# Revenue Collection Strategies and Revenue Generation in Western County Governments, Kenya

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## ABSTRACT

Despite the devolved system of governance in Kenya, most of the counties, especially western Kenya, continue to face problems in raising enough own source revenue to fund their operations. As the local governments are under pressure to raise enough internal revenue to finance their operations, the need to adopt transparent and efficient revenue systems is no longer a choice but a requirement. This study sought to examine the relationship between revenue collection strategies and revenue yields in Western Kenyan counties with the goal of identifying best practices, systemic shortcomings, and feasible policy interventions. Guided by Public Financial Management theory the study employed a descriptive research design of 535 employees of county governments working in the revenue department of western counties of Kenya. A sample of 228 was approximated using the Yamane formula. Standardized questionnaires were employed in data collection and validity and reliability was ensured. The findings indicate that electronic payment systems ($\beta$= .627, $\rho$< .05), public enlightenment campaigns ($\beta$= .565, $\rho$< .05), and decentralized collection systems ($\beta$= 0.636, $\rho$< .05) have increased revenue inflows. The study recommends investments in training employees and using real-time auditing systems to boost revenue generation. This is considered to be an achievement of relevance to policy in improving revenue performance in county governments.

## INTRODUCTION

Revenue generation is a significant element of delivering local government service and its sustainability in different countries of the globe. Decentralization is becoming increasingly common throughout the globe, and the local governments currently have the sole task of raising their revenues to develop and provide services (Bird & Bahl, 2008). The success of local governments to raise sufficient revenues in turn depends on the efficiency of the local government in terms of revenue collection strategies.

The process of digitization of the revenue collection, the establishment of administrative capacity, expansion of the tax base, enhancing enforcement and compliance, and the promotion of involvement and trust in the process by the citizens, are effective revenue collection strategies embraced by the local government which ensures efficiency, equity, and sustainability of the local revenue mobilization process (Fjeldstad and Heggstad, 2012). Such processes do not just seek to maximize revenues but seek to reduce revenue leakage, enhance taxpayer compliance, as well as, inject transparency in the revenue collection process (Bird and Zolt, 2008).

These measures also increase revenues by the quantity and the consistency of local revenues. In addition, it also instills some confidence to the citizens towards tax payment that further boosts revenues in the long-term (OECD, 2014). On the instance of industrialized nations, Canada, Germany and the United States have an established system of revenue collecting, digital technology and administrative resources (Shah, 2006). In most of the developing countries, including Sub-Saharan Africa, the municipal governments have serious revenue mobilization challenges that are in form of limited tax bases, poor compliance, corruption, poor institutional capacity, and poor enforcement of laws (Fjeldstad and Heggstad, 2012).

The government structure established by the Constitution of 2010 in Kenya has resulted in county governments with huge fiscal functions, and thus viable local revenue mobilization strategies are a necessity (Republic of Kenya, 2010). Nevertheless, most counties have not been able to achieve their own-source revenue potential that has been introduced by low administrative capacity, absence of automation, ineffective enforcement frameworks,

political interference, and the low level of public awareness or compliance (World Bank, 2019; Ochieng & Wawire, 2021). These not only limit development planning and service provision but also affect fiscal autonomy and accountability at the county level leading to over dependence on the national government transfers and conditional grants (Commission on Revenue Allocation [CRA], 2022). The counties of Western Kenya, Kakamega, Bungoma, Vihiga, and Business presently have dissimilar financial capacity and administrative strategies and thus become a vital issue of concern in the discernment of the effectiveness of local revenue collection structures. The proposed study will address this gap by focusing on the study of the connection between revenue collection methods and revenue generation within the Western Kenyan counties.

**Theories and Hypothesis Development**

The Institutional Theory provides insights into the nature of adoption of a particular form, practice, and behaviour due to internal motives and external forces of public expectations, legitimacy, and efficiency (Scott, 2004). The Institutional Theory provides us with the theoretical framework to understand how the public institutions adopt a particular practice due to the official rules and social norms and collective cultural beliefs. It presumes that institutions have been established by regulatory, normative as well as cultural-cognitive forces that affect their existence and delivery of services.

Online payment systems have been found in the existing source of literature as those tools recognized as the most valuable ones when it comes to modernizing the revenue collection of the public sector (Odiambo & Nyariki 2022; Limo, Koskei and Oduor 2024 and Chepkoech, Gichana and Agong 2025). The World Bank (2020) established that digital platforms decrease corruption, enhance traceability, and make the life of taxpayers easier. There are empirical studies conducted in Kenya, and it has been established that there are counties where online platforms and mobile money are used, which have enhanced the efficiency of the revenue collection (Gikonyo and Kiragu, 2022). Another problem that Owino (2023) was worried about was the effect that interoperability of digital payments can have on the revenues of supermarkets in Nairobi.

The study ascertained the acceptability of digital payments, speed of transaction and trialability to be the most common interoperability factors and the three factors have high positive influence on revenue collection. The issue of security was also found as a requirement of the research and the importance of the usage of secure digital payment systems was highlighted as an urgent challenge to enable the collection of revenues. The conclusions of the research of these authors are unquestionable, in that the adoption of digital payment systems, including mobile payments, e-bills, online banking, and electronic point of sale are the factors that have a positive correlation with the effectiveness of the revenue collection in the county governments.

Implementation of the public awareness campaigns has employed the use of the Institutional Theory, which is critical in the culture of compliance and facilitation of civic engagement, which forms the basis of the generation of revenues. The application of the behavioral economics, social marketing, the best practice of engagement and communication, as well as communication with the citizens skill is an indispensable part of the development of the compliance/civic engagement culture that results in the revenue collection.

The county governments are trying to achieve this by educating the citizens in a way that the institutional norms of paying taxes are aligned with the popular opinion. The social marketing theory states that the marketing principles are transposed to social marketing in terms of making contributions in the form of paying tax or having resources shared by everyone. In trying to present the establishment of revenues as the social good, focusing on the social values, which will inform the establishment of the donations, PACs will strive to alter the prevalent opinion to instill the sense of civic responsibility (OECD, 2025). The empirical evidence reveals that the growth of tax consciousness is required to spur off the tax compliance (Le et al., 2024).

When taxpayers know what they are expected to do, the purpose why they are compelled to pay taxes and how these finances or money are utilized (e.g., education, health, infrastructures) they will be more inclined to do it voluntarily (MDPI, 2024). In a study of Vietnam, the results indicated a positive impact of tax awareness on tax compliance and provided a high proportion of the variation in compliance behavior (Le et al., 2024). Similarly, a study carried out in Romania determined that individuals will be more willing to pay their taxes when they are convinced that their money will lead to improved services in the state and when the state tax system complies with their desires (MDPI, 2024). This is what renders the open method of compensating the value of importance.

By making information easier to comprehend and exciting inquiring methods that are reachable, campaigns limit the difficulty of interaction with taxes, which in turn encourages participation (Hamed, 2020).

These campaigns are not only educative to the citizens, but also instill compliance culture, which in turn helps in making the county governments financially viable.

# METHODOLOGY AND DATA

The study designed research was descriptive research and was applied to explain the connection between the revenue collection strategies and the creation of revenues in the Western Counties of Kenya. The descriptive research design was suitable in the systematic recording of the level of performance of the county governments (Creswell and Creswell, 2018).

The study employed primary data that was gathered by way of administering structured questionnaires to the interviewees. The study aimed at explaining the amount of revenues received by the county governments and the revenues received in the Western Counties in Kenya.

The primary data used in the research is based on the respondents who were considered in the sample of the 535 workers working in the revenue department of the four counties in Western Kenya. The stratified simple random method of sampling was employed to select the respondents at random.

The structured questionnaire had the data gathered through the administration of the five points Likert Scale ranging between one and five.

## Measurement Variables

This research examined how the revenue collection methods relate to the revenue collection in Kenya on the Western counties. Measuring the variables was done through indicators that were obtained via literature and measured by using a structured questionnaire. The measures of each construct consisted of a number of items rated using a five-point Likert scale ranging between 1 = Strongly Disagree and 5 = Strongly Agree.

## Dependent variable

The dependent variable, which is revenue generation, will be a measure of perceived and actual effectiveness of county governments in revenue collection of local revenues. It was measured with the help of the items quantifying: Trend improvement in revenue collection over time, efficiency in revenue collection procedures, accuracy and timeliness of reporting and achievement of revenue goals. These actions were based on the previous studies concerning the performance of the public finance (Creswell and Creswell, 2018; Field, 2013). Mean score was computed by taking an average of the items.

## Independent Variables;

a) Digital Payment Platforms is operationalized as utilization and the use of technology-based payment systems in the collection of revenue. It was quantified by items that determine the availability of online and mobile payment methods, the ease of use with the digital platforms, integration with the financial reporting systems, perceived transparency and reduction of leaks. They represent constructs in the literature of digital finance and e-governance (World Bank, 2020; Field, 2013).

b) Public Awareness Campaigns involved the capture of the scope of the campaigns to question and educate the people on revenue requirements and payment means. It was quantified by the questions related to the frequency and coverage of the awareness activities, the clarity of the message conveyed, its success in enhancing the level of compliance among the people as well as receptiveness through media and opinion leaders. These Indicators have been crafted based on the models of public policy communication and fiscal literacy.

c) Decentralized Collections: This is the decentralization of the collection points and availability of payment services to the citizens at the sub-county or the ward level. The measurement items covered number and availability of collection centers, the usage of mobile agents or local offices, the decreasing level of travel

time and transaction cost and satisfaction of service convenience among citizens. The products were modulated on service delivery and decentralization studies within the local government backgrounds (Kothari, 2004).

## Model Specification

The research utilized multiple linear regression technique to test the hypotheses that is suitable since the researcher was concerned with determining the ability of different independent variables to predict a single continuous dependent variable (Field, 2013). It is an equation of the form:

$$RG = \beta_0 + DPPX_1 + PACX_2 + X_3 + \varepsilon$$

Where;

RG = represents Revenue Generation

DPP = Represents Public Awareness Campaign

PAC = Represents Public Awareness Campaigns

DC = represents Decentralized Collections

# RESULTS AND DISCUSSIONS

Correlation analysis was conducted to identify a relationship between the revenue collection strategies and revenue generation of the county governments of western, Kenya. To help in establishing the correlation between the study variables of interest, Pearson product moment correlation coefficient (r) was employed. The results of the correlation are as in table 2.

**Table 1 Correlation Table**

| | N | Revenue Generation | Digital Payment Platform | Public Awareness Campaigns | Decentralised Collections |
|---|---|---|---|---|---|
| Revenue Generation | 228 | 1.000 | | | |
| Digital Payment Platform | 228 | .643** | 1.000 | | |
| Public Awareness Campaigns | 228 | .726** | .475** | 1.000 | |
| Decentralised Collections | 228 | .623** | .884** | .293* | 1.000 |
| **. Correlation is significant at the 0.01 level (2tailed). | | | | | |

**Source: Field Data, 2024**

The results showed that the revenue generation is strongly and positively correlated with the public awareness campaign (r = 0.726, p < 0.01). The results indicate that more education effort and engagement by the people can greatly enhance revenue performance. In the same way the digital payment platform was also important and positively related to revenue generation (r = 0.643, p < 0.01). The results of the research revealed that the

implementation and utilisation of electronic payment systems like online payment portals online receipts etc. are key areas in the efficient and transparent revenue collection. The decentralized collections were positively and significantly associated with the revenue generation ($r = 0.623$, $p < 0.01$), which suggests that offering payment points through either mobile agents or local government kiosks has a positive influence on the revenue results.

Digital payment solutions and decentralized collections were extremely correlated with each other ($r = 0.884$, $p < 0.01$) but digital payment solutions were positively correlated with the public awareness campaign ($r = 0.475$, $p < 0.01$) and decentralized collections ($r = 0.293$, $p < 0.05$ indicating that digital solutions in addition to decentralized service points might be supportive of one another in order to provide the effective revenue collection. The impact of awareness campaigns does not only affect the revenue directly, but could also play a secondary role of augmenting the participation and utilization of digital tools and point of decentralization.

**Table 2: Revenue Collection Strategies and Revenue Generation among Western Counties in Kenya**

| Model | | Unstandardized Coefficients | | Standardized Coefficients | T | Sig. |
|---|---|---|---|---|---|---|
| | | B | Std. Error | Beta | | |
| | (Constant) | 2.947 | .347 | | 8.488 | .000 |
| | Digital Payment Platform | .627 | .270 | .131 | 2.322 | .000 |
| | Public awareness campaigns | .565 | .151 | .081 | 3.742 | .000 |
| | Decentralized collections | .636 | .198 | .149 | 3.212 | .000 |

**Source: Field Data, 2024**

The use of regression was intended to determine how revenue collection strategies influenced Western Counties, Kenya revenue collection. According to the findings of Table 3, the three independent variables; digital payment systems, public education campaigns, and decentralized collections had significant and positive effects on financial accountability. The most important among them included decentralized collections ($B = 0.636$, $p < 0.05$) that showed that a significant rise in revenue collection is likely to be achieved through a higher degree of decentralization in revenue collection processes. Digital payment systems were also found to play a critical role ($B = 0.627$, $p < 0.05$) which proves that when digital technology is introduced, there is increased transparency and fewer occasions when the money may be embezzled. The use of public awareness campaigns, even though important ($B = 0.565$, $p < 0.05$), had the worst contribution compared to the other measures. It shows the fact that education and communication are very crucial. When the citizens are familiar with the system, they will follow the rules and trust the local revenue systems. Campaigns of awareness can also change the habits of the citizens and the manner in which they can obtain payment systems and the government services.

According to the results, some of the most important factors that can be employed to improve financial accountability in the county governments are technology, well-presented systems and decentralized revenue collection. The other study result was that the model intercept was found to be significant ($B = 2.947$). This means that such a mixture of strategies is important in the financial responsibility improvement even without other considerations.

## DISCUSSION AND CONCLUSION

This study discussed the impact of revenue collection plans on revenue collection among the county governments in Western Kenya. The results indicate that a lot of counties are employing inefficient approaches to revenue collection (Ochieng & Wawire, 2021). Respondents (n=225) were used in the study. The findings showed that the performance of revenues in such counties is enhanced by the existence of clear and well-organized revenue collection plans.

Those counties that invest in digital systems, educate the population, and decentralize the revenue collection points have higher chances of raising their revenue. Decentralization is one of the strategies that most counties use. This will entail opening more and reinforcing of collection points through opening sub-county offices, dispatch of mobile revenue officers to isolated locations and computerization of the collection centers. The linking of these centers with a central database on revenue enhances accountability and transparency.

Digital platforms have equally contributed to revenue generation. The mobile money, bank transfers and ewallets have provided better results in counties that use them. Reporting and receipt systems are computerized eliminating fraud and human errors. Nevertheless, these digital systems should be made better to ensure they are more friendly and reliable in order to attract more individuals to pay.

The county governments should also mobilize the citizens by educating them and mobilizing their publicity via awareness programs, media programs, and community leaders. Individuals must learn to pay, the reason why they pay, and how the revenue they collect is utilized. When one partners closely with the opinion leaders and the community, it generates trust and influences more compliance.

The counties are to work out and adopt an all-inclusive approach to revenue mobilization, such as the incorporation of the data analytics to control the progress and track the areas of performance in order to guarantee the improvements in those areas, thus making sure that the strategies are aligned with the overall purpose of delivering the public services, improving the visibility, and holding the officials accountable.

The counties must also make sure that counties are trained on computer applications as well as customer care service, fraud detection as well as rehire IT staff to work on computer applications, as well as boost the capacity of the revenue agencies through technical assistance and resource allocation. One of the facilitators of strategy implementation is the human resource capacity.

The counties should also look at the reviewing and revising policies on mandatory payment use in digital form, use of third-party collectors/decentralized agents, and regular reviews and performances benchmarking. Consistency, compliance, and sustainability will also be ensured with the help of this policy.

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