EFFECT OF SELECTED FACTORS AFFECTING REVENUE COLLECTION IN
NAIROBI CITY COUNTY GOVERNMENT

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A Research Project Submitted to the Graduate School in Partial Fulfillment
of the Requirements Award of Master’s Degree in Business Administration of

Egerton University.

NOVEMBER, 2016
DECLARATION

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

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CM16/0004/11

This research project has been submitted for examination with our approval as the University Supervisors;

Signature: ……………………………… Date: …………………………..

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DEDICATION

I wish to dedicate this work to my wife, Tabitha, Children, Joy, Eric, Laureen and Tony for their support and the encouragement they gave me during the study.
ACKNOWLEDGEMENT

I wish to express my true appreciation to each one of the individuals who in somehow added to the achievement of preparation of this research project. Above all, special thanks to the Almighty God for the gift of life and good health, which enabled me to undertake this project. Special thanks also go to my supervisors Mrs Monica Muiru and Ms Irene Riungu who guided me in the research project and the former Ministry of Local Government Now Ministry of Devolution and Planning, for sponsoring me to undertake this course.

I also thank all the teaching, administrative and support staff of the Egerton University Nairobi Campus for their support and encouragements throughout the programme period
ABSTRACT

The introduction of county governments with the adoption of the new constitution has brought with it challenges in administration of these new institutions. This is particularly the case with revenue collection in the county governments whereby the revenue collected has in many times been below the projected figures. This has resulted in financial challenges in the delivery of services to the public. The purpose of this study was to establish the factors affecting revenue collection in Nairobi City County Government. The specific objectives of the study were to: establish effect of revenue diversification on revenue collection, establish the effects of administration on revenue collection, assess the effects of tax structure on revenue collection and find out how different forms of revenues affects revenue collection. The study adopted a descriptive research design. The study population comprised of a total of 340 members of staff working as chief officers, technical staff and members of Nairobi City County assembly. The sample size was determined using the Fischer’s formula. The sample size for the study was 180 which were distributed proportionately among the strata. The study used a survey questionnaire as a research instrument. Data collected was analyzed with the help of SPSS by both descriptive and inferential statistics. The results were presented in form of tables and graphs. The study adopted a multivariate regression. The study found that revenue diversification affect revenue collected through number of sources of revenue and new policies to a great extent. Tax administration affects revenue in Nairobi City County through competent staff, availability of computers, availability of postal communication system and tax education. Tax structure affects revenue collection through flexibility, equitability, neutrality and simplicity while different forms of revenue (property, business license) affect amount of revenue collected. Revenue diversification had a positive and significant relationship with amount of revenue collected whereas different forms of revenue collected had positive and significant effect on amount of revenue collected in Nairobi City County. The study concluded that revenue diversification strategies increases the amount of revenue collected, with a good tax administration practices like competent staff and adoption of latest technology, the amount of revenue collected increases. A good tax structure that is flexible, simple and economical, the amount of revenue collected will be high. The study recommends on the use of latest technology and competent staff in tax administration, also there should be more innovations to have diversified sources of revenues in Nairobi City County in order to collect more revenue. The financial managers and policy makers in Nairobi City County assembly should come up with new sources of revenues and taxes that obey the canon law of taxation that is economical, simple, flexible and easy to administer.
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## LIST OF ABBREVIATION AND ACRONYMS

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<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
</tr>
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<tbody>
<tr>
<td>CRA</td>
<td>Commission on Revenue Allocation</td>
</tr>
<tr>
<td>DACF</td>
<td>District Assemblies Common Fund</td>
</tr>
<tr>
<td>FIRS</td>
<td>Federal Inland Revenue Service</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross domestic product</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>IGFs</td>
<td>Internal Generated Funds</td>
</tr>
<tr>
<td>KRA</td>
<td>Kenya Revenue Authority</td>
</tr>
<tr>
<td>MMDAs</td>
<td>Municipal and District Assemblies</td>
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<tr>
<td>PMF</td>
<td>Public Finance Management</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical package for social sciences</td>
</tr>
<tr>
<td>TMA</td>
<td>Techiman Municipal Assembly</td>
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<tr>
<td>VAT</td>
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