ABSTRACT

Revenue collection has, over the years, been the major source of finance for county governments to fulfill their expenditure obligations. However, this has not been possible in Homa Bay County where the report of Auditor General (2015) revealed a drop of 66.75% in revenue collection target. This has made the county to majorly depend on fiscal transfers which is insufficient to afford financing development projects as indicated by stalled projects of health, education and infrastructure. Studies done in this particular area correlating revenue collection to factors such as adoption of tax proposals, fiscal transfers and competence of revenue staff yielded conflicting results implying that no clear relationship exists between revenue collection and the factors. Therefore, this study sought to analyze determinants of revenue collection in Homa Bay County, Kenya. Specifically, it sought to determine the relationship between adoption of tax proposals and revenue collection, evaluate the association between fiscal transfers and local revenue collection and determine the association between Competence of revenue staff and revenue collection in Homa Bay County. The study was anchored on Expediency in Tax Theory, Theory of Fiscal Federalism and Vroom's Expectancy Motivation Theory. It was guided by Correlational Research Design, which is suitable in studies seeking to establish relationships. Pearson Correlation was used to establish the bivariate association between the study variables. Reliability of the instrument, mainly questionnaire was tested using test retest method and a reliability coefficient of 0.78 was obtained, which was above the threshold of 0.7. Validity of the instrument was ensued by giving the questionnaires to experts in the field of accounting and finance to review. A purposive sample of 30 respondents mainly drawn from revenue clerks was taken and 5 others contacted for questionnaire pretest but not in the actual data collection. A revenue officer and Inspector were also drawn from each of the 8 sub counties and used as key informants. Secondary data was obtained from existing records at the county revenue offices. The study revealed a positive significant correlation between revenue collection and adoption of tax proposals ($r = 0.409$, $p = 0.025 < 0.05$), a negative insignificant correlation between Fiscal Transfers and revenue collection ($r = -0.106$, $p = 0.576 > 0.05$) and a positive insignificant correlation between competence of revenue staff and revenue collection, ($r = 0.062$, $p = 0.746 > 0.05$). The study concluded that adoption of tax proposals in practice of revenue collection has a positive impact on the overall fiscal performance while fiscal transfers negatively affect revenue collection. Competence of revenue collection staff is on the other hand associated with good fiscal performance. The study recommended the need to adopt tax proposals for a well-diversified tax base, the need to investigate why reduction in revenue collection is associated with fiscal transfer and the need for periodical relevant staff training to improve their competence and performance. Findings of the study may be of great significance to policy makers and academicians, who may need the literature to further their research.