EFFECT OF CORPORATE GOVERNANCE ON REVENUE COLLECTION: A STUDY OF KENYA REVENUE AUTHORITY

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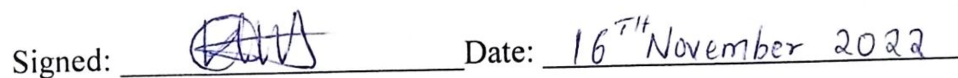
DECLARATION

I, the undersigned, declare that this is my original work and has not been presented to any institution or university other than the University of Nairobi for examination.



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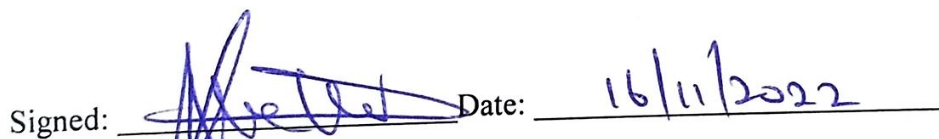
This research project has been submitted for examination with my approval as the University Supervisors.



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DEDICATION

This research project is dedicated to my family for their role in the success of this study. May the fruits of this academic journey be of pride and benefit to them.

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LIST OF ABBREVIATIONS AND ACRONYMS

ANOVA	Analysis of Variance
ASX	Australian Stock Exchange
CEO	Chief Executive Officer
CG	Corporate Governance
CMA	Capital Market Authority
CSR	Corporate Social Responsibility
KRA	Kenya Revenue Authority
NPM	Net Profit Margin
NSE	Nairobi Securities Exchange
OECD	Organisation for Economic Co-operation and Development
ROA	Return on Assets
UK	United Kingdom
VIF	Variance Inflation Factors

ABSTRACT

Since taxes are the primary source of income for the Kenyan government, discussions of corporate governance are now important since they affect how taxes are collected. Increased government spending and the Kenya Revenue Authority's failure to reach revenue collection goals account for Kenya's fiscal deficit. The government has had to make difficult financial decisions, including borrowing from other governments, issuing floating-rate Eurobonds, and also borrowing internally by issuing infrastructure bonds. Despite the numerous reforms the nation has implemented, KRA has been unable to collect enough tax income to address the fiscal deficit. This study sought to establish the effect of corporate governance on revenue collection at KRA. The study was guided by three theories namely; agency theory, stewardship theory and stakeholder theory. A descriptive research design was adopted. The population of the study was the 240 top level managers, middle level employees and assistant managers at KRA. The sample size was 150 arrived at using Yamane formula. The study relied on primary data collected using structured questionnaires. Data analysis involved descriptive, correlation as well as regression analysis. The independent variables for this study were board independence, board meetings and board size while the dependent variable was revenue collection. The regression results revealed that 50.9% of the variation in revenue collection can be attributed to the 3 selected variables in this study. It was evident from the Anova table that the degree of significance was 0.000. This value was less than the p value of 0.05. Consequently, the model was therefore statistically significant for predicting revenue collection based on corporate governance. Individually, board independence, board meetings and board size were found to be significant determiners of revenue collection at KRA. This study concluded that corporate governance practices are essential for KRA to use in its endeavor to improve revenue collection. The study recommends that management of KRA should ensure their boards are independent, there is adequacy of board meetings and number of board memebers as this will enhance revenue collection. It is further recommended that policy makers should come up with sound policies to guide government agencies such as KRA on corporate governance practices. Future researchers can focus on the effect of corporate governance on revenue collection among county governments in Kenya.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

To safeguard interests of stakeholders, corporate governance measures has been adopted to ensure insiders are taking appropriate actions for the benefit of the organisation. Corporate governance has been a vital feature for the success of modern organisations, whether private or public, since it necessitates the separation of ownership from the management (Ashari & Krismiaji, 2019). Corporate governance practices reduce financial scandals and organisational misconduct, if these practices are the forefront of the management (OECD, 2012). Further, market context of development and realization of goals and objectives on regulatory and social within the operating environment through corporate governance. Corporate governance reduces principal-agent conflicts and improves board efficiency but increases operational cost. Due to the reduction in agency problems, performance objectives of the firm may improve (Miruka, 2020).

To underpin the study findings this study relied on three theories. Agency theory by Jensen and Meckling (1976) that describes the correlation between agents(management) and principals(shareholders). The agency theory recognizes that by incurring agency costs, the shareholders are able to monitor the agents better leading to maximization of revemue collection. Stewardship theory by Donaldson and Davis (1991) which considers managers as stewards that integrate their goals alongside those of the organization. The theory maintains that managers are effective stewards and therefore they will always make decisions that are in the best interest of shareholders. Stakeholder theory by Freeman (1984) that acknowledges that an organization has an effect on all stakeholders and should take into consideration the interests of these stakeholders.

The subject of corporate governance leapt to global business limelight after the collapses of high profile companies in United States and Britain. Enron, Texas based energy giant, and WorldCom, the telecom behemoth, shocked the business world with both the scale and age of their unethical and illegal operations(Darrough & Stoughton, 2017). Kenya Revenue Authority (KRA) continues to play a key role in financing Government expenditure by collecting over 96 % of Ordinary Revenues in order to meet the rising Government budgetary requirements and in particular implementation of the 2010 Constitution of Kenya and vision 2030. KRA is expected to collect more tax revenues. This paper investigates the governance effects of overall level and separate elements of corporate governance practices on revenue collection performance.

1.1.1 Corporate Governance

Shleifer and Vishny (1997) describe Corporate Governance as, "The ways in which suppliers of finance to corporations assure themselves of getting a return on their investment." It refers to the set of systems, principles and processes by which a company is governed (Times of India, 2009). Abdullah and Valentine (2019) study quoted the Corporate Governance Council (2013) of the Australian Stock Exchange (ASX) that states that corporate governance is a structure of regulations, systems, relationships, and procedures that companies are directed and controlled. Corporate governance relates to all factors which have an influence on business organizational processes which include policies and the legal framework adopted by the society to govern, regulate and license the conduct of business. Such involve the instruments for appointing regulators, governors and controllers who take part in management of firms (Darrough & Stoughton, 2017).

Independence of directors (non-executive directors) is related to the practices of corporate governance in the sense that they are compelled to consider carefully corporate decisions and challenge management channeling all their efforts towards enhancing performance goals (Mak & Yuanto, 2013). Independence of committees (non-executive directors still) is also correlated with performance in that they consist entirely of independent committees in which at least one expert in finance is included in the audit committee to detect and report misappropriations. Board composition is among the crucial factors affecting firm performance. According to Kamonjo (2016) and Maina (2015), there are there major tasks fulfilled by the board. It first links an organization to its environment and makes sure that critical resources are secured, it also internally governs and monitors tasks and can take corrective action to discipline or eject management teams that are ineffective. A board that is effective relies on diversity in skills and competences that are brought with individual directors and also training provided to these directors to help them master issues of the board and develop skills that are needed for effective participation.

On CEO duality, Fama and Jensen (1983) opine that putting together of decision management and decision control in a person lessens the effectiveness of the board in keeping watch to management. It's also been supported by (Brickley et al., 1997) who observed that where a CEO also has the role of board chairman results to conflict of intrest in leadership. Yermack (1996) argues that firms have a higher value where the CEO and board chairman function are separated. On the issue of performance Daily and Dalton (1992) observed lack of a relationship. Sanda et al observed a positive correlation between the performance of the firm and differentiation of the CEO and the chairman.

Rozanov (2017) measured the size of the board as an absolute value of number of directors that serve on corporate board of the firm from the median number of directors who serve in the corporate board of the firm's industry, size quintile and year. His findings revealed that it's easier for a CEO to control a larger board but such board become less effective. Alukwe et al. (2015) concluded that the skills that directors posses should be compared with the skills required by companies and both of these considered in selecting directors. They were of the opinion that each company has an optimal board size depending on its nature and situation. Bujaki and McConomy (2018), found out that that the everage size of the board ranged between six and eight board members. In the current study, corporate governance was operationalized in terms of board independence, number of meetings and board size due to their wider applicability in previous literature.

1.1.2 Revenue Collection

Funds gathered from taxes on employment and other incomes and profits; social security; goods and services, property, professional work, and other taxes levied is called tax revenue (Terefe & Teera, 2018). Also, tax revenue is referred to as the contribution made by businesses and individuals through the use of proper tax administration to support government spending (Shang, 2016). This tax can be collected from tax revenue and non-tax revenue sources. The former is comprised of direct taxation. Direct taxes are inescapable. These are taxes levied on income and property. The indirect tax category includes value-added tax, sale tax, goods tax, excise tax, customs duty, entrainment tax, and anti-dumping tax. Additionally, services provided by the state constitute non-tax revenue (Ali, Ali, & Dalmar, 2018).

Tax revenue can speed up growth in the economy and fund government programs intended for the well-being of the citizens. When the government meets it annual tax revenue target, it is capable of funding budgeted expenditures for development programs in the fiscal budget (Andrejovska & Pulikova, 2018). To ensure there is enough money available to cover operating expenses, the government should implement efficient revenue collecting tactics. A recommended approach is to examine all points of revenue generation, as well as existing laws and regulations, once a year. Revenue collection is necessary to ensure the availability of resources to fund governmental services (Kiminyei, 2018).

Utilizing qualitative metrics, the degree in which the services and enforcement initiatives of the tax agency meet specified objectives is evaluated. They are determined by tax officers comparing finished work items to predetermined sets (Ariyo, 2007). Tax administration should establish a baseline performance level so that future standards can be created. When creating new measures, it is crucial to establish the baseline of data. Future performance goals can be defined once the baseline has been established. These goals are timeframes or straightforward instructions (such as to increase or improve a specific scenario) that let a business evaluate results using performance measures. (Clotfelter, 2013).

1.1.3 Corporate Governance Practices and Revenue Collection

The corporate governance of an entity has an effect on the ability of the entity to carry out its operations hence affecting its performance. According to Berglof and Thadden (1999), the Asian crisis and minimal accomplishment of the business sector in Africa has resulted to corporate governance being a special topic of discussion in the

development agenda and debates. From empirical studies done in the past, there has been evidence of linkage between corporate governance practices and financial performance of firms. Firms that are well governed have a higher financial performance (Bebchuk, Cohen & Farrel, 2004). Rashid and Lodh (2008) opine that some firms have a centralized structure of control and ownership while others opt to have distributed ownership. A centralized system of corporate governance is one that has strong shareholders and weak management and whereas the distributed system of corporate governance has strong management and weak shareholders. This is what results to conflict between the management and shareholders which is normally resolved through incurring agency costs such as audit fees, investigation fees and costs of special reports among others.

It is normally assumed that it is hard to make decisions when you have a larger board because of the disagreements that arise due to differing opinions and the time it takes to resolve them, as compared to a leaner board which has less disagreements making decision making easier. Having subcommittees in firms has exhibited a positive effect on their performance because they address various issues. CEO duality has been major cause of poor performance in firms since a CEO with more than one role will have a hard time focusing on key roles to play in the firms. The result of all these is the poor performance (Guze, 2012).

1.1.4 Kenya Revenue Authority

The Kenya Revenue Authority (KRA), which was created in 1995 via an Act of Parliament, Chapter 469 of the Kenyan laws, is responsible for collecting taxes in Kenya. Six different taxes are collected by KRA. Such taxes include excise taxes, value

added taxes (VAT), capital gains taxes, rental income taxes, and income taxes. Income tax is levied on a variety of sources of income, including income from employment, professional services, and investments, and it is dependent on tax brackets that are periodically revised. In Kenya, both commercial and residential properties are subject to a 10% rental income tax. VAT in Kenya is levied at a 16% rate on taxable goods and services, whilst excise duty is levied on certain imported and locally produced commodities that are listed in the Excise Duty Act of 2015 first schedule. Sales of capital assets are subject to capital gains tax, while agency revenue is generated through stamp duties and betting and pool taxes (KRA, 2021).

Despite the numerous tax reforms the nation has implemented, KRA has been unable to raise enough tax income to cover the budget deficits. Fundamental worries exist because, despite numerous reforms, the problems with raising revenue that the National Treasury and KRA encountered 20 years ago still exist today. Reforms have been put in place to tackle tax avoidance, evasion, and corruption. The tax authority has not achieved their goals despite technology advancements made in revenue collection. The perception that Kenyans are overburdened and that budget deficits still exist raises concerns about the effectiveness of these tax reforms and their impact on the collection of taxes (Ouma, 2019).

Since taxes are the primary source of income for the Kenyan government, discussions of corporate governance are now important since they affect how taxes are collected. Increased government spending and the Kenya Revenue Authority's failure to reach revenue collection goals account for Kenya's fiscal deficit. The government has had to make difficult financial decisions, including borrowing from other governments, issuing

floating-rate Eurobonds, and also borrowing internally by issuing infrastructure bonds (Deloitte, 2019). Despite the numerous reforms the nation has implemented, KRA has been unable to collect enough tax income to address the fiscal deficit.

1.2 Research Problem

Corporate governance issues have been in existence for decades affecting all types of enterprises. The setting up of systems that enable proper governance has been one of the principal challenges facing firms. Thosen (2018) notes that good governance can aid in improvement of performance of firms and help guarantee its survival in the long term. Corporate governance practices reduce financial scandals and organisational misconduct, if these practices are the forefront of the management (OECD, 2014). Further, corporate governance reduces principal-agent conflicts and improves board efficiency but increases operational cost. Due to the reduction in agency problems, performance goals of the firms may be achieved (Miruka, 2020).

Corporate Governance in Public Sector has continued to be a problem in many developing countries, Kenya being part of it. In 1995, KRA was established to regularize Kenya's tax and customs administrations. It was expected to generate revenue through more efficient tax administration, eliminate corruption and improve tax collection strategies, thereby expanding trade. In the years since its inception, KRA, through a series of corporate strategic plans, has laid out and followed a focused course for reform and modernization. 6 Year in year out, Kenya's Budget has continued to increase tremendously, leaving KRA with a duty to match the Kenyan Budget. It is for this reason that there is need to look into the effect of Corporate Governance on revenue collection. Issues of corporate governance principles in public sector, KRA included has

become wanting, thus hindering the public sector from performing as competitive as private sector. This has triggered the need to carry out this study on the influence of corporate governance on revenue collection.

In spite of this existing problem, few studies have been carried out to address the topic. For example, Olayiwola (2018) sought to determine the effect that corporate governance has on financial performance of firms that are listed. He found out that the size of the board had a serious negative correlation with net profit margin (NPM) whereas the composition of the board had a significant positive correlation with NPM. He also observed that the size of the audit committee portrayed an insignificant correlation with NPM and that the size and composition of the board portrayed a positive correlation. The research resulted to a research gap on the firms that are not listed. In his study, Goel (2018) sought to determine the implication that corporate governance had on financial performance in India. His studies revealed a consequential correlation between intergrated framework of total CSR and financial performance. The basis of this study was existing literature hence creating a methodological research gap.

Locally, Njenga (2017) studied the effect of corporate governance on financial performance of services and commercial firms in Kenya listed at the NSE. His study concluded that size and composition of the board and CEO non-duality had a great influence on financial performance on these firms. This study focused on only two sectors for firms listed in the NSE, thus creating a contextual research gap. Miruka (2020) examined the corporate governance effect on Kenyan banks' financial success and revealed that banks financial success is dependent on effective governance structures. The study presents a contextual gap as KRA is faced with different

operational challenges compared to banks. Saddimbah (2019) aimed to establish the corporate governance effect on Kenya's commercial state corporations' financial performance. The research presents a conceptual gap as some aspects of corporate governance such as board meetings were not considered. Further the focus was on financial performance which is different from revenue collection. From the foregoing, studies exist on corporate governance but there are still some conceptual and contextual gaps that the current study intended to fill by answering the research question; what is the effect of corporate governance on revenue collection at the Kenya Revenue Authority?

1.3 Research Objective

The intention of this study was to establish the effect of corporate governance on revenue collection at the Kenya Revenue Authority.

1.4 Value of the Study

The study findings would be crucial to the Kenya Revenue Authority since it would provide knowledge as to whether adopting corporate governance will have some value addition to their success in regards to revenue collection goals. They would also put into utilization the findings of the study to improve on issues of corporate governance which will in turn enhance their management and operational efficiency.

Policy makers in government bodies will also benefit from these findings since it can form as a guidance on decision making process on best practises on corporate governance. This will in turn lead to enactment of laws and policies that encourage the use of corporate governance practises in the whole public sector and moreso in the KRA

which will promote the country's corporate image and enhancement of the growth of the economy of the country.

The findings of this research will also benefit researchers and scholars as it will provide a way forward for further studies on the effect of corporate governance practises on revenue collection in the country as well as other sectors of the economy. Also, the results will build on the existing body of knowledge by improving the understanding and importance of incorporating corporate governance practices in the public sector.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter presents findings by other researchers who've studied the topic and includes the theoretical framework, factors that determine revenue collection, empirical review, literature review summary and research gap.

2.2 Theoretical Framework

Zima (2007) defines a theory as a set of assumptions and theories that a research study is grounded on. Various theories explaining how managers govern organisations have been put forward (Gerad, 2009). Studies done in the past have revealed that corporate governance draws a lot of interest from experts across different professions including economists, lawyers, management science experts and even political scientists. This shows the diversity of the theoretical literature in this field. The three theories that describe corporate governance and that will guide the study comprise of the agency theory, the stewardship theory and the stakeholders theory.

2.2.1 Agency Theory

This theory was developed by Jensen and Meckling (1976) and is the anchor theory. Agency theory is a principle which sets to explain the relationship that exist between principals, who are owners of businesses and agents who are the management. According to Wachira (2015), emergence of large corporations increased the prominence of interest in agency relationships. Agency relationships arise because entrepreneurs posse capital whereas managers have surplus ideas on how to use this capital. Since entrepreneurs lack the required expertise or time to run their firms effectively, they engage agents who are the managers to aid them run and control day to

day operations. This is what brings about the separation between ownership and control and in turn bring about agency problems. Wetukha (2016) opines that in an agency relationship, there is a clear definition of responsibilities between the principals and agents. Principals fund the businesses and put in place measures including employment of directors and auditors to make sure that that there is a success system of governance whereas agents' responsibility is the day to day running of operations.

The theory has been criticized on the ground that, the model of an employee portrayed in the agency theory is more of a self-interested, individualistic and are bounded rationality where rewards and punishments seem to take priority (Jensen & Meckling, 1976). Further, Phan and Yoshikawa (2000), has criticised the theory on its applicabality, in that it is Anglo-American specific, hence it cannot be applied in other regions.

The agency theory is relevant to the curret study as the ideal fiduciary obligations of management as the agent include acting in the principals' best interests and providing them with accurate and timely financial reporting. The link between corporate governance practices and revenue collection is the primary focus of this investigation, and the agency theory recognizes that by incurring agency costs, the shareholders are able to monitor the agents better leading to maximization of revenue collection.

2.2.2 Stewardship Theory

This theory was pioneered by Donaldson and Davis (1991). According to Odhiambo (2012), stewards who are managers work to make sure that shareholder's wealth is protected and maximized through firm performance and through that, the usefulness of the stewards is increased. According to Davis et al. (1991) as cited by Magali (2015),

stewardship theory stresses on the role of management being stewards, combining its aspirations together with that of the organization. The theory acknowledges the significance of governance structures that give power to stewards and gives maximum independence built on trust (Donaldson & Davis, 1991) as cited by Kamonjo, 2016). It puts emphasis on employees acting more autonomously in order to maximize the returns of shareholders. The theory relates to corporate governance in that managers must be competent enough to act as stewards of owners.

The theory can be criticized on the ground that it is relatively young and has not undergone systematic empirical testing. Further, management in the context of this theory is neglected and as a result of excessive trust, directors may not notice erroneous developments (Grundel, 2018). Furthermore, the stewardship approach posits that being a steward simply results from a logical method, but it is not obvious what underlying tools cause a person to make that decision. How can a person tell if he or she has a steward's nature? Finding the type of internal drive that spurs a person to look beyond his or her self-interest and determine internal motivational disputes is crucial (Daodu, Nakpodia & Adegbite, 2017).

In relevance to this study, the theory requires managers at the KRA to be given clear and unambiguous role. The KRA structure should give and support acceptable authority, worth and power to the management. This theory gives different angle than agency theory, in which top management of the kra are expected to act for self-interests at the expense of shareholders who in this case are the citizens.

2.2.3 Stakeholder Theory

The theory was originally put forward by Ian Mitroff in 1983 in San Francisco. According to Olomy (2015), one of the shortfalls of strict agency theory is its narrowness in its identification of shareholders as the only group of interest of corporate entities which necessitated further exploration. The prominence of stakeholder theory has been as a result of researchers recognizing that the undertakings of corporate entities have an effect on the outward environment necessitating answerability of these entities to more people in addition shareholders. Osoro (2015) noted that companies exist within society and are not just an instrument of shareholders and as such, they have responsibilities to that society.

One of the criticisms of this theory is that it is unable to solve the problem of managerial opportunism and the outcome of such opportunism, for example reduced cooperation of stakeholders and underinvestment (Anca, 2012). In cases of poor performance, managers can use the excuse of stakeholders' to justify the poor performance. Additonally, it's difficult to satisfy the interests of different stakeholders since there lacks a universal approach on how to satisfy the stakeholders. The theory can also be criticized on the ground that it is relatively young and has not under gone systematic empirical testing.

The stewardship approach is pertinent to the study because it supports the stakeholder approach that identifies all significant stakeholders besides management who rely on financial performance to make judgments about their businesses. These stakeholders include shareholders, creditors, regulators, employees, financial analysts, as well as possible investors, amongst others. It provides a hypothetical framework for comprehending how prosperous stewards, who are directors of businesses, control their

careers by carrying out their responsibilities with the greatest dedication, a definite requirement for any firm to comply with corporate governance procedures, and the regular disclosure of accurate, suitable, and valid reports to all interested parties without discriminating any stakeholder.

2.3 Determinants of Revenue Collection

There are a variety of factors that might influence tax revenue collection. This segment will highlight a number of prior scholars' studies in this field and analyze their results. The review has been divided into four major themes that are thought to have the most influence.

2.3.1 Corporate Governance

Corporate governance denotes a system of accountability that no individual has unfettered power in conduct of the business. This is effected through application of various mechanisms such as appointment of directors, audits, among others. For instance, External audit quality is achieved when all the concerned participants work together because every stakeholder including managers, regulators, those in governance have an important role to play (IASB, 2015).

Equally important are the prevailing environmental factors such as the financial reporting standards, business laws, audit regulation, cultural elements, corporate governance, information systems, etc, as they are likely to affect the inherent characteristics and quality of financial reporting and by implication the audit quality. The adoption of corporate governance practices in revenue administration helps to avoid

vices that are frequent in revenue collection hence boosting their fortunes (Mak & Yuanto, 2013).

2.3.2 Interest Rates

Interest rates possess substantial effect on both domestic and international product and service pricing. The quantity of money in the economy possesses substantial influence on interest rates. For example, when the economy is flooded with cash, borrowing rates are more likely to drop, which will have an impact on how a company does on the market. As a result, the market will grow and become more appealing to tourists to the nation. If the amount of money in the economy decreases, the opposite will occur (Adeyeye, 2019).

Interest rates establish revenue collection growth rate. Interest rate normally influences ability of households and firms to obtain credit and this has an effect on their investments. A reduction in interest rates will increase their ability to borrow and invest leading to a rise in their income and eventually a rise in government revenue collection. High interest rates also lead to increased cost of doing business and this discourages investors from taking loans to invest (Anichebe, 2019).

2.3.3 Inflation Rate

The economy of a nation can be significantly impacted by inflation rates. For instance, the cost of goods and services will rise during periods of price fluctuations and increases. As a result, the overall cost of goods is likely to grow as inflation develops in an economy. This will consequently have an impact on how profitable businesses are. As a result, many investors who participate in the market's sale of goods and services typically make an inflation allowance (Arif, Khan & Hussain, 2017).

A country's revenue collection exhibits a long-term relationship with inflation. Behera and Dash (2018) posits presence of a positive impact of increased demand on prices of products. This theory further suggests that increase in output and the level of income create demand since higher levels of investment and consumption will be experienced. It is theoretically expected that inflation reduces the purchasing power of households leading to a reduction in the levels of tax revenues.

2.3.4 Unemployment Rate

During the pre-crisis era, the level of taxes collected and unemployment are seen to correlate in a highly negative manner. Here, tax revenues are collected more when unemployment levels reduce. For instance, if there is news on rising unemployment, this is likely to affect the total taxes collected. An important lag is noticed during the entire sample duration of rising unemployment to how the tax revenue responds (Birungi, 2015).

This market has sentiments that are strongly negative but the labor market is not very easily affected by this. The labor market will still be skeptic and experience the high rates of unemployment despite the level of tax revenues recuperating during a crisis. During the pre-crisis era, there is the existence of a negative relationship that becomes barely significant during the crisis period. The government can use fiscal policies in the short term to enhance revenue collection (Gituku, 2011).

2.4 Empirical Review

2.4.1 Global Studies

In the Jordanian listed firms, Qadorah and Fadzil (2018) conducted a study on the companies' performance and the relationship between local CG tools and board of

directors' characteristics (board independence and board meeting frequency). The study employed samples of 64 industrial companies and also used cross-sectioned information from the Amman Stock Exchange for 2013. ROA was utilized to determine the companies' performance. The main purpose of the analysis is to determine the firms' results as well as determine the theory and check the relationship between board features of directors (independence of board as well as board meeting frequency). Multiple linear regression analysis was used in this study. The results showing board independence is associated with ROA considerably and favorably. The recent research found that board meeting frequency had a minimal association with firm performance as determined by ROA. Some features of the CG structures were not included thus showing a conceptual gap in this research.

Ashari and Krismiaji (2019) examined how the independence, size, competence, and frequency of meetings of audit committees affected the financial performance of manufacturing firms listed on the Indonesian Stock Exchange. Measurement and proximations using return in assets are done to determine the financial performance. This research employs 466 publicly samples traded businesses on the Indonesian Stock Exchange for the fiscal years ending December 31, 2016, and 2017, which were gathered from a population of 660 listed firms. All of the audit committee's qualities, according to the study, have a positive impact on the organization's performance. The study also includes three control variables: firm size, financial leverage, and auditor quality. The financial performance of a firm is positively influenced by the quality of its auditors and financial leverage. However, the financial performance of a corporation is negatively influenced by its size. There exist a difference in the social-economic context

and the nature of operations between the listed firms of Indonesia where the study was performed and that of KRA.

Afzalur (2019) examined if there could be any effect on the economic performance of the Bangladeshi listed companies that board independence could have. This study employs a coinciding equation theory to follow up on the likely endogeneity issue by employing information from 135 Dhaka Stock Exchange listed firms and market performance indicators and accounting. There is no favorable association between board independence and firms' economic finding as per the current study. Furthermore, board size has a favorable impact on board independence and firm findings, in this report. In Bangladesh, board independence may still be a mirage considering that it plays a main function in corporate board routine in several advanced countries. There is a distinction between the socio-cultural and economic concepts in Bangladesh where this research was undertaken and Kenya where the recent study will be performed.

Brahma, Nwafor, and Boateng (2020) examined the relationship between the financial performance of UK companies, selected female features, and gender diversity. In the case of the critical mass approach and examining gender diversity as the number of female boardroom representation, this study concludes a favorable as well as a significant relationship between corporate performance and gender diversity. Occasionally when two or fewer females are named to the board the results become less significant and ambiguous than when it is three females on board. Further studies illustrate that female educational achievement, age, as well as the presence of female board members who coincidingly work as executive directors are all positively associated with post-appointment financial output. The findings are unchanged after

accounting for endogeneity problems and employing distinct indices of firm success, like ROA as well as Tobin's Q. Kenya, where the present study will be undertaken, has a distinct social and economic context than the UK.

Ouni, Mansour, and Arfaoui (2020) examined how gender diversity impacted the financial performance of engaged Canadian firms' directors, as well as governance orientation, as well as the mediating function of social, environmental, as well as executive committees. The study contained 133 Canadian business samples, with 925 results over 18 years (2002–2019). Gender diversity in turnover affects firm financial results is empirically backed in this paper, which reflects 53% of the variation. The study backs up the favorable effect of gender diversity on performance and reveals a mediating procedure consisting of a company's environmental, social, and governance orientation, which accounts for nearly 4% of the general gender diversity impact on performance. This research aimed on only one concept of CG structures.

2.4.2 Local Studies

Mwangi (2018) studied audit committee characteristics' effect on financial reporting status in Kenya's Non-Commercial State Corporations. The goal of the analysis was to decide on the impact of audit committee independence, meetings on financial reporting status, diversity, as well as financial competency. The study utilized a 72-state non-commercial corporation's census sample and employed an illustrative study plan. Furthermore, illustrative and inferential analysis theories were utilized in the study. The research's conclusions revealed that audit committee meetings had a statistically substantial link with financial reporting quality. Nevertheless, the previous study

focused on financial reporting, while the recent study's scope will be conceptually confined to revenue collection.

Koech (2018) investigated the factors that make state corporations in Kenya employ successful CG. The research aimed at managers from 187 firms and data were analyzed using regression. The research exclusively utilized primary data gathered via semi-structured questionnaires. Results indicated that across corporations, corporate governance and board characteristics were positively correlated. This study overlooked CG's influence on other variables such as revenue collection which is the focus of the current research.

Rono (2019) examined the board gender diversity impact on Kenya's commercial bank's business routine. The study was performed through an illustrative study plan with a turnout of 146 workers and a sample of 106 respondents. A purposive sampling method was utilized for this distinct research and a closed-ended questionnaire was employed in primary data collection. Regression analysis was carried out. There was a favorable and substantial connection between board gender diversity and business performance as outlined by the results. The study found that for leadership capacity building in the firm board gender diversity is important. The research offers a conceptual gap as other structures of CG were not included.

Ibrahim, Ouma, and Koshal (2019) investigated the financial performance of Kenyan insurance firms due to gender diversity. Data from Kenya's 55 insurance firms were employed in this study. Gender diversity was measured using the number of female directors on the panels of Kenyan insurance companies. Primary data was provided by a total of 412 board directors, CEOs, and chief finance officers Inferential statistics as well

as illustrative were used to interpret the data. In examining the company's performance, the accounting-based assessment of ROA was utilized. The regression analysis results reveal gender diversity has a significant as well as favorably affected financial performance of Kenyan insurance firms. The study reveals a conceptual gap as other structures of CG were not included.

Miruka (2020) investigated the CG effect on Kenyan banks' financial performance. Accurately, the research aimed at the impact on financial NIC bank's routine based on board independence. The study population comprised 135 employees at 8 NIC bank branches within Nairobi Central Business District presented. Stratification was carried out established on three management measures: Managers, heads of departments, and the operations team where a selection of 101 workers was sampled. 81 respondents responded to the questionnaire used for data collection. The data research was conducted through SPSS the findings are shown in Figures and Tables. The research present that performance is favorably affected by independent board results in a direct conference of relevant problems. The study presents a conceptual gap as it focuses on one feature of CG.

2.5 Conceptual Framework

The predictor (independent) variables that was used to measure corporate governance practices include board independence, number of board meetings and board size whereas the response (dependent) variables that was used to measure revenue collection was VAT collected, excise tax collected and income tax collected. The average mean score of these variables were used. The conceptual framework is as illustrated in Table 2.1.

Independent Variable **Dependent Variable**

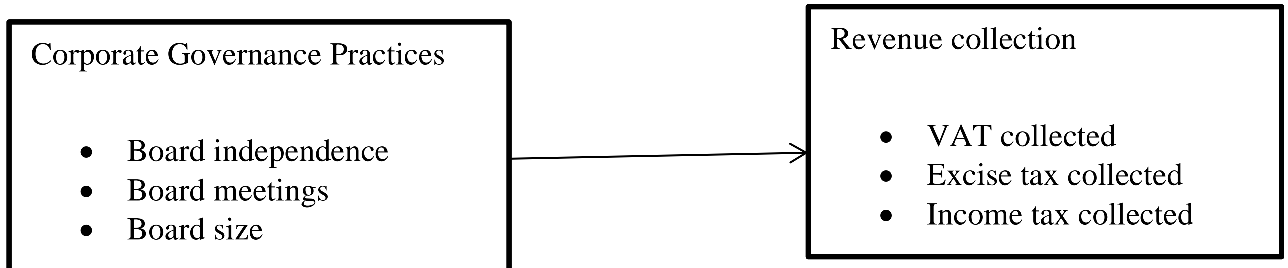

Figure 2. 1 Conceptual Framework

Source: Researcher (2022)

2.6 Summary of Literature Review and Research Gap

This chapter presents the theories which inform on corporate governance practices and its relationship with revenue collection. Agency theory views on the necessity of conflict management in enhancing organizational efficiency which translates to improved performance of a business both financially and overall. All these theories are under the umbrella of corporate governance. The chapter also reviews the determining factors of revenue collection focusing on the corporate governance.

Several studies have been reviewed which studied corporate governance. Despite that, there still exist conceptual and contextual gaps. Conceptually, there is no concensus on how corporate governance practices influence revenue collection. This can be explained by the fact that previous studies have measured corporate governance differently and findings are a reflection of the proxies used. Contextually, few researchers have examined the extent of corporate governance in public firms, particularly in Kenya. This study sought to fill this research gap.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter examines, research design, target population, sampling procedure and size of the sample, data collection and analysis techniques.

3.2 Research Design

This study adopted a descriptive research design. It involves establishing the what, where and how of a state of event. One of the major advantages of the descriptive research design that made it suitable to be used in this study is that it does not involve any sort of manipulation of the variables that are being studied.

3.3 Target Population

A population is comprised of all of the observations that have been gathered from a collection of interesting objects that have been specified in an investigation (Burns & Burns, 2008). The population of interest for this study was the Kenya Revenue Authority employees and senior management who have the relevant information. The research targets top level managers, middle level employees and assistant managers who add up to a total of 240 respondents (KRA, 2022).

Table 3.1: Target Population

Category	Population
Deputy Commissioners	30
Manager	90
Assistant manager	120
TOTAL	**240**

Source: KRA Human Resource Department (2022)

3.4 Sampling Technique and Sample Size

The practice of picking a selection of individuals from a given population to find the attributes of entire population is known as sampling techniques (Brase & Brase, 2016). The study will pick a sample from the 240 managers using a stratified random sampling technique.

This study sample size will be arrived at by using the formulae proposed by Yamane (1967), with assumption of 90% of confidence level. $n=N/(1+Ne^2)$ where, n = sample size, N= study population, 240 in this case, e= alpha level of 0.05.

$$n = \frac{(240)}{1+240(0.05^2)} = 150$$

Substituting these values in the above equation gives 150 respondents that will be used as the sample size for the current study.

Table 3.1: Sample Size

Category	Population	Sample
Deputy Commissioners	30	19
Manager	90	56
Assistant manager	120	75
TOTAL	**240**	**150**

3.5 Data Collection

The research utilized survey questionnaires to collect primary data from key informants who included the deputy commissioners, managers and assistant managers. Structured questionnaires, a source of primary data, was used for data collection from these research participants. The questionnaires had closed ended questions that had a 5 point t-

scale where the research participants were required to fill according to their level of acceptance of the statements. With the aim of observing the recommendations of the Ministry of Health on minimization of physical contact, questionnairs were sent via Google forms.

3.5.1 Data Validity and Reliability

The study made use of Cronbach's alpha in testing reliability. Reliability was tested using questionnaires that were duly completed by respondents who were selected randomly. Cronbach's alpha coefficient was adopted to assess reliability. A figure that's nearer to 1 denotes a higher internal reliability. The recommended coefficient is 0.7. Validity stipulates the extent that a measure measures what it ought to be measuring. It is the ability to produce the accuracy of the results. This study made use of content validity to test whether the questions addressed the intended tests.

3.5.2 Diagnostic Tests

This study tested for normality, heteroscedasticity, multicollinearity and autocorrelation. Normality tests was conducted to determine if sample data was selected from normally distributed population. The normality of distribution of data can be determined using several methods and fall into two categories: statistical and graphical. According to Smith (2015), normality aids in prediction of scores of response variables and aids in determining the distribution shape. In order to test for normality, this study adopted Shapiro Wilk test. It is a test that indicates how well a theoretical distribution models the empirical data.

Multicollinearity is a multiple regression model where an independent variable is predicted from analysis of other variables. The study tested for multicollinearity by

analyzing the variance inflation factor (VIF) and assessing tolerance (1/VIF). A value of VIF that's more than 3 indicated that the independent variables are collinear.

Homoscedasticity, in a linear regression model, refers to situation where the error term has a normal distribution and has a variance that's constant across all values of the independent variable. The opposite refers to heteroscedasticity, that is where the error term variance is inconstant. A constant regression error (homoscedastic) indicates that the model used is accurate whereas uneven variances would indicate that the sample result is biased.

3.6 Data Analysis

The collected data was coded and entered into SPSS in order to generate information that aided in analysis. Analyzed data was presented using frequency tables. Means, percentages, frequencies and standard deviation were used to analyze quantitative data.

3.6.1 Analytical Model

Analysis models help determine the correlation between the variables of the research. Regression Model was used to check the correlation between corporate governance practices and revenue collection. The relevancy and relationships were determined by multiple regression and correlation analysis techniques where;

$$\mathbf{Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon}$$

Where;

Y = Revenue collection

X_1 = Board independence

X_2 = Number of Board Meetings

$X3$= Board size

β_0 = constant of the regression

β_1, β_2, β_3 = the coefficients of independent variables

ε = Residual (error) term

3.6.2 Test of Significance

The significance of this study was tested at 95% confidence level and 5% significant levels. A significance value that was more than the critical value set means that the model was insignificant in explaining the relationship. Otherwise, the model was regarded as significant. Statistical package for social science was used to execute high-level analysis such as ANOVA, multivariate analysis correlation and multiple regression analysis.

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter primarily presents the analysis of the data collected, the results and the discussion of findings where the current study findings are related with previous studies. Specifically, the chapter covers the response rate, the descriptive analysis, correlation and regression analysis conducted to achieve the objective of this research study.

4.2 Response Rate

The researcher issued 150 questionnaires to top level managers, middle level employees and assistant managers at KRA that were the subject of the study. A total of 120 administered questionnaires were completed, filled out, and returned representing 80% response rate. As per Cooper and Schindler (2008), a study that has achieved a response rate of 70% should be considered excellent for data analysis and inference. The study's findings are displayed in table 4.1 below.

Table 4.1: Response Rate

Response Rate	Frequency	Percentage
Returned	120	80
Unreturned	30	20
Total	**150**	**100**

Source: Field Data (2022)

From Table 4.1, it was deduced that the study achieved 80% response rate. This implied that the data that was collected for the study was good for analysis, interpretation and inference.

4.3 Reliability Test

The questionnaire items were subjected to reliability tests which were done using Cronbach’s Alpha. Internal consistency reliability test was done which was given by the

Alpha coefficient which lies between 0 and 1. This kind of reliability test evaluates a respondent's capacity to respond consistently to comparable questions within a scientific poll. A higher coefficient implies a higher internal consistency of the research instrument. This study adopted value of 0.7 and above as adequate to conclude internal consistency. The variables in the research instrument, the number of items per variable, Cronbach's Alpha coefficient value of the questionnaire items and decision of the researcher, are as depicted on the Table 4.2.

Table 4.2 Reliability Results

Variables	No. of Items	Cronbach's Alpha	Critical Value	Conclusion
Revenue collection	5	0.983	0.7	Reliable
Board independence	7	0.866	0.7	Reliable
Board meetings	7	0.827	0.7	Reliable
Board size	7	0.843	0.7	Reliable

Source: Research Data (2022)

The Table 4.2 outcomes indicated a relatively high degree of consistency in the variables. Revenue collection returned the highest alpha of 0.983 while board meetings variable had the lowest at 0.827. The five variables had alpha way above the 0.7 recommended by Burns and Burns (2008). The decision points therefore confirm that the study variables were reliable.

4.4 Demographic Analysis

The study aimed at understanding the general features of the respondents that were being surveyed. The demographic characteristics considered in this study are gender, age, education and experience in the current position.

4.4.1 Respondents' Gender

The respondents of the issued questionnaires were requested to indicate the gender of the respondents. Table 4.3 presents the findings.

Table 4.3: Gender of Respondents

Gender	Frequency	Percentage
Male	51	42.5%
Female	69	57.5%
Total	**120**	**100%**

Source: Field Data (2022)

As indicated by the outcomes above in Table 4.3, the highest number of the respondents was female recording 57.5 percent while male recorded 42.5%. This demonstrates KRA commitment to gender diversity, as the there was no huge variation in the number of male and female employees among respondents.

4.4.2 Age of the Respondents

The study aimed on establishing the respondents age in this study. The study age was regarded as important since the age would act as an influence on the response given. Table 4.4 gives the findings.

Table 4.4: Respondents' Age

Age	Frequency	Percentage
30 years and below	21	17.5
31-40 years	51	42.5
41-50 years	27	22.5
Above 50 years	21	17.5
Total	**120**	**100**

Source: Field Data (2022)

As Table 4.4 depicts, the highest respondent number (42.5 percent) were between the ages of 31 and 40 years, 22.5 percent were between the ages of 41 and 50, 17.5 percent

were aged 51 and above years while another 17.5% were aged 30 years and below. This shows most of the respondents are in midlife age and are mature enough to give required information.

4.4.3 Years in the Current Position

Respondents were asked to indicate how long they had worked in their current position. The results are as shown in Table 4.5.

Table 4.5: Years of Service in Current Position

Number of years	Frequency	Percentage
Less than 1 year	33	27.5
1-3 years	33	27.5
4-7 years	12	10
8 years and above	42	35
Total	**120**	**100**

Source: Field Data (2022)

The results in Table 4.5 reveal that the respondents had spent varied number of years in their current position. The duration in a position can be used as an indicator of their level of knowledge of internal organizational processes, capabilities, and success. The results in Table 4.5 indicated that 35 percent had worked in their current position for 8 years and above, 27.5 percent for 1-3 years, another 27.5 percent for less than 1 year and 10 percent for 4-7years. This is an indicator that the respondents had been in their current position for a good period of time to answer questions regarding corporate governance and revenue collection.

4.4.4 Education Level

The target respondents were implored to show their highest educational level. The results in Table 4.6 revealed that the majority of respondents (57.5 percent) had a bachelor's degree, while 25 percent had a Master’s degree. 12.5 percent had a diploma as

the highest qualification while 5 percent had a PhD. These results imply that the respondents had the requisite level of education to respond meaningfully to the questionnaire.

Table 4.6: Education Level

Level	Frequency	Percent
Diploma	15	12.5
Undergraduate Degree	69	57.5
Master's Degree	30	25
PhD	6	5
Total	**120**	**100**

Source: Field Data (2022)

4.5 Analysis of Study Variables

The study employed use of descriptive statistics measured by use of means and standard deviation. The mean was used as central tendency measure which was utilized to give a description of the most representative value in a set of other values used in estimation. The standard deviation was used to measure how much the items in the set of analysis differ (deviate) from the central tendency (mean).

4.5.1 Board Independence

The study investigated board independence as an aspect of corporate governance. Table 4.7 contains the mean and standard deviation for board independence indicators. The findings revealed that KRA Non-executive directors outnumber executive directors in the board to a moderate extent (Mean=3.34, std. dev=0.82). The findings further revealed that KRA board checks the internal audit function's adequacy on a regular basis to a great extent (Mean=3.52, std. dev=0.75). Additionally, findings discovered that a written declaration of conflict of interest through the chair by members is done periodically to a great extent (Mean= 3.55, std. dev=0.69). The descriptive results also

revealed that outside directors have a strong desire to keep an eye on management because their reputations are on the line to a moderate extent (Mean=3.41, std. dev=0.81). The findings, furthermore, showed that internal audit findings, management reactions, and measures toward change are all considered by the board on an objective basis to a moderate extent (Mean=3.45, std. dev=0.86) and that board members at KRA have confidential meetings with management and internal and external auditors, which result in an open and honest discussion of important issues to a moderate extent (Mean=3.36, std. dev=0.80). Lastly, the findings revealed that the decisions of the board are not controlled by the executives of the organization to a moderate extent (Mean=3.25 std. dev=0.64). On average, the results revealed that KRA has adopted board independence to a moderate extent as shown by an average mean of 3.37 and a standard deviation of 0.38.

Table 4.7: Descriptive Statistics for Board Independence

Statements	N	Mean	Std. Dev
Non-executive directors outnumber executive directors in our board	120	3.34	0.82
KRA board checks the internal audit function's adequacy on a regular basis	120	3.52	0.75
A written declaration of conflict of interest through the chair by members is done periodically	120	3.55	0.69
Outside directors have a strong desire to keep an eye on management because their reputations are on the line	120	3.41	0.81
Internal audit findings, management reactions, and measures toward change are all considered by the board on an objective basis.	120	3.45	0.86
Board members at KRA have confidential meetings with management and internal and external auditors, which result in an open and honest discussion of important issues.	120	3.36	0.80
The decisions of the board are not controlled by the executives of the organization	120	3.25	0.64
Overall mean Score	**120**	**3.37**	

Source: Field Data (2022)

4.5.2 Board Meetings

The study investigated board meetings as an aspect of corporate governance. Table 4.8 contains the mean and standard deviation for board meetings indicators.

Table 4.8: Descriptive Statistics for Board Meetings

Statements	**N**	**Mean**	**Std. Dev**
Board meetings are held at least 4 times in a years in specified intervals	120	4.24	0.64
The planning of board meetings is planned annually in advance to ensure the availability of all members	120	4.08	0.55
There is adequate attendance in board meetings	120	4.00	0.55
KRA board is provided with adequate information on the agenda items of the board meeting to assist in decision making	120	3.91	0.67
The agenda and documents supporting matters to be discussed in the meeting are circulated to the board members and persons who are to attend the meeting at least 14 days in advance	120	3.85	0.78
KRA board is responsible for decisions made during the meetings and always choose the right course of action	120	3.97	0.58
Majority of audit committee members are independent nonexecutive directors	120	3.82	0.83
Overall Mean Score	**120**	**3.96**	

Source: Field Data (2022)

The findings showed that a large proportion of respondents agreed that board meetings are held at least 4 times in a years in specified intervals (Mean=4.24, std. dev=0.64). Similarly, findings showed that respondents agreed on the statement that planning of board meetings is planned annually in advance to ensure the availability of all members (Mean=4.08, std. dev=0.55). The findings also showed that a large proportion of interviewees agreed that there is adequate attendance in board meetings (Mean=4.0, std. dev=0.55).

The findings further noted that most of the respondents agreed that KRA board is responsible for decisions made during the meetings and always choose the right course of action (Mean=3.97, std. dev=0.58). Similarly, findings showed that respondents agreed on the statement that KRA board is provided with adequate information on the agenda items of the board meeting to assist in decision making (Mean=3.91, std. dev=0.67). The findings further shown that there was an agreement from the respondent that the agenda and documents supporting matters to be discussed in the meeting are circulated to the board members and persons who are to attend the meeting at least 14 days in advance (Mean=3.85, std dev=0.78). Finally, findings showed that the respondents agreed that the majority of audit committee members are independent nonexecutive directors (Mean=3.82, std. dev=0.83). The overall mean was 3.96 implying that an average, respondents agreed that their organization practice board meetings.

4.5.3 Board Size

The study investigated board size as an aspect of corporate governance. Table 4.9 contains the mean and standard deviation for board size indicators. The findings discovered that board size of the organization ensures collective participation during decision-making (Mean=3.59, std. dev=0.61). The findings also show that board size of the organization is essential in solving agency problems to a large extent (Mean=3.77, std. dev=0.79). Further, findings shown that board size of the company ensures effective delegation of tasks to a moderate extent (Mean=3.45, std. dev=0.78). Further, findings showed that board size enhances transparency in the organization to a great extent (Mean=4.05, std. dev=0.74). The results also revealed that board size is a crucial factor

to consider in fostering equality throughout the organization to a great extent (Mean=3.95, std. dev=0.74). Further, board size dictates the quality of decisionmaking process in the organization to a large extent (Mean=3.80, std. dev=0.76). Finally, the size of the company's board is a crucial factor for the performance of the business to a great extent (Mean=4.09, std. dev=0.73). The overall mean was 3.64 and the standard deviation was 0.49 suggesting that KRA has an adequate board size to a great extent.

Table 4.9: Descriptive Statistics for Board Size

Statements	N	Mean	Std. Dev
The board size of the organization ensures collective participation during decision-making.	120	3.59	0.61
Board size of the organization is essential in solving agency problems.	120	3.77	0.79
Board size of the company ensures effective delegation of tasks.	120	3.45	0.78
Board size enhances transparency in the organization.	120	4.05	0.74
Board size is a crucial factor to consider in fostering equality throughout the organization.	120	3.95	0.74
Board size dictates the quality of decisionmaking process in the organization.	120	3.80	0.76
The size of the company's board is a crucial factor for the performance of the business.	120	4.09	0.73
Overall Mean Score	**120**	**3.64**	

Source: Field Data (2022)

4.5.4 Revenue Collection

The research sought to establish the level of revenue collection at KRA. Table 4.10 shows the mean and standard for revenue collection. The findings revealed that VAT revenue collected has increased to a large extent (Mean=4.25, std. dev=0.63). The findings further revealed that excise tax collected has increased to a large extent (Mean=4.25, std. dev=0.73). The findings also revealed that rental income collected has increased to a large extent (Mean=4.23, std. dev= 0.53). Additionally, findings discovered that capital gains taxes collected have improved to a large extent (Mean=

4.20, std. dev=0.53). Finally, findings discovered that income taxes collected have improved to a large extent (Mean= 3.95, std. dev=0.86). The overall mean was 4.18 implying that on average the respondents agree that revenue collection by KRA has been enhanced.

Table 4.10: Descriptive Statistics for Revenue Collection

Statements	N	Mean	Std. Dev
VAT	120	4.25	0.73
Excise tax	120	4.25	0.63
Income taxes	120	3.95	0.86
Capital gains taxes	120	4.20	0.50
Rental income taxes	120	4.23	0.53
Overall mean Score	**120**	**4.18**	

Source: Field Data (2022)

4.6 Diagnostic Tests

As rationalised in chapter three, the researcher conducted diagnostic tests to ensure that the assumptions of Classic Linear Regression Model (CLRM) are not violated and to attain the appropriate models for probing in the significance that the CLRM hypotheses are infringed. As a result, pre-approximation and post-approximation assessments of the regression model were performed prior to processing. The multicollinearity test and unit root test were the pre-approximation tests used in these situations, whereas the normalcy test, test for heteroskedasticity, and test for autocorrelation were the post-estimation tests.

4.6.1 Normality Test

The normality of data can be tested using a variety of methods. The most commonly utilized approaches include the Shapiro–Wilk test, Kolmogorov–Smirnov test, skewness,

kurtosis, histogram, mean and standard deviation. The most extensively used normality tests are the Kolmogorov–Smirnov test and the Shapiro–Wilk test. The Shapiro–Wilk test is better for small sample sizes (n <50 samples), while it can also be used on more extensive samples selections, whereas the Kolmogorov–Smirnov test is better for n>50 samples. As a result, the study used the Shapiro–Wilk test as the numerical method of determining normality. For both of the above tests, the null hypothesis says that the data are obtained from a normal distribution population. When P-value is below 0.05, null hypothesis is rejected and the data are said to be not normally distributed.

Table 4.11: Test for Normality

	Shapiro–Wilk	P-value
Revenue collection	5.428	0.504
Board independence	3.763	0.515
Board meetings	4.153	0.427
Board size	5.239	0.500

Source: Research Conclusions (2022)

Evident in Table 4.11 results, all the study variables have a p value above 0.05 and therefore were normally distributed.

4.6.2 Multicollinearity Test

Multicollinearity transpires when the independent variables in a regression model are significantly linked. Multicollinearity was assessed using the VIF and tolerance indices. When the VIF value is above ten and the tolerance score is less than 0.2, multicollinearity is present, and the assumption is broken. The VIF values are less than 10, indicating no problem with multicollinearity.

Table 4.12: Multicollinearity

	Collinearity Statistics	
Variable	**Tolerance**	**VIF**
Board independence	0.629	1.590
Board meetings	0.697	1.434
Board size	0.703	1.422
Financial reporting	0.661	1.513

Source: Research Findings (2022)

4.6.3 Heteroskedasticity Test

The residual variance from the model must be constant and unrelated to the independent variable in linear regression models calculated using the Ordinary Least Squares (OLS) method(s). Homoskedasticity refers to constant variance, whereas heteroscedasticity refers to non-constant variance (Field, 2009). The research utilized the Breusch-Pagan/Cook-Weisberg test to check if the variation was heteroskedastic. The null hypothesis implies constant variance, indicating that the data is homoscedastic. The outcomes are presented in Table 4.13.

Table 4.13: Heteroskedasticity Results

Breusch-Pagan / Cook-Weisberg test for heteroscedasticity		
chi2(1)	=	0.8179
Prob > chi2	=	0.6218

Source: Research Findings (2022)

As evident in Table 4.13 null hypothesis was not rejected since the p-value was 0.6218, which was statistically significant (p>0.05). As a result, the dataset had homoskedastic variances since the P-values of Breusch-Pagan's test for homogeneity of variances above 0.05. The test thus confirmed homogeneity of variance. The data can therefore be used to conduct panel regression analysis.

4.6.4 Autocorrelation Test

Serial correlation, also known as autocorrelation, makes the standard errors of coefficients appear to be less than in linear panel data models, resulting in higher R-squared and erroneous hypothesis testing Autocorrelation was verified via Durbin-Watson test. If the Durbin-Watson test results in a value of 2, the error terms of regression variables are uncorrelated (i.e. between 1 and 3). The nearer the figure to 2 is; the better. The outcomes are presented in Table 4.14.

Table 4.14: Test of Autocorrelation

Durbin Watson Statistic
2.185

Source: Research Findings (2022)

The Durbin-Watson statistic was 2.185, according to the findings in Table 4.14. The fact that the Durbin-Watson statistic was near to 2 demonstrates that the error terms of regression variables are uncorrelated.

4.7 Inferential Statistics

This section presents the findings for both correlation and regression analysis.

4.7.1 Correlation Analysis

To ascertain the type and degree of the connection between the studied variables, correlation analysis was conducted. In this research, the correlation between the study variables was determined using the Karl Pearson correlation coefficient. The outcomes are summarized in Table 4.15.

Table 4.15: Correlation Results

		Revenue collection	Board independence	Board meetings	Board size
Revenue collection	Pearson Correlation	1			
	Sig. (2-tailed)				
Board independence	Pearson Correlation	.616**	1		
	Sig. (2-tailed)	.000			
Board meetings	Pearson Correlation	.423**	.537**	1	
	Sig. (2-tailed)	.000	.000		
Board size	Pearson Correlation	.619**	.531**	.698**	1
	Sig. (2-tailed)	.000	.000	.000	

**. Correlation is significant at the 0.01 level (2-tailed).
b. Listwise N=120

Source: Field Data (2022)

According to Karl Pearson correlation coefficient, the link between board independence and revenue collection is statistically significant and strongly positive ($r=0.616$, $p<0.05$). This implies that board independence and revenue collection move in the same direction. Further, the link between board meetings and revenue collection is statistically significant and positive ($r=0.423$, $p<0.05$). This implies that board meetings and revenue collection move in the same direction. In addition, the link between board size and revenue collection is statistically significant and strongly positive ($r=0.619$, $p<0.05$). This implies that board size and revenue collection move in the same direction.

4.7.2 Regression Analysis

The study utilized regression analysis in determining if a linear link existed between corporate governance and revenue collection. The model summary, ANOVA, and coefficients tables present the analysis' findings. The model summary explains how much variation in the dependent variable is due to the independent variables fitted in the

model. The ANOVA table checks if the model fit is statistically significant in predicting the dependent variable and the coefficient table quantifies the magnitude of the association between the variables. The findings of the study are shown in the tables below.

Table 4.16 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.713[a]	.509	.496	.571461

a. Predictors: (Constant), Board size, Board independence, Board meetings

Source: Field Data (2022)

From the model summary, it was realized 0.509 R Square. This infers that 50.9% of the variation in revenue collection can be attributed to the 3 selected variables in this study.

It was evident from the Anova table that the degree of significance was 0.000. This this value was less than the p value of 0.05. Consequently, the model was therefore statistically significant for predicting revenue collection based on corporate governance.

Table 4.17: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	39.266	3	13.089	40.080	.000[b]
	Residual	37.882	116	.327		
	Total	77.148	119			

a. Dependent Variable: Revenue collection

b. Predictors: (Constant), Board size, Board independence, Board meetings

Source: Field Data (2022)

The relevance of various variables was determined using the model coefficients. The statistics of t and values of p were used to accomplish this. This study is significant since it allowed the researcher to determine which independent variables chosen significantly influence revenue collection at KRA. The importance of the association between the two variables was shown by the sig. column's p-value. With a confidence level of 95%, a p-value of less than 0.05 was judged to be statistically significant, which is the most conservative estimate. Table 4.19 summarizes the findings.

Table 4.18: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.800	.260		3.077	.003
	Board independence	.380	.070	.436	5.462	.000
	Board meetings	.241	.085	.257	3.661	.001
	Board size	.476	.090	.496	5.276	.000
a. Dependent Variable: Revenue collection						

Source: Field Data (2022)

From the Table 4:18 the following model has been developed;

$Y = 0.800 + 0.436X_1 + 0.257X_2 + 0.496X_3$

Where:

Y = revenue collection,

X_1 = board independence

X_2 = board meetings

X_3 = board size

Interpretatively, a unit rise in board independence will lead to a 0.436 rise in revenue collection, a unit rise in board meetings will lead to a 0.257 rise in revenue collection, a unit rise in board size will lead to a 0.496 rise in revenue collection while a unit rise in financial reporting will lead to a 0.266 rise in revenue collection holding other factors constant.

4.8 Discussion of Findings

This study sought to establish the effect of corporate governance on revenue collection at KRA. The population of the study was all the 240 top level managers, middle level employees and assistant managers at KRA. The sample was 150 selected using Yamane formula. Data analysis involved descriptive, correlation as well as regression analysis. The independent variables for this study were board independence, board meetings and board size while the dependent variable was revenue collection. The results of the study were presented in tables followed by pertinent interpretation and discussion.

The correlation results revealed that the link between board independence and revenue collection is statistically significant and strongly positive ($r=0.616$, $p<0.05$). Further, the link between board meetings and revenue collection is statistically significant and positive ($r=0.423$, $p<0.05$). In addition, the link between board size and revenue collection is statistically significant and strongly positive ($r=0.619$, $p<0.05$).

The regression results revealed that 50.9% of the variation in revenue collection can be attributed to the 3 selected variables in this study. It was evident from the Anova table that the degree of significance was 0.000. This this value was less than the p value of 0.05. Consequently, the model was therefore statistically significant for predicting revenue collection based on corporate governance. Individually, board independence,

board meetings and board size were found to be significant determiners of revenue collection.

The findings of this study are in line with Qadorah and Fadzil (2018) who conducted a study on the companies' performance and the relationship between local CG tools and board of directors' characteristics (board independence and board meeting frequency). The study employed samples of 64 industrial companies and also used cross-sectioned information from the Amman Stock Exchange for 2013. ROA was utilized to determine the companies' performance. The main purpose of the analysis is to determine the firms' results as well as determine the theory and check the relationship between board features of directors (independence of board as well as board meeting frequency). Multiple linear regression analysis was used in this study. The results showing board independence is associated with ROA considerably and favorably. The recent research found that board meeting frequency had a minimal association with firm performance as determined by ROA.

The findings of this study are also in line with Miruka (2020) investigated the CG effect on Kenyan banks' financial performance. Accurately, the research aimed at the impact on financial NIC bank's routine based on board independence. The study population comprised 135 employees at 8 NIC bank branches within Nairobi Central Business District presented. Stratification was carried out established on three management measures: Managers, heads of departments, and the operations team where a selection of 101 workers was sampled. 81 respondents responded to the questionnaire used for data collection. The data research was conducted through SPSS the findings are shown in

Figures and Tables. The research present that performance is favorably affected by independent board results in a direct conference of relevant problems.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The following chapter gives a summary of the findings obtained in the previous chapters and derives conclusions. Further, limitations encountered while conducting the current study are enumerated. It also gives recommendations to key stakeholders together with policy makers. At last, this research gives suggestions to segments that researchers can use to perform further studies.

5.2 Summary

The main objective of the study was to determine the influence of corporate governance on revenue collection at KRA. The research was backed by three theories: namely; agency theory, the stewardship theory and the stakeholder theory. A descriptive research design was utilized. The population of the study was all the 240 top level managers, middle level employees and assistant managers at KRA. The sample was 150 selected using Yamane formula. For data analysis, both descriptive and inferential analysis was performed and the conclusions are presented in this segment.

The descriptive results revealed that the KRA has adopted corporate governance to a great extent. Specifically, the Kenya Revenue Authority has effective board independence, has adequate board meetings and the board size is adequate. The descriptive results also revealed that on average, the Kenyan public sector has recorded a rise in in the various types of revenue collection over the years.

The correlation results revealed that the link between board independence and revenue collection is statistically significant and strongly positive. Further, the link between

board meetings and revenue collection is statistically significant and positive. In addition, the link between board size and revenue collection is statistically significant and strongly positive.

The regression results revealed that 50.9% of the variation in revenue collection can be attributed to the 3 selected variables in this study. It was evident from the Anova table that the degree of significance was 0.000. This this value was less than the p value of 0.05. Consequently, the model was therefore statistically significant for predicting revenue collection based on corporate governance. Individually, board independence, board meetings and board size were found to be significant determiners of revenue collection at KRA.

5.3 Conclusion of the Study

From the results of this research, it can be concluded that KRA has an independent board that enhance revenue collection in Kenya. It can also be concluded that KRA board evaluates the internal audit function on a regular basis and that outside directors have a strong desire to keep an eye on management because their reputations are on the line.

The research also concludes that board meetings at KRA authority enhances revenue collection. The study also concludes that board meetings are held at least 4 times in a year in specified intervals. Similarly, at KRA, planning of board meetings is planned annually in advance to ensure the availability of all members and there is adequate attendance in board meetings.

The study further concludes that KRA has an adequate board size which positively influences revenue collection. The study further concludes that board size at KRA ensures collective participation during decision-making and is essential in solving agency problems. The study also concludes that board size at KRA ensures effective delegation of tasks and enhances transparency in the organization.

5.4 Recommendations for Policy and Practice

The study revealed that board independence influenced KRA revenue collection positively. The study recommends that the management of KRA should formulate and implement relevant board independence strategies as an independent board has been found to be more effective. Similarly, the study recommended that the government should assess the suitability of the current board requirements for KRA to ensure they have enough legislation guiding them on board independence..

The study revealed that board meetings influenced KRA revenue collection positively. The study therefore recommends that to enhance revenue collection and efficiency of KRA, the board should meet often to deliberate on the strategies that the firm should take and effectiveness of strategies that have already been adopted. Regulators can also aid KRA in board meetings by developing policy guidelines on the same.

The study revealed that board size influenced KRA revenue collection positively. The study therefore recommends that to enhance revenue collection and efficiency of KRA, the board should have adequate representation to deliberate on the strategies that the firm should take and effectiveness of strategies that have already been adopted. Regulators can also aid KRA in board size by developing policy guidelines on the same.

5.5 Limitations of the Study

This research employed the use of primary data and as a way of minimizing the possible outliers, the research used a structured questionnaire. This however posed a risk of biased data since the respondents were constrained on the information they would give. In this regard, the researcher made sure that the data collection tool permits full data gathering that readily fits study objectives.

Additionally, a number of respondents were unsure on whether to be part of this research. The researcher resolved this by getting permits and authorizations from the relevant authorities such as the university. More so, the researcher conducted the research with highest regard of the ethical consideration and lastly the research offered to issues the participants with the results of the study.

5.6 Suggestions for Further Research

The research R^2 was 0.509 which indicated that 50.9% of the changes in revenue collection were due to factors other than those covered in this study. Therefore, further study ought to be undertaken in other variables which were not covered in this study as they would possibly influence revenue collection. These factors would for instance be internal controls, organization culture, technology adoption and funding amongst others. By understanding how each component affects revenue collection, policymakers will be better equipped to develop and firmly execute a system to enhance it.

This research was undertaken on the effect of corporate governance on revenue collection at Kenya Revenue Authority. Future studies can study the effect of corporate governance on revenue collection among county governments in Kenya. Future research

can also take into account doing comparison studies to confirm how corporate governance varies or is comparable from one county to another.

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APPENDIX I: QUESTIONNAIRE

This questionnaire will be utilized in collection of data for a research study on "*the effect of corporate governance on revenue collection at Kenya Revenue Authority*". We have invited you to participate in our research by filling out this closed-ended questionnaire to help advance knowledge on this topic. Mark a response with a tick (√) on your choice. It is recommended that you do not write your name, facility, or organization on the questionnaire, or any other information that could be used to identify you. We shall treat the information we acquire about you with strict secrecy, and we will only share it with third parties for the purpose of obtaining an academic degree.

Instructions

Do not indicate your name on the questionnaire.

For each question, only one answer (box) should be ticked

PART A: BACKGROUND INFORMATION

1 Gender: Male [ ] Female [ ]

2 Under which age brackets are you?

18 – 30 Years [ ] 31 - 40 Years [ ]

41 - 50 years [ ] Over 50 years [ ]

3 Which is the highest education level that you have attained?

Diploma [ ] Masters [ ]

Degree [ ] PhD [ ]

Others Specify………………….

4 How many years have you worked in your current position?

Less than one year [ ] 1-3 years [ ]

4-7 years [ ] 8 years and above [ ]

PART B: CORPORATE GOVERNANCE

Which of the following statements do you agree with the most? On a scale of 1 to 5, how would you rate this? (1 Strongly disagree, 2 Disagree, 3 Neutral, 4 Agree, 5 Strongly Agree)

i) Board Independence

STATEMENT	**1**	**2**	**3**	**4**	**5**

Non-executive directors outnumber executive directors in our board					
The firm's board checks the internal audit function's adequacy on a regular basis					
A written declaration of conflict of interest through the chair by members is done periodically					
Outside directors have a strong desire to keep an eye on management because their reputations are on the line					
Internal audit findings, management reactions, and measures toward change are all considered by the board on an objective basis.					
Board members at this firm have confidential meetings with management and internal and external auditors, which result in an open and honest discussion of important issues.					
The decisions of the board are not controlled by the executives of the organization					

ii) Board Meetings

STATEMENT	1	2	3	4	5
Board meetings are held at least 4 times in a year in specified intervals					

The planning of board meetings is planned annually in advance to ensure the availability of all members					
There is adequate attendance in board meetings					
Our board is provided with adequate information on the agenda items of the board meeting to assist in decision making					
The agenda and documents supporting matters to be discussed in the meeting are circulated to the board members and persons who are to attend the meeting at least 14 days in advance					
The board is responsible for decisions made during the meetings and always choose the right course of action					
Majority of audit committee members are independent nonexecutive directors					

iii) Board Size

STATEMENT	**1**	**2**	**3**	**4**	**5**
The board size of the organization ensures collective participation during decision-making.					

Board size of the organization is essential in solving agency problems.					
Board size of the company ensures effective delegation of tasks.					
Board size enhances transparency in the organization.					
Board size is a crucial factor to consider in fostering equality throughout the organization.					
Board size dictates the quality of decisionmaking process in the organization.					
The size of the company's board is a crucial factor for the performance of the business.					

PART C: REVENUE COLLECTION

On a scale of 1-5 indicate the degree to which the following revenue streams have improved. Use the following scale: 1) No extent, 2) Little Extent, 3) Moderate extent, 4) Large extent, 5) Very large extent

Revenue collection measures	**1**	**2**	**3**	**4**	**5**
VAT					
Excise tax					
Income taxes					

Capital gains taxes					
Rental income taxes					

THANK YOU