

## STAFF TRAINING AND REVENUE COLLECTION: PERFORMANCE OF COUNTY GOVERNMENTS IN KENYA

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### ABSTRACT

*This study aimed at establishing the relationship between staff training and revenue collection performance at the county governments of Kenya. The 2010 constitution of Kenya provided for a two-tier government including the national government and the county governments which led to the formation of forty-seven (47) county governments replacing the 8 provinces. The county governments receive an allocation from the National Governments and are required to generate their own source (local) revenue. They have set targets, but these targets have over the years not been attained. According to the Office of Controller of Budget (OCOB) reports, county governments have been dismally performing in terms of revenue collection. The objective of this study was to establish the relationship between staff training and revenue collection of county governments in Kenya. The target population of this study was all the 47 county governments stipulated in the Kenyan 2010 constitution. Secondary data was collected from the office of auditor general financial reports and office of controller of budget. In data analysis, regression analysis was conducted, and hypothesis was tested at a significant level of 5%. The findings of this study showed that staff training had an influence on revenue collection of county governments in Kenya. The study recommends that county governments should enhance staff training to equip workers with required skills and knowledge to efficiently collect revenue. Additionally, the study recommends that future researchers can do comparative research on county governments of Kenya and other Governments that are collecting optimal revenues with evidenced efficient service provision to offer recommendations on working revenue mobilization mechanisms that can be employed by county governments of Kenya to enhance performance of revenue collection.*

**Key Words:** Staff Training, Revenue Collection

## **INTRODUCTION**

Staff training refers to a program that enables employees to perform their tasks efficiently and properly by bestowing the required skills. It entails equipping staff with skills required to perform a particular task. Since time in memorial, several changes have happened across the world and in the organizations, hence necessitating continuous training. For instance, the invention of computers in the 20th century meant that people working in organizations would need training to equip them with the necessary skills. Furthermore, staff training is a key component of revenue collection performance of governments across the world especially for efficiency in all operations including revenue collection in the 21<sup>st</sup> century. Most county governments of Kenya workers served in the defunct local authorities and there are numerous changes that came with the formation of county governments enshrined in the 2010 constitution of Kenya thus warranting staff training. Furthermore, skilled workers are empowered staff who can perform the required tasks efficiently and this consequently leads to the desired outcome including optimal revenue collection and attainment of the revenue collection targets anticipated even in county government set-up. For instance, modernization of systems would require staff to learn how to use such systems and this happens through staff training. The question however is whether staff training has any relationship to revenue collection and to answer this, several studies including (Mdagachule, 2014), (Ndunda, Ngahu, and Wanyoike, 2015), and (Khalfan, 2013) have linked staff training to revenue collection performance.

This study looked at the relationship between staff training and revenue collection performance of county governments in Kenya. This research study aimed at adding value to the existing literature on staff training and revenue collection of County Governments in Kenya.

### **Statement of the Problem**

County Governments of Kenya established in the 2010 constitution are entrusted with the role of generating own source revenue According to the Office of Controller of Budget (OCOB) reports, County Governments have been performing dismally in terms of raising own source local revenue which is evidenced by the OCOB reports indicating that overall, the county governments' actual revenue has consistently fallen short of the set target since inception. The inability to collect optimal revenue has resulted to poor service delivery and an over-reliance on National Government's allocation which has derailed development in many county governments. Owing to the fact that County Governments in Kenya are relatively new having been in operation for about a decade and although there is no guide that County Governments use to help them in mobilizing own source revenue collection, it is clear from the existing studies that County Governments have put an effort in the quest to generate optimal revenue by embarking on various revenue mobilization measures. Kimutai (2017) in the research study on Effect of revenue mobilization measures on performance of County Governments in Kenya established that staff training had a statistically significant effect on performance of county governments. The study further asserted that there should be frequent capacity building programs to ensure that county government revenue targets are realized. Similarly, (Gituma, 2017) found out that training had a great effect on the optimal revenue collection of county government of Embu. From KRA perspective, (Kiprotich, Njuguna, and Kilika, 2018) in the study on Total Quality Management and Operational Performance of KRA found a positive relationship between training and performance of Kenya Revenue Authority (KRA). These findings were echoed by (Mwaura, 2017) who asserts that modernization and staff training among other reforms were effective in streamlining revenue collection at KRA and consequently in increasing revenue collection. Numerous studies have been conducted on staff training and revenue collection. It is however not clear whether it does work or not in the quest to generate optimal revenue, as evidenced by the continued low local revenue collection.

### **Objective of the Study**

To establish the relationship between staff training and revenue collection of county governments in Kenya.

## Research Hypothesis

**H<sub>01</sub>:** There is no statistically significant relationship between staff training and revenue collection of county governments in Kenya

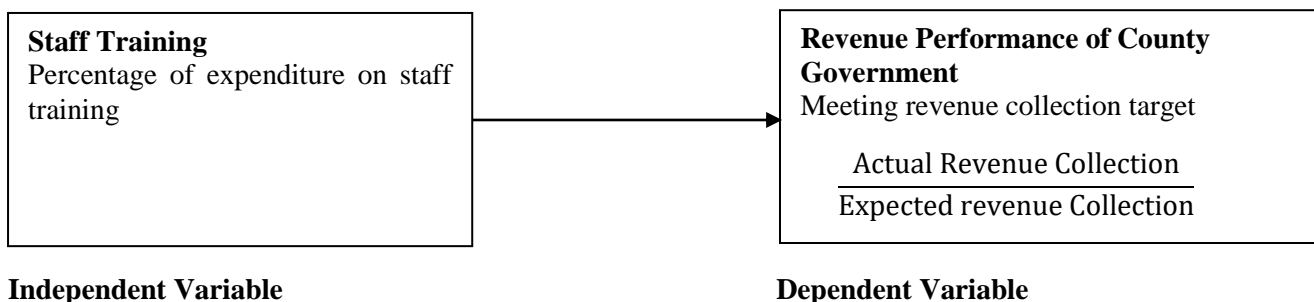
## LITERATURE REVIEW

### Theoretical Review

This study used Agency Theory which provided insight into staff training and revenue collection of County Governments in Kenya. The Agency Theory was developed by Stephen Ross and Mitnick Barry in the early 1970s and it explains the relationship between a principle and an agent with the goal being to create a solution to the conflict that exists between the agent and the principle.

### Conceptual Framework

A conceptual framework was developed as presented in the figure below. It conceptualized how the dependent variable which was revenue collection performance of county governments was influenced by the independent variable which was Staff Training.



**Figure 1: Conceptual Framework**

### Staff Training and Revenue Collection Performance of County Government in Kenya

Numerous studies have been conducted across the world on the impact of staff training on revenue collection performance in corporate organizations, governments and revenue collecting bodies. (Kondo, 2015) in the study on effect of revenue enhancement strategy on Kenya Revenue Authority's (KRA) financial performance identified staff training as one of the factors that influence KRA's financial performance. The study used secondary method of data collection, and the data was collected from KRA's annual published reports and strategic plans from 2002/2003 to 2014/2015 financial years. The study used revenue collection to measure financial performance and the variable for staff training was measured using the cost of staff training. This study found out that staff training as a revenue enhancement strategy lacked a statistically significant effect on the financial performance of KRA as evidenced by the P-value of 0.717 which was greater than the threshold of 0.05 significance level. Still in the KRA context, (Awitta, 2010) identified training as one of the strategies used by KRA to enhance revenue collection to equip staff with the required skills since they are the key program implementers. This study made use of descriptive research design and used a primary data collection method which was collected by issuing questionnaires to KRA staff. This study found out that staff training had improved the staff's skills and capacity, but the staff had not extensively applied the knowledge garnered in the training.

In a study undertaken in Trans Nzoia County, (Ataro, Muturi and Wandera , 2016) carried out a study on the factors affecting revenue collection efficiency in County Governments of Kenya. The study examined amongst other aspects the role of staff competence in the county government's revenue collection. The study utilized a mixed research design, and a target population composed of senior management of Trans Nzoia

County government. The staff competence with respect to the revenue collection was examined in terms of skills, training and information technology knowledge. The study established that staff competences had a positive and statistically significant influence on the revenue collection performance of the county government. These results were attributed to the staff being able to perform their tasks in a professional manner. Additionally, the study by Ataro *et al.*, (2016) emphasized the need for optimal revenue collection for proper service delivery and established that staff training in the county government brought about efficient revenue collection. The study further recommended that staff training ought to be done to improve staff competencies and also posits that staff training led to professionalism. (Adenya and Muturi, 2017) observed that the county government of Kiambu, like most of the other 47 county governments had consistently not met the revenue targets and it is for this reason that they sought to evaluate the factors that affect the efficiency of revenue collection at the county government of Kiambu. The study found out that the capacity of the revenue collection personnel had a positive statistically significant effect on efficiency of revenue collection in the county government of Kiambu. Furthermore, the study established that there were adequate revenue collection staff equipped with the required skills.

Focusing on Nakuru County government, Ndunda *et al.*, (2015) studied amongst other aspects the influence of staff competence in this case the revenue staff on revenue collection of county government. Descriptive method of research design was adopted and a population target made up of the revenue clerks, finance officers and administrative staff. The study found that diverse aspects of revenue clerks' competencies were associated with revenue collection performance. Ndunda *et al.*, (2015) established a statistically positive relationship between the revenue clerk's competence and revenue collection at the County Government of Nakuru. The study recommended that the county government of Nakuru needs to improve the staff employment terms to attract and retain highly competitive staff who would consequently be essential in revenue collection. Furthermore, Using descriptive survey method of research design and a population target of 122 Embu county employees, Gituma (2017) examined amongst other aspects the role of staff competences on revenue collection. The study found that various components of employee competences had an influence on revenue collection. These component included the administration of tax skills, structure of tax understanding, knowledge of laws related to revenue in addition to knowledge of return analysis skills. The study found a positive statistically significant relationship between staff competence and revenue collection performance which was attributed to staff competencies enabling quicker and more professional undertaking of the job tasks and hence a better outcome. Furthermore, (Lelei & Ombui, 2018) in the study on determinants of optimal revenue collection in county governments of Kenya using 49 respondents drawn from County Government of Bomet revenue department established that Staff competencies in terms of staff training was linked to optimum revenue collection.

In the examination of the factors driving revenue collections at Mpwapwa district council in Tanzania, (Mdagachule, 2014), examined the competence of the revenue collection staff as a revenue collection driving factor. The research study utilized both qualitative and quantitative research techniques. The target population included revenue collectors, finance staff, and council management staff. The study cited the lack of competent staff as a factor affecting revenue collection in the council. In this context, Mdagachule (2014) noted that some revenue collection staff lacked any training on revenue collection strategies and some had overall low education background. The study recommended that the council should dedicate resources to staff training aspects. A study undertaken at Tameke Municipal Council, Khalfan (2013) found staff competence to have a great influence on revenue collection aspects at the council. The study was undertaken using a case study research design and convenience sampling method. The study noted that there were challenges with staff training at the council that were associated with failure of some revenue collection. This was attributed to the revenue collectors not being knowledgeable with the current strategies of revenue collection.

## METHODOLOGY

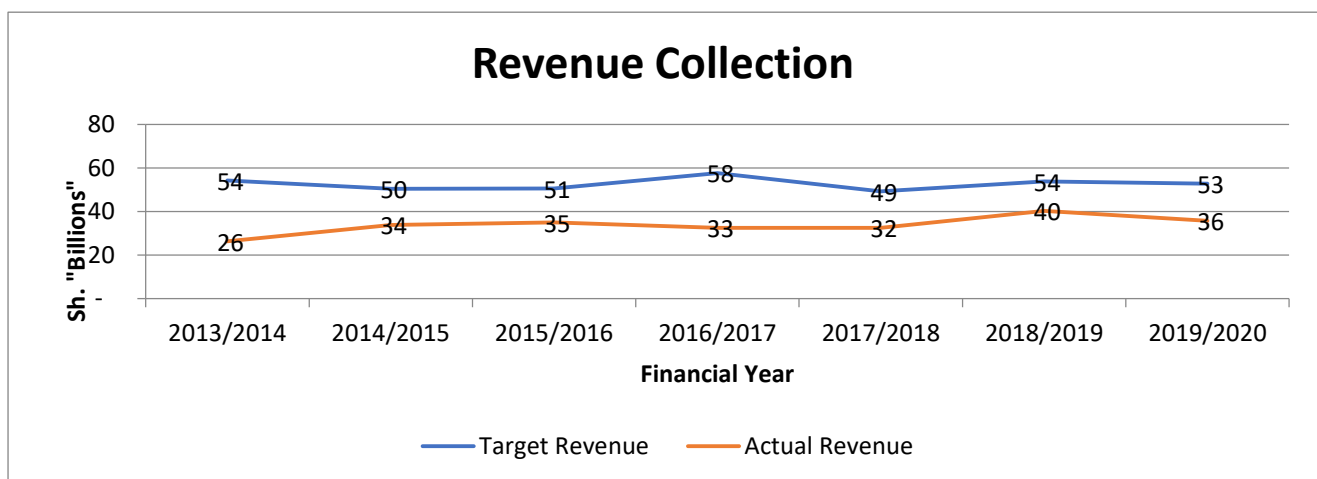
This research study adopted a descriptive research design to find out the relationship between staff training and revenue collection performance of county governments in Kenya with a target population of all the 47 county governments stipulated in the Kenyan 2010 constitution. Secondary data was collected and used to test the hypotheses of the research study with the P-value utilized to give guidance on making the decision on whether to reject or fail to reject the null hypotheses. When the P-value is  $\leq 0.05$ , the research study's null hypothesis was rejected and the alternate hypotheses failed to be rejected and when P-value was  $\geq 0.05$ , then the study failed to reject the null hypotheses and rejected the alternate hypotheses

## RESEARCH FINDINGS

The results discussed below form the basis for discussion on the independent variable (staff training) on the dependent variable, (revenue collection performance of county governments in Kenya).

### Revenue Collection Trend Analysis

This section discusses the revenue collection performance trend of county governments in Kenya from 2013/2014 financial year to 2019/2020 Financial Year (FY) as presented in figure 1 below; -



**Figure 1: Own source revenue collection Target versus Actual Total Revenue Collection Trend**

Figure 1 above indicates the trend of revenue collection for the county governments over seven financial years from 2013/2014 Financial Year to 2019/2020 Financial Year. For the period 2013/2014 and 2014/2015 financial year, the trend indicates an increase in revenue collection from Ksh.26.3 billion to Ksh.33.8 billion in the 2014/2015 financial year. This was further followed by an increase in revenue collection to about Ksh.35Billion in 2015/2016 financial year. The trend thereafter indicates a sudden decline from Ksh.35 billion to Ksh.32.5 billion in 2016/2017 Financial Year followed by a further decline to 32.5 billion in 2017/2018 Financial Year. Figure 1 above further indicate that overall, the county governments of Kenya have not been able to meet the set revenue targets. The revenue targets decreased in the 2014/2015 Financial Year from Ksh.54.2 billion in 2013/2014 Financial Year to 50.4 billion in 2014/2015 Financial Year but the county governments did not meet the revenue collection targets. In 2015/2016 FY, the targets were set to Ksh.50.4 billion however, the County Governments did not meet the set revenue target. In 2016/2017 FY, the set targets were increased to Ksh.57.7 billion, but still the revenue collection targets were not met. In the 2017/2018 FY, the target was reduced to Ksh.49.2 billion but the actual revenue collection slightly decreased from Ksh. 32.52 billion to Ksh.32.49 billion in 2017/2018 FY. During the 2018/2019 financial year, county governments generated Sh. 40.3 billion consequently falling short of the revenue collection target by 25.2%. The actual own source revenue collection declined from 40.3 billion to 35.8 billion in 2019/2020 Financial Year.

Concurrently, the revenue collection target declined by 34.8% which was an additional decline of 9.6% from 2018/2019 Financial Year but still the revenue targets were not attained.

### Regression between revenue collection and Staff Training

The study sought to examine the effect of staff training expenditure on revenue collection of county governments in Kenya. A regression analysis was done and the findings discussed in this section. Table 1 presents the regression model summary, table 2 presents the ANOVA results and Table 3 presents the regression coefficients used in explaining the study variable.

**Table 1: Model summary of revenue collection and Staff Training Expenditure**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.333 <sup>a</sup>	.111	.107	.009591576915

a. Predictors: (Constant), Staff Training Expenditure

b. Dependent Variable: Revenue Collection

As presented in table 1, the coefficient of determination (R Square) is 0.111. This means that 11.1% (R<sup>2</sup>) of the total variability in the dependent variable (revenue collection) can be explained by the independent variable (staff training expenditure).

**Table 2: ANOVA Table of Revenue Collection and Staff Training Expenditure**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.003	1	.003	29.076	.000 <sup>b</sup>
	Residual	.021	233	.000		
	Total	.024	234			

a. Dependent Variable: Revenue Collection

b. Predictors: (Constant), Staff Training Expenditure

The ANOVA Table 2 indicates that the variability in the dependent variable (Revenue Collection) is because of the influence of staff training expenditure. This is because the P-value which is (P≤0.000) was statistically significant because it was less than 0.05 (P=0.000). The F-statistics was 29.076 and statistically significant and thus the null hypothesis that staff training expenditure does not have a statistically significant effect on the revenue collection of county governments in Kenya was rejected and the alternative hypothesis was accepted.

**Table 3: Coefficients of revenue collection and staff training**

Coefficients						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.001	.001		-.259	.796
	Staff training expenditure	1.064	.197	.333	5.392	.000

a. Dependent Variable: Revenue Collection

The coefficient table 3 shows that staff training expenditure contributes a positive statistically significant value of 1.064 for every unit increase in the revenue collection of county governments. The model equation is presented as;-  $Y=0.001+1.064X_2+\mu$

In summary the results in tables 1, table 2 and table 3, indicate that staff training expenditure had a statistically significant effect on revenue collection of county governments in Kenya. This is explained by  $\beta = 1.064$ .  $t = 5.392$ ,  $P \leq 0.000$ . Further, staff training also explained a significant portion of revenue collection,  $R^2 = .111$ ,  $F = 29.076$ ,  $P \leq 0.000$ . Thus, the regression model connecting staff training expenditure and revenue collection is  $Y = 0.001 + 1.064X_2 + \mu$ . As a result, the null hypothesis  $H_{02}$ : There is no significant relationship between staff training expenditure and revenue collection was rejected because there is a statistical evidence that staff training expenditure had an effect on revenue collection of county governments in Kenya.

## SUMMARY OF FINDINGS

The study found a positive and statistically significant correlational relationship between Staff Training and revenue collection performance of county governments in Kenya. The regression result show that the effect of Staff Training was 0.111 meaning that Staff Training had about 11.1% influence on revenue collection performance of county governments in Kenya. The regression model had P-value of 0.00, indicating that it was statistically significant at 0.05 level of significance.

## CONCLUSION

Based on the findings, this study concluded that Staff Training is key to the optimal revenue collection performance of county governments. To generate more revenue, it is crucial to empower staff through training to help them know the importance and gain the requisite skills for enhancing revenue collection at the county government. Like many other studies in this area, this research concluded that Staff Training was an important revenue mobilization measure which was evidenced by the regression results which showed that Staff Training had positive and statistically significant effect on revenue collection performance of county governments in Kenya.

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