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Influence of Public Funds Utilization for Improvement of Livelihood of Residents of Githunguri Sub-County

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Abstract: **The primary purpose of the study was to analyze the influence of public tax collection funds for improved livelihoods of residents of Githunguri Sub-County in Kiambu County, Kenya. The study was based on the following variables: infrastructure development, healthcare, education support, and entrepreneurial development. The study adopted a descriptive survey method. The population under this study constituted project management committees from each of the four wards in Githunguri Sub County and tax administrators of County Government of Kiambu but who are attached in Githunguri Sub-County at the time of study, hence the researcher went for 15 tax administrators and 24 Project management committee members from the four wards as presented of Githunguri Sub-County, namely; Ikinu, Githinga, Ngewa and Komothai wards. This made a total of 39 members targeted whereby purposive sampling was employed to select respondents due to nature of the study. Data was collected using questionnaires and analyzed by the use of descriptive statistics using the Statistical Package for Social Sciences (SPSS) and presented through percentages, means, standard deviations and frequencies. The information was presented by use of tables. This was done by tallying up responses, computing percentages of variations in response as well as describing and interpreting the data in line with the study objectives through use of SPSS.**

Keywords: **Budget deficit, Tax expenditures and Tax Incentives.**

1. INTRODUCTION

The political, economic and social development of any country depends on the amount of revenue generated for the provision of infrastructure in that given country. However one means of generating the amount of revenue is through a well structure tax system. Tax is a major player in every society of the world. The tax system is an opportunity for government to collect additional revenue needed in discharging its pressing obligations. A tax system offers itself as one of the most effective means of mobilizing a nation’s internal resources and if lends itself to creating an environment conducive to the promotion of economic growth and better livelihoods. Taxes constitute key sources of revenue to the federation account shared by the federal, state and county governments

2. STATEMENT OF THE PROBLEM

Most African countries are cash strapped and are unable to utilize public tax fund effectively and meet their budgetary requirements. Appah, *et al,* (2004), observed that tax is a compulsory levy imposed on a subject or upon his property by the government to provide security, social amenities and create conditions for the economic well-being of the society, also Anyanwu (2000) and Anyanfo (2007), stated that tax are imposed to regulate the production of certain goods and services, protection of infant industries, control business and curb inflation, reduce income inequalities etc. Lipsey and Chrystal (2007), stated that the government can employ policies including favorable tax treatment of savings, investment; capital gains, research and development (R&D) tax incentives to encourage investments and innovations. However, studies in the recent past prove that public tax fund offered have not resulted improved livelihood of tax payers.

Several research studies have been conducted on tax revenue and economic development. For example, Jepkemboi, (2008) studied macroeconomic determinants of tax revenue share in Kenya and established that estimated long-run results indicates that tax revenue share in Kenya is determined by the level of per capita income, imports, agriculture, manufacturing, external debt and trade liberalization. In the short run, only variables of manufacturing, terms of trade and tax reform are significant. Okech and Mburu (2011), did an analysis of responsiveness of tax revenue to changes in national income in Kenya between 1986 -2009 and concluded that the Kenya tax system is neither income elastic nor buoyant. Ndonye (2012), analyzed factors affecting revenue collection in the ministry of state for immigration and registration of persons (MSIRP). The study found that 65% of the respondents strongly agreed that making online applications is challenging among the people seeking the service due to lack of technological knowledge making it a challenge to revenue collection in the ministry. Gacanja (2012), who did an empirical case study of Kenya on tax revenue and economic growth revealed a positive relationship between economic growth and tax revenue.

In Kenya, several efforts have been made to reduce unnecessary layers of government to make service provision to the populace more effective**.** This is because devolvement of tax funds and governance to the locals is fundamental for both social and economic development of any given nation of the world. This aims at enhancing democracy through the participation of citizens by identifying problems that affect them directly and find ways of solving them to improve their wellbeing and also spearhead the operations of the government. Despite the government of Kenya's endeavor to devolve public funds to the grassroots, still the economic welfare of the people is still low. Additionally, the report by the controller and Auditor General in Kenya gazette 2010 uncovered massive misappropriation of devolved Funds in 16 counties. Previous studies focused on challenges facing tax revenue in public sector; For instance Wanjohi, (2013), undertook a study on modem county government in Kenya. Odhiambo (2015), undertook a study on management of resources by county governments. From the above discussions, it is evident that very few studies have concentrated on reviewing the relationship between public tax fund and improvement of livelihood of people. Public tax fund has been increasing year after another as evidenced by the annual government budget. However, this has not been fully reflected in livelihood of people. This study therefore sought to fill this research gap. The current study aimed at addressng the capability of taxing authority at County level to provide developments for enhancement of tax payer's welfare of Githunguri Sub-County, Kiambu County

Objectives:

1. To establish how infrastructural development influence livelihood of residents of Githunguri Sub-County.
2. To determine how healthcare development improves livelihood of residents of Githunguri Sub-County.
3. To examine the how quality of education influences livelihood of residents of Githunguri Sub-County.
4. To assess the contribution of enterprise development on livelihood of residents of Githunguri Sub-County.

3. THEORETICAL REVIEW

The Harrod-Domar Model:

This model was used in development economics to explain an economy's growth rate in terms of the level of saving and capital productivity. It was developed by Sir Roy F. Harrod and Evsey Domar in 1946. This model was the precursor to the exogenous growth model. It states that there are three concepts of growth which include Warranted growth (output growth rate at which firms believe they have the correct amount of capital and therefore do not alter their investment levels), the natural rate of growth (rate at which the labor force grows, indicating a change in aggregate output) and actual growth (the actual aggregate output change), (Friedland & Sanders, 1985).

The model suggests that in the absence of government interventions, the growth rate of national income will directly be related to the savings ratio therefore, the more an economy is able to save and invest , the greater the growth in GDP . It further states that the growth rate of national income will be inversely related to the economic capital-output ratio - the higher the capital is, the lower the GDP growth rate, (Friedland & Sanders, 1985).

According to the model, there are two possible problems which can be experienced in an economy. First, the relationship between the actual and natural (population) growth rates can cause disparities between the two, as factors that determine actual growth are separate from those that determine natural growth. Factors such as birth control, culture, and general tastes determine the natural growth rate. However, other effects such as the marginal propensities to save and consume influence actual output. There is no guarantee that an economy will achieve sufficient output growth to sustain full employment in a context of population growth. The second problem is the relationship between the actual and warranted growth. If output is expected to increase then investments will increase to meet the extra demand but when actual growth either exceeds or fails to meet warranted growth expectations, attempts to meet the actual demand will be exaggerated causing economic instability, (Todaro & Smith, 2003).

Exogenous theorists observed that countries which were able to save 15% to 20% of GDP could grow at a much faster rate than those that saved less and this growth was self- sustainable. They stated that the mechanism of economic growth and development is a matter of increasing national savings and investment, (Todaro & Smith, 2003). A good example of a country which has achieved economic growth by encouraging savings is Singapore

Neoclassical Theory – The Solow Growth Model:

It was named after Robert (Bob) Solow and Trevor Swan and was meant to demonstrate why the Harrod-Domar model was not a good model to adopt. The model states that economic growth is derived from an increase in capital and labour inputs, ideas and new technology. He observed that a sustained rise in capital investment increases the growth rate only to a certain level then the growth rates start declining because of the law of diminishing returns that is, as the ratio of capital to labor increases, the marginal product of additional units of capital decreases and hence the economy will adjust back to a steady state growth path, with real GDP growing at the same rate as the growth of the workforce plus a factor to reflect improving productivity, (Begg *et al*, 2005). A steady state of growth refers to a situation where output, capital and labor are all growing at the same rate, so output per worker and capital per worker are constant. Neo-classical theorists state that to raise the rate of economic growth, an increase in the labor supply and a higher level of productivity of labor and capital are fundamental and differences in the levels of technological advancements between countries explain the variations in growth rates observed in the world today. Technological advancements not only increases incomes due to increased production but also transform lives through new product and process inventions, (Lipsey & Chrystal, 2007).

Structural Change and Patterns of Development Theory – Chenery Model:

Structural-change theory focuses on the mechanism by which underdeveloped economies transform their domestic economic structures from reliance on traditional subsistence agriculture to a modern, urbanized, and industrial diverse manufacturing and service economy. He observed that increased savings and investment are necessary but not sufficient conditions for economic growth. Both human and physical capital accumulation and changes in the economic structure of a country are required for the transition from a traditional economic system to a modern one. Changes in production, consumer demand patterns, international trade, and use of available resources, urbanization, growth and distribution of population were all considered to be necessary, (Todaro & Smith, 2003).

Structural-change theorists observed that differences in development levels among developing countries are largely dependent on both domestic and international constraints. Domestic factors include economic factors such as a country's resource endowment and its physical and population size and institutional factors such as government policies and objectives. International factors include access to external capital, technology, and international trade. He observed that to a great extent, it is the international factors that create a difference between developing and industrialized countries. The higher the ability of developing countries to access opportunities presented by the industrial countries as sources of capital, technology, and manufactured imports as well as markets for exports, the faster they can increase their economic growth rates, (Todaro & Smith, 2003).

Poverty Theories:

High incidences of poverty level are reduced when community groups get empowered (Bradshaw 2005). The Indian school of thought discussed a lot of issues that would help in reducing poverty. They said that government loans are part of public finance or government revenue from taxes. Ranade, (1842-1901) argued that poverty would be eradicated if people engaged in large scale farming and establishment of agro-based industries by the state, (Jhigan *et al.* 2012). From the theoretical review, classical theory and loanable fund view theory are relevant to the study as they give theoretical concept on how to access credit. Collaterals are seen to be hindering entrepreneurs (both the poor and women) from accessing funds thus resulting in credit rationing which further affects various enterprises. Modern theories have also stressed on entrepreneurship development and recognize the role of financial market imperfections which determine the amount to be borrowed for investment. However funds given out are not adequate to facilitate establishment of large enterprise by the poor and women, (Jhigan *et al.* 2012). Social capital theories and poverty theories are alluded to since they form the basis of the factors determining access to government loans.

Conceptual Framework:

According to Orodho (2003), conceptual framework is a model of presentation where a researcher conceptualizes or represents the relationships between variables and shows the relationships graphically or diagrammatically. In the study, the conceptual framework is a hypothesized model identifying the concepts or variables under the study and shows their relationship. The main variable of this study is improved livelihood for residents in Githunguri Sub-County. This variable is considered as dependent variable which depends on the independent variables as outlined in the figure below. In this study, the following are the independent variables: infrastructural development, healthcare, educational support and entrepreneurship development.

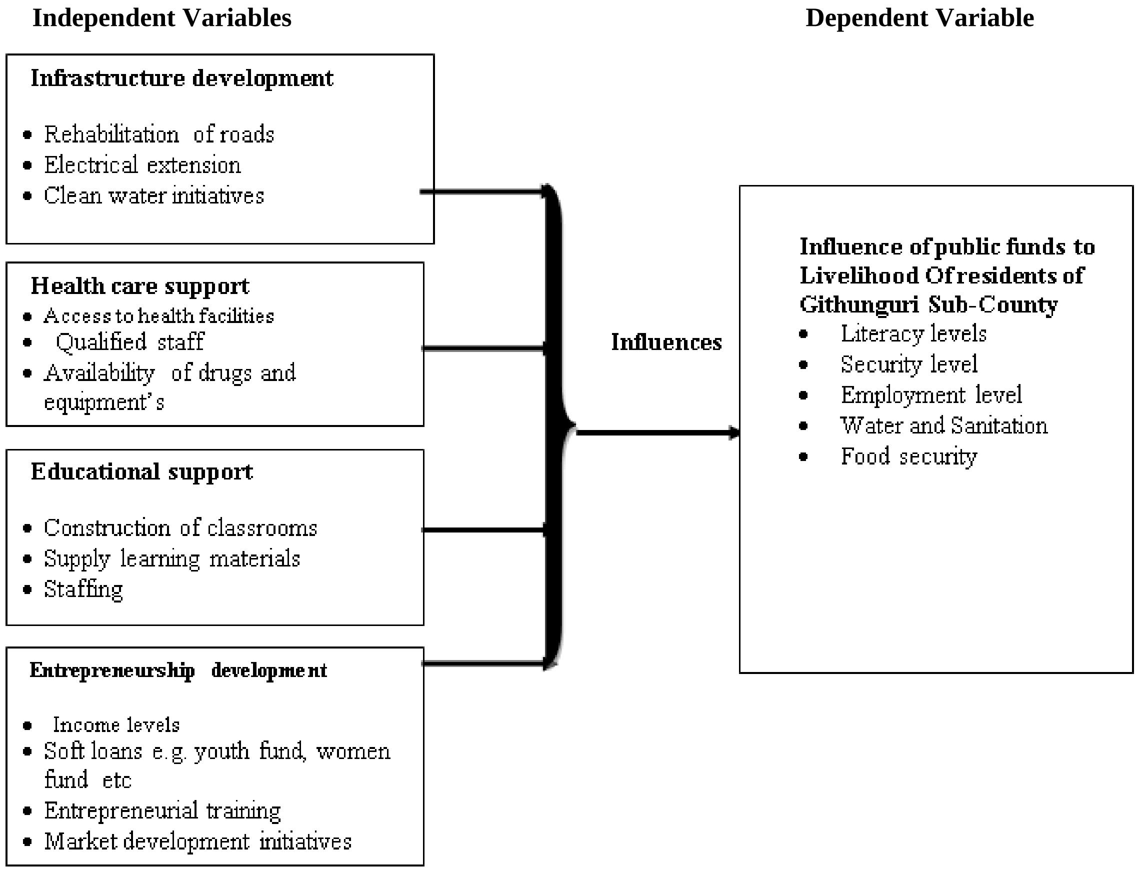

Figure 2.1: Conceptual Framework.

Critique of Existing Literature:

Government revenue impacts economic growth through meeting the various governmental needs, (Illyas & Siddiqi, 2010). Perhaps the most important mechanism through which government expenditure impacts on economic performance are the costs of raising taxes to finance that expenditure because taxes affect the decisions of households to save, supply labour and invest in human capital and of firms to produce, create jobs, invest and innovate, as well as the choice of savings channels and assets by investors, (Johansson, 2008). By lowering the returns to earning income, taxes reduce incentives to work, save and invest, thereby "crowding out" or discouraging private sector activity.

Many previous studies done on tax fund in African countries show that the tax fund do not necessarily increase the flow of FDIs into the countries and therefore do not deliver on the intended purposes. Most developing countries are unable to raise adequate revenues to meet their budget income needs and invest in their infrastructure and development projects that will improve their economies. While many governments are aware of the fact that they are losing more resources due to the incentive regimes, many are slow or reluctant to change their taxation policies towards better practices and seal revenue loopholes in the economy because of stiffened competition for investors among the developing nations. All stakeholders including academicians, regulators and industry players agree on the importance of effective tax policies in any economy and as such countries across the globe must work hard towards adopting international best tax practices and the government, citizens and investors must make sacrifices and invest in our economy to spur higher economic growth rates

Research gaps:

Studies have established that county governments have become the centers for devolution in the world as has been confirmed by various reports like the ADB, 2003 in Kenya and other African countries .Though many studies have been carried out on devolution no study has been carried out to establish how devolved funding is affecting the overall social economic welfare of the target groups particularly in Kenya. Klugman (2004) argues that advocates of decentralization from economic and political schools of thought attribute their support for a greater transfer of authority towards sub national tiers of government to their negative perception of the capacity of central governments to deliver public services efficiently. However, in his argument, Klugman has not shown how efficiency emanating from the transfer of authority to sub national tiers of government has led to the improvement of citizen welfare. In his view, Warner's, (2003), points that Successful decentralization requires administrative and financial capacity and effective citizen participation, but many rural governments lack an adequate revenue base or sufficient professional management capacity. In his argument, Warner's fail to cite any case where strong administrative, financial capacity and effective citizen participation has led to improvement in socio-economic welfare of citizens enjoying devolved services. Segatti (2002), observes that the Northern Italian Leagues were the first to heavily base their devolutionary claims on economic demands, after their relative failure to gain visibility by using traditional ethnic or linguistic arguments; Nationalist and regionalist parties in Spain have increasingly resorted to similar arguments, as indeed have the Zapatistas in Chiapas. This devolutionary trend though making economic sense has not explained how their citizens have benefited from it in terms of social economic welfare improvement. It is this gap that motivated this research to establish how devolved public tax collection fund is impacting on the social economic welfare of Kenyans and recommend on measures to be taken to improve on the performance of devolved tax fund. This will reinforce the role of local authorities as nucleus of development as spelled in the objectives of various devolved funds.

4. RESEARCH METHODOLOGY

The research design used in this study was descriptive research design. The target population of study consisted of project management committees from each of the four wards in Githunguri Sub County and tax administrators of county government of Kiambu but who work in Githunguri Sub-County at the time of study hence the researcher targeted; 15 tax administrators attached to Githunguri sub-county and 24 Project management committee members from the four wards as presented in Githunguri Sub-County namely; Ikinu, Githinga Ngewa and Komothai wards. Out of 39 members targeted by this study 100% of them were considered to participate in the final research the researcher used questionnaires as the research instrument to gather the relevant information needed related to the study.

Model:

The researcher further employed multivariate regression model. The research deemed regression method to be useful for its ability to test the nature of influence of independent variables on a dependent variable. Regression was able to estimate the coefficients of the linear equation, involving one or more independent variables, which best predicted the value of the dependent variable. Therefore, the researcher used linear regression analysis to analyze the data. In this study the following was the regression equations that were used to test the significance of the study hypotheses:

$Y=\beta 03+\beta 13X1+\beta 23X2+\beta 33X3+\beta 43X4 +\varepsilon$

Where Y is the dependent variable improvement of livelihood of residents of Githunguri sub-county

X1 – Infrastructural development

X2 - Healthcare development

X3 - Quality of education

X4 - Contribution of enterprise development

5. RESULTS AND DISCUSSION

Regression Analysis:

In this study, a multiple regression analysis was conducted to test the influence among predictor

variables and optimal revenue collections in county governments in Kenya. The research used statistical package for social sciences to code, enter and compute the measurements of the multiple regressions.

Table 1 Model Summary

Model	R	R Square	Adjusted R Square	STD error of the Estimate
1	0.82	0.69	0.62	0.69

R-Squared is a commonly used statistic to evaluate model fit. R-square is 1 minus the ratio of residual variability. The adjusted R2, also called the coefficient of multiple determinations, is the Percentage of the variance in the dependent explained uniquely or jointly by the independent variables.

Table 2: Summary of One-Way ANOVA results

Model		Sum of Square	Df	Mean Square	F	Sig
1	Regression	9.10	5	2.2	9.10	0.0001
	Residual	40.10	30	0.20		
	Total	49.20	35			

The probability value of 0.0001 indicates that the regression relationship was highly significant in predicting how education, water, health, roads and electricity contributed to the effective service delivery to the citizens. The F calculated at 5% level of significance was 9.10 since F calculated is greater than the F critical (value =2.30), this shows that the overall model was significant.

Table 3: Regression coefficients of the relationship between service delivery and the four predictive variables

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	T	Sig
1	(Constant)	1.032	0.300		3.90	0.000260
	Infrastructural development	0.560	0.120	0.520	4.40	0.000210
	Healthcare development	0.590	0.160	0.140	3.70	0.000240
	Quality of education	0.580	0.175	0.300	4.00	0.000220
	Contribution of enterprise development	0.540	0.153	0.125	7.00	0.000150

As per Table 4.16, the equation (Y = β0 + β1X1 + β2X2 + β3X3 + β4X4+ ε) becomes:

$Y= 1.032+ 0.560\ X_1+ 0.590\ X_2+ 0.580\ X_3+ 0.540\ X_4$

Where Y is the dependent variable the optimal revenue collection

X1 – Infrastructural development

X2 - Healthcare development

X3 - Quality of education

X4 - Contribution of enterprise development

The regression equation above has established that taking all factors into account constant at zero improvement of livelihood of residents of Githunguri Sub-County will be 1.032.The findings presented also show that taking all other independent variables at zero, a unit increase in the healthcare development infrastructural development would lead to a 0.560 increase in the scores of improvement of livelihood of residents of Githunguri Sub-County and a unit increase in the scores of healthcare development would lead to a 0.590 increase in the scores of improvement of livelihood of residents of Githunguri Sub-County. Further, the findings shows that a unit increases in the scores of quality of education would lead to a 0.580 increase in the scores of improvement of livelihood of residents of Githunguri Sub-County. Finally, the findings shows that a unit increases in the scores of contribution of enterprise development would lead to a 0.540 increase in the scores of improvement of livelihood of residents of Githunguri Sub-County.

6. CONCLUSION

The funding has shown that utilization of public funds has a positive impact to socio-economic welfare of people of Githunguri sub-county and that these have some effects on the development and economic empowerment of the community in the sub-county. However, in light of the achievements these skills myriad challenges facing realization of real development in this area.

It's vivid from findings that infrastructural development in lagging behind funds has been inadequate or embezzled. There is a not clear cut reason why this is so yet devolution has facilitated equal distribution of resources across the counties.

7. RECOMMENDATION

Infrastructural development:

The study recommended that citizens should be involved in the whole process of infrastructural development from initiation, selection, implementation and review. This will enable the residents to choose projects which are priority to them and enhance their participation.

Healthcare Development:

The study further recommends that the county government embrace and advocate for a multi-disciplinary method to involve all the healthcare stakeholders to address supply chain management, health facility infrastructure management and issues relating to healthcare workers so as to enhance service delivery to the residents.

Quality of Education:

It is recommended that the Government of Githunguri Sub-County should promote education in the Sub-County to enhance competency staffs in the Sub County who in turn implement and monitor public Funded Projects

Contribution of Enterprise Development:

To promote and enhance sustainability the study recommended that all the relevant stakeholders should be informed and involved in all development projects for them to develop ownership attitude that can ensure sustainability. Community members need to be educated on sustainability of County Funded Projects to ensure that they are able to push them forward after withdrawal of county funding.

Suggestions for Further Research:

Building on this study, it may be fruitful for future research to explore the impact of public Funded Projects on livelihood of residents. The researcher recommends that similar studies be conducted in other parts of Kiambu County to assess the impact of utilization of public funds on residents livelihood and compare the results of counties. Other studies should be conducted on the challenges facing sustainability of County Funded Projects in Githunguri.

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