THE EFFECT OF STRATEGIC RESPONSE ON REVENUE COLLECTION IN KENYA REVENUE AUTHORITY, NAIROBI COUNTY, KENYA

BY

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APRIL, 2013
DECLARATION

This research project is my original work and to the best of my knowledge has not been submitted for a degree or any other award in any other university.

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I would like to dedicate this study to My wife Elizabeth, my children Faridah, Felix, Martin and Victor and friends who have always encouraged me in pursuing of my studies.
ACKNOWLEDGMENT

I would like to acknowledge the contribution of my supervisor Muathe SMA(PhD) for his continued guidance, my family and friends for their valued contribution and input towards this project. I am grateful to all the Kenyatta University staff Embu Campus for helping me access necessary information and materials for development of this research project.
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>DCLARATION</td>
<td>II</td>
</tr>
<tr>
<td>DEDICATION</td>
<td>III</td>
</tr>
<tr>
<td>ACKNOWLEDGMENT</td>
<td>IV</td>
</tr>
<tr>
<td>TABLE OF CONTENTS</td>
<td>V</td>
</tr>
<tr>
<td>LIST OF TABLES</td>
<td>IX</td>
</tr>
<tr>
<td>LIST OF FIGURES</td>
<td>X</td>
</tr>
<tr>
<td>OPERATIONAL DEFINITION OF TERMS</td>
<td>XI</td>
</tr>
<tr>
<td>LIST OF ABBREVIATIONS</td>
<td>XII</td>
</tr>
<tr>
<td>ABSTRACT</td>
<td>XIII</td>
</tr>
<tr>
<td>CHAPTER ONE: INTRODUCTION</td>
<td></td>
</tr>
<tr>
<td>1.1 Background of the Study</td>
<td></td>
</tr>
<tr>
<td>1.1.1 Kenya Revenue Authority</td>
<td>7</td>
</tr>
<tr>
<td>1.2 Statement of the Problem</td>
<td>8</td>
</tr>
<tr>
<td>1.3 Objectives of the Study</td>
<td>8</td>
</tr>
<tr>
<td>1.3.1 General Objective</td>
<td>8</td>
</tr>
<tr>
<td>1.3.2 Specific Objectives</td>
<td>8</td>
</tr>
<tr>
<td>1.4 Research Questions</td>
<td>8</td>
</tr>
<tr>
<td>1.5 Signficient of the Study</td>
<td>9</td>
</tr>
<tr>
<td>1.6 Scpe of the study</td>
<td>9</td>
</tr>
<tr>
<td>1.7 Limitation of the study</td>
<td>9</td>
</tr>
<tr>
<td>CHAPTER TWO: LITERATURE REVIEW</td>
<td>11</td>
</tr>
</tbody>
</table>
LIST OF TABLES

Table 3.1: Population...........................................................................................................27

Table 3.2: Test of Reliability of the Instrument................................................................. 28

Table 4.1: Distribution of Sample Respondents..............................................................31

Table 4.2 Distribution of Gender of Respondents............................................................32

Table 4.3 Distribution of the Age of Respondents...........................................................32

Table 4.4 Educational Qualifications...............................................................................33

Table 4.5 Experience in the Organization.........................................................................34

Table 4.6 Influence of Electronic Tax Register Factors on Revenue Collection..............35

Table 4.7 Influence of Staff Training Factors on Revenue Collection.............................37

Table 4.8 Influence of Online Services Factors on Revenue Collection..........................38

Table 4.9 Influence of Broadening of Tax Base Factors on Revenue Collection..............39

Table 4.10 Influence of Employee Motivation Factors on Revenue Collection..............41

Table 4.11 Extent to which Agreed Volumes have been met...........................................42
LIST OF FIGURES

Figure 2.1 Conceptual Framework.................................................................24
<table>
<thead>
<tr>
<th>Term</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee Motivation</td>
<td>Employee motivation is one of the policies of managers to increase effectual job management amongst employees in organizations.</td>
</tr>
<tr>
<td>Online Services</td>
<td>the use of the Web technologies provide opportunities to enhance the impression of a firm’s existing and potential customers and to lower product search cost that is identified as a key reason why online shopping is more appealing than offline shopping.</td>
</tr>
<tr>
<td>Revenue Collections</td>
<td>is the responsibility of KRA to collect all revenue owed to the Government through various taxes, fines, fees and penalties.</td>
</tr>
<tr>
<td>Strategy</td>
<td>This is a method or plan chosen to bring about a desired future, such as achievement of a goal or solution to a problem.</td>
</tr>
<tr>
<td>Broadening of Tax Base</td>
<td>Increasing the population of taxpayers eligible and registered for payment of taxes.</td>
</tr>
<tr>
<td>Abbreviation</td>
<td>Description</td>
</tr>
<tr>
<td>--------------</td>
<td>--------------------------------------------------</td>
</tr>
<tr>
<td>CCS</td>
<td>Creative Capital Solutions</td>
</tr>
<tr>
<td>ETR</td>
<td>Electronic Tax Register</td>
</tr>
<tr>
<td>ERS</td>
<td>Economic Recovery Strategy</td>
</tr>
<tr>
<td>FY</td>
<td>Financial Year</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GoK</td>
<td>Government of Kenya</td>
</tr>
<tr>
<td>KRA</td>
<td>Kenya Revenue Authority</td>
</tr>
<tr>
<td>RARMP</td>
<td>Revenue Administration Reform and Modernization Program</td>
</tr>
<tr>
<td>VAT</td>
<td>Value Added Tax</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium Enterprises</td>
</tr>
<tr>
<td>SPSS</td>
<td>Statistical Package for the Social Sciences</td>
</tr>
</tbody>
</table>
ABSTRACT

While studies have shed some light on the effects of strategic choices by organizations to deal with changing environmental conditions and improving on their revenue collection KRA has not been able to carry a research on the same. The general objective of the study was to establish the effect of strategic response on revenue collection in Kenya Revenue Authority. The specific objectives of this study were to establish whether the use of electronic tax register has an effect on revenue collection at KRA, to determine whether staff training adopted by KRA has any effect on revenue collection, to assess whether the online services used have an effect on revenue collection at KRA, to find out whether broadening tax base has an effect on KRA’s revenue collection and to establish whether employee motivation has an effect on KRA’s revenue collection. This research utilized a cross-sectional survey design. The target population of the study consisted of all the managers at KRA headquarters and other stations within Nairobi. There were 126 managers at KRA and since this is a small number, this study was a census of the managers at KRA headquarters and other stations within Nairobi. The study used both secondary and primary data. Primary data was obtained from managers of KRA by the use of a questionnaire. The secondary data for this study was obtained from the Authority’s documented strategies and any other relevant information about the Authority in relation to the effect of strategic responses on revenue collection. The data collected was analyzed using descriptive statistics and linear regression analysis. This was achieved through the use of SPSS software package. The findings showed that most respondents felt that the organization had adopted electronic tax register as a strategic response on revenue collection others respondents felt that the organization has adopted staff training as a strategic response. Furthermore, the findings indicated that most respondents were in agreement that online services are a strategic response on revenue collection. On the other hand the findings indicated argued that broadening the tax base was influencing tax collection. Finally the findings indicated that employee motivation was key in revenue collection. The researcher recommends that for revenue collection to be effective at KRA, there is need to put in place systems and hire employees who are transparent and accountable. The government must improve its revenue collection procedures as well as improve capacities of revenue collection administrations to enforce all strategies adopted. Finally for the purposes of generalising these findings a national looking study need to be conducted.
CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Environmental changes of many kinds are accelerating worldwide, posing significant challenges for humanity. Strategic solutions are needed at the regional level, where physical features of the landscape, biological systems, and human institutions interact. The manner of doing business in Kenya has changed significantly occasioned by the ever changing environment spearheaded by rapid changes in technology, politics, and liberalization, structure of the organization consumer changes in tastes and preferences and even cultural transformation. Organizations both private and public must be alive to these changes for them to come up with the correct responses that could assure maximum return on investment. These changes in the environment therefore have far reaching implications on nature of opportunities and risks they expose firms to. It is therefore paramount for organizations to align themselves with the environment demands for their continuity, survival and sustainability (Lam et al, 2007).

For firms to be efficient and effective resulting in successful business operations they must continuously take on the environmental turbulence and tap on any opportunity presented and handle any environmental conditions that are likely to cause any business challenge by strategically responding to the same. Strategic responses to the ever changing environmental conditions present an act as the yardstick within which improvement of the firms dealings can be attained. It is therefore an important aspect in the management of organizations to understand these two dimensions so that desired strategic responses and the changes in the environmental conditions (Pearce & Robinson, 2005).

Firms must therefore adapt their resource capabilities to address environmental opportunities and challenges in similar measures. This is necessary if they have to justify the reason for their existence in the localities where they operate through what they are able to perform or to give back to the society. However the greatest challenge for management is not even what they are capable to give but the level of
environmental conditions turbulence. The increased changes in the environment create high levels of uncertainty in the way of doing business. The changing technologies, reduced natural resources, changes in customers demands and needs in addition to unpredictable economic and weather conditions have the resultant effect of a complex business environment and business transactions it is therefore necessary that firms across industry need to come up with responses strategies so as not only survive but have sustainable development (Burnes, 2000).

Effective strategic responses call for organizations to fit their internal capabilities and environmental demands. This is basically the strategic fit which could help ensure better firm performance. In any event a mismatch between a firm's internal capabilities and environmental turbulence is highly likely to create disastrous business results which do not add value to stockholder wealth. Such mismatch is also likely to create anxiety and certainty to higher levels which may work against the firm. This is therefore necessary for capacity and team building across the entire organizations to effectively manage environmental changes. Team work across departments, product differentiation, processes of control planning and evaluation in addition to business planning therefore are key in the way of responses to the environment by firms. Firms can respond to changing environment either by way of tactic or strategy. If they choose to strategically respond firms must come up with specific action and specific plans which demand for implementation of the given strategy (Nag, Hambrick & Chen, 2007).

Given the fact that strategies are time consuming and they take in a lot of resources it will be necessary for the firm to consider a cost effective strategy that maximizes on costs. The tactical responses on the other hand are basically meant to fine tune the company strategy. They consume less resource and are difficult to monitor. Organizations can either utilize short term tactics which are meant to address issues in the long term strategy and environmental changes that are unforeseeable, emergent and unpredictable. In addition to the above firms can respond to the environment by way of differentiation strategy. This can involve a turn around of department in the way of restructuring of the firm. For environment with higher complexity and rapidity in change there is a need to increase the level of specialization at the point of
departments. Differentiation here could be in terms of experience, qualifications and cost leadership among other (Johnson, 2008).

Firms can also respond to environmental changes conditions through organizational structure this is because the formalities in firms’ structure and control are dependant on the nature of environment at stake. Environments that are stable require more centralization and formalized rules and procedures and clear formal authority or mechanistic organization system. On the other hand environments that exhibit rapidity in change lead to a free flowing adaptive internal organization, this type of organizational structure requires less formality and obedience of rules and regulations of the firm leading to a situation that is almost laissez faire, a scenario which is known as organic management structure (Nag, Hambrick & Chen, 2007).

To adequately responses to the environment the top echelons of the firm must undertake strategic planning. This can be emergent or long term. Emergent plans cushion the firm against environmental uncertainty and unpredictability in the near future especially in unstable and complex environments. The complex and ever competitive terrain now calls for firms to craft strategic responses to deal with these changes. It is upon this basis therefore that an investigation requires to be done on strategic responses to changing environment

The environmental conditions of a firm constitutes its surroundings, it includes all the elements which operate inside the organization and the outside territory of a firm and can have the prospect of impacting positively or negatively on the operations of the firm. The environment of the organization therefore needs to be understood by the firm so as for the firm to understand the complexity and nature of that environment for it to effectively respond to the inherent dynamism.

Firms needs to understand environmental complexity in relation to whether that environment is simple or complex, homogenous or heterogeneous, concentrated or dispersed and stable or unstable so as to come up with environment specific strategic responses to address any specific environment changing condition. This is because different environmental complexities present specific and unique resources such as raw materials, finance and even information for consideration by the firm. In addition
environmental turbulence, unpredictability and uncertainty poses greater risks to firms as they find it so difficult to predict with precision the nature and amount of risks posed thus it is important for firms to align their strategic responses with clarity (Klinger, 2004).

Another scope of the environmental patterns and events is with regards to environmental complexity and simplicity or the simple complex dimension. Environmental complexity usually has a diversity of external elements which influence organizational performance in the levels of their dissimilarity. Usually a stable and unstable environment points out at the dynamic nature of the environment. An environment with stable conditions implies that the business environment fails to change drastically over duration of up to one year. However an environment with unstable conditions shows an ever changing nature of the environment. There is also a simple complex and unstable dimensions that are required for critical assessment of environmental uncertainty. The level of uncertainty is low if the environment is stable and vice versa (Struckman & Yammarino, 2003).

Environmental complexity therefore requires an analysis of multiple elements in the environment so as to come up with the correct strategic responses to deal with them. In simple and stable environments conditions the rapidity of change is low and any such changes may easily be predicted. When rapid changes create high levels of uncertainty in simple and stable environments these creates organizational uncertainty. Such uncertainty makes the environmental elements difficult to predict and act upon. If this continues for quite some time and when several sectors change in a simultaneous manner with high levels of unpredictability, supressful outfits, high volatility and business hostility, then a state of environmental turbulence is created. Environmental turbulences in conditions calls for strategic responses to cushion the firms against the risks posed (Nutt, 2004).

1.1.1 Kenya Revenue Authority

The Kenya Revenue Authority (KRA) was established by an Act of Parliament, Chapter 469 of the laws of Kenya, which became effective on 1st July 1995 with the responsibility of collecting revenue on behalf of the Government of Kenya. In
addition a Board of Directors was set up, consisting of both public and private sector experts, with the mandate of making policy decisions to be implemented by KRA Management. The main mission of KRA is to promote compliance with Kenya's tax, trade, and border legislation and regulation by promoting the standards set out in the Taxpayers Charter and responsible enforcement by highly motivated and professional staff thereby maximizing revenue collection at the least possible cost for the socio-economic well being of Kenyans. On the other hand its vision is to be the leading Revenue Authority in the world respected for Professionalism Integrity and Fairness (KRA third corporate plan, 2007-2009).

The Strategic Theme guiding KRA is the attainment of international best practice in revenue administration by investing in a professional team, deepening reforms and quality service delivery to enhance compliance. Among its guiding core values are integrity, professionalism, equity and corporate and social responsibility. It has the purpose of assessment, collection, administration and enforcement of laws relating to revenue. In terms of revenue collection and other support functions, the Authority is divided into the following Departments: Customs Services Department, Domestic Taxes Department of Domestic Revenue and Large Taxpayers Office, Road Transport Department, Support Services Department and Investigations and Enforcement Department where is each Department is headed by a Commissioner. In addition to the four departments the Authority has seven service Divisions that enhance its operational efficiency including: Human Resources Division, Finance Division, Board Corporate Services and Administration Division, Internal Audit Division, Information and Communication Technology Division, Research and Corporate Planning Division and Marketing and Communication (KRA risk management policy and framework, 2011).

The role of KRA in the Kenyan economy is to administer and enforce written laws or specified provisions of written laws pertaining to assessment, collection and accounting for all revenues in accordance with these laws. Equally, KRA advises on matters pertaining to the administration or and the collection of revenue under written laws, enhances efficiency and effectiveness of tax administration by eliminating Bureaucracy, Procurement, Promotion, Training and Discipline and eliminates tax
evasion. This is done by simplifying and streamlining procedures and improving taxpayer service and education thereby increasing the rate of compliance and promote professionalism and eradicate corruption amongst KRA employee throught the payment of adequate salaries that enable the institution to attract and retain competent professionals of integrity and sound ethical morals. In addition to the above it restores Economic Independence and Sovereign pride of Kenya by eventually eliminating the perennial budget deficits and creating organizational structures that maximize revenue collection and ensure protection of local investors (KRA third corporate plan, 2007-2009).

KRA also facilitates economic growth through effective administration of tax laws relating to trade, ensures effective allocation of scarce resources in the economy by effectively enforcing tax policies. It also sends the desired incentives and shift signals throughout the country and facilitates distribution of income in socially acceptable ways through effectively enforcing tax laws that affect income in various ways. Lastly it facilitates economic stability and moderate cyclic fluctuations in the economy by providing effective tax administration as an implementation instrument of the fiscal and stabilization policies. It acts as a 'watchdog' for the Government agencies (such as Ministries of Health, Finance, etc) by controlling exit and entry points to the country to ensure that prohibited and illegal goods do not pass through Kenyan borders (Moyi & Muriithi, 2003).

In particular, the functions of the Authority are: to assess, collect and account for all revenues in accordance with the written laws and the specified provisions of the written laws, to advise on matters relating to the administration of, and collection of revenue under the written laws or the specified provisions of the written laws and to perform such other functions in relation to revenue as the Minster may direct. In order to realise its mandates, the Authority administers the following written laws relating to revenue: -The Income Tax Act (Cap. 470), the Customs and Excise Act (Cap.472), the Value Added Tax Act (Cap.476), the Road Maintenance Levy Fund Act 1993 (No.9 of 1993), the Air Passenger Service Charge Act (Cap. 475) and the Entertainment Tax Act (Cap. 479). Others are the Traffic Act (Cap. 403), the Transport Licensing Act (Cap. 404), the Second Hand Motor Vehicle Purchase Tax
Act (Cap. 484), the Widows and Children Pensions Act (Cap. 195), the Parliamentary Pensions Act (Cap. 196), the Stamp Duty Act (Cap. 480), the Betting, Lotteries and Gaming Act (Cap. 131) and the Directorate of Civil Aviation Act (Cap. 394) (KIPPRA, 2004b).

1.2 Statement of the Problem

The main source of public expenditure in Kenya is through revenue collection. However, revenues collections have, for quite sometime, remained low relative to the number of both registered and non registered firms and individuals who legally qualify to pay tax. Continued low revenue collection levels for government is detrimental to economic development of this nation. A large segment of both the formal and informal sector, especially the SMEs exhibit low tax compliance levels leading to low revenue collection (www.kra.co.ke). This is a great loss of revenues collection meant for public expenditure. On the other hand changing environmental conditions which has been marked with political volatility, advancement in information technology, legislation changes as well as structural changes has completely altered the way of doing business not only in Kenya but also the world over leading to low revenue collection for governments. The changes in the organizations external environment have been so unpredictable, rapid, uncertain, discontinuous have not only complicated organizations' management decisions in formulating strategic responses to counter the ever changing environmental conditions but also have affected revenue collection mechanisms (Bryson, 1995).

It is for this reason that research need to be undertaken to establish the effect of strategic response on revenue collection in the Kenya Revenue Authority. It is also instructive to note that there is little research that has been done in this area. Various studies have been undertaken on the effect of strategic response on revenue collection in organizations for example Kimani(2006) carried out a study on strategic responses of Creative Capital Solutions in Kenya to changes in their environment and revenue collection. Gichohi (2006) also did seek to establish the strategic responses by construction firms facing changing environmental conditions. These studies while shading so much light on the effects of strategic choices by organizations to deal with changing environmental conditions and improving on their revenue collection they
did not deal with KRA even though some of the strategic responses maybe applicable in KRA. To address this gap in knowledge and address the time variance there is indeed a need for a study on the same. The question to be addressed was; what is the effect of strategic response on revenue collection in Kenya Revenue Authority, Nairobi County, Kenya?

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of the study was to establish the effect of strategic response on revenue collection in Kenya Revenue Authority.

1.3.2 Specific Objectives

The specific objectives of this study were:

i) To establish whether the use of electronic tax register has an effect on revenue collection at KRA in Kenya.

ii) To determine whether staff training adopted by KRA has any effect on revenue collection in Kenya.

iii) To assess whether the online services used have an effect on revenue collection at KRA in Kenya.

iv) To find out the effect of broadening of tax base on KRA’s revenue collection in Kenya.

v) To establish whether employee motivation has an effect on KRA’s revenue collection in Kenya.

1.4 Research Questions

i) What effects does electronic taxes register use have on revenue collection at KRA?

ii) What effects does staff training adopted by KRA have on revenue collection?

iii) What effect does the use of online services have on revenue collection at KRA?

iv) What are the effects of broadening of tax base on KRA’s revenue collection?
v) What effect does employee motivation have on KRA's revenue collection?

1.5 Significance of the Study

The findings of this study will be useful to the various groups. The study findings shall be beneficial to the government in relation to policy making and strategy formulation in line to its expectations from KRA as an institution. On the other hand the findings of this study will give KRA management relevant information to help them build and improve their strategic responses in relation to revenue collection in order to satisfy its mandate to the Kenyan people.

Equally, the findings of this study will enrich existing knowledge and hence will be of interest to both researchers and academicians who seek to explore and carry out further investigations. It will provide basis for further research.

1.6 Scope of the Study

The study covered KRA headquarters based in Nairobi County. The population targeted for this study were all managers of KRA headquarters and other stations within Nairobi County.

1.7 Limitations of the Study

The research was affected by the following limitations:

The unwillingness of the respondents to supply the right response was another limiting factor. The respondents might felt there was no benefit in giving the right answers to the questions and for fear that other institutions might use the same to achieve their goals. This implies that the respondents failed to give detailed responses to questions raised and this has a negative scholarly impact on the subject matter content of the study. The researcher obtained the consent of the KRA. This was done by an official letter from the university and an introductory letter from the researcher.
The researcher had limited access to experts for editing, proofreading, and guidance on the subject under investigation. This is because the research topic is on strategic response on revenue collection a topic one that has a few qualified and experienced researchers at masters’ degree level. The researcher worked closely with his supervisor for more guidelines on data analysis.
CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

This chapter covers the theoretical review, empirical review, summary of literature and research gap and conceptual framework.

2.2 Theoretical Review

Some of the theories associated with strategic response in public organizations include:

2.2.1 Contingency Theory

Contingency theory is guided by the general orienting hypothesis that organizations whose internal features best match the demands of their environments will achieve the best adaptation. Different subunits within an organization may confront different external demands. To cope with these various environments, organization create specialized subunits with differing structural features for example, differing levels of formalization, centralized versus decentralized, planning time horizon. The more varied the types of environments confronted by an organization, the more differentiated its structure needs to be. Furthermore, the more differentiated the more difficult it will be to coordinate the activities of the subunits and more resources need to be applied for coordination (Lutans, 2011).

The main ideas underlying contingency in a nutshell is that organizations are open systems that need careful management to satisfy and balance internal needs and to adapt to environmental circumstances, there is no one best way of organizing. The appropriate form depends on the kind of task or environment one is dealing with. Management must be concerned, above all else, with achieving alignments and good fits and different types or species of organizations are needed in different types of environments. The inter-departmental conflict inherent in such differentiation is often caused by mutual task dependence, task-related asymmetries, conflicting performance criteria, dependence on common resources, communication obstacles, and ambiguity
of goals as well as organizational differentiation. While the rational perspective sees these conflicts as disruptive and best resolved, and natural perspective notes that conflicts are part of the negotiation process between coalitions and their conflicting interests and have an important and possibly beneficial effect on the organizational goals of the company (Lutans, 2011).

Morgan (2007) view is similar to systems design in that it stresses information flows but adds that as uncertainty increases the amount of information required for decision making also increases. "Various structural arrangements, such as rules, hierarchy, and decentralization are mechanisms determining the information-processing capacity of the system. Contingency theory also exists within the context of evaluating environmental changes. The basic principle of this theory is that higher returns are associated with those firms that develop a beneficial fit with the environment. A firm can become proactive by choosing to operate in environment in which the opportunities and threats match the firms' strength and weakness.

2.2.2 Resource Based Theory

The resource-based theory as a basis for a competitive advantage of a firm lies primarily in the application of the bundle of valuable interchangeable and intangible, tangible resources at the firm's disposal. To transform a short-run competitive advantage into a sustained competitive advantage requires that these resources are heterogeneous in nature and not perfectly mobile. Effectively, this translates into valuable resources that are neither perfectly imitable nor substitutable without great effort. If these conditions hold, the firm's bundle of resources can assist the firm sustaining above average returns (Priem & Butler, 2001).

The key points proposed by this theory include the identification of the firm's potential key resources, evaluate whether these resources fulfill the following criteria and care for and protect resources that possess these evaluations, because doing so can improve organizational performance. The theory gives more weight to the firm's proactive choices. Although environmental opportunities and threats are important considerations a firm's unique resource comprises the key variables that allow it to develop and sustain a competitive strategic advantage (Rugman & Verbeke, 2002).
Michael Porter’s five forces model is based on the insight that a corporate strategy should meet the opportunities and threats in the organization's external environment. Especially, competitive strategy should be based on an understanding of industry structures and the way they change. Porter has identified five competitive forces that shape every industry and every market. These forces determine the intensity of competition and hence the profitability and attractiveness of an industry. The objective of corporate strategy should be to modify these competitive forces in a way that improves the position of the organization. Porter’s model supports analysis of the driving forces in an industry. Based on the information derived from the Porter’s Five Forces Analysis, management can decide how to influence or to exploit particular characteristics of their industry (Porter, 2008).

The competitive forces analysis is made by the identification of five fundamental competitive forces which include the entry of competitors which how easy or difficult is it for new entrants to start to compete, which barriers do exist, the threat of substitutes, how easy can our product or service be substituted, especially cheaper and the bargaining power of buyers for example how strong is the position of buyers, can they work together to order large volumes. Other forces include, the bargaining power of suppliers, how strong is the position of sellers, are there many or only few potential suppliers, is there a monopoly and the rivalry among the existing players that is there a strong competition between the existing players, is one player very dominant or all equal in strength/size (Porter, 2008).

Porter (1985) identified three generic competitive strategies that a firm can use as a response to a turbulent environment this include focus, cost leadership and differentiation strategies. Organization can respond using product-market scope strategies. Firms can focus on specific markets or specific products or even product new products to suit niche markets. New product development strategy is used when the external factors suggest that the market is saturated or that stronger competition or other threats to market exist and the internal factors show weakness in distribution or strength in product development. New market development strategy may be adopted when internal factors suggest adding markets for existing products due to greater
distribution strengths but production or product development weaknesses (Blaxill & Eckardt, 2009).

2.3 Revenue Collection in Kenya

Since the inception of KRA, revenue collection has continued to grow while professionalism in revenue administration has been enhanced. The main objective for establishing KRA was to provide operational autonomy in revenue administration and enable its evolution into a modern, flexible and integrated revenue collection agency. It is for this reason that the level of revenue collection has increased gradually from Kshs. 122 billion in 1995/96 to Kshs. 229 billion in the 2003/04 financial year (FY), and 534 billion in FY 2009/10, accounting for over 93% of total government revenue. This accounts for over 300% growth in revenue collection over the 15 year period. As a result of this, the government has been able to increase funds to investment projects and social spending. The key challenges facing KRA at the beginning of 2000 were that a number of processes remained manual and its efficiency was hampered by the lack of integration within the organization and throughout its processes (Fjeldstad & Rakner, 2003).

Consequently, the KRA Second Corporate Plan recommended a coherent strategy to address this issue in the Revenue Administration Reform and Modernization Program (RARMP) which commenced in 2004/05. The main objective was to transform KRA into a modern, fully integrated and client-focused organization. In addition, a GoK key economic policy document, the Economic Recovery Strategy (ERS) (2003), identified areas for reform in revenue collection. Some of these areas included the expansion of the tax base in order to enable reduction of some tax rates; harmonization of Kenya’s regime to bring it in line with the East African Community; and rationalization of personal income tax by reducing the number of tax brackets (Cheeseman & Griffiths, 2005).

The reform process adopted project management and business analysis techniques in accordance with international best practice with Reform activities focused on customs, domestic taxes, investment and enforcement departments. Taken together, these initiatives have largely improved the operations of the KRA and benefited
stakeholders in a number of ways. Importantly, KRA has developed a set of performance indicators which the ongoing reforms are measured against. Some of the most important include; improve tax compliance by 5% per annum; enhance revenue collection by an additional Kshs. 15 billion per annum on account of improved compliance; maintain cost of collection at below 2% of printed estimates; improve public perception of KRA and reduce corruption/bribery index (Bird, 2007).

2.4 Empirical Review

2.4.1 Electronic Tax Register and Revenue Collection

Electronic Tax Registers were introduced by KRA to replace the manual paper system of remitting VAT returns that was considered inefficient and straining. To enhance the accountability systems for Value Added Tax, the Kenya Revenue Authority (KRA) has spearheaded the introduction of the Electronic Tax Registers and Electronic Signature Devices. These devices offer unique benefits to traders and the Revenue Authority alike by recording transaction data in such a manner that it cannot be deleted.

The Government of Kenya on the other hand allowed businesses to offset the cost of the ETR installation against the input VAT as well as training of traders on the use and benefits of those devices. Electronic Tax Register or Printer is a device approved by the Government, to record and issue fiscal data of goods and services sold. Taxpayers using electronic tax register or tax printer shall: Perform the registration of each sales occurrence with the use of the electronic tax register or tax printer and perform a printout of a fiscal receipt from each occurrence of sales and to deliver the original of the receipt to the purchaser, prepare the daily report at the end of sales for a given day, not later than before the performance of the first sales on the following day, prepare the monthly fiscal report after finishing the sales on the last day of the month, and prepare the annual report as indicated in Public Notice No. 48 and register the sales with the use of the substitute tax register (Simiyu, 2003).

On the other hand they should verify the correctness of the electronic tax register or tax printer operations, taking particular care with reference to the correct programming of the names of goods and services and their appropriate allocation to
tax rates and to prompt reporting of each malfunctioning in the electronic tax register operations, upon each request of the control authorities, make the electronic tax register available for the control with respect to its being intact and the correctness of its operations and perform every six month the obligatory technical inspection of the electronic tax register by an appropriate service point (Pyle, 2004).

Equally they shall perform the printout of all documents issued by the electronic tax register and their copies, store the copies of tax register reports within five years, use the electronic tax registers only to record their own sales, without the right for their use by any third parties, report the cash register at the appropriate tax office within 7 days from the date of its fiscalisation to obtain the tax register record number, permanently affix the electronic tax register record identification number, on its casing. Apart from the above they shall record entries in the fiscal cash register’s ledger performed by the taxpayer, store the tax register ledger in the place and within the period of its use and make it available upon the request of appropriate authorities and the service staff and present the loss of cash registers for technical inspection before their repeated usage by the taxpayer for the maintenance of the records (Silvani, 2006).

Electronic tax registers were introduced to help KRA establish the amount of VAT payable without requiring necessarily requiring the traders to provide records for crosschecking. There was concern that thousands of traders were undervaluing their sales in order to evade tax. The success of ETR machines in Kenya was questioned during its initial stages of implementation. According to Kathuri (2006), the gadgets had failed in 21 countries including Tanzania. There was also fear that accurate records could not be kept with the devices because there is no provision for return of goods and services. The indications are that the use of Electronic Tax Registers has a significant correlation with VAT compliance.

There is not exhaustive literature on electronic tax register and on how it improves on revenue collection among companies. Studies on electronic tax register shows that there is conflicting results on the importance of electronic tax register to companies’ revenue collection. Whereas some studies support the use of electronic tax registers
for example Simiyu (2003) some oppose their use for example Kathuri (2006). It can be concluded from the literature review in relation to electronic tax register, that electronic tax register have improved revenue collection at KRA but much more needs to be undertaken in order to make it more viable to all those expected to pay taxes.

2.4.2 Training of Staff and Revenue Collection

Training is seen to improve on revenue collection if the right elements are identified and training of personnel on the same done effectively. There has long been controversy as to whether or not staff training provides a return on investment to businesses. However, more recent research has proven that the upfront costs of training employees can be recouped in improved efficiency faster results, effectiveness and higher quality. This is particularly the case in business situations in which pre and post metrics can be tracked, such as sales figures; scrap rate and production quotas. However, it can be more challenging to calculate return on investment for leadership development and therefore, training that focuses on technical, sales, or service skills lends itself for easier validation of improvement. The same case can be applied with KRA (Montesino, 2002).

Training employees does have a significant role in modern business era. Not just to equip them with latest tools the organization has implemented, but rapid technological innovations impacting the workplace have made it necessary for employees to consistently update their knowledge and skills. Organizations need to train staff on change of management style, technical education, proper and scientific selection procedure as this will result to employee motivation and improve organizational climate, prevent obsolescence and help an organization to fulfill its future manpower needs and to bridge gap between skills requirement and skills availability (Vizdom, 2003).

Implementing a revenue enhancement turn around strategy can only be achieved by critically reviewing the current revenue management business models and processes being applied within the various departments and training personnel on the same. To effectively deal with the current challenges, organizations must plan and implement
effective and integrated revenue enhancement strategies through various training programs. Revenue enhancement is a process focused on the holistic improvement of organizations business model. To improve on the current business model it is important to identify all the critical elements that currently affect organizational revenue performance. This review process will provide a sound platform for effective planning through training (Vizdom, 2003).

Training has an in-depth utility if organizations are able to understand the components of training. Before jumping into the components organizations need to know/understand the meaning of training. Training is a process of learning that involves the acquisition of knowledge, sharpening of skills, concepts, rules, or changing of attitudes and behaviors to enhance the performance of employees. Training is totally different from education and Development. Training is the attainment of skills necessary to perform tasks. In short, the conclusion made is that training is about knowing where an organization stands (in terms of skills to perform the job) at present, and where it will be after some point of training (Khindria, 2009).

Training is about the acquisition of knowledge, skills, and abilities through professional development. In today's competitive business it is not only important to have knowledge but an organization need to sharpen his/her skills much before then it is required. Identification of the training need is the most crucial and critical activity for an organization to carry out before conducting any type of training. Each and every training should have its own objective but yes, it is backed with various small objectives which can be of person or process oriented. In conclusion therefore training is only relevant if each and every component of training has been taken care of before, after and during the training programme. Each stage of training from planning to effectiveness has its own significance and challenges which cannot be ignored or neglected at any cost (Khindria, 2009).

Training refers to the process of passing along the skills, knowledge, and attitudes or know-how, through carefully selected methods according to a well conceived plan, by competent and well-prepared people, in a suitable learning environment to help equip a trainee for his assigned job or responsibility. The purpose of any training programme is to deliver results. People must be more effective after the training than
they were before. What do they know now that they didn’t before? What can they now do that they couldn’t? How have their feelings and attitudes changed and/or improved as a result (Chelule, 2009).

Various studies have been carried on training of staff and revenue collection in companies for Montesino, (2002) and have highlighted the importance of training staff and its benefits on revenue collection. As much as this has not be the case no know study has been carried out on how staff training can be used as a strategic response to improving revenue collection. However, the some literature highlights the importance of training in organization it has not been able to capture the relevance of training in revenue collection among public organizations. This calls for a research to facilitate findings on how training can be used by organizations to improve on revenue collection as a strategic response.

2.4.3 Online Services and Revenue Collection

Informational capabilities using Web technologies provide opportunities to enhance the impression of a firm’s existing and potential customers and to lower product search cost that is identified as a key reason why online shopping is more appealing than offline shopping. Some have argued that online customization provides an economical way to empower customers to participate in the product design and to create products that better fit their needs (Ariely, 2000).

Online interaction usually puts a customer in control of the content, order, and duration of the flow of information, which may increase customer satisfaction due to higher decision quality, memory, knowledge, and confidence. Digitization of interactions with customers may lead to a smaller sales force, less paperwork, and fewer data input errors, while shifting the responsibility of product information search, order entry, and tracking to customers (Weill & Vitale, 2001).

Higher levels of digitization indicate that a firm can better coordinate procurement processes and material movement that can reduce inventory, obsolescence, and transportation costs. A firm is likely to lower its cash conversion cycle with improved supply-side digitization, which has a direct influence on a firm’s profitability. Tight
coordination with suppliers can reduce transaction cost and improve the bottom line by reducing stock-out situations, lowering lead times, reducing order fulfillment errors, and increasing inventory turnover rates; Web-based supply chain management applications enable firms to reduce uncertainty about demand, quality, and inventory, which have a direct impact on financial performance (Straub et al. 2002).

Online services provide an infrastructure in which subscribers can communicate with one another, either by exchanging e-mail messages or by participating in online conferences. In addition, the service can connect users with an almost unlimited number of third-party information providers. Subscribers can get up-to-date stock quotes, news stories hot off the wire, articles from many magazines and journals, in fact, almost any information that has been put in electronic form. Of course, accessing all this data carries a price. The difference between an online service and a bulletin board service is one of scale and profits. Online services provide a variety of information and services and are always for profit. One online service that defies classification is the internet. In terms of users, it is the largest service, but it is not centrally controlled by any one organization, nor is it operated for profit (Freedman & Ford, 2004).

Companies are embracing online services as a way of improving on their revenue collection. Studies on the same have been carried out for example Straub et al. (2002) and Freedman & Ford (2004). However these studies have only touched on how online services are used to coordinate procurement processes, material movement that can reduce inventory, obsolescence, and transportation costs. The literature has not been able to sufficiently cover the benefits that can accrue to organizations' revenue collection from the use of online services hence the reason why this study is justified.

2.4.4 Broadening of Tax Base and Revenue Collection

This is the measure upon which the number of eligible taxpayers are increased. For example, when the threshold for payment of taxes is lowered many tax payers are brought to the tax net. Also, when new legislation for payment of taxation is introduced for in the year 2008 KRA introduced turnover tax payable by those whose
annual turnover is between Ksh. 500,000 to Kshs. 5,000,000 by charging 3% of the gross monthly and payable on quarterly basis.

There are, however, important challenges to broadening the tax base, particularly in low income countries. First, structural factors often limit the number of taxpayers and the tax base. These include: a large share of (subsistence) agriculture in total output and employment; large informal sector and occupations; many small establishments; small share of wages in total national income; and small share of total consumer spending made in large, modern establishments. Combined, these factors mean that the take as a percentage of GDP tends to be much lower than in countries with greater levels of per capita income. It also implies that the number of direct taxpayers (i.e. personal and corporate income tax and property tax) is a small proportion of the population (normally less than 5 percent) in low-income countries (Bird, 2007).

Kemal (2007) explored the long-run relationship between the underground economy and formal economy. Results showed that underground economy is causing the formal economy but not the vise versa. He suggested to the increase in the number of legal documentation, strengthening the institutions, better governance, decrease the number of regulations and restrict smuggling through tariff rationalization to cut down tax evasion.

The above literature has not sufficiently covered tax base and revenue collection what necessitates the present research. For example Kemal (2007) explored the long-run relationship between the underground economy and formal economy while Ruhshyankiko and Stern, (2005) sought to find out who bears the burden of tax in the first instance. This literature has not covered on tax base and revenue collection especially on how tax base can be used as a strategic response this calls for research on the the same to sufficiently cover this objective.

2.4.5 Employee Motivation and Revenue Collection

Individual motivation to excel places demands on the individual to maximize his skills and knowledge to surpass his target, and derive pleasure upon attaining the dividends of hard work. Job placement if done correctly, job design, effective
communication and competitive levels of employee compensation ensure that employees are satisfied at the job place (Cole, 2004).

The leadership style could also be utilized to motivate employees who in turn improve on job performance. Competitive leadership must not only steer employees to meet the targets but also be in a position to cultivate a positive relationship amongst themselves. To this extent, teamwork and team building becomes some of the key pillars in job motivation and employee job satisfaction (Armstrong, 2006).

Motivation influences employee job satisfaction to a greater degree. Motivation seeks to give an explanation in relation to the kind of effort the employees and the dimension they need their lives to take. It is therefore, paramount for any firm to consider how to incorporate individual motivation into group or firm motivation for purposes of improving firm performance (Shadare et al, 2009).

Among financial, economic and human resources, the latest are more essential and have the capability to endow a company with competitive edge as compared to others. Employee performance fundamentally depends on many factors like performance appraisals, employee motivation, employee satisfaction, compensation, training and development, job security and organizational structure among others (Rizwan et al, 2010).

Employee motivation is one of the policies of managers to increase effectual job management amongst employees in organizations. A motivated employee is responsive of the definite goals and objectives he/she must achieve, therefore he/she directs its efforts in that direction. Motivation formulates an organization more successful because provoked employees are constantly looking for improved practices to do a work, so it is essential for organizations to persuade motivation of their employees. Getting employees to do their best work even in strenuous circumstances, is one of the employees most stable and greasy challenges and this can be made possible through motivating them (Kalimullah et al, 2010).

The above literature has not covered employee motivation a strategic response to revenue collection. For example Kalimullah et al, (2010) looked at how motivation
can formulate an organization to be more successful because it provokes employees to constantly look for improved practices to do work, Shadare et al, (2009) explored how motivation influences employee job satisfaction and to what degree. This literature has not sufficiently covered employee motivation and revenue collection in public organizations and more relevantly at KRA justifying need for this study. There is need therefore for this study to be carried out to cover this objective sufficiently.

2.5 Summary of Literature and the Research Gaps

There is a gap between theoretical background and operation of the strategic responses as used by government parastatals to improve on their revenue collection. Accordingly, the knowledge in this area is inadequate (Nachum, 1999). So far only a few studies have been carried out on strategic responses by organizations. For example Kimani(2006) carried out a study on strategic responses of CCS in Kenya to changes in their environment and revenue collection. Gichohi (2006) also did seek to establish the strategic responses by construction firms facing changing environmental conditions. The above studies used the case study methodology, targeting a population of 200 people but sampling less than 30 people. The results were not representative of the whole population justifying the present study. The above studies on the other hand utilized primary data collection methods only thus were not conclusive. This study used both primary and secondary data collection methods to gather data exhaustively inorder to answer the research objectives. The data for the studies above was tabulated on frequency tables and analyzed using SPSS to compute averages, percentages and frequency tables. Content analysis was also used in analyzing qualitative information from responses that had been submitted by respondents.This study used multivariate regression analysis which resulted in a prediction equation that describes the relationship between the dependent variable and independent variables and answered the study objectives sufficiently.

These studies also while shading so much light on the effects of strategic choices by organizations to deal with changing environmental conditions and improving on their revenue collection they did not deal with KRA even though some of the strategic responses maybe applicable in KRA. To address this gap in knowledge and address the time variance there is indeed a need for a study on the same. The question to be
addressed should be; what is the effect of strategic response on revenue collection in public organizations and more specifically Kenya Revenue Authority

2.6 Conceptual Framework

**Independent Variables**

- Electronic Tax Register
- Training of employee
- Online Services
- Broadening Tax base
- Employee motivation

**Dependent Variable**

- Revenue collection in KRA
  - Volume of revenue collection
  - Reduced volume of arrears
  - Reduced number of budgetary claims
  - Time for recovering revenues

**Contexual factors**

- Legislation
- Competition
- Culture

Figure 2.1 Schematic Diagram

Source: Author (2012)

Revenue collection is not as a result of any one variable but a variety of variables. Revenue collection can be influenced by variables such as electronic tax register, training of employees, online services, tax base and employee motivation. These variables could also be affected in one way or another by the contextual
variables which include legislation, competition and culture.

In this study, revenue collection, therefore, is the dependent variable. This variable is influenced by several factors which are the independent variables. These independent variables include electronic tax register, training of employees and online services. The other independent variables include tax base and employee motivation. On the other hand the intervening variables include factors such as competition, legislation and culture.
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter covers the following subtopic which relate to how the research project was carried out in achieving its objectives. The topic covered the research design used to conduct the study, data collection methods that was used, ethical considerations and the analysis and presentation of data in order to generate the findings of the research.

3.2 Research Design

This study utilized a cross sectional survey design. Cross-sectional survey design aims to provide data on the entire population under study, may be used to describe some feature of the population and they may support inferences of cause and effect. A cross sectional survey focuses on a set of departments of an organization carrying out similar business functions in this case the revenue collection. It involves an extensive study of the particular firm under investigation. Survey designs are of particular value when one is seeking help on investigating effects in which interrelationships of a number of responses are involved, and in which it is difficult to understand the individual strategies without considering their relationships with each other (Cooper & Schindler, 2000).

3.3 Target Population

The target population for this study was 126 managers at KRA headquarters and other stations in Nairobi which include: Eastleigh, Forodha, Wilson Airport and Jomo Kenyatta International Airport. This is best illustrated in table 3.1 below.
Table 3.1: Population

<table>
<thead>
<tr>
<th>Population category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headquarters</td>
<td>108</td>
<td>85</td>
</tr>
<tr>
<td>Eastleigh</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Forodha</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td>Jomo Kenyatta International Airport</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>Wilson Airport</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>126</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>


3.4 Sampling Design and Procedure

3.4.1 Sampling Technique and Sample Size

Since the target population was a small in number, this study was a census of managers at KRA headquarters and other stations within Nairobi county as recommended by Cooper and Schindler (2000). The benefits of using this method is that it increases confidence interval, it has a maximum chance of identifying negative feedback and everyone is involved.

3.5 Data Collection Instruments

Methods of data collection that was used involve both primary and secondary data. Primary data was derived from questionnaires distributed to the KRA managers. The questionnaires had closed-ended questions and covered strategic responses and revenue collection at KRA. The researcher personally administered the questionnaires. Secondary data was gathered from library material, KRA and public organizations journals and reports, media publications and various Internet search engines covering strategic responses and revenue collection. Questionnaire allowed for confidentiality of the respondents to be kept. Other methods of data collection included observations and interviews. All these was for purposes of collecting detailed data.
3.5.1 Validity and Reliability

Data validity was achieved by the researcher by ascertaining whether research was really measuring what if claims to be measuring. The researcher sought to understand how the data would be gathered to help determine if the research really captured the information the way the researcher intended. Expert opinion was gathered and they recommended that the questionnaire be made more comprehensive to capture more questions on the strategic variables. It was also recommended to drop the qualitative questions captured as part of the likert scale.

Research reliability was tested using cronbach’s Alpha as recommended by Mugenda and Mugenda where 0.7 is acceptable. The results of internal consistency reliability was as shown in table 3.2 below

Table 3.2 Test of Reliability of the Instrument

<table>
<thead>
<tr>
<th>Questionnaire context</th>
<th>Number of Items</th>
<th>Reliability (Alpha score)</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic Tax Register</td>
<td>5</td>
<td>0.8211</td>
<td>Reliable</td>
</tr>
<tr>
<td>Staff Training</td>
<td>4</td>
<td>0.7126</td>
<td>Reliable</td>
</tr>
<tr>
<td>Online Services</td>
<td>5</td>
<td>0.7357</td>
<td>Reliable</td>
</tr>
<tr>
<td>Broadening of Tax Base</td>
<td>5</td>
<td>0.7517</td>
<td>Reliable</td>
</tr>
<tr>
<td>Employee Motivation</td>
<td>5</td>
<td>0.8629</td>
<td>Reliable</td>
</tr>
<tr>
<td>Volume of Revenue Collection</td>
<td>2</td>
<td>0.9091</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

Source (Survey Data, 2013)

The results above indicate that the instrument is reliable and an Alpha score of 0.7 is considered for the purpose of this study.
3.5.2 Data Collection Procedures

The researcher sought for permission from KRA authorities in order to facilitate data collection. By the use of a letter from the University addressed to KRA management and a personal letter to the respondents the researcher collected data on the research topic exhaustively.

The researcher personally delivered the questionnaires to the respondents and picked them after one week. This enabled for any clarification of questions from the respondents. Questionnaires allow for confidentiality of the respondents to be kept. Other methods of data collection included observations and interviews. All these were for purposes of collecting detailed data.

3.6 Data Analysis Methods

The data collected was be analyzed using descriptive statistics, correlations, and linear regression analysis. This was achieved through the use of STATA software package. The analysis sought to answer research questions and explain the associations and dependencies between the variables of the study. The output was presented in form of tables and figures. Multiple regression analysis will result in a prediction equation that describes the relationship between the dependent variable and independent variables (Gujarati, 2000). The model is as explained below;

\[ Y = \beta_0 + \beta_{ij} X_{ij} + \beta_{ij} X_{2j} + \beta_{ij} X_{3j} + \beta_{ij} X_{4j} + \beta_{ij} X_{5j} + \epsilon \]

Where

- \( Y \) -dependent variable- Revenue Collection
- \( \beta_0 \) -is the constant (y intercept)
- \( X_{ij} \) is a set of - independent variables \( i \) for company \( j \) these variables include the ETR use by the company (\( X_1 \)), employee training (\( X_2 \)), online services (\( X_3 \)), broadening of tax base (\( X_4 \)) and employee motivation (\( X_5 \)).
- \( \beta_{ij} \) -regression coefficient \( i \) for variable \( j \)
- \( \epsilon \) -the stochastic error term
In relation to the objectives of the study the researcher will use STATA to estimate the following multiple regression analysis covering the effects of strategic response on revenue collection at KRA as shown below:

\[ R = \beta_0 + \beta_1 \text{ETR} + \beta_2 \text{TR} + \beta_3 \text{OS} + \beta_4 \text{TB} + \beta_5 \text{EM} + \epsilon \]

Where \( R \): Revenue Collection at time \((t)\).

\( \text{ETR} \): is the Electronic Tax Register.

\( \text{TR} \): Staff Training.

\( \text{OS} \): Online services

\( \text{TB} \): Broadening of Tax base

\( \text{EM} \): Employee motivation

\( \beta_0 \) is the intercept; and reflects the constant of the equation.

\( \beta_1 \) is the sensitive coefficient of each independent variable \((i=1,2,3,4,5)\).

\( \epsilon \) is the error term.

The T-test was used to test the significance of the difference in pre and post revenue collection. These tests were conducted at 95% level of confidence \((\alpha=0.05)\).
CHAPTER FOUR
RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter covers various sections which discuss data analysis, results and discussion.

4.2 Response Rate

The researcher targeted 126 employees 90 of which responded. Therefore the response rate was 71% which can be used to draw conclusion on the study topic. The findings indicate that all the departments and branches were well represented in the study. Table 4.1 below best illustrates the response rate.

Table 4.1: Distribution of Sample Respondents

<table>
<thead>
<tr>
<th>Population category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Headquarters</td>
<td>78</td>
<td>87</td>
</tr>
<tr>
<td>Eastleigh</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Forodha</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Jomo Kenyatta International Airport</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td>Wilson Airport</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>90</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Survey data (2013)

As illustrated in the table above majority of the respondents were from the headquarters in line with the number of respondents targeted.

4.2.1 Distribution of Gender of the Respondents

Here, the study sought to establish the gender of the respondents who took part in the study. The results are as shown below:
Table 4.2 Gender of Respondents

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>53</td>
<td>59</td>
</tr>
<tr>
<td>Female</td>
<td>37</td>
<td>41</td>
</tr>
<tr>
<td>Total</td>
<td>90</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: survey data (2013)

The researcher sought to find out the gender of the respondents. The findings indicate that majority of the respondents were male 59% whereas the female respondents were 41%. This can be deduced to mean that most managers at KRA are male. Table 4.2 below best illustrates these facts.

4.2.2 Distribution of Age of the respondents

This section sought to establish the age of the respondents who took part in the study, the results are as shown in table 4.3 below:

Table 4.3 Age Category

<table>
<thead>
<tr>
<th>Age Category</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>21-30 years</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>31-40 years</td>
<td>28</td>
<td>31</td>
</tr>
<tr>
<td>41-50 years</td>
<td>33</td>
<td>37</td>
</tr>
<tr>
<td>Over 50 years</td>
<td>24</td>
<td>27</td>
</tr>
<tr>
<td>Total</td>
<td>90</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Survey data (2013)

The researcher wanted to find out the age category of the respondents. The findings indicate that majority of the respondents were in the age category of between 41-50 years representing 37% followed by those in the age category of between 31-40 years at 37%. On the other hand those in the age category of over 50 years were 27% while
in the age category of between 21-30 years were 5%. Table 4.3 below best illustrates these facts.

4.2.3 Educational Qualifications

The study sought to establish the qualification of the respondents. The findings are presented below

Table 4.4 Educational Qualifications

<table>
<thead>
<tr>
<th>Educational Qualification</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Certificate</td>
<td>22</td>
<td>24</td>
</tr>
<tr>
<td>Diploma</td>
<td>19</td>
<td>21</td>
</tr>
<tr>
<td>Degree</td>
<td>44</td>
<td>49</td>
</tr>
<tr>
<td>Others (Specify)</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>90</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Survey data (2013)

The researcher sought to find out the educational qualifications of the respondents. The research findings indicate that most respondents representing 49% of the respondents had degrees as their educational qualifications. This was followed by those with certificates representing 24% while diploma holders were represented by 21% of the total respondents. Some of the respondents 6% had post graduate diplomas and PhD qualifications. Table 4.4 below best illustrates these findings.

4.2.4 Experience in the Organization

The research also sought to know the experience of the respondents in working with the organization. Their experiences are presented below
Table 4.5 Experience in the Organization

<table>
<thead>
<tr>
<th>Experience in years</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than one year</td>
<td>19</td>
<td>21</td>
</tr>
<tr>
<td>1-4 years</td>
<td>30</td>
<td>33</td>
</tr>
<tr>
<td>5-9 years</td>
<td>25</td>
<td>28</td>
</tr>
<tr>
<td>10-14 years</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>Above 15 years</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>90</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Survey data (2013)

The researcher wanted to know the experience of the respondents in the organization. The findings indicate that most of the respondents 33% had been with the organization for a period of 1-4 years followed by those who had been with the organization for a period between 5-9 years representing 28%. Equally the findings indicate that those who had been with the organization for a period of less than one year represented 21% of the total respondents. Those who had been with the organization for a period of 10-14 years represented 12% while those who had worked for 15 years and above were 6%. Table 4.5 below best illustrates these facts.
4.3 Effect of Strategic Response on Revenue Collection

This section deals with results of data analysis based on the effect of the independent variables to the dependent variable.

4.3.1 Electronic Tax Register and Revenue Collection

The researcher wanted to find out whether electronic tax register as a strategic response was embraced in KRA. The results are presented in the table below.

Table 4.6 Influence of Electronic Tax Register Factors on Revenue Collection

<table>
<thead>
<tr>
<th>Factor</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recording transaction data</td>
<td>15</td>
<td>14</td>
<td>34</td>
<td>16</td>
<td>11</td>
<td>90</td>
</tr>
<tr>
<td>Record and issue fiscal data of</td>
<td>4</td>
<td>15</td>
<td>32</td>
<td>22</td>
<td>17</td>
<td>90</td>
</tr>
<tr>
<td>goods and services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For easy reference of operations</td>
<td>8</td>
<td>9</td>
<td>30</td>
<td>28</td>
<td>15</td>
<td>90</td>
</tr>
<tr>
<td>Recording of fiscal reports</td>
<td>4</td>
<td>7</td>
<td>27</td>
<td>31</td>
<td>21</td>
<td>90</td>
</tr>
<tr>
<td>Storage of tax register reports</td>
<td>10</td>
<td>7</td>
<td>18</td>
<td>35</td>
<td>20</td>
<td>90</td>
</tr>
</tbody>
</table>


Source: survey data (2013)

The findings indicate that 87% of the respondents agreed that KRA had adopted electronic tax register as a strategic response on revenue collection. This was as opposed to 13% of the respondents who thought this was not the case.

The researcher sought to establish the effects of electronic tax register on revenue collection. The respondents stated the following as the effects of electronic tax register on revenue collection. These include: there was a permanent record both for the trader and the organization, the records were tamper proof, the systems were efficient in retrieving data for collection and it assisted in timely return submission. Equally, this helped monitor transaction of data, reduced revenue evasion and it captured incompliance tax payers into tax net base.
Apart from the above electronic tax register also made it easy and faster for employees to carry out audits, acted as a source of information, there was an increase in tax collection, proper record keeping and operations were easily followed. There was also an improved administration of revenue collection, enhanced accountability, it helps in comparing sales against VAT, helps to project installment tax, minimization of tax fraud, it improves on control measures and streamlining revenue collection. It has also strengthened internal audit mechanisms and upheld integrity of tax administration.

The researcher wanted to find out the extent to which respondents feel various electronic tax register factors influence revenue collection using a scale of 1-5 where 1 was very influence, 2 was low extent, 3 was neutral influence, 4 was high extent while 5 was very high extent of influence. The findings indicate that majority of the respondents 34 in number feel that recording transaction data had a neutral influence on revenue collection, 32 feel that record and issue fiscal data and services had a neutral influence, 31 and 35 respondents feel that recording of fiscal reports and storage of tax register reports influence revenue collection to a high extent. The findings are best illustrated in table 4.6 below.

4.3.2 Staff Training and Revenue Collection

The researcher sought to establish whether the organization was adopting staff training as a strategic response on revenue collection.
Table 4.7 Influence of Staff Training Factors on Revenue Collection

<table>
<thead>
<tr>
<th>Factor</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Competence</td>
<td>6</td>
<td>7</td>
<td>21</td>
<td>34</td>
<td>22</td>
<td>90</td>
</tr>
<tr>
<td>Update of knowledge and skills</td>
<td>7</td>
<td>7</td>
<td>20</td>
<td>43</td>
<td>13</td>
<td>90</td>
</tr>
<tr>
<td>Changing of attitudes and behaviours</td>
<td>3</td>
<td>9</td>
<td>17</td>
<td>45</td>
<td>16</td>
<td>90</td>
</tr>
<tr>
<td>Professional development</td>
<td>6</td>
<td>9</td>
<td>15</td>
<td>47</td>
<td>13</td>
<td>90</td>
</tr>
</tbody>
</table>


Source: Survey data (2013)

The findings indicate that 89% of the respondents feel that the organization has adopted staff training as a strategic response against 11% of the respondents who thought otherwise.

The researcher wanted to establish the effects of training on revenue collection. The findings indicate the following effects: professionalism was achieved by the organization, education and skills gained enhanced efficiency, there were business changes and other attitude changes, staff are updated on revenue acts and thus are more knowledgeable and competent in their field. It also led to broadening of tax base and building of confidence, modernizing the organization, increased revenue collection, created awareness, employees were able to deal with taxpayers concerns and enhanced revenue collection from more qualified staff.

Apart from the above accessibility was improved, enhanced performance was achieved, strong team work, professionalism, staff are updated on new changes, enhances great standards in work, motivates staff, improves work performance quality, reduction of
errors, increased awareness on the best practices in revenue collection, quick
terpretation of tax laws, brings new strategies and efficiency in debt collection

The researcher sought to find out the extent to which respondents feel staff training factors influence revenue collection using a scale of 1-5 where 1 was very influence, 2 was low extent, 3 was neutral influence, 4 was high extent while 5 was very high extent of influence. From the study findings it is clear that all the staff training factors considered in this study had an influence on revenue collection which was to a high extent. For example, 34 respondents felt that competence had a high influence on revenue collection, 43 went with update of knowledge and skills factor, 45 went with changing of attitudes and behaviours while 47 were of the opinion that professional development factor had a high influence on revenue collection. Table 4.7 below illustrates these findings.

4.3.3 Online Services and Revenue Collection

The researcher also wanted to find out whether respondents felt the organization adopted online services as a strategic response on revenue collection.

Table 4.8 Influence of Online Services Factors on Revenue Collection

<table>
<thead>
<tr>
<th>Factor</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to date information</td>
<td>9</td>
<td>6</td>
<td>8</td>
<td>45</td>
<td>22</td>
<td>90</td>
</tr>
<tr>
<td>Access of all data entries</td>
<td>4</td>
<td>13</td>
<td>22</td>
<td>38</td>
<td>13</td>
<td>90</td>
</tr>
<tr>
<td>Increased satisfaction</td>
<td>11</td>
<td>16</td>
<td>18</td>
<td>28</td>
<td>17</td>
<td>90</td>
</tr>
<tr>
<td>High quality decisions</td>
<td>6</td>
<td>16</td>
<td>31</td>
<td>26</td>
<td>11</td>
<td>90</td>
</tr>
<tr>
<td>Coordination</td>
<td>5</td>
<td>19</td>
<td>25</td>
<td>32</td>
<td>9</td>
<td>90</td>
</tr>
</tbody>
</table>


Source: survey data (2013)

From the study findings it is clear that 74% of the respondents were in agreement that online services is a strategic response on revenue collection while 26% of the respondents feel that online services has not been adopted as a strategic response.
The researcher wanted to find out the effects of online services on revenue collection. The respondents stated the following as the effects: timeliness, convenience, good coordination and accessibility of information promptly. Also as a result of this, there were less paperwork and taxpayers could easily access their data at their convenience. Equally, the operations were improved and both workers and taxpayers duties were made easier, there were faster payments and it improved storage of data and decisions are made easily.

Apart from the above this also led to service satisfaction, easy access of records, helped in revenue administration, time saving, no proper co-ordination, reduced tax audit time, easy to predict revenue collection, enhance competency, detects errors of professionalism, quick resolution of revenue errors, prompt declaration, less time wasting and less stressful. It also reduced administration costs, tax awareness was increased, tax is collected when it is due, easy to monitor revenue trends, first hand information is achieved, reduced workload and coordination is improved.

The researcher sought to find out the extent to which respondents feel various online service factors influence revenue collection using a scale of 1-5 where 1 was very influence, 2 was low extent, 3 was neutral influence, 4 was high extent while 5 was very high extent of influence. The findings indicate that majority of the respondents believe online services factors have a high influence on revenue collection. 45 of the respondents feel that up to date information, 38 respondents feel that access of all data entries and 32 feel coordination factors have a high influence on revenue collection. Table 4.8 below best illustrates these findings.

4.3.4 Broadening of Tax Base and Revenue Collection

The researcher wanted to establish whether the respondents feel the organization had adopted broadening of tax base as a strategic response on revenue collection.
Table 4.9 Influence of Broadening of Tax Base Factors on Revenue Collection

<table>
<thead>
<tr>
<th>Factor</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessment of tax liability</td>
<td>9</td>
<td>12</td>
<td>30</td>
<td>26</td>
<td>13</td>
<td>90</td>
</tr>
<tr>
<td>Determination of income tax</td>
<td>8</td>
<td>8</td>
<td>38</td>
<td>27</td>
<td>9</td>
<td>90</td>
</tr>
<tr>
<td>Tax levels</td>
<td>8</td>
<td>11</td>
<td>21</td>
<td>29</td>
<td>21</td>
<td>90</td>
</tr>
<tr>
<td>Tax incidence</td>
<td>6</td>
<td>12</td>
<td>31</td>
<td>23</td>
<td>18</td>
<td>90</td>
</tr>
<tr>
<td>Gross domestic product</td>
<td>5</td>
<td>7</td>
<td>11</td>
<td>54</td>
<td>13</td>
<td>90</td>
</tr>
</tbody>
</table>


Source: Survey data (2013)

The findings indicate that 82% of the respondents feel that KRA has adopted broadening of tax base as a strategic response on revenue collection. On the other hand 18% of the respondents feel that this has not been the case.

The researcher sought to find out the effects of broadening tax base on revenue collection. The respondents stated the following as the effects: there was a wider tax base and more taxpayers, tax rate was brought down, it improved the economy of the country, compliance on taxpayers was enhanced as was tax collection. Apart from the above this led to fairness whereby all taxpayers paid tax, assessment of tax liability was made easy, determination of tax liability, higher tax levels and high gross domestic product, enhanced tax control and registration of informal sector. Equally as a result of this taxation was made possible on state officers, minimized loss on revenue and increased sources of revenue.

The researcher sought to find out the extent to which respondents feel various broadening tax base factors influence revenue collection using a scale of 1-5 where 1 was very influence, 2 was low extent, 3 was neutral influence, 4 was high extent while 5 was very high extent of influence. The findings indicate that majority of the respondents 30 feel that assessment of tax liability has a neutral influence on revenue collection, 38 believe determination of income tax had a neutral influence on revenue collection.
collection, 29 respondents feel tax levels had a high influence on revenue collection whereas 54 respondents feel that gross domestic product influence revenue collection to a high extent. Table below 4.9 below best illustrates the findings.

4.3.5 Employee Motivation and Revenue Collection

The researcher sought to find out whether the respondents felt that the organization was adopting employee motivation as a strategic response on revenue collection.
Table 4.10 Influence of Employee Motivation Factors on Revenue Collection

<table>
<thead>
<tr>
<th>Factor</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job placement</td>
<td>9</td>
<td>10</td>
<td>21</td>
<td>40</td>
<td>10</td>
<td>90</td>
</tr>
<tr>
<td>Job design</td>
<td>11</td>
<td>15</td>
<td>25</td>
<td>24</td>
<td>15</td>
<td>90</td>
</tr>
<tr>
<td>Effective communication</td>
<td>7</td>
<td>14</td>
<td>11</td>
<td>46</td>
<td>12</td>
<td>90</td>
</tr>
<tr>
<td>Competitive levels of employee compensation</td>
<td>9</td>
<td>9</td>
<td>40</td>
<td>25</td>
<td>7</td>
<td>90</td>
</tr>
<tr>
<td>Leadership style</td>
<td>12</td>
<td>11</td>
<td>25</td>
<td>28</td>
<td>14</td>
<td>90</td>
</tr>
</tbody>
</table>


Source: Survey data (2013)

From the findings it is clear that 87% of the respondents feel that this was the case whereas 13% of the respondents feel that KRA has not adopted employee motivation as a strategic response on revenue collection.

The researcher wanted to find out the effects of employee motivation on revenue collection. The findings indicate that respondents think that job structure and development was achieved as a result of this, levels of commitment were increased, job satisfaction were enhanced, it spurred innovations and sealed loopholes and it contributed actively in policies. Apart from the above this also led to improved tax collection, improved customer care, reduced corruption and attracted skilled staff to the organization, meeting of set targets, there was also competition for promotion and happiness in the workplace.

In addition this led to good corporate image, effective communication, salary increment, loans and other allowances, high integrity, competitive working environment, confidence in company’s vision and it improves ones passion for the job.

The researcher sought to find out the extent to which respondents feel employee motivation factors influence revenue collection using a scale of 1-5 where 1 was very
influence, 2 was low extent, 3 was neutral influence, 4 was high extent while 5 was very high extent of influence.

The findings indicate that majority 40 respondents feel that job placement influences revenue collection to a high extent, 25 respondents feel that job design has a neutral influence on revenue collection and 46 respondents believe effective communication had a high influence on revenue collection. On the other hand, 40 respondents feel that competitive levels of employee compensation had a neutral influence on revenue collection while 28 respondents feel that leadership had a high influence on revenue collection. This is best illustrated in table 4.10 below.

4.3.6 Volume of Revenue Collection

The researcher also wanted to establish whether revenue collection in KRA met the agreed target.

Table 4.11 Extent to which Agreed Volumes have been met

<table>
<thead>
<tr>
<th>Factor</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>To what extent has the volume of revenue collection changed</td>
<td>9</td>
<td>13</td>
<td>22</td>
<td>16</td>
<td>12</td>
<td>72</td>
</tr>
<tr>
<td>To what extent has the revenue collection reduced the arrears</td>
<td>8</td>
<td>20</td>
<td>29</td>
<td>10</td>
<td>5</td>
<td>72</td>
</tr>
<tr>
<td>Effective communication</td>
<td>8</td>
<td>6</td>
<td>10</td>
<td>32</td>
<td>16</td>
<td>72</td>
</tr>
<tr>
<td>To what extent has the revenue collection changed the number of budgetary claims</td>
<td>6</td>
<td>12</td>
<td>24</td>
<td>18</td>
<td>12</td>
<td>72</td>
</tr>
<tr>
<td>To what extent has revenue collection time has changed</td>
<td>7</td>
<td>7</td>
<td>6</td>
<td>36</td>
<td>16</td>
<td>72</td>
</tr>
</tbody>
</table>


Source: survey data 2013
The findings indicate that 80% of the respondents believe that KRA met the agreed revenue collection targets whereas 20% of the respondents believe this was not the case.

The respondents who agreed that KRA had met its revenue collection targets were asked the extent to which they thought the agreed volume had been met. Using a scale of 1-5 where the represents the following: 1-Very low satisfaction, 2.-Low satisfaction, 3.-Neutral, 4.-High satisfaction and 5- Very high satisfaction. The findings indicate that most respondents 22 feel that volume of revenue collection changed had been met to a neutral extent, 29 feel that revenue collection reduced the arrears had been met to a neutral extent, 24 respondents felt that revenue changed the number of budgetary claims by a neutral extent while 36 respondents feel that revenue collection time has changed to a high extent.

4.4 Regressions Analysis

Multiple regression was used to test the relationship between the dependent variable and independent variables. Using multiple regressions as a statistical tool used in analysing under SPSS application, the various strategies and how they influence the collection of revenue by KRA as an organization were examined.

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.845(a)</td>
<td>0.714</td>
<td>0.697</td>
<td>0.257</td>
</tr>
</tbody>
</table>

The R2 is called the coefficient of determination and tells us how growth of Real Estate Firms varied with pricing strategy, promotional strategy, place strategy and product strategy. From the model summary above, the value of adjusted $R^2$ is 0.697. This implies that, the independent variables explain 69.7 % of dependent variable at a confidence level of 95%.
To assess the statistical significance of the result, it is necessary to look in the table below: ANOVA. This tests the null hypothesis that Regression (R) in the population equals 0. The model presented here reaches statistical significance of 0 i.e, [Sig = .000, this means p<.0005

**ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>10.714</td>
<td>5</td>
<td>2.143</td>
<td>16.253</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>11.075</td>
<td>84</td>
<td>.132</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>21.789</td>
<td>89</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Effect of strategic response on revenue collection in public organizations

b. Predictors: (Constant), Has revenue collection by KRA met the expected target, Organization’s adoption of staff training as a strategy for revenue collection, Organization’s adoption of online services strategy for revenue collection, Employee motivation as a strategy for revenue collection, organization's broadening of tax base as strategy on revenue collection

**Evaluating each of the independent variables**

Next, the researcher wants to know which of the variables included in the model contributed to the prediction of the effect of strategic response on revenue allocation and how it is related to the independent variables thus referred. This is as seen in the table labelled ‘Coefficients’ below:
Coefficients Results

<table>
<thead>
<tr>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
</tr>
<tr>
<td>(Constant)</td>
<td>0.116</td>
<td>.186</td>
<td>0.623</td>
</tr>
<tr>
<td>Electronic tax register</td>
<td>0.577</td>
<td>.068</td>
<td>.559</td>
</tr>
<tr>
<td>Staff training</td>
<td>0.157</td>
<td>.043</td>
<td>.257</td>
</tr>
<tr>
<td>Online services</td>
<td>0.052</td>
<td>.024</td>
<td>.139</td>
</tr>
<tr>
<td>Broadening of tax base</td>
<td>0.208</td>
<td>.001</td>
<td>.505</td>
</tr>
<tr>
<td>Employee motivation</td>
<td>0.155</td>
<td>.041</td>
<td>.254</td>
</tr>
</tbody>
</table>

Source: Survey data 2013

\[ Y = 0.116 + 0.577X_1 + 0.157X_2 + 0.052X_3 + 0.208X_4 + 0.155X_5 \]

From the above regression model, electronic tax register, staff training, online services, broadening of tax base and employee motivation was established to significantly affect revenue collection. It was established that a unit increase in electronic tax register would cause an increase in revenue collection by a factor of 0.577. This study is consistent with Simiyu (2003) who argued that tax register enables government to improve its revenue collection. However, it contracted Kathuri who had argued that such a gadget might not bring any significant results. A unit increase in staff training and online services would cause an increase in revenue firms by a factor of 0.157 and 0.052 respectively. The findings is consistent with Vizdom (2003) who observed that staff training and and online service delivery had a positive effect on revenue collection. An increase in broadening of tax base would cause an increase in revenue collection by a factor of 0.208. Finally a unit increase in employee motivation would cause an increase in revenue collection by a factor of 0.155. This was consistent with reviewed literature as argued by Kalimullah et al. (2010) that getting employees to do their best work even in strenuous circumstances, is one of the employees most stable and greasy challenges and this can be made possible through motivating them.
CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter deals with the summary, conclusions and recommendations of the study. It also highlights implications of the study for policy and practice.

5.2 Summary

The purpose of the study was to establish the effect of strategic response on revenue collection in Kenya Revenue Authority, Nairobi County, Kenya. It was guided by the following specific objectives: to establish whether the use of electronic tax register has an effect on revenue collection at KRA in Kenya, to determine whether staff training adopted by KRA has any effect on revenue collection in Kenya, to assess whether the online services used have an effect on revenue collection at KRA in Kenya, to find out the effect of broadening of tax base on KRA's revenue collection in Kenya and finally to establish whether employee motivation has an effect on KRA's revenue collection in Kenya.

The findings indicate that majority of the respondents feel that the organization had adopted electronic tax register as a strategic response on revenue collection. The respondents stated the following as the effects of electronic tax register on revenue collection. As a result of this there was a permanent record both for the trader and the organization, the records were tamper proof, the systems were efficient in retrieving data for collection and it assisted in timely return submission. Equally, this helped monitor transaction of data and reduced revenue evasion and it captured incompliance tax payers into tax net base. Majority of the respondents feel that recording transaction data had a neutral influence on revenue collection, that record and issue
fiscal data and services had a neutral influence, recording of fiscal reports and storage of tax register reports influence revenue collection to a high extent.

From the findings the respondents felt that the organization has adopted staff training as a strategic response. The findings indicate the following as the effects: professionalism was achieved by the organization, education and skills gained enhanced efficiency, there were business changes and other attitude changes, staff are updated on revenue acts and thus are more knowledgeable and competent in their field. It also led to broadening of tax base and building of confidence, modernizing the organization, increased revenue collection, created awareness and able to deal with taxpayers concerns and enhanced revenue collection and there were more qualified staff. Most respondents felt that competence had a high influence on revenue collection, the same case with update of knowledge and skills factor, changing of attitudes and behaviours while others were of the opinion that professional development factor had a high influence on revenue collection.

The findings also indicate that majority of the respondents were in agreement that online services is a strategic response on revenue collection. The researcher wanted to find out the effects of online services on revenue collection. The respondents stated the following as the effects: timeliness, convenience, good coordination and accessibility of information promptly. Also as a result of this there were less paperwork used and taxpayers can easily access their data at their convenience. Equally the operations were improved and both workers and taxpayers duties were made easier, there were faster payments and it improved storage of data and decisions are made easily. The findings indicate that majority of the respondents believe online services factors have a high influence on revenue collection. Other respondents feel that up to date information, access of all data entries and coordination factors have a high influence on revenue collection.

The findings indicates that the respondents feel that KRA has adopted broadening of tax base as a strategic response on revenue collection. The respondents stated the following as the effects: there was a wider tax base and more taxpayers, tax rate was brought down, it improved the economy of the country, compliance on taxpayers was
enhanced as was the tax collection. Apart from the above this led to fairness whereby all taxpayers paid tax, taxation rate came down, assessment of tax liability, determination of tax liability, higher tax levels and high gross domestic product, enhance tax control and registration of informal sector. Equally as a result of this taxation was made possible on state officers, minimizes loss on revenue and increased sources of revenue. Majority of the respondents feel that assessment of tax liability has a neutral influence on revenue collection, others believe determination of income tax had a neutral influence on revenue collection, other respondents feel tax levels had a high influence on revenue collection whereas others respondents feel that gross domestic product influence revenue collection to a high extent.

From the findings it is clear that the respondents feel that this was the case whereas some of the respondents feel that KRA has not adopted employee motivation as a strategic response on revenue collection. The findings indicate that respondents think that job structure and development was acheived as a result of this, levels of commitment were increased, job satisfaction were enhanced, it spurred innovations and sealed loopholes and it contributed actively in policies. Apart from the above this also led to improved tax collection, improved customer care, reduced corruption and attracted skilled staff to the organization, meeting of set targets, there was competition for promotion and happiness in the workplace. Also this led to good corporate image, effective communication, salary increment, loans and other allowances, high integrity, competitive working environment, confidence in company’s vision and it improves ones passion for the job.

Majority of the respondents feel that job placement influences revenue collection to a high extent, others feel that job design has a neutral influence on revenue collection while others believe effective communication had a high influence on revenue collection. On the other hand some feel that competitive levels of employee compensation had a neutral influence on revenue collection while others felt that leadership had a high influence on revenue collection.
5.3 Conclusion

In summary, the findings indicate that all the independent variables considered for this study had a positive regression for all predictors. This means that they positively influence or affect the strategies made or employed in the collection of revenue in public organization and more relevantly at KRA. The variables tested significantly influence collection of revenue as practiced by the KRA.

For firms to be efficient and effective resulting in successful business operations they must continuously take on the environmental turbulence and tap on any opportunity presented and handle any environmental conditions that are likely to cause any business challenge by strategically responding to the same through strategic responses. Effective strategic responses call for organizations to fit their internal capabilities and environmental demands. This is basically the strategic fit which could help ensure better firm performance. KRA has strategically responded to environmental changes and has greatly improved on its revenue collection.

5.4 Recommendations

The researcher recommends that for revenue collection to be effective at KRA, there is need to put in place systems and hire employees who are transparent and accountable. The government must improve its revenue collection procedures as well as improve capacities of revenue collection administrations to enforce all strategies adopted. The government through the ministry of finance should improve the performance KRA with regard to revenues collection through consolidating and completing the legal frame-work and reinforcing the institutional capacity to collect taxes and duties, to improve the revenue collection through completing and harmonizing the legal framework regarding the whole Kenyan taxation system and to establish indicators for measuring the revenue collection in the view of policy making.

Finally, KRA should establish methods and procedures for clearing the tax arrears; to implement a nation of wide program for improving the activity of the tax administration with regard to collection of taxes; to develop the implementation of a
comprehensive training program, designed to follow-up the existing programs and to develop the information system related to the revenue collection.

5.5 Suggestions for Further Research

This study is first of its kind in Kenya which has indicated how strategic responses are influencing tax collection in Kenya. However, a more national looking study is recommended for the purpose of generalising these findings. Furthermore other variables like the influence of the taxpayers' attitude on revenue collection at KRA and how the government can improve on collection.
REFERENCES


54


Vizdom, S (2003), *Need and importance of training employees in your organization.* The Academy of Management Review,

APPENDIX I: LETTER TO THE RESPONDENTS

Justus Kyengo
Kenyatta University
NAIROBI-KENYA

REQUEST TO CONDUCT STUDY

I am an MBA student in the above mentioned university. I am in the research stage of the project in partial fulfillment of the requirements for the award of the MBA Degree. My research topic is “The effect of Strategic Response on Revenue Collection in Public Organizations at KRA”.

It is my humble request to you to fill the attached questionnaire correctly. Please note that the data collected shall be utilized strictly for academic purposes. A copy of the final document would be availed to you.

Thank you.

Yours faithfully,

Justus Kyengo
APPENDIX II: QUESTIONNAIRE

SECTION A: PERSONAL DATA

1 Department/section

2 Gender (tick)
   Male
   Female

3 Age (tick)
   Below 21 years
   21 – 30 years
   31 – 40 years
   41 – 50 years
   Over 50 years

4 Educational qualifications (tick)
   Certificate
   Diploma
Degree

Masters  
Others (specify)  

5 Experience in the organization (tick)

Less than one year  
1 – 4 years  
5 – 9 years  
10 – 14 years  
Above 15 years  

SECTION B: EFFECT OF STRATEGIC RESPONSE ON REVENUE COLLECTION

1. Electronic Tax Register

a) Does your organization adopt electronic tax register as a strategic response on revenue collection? (Tick)

Yes ( )

No ( )

b) What are the effects of electronic tax register on revenue collection?

i) ..............................................................

ii) ..............................................................
iii)..............................................................................................

iv)..............................................................................................

v) Others (Specify).................................................................

c) Using the scale 1-5 as shown below please tick the extent of influence of the following factors on revenue collection where; 1. very low extent  2. low extent  3. neutral  4. high extent  5. very high extent. (TICK)

<table>
<thead>
<tr>
<th>Factor</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recording transaction data</td>
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<td></td>
<td></td>
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<tr>
<td>Record and issue fiscal data of goods and services</td>
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<tr>
<td>For easy reference of operations</td>
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<td></td>
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<tr>
<td>Recording of fiscal reports</td>
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<tr>
<td>Storage of tax register reports</td>
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</tbody>
</table>

2. Staff Training

a) Does your organization adopt staff training as a strategic response on revenue collection? (Tick)

Yes ( )
No ( )

b) What are the effects of staff training on revenue collection?

i) ..............................................................................................

ii)..............................................................................................

iii)..............................................................................................

iv)..............................................................................................

v) others (Specify).................................................................

<table>
<thead>
<tr>
<th>Factor</th>
<th>1</th>
<th>2</th>
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</thead>
<tbody>
<tr>
<td>Competence</td>
<td></td>
<td></td>
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<tr>
<td>Update of knowledge and skills</td>
<td></td>
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<tr>
<td>Changing of attitudes and behaviours</td>
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<tr>
<td>Professional development</td>
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</tbody>
</table>

3. Online Services

a) Does your organization adopt online services as a strategic response on revenue collection? (Tick)

Yes ( )

No ( )

b) What are the effects of online services on revenue collection?

i) ..............................................................

ii) ..............................................................

iii) ..............................................................

iv) ..............................................................

v) others (Specify) ..............................................................

c). Using the scale 1-5 as shown below please tick the extent of influence of the following factors on revenue collection where; 1. very high extent 2. Low extent 3. Neutral 4. High extent 5. Very high extent. (TICK)
4. Broadening of Tax Base

a) Does your organization adopt Broadening of tax base as a strategic response on revenue collection? (Tick)

   Yes ( )
   No ( )

b) What are the effects of Broadening tax base on revenue collection?

   i) .................................................................

   ii) ..................................................................

   iii) ................................................................

   iv) ................................................................

   v) others (Specify ) .............................................

c) Using the scale 1-5 as shown below please tick the extent of influence of the following factors on revenue collection. 1. Very low 2. Low extent 3. Neutral 4. High extent 5. Very high extent. (TICK)

<table>
<thead>
<tr>
<th>Factor</th>
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<th>2</th>
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</thead>
<tbody>
<tr>
<td>Assessment of tax liability</td>
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<tr>
<td>Determination of income tax</td>
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<tr>
<td>Tax levels</td>
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<tr>
<td>Tax incidence</td>
<td></td>
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<tr>
<td>Gross domestic product</td>
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</tbody>
</table>

61
5. Employee Motivation

a) Does your organization adopt employee motivation as a strategic response on revenue collection? (Tick)

Yes ( )

No ( )

b). What are the effects of employee motivation on revenue collection?

i) .................................................................

ii) .................................................................

iii) .................................................................

iv) .................................................................

v) others (Specify) ..............................................

c). Using the scale 1-5 as shown below please tick the extent of influence of the following factors on revenue collection where; 1. very low 2. Low extent 3. Neutral 4. high extent 5. Very high extent. (TICK)

<table>
<thead>
<tr>
<th>Factor</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job placement</td>
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<tr>
<td>Job design</td>
<td></td>
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<tr>
<td>Effective communication</td>
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<tr>
<td>Competitive levels of employee compensation</td>
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<tr>
<td>Leadership style</td>
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</table>

d). Any other comment concerning this that you feel should be addressed?

........................................................................................................................................

........................................................................................................................................

........................................................................................................................................

Has revenue collection in KRA met the agreed target? (Tick)

Yes ( )

No. ( )

If yes to what extent do you think the agreed volume has been met? (Tick)

1. Very low satisfaction

2. Low satisfaction

3. Neutral

4. High satisfaction

5. Very high satisfaction

<table>
<thead>
<tr>
<th>Factor</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>To what extent has the volume of revenue collection changed</td>
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<tr>
<td>To what extent has the revenue collection reduced the arrears</td>
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<tr>
<td>Effective communication</td>
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<tr>
<td>To what extent has the revenue collection changed the number of budgetary claims</td>
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<tr>
<td>To what extent has revenue collection time has changed</td>
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</tbody>
</table>

Thank you for participating in this study
TO WHOM IT MAY CONCERN:


This is to confirm that the above named is a Master of Business Administration MBA (Strategic Management Option) student in the School of Business, Kenyatta University.

He is through with course work and has successfully defended his Masters Degree proposal (The Effects of Strategic Response on Revenue Collection in Public Organizations in Nairobi County in Kenya: Case of Kenya Revenue Authority) and has done all the corrections that were pointed out by the examiners during the defense. He is now embarking on data collection.

Any assistance accorded to will be much appreciated by this office.

Thank you.

DR. DAVID NZUKI
DOCTORAL AND MBA PROGRAMME COORDINATOR

DN/mk
Dear madam,

RE: DATA COLLECTION

I am a postgraduate student at Kenyatta University, undertaking a masters of Business Administration. As part of the course, I am supposed to do a research project. The title of my study is To Investigate the effects of strategic responses on Revenue collection in public organizations in Nairobi county in Kenya, case study of Kenya Revenue Authority.

I am kindly requesting for your permission to allow me collect data from the KRA employees. A copy of the questionnaire for collecting data and introduction letter from the university attached. The information provided will be for academic purposes and will be treated with utmost confidence.

Your assistance will be highly appreciated.

Yours sincerely,

Justus Mutuku Kyengo

Ref: 94007484

6th March, 2013

Justus Mutuku Kyengo
Assistant Commissioner

O/T D. MST

Thio' Commissioner - MST

Dear Sir,

RE: REQUEST TO UNDERTAKE RESEARCH

Reference is made to your letter dated 28th February, 2013 on the above subject.

We are pleased to inform you that approval has been granted for you to undertake research on, The Effects of Strategic Responses on Revenue Collection in Public Organizations in Nairobi County, a Case Study of Kenya Revenue Authority (KRA).

The research you intend to undertake should only be for academic purposes only and any data or information given should be treated with utmost confidentiality.

Please submit a copy of your research report for retention in the Library.

Yours faithfully,

Alice Munyao
For: Senior Deputy Commissioner- Human Resources

KENYATTA UNIVERSITY LIBRARY
NYERI CAMPUS

Tulipe Ushuru Tujitegemee!

Times Tower Building