

**FACTORS AFFECTING REVENUE COLLECTION IN THE CITY
COUNCIL OF NAIROBI**

By

PHILIP MACHUKI NYANUMBA

**A Research Project Submitted in Partial Fulfillment of the
Requirements for the Degree of Master of Business Administration
(MBA), School of Business, University of Nairobi.**

November, 2010

DECLARATION

This research project is my original work which has never been presented to other institution or university for the award of any degree, diploma or certificate whatsoever.

Signature

Date

Student: Philip Machuki Nyanumba

D61/70463/2008

This research project is being submitted for examination with my approval as the university supervisor.

Signature

Date

Lisiolo Lishenga

School of Business

University of Nairobi

DEDICATION

This research project is especially dedicated to my wife Caren Nyaboke and the children Victor, Vera, Diana, & to my mother and the entire family members for their love, encouragement and support throughout my studies. I wish to challenge my siblings to value and pursue higher education

ACKNOWLEDGEMENT

I most sincerely thank the almighty God for giving me good health to carry out this research.

I salute my supervisor Mr. Lisiolo Lishenga who devotedly guided and encouraged me through the project. I am convinced that without his support, this study would not have been a success.

Mostly especially, I am grateful to my family members who encouraged me to move on amid challenges and tight schedules.

I greatly appreciate the encouragement of my MBA classmates throughout the programme who were always available with useful suggestions. Specific thanks go to Tom Malachy Asewe, Mungai and Cheruiyot without forgetting my workmates Johnson Okong'o and Makobo.

Lastly but not least, I thank all my friends even though they are not mentioned as individuals. I appreciate the contribution and supports towards making this study a success.

TABLE OF CONTENTS

DECLARATION	ii
DEDICATION	iii
ACKNOWLEDGEMENT	iv
TABLE OF CONTENTS.....	v
LIST OF TABLES	ix
LIST OF FIGURES	x
CHAPTER ONE	1
INTRODUCTION	1
1.1 Background of the study	1
1.1.2 The Nairobi city council	4
1.2 Statement of the problem.....	5
1.3 Objective of the study	7
1.4 Significant of the study	7
1.4.1 To the management city council of Nairobi and other local Authorities.....	7
1.4.2 Future researchers	7
1.4.3 To the government	7
1.4.4 To stakeholders	8
CHAPTER TWO	9
LITERATURE REVIEW	9
2.1 Introduction.....	9

2.2 Theoretical Orientation	9
2.2.1 Stakeholder Theory	9
2.2.2 Systems Theory.....	10
2.2.3 Theory X and Theory Y.....	11
2.3 Empirical review.....	12
2.4 Sources of Municipal Revenue	13
2.6 Research gap	18
2.7 Conceptual frameworks	18
2.7.1 Internal control system.....	19
2.7.2 Public Awareness.....	19
2.7.3 Motivation.....	20
2.7.4 Corporate Governance	20
CHAPTER THREE.....	22
RESEARCH METHODOLOGY	22
3.1 Introduction.....	22
3.2 Research design.	22
3.3 Data collection, instruments and procedures.	22
3.3.1 Data collection instruments.	23
3.3.2 Instrument reliability.....	23
3.3.3 Data collection procedure.	23
3.4 Data analysis.	24

CHAPTER FOUR.....	25
DATA ANALYSIS, PRESENTATION AND INTERPRETATION	25
4.1 Introduction.....	25
4.2 Quantitative Data Analysis	25
4.2.1 Response Rate.....	25
4.2.2 Gender of the respondent.....	25
4.2.3 Employees age group.....	27
4.2.4 Year in employment.....	28
4.2.4 Level of education	29
4.2.5 Revenue Collection.....	30
4.2.6 Revenue collection adequacy.....	30
4.2.7 Revenue computerization	33
4.2.8 Staff Motivation.....	35
4.2.9 Staff development policy	36
4.2.10 Attitude of client/stakeholders	38
4.2.11 Organization structure.....	39
4.2.12 Management team to oversee revenue collection	40
4.2.13 Audit of revenue collection records.....	41
 CHAPTER FIVE	 46
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	46
5.1 Introduction.....	46
5.2 Summary of findings	46

5.2.1 Gender, Age group, Level of Education and Year of Employment	46
5.2.2 Benefits	47
5.2.3 How the results will be used.....	47
5.2.4 Awareness	48
5.2.5 Staff Motivation.....	48
5.2.6 Corporate Governance	48
5.3 Conclusion	48
5.4 Recommendation	49
5.5 Suggestion to further research	50
5.6 Limitations of the study	50
REFERENCES.....	51
APPENDICES.....	55
APPENDIX 1: Letter to the Respondent	55
Appendix 2: Questionnaires.....	56

LIST OF TABLES

Table 4.2.1 showing the overall Responses	26
Table 4.2.2 Response in terms of years	27
Table 4.2.3 Experience of the Respondents.....	28
Table 4.2.4: The level of Education of the respondents	29
Table 4.2.5: Adequacy of the revenue collected.....	30
Table 4.2.6: Revenue collection Survey	31
Table 4.2.8: Effect of ICT on Revenue collection.....	33
Table 4.2.9: Contribution of Staff Motivation on Overall Performance	35
Table 4.2.10 the effects of staff development policy on revenue collection	37
Table 4.2.11: Attitude of client towards revenue collection.....	38
Table 4.2.12: Frequency of revenue collection audit.....	42
Table 4.2.13: Audit by national audit office.....	43
Table 4.2.14 Effectiveness of audit in safeguarding the council revenue	44

LIST OF FIGURES

Figure 4.2.1 The Gender of the respondents.....	26
Figure 4.2.2, The overall response.....	27
Figure 4.2.4: Adequacy of the revenue collected	31
Figure 4.2.5 Revenue collection Survey	32
Figure 4.2.6: Revenue Computerization	33
Figure 4.2.7: Effects of ICT on Revenue Collection	34
Figure 4.2.13: Attitude of client towards revenue collection	39
Figure 4.2.14: Organization Structure.....	39
Figure 4.2.15: Appropriateness of the structure	40
Figure 4.2.16: Management team to oversee revenue collection	40
Figure 4.2.17: Management interfere with revenue collection.....	41
Figure 4.2.18: Audit of revenue collection records	42
Figure 4.2.19: Frequency of revenue collection audit	43
Figure 4.2.12: Awareness of the Power act	38
Figure 4.2.11: The effects of staff development policy on revenue collection	37
Figure 4.2.10 staff Development policy	36
Figure 4.2.9: staff Motivation	35
Figure 4.2.8: ICT Revenue Enhancement.....	34
Figure 4.2.20: Audit by national audit office.....	44
Figure 4.2.21 Effectiveness of audit in safeguarding the council revenue	45

ABSTRACT

Management of revenue collection in the city council of Nairobi has not been effective. Very little attempt has been made to improve on revenue collection. Planning the same has not been impressive either.

In most cases the Audit department which acts as a watchdog of all financial management, specifically revenue collection in various collection centers suffer significantly from shortfall such as proper approach to audit work, lack of experience and planning techniques, lack of professional etiquette, reliance on manual systems and lack of training leading to poor revenue collection Audit which leaves some leakage for misappropriation.

Interference from civil leaders seriously hampers operations in revenue collection in their wards. The study proposes to find out the factors affecting revenue collection in the city council of Nairobi.

The study was a case study. Primary information was obtained through the questionnaire from the selected departments. The target respondent was from the department concerned with revenue collection. The researcher analyzed data quantitatively by describing and summarizing it using descriptive statistics to enable the researcher to describe distribution of scores. Statistical quantitative data was analyzed in a system ways in order to come up with some conclusions and recommendations.

The study findings will be of great significance to all policy makers and stakeholders who include management of city council of Nairobi and civil leaders, general public and future researcher in the same area of study.

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

Municipal revenue is about the revenue decisions of municipal government. Revenue is income that a municipal government receives from its normal business activities, usually from the sale of goods and services to customers. The sources of revenue for municipal government vary across countries but generally includes taxes, users fees, fines, licenses/permits, rent, investments, cess and miscellaneous. It may also include borrowings, changes in developers and public private partnership.

Local Authorities in Kenya are created under CAP 265 of the laws of Kenya. They are part of the government and are fairly autonomous in nature. Under the same Act the minister for local government has powers to supervise the local authorities. For instance the minister approves local authority revenue sources, budgets, and can dissolve a council and appoint a commission if it is justified. Overall the minister of local government is responsible for ensuring that local authorities have the institutional and policy framework, systems, and capacity to effectively provide the required local services in a responsible, efficient, accountable, and transparent manner.

The challenge for local governments is to keep cities economically viable by delivering a high level of services and at the same time keeping taxes sufficiently lower so as not to discourage individuals and businesses from relocating from their

jurisdiction. Over the past two decades, local government have faced a number of issues and challenges that have put stress on their ability to meet this objective. The revenue structures of most developing countries have not been as productive as desired. Too often the growth in revenue has failed to catch up with government spending pressures, a situation that has occasioned huge imbalances between the demand and supply of public budgetary resources. These countries have then had to reform their tax structures with the general objectives of revenue adequacy, economic efficiency, equity and fairness and simplicity (Osoro 1993).

The government has been concerned about the escalating below standard performance of the local authorities and has instituted reforms to them which have cost the government huge resources. New forms of leadership, institutional reforms and local networks are required for local authorities to cope with emerging trends and challenges of urbanization. Globally local authorities are blamed for poor planning of their mandate of revenue improvement, infrastructure and service delivery to residents. Revenue collection has become an issue in local authorities because of the financial problems they have been experiencing such as salary delay and difficulties in honoring their obligations as and when they fall due. Local Authorities have been lacking funds to facilitate delivery of some essential services such as fire control and garbage collection in various towns.

The minister of local Government has been proposing to dissolve some local Authorities which are not self-sustainable. Further some proposals have been made to have retrenchment in local Authorities in order to reduce their wage bills. All this were

indicators that local authorities have an issue in revenue collection (MOLG 2006 Strategic plan). Over the last twenty years, a number of countries have increased the powers and responsibility of local government but they have not matched those responsibilities with revenues at the local level. A few countries permit local governments to levy taxes capable of yielding sufficient revenue to meet expanding local needs (Bird 2000). Not only do local government depends heavily on intergovernmental transfers, their own revenue sources are inadequate.

Local government in less developed countries faces even greater challenges when it comes to raising revenue (Dirie 2005). The possible factors affecting revenue collection in such local government may include:-First, the local government revenue base is often weak, especially when compared to the revenue base of the central government. Secondly, they have few own source of revenue, lack incentive to generate their own revenues and do not use the existing revenue potential from these sources. For example property taxes are difficult to administer and collect (Bird and Slank 2004).

Thirdly, they often have little or no control over the tax rates they can levy. It is the minister of local government who has the power over the taxes the local authorities can levy. Fourthly lack of computerization. Most local authorities have not computerized their revenue collection function. Thus affecting their revenue strength. Fiftly, organization nal structure. There is no central department which coordinates the issue of revenue functions. Also affecting the success of revenue collection is poor

infrastructure, insecurity, lack of revenue staff, lack of revenue collection vehicles, lack of staff training and un-co-operative community, corruption and others.

The main factors contributing to an improved revenue performance are changes in tax legislation, tax administration and minimal tax evasion (Mornseet and Rquierdo 1993). Walt Dulaney (2004) conducted a longitudinal examination of business growth and cumulative revenue performance. Among the success factors, he found that companies with powerful business platforms outperformed peers in cumulative revenue growth over a 15 years period. He concludes that business platforms can be means for organizational renewal, continuum innovation and sustainable success.

In many countries, municipalities have turned to the private sector to deliver and fund public sector services through explicit public-private partnerships. The rationale for private involvement in the delivery of local public service is due to lack of funds and to improve the efficiency and effectiveness of delivery. Municipalities also turn to the public in some cases because they are not permitted to borrow on the capital markets and their yet their revenue cannot sustain their needs.

1.1.2 The Nairobi city council

Nairobi city council was brought into being by a royal charter by King George the sixth. It was given status of municipal in 1935 and was elevated to city status in 1950. The literature review will enable me know what has been done concerning management practices on revenue collection and the achievements that have been made and challenges that should be reviewed by the study. The city council is a legal entity

created by an act of parliament cap 265 of the laws of Kenya and local government act. Its main function is to deliver services to the residents of Nairobi and maintain the city status of Nairobi. These services include water and sewerage, education, infrastructure, city planning and development control, public and medical health services, social services, welfare, youth, markets, trading and housing services, roads, passages and street lighting services.

CCN derives its legal mandate from the local government act (Cap 265) of the laws of the Kenya amongst other act of parliament that argument its diverse core functions and priorities. These priorities are contained in various policy and planning documents such as the national development plans, poverty reduction strategy paper and Economic Recovery Strategy (ERS) for wealth and employment creation in the medium term and Kenya's vision 2030 and the millennium Development Goals (MDG's) in the long term (GOK 2007 Kenya vision 2030)

1.2 Statement of the problem

City council of Nairobi is mandated to provide public services, initiate infrastructure development and undertake basic administrative tasks including creating an environment for its stakeholders to participate in economic activities which are stimulants of economic development. In order to perform these duties the city council is authorized to mobilize revenue collection from local sources for sustainable methods of municipal finance. The ideal situation is that there must be enough revenue to make the council meet its daily financial obligations and spend on right priorities. The real situation is that enough revenue is not generated by the council to run its daily operations. Financial institutions

are complaining of nonpayment of overdrafts advanced to the council. Statutory institutions are complaining of no remittance of statutory deductions. Workers are complaining of delayed salaries, pensioners of no remittance of their terminal benefits to the local Authorities pension trust fund.

Many studies done in the city council of Nairobi has not focused at the factors affecting revenue collection given that revenue is the back borne of any organization. Mituhallah (2007) conducted a research on revenue sources in city council of Nairobi. Kingoina (2007) conducted a study on management of strategic change practices on performance contract and Rapid Result. Mwangi (2008) conducted a study on factors influencing local Authority tax compliance. Munge(2005) conducted a research on the factors affecting provision of quality services. Otieno (2006) conducted a research on service delivery to Nairobi residents.

It is evident that these studies did not focus on the factors affecting revenue collection in the city council of Nairobi thus creating a knowledge gap. Therefore there is need to formulate studies to provide an understanding on the factors affecting revenue collection in city council of Nairobi to bridge the study gap that exists. In view of the above the main purpose of the study is to assess the factors affecting revenue collection in the city council of Nairobi. Due to lack of revenue Nairobi city council is blamed on almost all areas of what it is mandated to do. The existing revenue collection administration is generally inefficient and what is collected has, in some cases, been inappropriately.

1.3 Objective of the study

To identify the factors affecting revenue collection in the city council of Nairobi.

1.4 Significant of the study

1.4.1 To the management city council of Nairobi and other local Authorities

This study is intended to help the city council of Nairobi and other local Authorities to identify the factors affecting revenue collection. It can also update the local Authorities on the current issues that contribute to the existing gap of estimated and actual revenues. The findings of the study may be used by the local Authorities to serve as a benchmark in setting certain standards for improvement on revenue collection. The policy makers can use the findings to come up with the policies that will be helpful in revenue mobilization. It will guide on how corrective measures should be taken to improve revenue collection in the city council of Nairobi. It will assist the city council to know its strengths, weakness, opportunities, and threats and how to re-define its policy strategy in relation to revenue improvement.

1.4.2 Future researchers

The study stands to benefit future researchers, scholars and academicians who may wish to study financial management in revenue related issues.

1.4.3 To the government

The government may find the information useful in identifying the factors affecting the revenue in local Authorities and come up with solutions. The study will provide an

insight of how management practices on revenue can be improved so as to make the councils self sustaining.

1.4.4 To stakeholders

The research will enlighten the stakeholders on the factors affecting revenue collection, creating in them awareness and the interest of ensuring financial stability of their respective organizations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section provides review of relevant literature. Literature review is the process of identifying, evaluating, and presenting relevant information from other resources like publications, journals and magazines, mugenda and mugenda(2003).The purpose of the study review is to examine previous studies and highlight the factors affecting the revenue collection in city council of Nairobi. This section reviews studies related to the current study. This chapter comprises the review of past studies, critical review and summary.

2.2 Theoretical Orientation.

The general purpose of revenue in city council of Nairobi is to meet the cost of operations. The revenue of an organization is affected by the economic resources that it controls and its capacity to adapt to changes in the environment. Thus the revenue may affect the performance of an entity. Each of the separate theories discussed throws light on the same aspect of revenue.

2.2.1 Stakeholder Theory

Stakeholder theory begins with the assumption that values are necessarily and explicitly a part of doing business. It asks managers to articulate the shared sense of the value they create and what brings its core stakeholders together. It also pushes managers to be clear

about how they want to do business, specifically what kinds of relationships they want and need to create with stakeholders to deliver on their purpose.

The focus of stakeholder theory is articulated in two core question (Freeman 1994).

First, it asks, what is the purpose of the firm? This encourages managers to articulate the shared sense of the value they create, what brings its core stakeholders together. This propels the firm forward and allows it to generate outstanding performance, determined both in terms of its purpose and market place financial metrics. Secondly, stakeholder theory asks, what responsibility does management have to stakeholders? This pushes managers to articulate how they want to do the business. Specifically the kind of relationships they want and need to create with their stakeholders to deliver on their purpose. Many firms have developed and run their businesses in terms highly consistent with stakeholder theory.

2.2.2 Systems Theory

Systems Theory is the trans-disciplinary study of the abstract organization of phenomena, independent of their substance, type or spatial or temporal scale of existence. It investigates both the principles common to all complex entities and the models which can be used to describe them. This theory was proposed in the 1940s by the biologist Ludwig and furthered by ross Ashby(1956). They emphasized that real systems are open to, and interact with their environments, and they can acquire qualitatively new properties through emergence, resulting in continual evolution. Rather than reducing an entity the properties of its parts or elements, systems theory focuses on the arrangement of and relations between the parts which connect them into a whole. Systems analysis developed

independently of systems theory, applies systems principles to aid a decision-maker with problems of identifying, reconstructing, optimizing, and controlling a system while taking into account multiple objectives, constraints and resources. It aims to specify possible courses of action, together with their risks, costs and benefits.

2.2.3 Theory X and Theory Y

Douglas McGregor proposed two distinct views of human beings; one basically negative, labeled Theory X, and the other basically positive, labeled Theory Y. Theory X assumes that lower-order needs dominate individuals. Theory Y assumes that higher-order needs dominate individuals. McGregor himself held to the belief that Theory Y assumptions were more valid than Theory X. Therefore he proposed such ideas as participative decision making, responsible and challenging jobs and good group relations as approaches that would maximize an employee's motivation. Managers' views of the nature of human being are based on the following assumptions.

Under Theory x

Employees inherently dislike work and whenever possible, will attempt to avoid it. Since employees dislike work, they must be coerced, or threatened with punishment to achieve goals. Employees will avoid responsibilities and seek formal direction whenever possible. Most workers place security above all other factors associated with work and will display little ambition.

Under Theory Y

Employees can view work as being as natural as rest or play. People will exercise self-direction and self-control if they are committed to the objectives. The average person can learn to accept, even seek responsibility. The ability to make innovative decisions is

widely dispersed through the population and is not necessarily the sole province of those in management position.

2.3 Empirical review

Mituhallah (2007) conducted a research on revenue sources in Nairobi city council using descriptive research design. She found out that revenue sources such as Neon signs, Bill boards, advertisements, plans, Approvals, Public Health, Single business permit, Displays, Rates and Rents can generate enough revenue; she also found out that political interference is contributing 60% of revenue miss-management. She recommended that financial management can make city council of Nairobi self sustaining even without LATF. Munge (2005) conducted research on factors affecting provision of quality services in local authorities. He found out that interferences from civil leaders and members of parliament is a serious factor affecting provision of quality services and revenue collection management.

Mwangi (2008) conducted a study on factors influencing local authority tax compliance. He noted that under reporting and under payment is the most prevalent form of tax non-compliance. Tax procedures are complex citing multi-stages approvals, bureaucracy and red-tape in administrative , which creates room for corruption. He also recommended Discount rates for early payments and consideration of tax amnesty for those that have not been compliant so as to bring more of them into the Tax net.

According to Kanter (1997), management of revenue will require tuning into the environment , challenging assumptions, crafting a vision, using diplomatic skills to get favorable responses, keeping actions moving by handling interferences and

resistance, maintaining the momentum incorporating emergent developments and never lose sight of the overall goals of proper revenue management.

Anassi(2004) conducted a study on corruption on local Authorities. He found out that corruption in local Authorities has reached unprecedented level and that it is at the local Authorities that it is at the local Authorities that nepotism, tribalism, are manifested. He also found out that corruption has undermined efforts to make these institutions democratically governable and effective. Kingoina (2007) conducted a study on management of strategic change practices on performance contract and rapid results initiative. He found out that performance contract together with Rapid Results

2.4 Sources of Municipal Revenue

The sources of revenue for municipal governments vary across countries but generally include taxes, user fees, and intergovernmental transfers. Other revenues may include investment income, property sales, and licenses and permits. In terms of taxes, the property tax is levied by local governments in many countries. Other local taxes can include income taxes, general sales taxes, and selective sales taxes (for example, taxes on fuel, liquor, tobacco, hotel occupancy, vehicle registration), and land transfer taxes (or Stamp duties). To meet capital expenditure requirements, some municipalities charge developers for growth-related capital costs. In some countries, particularly in South America, a land value capture tax is sometimes levied to pay for infrastructure.

2.5 Factors Determining Revenue Collection

Developing countries everywhere are undertaking fiscal decentralization and local government reforms to improve government service delivery, economic efficiency and government accountability. These fiscal decentralization efforts start by fundamentally reviewing spending and revenue responsibilities by level of government. Rationalizing these spending and revenue allocations, together with establishing an intergovernmental transfer program, are the first steps towards creating a fiscal structure that can enable governments to better fulfill their stabilization, distribution and allocation functions (Inter-American Development Bank, 1997).

In most developing countries, due largely to the extreme lack of local level revenue alternatives, the intergovernmental fiscal analysis begins by focusing on revenue allocation (Bahl and Linn, 1992). Thus, in addition to establishing a system of enhanced central-local revenue transfers, governments are forced to mobilize and improve existing local level revenue sources. Virtually all countries focus attention on the property tax—the most common revenue source for local governments throughout the world (Dillinger, 1991).

Developing countries in Asia and Africa are still lagging behind in terms of percentage contribution of local revenues in the overall government revenues as well as the percentage of own revenues in total local revenues. This indicates that the pace of financial decentralization in developing countries is as yet gradual. Also, income taxes

typically constitute a large proportion of local revenues only in the OECD, East European and transition countries.

One determinant of revenue collection is the notoriously low rate of tax collection. Evidence on this is not readily available, since local government records on revenue-collection performance are not reliable, and the specific reasons for poor revenue collection performance differs among local authorities. However, common elements can be found, the most important being the absence of effectively enforced penalty measures for non-payment or unduly delayed payment. Collection problems may stem from inadequacy of staff as well as from the structure of the tax. Wide variations in the equity of property tax assessments (i.e. in the ratio of the assessed value to the market value) are a typical obstacle in this respect.

Another frequently cited problem is that many tax delinquents simply do not have the capacity to pay. Some governments in the continent have begun to deal with these problems with a variety of reform measures. The most effective one, however, appears to be strict enforcement, including prompt identification of delinquent payers, rapid legal procedures, and automatic tax liens on delinquent property.

Another fundamental determinant of municipal revenue in Africa is the gap between financial resources and municipal spending needs coupled by inadequate financial systems. This fiscal gap is widening as urban populations expand, increasing the demand for infrastructure and urban services. The fact that the growth of municipal revenue does

not match the increase in urban economic activity is technically referred to as the lack of (municipal) income elasticity (Mosha 2004)

Alm (1997) examined the revenue capabilities and performance of municipal governments (“pourashavas”) in Bangladesh. He found that generally accepted principles of tax assignment for municipalities were largely followed in Bangladesh. The principle own-revenue source for pourashavas was the holdings tax, a simplified form of a property tax, they also generated revenues from other property-related bases, such as leasing activities and a tax on the transfer of immovable in the use of these revenue sources, especially in the establishment of rates was extremely limited.

Also, the ability of many of these existing tax sources to generate adequate and significant amounts of additional revenues in the near-term was extremely limited; in particular, it was difficult to increase in a fast, significant, and sustainable way the yield of the holdings tax. Second, the available evidence, collected by a specially commissioned survey of pourashavas, indicated clearly that pourashavas generated extraordinarily small amounts of revenues from these sources. The level of collections from these own-revenue sources was extremely and dismally low, varied enormously across pourashavas, and had grown erratically across pourashavas and over time. Collections of total own revenues rarely exceeded Tk 100 per capita (relative to per capita gross domestic product at the time of about Tk 9000), except in larger cities and in city corporations, and in some smaller pourashavas collections were even lower. The variations in collections of total own revenues per capita across pourashavas were

extremely great, and there were also extremely large differences by pourashavas in their growth rates of collections over time. Many revenue sources were barely used at all. In large part because of low collections from own sources, pourashavas were heavily dependent on central government transfers for much of their revenues.

Third, various explanations were given for the poor pourashava revenue performance, including the political fears of raising taxes and the poverty of city residents. More convincing reasons were the limited administrative capabilities of the pourashava personnel (especially for the holdings tax), the extreme undervaluation of the property tax base, the failure to impose penalties (especially on arrears), and the presence of corruption in pourashava administration. Indeed, Alm (1997) concluded that many of the taxes assigned to pourashavas did not have any real revenue potential (a “vertical” imbalance”), and were more in the form of nuisance taxes.

In short, Alm (1997) concluded that the ability of municipal governments to generate adequate revenues from the property tax—indeed from any tax currently assigned to pourashavas—was quite limited, even with improved tax administration. He suggested that any increase in revenue capabilities required that pourashavas make greater use of the income potential from their own properties, including income from leasing and rentals. More importantly, he argued that the limited ability of existing pourashava revenue sources required that pourashava use of new tax sources should be considered, especially a surcharge to the GOB individual income tax (e.g., a pourashava “piggyback” tax to the existing GOB income tax). He estimated that a 10 percent or a 25 percent local

surcharge (on the income tax liability), for those pourashavas for which information on income tax collections was available from the National Board of Revenue, could give an immense increase in revenues. For several pourashavas, a 25 percent surcharge would generate collections in excess of total own revenues from all current sources. However, to date such piggyback taxes have not been enacted in Bangladesh.

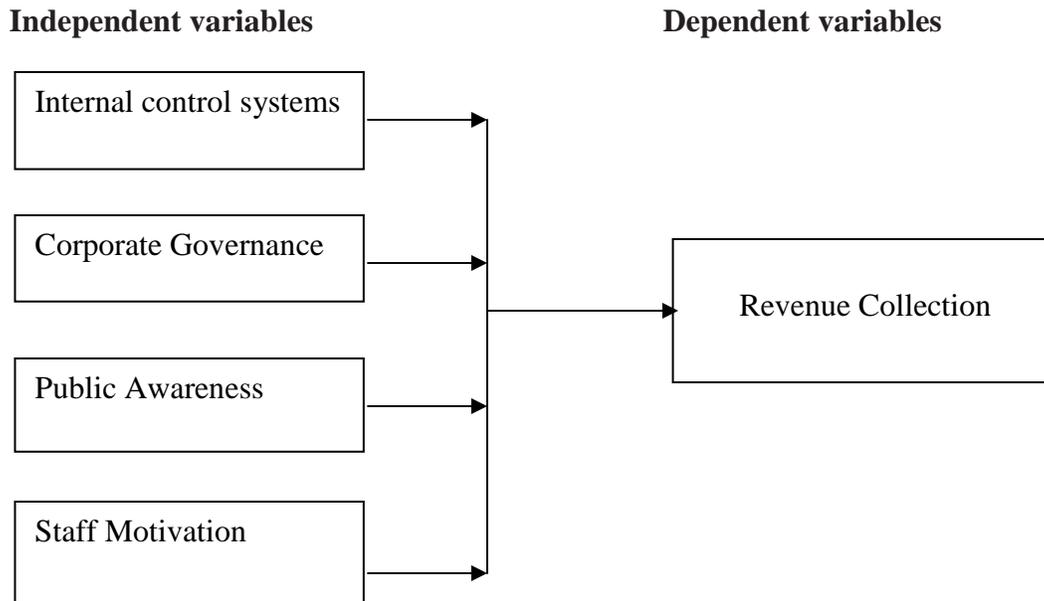
2.6 Research gap

The researcher is feeling that no study has been carried out on the factors affecting revenue collection in the city council of Nairobi. Therefore a research gap exists that need to be filled by doing a thorough survey on the factors affecting revenue collection in the city council of Nairobi.

2.7 Conceptual frameworks

This section summarizes the framework or the model of the study in terms of variables relationships. The main variables of the study were; internal control system, public awareness, staff motivation and corporate governance. The variables were considered in the study as independent variables which impact on the revenue collection in the city council of Nairobi.

Figure 2.1 conceptual Framework



2.7.1 Internal control systems

According to (Nganga 2004), internal control is the means by which management obtains the information, protection and controls for the successful operation of a business enterprise. Nganga noted that internal controls comprises the plans of the organization and all the coordinate methods and measures accepted within a business to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency and encourage adherence to prescribed management policies.

2.7.2 Public Awareness

Organization should make publicly known the roles and responsibilities of the board and the management to provide the stakeholders with a level of accountability. This should be

done through Annual General Meetings, Auditing and producing regular financial statements, disclosure of material matters concerning the organization and ensure that all stakeholders must have access to the right and factual information. Organization should also understand the needs of its stakeholders and try as much as possible to satisfy them.

2.7.3 Motivation

Motivation can be explained as the driving force or commitments people have for doing things. A motive is a need or desire within a person to achieve some goal or objective. Although the causes of motivation are imperfectly understood, the results of having motivated people in an organization are obvious and highly beneficial. As a consequence managers have to try to understand the conditions and influences that motivate people so that they can organize activities and create an organizational atmosphere that encourages motivational effects.

2.7.4 Corporate Governance

It is important from the conception of 'good governance' that there is some emphasis on improving public sector management systems. Thus the good governance has provided an impetus for new approaches to public sector management reforms. Corporate governance has succeeded in attracting a good deal of public interest because of its apparent importance for the economic health of corporations and society in general.

It is therefore critical to establish the factors affecting revenue collection in the city council of Nairobi as such have not been documented by any of the studies. The main difference between this study and the previous studies is that, they had been concentrating on types of revenue and revenue management while this one is trying to

find out the reasons why revenue is not enough to meet the council needs. Several studies have been undertaken on the area but they have never considered the factors affecting revenue collection in the city council of Nairobi.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section deals with the methodology to be used in carrying out the study. It is sub divided into the research design, target population, sample size and sampling procedures, research instruments, instrument validity, instrument reliability, data collection procedures and data analysis techniques.

3.2 Research design.

This research was a case study. The case study is used in many situations to contribute knowledge of group, organizational, social, political, and related phenomena. It has been a common research strategy in social and political science. The researcher sought to find out study the factors affecting Revenue collection at the Nairobi city council.

3.3 Data collection, instruments and procedures.

Data collection is the gathering of information, evidence, facts from the target population which you can draw conclusions, make decisions about important issues or pass information on to others. The information collected can be used by various groups or individuals, educational institutions. The target respondent will be seventy (70) members of staff from the departments concerned with revenue collection. The respondent was selected based on the seniority and responsibility of the officers.

3.3.1 Data collection instruments.

This researcher used questionnaire to collect information from the seven (7) departments concerned with revenue collection. Questionnaires were both structured and unstructured questions. The researcher preferred this because it is simple to administer and convenient for collecting data within a short time. There were two (2) categories of questionnaires to be used. In a nutshell the instruments consisted two parts. Part A gathered personal information of the respondents, source of knowledge on revenue collection and response to enhance participation. Part B consisted unstructured questionnaires which captured information that might have been left out in the structured questionnaires.

3.3.2 Instrument reliability.

The researcher employed test-retest technique of assessing reliability. This involved administering the same instruments twice to the same respondents. There was a time lapse between the first test and the second test. The time lapses between the two administrations were two weeks. If the measure is stable overtime, the reported test administered under similar conditions to the first test should obtain similar results. For this study time lapse was preferably be two weeks. The study will employ cronbach's coefficient Alpha which estimates the reliability of likert type of scale by determining the internal consistency of the test or the average correlation of items within the test.

3.3.3 Data collection procedure.

The researcher seeks a letter of introduction from the University of Nairobi to be presented to the city council of Nairobi. It helped the researcher to gather information

easily. The respondent involved in the study was informed through writing. The researcher delivered the questionnaire to the respondents in sampled sections.

3.4 Data analysis.

The data collected through the questionnaire was edited and coded for analysis. Both quantitative and qualitative methods of analysis were used. Data collection from secondary sources was analyzed manually by first editing the information for accuracy, consistency, and completeness and then categorizing them systematically. The researcher sought to analyze data quantitatively by describing and summarizing it and also using descriptive statistics to enable the researcher to meaningfully explain description of scores. Statistical quantitative data was analyzed in a systematic way in order to come up with some conclusions and recommendations.

The researcher used frequencies to be able to arrange data from the lowest to the highest percentages. Measures of central tendency will be used as data analysis techniques. Primary level quality checks was done at the data collection level while secondary level quality checks was done at the data entry level. The raw data was entered into computers and analyzed using statistical package for social sciences (SPSS).

The unit of analysis was the city council of Nairobi. Chi-square analysis was used to test the opinions of executives and employees on their attitudes towards management practices on revenue collection. Data was presented in frequencies, pie chart and percentages for comparisons and clarity.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND INTERPRETATION

4.1 Introduction

This chapter is an outcome of the findings of the research data. This research seeks to determine the factors affecting Revenue collection in the city council of Nairobi. The questionnaire was administered to seventy respondents. Of the seventy respondents only fifty responded representing an overall rate of 71%. Data was analyzed on the basis of this response rate and the findings are sequently presented in relation to each objective in the form of counts, frequency tables and pie charts. A content analysis of responses to open ended questions has been presented as a quantitative data for a better understanding of the research themes.

4.2 Quantitative Data Analysis

4.2.1 Response Rate

Out of the target of 70 respondents chosen from city council of Nairobi from Various departments, all were issued with questionnaires and only 50 responded.

4.2.2 Gender of the respondent

Out of those responded to questionnaires 42% were female and 58% were male as shown in the pie chart 4.2.1 below. It shows that the majority were male.

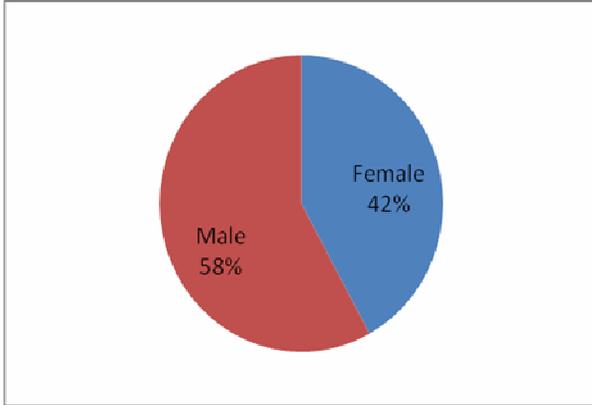


Figure 4.2.1 The Gender of the respondents

Table 4.2.1 showing the overall Responses

Section	Expected Response	Actual response	Response rate(%)
Accounts	14	10	20
Auditors	7	5	10
Lawyers	7	5	10
Valuers and planners	7	5	10
Human resource	7	5	10
Investment	7	5	10
Revenue	21	15	30
Total	70	50	100

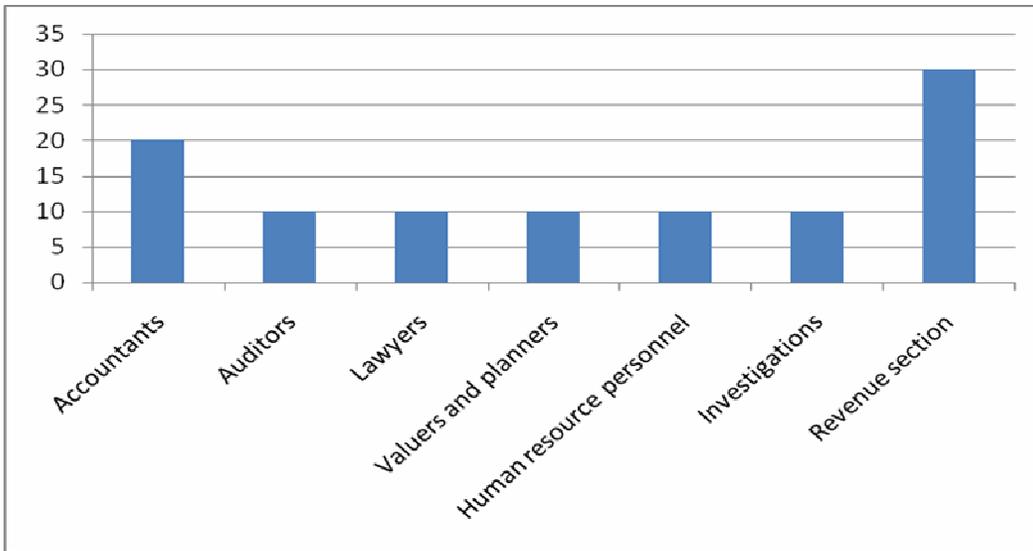


Figure 4.2.2, The overall response

4.2.3 Employees age group

Table 4.2.2 Response in terms of years

Response	Frequency	Percentage
18-25	6	12
26-35	8	16
36-45	26	52
Above 46	10	20
Total	50	100

The outcome show that age group (18-25),(26-35),(36-45) and above 46 had 6,8,26,and 10 respondents respectively. It therefore indicates that the age (36-45) had the majority of the respondents which shows that labor turnover is low in city council of Nairobi.

4.2.4 Year in employment

The table below shows the distribution of the years in employment for the respondents.

Table 4.2.3 Experience of the Respondents

Response	Frequency	Percentage
0-5	10	20
6-10	20	40
11-15	4	7
16-20	6	13
Over 21	10	20
Total	50	100

From the findings the distribution of the years in employment was (0-5) (6-10), (11-15),(16-20) and above 21 with 20%, 40%, 7%, 13%,and 20% of respondents respectively. This shows that the majority have worked for between 6 and 10 years indicating again that labor turnover is low in the city council of Nairobi.

.2.4 Level of education

The table 4.24 below represents the level of education of respondents.

Table 4.2.4: The level of Education of the respondents

Level	Frequency	Percentage
Primary	-	-
Secondary	14	28
College	26	52
University	7	13
Post-graduate	3	7
Total	50	100

Source: Author (2010)

The study revealed that the council's staff level of education was - secondary level 28%, college 52%, university 13% and post-graduate 7% respectively. This shows that the council has fewer university and post –graduates while majority are diploma and certificate holders.

4.2.5 Revenue Collection

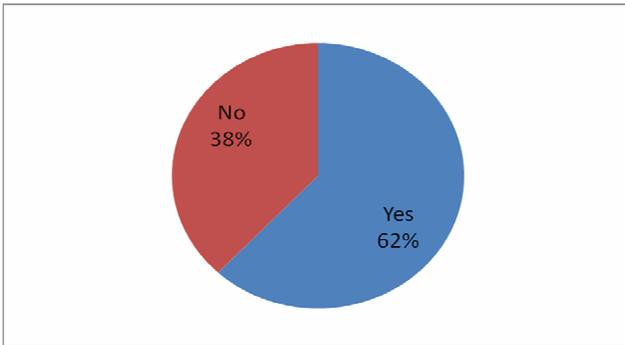


Figure 4.2.3: Adequacy of the Revenue collection

62% of the respondents believed that the process of revenue collection is adequate and 38% disagreed with the statements. This indicates that the process of revenue collection in the city council of Nairobi is satisfactory.

4.2.6 Revenue collection adequacy

Table 4.2.5: Adequacy of the revenue collected

Response	Frequency	Percentage
Very good	9	17
Good	16	32
Average	15	30
Low	6	13
Very low	4	8
Total	50	100

On the adequacy of revenue collection ; the response was as follows:

9 of the respondents representing 17% are of the opinion that revenue collection adequacy is very good, 16 respondents representing 32% are of the view that revenue collection adequacy is good while 15, 6, and 4 respondents representing 30%,13% and 8% respectively are of the view that the adequacy is average, low, and very low respectively.

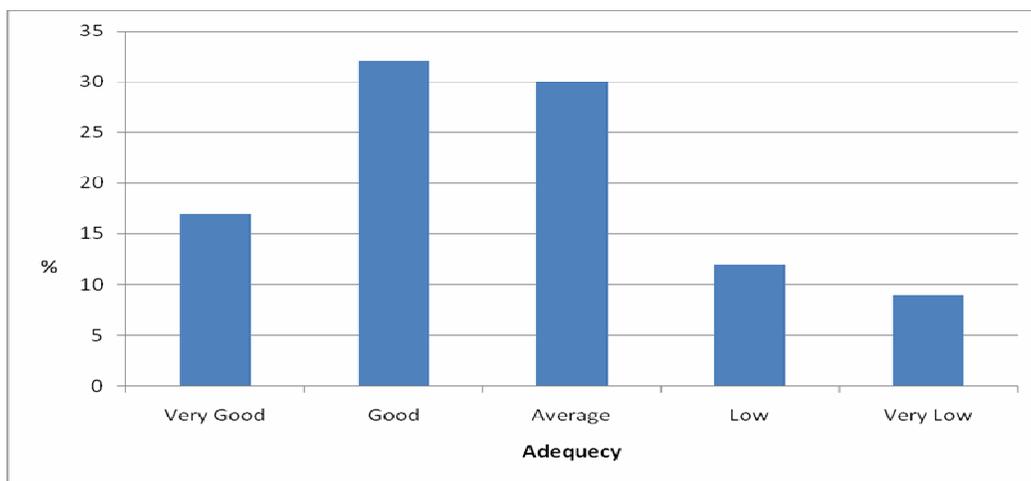


Figure 4.2.4: Adequacy of the revenue collected

Revenue collection survey

Table 4.2.6: Revenue collection Survey

	Frequency	Percentage
Annually	15	30
Half yearly	17	34
Quarterly	10	20
None	8	16
Total	50	100

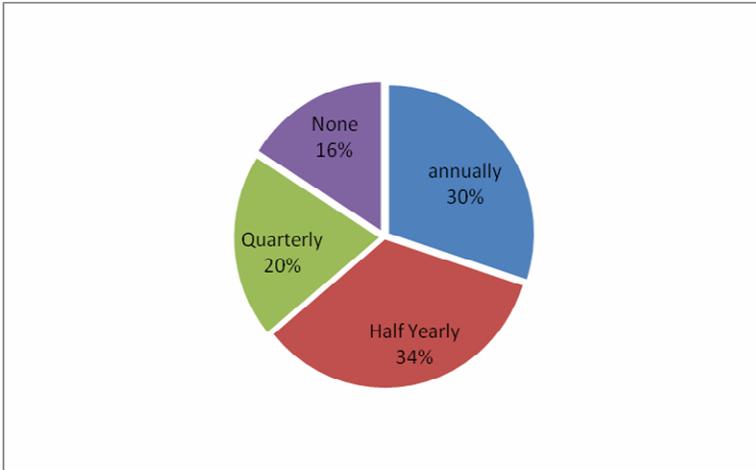


Figure 4.2.5 Revenue collection Survey

10 respondents representing 30% were of the view that revenue collection survey is carried out annually, 17 respondents representing 34% felt that the survey is done Half yearly. 15 respondents representing 20% quarterly while 8 respondents representing 16% felt that there is no survey done.

4.2.7 Revenue computerization

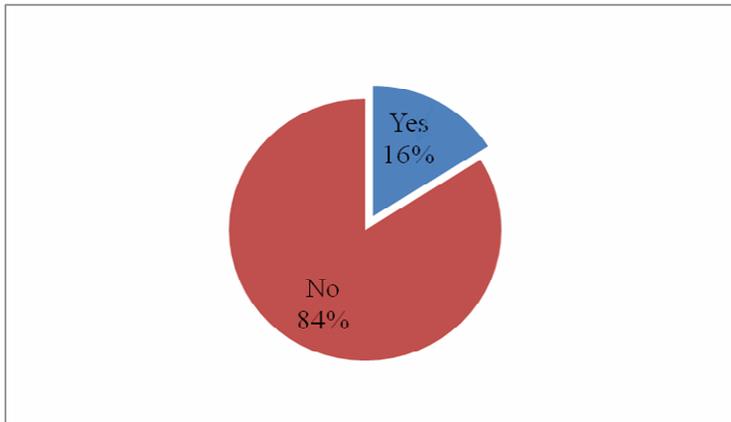


Figure 4.2.6: Revenue Computerization

8 respondents representing 16% felt that computerization of revenue collection has been done while 42 respondents representing 84% where of the view that revenue collection is not computerized.

Table 4.2.8: Effect of ICT on Revenue collection

	Frequency	Percentge
Very Good	4	8
Good	32	64
Average	5	10
Low	9	18
TOTAL	50	100

The majority are of the view that ICT affects revenue collection which represents 32 respondents at 64%. This results shows that ICT affects revenue collection in the city council of Nairobi.

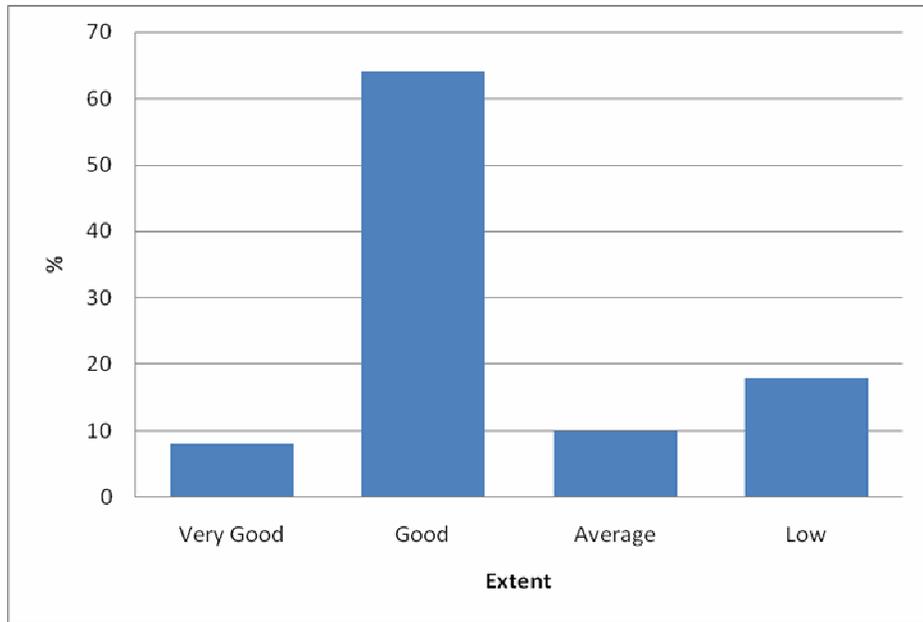


Figure 4.2.7: Effects of ICT on Revenue Collection

94% of the respondents believe that ICT enhances revenue collection while 6% felt that ict does not enhance revenue collection.

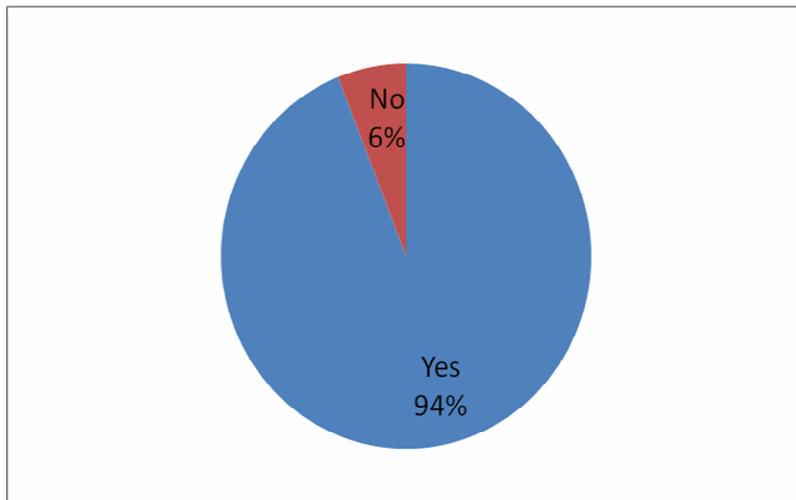


Figure 4.2.8: ICT Revenue Enhancement

4.2.8 Staff Motivation

24% of the respondents were of the opinion that staff dealing with revenue collection is motivated while 76% of the respondents felt that the staff are not motivated.

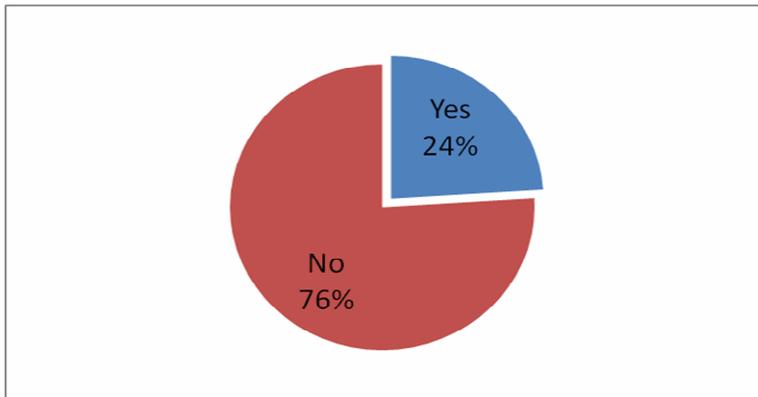


Figure 4.2.9: staff Motivation

Table 4.2.9: Contribution of Staff Motivation on Overall Performance

	Frequency	Percentage
Very Good	2	17
Good	7	58
Average	2	17
Low	1	8
Very low	0	0
Total	12	100

Staff motivation contributes to the good overall performance of any origination and city council of Nairobi should motivate their staff as well. 17% of the respondent rated it as very good, 58% rated it as good while 17% and 8% rated it as average and low respectively.

4.2.9 Staff development policy

7 respondents representing 14% felt that the council has staff development policy while 43 respondents representing 86% were of the opinion that there is no staff development policy in the council.

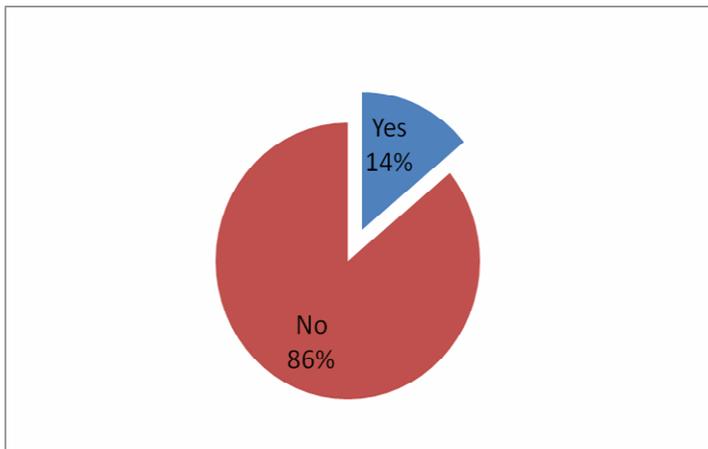


Figure 4.2.10 staff Development policy

Extent to which staff development policy affect revenue collection

Table 4.2.10 the effects of staff development policy on revenue collection

	Frequency	Percentage
Very Good	0	0
Good	4	57
Average	1	14
Low	2	29
Total	7	100

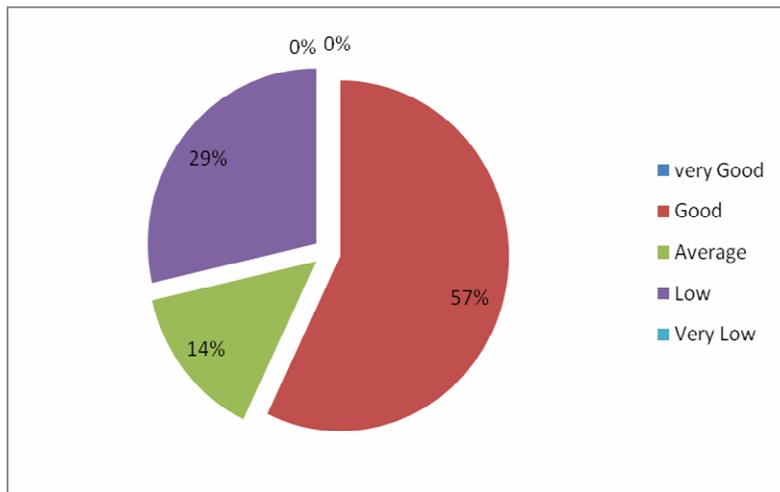


Figure 4.2.11: The effects of staff development policy on revenue collection

57.1% of the respondents are of the view that staff development policy affects revenue collection greatly while 14.2% and 28.5% are of the view that staff development policy affects revenue collection averagely and low respectively.

4.2.10 Attitude of client/stakeholders

90% of the respondents felt that the client is aware of the powers the act has bestowed on the revenue process while 10% felt that the client is not aware.

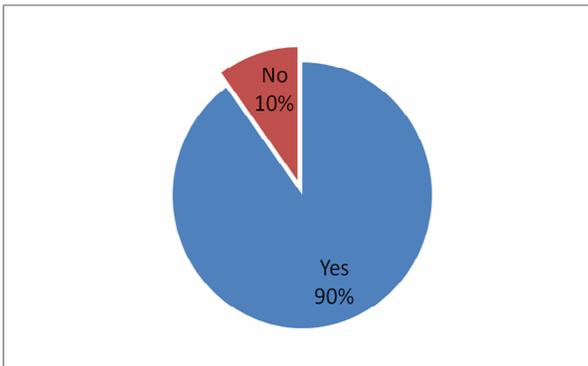


Figure 4.2.12: Awareness of the Power act

Table 4.2.11: Attitude of client towards revenue collection

	Frequency	Percentage
Very cooperative	10	20
Cooperative	30	60
Fairly cooperative	5	10
Uncooperative	4	8
Complete Uncooperative	1	2
Total	50	100

20% of the respondents felt that the client are very cooperative, 60% were of the opinion that their clients are cooperative, 10% fairly cooperative while 8% uncooperative and 2% completely uncooperative.

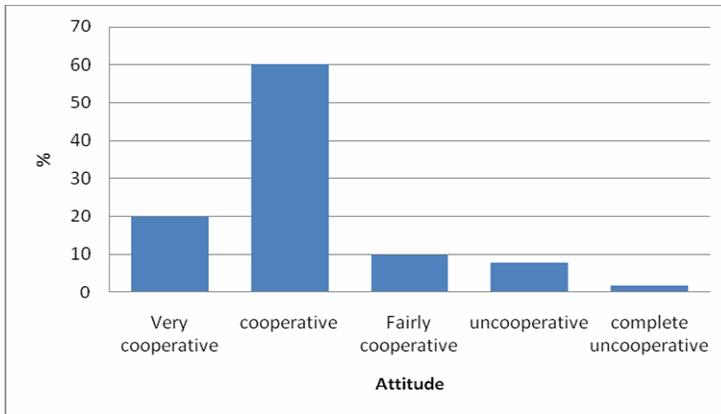


Figure 4.2.13: Attitude of client towards revenue collection

4.2.11 Organization structure

33 respondents representing 66% were of view that the council has organization structure while 17 respondents representing 34% disagreed.

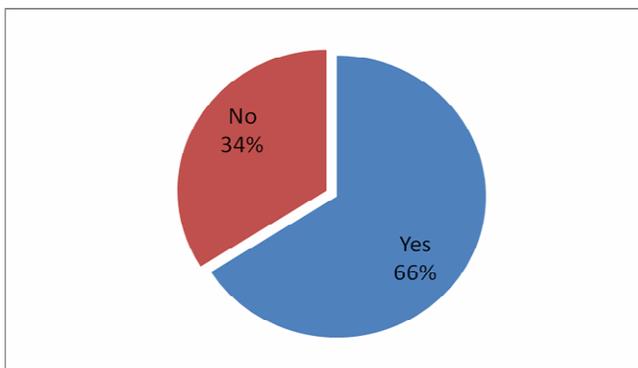


Figure 4.2.14: Organization Structuree

Appropriateness of the structure

52% of the respondents were of the view that the structure is appropriate while 48% disagreed.

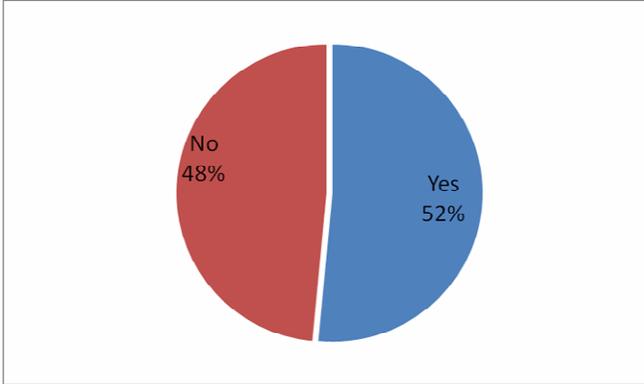


Figure 4.2.15: Appropriateness of the structure

4.2.12 Management team to oversee revenue collection

39 respondents representing 78% were of the view that the council has a management team that oversees revenue collection while 11 of the respondents representing 22% disagreed with the same view.

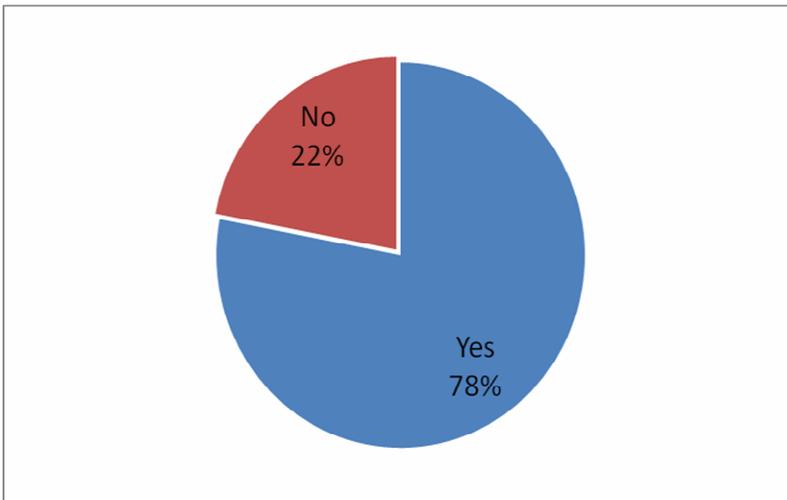


Figure 4.2.16: Management team to oversee revenue collection

Management interfere with revenue collection

41% of the respondents were of the opinion that management do interfere with revenue collection while 59% disagreed with the view.

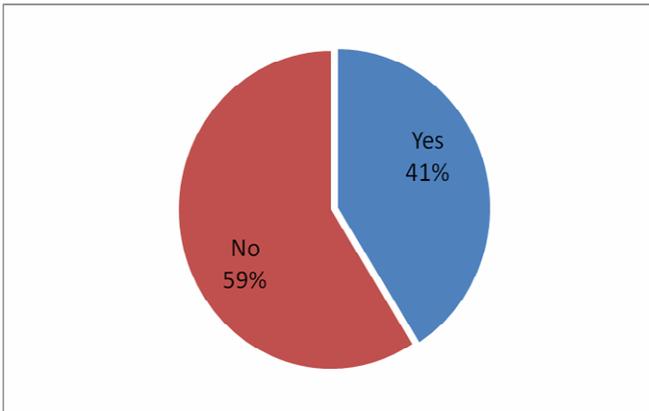


Figure 4.2.17: Management interfere with revenue collection

4.2.13 Audit of revenue collection records

41 of the respondents representing 82% felt that revenue records are audited regularly while 9 of the respondents representing 18% disagreed that revenue records are audited regularly.

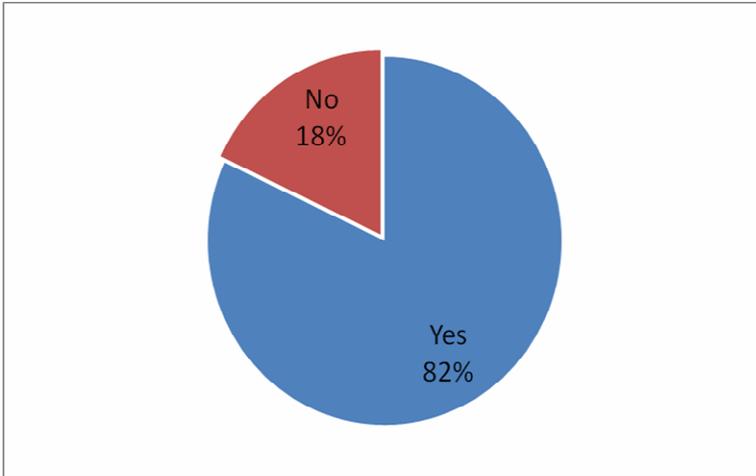


Figure 4.2.18: Audit of revenue collection records

Frequency of revenue collection audit

6 of the respondents representing 15% felt that revenue collected is audited daily, 24% were of the view that revenue is audited weekly, 5% felt that revenue is audited fortnightly, 46% and 10% felt that revenue collected is audited monthly and quarterly respectively.

Table 4.2.12: Frequency of revenue collection audit

	Frequency	Percentage
Daily	6	15
Weekly	10	24
Fort Nightly	2	5
Monthly	19	46
Quartely	4	10
Total	41	100

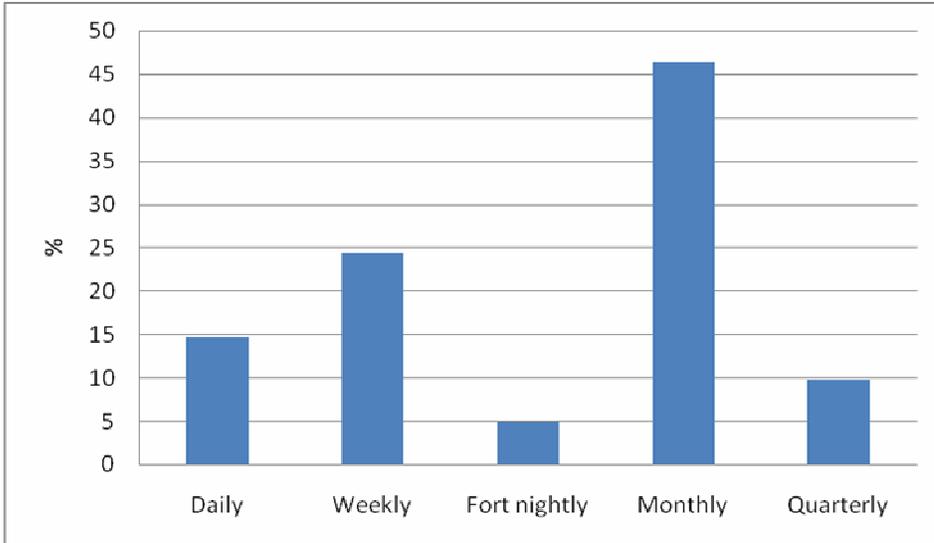


Figure 4.2.19: Frequency of revenue collection audit

Audit by national audit office

Table 4.2.13: Audit by national audit office

	Frequency	Percentage
Annually	44	88
1-2 years	4	8
2-3 years	2	4
Over5 Years	0	0
Total	50	100

88% of the respondents felt that knao audits the revenue annually, while 8% and 4% of the respondents felt that the revenue is audited between 2-3 years and 3-4 years respectively.

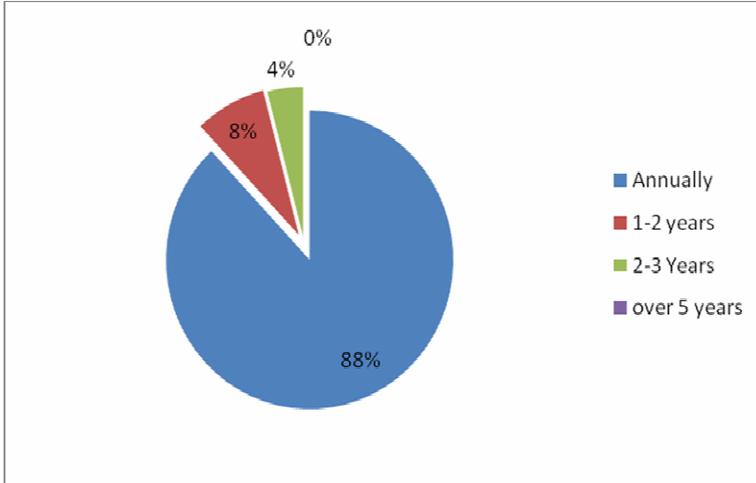


Figure 4.2.20: Audit by national audit office

Effectiveness of audit in safeguarding the council revenue

6% of the respondents felt that the audit is very effective, 18% fairly effective, 32% effective while 42% and 2% felt that it is not effective and none at all respectively.

Table 4.2.14 Effectiveness of audit in safeguarding the council revenue

	Frequency	Percentage
Very Effective	3	6
Fairly Effective	9	18
Effective	16	32
Not Effective	21	42
None	1	2
Total	50	100

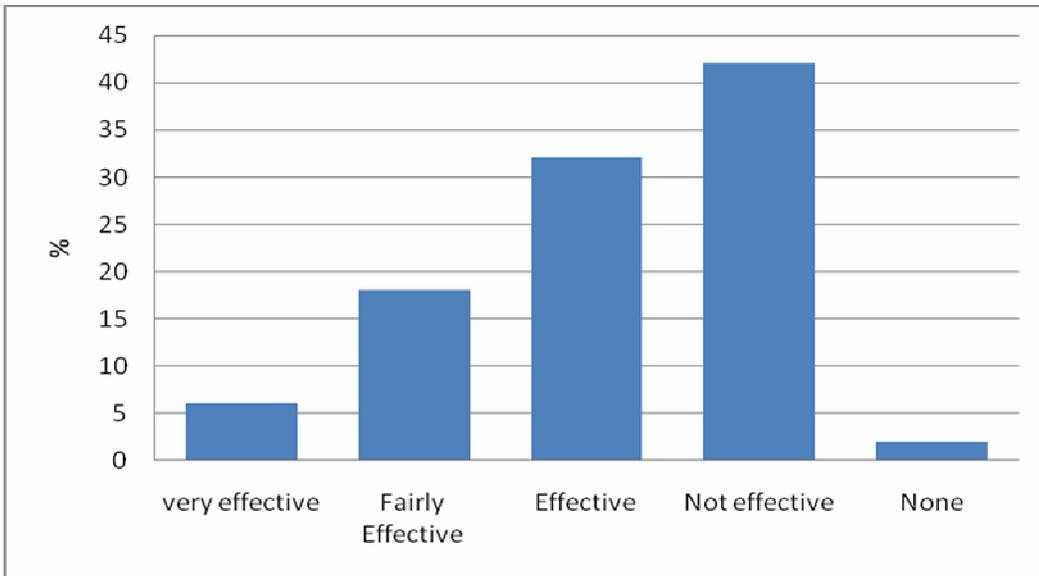


Figure 4.2.21 Effectiveness of audit in safeguarding the council revenue

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the findings of the research, explores the implications of the findings, draws conclusions and prescribes recommendations. The researcher documented the research findings as received from the respondents. This was put forward in form of graphs, piecharts, and tables. The documentation was necessary to support the findings and recommendations as stated. These are the facts from research on which the interpretation was based.

5.2 Summary of findings

The summary of research findings was based on the study analysis of the factors affecting revenue collection in city council of Nairobi. The study looked into the following areas; assessing the influence of organizational structure on revenue collection, assessing the influence of stakeholders in revenue collection, finding out the extent to which motivation influence revenue collection the role of computerization in revenue collection, the extent to which audit will play part in revenue collection and to determine the influence of corporate governance on revenue collection.

5.2.1 Gender, Age group, Level of Education and Year of Employment

The majority of the respondents were male with 58% and female taking 42%. It appeared that majority of the council staff ranges between 36-45 years of age and 6-10 years in

employment. The study showed that the majority of staff has their education up to college level.

5.2.2 Benefits

City council of Nairobi will benefit in knowing their strengths, weakness, opportunities, and treats in terms of revenue collection. They will be able to know the right recommendations to make. Pensioners will benefit from this study as improved revenue will enable the council remit pension funds to local Authority pension trust fund for pensioners to get their dues which are currently not remitted. Staff will benefit as improved revenue collection will enable the council pay salaries on time. The Government will benefit on the study has it brought to the attention of the policy makers effect affecting the revenue collection in the city council of Nairobi which will cut across the commas

5.2.3 How the results will be used

Other scholar doing research on the same are of study, find it useful. It will be used as reference on areas that used improvement and areas that should be done away with the policy formulation. it will be used to highlight how revenue within will be improved and will also help management on how to increase the revenue base. Statutory Body will get their statutory deductions due to them from the council because of the improved revenue collection

5.2.4 Awareness

The study revealed that awareness affects revenue collection due to ignorance of the staff and clients. Publicity of councils revenue was seen to have not been done up to the required level

5.2.5 Staff Motivation

Motivation of employees has been a major implication in performance of city council of Nairobi. Motivated Staff helps organizations grow since they are more productive. The study found that city council of Nairobi has low consideration for staff motivation, which has contributed to the poor performance in revenue within

5.2.6 Corporate Governance

Corporate Governance is the management in which the power of Organization is exercised in the stewardship of the organization is total portfolio of assets and resources with the objective of maintaining and increasing the shareholder value and satisfaction of the stakeholders in the context of its corporate mission. The study showed that corporate governance has not been emphasized in the city council of Nairobi.

5.3 Conclusion

Revenue is mandatory in any organization. no operation can take place without revenue and that is why organization aim to maximize revenue while minimizing the cost. Revenue section should be taken serious in city council of Nairobi and mobilization of revenue collection should be done through all means in order to collect enough revenue to fund the operations of the city council of Nairobi. Motivation of employees and revenue of them jular upwards would make them, improve on revenue collection. New

revenue avenues like Nairobi. National income should be made to pay tax to the city council.

The city council fo Nairobi should embrace ICT and implement initiative on part of a broader change management strategy in Revenue collection. Decentralization of Revenue collection operations to better meet the demand of the rapidly growing city council and its environs. Curb the current revenue leakages from corruption, inefficiency and waste to win greater trust and attract more resources to the annual from government, the business community, residents and Development Partners.

5.4 Recommendation

In relation to the factors, affecting revenue collection in the city council of Nairobi. The researcher recommends that city council of Nairobi put more emphasis in training their staff to manage the operations in professional way. Only qualify and competent employees need to be recruited and the recruitment policy be followed. The internal audit department in the city council should be given the independency it deserves. An audit committee should be formed which should work independently. Management should always act on the audit reports

City council need to motivate their employees through participation in decision making, innovation and empowerment. Working environment need to be improved as a way of getting employees motivated. Effective communication needs to be in place as a way of management. City council is required to practice corporate governance through

establishing guidelines as management tolls of operations managers should also try eradicating corruption in order to improve revenue collection.

5.5 Suggestion to further research

The researcher suggest further research on revenue management since revenue can be collected to maximum level but be mismanaged due to other factor that the study did not consider

5.6 Limitations of the study

Respondents assumed that they were being investigated and thus unwilling to fill in the questionnaires and the researcher convinced them that the information they were to give was to be used only for academic purposes. The respondents included revenue collectors and most of them in the field, thus getting them to fill in the questionnaires was a difficult task. Some of them were very busy collecting the revenue hence inconveniencing them when asked to fill in the questionnaires.

REFERENCES

Alm, James (1997). “**Revenue Assignment and Mobilization in Bangladesh,**” The World Bank (Washington, DC).

Anderson J. (1990) “**Tax Increment Financing:** Municipal Adoption and Growth,” *National Tax Journal*, 43(2), pp. 155-64.

Bahl R.W. and Bird, R.M. (2008) “**Tax Policy in Developing Countries:** Looking Back and Forward.” *National Tax Journal*, 61 (2), pp. 279-301.

Bahl R.W. and Linn, J. (1992) *Urban Public Finance in Developing Countries*, New York: Oxford University Press.

Bahl R.W. and Martinez-Vazquez, J. (2008) “**The Determinants of Revenue Performance,**”

Bahl, R.W., Martinez-Vazquez, J. and Youngman, J. (Eds.) *Making the Property Tax Work*, Cambridge, Mass: Lincoln Institute of Land Policy, pp. 35-57.

Bird R. M. (1994) “**Financing Local Services:** Patterns, Problems, and Possibilities.” Report prepared for the Global Report on Human Settlements. “Analysis of Earmarked Taxes”, *Tax Notes International*, pp. 2096-2116.

Bird R.M. (2000) “**Intergovernmental Fiscal Relations in Latin America: Policy Design and Outcomes**”, Washington, D.C.: Inter- American Development Bank, pp. 16-24.

Dirie I. (2005) “**Municipal Finance: Innovative Resourcing for Municipal Infrastructure and Service Provision**”, report prepared for the Commonwealth Local Government Forum in cooperation with Com Habitat.

GOK (1995) **local Authority budget guidelines**, ministry of local government.

GOK (2007) **Kenya vision 2030**.

GOK. (1999). *Economic Survey 1999*. Republic of Kenya. Nairobi: Government Printer.

Kingoina p.(2007) **management of strategic change practices on performance contracts and Rapid Results Initiative**, acase of kiambu county council.

Mituallah w.(2002) **Revenue management**, a case of Nairobi, UN-HABITANT.Nairobi.

Morrisset J. and A. Izquierdo. (1993). “**Effects of tax reform on Argentina’s revenues**”.

Mugendi O. and Mugendi A.(1999).**RESEARCH Methods**,Acts press. Nairobi.

Munge j.(2005),**Factors affecting provision of quality services in Local Authorities**,a case of kisumu municipal council.

Musgrave R. (1987). “**Tax reform in developing countries**”. In D. Newberry and N. Stern, eds., *The Theory of Taxation for Developing Countries*. Oxford: Oxford University

Mwangi J. G (2008) **Factors influencing local Authority tax compliance** a case of city council of Nairobi.

Njoroge J.W. (1993). “**Revenue productivity of tax reforms in Kenya**”.

Nyamunga J.B. (2001). “**Assessing taxation in Kenya: The case of VAT**”. Paper presented at a workshop on “Taxation in Kenya” organized by the Kenya Institute for Public Policy Research and Analysis (KIPPRA) in collaboration with International Tax and Investment Centre (UK). Nairobi, Kenya, 30 March 2001.

Osoro N.E. (1993). *Revenue Productivity Implications of Tax Reform in Tanzania*. Research Paper No. 20, African Economic Research Consortium, Nairobi.

Otieno N.(2007) **Service delivery** ,a case of city council of Nairobi.

UN-HABITAT The Challenges of City Financing: Habitat’s Professionals Forum and Land and Urban Poverty Organised by the Habitat Professionals Forum and the The Challenges of City Financing: Habitat’s Professionals Forum and Land and Urban

Poverty Organised by the Habitat Professionals Forum and the UN-HABITAT 2nd
World Urban Forum Barcelona, Spain 13-17 September 200

Unpublished MA dissertation, University of Nairobi

World Bank. (1990). *Tax Policy for Stabilization and Economic Recovery*. Country
Study. Washington, D.C.: The World Bank.

WPS 1192. The World Bank, Washington, D.C.

APPENDICES

Appendix 1: Letter to the Respondent

UNIVERSITY OF NAIROBI

SCHOOL OF BUSINESS

P.O BOX 23030

NAIROBI.

Dated_____

Dear Sir/Madam,

RE: A SURVEY OF THE FACTORS AFFECTING REVENUE COLLECTION IN THE CITY COUNCIL OF NAIROBI

I am a postgraduate student undertaking a Master of Business Administration degree at the school of business, University of Nairobi. I am currently carrying out a research on the factors affecting revenue collection in the city council of Nairobi

I kindly request you to provide the required information by responding to the questions in the questionnaire. The information required is purely for academic purposes and will be treated in the strictest confidentiality possible.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to you upon request. I will appreciate your corporation in this academic exercise.

Thanks in advance for your time.

Yours faithfully

Philip Machuki Nyanumba

Appendix 2: Questionnaires

SECTION A: INTRODUCTION

Please answer the following questions (tick where necessary)

1. Gender Male [] Female []

2. Age bracket 18-25 [] 26-35 [] 36-45 [] Above46 []

3. Designation.....

4. Department.....

5. Year in employment 1-5 [] 6-10 [] 11-15 [] 16-20 [] over 21 []

6. Education level primary Secondary [] College [] University []

SECTION B: Revenue Collection

7. Is the process of revenue collection satisfactory?

Yes [] No []

Briefly Explain

8. What factors influence revenue collection in Nairobi City Council?

9. What can be done to improve revenue collection?

10. To what extent can you say the collection of revenue is adequate in Nairobi City Council?

A Very Good [] B Good [] C. Average []
D Low [] E Very Low []

Give your brief comment on your choice

11. How often does the council carry out revenue collection survey?

Quarterly [] Half Yearly [] Three quarterly []
Annually [] None []

Give your brief comment on your choice

SECTION C: Information Communication System

12. Has computerization of revenue transactions been done in Nairobi City Council?

Yes [] No []

13. If yes, are you on Local Authority integrated Financial Operation Management System (LAIFOMS)?

Yes [] No []

14. Briefly explain how useful Local authority Integrated Financial Operations Management Systems (LAIFOMS) is on revenue function

15. To what extent do you think information communication information technology (ICT) affect revenue collection?

Very Good [] B Good [] C Average [] D Low []

16. Do you think Information communication technology ICT enhance revenue collection?

Yes [] No []

17. In what ways do you think Information Communication Technology (ICT) enhance revenue collection?

SECTION D: Staff Motivation

18. Are staff dealing with revenue collection motivated?

Yes [] No []

19. If yeas, to what extent can you say motivation affects revenue collection?

Very Good [] Good [] Average [] Low [] Very Low []

20. Does the council have staff development policy?

Yes [] No []

21. To what extent does staff development policy affect revenue collection?

Very Good [] Good [] Average [] Low [] Very Low []

22. In your opinion, how does training encourage team spirit and commitment to your assignment of revenue collection?

SECTION E: Attitude of clients / Stakeholders

23. Are your clients aware of the fact that the act empowers you to collect revenue from their premises according to Local Government Act Cap 265?

Yes [] No []

24. If yes, how does it affect your revenue collection?

25. What are the attitudes of your client when you approach them to pay revenue due to the council?

Very Cooperative [] Cooperative [] Fairly Cooperative []
Uncooperative [] Complete Uncooperative []

Give your brief comment on your choice

SECTION F: Structure

26. Does the council have organization structure?

Yes [] No []

27. If yes, is the structure appropriate and clearly show activities and work relationship?

Yes [] No []

28. Does the council have management team that oversees revenue collection?

Yes [] No []

29. If yes, does management team interfere with revenue collection?

Yes [] No []

SECTION G: GOVERNANCE

30. Are revenue records regularly audited?

Yes [] No []

31. If yes, how regular is revenue collected audited?

Daily [] Weekly [] Fort nightly []

Monthly [] Quarter []

32. How regular does Kenya National Audit team audit revenue records of the council?

Annually [] 1-2 Yearly [] 2-3-Years []

5Years [] Over 5 Years []

33. How effective are audit in safeguarding the council revenue?

Very effective [] Fairly effective [] Effective []

Not Effective [] None []

34. In your opinion what are the weaknesses of audit in connection with revenue collection briefly explain

35. Suggest areas you would like to be improved to safeguard revenue collected
