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ABSTRACT

Revenue collection is fundamental to the financial sustainability and service delivery of county governments. Despite Kenya’s devolution framework, many counties continue to experience significant disparities in revenue performance, underscoring governance challenges that limit optimal fiscal outcomes. Guided by agency theory and supported by public choice theory and institutional theory, this study examines the effect of governance structures—fiscal autonomy, transparency, accountability, and human resource capacity—on revenue collection across Kenya’s 47 county governments. A descriptive research design was applied, integrating both primary and secondary data. Primary data were gathered through structured questionnaires administered to county revenue officers, while secondary data on annual revenue collection and population size were obtained from official county financial reports. Using descriptive statistics, correlation analysis, and multiple regression, the study found that governance structures collectively explain 93.3% of the variation in revenue collection ($R^2 = 0.933$). Accountability emerged as the most influential factor ($\beta = 0.675$, $p = 0.000$), followed by human resource capacity ($\beta = 0.428$, $p = 0.001$), fiscal autonomy ($\beta = 0.393$, $p = 0.005$), and transparency ($\beta = 0.278$, $p = 0.018$). Population size showed no significant effect ($\beta = 0.005$, $p = 0.917$), indicating that demographic factors are less critical than governance mechanisms in determining revenue outcomes. These findings demonstrate that strong governance structures—particularly accountability frameworks, skilled personnel, and robust fiscal independence—are key to enhancing revenue collection among county governments.

Keywords: Governance structures, fiscal autonomy, transparency, accountability, human resource capacity, revenue collection, county governments, Kenya

I. INTRODUCTION

A. Background

Revenue collection is the cornerstone of financial sustainability and effective service delivery in devolved governments. Adequate locally generated revenue provides counties with the fiscal capacity to implement development projects, maintain infrastructure, and deliver essential services such as health care, education, and water supply (World Bank, 2021; IMF, 2019). In Kenya, the 2010 Constitution established a devolved governance framework to enhance public participation, equity in resource distribution, and accountability in service provision. County governments were mandated to collect own-source revenue to supplement national transfers, thereby reducing over-reliance on central government funding and improving fiscal independence (CRA, 2020; AfDB, 2021). Strong governance structures—characterized by clear fiscal policies, transparent systems, and effective oversight—are therefore critical to enabling counties to meet their revenue targets and fulfil their development mandates.

Globally, sound governance is recognized as a key driver of revenue performance. Governance structures that emphasize fiscal autonomy, transparency, and accountability create an enabling environment for efficient tax administration and compliance (OECD, 2020; Bahl & Bird, 2018). Fiscal autonomy empowers sub-national governments to design and implement revenue policies that reflect local economic conditions, while transparency and accountability reduce leakages, corruption, and resistance to taxation. Human resource capacity, including the skills and motivation of revenue officers, further strengthens the ability of local governments to mobilize resources effectively (UNDP, 2019; Fjeldstad & Heggstad, 2012). These elements collectively enhance the efficiency of revenue systems, build taxpayer trust, and support sustainable economic growth.

In Kenya, however, county governments have faced persistent challenges in meeting revenue targets despite the devolved governance framework. Reports by the Commission on Revenue Allocation (CRA, 2020) and the Office of the Controller of Budget reveal significant disparities in revenue performance across counties, with many failing to achieve even half of their annual projections. Factors such as weak institutional structures, inadequate fiscal autonomy, limited human resource capacity, and lack of transparency and accountability have been identified as major impediments (KIPRA, 2021; Ndung'u & Mutunga, 2020). These concerns underscore the importance of investigating how governance structures influence revenue collection, to provide actionable insights that can guide reforms aimed at enhancing county fiscal performance.

B. Problem Statement

Despite constitutional and legislative measures to strengthen devolution, many Kenyan county governments continue to underperform in revenue collection. Data from the Office of the Controller of Budget show that own-source revenue accounts for less than 20 percent of total county budgets in most counties, far below the levels required for financial self-sufficiency (CRA, 2020; IMF, 2019). This underperformance undermines the capacity of counties to deliver essential services and increases their dependence on equitable share allocations from the national government. Weak governance structures—manifested in inadequate fiscal autonomy, limited transparency, weak accountability mechanisms, and insufficiently skilled revenue personnel have

been consistently cited as underlying factors contributing to poor revenue outcomes (KIPPRA, 2021; World Bank, 2021).

Empirical studies provide mixed findings on the impact of governance on revenue performance. Some researchers argue that robust governance systems significantly enhance revenue collection by reducing leakages and improving taxpayer compliance (Bahl & Bird, 2018; Fjeldstad & Heggstad, 2012). Others contend that structural challenges such as political interference, lack of capacity, and corruption often diminish the effectiveness of governance reforms (Ndung'u & Mutunga, 2020; AfDB, 2021). These divergent conclusions indicate the need for a context-specific analysis to clarify the extent to which governance structures affect county-level revenue mobilization in Kenya.

The absence of comprehensive, county-specific evidence creates a critical knowledge gap. Existing studies tend to focus on national tax administration or examine individual governance dimensions in isolation, overlooking the combined effects of fiscal autonomy, transparency, accountability, and human resource capacity on revenue performance (KIPPRA, 2021; UNDP, 2019). This study addresses this gap by empirically analyzing how these governance structures influence revenue collection across all 47 Kenyan counties, providing evidence-based insights to inform policy interventions aimed at improving fiscal sustainability and enhancing the effectiveness of devolution.

II. LITERATURE REVIEW

A. Theoretical Review

The relationship between governance structures and revenue collection can be explained through several interrelated theories. Agency Theory, advanced by Jensen and Meckling (1976), posits that public officials (agents) are entrusted by citizens (principals) to manage resources and deliver services efficiently. In the context of county governments, weak monitoring and misaligned incentives may lead to opportunistic behavior, revenue leakages, and under-collection. Strengthening accountability and transparency mechanisms reduces agency costs, ensuring that revenue officers act in the best interests of taxpayers and the public (World Bank, 2021).

Public Choice Theory, developed by Buchanan and Tullock (1962), provides further insight by highlighting that government officials often pursue their own interests, which can conflict with those of citizens. When fiscal autonomy is limited and checks on political interference are weak, revenue systems become vulnerable to inefficiency and corruption. Governance structures that emphasize citizen participation, transparent budgeting, and independent oversight can mitigate these risks by aligning political incentives with sound fiscal management (Bahl & Bird, 2018).

The Institutional Theory by Meyer and Rowan (1977) underscores the role of formal and informal rules, norms, and structures in shaping organizational behavior. County governments operate within a framework of legal and administrative norms established under the Constitution of Kenya 2010 and the Public Finance Management Act. Strong institutions—characterized by clear fiscal policies, skilled human resources, and robust information systems—enhance revenue mobilization by ensuring compliance, standardizing practices, and reducing discretionary decision-making (KIPPRA, 2021).

B. Empirical Review

Global evidence consistently links governance quality to stronger revenue performance, though with important conceptual caveats. Barbosa, de Medeiros and Simões (2024) found that robust legal frameworks, administrative capacity, and public participation significantly improve revenue collection efficiency in Brazilian water utilities. Their mixed descriptive–inferential design clarifies that governance matters, yet it leaves a conceptual gap on how individual components—such as transparency versus accountability—work separately and in concert to drive outcomes. Similarly, Arnold et al. (2022) showed across EU countries that regulatory quality, government effectiveness, and anti-corruption measures correlate positively with revenue generation, but the study’s qualitative emphasis introduces a methodological gap, calling for quantitative validation to strengthen causal inferences.

Broader cross-country work in developing contexts echoes these themes while underscoring contextual limits. Khaltar (2024) reported that regulatory enforcement, transparency, and accountability raise tax compliance and revenue in Asian developing economies using a cross-sectional econometric approach. While the results reinforce the salience of governance, they highlight a contextual gap: administrative, political, and fiscal realities in Asia differ from Kenya’s devolved county setting, warranting localized analysis. Complementing this, Tassonyi (2023) showed that Canadian municipalities with clear fiscal rules, strong administrative practices, and citizen engagement achieve superior fiscal performance; however, a conceptual gap remains on which governance elements most directly influence distinct revenue streams.

Kenyan studies point to actionable levers but often sidestep governance structure as an integrated construct. Kitavi (2023), using an explanatory design in Kitui County, found that technological innovation and legal frameworks significantly enhance revenue collection while employee competence did not; nevertheless, a conceptual gap persists because governance structures per se were not modeled. Okoth (2023) used a before–after design in Kakamega County and showed that cashless reforms, PSRM reforms, and toll-fee reforms significantly improved revenue, yet reliance on secondary data alone presents a methodological gap by omitting perceptions and behaviors of frontline revenue staff.

Further local evidence underscores the need to center governance architecture directly. Oduol (2023) surveyed five counties and linked institutional capacity, policy implementation, regulation, and human capacity to revenue enhancement, highlighting skills and staffing deficits; still, the study introduces a conceptual gap by not specifying governance structures as the primary explanatory framework. At the national level, Kioko (2022) found that corporate governance features at KRA—board independence, meetings, and size—significantly predict revenue collection, but a conceptual gap remains because these board-level attributes do not map cleanly onto county-level governance structures that blend fiscal autonomy, transparency, accountability, and human resource capacity.

Across settings, stronger governance aligns with better revenue outcomes. Yet three gaps recur: a conceptual gap in isolating and jointly testing the specific governance components most salient for revenue; a methodological gap where qualitative or secondary-only designs limit causal interpretation; and a contextual gap, as evidence from national agencies or foreign jurisdictions



does not translate directly to Kenya's devolved counties. These gaps motivate the present study's county-wide, governance-structured model that examines fiscal autonomy, transparency, accountability, and human resource capacity as integrated predictors of revenue collection across Kenya's 47 counties.

III. METHODOLOGY

This study adopted a descriptive research design to examine the effect of governance structures on revenue collection among county governments in Kenya. The descriptive design was appropriate because it enabled the collection of detailed information on the characteristics and relationships of the key variables—fiscal autonomy, transparency, accountability, and human resource capacity—without manipulating the study environment. The design also facilitated both quantitative and qualitative analysis, providing a comprehensive understanding of how governance structures influence revenue performance across Kenya's devolved units.

The target population comprised revenue officers and senior finance staff drawn from all 47 county governments in Kenya. Using the Yamane formula, a representative sample was selected to ensure adequate coverage across counties while maintaining statistical reliability. Respondents included county revenue directors, finance officers, and staff directly involved in revenue administration, ensuring that data reflected the experiences of those most knowledgeable about governance processes and revenue collection. Stratified random sampling was employed to capture variations across different counties and governance levels.

The study relied on both primary and secondary data. Primary data were collected using structured questionnaires that captured perceptions and practices related to fiscal autonomy, transparency, accountability, and human resource capacity. Secondary data on annual revenue collection figures and population statistics were obtained from county financial reports and records from the Office of the Controller of Budget. Data were analyzed using descriptive statistics to summarize responses and inferential statistics—including correlation and multiple regression—to test the relationships between governance structures and revenue collection. Diagnostic tests were performed to ensure validity, reliability, and robustness of the regression models, allowing the study to draw credible conclusions about the influence of governance structures on county revenue performance.

IV. RESULTS AND DISCUSSION

The regression analysis results in Table 1, Table 2, and Table 3 provide insights into the effect of governance structures on revenue collection among county governments in Kenya. The model summary in Table 1 indicates that the independent variables—fiscal autonomy, transparency, accountability, human resource capacity, and population size—explain 93.3% of the variation in revenue collection, as shown by the R Square value of 0.933. The adjusted R Square value of 0.924 further confirms the model's strong explanatory power, even after adjusting for the number of predictors. The standard error of the estimate, 0.234987, suggests minimal dispersion of observed values around the regression line, indicating a high level of accuracy in the model's predictions.

Table 11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.966 ^a	.933	.924	.234987

a. Predictors: (Constant), Population size, Fiscal autonomy, Transparency, Human resource capacity, Accountability

The ANOVA results in Table 2 show that the overall regression model is statistically significant, with an F-statistic of 100.020 and a p-value of 0.000, which is well below the 0.05 significance threshold. This confirms that the predictors collectively have a significant effect on revenue collection, justifying the inclusion of the independent variables in explaining the dependent variable.

Table 2: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	27.615	5	5.523	100.020	.000 ^b
	Residual	1.988	36	.055		
	Total	29.603	41			

a. Dependent Variable: Revenue collection
b. Predictors: (Constant), Population size, Fiscal autonomy, Transparency, Human resource capacity, Accountability

The coefficients in Table 3 reveal the individual contributions of the predictors to revenue collection. Accountability has the largest and most significant positive effect ($B = 0.650$, $p = 0.000$), indicating its critical role in enhancing revenue collection. Human resource capacity also has a substantial and significant positive impact ($B = 0.511$, $p = 0.001$), followed by fiscal autonomy ($B = 0.294$, $p = 0.005$) and transparency ($B = 0.269$, $p = 0.018$). Population size, however, has no significant effect on revenue collection ($B = 0.004$, $p = 0.917$), suggesting that governance structures, rather than demographic factors, are the key drivers of revenue collection efficiency. These findings underscore the importance of strengthening accountability, human resource capacity, fiscal autonomy, and transparency to improve revenue collection among county governments.

Table 3: Coefficients

Model		Unstandardized Coefficients		Standardized	t	Sig.
		B	Std. Error	Coefficients Beta		
1	(Constant)	1.364	.430		3.168	.003
	Fiscal autonomy	.294	.097	.393	3.019	.005
	Transparency	.269	.108	.278	2.486	.018
	Accountability	.650	.112	.675	5.824	.000
	Human resource capacity	.511	.135	.428	3.794	.001
	Population size	.004	.041	.005	.106	.917

a. Dependent Variable: Revenue collection

From the Table 3 the following model has been developed:

$$Y = 1.364 + 0.294X_1 + 0.269X_2 + 0.650X_3 + 0.511X_4$$

Where:

Y = Revenue collection,

X₁ = Fiscal autonomy

X₂ = Transparency

X₃ = Accountability

X₄ = Human resource capacity

V. CONCLUSION

This study concluded that governance structures play a significant role in influencing revenue collection among county governments in Kenya. Fiscal autonomy, transparency, accountability, and human resource capacity were found to have a positive and significant impact on revenue collection, emphasizing the importance of well-defined governance mechanisms in achieving financial efficiency. Counties with higher levels of fiscal independence, robust transparency measures, strong accountability frameworks, and adequate human resource capacity demonstrated better revenue collection performance. The findings highlight the necessity of prioritizing governance reforms to improve revenue management at the county level.

Fiscal autonomy was identified as a crucial component of effective revenue collection, as it allows counties to make independent financial decisions and manage revenue sources without over-reliance on national transfers. However, the study found that there is still room for improvement in ensuring that counties can generate sufficient revenue autonomously. Similarly, transparency emerged as a vital factor, with practices such as disclosing financial information and engaging citizens in financial matters contributing positively to revenue outcomes. Despite these efforts, some counties exhibited variability in the implementation of transparency measures, suggesting the need for a more standardized approach.

Accountability was the most significant predictor of revenue collection, underscoring its critical role in ensuring responsible financial management. Mechanisms such as regular audits, addressing

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audit queries, and holding officials accountable for financial mismanagement were shown to strengthen revenue collection systems. This highlights the importance of establishing robust accountability frameworks to enhance financial discipline and build trust in county governance. Additionally, human resource capacity significantly influenced revenue collection, with counties that employed qualified, trained, and motivated staff achieving better outcomes. However, the study noted a gap in continuous professional development programs, suggesting the need for ongoing investment in staff training and technology to support human resource capacity.

Finally, the study concluded that population size does not have a significant direct effect on revenue collection, indicating that demographic factors alone are insufficient to explain revenue performance. This finding reinforces the importance of governance structures as the key drivers of revenue efficiency. Counties that focus on strengthening their governance mechanisms are more likely to optimize revenue collection, regardless of population size. Overall, the study underscores the need for targeted reforms to enhance governance structures, thereby improving financial performance and service delivery at the county level.

VI. RECOMMENDATIONS

To enhance revenue collection among county governments in Kenya, it is recommended that policymakers strengthen fiscal autonomy by providing counties with greater independence in financial decision-making. This can include reviewing and amending existing legal frameworks to empower counties to diversify their revenue sources and reduce over-reliance on national transfers. Policies should also promote equitable allocation of resources and incentivize counties to adopt innovative revenue-generation strategies tailored to their unique contexts.

Transparency should be prioritized through policies that mandate the regular and comprehensive disclosure of financial information. Counties should implement standardized frameworks for publicizing revenue collection and expenditure data, ensuring citizens have easy access to this information. Additionally, county governments should be encouraged to hold regular public forums to discuss financial matters, as this fosters citizen participation and trust. Investments in technology that facilitate transparency, such as online platforms for revenue tracking and reporting, should also be a priority.

Accountability mechanisms need to be further strengthened by requiring counties to conduct regular audits and promptly address audit queries. County governments should establish clear procedures for holding officials accountable for financial mismanagement and ensure that these are effectively enforced. To build a culture of accountability, counties should also involve citizens and civil society organizations in monitoring financial performance. At a national level, policies should aim to institutionalize best practices in accountability across all counties to standardize expectations and practices.

Lastly, counties should invest in human resource capacity by recruiting qualified staff and providing continuous professional development programs for revenue collection personnel. This includes regular training on emerging trends and technologies in revenue management to enhance staff skills and efficiency. Counties should also focus on improving staff motivation through performance-based incentives and career development opportunities. Additionally, integrating



technology into revenue collection processes can empower staff and streamline operations, ultimately improving revenue collection outcomes. These practices will ensure that county governments are equipped with the human capital needed to optimize revenue performance and deliver better services to citizens.

VII. RECOMMENDATIONS FOR FURTHER RESEARCH

Future research could explore the long-term effects of governance structures on revenue collection by adopting a longitudinal study design. Such studies would provide insights into how changes in fiscal autonomy, transparency, accountability, and human resource capacity over time impact revenue performance. This approach would also allow researchers to identify trends, causal relationships, and the sustainability of governance reforms in enhancing revenue collection among county governments.

Further research should consider expanding the scope to include other governance-related factors that may influence revenue collection, such as political interference, intergovernmental relations, and public-private partnerships. These factors could provide a broader understanding of the dynamics affecting county revenue performance. Additionally, future studies could analyze the role of technology in governance structures, particularly in enhancing transparency and efficiency in revenue collection processes.

Comparative studies across counties with varying economic, demographic, and administrative contexts would also be valuable. Such research could examine why certain counties perform better in revenue collection than others despite similar governance frameworks. This could involve case studies of high-performing counties to identify best practices and lessons that could be replicated in other counties. A regional comparison with other countries implementing devolved systems of governance could also offer additional insights.

Lastly, future research could investigate the impact of citizen participation on governance structures and revenue collection. While this study highlighted the role of transparency and accountability, further research could delve deeper into how active involvement of citizens in fiscal decision-making processes enhances revenue collection outcomes. Such studies could assess the effectiveness of public forums, participatory budgeting, and other citizen engagement mechanisms in improving financial performance and service delivery at the county level.

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