for data collection. The instrument was pilot tested to check on the suitability and the clarity of questions on the instrument designed. Data collected was analyzed using Statistical Package for Social Sciences (SPSS). Findings were presented in form of descriptive statistics and inferential statistics presented in tables accompanied by relevant discussion. The study established that administrative capacity had a positive correlation with revenue collection in Nyeri County, Kenya. Administrative capacity has a crucial role in determining revenue collection in Nyeri County. Analysis of Variance indicated that administrative capacity has a significant influence on revenue collection in Nyeri County, Kenya. The study concluded that administrative capacity has a significant influence on revenue collection. The study recommended that the county government should enhance the revenue administrative capacity in order to enhance revenue collection.**

Keywords: **Administrative Capacity, Nyeri County, Revenue Collection, Revenue Management, Revenue Mobilization.**

1. INTRODUCTION

Governments all over the world depend on various sources of funds. The primary source, however, is the revenue collected within the country. More so the modalities of collecting revenue by governments are diverse. Notably, taxation is the primary means of collecting revenue from a country's citizenry. Taxation enables governments to gain effective political power. Understanding political decisions in the public sector thus requires knowledge about the power to tax of different government tiers and the impact of the allocation of taxing powers on government finances (Hettich & Winer, 2007), tax systems are the outcome of an interaction between rational (private and public) agents who maximize their utility in a framework of collective decision making. In this framework, the fiscal behavior of a government is basically constraint by exit and voice (Hirschman, 2007).

Revenue in form of taxation, excise duties, customs, licenses or other sources is very crucial in ensuring smooth execution of government operations. Regional governments are referred variously depending on the country they are found. In the United States and Kenya they are referred to as county governments, in Uganda they are known as local authorities while in South Africa they are called regional governments. The structure, authority, and mandate of county governments also vary from one country to another. For instance, according to the National Association of Counties (NAC) (2014), in the United States, there are 3,069 counties which greatly vary in size and population from Loving County, Texas with just 71 residents to Los Angeles, California which is home to 9.2 million people. 48 out of 50 states in that country have operational county governments.

Taxation is one of the leading avenues of revenue collection by governments all over the world. It is asserted that, developed countries have advanced and successful tax policies which enhance revenue collection. Nevertheless, developing countries often have inefficient tax systems which hamper their tax collection efforts (Kayaga, 2007). The author posits that, the sub-Saharan Africa tax structures in terms of tax types and rates have improved in the recent past. The increased overall budget deficits in countries to the south of Sahara reflect insignificant improvement on growth in domestic revenue mobilization after various reforms.

Fjeldstad & Heggstad (2012) examined opportunities and constraints facing local revenue mobilization in Anglophone Africa. They addressed political and administrative limitations that various revenue instruments face and tax compliance by citizens. It was deduced that, as exemplified by numerous cases in Anglophone African countries, mobilization of revenue by local government authorities though necessary, is hitherto inadequate to develop and supply requisite services to the public

Article 209 of the Constitution of Kenya 2010 outlines powers to impose taxes or raise revenue for both the national government and the county government. The assignment of revenue responsibility between these two tiers of government is in keeping with the devolution framework, whose design ensures that the national government has responsibility over most of the taxes with significant tax bases. In particular, the national government will solely be responsible to impose income tax, value added tax, custom duties and excise taxes. The justification for this is that the national government needs to retain the ability to redistribute national resources and stabilize the economy as the key objectives of tax systems.

The Kenya Revenue Authority (KRA) collects various taxes in order to provide revenue to the government for various government expenditures. These taxes include value added tax (VAT), income tax, customs duties and taxes and turnover tax (TOT). VAT is a cumulative consumer tax on the supply of goods and services by way of business and also on the importation of goods and services whether by way of business or otherwise (Nyamuga, 2001). Furthermore, it is a multi-stage tax collected, in the case of goods, at all stages in their passage from raw material to the finished products throughout the chain from the primary producer, manufacturer, wholesaler, retailer and eventually the final consumer, who is the general public upon whom the entire burden of this tax falls. In the case of services, it is chargeable when the service is rendered. According to Hinricks (2006) VAT is charged for the supply of all goods and services in Kenya in the course of furtherance of a business and on the importation of all goods and services into Kenya.

Customs duties and taxes are collected under the provisions of the East African Community Customs Management Act, 2004 and the Customs and Excise Act Cap 472 laws of Kenya. An Excise tax is a levy that is applied selectively on particular goods and services. The tax may be applied to either production or sale, to domestic output or imported. The tax is directly paid by the manufacturers, but the tax burden is passed to the consumers through an increase in prices. Kenya’s main excisable commodities at the moment are soft drinks, alcoholic beverages, tobacco, fuel and motor vehicles. Other excisable commodities are plastic bags and importation of second hand computers. Excisable services mainly include mobile telephone services and gambling. Other than on motor vehicles, excise taxes on beer, cigarettes and petroleum are currently charged on a specific basis, i.e. per volume or quantity (NTA, 2011).

In particular, Income tax is a direct tax charged on incomes of individuals from employment, self-employment, profits from business entities, income taxes such as rent incomes, dividends, interests, pensions, royalties, income from management or professional fees, and others. The commissioner of income tax is responsible for administering the tax under the Kenya revenue authority. The tax is charged on income that must have accrued or derived from Kenya earned by either resident or non-resident. Income tax can thus be broadly grouped into individual, corporate, withholding and other income taxes. Indeed, income from individually-owned businesses is referred to as personal income tax and that from employment is subject to Pay as You Earn (PAYE). Further, tax withheld from the other incomes as aforementioned is referred to as withholding tax whereas corporate income tax is charged on profits of limited liability companies. The commissioner of income tax is responsible for administering the tax under the Kenya revenue authority.

1.1 Global Perspectives

Public revenue collection is an integral component of fiscal policy and administration in any economy because of its influence on government operations. It is the fuel of every government as it is the main instrument through which government funding is ensured. Tax revenue collection should comply with best practices of equity, ability to pay, economic efficiency, convenience and certainty (Visser & Erasmus, 2012). For any organization to match in performance with the growth and expectations of its clients, it needs to increase its fiscal depth without incurring costly recurring overheads (Gidisu, 2012).

According to a Collection Industry Association-CIA (2010), thirteen states in United States have used modern technology in their effort to improve revenue mobilization. The city of Chicago is one government that is expanding its collection efforts through technology and expects to double the amount of revenues collected as a result. In addition, for a reasonable and mindful financial future, urban communities in developing nations must make utilization of critical sources of taxation incomes and in addition non-tax incomes gathered through client charges and expenses (Un-Habitat, 2015). In order to effectively address the challenge of mobilizing adequate financial resources, urban authorities in developed nations have considered using mechanisms such as stakeholders' collaboration in enhancing revenue mobilization through Public Private Partnerships (PPP).

To investigate the management of resources by municipalities in Turkey, Mitullah (2013) aimed to study the effect of automation of tax collection by municipalities. The study found that the automation of tax collection saves the cost and enhances the operations of the municipalities. The adoption of the system in Turkey saved the country $23.1 million dollars as the system presented a platform for few workers to be employed with optimum efficiency: Another usefulness is time savings, in Turkey the new system of municipal management offers great deal of effective management as the system is employed to perform a multiple tasks within a limited timeframe. Automation of tax collection also brings about efficiency and effectiveness in the declaration and subsequent payment of tax due. The situation in Turkey indicated that the new system offers a framework for all tax payers to be tracked. The ultimate of all of these is that more revenue is generated.

A study was carried out to investigate automation of revenue collection in Washington DC. The study found that the adoption of technology on online receipting process has showed a positive impact on organization performance in developed countries. Compared to the traditional receipting process, an online receipting is a value added service that allows a reliable online communication between the sender and the recipients. The study recommended that the validity of the origin and the receipt exchange must not be denied and both the sender and Impeding Mechanisms for Adopting a New Technology the recipient receive a confirmation in case the receipt is delivered successfully or if the delivery fails (Booze et al., 2011).

1.2 Regional Perspectives

Despite the fact that there are constitutional provisions for statutory allocations and internally generated revenues, local governments are tightly controlled and subordinated by state governors through sundry mechanisms, including manipulation of the disbursement of financial transfers to them. Local governments in Nigeria mobilize their funds solely from external sources. The external sources include federal and state governments financial transfers like grants, statutory allocations, share of Value Added Tax (VAT), receipts and loans. These external sources introduce a dependency syndrome in local government revenue mobilization effort (Ronald, 2011).

Empirically, Ndyamuhaki (2013) carried out the study on "Factors affecting revenue collections in local government, case study: Isingiro district local government" Makerere University, Uganda. This study identified crucial factors that were; administrative inefficiencies, lack of general sensitization, political interference, corruption, tax evasion, and absence of enough relevant information about taxes, lack of auditing of tax revenue returns and drafts and lack of enough tax education. She concluded that the identified factors influence revenue collection in local government.

A study was carried out on the effect of tax administration on government revenue in a developing economy, a case study of Nigeria. The reason for the study was to build up Nigeria tax organization and its ability to lessen tax avoidance and produce revenue for advancement longing of the people. The study found in addition to other things that expanding tax revenue is an element of viable enforcement strategy which is the immaculate duty of tax organization. Nigeria needed enforcement hardware which would incorporate in addition to other things, satisfactory labour, PCs and successful postal and communication frameworks. The study has clear commonsense ramifications for tax experts and governments strategy developers in developing nations specifically (Abiola & Asiweh, 2012).

Some taxes and fees are gathered by the administration and directed back to the local government. In Malawi the non-tax revenue is planned to be gathered by the central government, before the resources are redistributed to District Assemblies utilizing a formula affirmed by the Cabinet. A less common illustration is from Tanzania where the collection of property tax in Dares Salaam is left to the Tanzania Revenue Authority. In Tanzania, accumulation of an extensive number of local government revenue sources has been outsourced as of late. They incorporate private collection of property taxes in some urban committee; market fees in both provincial and urban committees; ranger service demands fundamentally in country boards; cess on certain agricultural items in rural councils; transport stand; and parking fees. In Mwanza City Council, for example, more than 33% of the collection's own revenues in 2006 were gathered by private operators (Fjeldstad et al, 2014).

A research study was conducted to assess the viability of revenue activation systems of Metropolitan, Municipal and District Assemblies (MMDAs) in Ghana, Kumasi Metropolitan Assembly (KMA) as a contextual analysis. The goal of the study was to turn out with methodologies that can help KMA to create enough Internal Generated Funds (IGFs) to meet its formative needs. Ranges considered under the difficulties that KMA faced included; lacking IGFs, over dependence on District Assemblies Common Fund (DACF), defilement, powerlessness to give public needs, and so forth. The survey directed utilizing the staff and administration of KMA, tax payers and different partners in Kumasi uncovered that the infrastructural projects given by KMA are not satisfactory and do neither match revenue gathered nor their requests for improvement. KMA is legitimately and politically doing nothing to rouse the occupants to satisfy their financial commitments. There are such a variety of revenue spillages including KMA revenue collectors, senior officers of the Assembly and Assemblymen and ladies of the different Sub-metros. The conclusion drawn from the survey demonstrated that KMA is not adequately utilizing fiscal decentralization to enable itself under Local Government Act, Act 462 (1993) so far as that is concerned it has not grown new and practical methodologies to enhance its execution in revenue preparation (Agyapong, 2012).

1.3 Local Perspectives

The performance of revenue collection in County governments is deteriorated by corrupt practices issues which result into tax evasion through corruption by corrupt revenue collection officers (Balunywa et al., 2014). Revenue collection performance is vital in promoting efficiency in the service delivery and economic development of county governments. However, most county governments face serious challenges in their revenue collection performance as noted by Balunywa, Nangoli, Mugerwa, Teko and Mayoka (2014), where governments are not able to collect sufficient funds to cover their budget expectations. Furthermore, for many years, revenue collectors have not been channeling all the amount of money they collect to the County Treasury (Ngotho & Kerongo, 2014).

A research study was carried out on the internal controls in operation at Kenya Revenue Authority with a view to establish whether such internal controls have produced any meaningful results in increased collected revenue. Findings revealed that the five components of control environment, risk assessment, control activities, information and communication and monitoring must be available for internal controls to work. The study established that weak internal controls encourage collusion to fraud, loss of revenue and embezzlement of collected revenue. The study therefore concluded that internal controls do function although with hiccups and that there is a significant effect between internal controls and revenue collection in KRA (Mwachiro, 2013).

On her study on the factors affecting revenue collection in local authorities in Kenya Mercy (2013) narrowed on effects of government policies and regulations, local authority information financial and operations management systems, revenue enhancement plans and employee skills on revenue collection. The study concluded that the revenue collectors appreciated the role of information technology in ensuring effective revenue collection however the availability and accessibility was a hindrance to effective LAIFOMS implementation. Among others, the study recommended that the effectiveness of the Local Authority Information Financial and Operations Management Systems (LAIFOMS) can be bolstered by increasing the availability of computers and adding more staff to ensure efficiency in revenue collection

1.4 Devolved Revenue Collection

Historically the local authorities' property tax was the largest contributor to own source revenue, followed by single business permits. According to data from 2001/2009/10 property tax contributed to 40% of revenues generated by local authorities. Contributions in lieu of rates might also be added to the total property tax collections to push it up to 52%

which translates to over half of total own earnings. Single Business Permits (SBPs) follow as the second highest contributor at 33%. These revenues are mostly collected in urban areas. Market fees, which come in as fourth most important stream at 15% of the total, constitute a major income earner in rural areas. However, property tax revenue has been decreasing in overall importance. In 2005/06 to 2009/10, former local authorities collected only 22% of own source of revenues from property tax on average. Property tax shares as a percentage of total local authorities own revenues declined from 26% in 2002/03 to 21% in 2009/10. SBPs, on the other hand, have been increasing in importance as has parking fees signifying an overall increase in urban area generated revenues.

In so far as the county governments are concerned, Article 209 (3) empowers them to impose property taxes, entertainment taxes, and any other tax as authorized by an Act of parliament. In addition, county government may impose charges on services provided at the local level. County governments have the responsibility of imposing taxes, tax expenditure, and related controls and collection of revenues. Counties might consider assigning the collection of revenues to other institutions or even contract it out. Tax revenues reporting and auditing is the responsibility of the Auditor General while tax revenues control is the responsibility of the Controller of Budget. A county government may impose property rates, entertainment taxes and any other tax that it is authorized to impose by an Act of Parliament. County governments may also impose charges for services provided. The constitution requires that the revenue raising powers of a county are not exercised in a way that impacts negatively on national economic policies, economic activities across county boundaries or the movement of goods, services, capital and labour in the country.

In Kenya, there are 47 county governments whose structure, authority and mandate are the same as enshrined in the Constitution. According to the Constitution of Kenya 2010, the clause on revenue funds for county governments states that, there shall be established a Revenue Fund for each county government, into which shall be paid all money raised or received by or on behalf of the county government, except money reasonably excluded by an Act of Parliament (GoK, 2014). As stipulated in the Constitution, the Counties get their revenue from various sources. Taxation and single business permits constitute the core sources across all the Counties. Indeed, according to Sander (2003), Kenya pioneered a single business permit (SBP) licensing system which has become a model that has been emulated and adopted by other countries in the region. SBPs according to the Constitution are issued by the County Governments. In spite of the outlined revenue sources amongst others, the County Governments have been facing inadequacies of finances to fund their expenses. Needless to say, therefore, there are important factors that influence the revenue collection by County Governments in Kenya; a reason that has necessitated this study.

2. STATEMENT OF THE PROBLEM

The Constitution of Kenya 2010 stipulates that several public services should be devolved to the County Governments. Ideally, these governments should finance their operations and/or functions. Since the establishment of the County Governments in Kenya in April, 2013, they have been depending largely on the National Treasury for financial support. This is against the backdrop of their agitation to have more government functions including security to be devolved. The County Governments get their revenue from taxation, permit fees, cess, license fees and other sources. However, their over-reliance on the National Government for funds to a point of calling for a national referendum to have their allocation increased implies that there exists a myriad of challenges in revenue collection at County level.

For the last two financial years the county governments have been preparing very ambitious budgets with a huge difference from what they expect as grant from the National government. This is done with the hope that the difference will be bridged by the revenue generated within the county. However, in nearly all the counties this does not happen and it has ended up in creating crisis when some of the budgeted activities are not funded within the stipulated time. The foregoing is a huge problem due to the fact that, County Government operations might stall, projects might derail, and even the workforces might resort to go-slow and strikes as it has hitherto been witnessed in a number of Counties. When the County Governments fail to optimally collect requisite revenues, the public will negatively be affected by being denied vital services. As aforesaid, the County Government employees are bound to fail to be adequately remunerated. Moreover, the National Government will be overburdened by the financial demand from the County Governments which will ultimately negate the national economy. It is, therefore, fundamental to analyze the challenges that hamper objective revenue collection by County Governments with a view of coming up with findings and recommendation which if and when implemented the County Governments will be financially self-sufficient.

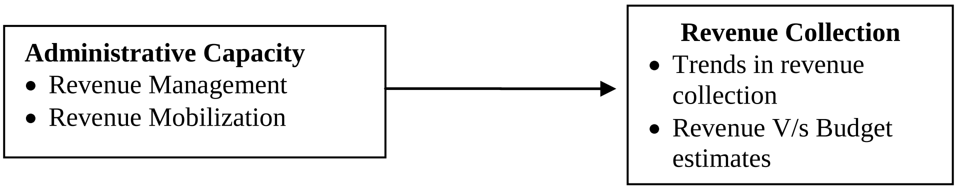
3. OBJECTIVES OF THE STUDY

The study sought to examine the effect of administrative capacity on revenue collection in Nyeri, County, Kenya.

4. RESEARCH HYPOTHESES

H_0: Administrative capacity has no statistically significant influence on revenue collection in Nyeri County, Kenya.

5. CONCEPTUAL FRAMEWORK



Independent Variables **Dependent Variable**

6. THEORETICAL REVIEW

6.1 Optimal Theory of Taxation

This theory was proposed by Ramsey in 1927 in his article ‘A Contribution to the Theory of Taxation’. The theory of optimal taxation can be seen as a recipe for minimizing the costs of taxation. The costs already noted are the efficiency costs of a distorted tax system. But the more direct costs of administration and compliance play little or no role in the analyses, and the theories of tax evasion that will be discussed below alert us to some of the important aspects of these costs (Fowler James, 2002). So far, the potential gains from using the insights of the tax evasion literature in the study of optimal taxation have not been fully exploited, although for some aspects of taxation the evasion perspective is obviously highly relevant. This is true, at least to some extent, with respect to the degree of progressivity of the personal income tax, and even more so with respect to the interface between personal and company taxation and the degree of differentiation of the indirect tax system. The literature on tax evasion should be seen as a way to bring issues of tax administration into the focus of the theoretical literature on tax design (Ghura, 2006).

The standard theory of optimal taxation posits that a tax system should be chosen to maximize a social welfare function subject to a set of constraints. The social welfare function is based on the utilities of individuals in the societies. In its most general analyses; this literature uses a social welfare function that is a nonlinear function of individual utilities. Nonlinearity allows for a social planner who prefers, for example, more equal distributions of utility (Graham, 2000). To reduce the problem facing the revenue collection, it is often assumed that everyone in society has the same preferences over, say, consumption and leisure. Sometimes this homogeneity assumption is taken one step further by assuming the economy is populated by completely identical individuals. It is important to choose the tax system that maximizes the representative consumer‘s welfare, knowing that the consumer will respond to whatever incentives the tax system provides (Hazel 2005). In light of the foregoing the tax system both at County and National Governments levels should offer incentives to the taxpayer in order to optimize tax collection by the pertinent even.

7. EMPIRICAL REVIEW

7.1 Administrative Capacity on Revenue Collection

Bird (2010) delved into sub-national taxation in developing countries. The scholar, noted that, differences in local revenue bases and administrative capacities may create challenges of equalization (that is, horizontal imbalances) pitting the local government authorities. The foregoing situation is most common between rural and urban areas. Bird further postulates that, the presence of the horizontal imbalances implies that, one cannot design an appropriate system of local government taxation without simultaneously designing an appropriate system of intergovernmental transfers.

It is argued that, the growth of Africa’s population has outpaced local governments’ capacity to deliver services in terms of management, infrastructure, and financing (McCluskey & Franzen, 2005). The foregoing is aggravated by the allegations that, most local governments are run following the structures put in place by colonial governments many decades ago (Beall, 2000). This is in spite of the fact that, there have been tremendous changes occasioned by the ever increasing human population on the continent. Fjeldstad (2006) studied mobilization of local revenue in Africa's urban settings. He noted that, administrations of local government tax are often inefficient and also unable to effectively account for revenues collected. Insufficiency of revenue mobilization has rendered to poor service delivery to the public. Needless to say, poor administrative capacity especially in respect of revenue mobilization by local authorities implies that, the local governments are obliged to depend on the central government for financial assistance (Fjeldstad & Heggstad, 2012). It is noted that, lack of coordination between national and local governments' tax systems has occasioned emergence of high degree of arbitrariness and abuse in local tax systems, while little attention is given to economic efficiency.

Muriithi and AdministMoyi (2003) hold the view that there should be put in place administrative reforms objected at eliminating avenues for tax evasion and corruption in Kenya. Simiyu (2010) while studying challenges affecting collection of turnover tax in Nairobi County opined that, Kenya's performance effectiveness indicators suggest that whilst the tax effort is high, there is potential to increase tax revenue collection as a percentage of GDP by reducing the tax gap. Simiyu further acknowledges that, the Kenya Revenue Authority (KRA) is charged with implementation and provision of efficient administration to all the legal taxes in Kenya. The scholar further observed that, the administrative set up may not be efficient to collect the tax at a reasonable cost of collection. When citing Sandford (1995), he argued that, administrative costs are incurred in the due course of collecting revenue from taxpayers. In this light, Sandford exemplified that, in many cases, administrative costs are minimized when compliance costs are increased.

7.2 Revenue Collection

Mobilization of local resources is a key goal of the county executive. Increased local revenues would increase county governments' autonomy and provide resources for them to leverage against the development financing, particularly in matching donor grants and loans. Local revenue sources at the county level are well defined in the constitution's Article 209 (3), which states that a county may impose property rates; entertainment taxes; and any other tax that it is authorized to impose by an Act of Parliament. It also states that the national and county governments may impose charges for the services they provide. The local revenue sources are distinct from the national level which are income tax; value-added tax; customs duties and other duties on import and export goods; and excise tax; and any other tax or duty, except a tax specified for the local level sources.

As at the third quarter of FY2013/14 (March 2014), a review of the counties' performance against their target for local revenue mobilization indicated that none of the 47 counties achieved their targets for FY 2013/14. Counties were projected to raise local revenue amounting to KES 61 billion (22 percent) of the budget, which was estimated at KES 269.1 billion in FY 2013/14. As of March 2014, only KES 19.1 billion had been raised, which is 14.3 percent of the total county budget and only 31.3 percent of the annual local revenue target (OCoB, 2014).

The highest local revenue during the period (July 2013–March 2014) was raised by Nairobi City County with KES 7.8 billion; followed by Mombasa, which raised KES 1.4 billion; Narok, KES 1.3 billion; Nakuru, KES 1.2 billion; and Kiambu, KES 869.5 million. The lowest amount of local revenue collection was by Lamu County, which collected KES 18.8 million; Tana River, KES 24.3 million; and Garissa, KES 27.4 million (OCoB, 2014).

According to IMF, (2010a), the development of quality ICT human resources is a pre-requisite to the development of a viable ICT sector to integrate Revenue collection system. Otieno *et al.* (2013) study found that there is a relationship between Information Systems (IS) and both efficiency and effectiveness in revenue collection, there is a strong positive relationship between Internal Control Systems and revenue collection. However, resistance to change by the council staff was derailing the full implementation of IS.

8. RESEARCH METHODOLOGY

This study adopted both descriptive and correlational research designs. The former design was employed in order to describe the views of the respondents regarding the variables of the study. In tandem with Kothari's (2008) assertions, descriptive study is quantitative in nature. On the other hand, correlational design was used to facilitate drawing of pertinent inferences through correlational analysis. The target population was a total of 350 employees in revenue department in the county government in Nyeri County. To arrive at a suitable sample size, a formula suggested by Nassiuma (2000) was used as follows;

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$$n=\frac{350\times0.3^2}{0.3^2+(350-1)0.03^2}=77.95$$

Hence n≈78

The study employed simple random sampling technique to select the 78 respondents from the 350 employees in revenue department in the county government of Nyeri. Structured questionnaires were used to collect data from the sampled respondents. This instrument was picked on the basis that it managed to capture data relevant to the research objectives. The Statistical Package for Social Sciences (SPSS) tool aided in data processing and analyzing. The findings obtained were presented in form of tables that reflected both descriptive and inferential statistical results.

9. FINDINGS AND DISCUSSIONS

The number of questionnaires that were administered to all the respondents was 78 questionnaires. A total of 62 questionnaires were properly filled and returned from the employees in revenue department in Nyeri County. This represented an overall successful response rate of 79.5%. Babbie (2004) asserted that return rates of 50% are acceptable to analyze and publish, 60% is good and 70% is very good.

9.1. Descriptive Statistics Results

9.1.1 Administrative Capacity of the County Government

The study first sought to establish the respondents' views in regard to revenue administrative capacity of the county revenue department. The percentages, means and standard deviation values were established for the purpose of deducing information. The findings from the analysis were as presented in Table 1.

Table 1: Descriptive Statistics on Administrative Capacity

	SA (%)	A (%)	U (%)	D (%)	SD (%)	Mean	Std. Dev
Revenue collection officials have the capacity to mobilize citizens to pay revenues	16.1	50.0	3.2	21.0	9.7	3.42	1.262
The county government has put measures to eliminate avenues for revenue evasion in the country	16.1	41.9	9.7	16.1	18.1	3.26	1.354
Administrators in the county government have the capacity to account for revenues collected	19.4	46.8	19.4	11.3	3.2	3.68	1.021
Sufficiency of revenue mobilization has led to quality service delivery in the country	17.7	33.9	25.8	17.7	4.8	3.42	1.124
County governments have an administrative reform that is capable of eliminating avenues for corrupt officials	6.5	21.0	22.6	33.9	16.1	2.68	1.170
The country government incur administrative costs in the course of revenue collection	25.8	46.8	9.7	9.7	8.1	3.73	1.190
Valid N (listwise)	62						

Findings indicated that respondents were in agreement that revenue collection officials have the capacity to mobilize citizens to pay revenues. 50.0% and 16.1% of the respondents agreed and strongly agreed respectively. This aspect registered a mean of 3.42 and a standard deviation of 1.262. Further, a mean of 3.26 and a standard deviation of 1.354 were recorded where respondents agreed that the county government has put measures to eliminate avenues for revenue evasion in the country. 41.9% of the respondents agreed while 16.1% of them strongly agreed. 46.8% of the respondents agreed while 19.4% of them strongly agreed that administrators in the county government have the capacity to account for revenues collected. This assertion had a mean of 3.68 and a standard deviation of 1.021. On the other hand, respondents agreed that sufficiency of revenue mobilization has led to quality service delivery in the country. 33.9% and 17.7% of the respondents agreed respectively registering a mean of 3.42 and a standard deviation of 1.124. However, respondents disagreed with the assertion that county governments have an administrative reform that is capable of eliminating avenues for corrupt officials where 33.9% of the respondents disagreed and 16.1% of them strongly disagreed. This aspect had a mean of 2.68 and a standard deviation of 1.170. 46.8% of the respondents agreed while 25.8% of them strongly agreed that the county government incur administrative costs in the course of revenue collection.

9.1.2 Revenue Collections in Nyeri County Government

The study finally sought respondent's views regarding revenue in the county government of Nyeri. The responses were in a 5-point Likert scale to enable easier choices by the respondents. The findings from the analysis were as presented in Table 2.

Table 2: Descriptive Statistics on Revenue Collection

	SA (%)	A (%)	U (%)	D (%)	SD (%)	Mean	Std. Dev
The county government has seen an increase in revenue earnings over the years	33.9	51.6	4.8	6.5	3.2	4.06	.973
The county has been able to reduce the gap between the projected revenue and the actual revenue collection	38.7	38.7	8.1	12.9	1.6	4.00	1.071
Automation of revenue collection has led to an increase in revenues collected	27.4	50.0	17.7	4.8	0	4.00	.810
The county is able to finance a substantial amount of its budget through its revenue	27.4	40.3	14.5	8.1	9.7	3.68	.810
Over the last five years, the county has observed a decline in budget deficit as a result of enhanced revenue collection	11.3	27.4	22.6	25.8	12.9	2.98	1.235
The county has been able to reduce its dependency on the National government due to enhance revenue collection	16.1	22.6	11.3	30.6	19.4	2.85	1.401
The county has been able to cover all loopholes leading to non compliance within the county	6.5	19.4	11.3	27.4	35.5	2.34	1.318
Valid N (listwise)	62						

From the findings, the researcher observed that respondents agreed that the county government has seen an increase in revenue earnings over the years. 51.6% of the respondents agreed while 33.9% of them strongly agreed registering a mean of 4.06 and a standard deviation of .973. Further, respondents were in agreement that (M=4.00, SD=1.071) the county has been able to reduce the gap between the projected revenue and the actual revenue collection. 77.4% of the respondents agreed with that aspect. In addition, a mean of 4.00 and a standard deviation of .810 were recorded where respondents agreed that automation of revenue collection has led to an increase in revenues collected. 50.0% of the respondents agreed while 27.4% of them strongly agreed. Respondents agreed that the county is able to finance a substantial amount of its budget through its revenue. 67.7% of the respondents strongly and/or agreed registering a mean of 3.68 and a standard deviation of .810. However, respondents disagreed that over the last five years, the county has observed a decline in budget deficit as a result of enhanced revenue collection. 25.8% and 12.9% of the respondents disagreed and strongly disagreed respectively. This aspect had a mean of 2.98 and a standard deviation of 1.235. In addition, they also disagreed with the statement that the county has been able to reduce its dependency on the National government due to enhance revenue collection where 50.0% of the respondents strongly and/or agreed respectively registering a mean of 2.85 and a standard deviation of 1.401. Additionally, respondents disagreed that (M=2.34, SD=1.318) the county has been able to cover all loopholes leading to non compliance within the county.

9.2 Correlation Analysis

9.2.1 Administrative Capacity and Revenue Collection

The study sought to establish whether there was a significant relationship between administrative capacity and revenue collection in Nyeri county. Pearson correlation coefficient was employed for the analysis. The findings are shown in Table 3.

Table 3: Correlations between Capacity Administrative and Revenue Capacity

		Revenue Collection
Administrative Capacity	Pearson Correlation	.444**
	Sig. (2-tailed)	.000
	N	62

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

From the findings the researcher observed that there was an existence of a relatively weak positive significant (r=.444, p=.000) relationship between administrative capacity and revenue collection. Hence an increase in administrative capacity leads to an increase in revenue collection in Nyeri County. As such, administrative capacity has a crucial role in determining revenue collection in Nyeri County. These findings were in agreement with findings of Okoye and Ezejiofor (2014) who asserted that one of the problems which face developing countries in collecting tax revenues is the inefficient and ineffective tax administration. Hence, the efforts of collecting tax revenues cannot be achieved unless there is a strong tax administration which ensures proper tax collections and ensures the minimizing of tax evasion. Muriithi and AdministMoyi (2003) hold the view that there should be put in place administrative reforms objected at eliminating avenues for tax evasion and corruption in Kenya.

9.3 Hypothesis Testing

The hypothesis $\mathbf{H_{01}}$ indicated that there is no significant influence of administrative capacity on revenue collection in Nyeri County, Kenya. Simple linear regression analysis gave the following results.

Table 4: Model Summary on Administrative Capacity

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.444[a]	.197	.184	.60676

a. Predictors: (Constant), Administrative Capacity

The model summary gave a coefficient of determination (R^2) value of 0.197 for the administrative capacity on revenue collection. This indicated that administrative capacity can account for up to 19.7% of the total variation in revenue collection in Nyeri County, Kenya. This demonstrates that administrative capacity has a significant contribution on the revenue collection in Nyeri County. The analysis of variance gave the results shown in table 5.

Table 5: ANOVA[a] on Administrative Capacity

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.433	1	5.433	14.757	.000[b]
	Residual	22.089	60	.368		
	Total	27.522	61			

a. Dependent Variable: Revenue Collection

b. Predictors: (Constant), Administrative Capacity

The ANOVA gave an F-value of 14.757 with a p-value of 0.000 which was significant at $p<.05$ level of significance. Therefore the study observed that administrative Capacity is significant in influencing revenue collection in Nyeri County, Kenya. Consequently, the null hypothesis $\mathbf{H_{01}}$ that there is no significant influence of administrative capacity on revenue collection in Nyeri County, Kenya was rejected.

10. CONCLUSIONS AND RECOMMENDATIONS

The study established that enhancing the revenue administrative capacity enhances revenue collection. It was also demonstrated that administrative capacity plays a significant role in determining revenue collection in the county government. Hence the study concluded that administrative capacity has a significant influence on revenue collection in the county government of Nyeri, Kenya. The study made pertinent recommendations based on the study findings. To begin with, the study recommended that the county government should enhance the revenue administrative capacity in order to enhance revenue collection. This will enable the county government to be in a position to mobilize revenue from all citizens in the county. In addition, building the administrative capacity will go a long way in reducing avenues for corrupt officials. Further the study recommended that the county should come up with policy guidelines for building staff competency in the county. Enhancing staff competency was shown to have a significant influence on revenue collection. Building revenue staff competency ensures the county of the ability to generate optimum revenues due to enhanced efficiency of its staff.

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