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Determinants of Effective Revenue Management in the County Government of Kisumu, Kenya

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Abstract: **Devolved government was introduced through the Kenya constitution 2010, to devolve resources and ensure equitable development throughout the country. As a result county governments are to receive grants from the national government, which they supplement through local taxes such as permit fees, property taxes, license fees, and entertainment fees. Since implementation of the new system of devolved government in 2013, the county governments have not been able to meet there revenue expectations. According to the county budget implementation review report total revenue collected in 2013/4 was 26.3 billion against a target of 54.21 billion, and in 2014/5 collection was 33.85 billion against a reduced target of 50.38 billion, hence the need for this study. The objective of the study was to assess the determinant factors of revenue collection among counties in Kenya. It will be conducted in the county government of Kisumu. The Focus of this research was on government policy and assessed how far these factors determine revenue collection in the county. The theoretical model for the study took into consideration tax theories such as; Cost of service theory, where revenue is matched with expenses; Ability to pay theory, where taxation is based on one's taxable capacity; Benefits received theory, where taxation is based on the amount 'of benefits received and finally the public expenditure theory, where we expect revenues to increase in developing societies; A descriptive design was adopted and the target population was all the 133 staff working in the finance departments; the study used census to collect data from respondents. Data was collected using structured questionnaires. Data was analyzed using SPSS and multiple regression analysis showed that information technology, staff training, fiscal policy and internal control significantly influence revenue management in Kisumu County Government. The study concluded that enacting of feasible tax polices both at county and national government level can significant increase county governments revenue. The study recommends that one, top management officers in the county revenue management committees should professionally procure and install secure, reliable and cost effective electronic revenue management systems so as to check revenue collection losses and systemic issues so as to buffer county revenue index; two, revenue officers in county governments should frequently undergo training and benchmarks in automated secure revenue collection systems and ethical tax management practices so as to win trust from tax payers which will consequently boost county government revenue and three, there should be quality control systems meant for regular checks and balances in county government revenue control systems so as to improve county revenue management. The study recommend a further study to be done targeting tax payers, so as to assess perceptions of county government revenue management in the eyes of tax payers in the respective counties.**

Keywords: **Devolved government, county budget, government policy, target population, quality control systems.**

1. INTRODUCTION

According to Cobham (2005) revenue is the main and most direct purpose of taxation. The need for revenue is to cater to various needs such as urgent needs: these include crises solving and meeting of immediate problems, for example wars, drought, famine and floods as well as poverty and emergency medical treatment; Short-term needs: these include immediate needs that are not quite a crisis, but are needs which may result in a crisis if they are not efficiently and effectively dealt with, for example, poverty eradication, provision of education and preventative medicine and healthcare; Long-term needs: these include the need to improve the people's quality of life, improve public amenities and infrastructure as well as to create a suitable environment for investment.

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Taxation is central to development in Africa and plays a key role towards the attainment of Sustainable Development Goals (SDGs), which are social indicators of progress. Taxation is use to: finance social and physical infrastructure needs; provide a suitable fiscal environment which will promote economic growth and investment; and promote good governance and accountability in economic development (NEPAD, 2009).

Many developed countries have succeeded in improving their taxation systems over the years. Developing countries are however facing many challenges when they attempt to establish efficient tax systems. For example the government of Uganda has improved its tax structure in recent years, but it still appears to mirror tax systems in other Sub-Saharan African countries, in terms of the types of taxes and rates (kayak, 2007). Nevertheless, the increase in overall budget deficits growth negates the significant improvement in domestic revenue mobilization after various tax reforms. The persistence of budget deficits makes it necessary that the tax policies of Uganda urgently need to be reviewed to increase tax revenues (kayak, 2007).

According to Committee of ten policy briefing (2010), the challenges facing African policy makers are numerous, these include: Taxation of the informal economy; Africa has a vast informal economy which is a major obstacle to counties wanting to broaden their tax base and collect direct taxes, this in particular, poses a wide range of economic challenges, because, not only are taxes not collected, but these informal firms are also often less productive, with no records to measure or gauge their performance: The quality of tax policies and tax administration, the complicated tax codes and high compliance burdens coupled with an inefficient tax administration remain powerful incentives for small enterprises to maintain their informal status.

Thus fiscal management of government resources is to be managed at both levels of government, that is; national government and county government (The Kenya constitution, 2010). Revenue raised by the national government is to be shared equitably between the national government and the county government. The national government taxes include income tax; value added tax, customs duty and excise tax; while the county government may impose property taxes, entertainment taxes and any other tax authorized by an act of parliament. County revenues are made up of share of national revenue plus local taxes collected in the counties (The constitution of Kenya, 2010).

The Kenyan Constitution 2010 allows counties to impose property rates, entertainment taxes, and any other tax authorized by an Act of Parliament. In the financial year (FY) 2014/15, counties were targeted to collect Ksh.50.38 billion; a decrease from Kshs.54.21 billion targeted in FY 2013/14. The total collection in FY 2014/15 was Kshs.33.85 billion compared to Kshs.26.30 billion in FY 2013/14; this was 67.2 per cent of the annual target, an increase compared to 48.5 per cent in FY 2013/14 (Controller of Budget report, 2016).

The continued low performance of local revenue collections has been pointed out in previous county budget implementation review and reports (CBIRR report, 2017) and should be addressed to avoid hidden budget deficit. Under performance in local revenue collection implies that some planned activities will not be implemented. There is need for counties to review their local revenue collection mechanisms and strategies in order to achieve the set targets. Further, the local revenue targets should be realistic and based on historical trends (CGBIRR, 2014/15).

Matengo and associates (2015), in a paper to ICPA (K) outlined challenges inherited by county government as; levels of staff competence; reliable reporting; and poor monitoring systems. This resulted in a drop of revenue collected as compared to projections. Other challenges come in many forms encompassing different areas such as laws governing revenue collection; existing infrastructure; intergovernmental relations and categorization of revenues. The complexities of revenue collection are not unique to Kenya. In the US, for instance, forty percent of Americans, most of who are mostly in the informal sector, are not in compliance with income tax. The reasons for non-compliance are instructive. For instance, taxpayers lack the requisite knowledge of the tax law, taxpayers interpret the law differently from the Internal Revenue Service of the USA, taxpayers lack record keeping ability sufficient to satisfy the Internal Revenue Service and the taxpayers do their math wrong, or they rely on professional return preparers who get it wrong (Spiro, 2005).

It is increasingly becoming more difficult for National and local economies to finance towns and cities within their jurisdiction, this, invariably becomes more expensive as their population increases. As a result, the concept of fiscal decentralization presents an opportunity to reinforce local government, to be more involved in public projects (Shan, 1994). The devolution of taxation and spending powers to lower levels of government has become an important theme of governance in many developing countries (Fjedstad & Semboja, 2010). It is normal to expect that decentralization of

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fiscal responsibility will provide for more transparency, accountability, probity, frugality, efficiency and equity. If we set the appropriate conditions, then decentralization can assist in making simple the complex bureaucratic procedures of national government and remove the bottlenecks in decision-making which are caused by central government planning (Robinson & Stiedl, 2001).

According to Pimhidzai and Fox (2011), when redesigning the local revenue system the most fundamental requirement to put emphasis on is the cost-effectiveness of revenue collection, this, by taking into account not only the direct costs of tax administration, but also the overall cost to the economy, and how it impacts the level of compliance by the taxpayers. In addition, corruption and tax evasion need to be reduced, and to achieve these, there is a need to further simplify processes and regulations in the existing business license and fee structures by reducing the number of rates and coverage.

The foregoing is a huge problem due to the fact that, when the County Governments fail to optimally collect requisite revenues, the public is negatively affected by being denied vital services. Further, the National Government will be overburdened by the financial demand from the County Governments which will ultimately negate the national economy. Research by Makokha, Alala and Manase (2014), found that many County Governments do not have the administrative capacity which can allow them to benefit fully from the existing sources of revenue. For example, when it comes to property taxes, absence of proper financial systems and the necessary periodic revaluation of properties and records, and poor collection of charges for services rendered; county governments appear just as inefficient like many of the former local authorities which are still owed huge amounts of money by customers, including central government and parastatals.

This study focused on the County Government of Kisumu which has been no exception to this underperformance in revenue collection targets. The controller of budget 2017 report indicates that the County Government of Kisumu is among the top ten counties with low performance in revenue collection. In the financial year 2016/2017, the County Government of Kisumu had annual targeted revenue of Kshs.3.11 billion but only collected Kshs.2.12 billion which was 68.2% of the targeted revenue (Controller of budget annual report, 2017).The study has assessed the determinants of effective revenue management and recommended appropriate measures to address the revenue situation in the county. The objective of this study was to evaluate the effect of fiscal policies on revenue management in Kisumu County, Kenya.

2. FISCAL POLICY

Cobham (2005) defined tax policies as the administrative tools used by government and its agencies to impose, govern and collect taxes in a democratic society, he observed that for policies to be formulated, the policymakers first had to set out the purpose of taxation policy, that is, to clearly identify what (the policy is supposed to accomplish and then draft the means of implementation of the said policy.

An appropriate fiscal policy is a vital ingredient for economic .development. Government revenue collection and expenditure allocations, to a large extent can determine the fiscal policies in place. Policy makers could avoid deficits if they understand the connection between government expenditure and revenue. On the policy side, there are three types of relationships between government expenditure and government revenues. First, if government revenue is the cause of government expenditure, we can eliminate budget deficits by implementing policies that are aimed at increasing government revenue. Second, if government expenditure is the cause of government revenue, then this implies that the government behavior is borrow to spend, and pay later, using taxes collected. This situation can create capital outflows as a result of the fear of higher taxes in future. Third, where decisions concerning expenditure are made in isolation of decisions on revenue collection, this can lead to serious budget deficits because government expenditure will increase more rapidly than government revenue. For these reasons, the study of government revenue and expenditure is crucial (Gounder, Narayan & Prasad, 2007).

Fiscal policy has a significant role in reducing income inequality. The distributive effect is achieved through transfers on the expenditure side and income taxes. The constitution of Kenya 2010 chapter 3 (209) (1) (2) has assigned the following tax revenues for the national and county governments. The National government to collect tax from income tax, VAT, customs duty and excise duties, while the county government is to collect tax from property taxes, entertainment taxes, and any other tax that is authorized by an act of parliament.

In Mozambique, tax policy reforms which were launched by the authorities in 1996 have been a driver of revenue collections. The aim of these reforms was centered on improving administrative efficiency; broaden the tax base, and moderate tax rates to improve collection. Legislative changes were also made to go hand in hand with the tax policy

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reforms. The Assembly of the Republic of Mozambique was given the exclusive authority to define the foundations of tax policy and the fiscal system; this therefore shows how a stable macroeconomic and institutional environment is important for revenue mobilization. In the same breathe, apart from administrative changes, tax policy reforms like simplifying processes, base broadening measures, and eliminating expenditures to rationalize incentives under the tax benefits have resulted in an upward trend in tax revenue (Drummond *et al.,* 2012).

In a study by Fjeldstad and Heggstad (2012), it was found that despite major reforms of the central government tax system during the last two decades, the local government taxation systems remain neglected. The, local tax systems were shown to be distortive, costly, and not equitable. Generally, it was observed there was little or no co-ordination on matters of taxation between various levels of government, which was partly blamed on the lack of capacity at all levels of government. This led to double-taxation of the same revenue base, as well as inconsistencies between local and central government tax policies. In some countries some local governments impose high taxes on export crops, which is inconsistent with the national government's policy to encourage export production. Furthermore, while central government taxes affect few people directly, local government taxation affects many. Government Policy objectives include economic growth, regional balance, national cohesion and political stability.

Accountability is also important good government: both administrative and economic accountability to attain high levels of efficiency, which in turn will' provide the taxpayer with value for money; political accountability which allows the citizens to assess the performance of elected leaders. There are a number of guidelines for intergovernmental fiscal transfers, such as; there must be clarity in grant objectives; there must be autonomy: the county governments should have complete independence in setting priorities; the county governments should have adequate revenue to discharge their responsibilities (Kenya Constitution, 2010).

County governments have a number of revenue sources which include local revenues together with disbursements from the national government such as, equitable share of national revenue, conditional and unconditional allocations, borrowing, grants and donations. They have constitutional powers to impose taxes and other charges. These taxes are property taxes, entertainment taxes and any other tax which is authorized by an act of parliament. Revenue raised by county governments constitutes, its own revenue, which is not part of the pool of revenues subject to sharing between the national and the county government. In the exercise of the powers for raising revenue, Article 209 (5) of the Constitution prohibits counties from doing so in a way that affects national government's economic policies, economic activities across county boundaries or the national mobility of goods, services, capital or labor.

According to Musgrave (1983), Local taxes, such as property taxes and consumption taxes should be used to finance local government functions, and thus leave income taxes to the central government; however, this division of -revenues implied that lower levels of government were likely to be burdened with more financial responsibilities than they can finance using their own revenues. This makes intergovernmental grants crucial in order to meet the revenue shortage. As a result the funding system for local governments should be based on two main pillars, which are; their own tax revenues and inter-governmental transfers.

According to Rees and Hossain (2013), there are four main models of vertical tax administration: Single centralized tax authority. This combines both local and national. Under the national government all employees belong to the central government. This allows for internal controls and anti-corruption strategies like staff transfers; Independent tax authorities at different levels of government. Here each level of government has its own tax administration; there is little or no cooperation between the levels of government. This developed more fully in federal countries like Australia. USA and Brazil: Fully decentralized tax administration. This is where the sub national governments collect taxes for the central government for example; Germany. It is a very rare system which was used by the former Soviet Union and China before the reforms of 1994: this mixed mode of tax administration exhibits both features of centralized and decentralized models. It is found in Canada, Spain and Switzerland. (Rees & Hossain, 2013). To minimize the need for taxpayers to respond to multiple revenue administration, some countries have either merged or unified their systems using Information Communication Technology Revenue administration is essential to good government because governments need adequate and sustainable streams of revenue. The objectives of tax modernization program are; improved efficiency; reduced compliance costs; simplified and rationalized revenue administration; competent workforce; reduced contact between taxpayers and authorities (World Bank, 2009).

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A study by Ngugi and Kagiri (2016) established that legislation to a small extent affected optimal revenue collection by County government. The government policies set standards and timelines for revenue collection which ensured that the collection was done efficiently and in a transparent way. In addition, the study established that technology greatly affected revenue collection. Revenue collectors appreciate the role of information technology in ensuring effective revenue collection. But the study also found that lack of computers acted as a hindrance to effective optimal revenue collection. This study also found that revenue collection was also affected by public participation to a small extent. Moreover the study established that the competency of County workforce greatly affected optimal revenue collection. It is important to note that public participation is key aspect of the vision 2030, since, the critical cornerstones of the social and economic pillars is devolution on revenue matters. Vision 2030 anticipates that devolved funds will become key drivers of development, and communities will need to be actively engaged so that there is better targeting of resources. This involvement is in policymaking, public resource management and revenue sharing. In addition to this, there is also a need for a process of consultation and information sharing in the budgeting, implementation, monitoring and evaluation of development projects.

3. METHODOLOGY

The study employed explanatory survey research design. The design is suitable for doing causal studies (cause-effect relationships), which are conducted in order to explain any behavior or reactions of people to a given phenomenon in the society (Peshkin, 2014).

The target population for the study was 133 employees working in the department of finance, County Government of Kisumu. The target respondents were stratified into three categories namely; Senior, Middle and Junior management The senior Management are the policy makers who head respective units under the finance department, namely, head of revenue, head of audit, head of accounts, head of budget and head of Economic Planning. The middle management are the various section heads or supervisors while the junior management comprised of the revenue officers/ clerks, accountants and assistant accountants. This study employed the census survey design/technique. The main instrument for the primary data collection was structured questionnaire. The structured questionnaire was based on a five point likert scale ranging from 5 to 1 where 5 represented strongly, 4-agree, 3-Neutral, 2 -Disagree and 1 -strongly disagree. A self-administered questionnaire was used for primary data collection. Data collected was analyzed using descriptive and inferential statistics with a use of SPSS statistics, software which is used for statistical analysis. Multiple regression analysis was adopted.

4. DISCUSSION

Respondents were asked whether fiscal policies influenced revenue management of the county government of Kisumu. Their responses are summarized in table 4.1

Table 4.1: Descriptive Statistics; Fiscal Policies

Frequency and Percentage (%)									
Statement	**5**	**4**	**3**	**2**	**1**	**Min**	**Max**	**Mean**	**Std. Dv**
1.Policies and procedures for authorization are established at an adequately high level	15(16.5)	57(62.6)	11(12.1)	8(8.8)		2	5	3.86	.791
2.Revenue collection departments have budget reviews where actual revenue is compared with budgeted revenue	20(21.9)	46(50.5)	17(18.9)	8(8.8)		2	5	3.85	.913
3.There is clear separation of roles in revenue collection department	4(4.4)	21(23.1)	39(42.9)	19(20.9)	8(8.8)	1	5	2.93	.986

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4.Specific lines of authority and responsibility have been established to ensure compliance with policies and procedures	15(16.5)	66(72.5)	8(8.8)	0(0.0)	2(2.2)	1	5	4.01	.674
5.The county government adheres to the County tax collection policy as stipulated by our constitution	10(10.9)	60(65.9)	11(12.1)	10(10.9)		2	5	3.78	.456
6.Tax policy reforms really influence tax collection	5(5.4)	65(71.4)	6(6.5)	15(16.5)		2	5	3.93	.364
7.Fairness in our taxation systems influence tax collection		70(76.9)	2(2.2)	19(20.8)		2	4	4.43	.453
8.Policies that do not resolve Income inequalities influences tax collection		66(72.5)	5(5.4)	20(21.9)		2	4	4.14	.564
9.Incidences of higher county government expenditure than revenue affect tax collection		55(60.4)	10(10.9)	26(28.5)		2	4	3.84	.545
10.The general purpose of a given taxation policy affects tax collection	4(4.4)	64(70.3)	6(6.5)	17(18.6)		1	5	4.34	.513
Valid N (listwise) 91									
Grand Mean = 3.911= 4									

From descriptive statistics in the above table, most respondents agreed (62.6%) and strongly agreed (16.5%) that policies and procedures for authorization are established at an adequately high level and that revenue collection departments have budget reviews where actual revenue is compared with budgeted revenue (50.5%). This implies that senior revenue management officers in Kisumu county government are continuously engaged in reviewing feasible budget policies that can yield high county revenues. More so most respondents agreed that specific lines of authority and responsibility have been established to ensure compliance with policies and procedures (72.5%); the county government adheres to the county tax collection policy as stipulated by our constitution (65.9) and that tax policy reforms really influence tax collection (71.4%). This implies that most respondents feel that continuous reviews of county tax collection policies and reforms can positively influence county revenue management.

More so, 76.9% of respondents agreed that fairness in taxation systems influence tax collection implying that unbalanced taxation systems negatively affect tax collection. When asked whether policies that do not resolve income inequalities influences tax collection, most respondents agreed (72.5%) and a further 60.4% agreed that incidences of higher county government expenditure than revenue affect tax collection. This means that Kisumu county government should address issues of income inequalities among its employees and ensure there is more revenue than government expenditure as this affects tax collection. Lastly, 70.3% of respondents agreed that the general purpose of a given taxation policy affects tax collection thus, Kisumu county government requires to craft realistic taxation policies that enhance revenue collection. Therefore the summarized responses in the table above, indicate that the respondents were in agreement that fiscal policies has an influence on revenue management; grand mean of 3.911= 4 (agree).

The above study findings from descriptive analysis support those of Drummond *et al.,* (2012) who found out that, apart from administrative changes, tax policy reforms like simplifying processes, base broadening measures, and eliminating expenditures to rationalize incentives under the tax benefits have resulted in an upward trend in tax revenue and therefore aid in revenue management in general. The study findings are also supported by Ngugi and Kagiri (2016) who found out that legislation to a small extent affected optimal revenue collection by County government, hence, government policies set standards and timelines for revenue collection which ensures that the collection is done efficiently and in a transparent way. Furthermore, World Bank (2009) advocates for feasible fiscal policies by asserting that viable revenue administration policies are essential to good government because governments need adequate and sustainable streams of revenue and this can be achieved by objectives of tax modernization programs such as; improved efficiency; reduced compliance costs; simplified and rationalized revenue administration; competent workforce; reduced contact between taxpayers and authorities.

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4.1 Inferential Statistics:

Inferential Statistics is the branch of statistics dealing with conclusions, generalizations, predictions, and estimations based on data from samples (Mugenda & Mugenda, 2003). Inferential statistics makes inferences about populations using data drawn from the population. The different insights into the nature of the data gathered were as below;

4.1.1 Testing of Regression Model Assumptions:

Normality Test:

Normality test was implemented by use of the Kolmogorov-Smirnov (K-S) tests to show that the sample data was drawn from a normally-distributed population. That is the goodness of fit test for normal distribution was done using Kolmogorov-Smirnov test with the Lilliefors correction factors that have fifty cases or more. The desirable outcome is a significant value for test statistic more than 0.05 so that we fail to reject the null hypothesis and conclude that the variable is normally distributed and meets normality assumption (Field, 2005).

Kolmogorov-Smirnov test of normality was carried out and found not significant at $P < 0.05$ as shown in table 4.11 indicating that the data sets for the Dependent Variable and Independent Variables were normally distributed and therefore suitable for multiple regression analysis.

Table 4.2: Kolmogorov-Smirnov test of normality

			Statistic	Sig
Fiscal Policy	Mean		2.4283	.144
	95% Confidence Interval for Mean	Lower Bound	2.3229	
		Upper Bound	2.5337	
	Skewness		.062	
	Kurtosis		.236	

Linearity Test:

Linearity was tested in order to check the actual strength of all relationships. Linear models predict values which fall in straight line by having a constant unit of change (slope) of the dependent variable for a constant unit change of the independent variable. Linearity of the variables was tested using Pearson's product moment correlation coefficient.

Correlation is a term that refers to the relationship between two variables (Mugenda & Mugenda, 2003). A strong or high correlation means that two or more variables have a strong relationship with each other while a weak or low, correlation means that the variables are hardly related. The value of -1.00 represents a perfect negative correlation while a value of +1.00 represents a perfect positive correlation. A value of 0.00 means that there is no relationship between variables being tested (Mugenda & Mugenda, 2003).

The most widely used types of correlation coefficient are the Pearson R which is also referred to as linear or product-moment correlation. This analysis assumes that the two variables being analyzed are measured on at least interval scales. The coefficient is calculated by taking the covariance of the two variables and dividing it by the product of their standard deviations. In this study, Pearson correlation is carried out to determine how the research variables related to each other. Pearson's correlation reflects the degree of linear relationships between two variables. It ranges from+1 to -1. A correlation of +1 means there is a perfect positive linear relationship between variables (Mugenda & Mugenda, 2003).

Table 4.3: Bivariate Correlations analysis

		RMGT	FP
ERMGT	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	91	
FP	Pearson Correlation	.667**	1
	Sig. (2-tailed)	.000	
	N	91	91

Where;

ERMGT - Effective Revenue Management

FP - Fiscal Policy

ISSN 2349-7831

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From the study findings, Since the Sig (2-Tailed) the Pearson's r values for all the relationship between the independent variables that is Fiscal Policy (FP) with Effetive Revenue Management (ERMGT) revealed a significant relationship between the independent variables and the dependent variable.

Collinearity Diagnostics:

The study assessed multicollinearity by examining tolerance and the Variance Inflation Factor (VIF). Tolerance is a measure of collinearity reported by most statistical programs such as SPSS. A small tolerance value indicates that the variable under consideration is almost a perfect linear combination of the independent variables already in the equation and that it should not be added to the regression equation. All variables involved in the linear relationship should have a small tolerance. Kothari, (2008) suggested that a tolerance value more than 5.0 should be investigated further.

The Variance Inflation Factor (VIF) measures the impact of collinearity among the variables in a regression model. The Variance Inflation Factor (VIF) is 1/Tolerance, it is always greater than or equal to 1. Values of VIF that exceed 10 are often regarded as indicating definite multicollinearity issues, but in weaker models values above 5.0 may be a cause for concern (Kothari, 2008). According to Kothari, (2008) when those R2 and VIF values are high for any of the variables in a model, multicollinearity is probably an issue. The study results showed Variance Inflation Factor (VIF) of less than 5.0, accordingly there were no issues of concern with regards to multicollinearity issues for the variables under study.

Table 4.4: Regression Results; Fiscal Policy and Effective Revenue Management

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.667[a]	.444	.438	.30659	.444	71.136	1	89	.000

a. Predictors: (Constant), Fiscal Policy (FP)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	6.687	1	6.687	71.136	.000[b]
	Residual	8.366	89	.094		
	Total	15.053	90			

a. Dependent Variable: Effective Revenue Management (ERMGT)
b. Predictors: (Constant), Fiscal Policy (FP)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.937	.158		5.920	.000
	Fiscal Policy	.538	.064	.667	8.434	.000

a. Dependent Variable: Effective Revenue Management (ERMGT)

Finally, the regression results in table 4.4 above shows that fiscal policies significantly influences revenue management; R^2 =0.444, F=71.136, significant at *p<0.000.* This signifies that fiscal policies accounts for 44.4% variations in effective revenue management. Linear regression results also implied existence of a positive and significant relationship between fiscal policies and effective revenue management (β= 0.538; at *P<.000).* This implies that a one unit increase of fiscal policies adjustments have a 0.538; increase on the revenue management. The simple linear regression equation for fiscal policies on effective revenue management is;

$Y=0 .937+ 0. 0.538 X_4$

Where;

Y= Effective Revenue Management (ERMGT)

0.937= Constant Term

X_4 = Fiscal Policies (FP)

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International Journal of Recent Research in Social Sciences and Humanities (IJRRSSH)
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4.1.2 Multiple Regression Results:

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.429	.179		2.393	.019
	Fiscal Policy	.073	.073	.090	1.006	.037

a. Dependent Variable: Revenue Management

The independent variable(Fiscal Policy (FP) that was studied, explain 70.7% of the revenue management performance of the county government of Kisumu, as represented by the R Square (R2). This implies that these variables contribute significantly to the revenue management performance of the County Government of Kisumu

From ANOVA in table 4.13, the P-value is 0000^b which is less than 0.05 thus the model is statistically significance in predicting the considered determinants; Fiscal. Since F = 51.834 is significant at $p< 0.001$ it implies that the conceptualized independent variable is indeed different for each other and influence revenue management in a different way.

The regression model has established that taking the determinant; Fiscal Policy at a constant zero, revenue management performance of the county government of Kisumu is at 0.429. From the study findings, the Fiscal Policy was significant at 0.073 units. Therefore, the final multiple regression equation for overall influence of significant independent variables on Effective Revenue Management is;

Y= 0.429+ 0.073

4.2 Results of Hypothesis Testing:

Considering the multiple regression results, study hypothesis can now be deliberated.

Hypothesis stated that fiscal policies have no significant influence on effective revenue management in the county government of Kisumu. The study findings in table 4.13 shows the beta coefficient for fiscal policies is $\beta = 0.073$ (0.037) with insignificant *p* value of 0.037. Considering the results, **Hypothesis is consequently rejected** because from the study results show that, appropriate fiscal policies have significant relationship with effective revenue management in the county government of Kisumu.

The above findings were in harmony with those of Drummond *et al.,* (2012) who established that, apart from administrative changes, tax policy reforms like simplifying processes, base broadening measures, and eliminating expenditures to rationalize incentives under the tax benefits have resulted in an upward trend in tax revenue and therefore aid in revenue management in general

5. CONCLUSIONS AND RECOMENDATIONS

Based on the findings the study there is no significant relationship between fiscal policy and revenue management in Kisumu County, Kenya. Linear regression results show that fiscal policies significantly influenced revenue management in Kisumu County, Kenya; R^2 =0.444 significant at $p<0.001$ implying that 44.4% of variations in the dependent variable (revenue management) is explained by the independent variable (fiscal policy) while other confounding variables not in the model contribute 55.6% of revenue management. The unstandardized beta coefficient from multiple regression analysis is 0.073, implying that an increase in the number of feasible fiscal policies will lead to a significant increase in revenue management. The study findings are consistent with Drummond *et al.,* (2012) who found that, apart from administrative changes, tax policy reforms like simplifying processes, base broadening measures, and eliminating expenditures to rationalize incentives under the tax benefits have resulted in an upward trend in tax revenue and therefore aid in revenue management in general.

These study findings also support a study by Fjeldstad and Heggstad (2012), who found that despite major reforms of the central government tax system during the last two decades, the local government taxation systems remain neglected. The, local tax systems were shown to be distortive, costly, and not equitable. Generally, it was observed there was little or no co-ordination on matters of taxation between various levels of government, which was partly blamed on the lack of capacity at all levels of government. This led to double-taxation of the same revenue base, as well as inconsistencies between local and central government tax policies. In some countries some local governments impose high taxes on

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export crops, which is inconsistent with the national government's policy to encourage export production. Furthermore, while central government taxes affect few people directly, local government taxation affects many traders and residents in the counties.

Fiscal Policies had a positive significant influence on effective revenue management in the county government of Kisumu. This shows that enacting of feasible tax polices both at county and national government level can significant increase county governments revenue.

First top management officers in the county revenue management committees should professionally procure and install secure, reliable and cost effective electronic revenue management systems so as to check revenue collection losses and systemic issues so as to buffer county revenue index.

Secondly, revenue officers in county governments should frequently undergo training and benchmarks in automated secure revenue collection systems and ethical tax management practices so as to win trust from tax payers which will consequently boost county government revenue.

Thirdly, county governments should harmonize their tax policies with the national government fiscal policies so as to avoid duplication of taxation regimes hence reducing the tax burden which hypothetically will mitigate tax avoidance accordingly improving effective revenue collection in the county government.

Lastly, there should be quality control systems meant for regular checks and balances in county government revenue control systems so as to improve county revenue management.

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