THE EFFECT OF STRATEGIC MANAGEMENT PRACTICES ON REDUCTION OF REVENUE COLLECTION AT DOMESTIC TAXES DEPARTMENT AT THE KENYA REVENUE AUTHORITY

BY

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DECLARATION

This study is my original work and has not been presented for any award of degree in any other university.

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This study has been presented for examination with my approval as the university supervisor.

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DEDICATION

This study is cordially dedicated to my family. Thank you for your ceaseless, selfless and limitless encouragement, motivation and support that you have constantly and relentlessly given me. Without you, I would not have reached this level in my academic life. Truly, you have enabled me achieve and live to so much in this life and for this, I will be forever be indebted to all of you.

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ABBREVIATIONS AND ACRONYMS

ADB -	African Development Bank
ICT-	Information and Communication Technology
IT-	Information Technology
KShs. -	Kenya Shillings
KRA-	Kenya Revenue Authority
TOC-	Theory of Constraints

OPERATIONAL DEFINITION OF TERMS

Strategic Management: Lana (2008) defines strategic management as the ways through which organizations defines strategies in order respond to emerging challenges.

Strategic Management Practices: these are processes that ensure that the organization is working optimally in the most efficient ways enabling organizations to sustainably position themselves in the market Pierce and Robinson (2009).

Revenue Collection: According to (Lymer and Oats, 2010)revenue collection is the process of collecting funds for the government through fiscal and other means, particularly from external sources of the government.

Strategic Partners: strategic partners are business partners that enterprises share to enhance their profitability and make their performance sustainable both in the short run and log run.

Customer Service: Zhou and Madhikeni (2013) defines customer service as the meeting of customer expectations in the most efficient way.

Use of Technology: this is the adoption of new advanced technological tools that aid in enhancing collection of revenue for the government and that which is characterized by automation of processes of the systems of the state departments mandated to collect taxes Gidisu (2012)

Operational Efficiency: according to McKinsey (2006) operational efficiency is the desire by organizations to reduce costs and enhance performance.

Revenue Collection reduction: this is lowering of the variance between targeted revenue and the actual revenue collected in a certain fiscal year.

ABSTRACT

Strategic management is a modern way through which companies design plans of coping with challenges in the business environment. Strategic management has gained acceptance by most companies in order to remain effective and efficient in their operations. In this regard, the KRA has adopted strategic management practices with an aim of enhancing revenue collection. Revenue collection by the Kenya Revenue Authority is crucial to the economy of Kenya since tax is the major source of government revenue. There has been a conflict of results on the benefits of strategic managements on organizational performance. Some studies have found out that it is a costly affair that do not necessarily lead to achievement of objectives and realization of the organizational mission. Proponents of strategic management, on the other hand, idealizes that strategic management improves the performance of organizations. It is in this crisscross stand point that this study was undertaken. Further, the KRA has the mandate of collecting government revenue through its fiscal policies. This study proposal had the purpose of assessing the impact of strategic management practices on the reduction of revenue collection, a case of domestic taxes department at the Kenya Revenue Authority. This study had the following specific objectives: To determine the impact of use of technology, operational efficiency, customer service and strategic partnership in enhancing revenue collection by the Kenya Revenue Authority. The study used primary data that was collected through administration of questionnaires. The study had a target population of all the 105 top ranking staffs at the domestic taxes department at the KRA. The sample size had 82 respondents. The study adopted a descriptive research design. A descriptive research design is suitable for this study because the study had sought to assess the relationship between the variables. Data was analyzed in terms of descriptive statistics including means, percentage and standard deviations. Data was presented in frequency tables and pie charts. The study found out that strategic management practices impacts on reduction of revenue collection at the Domestic taxes department at Kenya Revenue Authority. The study has found out that strategic partnership is the most influencing factor, followed by technological influence customer service and operational efficiency. Strategic management practices ensures that that the objectives of an organizations are customer focused and are sought in the most efficient processes. The study recommends that the KRA should adopt technology in all its operations in order to foster efficiency and also enhance the customer service.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

According to Damilola (2015), strategic management practices were advantageous in ensuring that organizations in Nigeria had improved performance. It is critically important for both government and non-governmental institutions to place themselves in positions that promote sustained performance. The current business world is changing rampantly and it becomes challenging for organizations to adopt the negative externalities. It is in recognition of this fact that it is important for organizations to adopt tools of strategic management in order to effectively manage the scare resources that are at their disposal with the aim of maximizing performance. Strategic management is a management mechanism that seeks to provide a step by step plan of action of achieving their business objectives (Sharabati&Fuqaha, 2014). According to Gidisu(2012),any government needs to improve its fiscal program for collecting revenue in order to enhance the growth of the economy and meets the needs of the citizens. Thus, revenue maximization by the government department mandate to collect public income should be strictly considered. Strategic management has the potential of enhancing the profitability of organizations, both small enterprises and large corporations (Aamir, 2011).

Zhou and Madhikeni (2013), notes that the automation of process is a tool of strategic change that improves revenue collections by government entities. According to Aamir, *et al*(2011) there was a need to restructure the tax system in Pakistan with an aim of increasing the revenue for the federal government. Perhaps, this indicates that formulation of strategies in order to maximize revenue by the states is inevitable. All these changes thus lead to organizations seeking new ways of doing things with an aim of improving on efficiency and improving on their performance. One way of ensuring that the organization matches its goals to plans is through adopting strategic management. Strategic management is involved in making of plans and actions after a careful analysis of the business environment in order to ensure that the organizational goals are achieved. Thus, strategic management is a management style that seeks to ensure that the organization has a competitive advantage in the way it offers its products, pricing its products, service delivery among other means. The overall effect of adopting strategic management is ensuring that the organizations have clear plans of achieving their goals.

Abu-Bakar et al (2011) carried out a study with an aim of assessing the role of strategic management on performance of construction firms in Malaysia. The study revealed that those construction firms that adopted strategic management as a tool of sneering success had superior performance. Thus, it can be noted that strategic management leads to superior performance. In Nigeria adoption of strategic management practices enhance both the companies' profitability and also increases it market share (Dauda, Akingbade, and Akinlabi 2010). In this light it is observed that strategic management ensures that business objectives are met. In Uganda, strategic management led to the automation of the customs tax system that did not lead to efficiency in tax collection (Nkote and Luwugge (2010). In their study with the purpose of assessing the relationship between automation of custom administration and tax collection, the study established that the automation did not specifically lead to more customs collected by the Uganda Revenue Authority. These findings indicate a different perspective of strategic management that is, the system may not necessarily lead to improved performance.

1.1.1 Revenue Collection

According to Jenkins & Khadka (2011), revenue collection from the point of government revenue refers to the various activities that a government does in order to raise money to fulfill its mandate as per constitution. Among the sources of revenue to government includes: income from rendering services such as education and health, court fines for those who subvert the laws of the land, income from road levy and taxes. Taxes form the basic and the most crucial source of revenue for governments. It is for this reason that tax administration is critical in the running of governments.

Surrey (2011), notes that taxation should be in a way that most tax payers fulfill their tax obligations voluntarily in order to reduce running costs hence increasing revenue. Mgammal &

Ismail (2015), notes that revenue collection tax evasion reduces the amounts of taxes collectible in a country. For this reason, it is important that the tax system be set in way that encourages voluntary tax compliance. It is virtually impossible to talk about revenue collection without linking it to tax compliance.

1.1.2 Strategic Management Practices

According to Griffin (2006) organizational performance is the organizational ability to acquire and utilize resources in the most prudent means in seeking to achieve organizational goals. On the other hand strategic management is the process of identifying organizational objectives and taking deliberate policies and plans in order to meet these objectives. Thus, to a large extent these two are related. Resources are rare and organizations' needs to spend them judiciously in order to achieve the organizational goals. Lawal, Elizabeth, &Oludayo (2012) conducted a study in Nigeria and established that adoption of strategic management can improve the performance of companies. Strategic management appreciates that the business environment is ever changing and takes appropriate strategies in order to counter the harmful effects such changes Thompson (2007). It is of paramount importance that entities develop strategies to ensure that they achieve their objectives. Strategic management ensures that all members of an organisation work towards a common goal. In this regard, strategic management is not a mere setting of plans but also considers the overall vision and mission of the organisation. The process of strategic planning involves a large deal of data collection and analysis to warrant the setting of appropriate strategies.

Strategic planning is a process and not a mere policy document. Strategic management is the establishment of strategies with an aim of meeting some predetermined objectives. Having noted that, strategic management practices such as improving customer service aims at the overall sustainability of the market. Consequently, the organisation has to create processes that lead to value creation among its stakeholders. According to Ryals& Rogers,(2007) strategic management practices are a good tool of enhancing decision making that results into an increased chance of maximizing the stakeholders values. Strategies are developed with a careful consideration of the various stakeholders interests and thus steers the organization towards the achievement of its objectives. Human capital is the knowledge and skills of the workforce of an organisation (Nel 2008). For this reason there exist strategic leaders who regard employees as important players in the achievement of success. Such leaders are involved in impacting skills to their employees to enhance their competencies in the job. Knowledgeable and skills human workforce is suitably fit in improving the customers' service experience. High quality of customer service is crucial as it gives an organisation a standing in the market. Clients' loyalty is a key ingredient in the achievement of a competitive edge in the market. Thus the KRA has all reasons of embracing the practices of strategic management.

Lana (2008), idealizes that strategic management is a method that enables organizations to respond to and in good time to new challenges in their environment. It is crucial to note that strategic management encompasses new dimensions in the management process that ensures that challenges are dealt with in the most efficient means. In this way, the organizations undertake deliberate steps to analyses the situations, formulate the strategies, implement strategies and evaluate the strategies. More importantly, the phases are carried in the order outlined. Situational analysis is the first stage of strategic management and is the most important. Situational analysis calls for organizations to scan both internal and external environments with an overall goal of ensuring that present and probable challenges are identified. According to Pierce and Robison (2009) situational analysis ensures that employees satisfactions are addressed, customers' expectations and supplies needs are fully accounted for. Thus, it can be noted that Situational analysis ensures that all objectives of the organizations are expressed in terms of risks associated with them.

The second phase of strategic management is formulation of strategies where deliberate sets of actions are set aiming at the achievement of certain competitive advantages. Coulter, 2008) argues that a strategy ensures that the firm has a competitive advantage in the industry. In other words a strategy is a plan that defines the competitiveness position of the organizations with respect to others in the industry. For instance the organization may decide to price its products competitively or improve the quality of the product it offers to consumers.

Strategy implementation is the third phase and entails putting into place the formulated strategies. It is a challenging phase since it may involve change and restricting of the organizational processes. According to Smart &Vertinsky (2006), strategy implementation may necessitate the restricting of the organizations processes and procedures inorder to ensure that optimum efficiency is achieved. Vital to this phase is ensuring that resistance to the implementation of the strategies is kept minimal, lest the moves may be frustrated no matter how beneficial they may be for the entire organizations. Lamothe&Langley(2009), notes that strategies should be implemented if they will save the organizations from the ever changing business environment.

The last phase of strategic management is strategy evaluation that is concerned with the observance of the outcomes of the process. Pierce (2009) notes that strategy evaluation is similar to situational analysis only that it explains if the strategy enable the achievement of the objectives or it be changed. Thus, it can be deduced that strategic management is modern management style that is result oriented. Strategic management entails the setting of the objectives of the organization and laying of plans and actions in order to achieve the objectives. It purposes to ensure that the organization is better placed to counter the challenges inherent in the internal and external business environments.

1.1.3 The Kenya Revenue Authority

Established through an Act of Parliament on 1 July 1995, the Kenya Revenue Authority(KRA) is the principal tax collector for the national government in Kenya. The Authority is as it is contained in the Act, Cap 469 is mandated to collect and assess revenue, administer and enforce the laws relating to taxes in the country. In line with its mandate the KRA has ten sections that includes; Customs Services Department, Domestic Taxes Department, Road Transport Department , Large Tax Payers Office, Middle Tax Payers Office, Commissioner General Office, Internal Audit & Risk management, Legal Services Department, Investigations & enforcement Department and the Support Services Department.

The Kenya Revenue Authority indicates that there have been improvements in revenue collection over the last ten years. KRA(2012) indicates that a large percentage, at approximately 93 % of government revenue in the year 2011/2012 is generated by the authority. For this reason, the wellness and efficiency of the Authority cannot be overlooked. The corporate plan developed by KRA is a strategic tool of ensuring that the goals of the institutions are achieved on a timeline.

1.2 Statement of the Problem

The Kenya Revenue Authority has established a four year corporate plan since the year 2000 with an aim of fostering its tax collection activities. According to the KRA (2012), the institution has a vision of being a modern highly and fully integrated and client-oriented organization. Nevertheless KRA has not been meeting its revenue collection over the years. KRA (2015) reported that the government was to run a collection to the tune of Kshs.844 billion. Consequently, KRA has realized that there is a need to consider its environment and making deliberate efforts to pursue its mandate. The African Development Bank (ADB, 2010) notes that leadership stability and management style has a role in enhancing revenue collection by the authority. However KRA (2012), indicated that there was a mismatch of its corporate plan and the vision and mission since most staff were not aware of the linkages between them. The corporate plan is a good blueprint for enhancing the performance of the Authority but without proper skills and training the possible positive effects may not be realized. It is indeed a document that is greatly enshrined within the confinements of strategic management since it analyses the environment, forms strategies and implements them. Annually, the strategies are evaluated and deviations from the expectations are meant to be corrected on a timely fashion. Thus, in spite of the KRA adopting strategic management practices it faces challenges and may not hit its targets in terms of revenue collection.

According to (UNCTAD, 2008), system modernization is one of the best ways of making organizations efficiency in service delivery. To this end, KRA have to adopt newer technological methods of administration of tax in the country. For instance the commencement of itax was meant to ease filing and payment of taxes (KRA, 2015). A few studies have been done in Kenya with respect to KRA on modern management. Kimeli (2008) carried a study on challenges facing the strategy implementation by KRA and identified inadequate planning as the major obstacle. Kibe (2011) identified that management capabilities and information systems are major factors in enhancing the revenue collection by KRA. Evidently therefore, there is a need for a research to be done on assessing the impact of customer service, adoption of technology and strategic partnerships on collection reduction at domestic taxes department of the Kenya Revenue Authority.

1.3 Objectives of the Study

1.3.1 General Objective

The general objective of this study was to assess the impact of strategic management practices on reduction of revenue collection at domestic taxes department of the Kenya Revenue Authority.

1.3.2 Specific Objectives

The study had the following the specific objectives;

i) To establish the effect of use of technology on reduction of revenue collection Kenya Revenue Authority.
ii) To identify the effect of customer service on reduction of revenue collection Kenya Revenue Authority
iii) To examine the effect of strategic partnership change on reduction of revenue collection Kenya Revenue Authority
iv) To determine the effect of operational efficiency management on reduction of revenue collection Kenya Revenue Authority

1.4 Research Questions

i) What is the impact of use of technology on reduction of revenue collection at Kenya Revenue Authority?
ii) What is the impact of customer service on reduction of revenue collection at Kenya Revenue Authority?
v) What is the impact of strategic partnerships reduction of revenue collection at Kenya Revenue Authority?
vi) What is the effect of operational efficiency on reduction of revenue collection at Kenya Revenue Authority?

1.5 Significance of the Study

The study is of significance to the KRA since it provides information on the impact of strategic management practices on its performance. The study collected data and analyses and ultimately summarise the findings. These findings are of vital importance to the Authority as it has a true reflection of the practices and their effect on revenue collection. The top management of Kenya revenue may find this study useful because it provides practical solutions on strategic means of important improving g revenue collection. It is important to note that the main mandate of the Kenya revenue authority is to collect public revenue on behalf of the government of Kenya. For this reason, the management should structure their activities in such a way that revenue collection is enhanced.

This study is also of importance to the Republic of Kenya. This is because it provides valuable information on how to improve revenue collection by the Kenya Revenue Authority. For this reason, when revenue collection is enhanced, it means that the Kenyan government will have more money to promote public expenditure which will improve the economy of Kenya and the living standards of the citizens. Tax revenue is an important source of public finance and the process of tax administration should be as efficient as possible.

Also, the study is of use to students and researchers as it is a source of information and literature on strategic management. The study suggests further researches that may be done on the topic. The study is of help to business advisors as issues on and about strategic management practices have been discussed. A study like this which is done in the developing economies is very crucial as it increases the knowledge about tax revenue and strategic management concepts which may be used business consultants in their work. As thus, this study is of use.

1.6 Limitations of the Study

This study was limited to the fact that they are many factors that may have an impact on the revenue collection performance of the KRA. Such other factors include political and economic situations in the economy at a particular point in time. These factors may be beyond the control of the Authority. This study focused on technology adoption, customer's service, strategic partnerships and operational costs on enhancing revenue collection by KRA. With this brought to light, the study wishes to caution that the impact of strategic management practices be assessed without alienating the other factors. Thus, this study is limited to that extent.

1.7 Scope of Study

This study assessed the impact of strategic management practices on enhancing revenue collection by the Kenya Revenue Authority. The study assessed the impact of customer service, adoption of technology and strategic partnership on the performance of the Authority. The study used both primary data. Primary data was collected through administration of questionnaires.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter contains the literature review of the study. The chapter is organized into the following sections; theoretical review, empirical review, a summary or literature review and research gaps. Also the conceptual framework is diagrammatically presented.

2.2 Theoretical Framework

Strategic management has evolved over time with an aim of addressing the fast mutating business environment. There are theories that seek to explain the evolution of strategic management. This study was based on the following theories: Theory of Constraints, Porters Theory of Competitive Advantage and The Resource Based View Theory.

2.2.1 Theory of Constraints

The theory of constraints was developed by Goldratt in the 1980s. The Theory of constraints (TOC) seeks to explain the fundamentals that influence the performance of any system or organization. This theory recommends that those charged with management be highly effective in ensuring that the system runs at the optimum. Thus, in order to enhance the performance of organizations managers' needs to ensure that the capacity and capabilities are prudently organized. TOC defines the constraints as "paradigms" that seeks to improve the performance of the entities. According to Draman (1995), these paradigms are decision making, performance measurement systems and organizational mindset. Thus, TOC advocates for managers to ensure that decisions made are after a careful analysis of the situation. This is crucial in order to ensure that decisions are made out of valid reasons as opposed to intuitions. Thus, this theory is connected to the study on strategic management since strategic management is the process of analyzing situations and formulating the specific plans to meets objectives. TOC is a theory that identifies challenges that compromises the achievement of certain specific goals. The KRA has revenue targets for each year and thus needs to establish the factors that may inhibit the achievement of such objectives. This theory does not educate on the elimination of all challenges but rather advocates organizations to work on the constraints until they no longer pose any risks towards the achievement of the entities goals. Strategic management calls for a careful analysis of the situation and formulation of strategies. These strategies must be applied keenly for the organization to achieve the desired results**.**

The theory of constraints identifies that the management of organizations should performance objectives basing on the resources they have. Organizations have limited resources that must be prudently used to improve the performance of the institutions. Accordingly therefore, organizations need to effectively and efficiently to manage their constraints. The theory calls for managers to evaluate and reevaluate assumptions that lead to better performance and critically manage the constraints. Put differently, constraints are the scare resources that an organization has. Goldratt& Cox (1992), notes a constraint as factors that inhibit processes from achieving their full potential as it was originally meant. For instance, the KRA main mandate is the collection of revenue majorly through administration of taxes. Thus, the authority should utilize capabilities in its possession to enhance revenue collection. Ideally, the theory of constraint advocates that organizations must at least have one constraint. According to Christopher (2008), organizations should seek to turn their constraints into capacity. Capacity seeks to provide a framework of identification of resources that may help it achieve improved performance.

Organizations should strive reduce or alleviate the negative impact of the constraints. Humair &Willems, 2006), notes that the existence of constraints capacity imbalance which if not effectively managed may lead to performance deterioration in the whole institutions. Therefore, it is crucial for organizations to ensure that the constraints are critically checked and effectively managed. More importantly, the theory of constraints calls for a careful match and mix of strategies in the organizations in order to realize the full benefits. Budiman, 2004) argues that for improved performance, management should focus on ways of effectively managing the constraints and capacity of the organizations. This is done through identification of the constraining resources, and not then lower ranking all other constraints. Shah &Ierapetritou, 2011). Notes that with time, during the effective management of constraints, the management gets to know the real resources that will help it improve performance.

The theory of constraints advocates for is thus important in providing information underpinning the adoption of strategic management by organizations. TOC puts it that organizations should focus on the constraints that prevent them from achieving their overall objectives. This way the organization may restructure, develop new products, and adopt new advanced technology of performing operations, improved customer services and enhance collaborations with other stakeholders. For instance, the |KRA has had to adopt itax system in tax administration, offer real time customers services, participate in arbitrations of tax issues and has greatly ensured that staffs are motivated. Additionally, this theory invokes on the subtle issues that enhance performance and improved profitability through effective management of resources. This theory is linked to this study since it provides insights on how and why organizations seeks to lower operational costs through enhanced capacity. Thus, the theory of constraints is a good underpinning theory for this study.

2.2.2 Porter's Theory of Competitive Advantage

According to Porter(1980) the organizations, environment are a key in formulation of means to counter the possible negative effects arising in the environment. Thus, the need to develop strategies is necessitated by the environment as entities strive to ensure they have competitive advantages in the market. Davis & Cobb, 2010) notes that organization needs to be proactive in addressing the challenges in its industry of operations. It is important to note that a strategy is a specific plan of action that an organization does in order to achieve some specific organizational objectives. In this light, the organization needs to develop a way in which it is cushioned against the negative externalities that may arise and compromise the realization of its vision and mission. Porter (1980) developed the five force framework that seeks to explain how organizations are may align their strategies with their goals in order to have a competitive edge in the market. More importantly Porter's theory appreciates that the organization has different stakeholders whose expectations are to be met. The industry has a number of challenges that Porter (1980) defines as forces. The industry has rivalry since there are many players who the organization interacts with. The framework identifies the existence of substitutes, threat of new entrants, bargaining power of supplies and industry rivalry as the forces that make an organization to form strategies. This theory is crucial to this study because it helps explain the subtle reason that may lead to a revenue collection department to develop strategies.

This theory is important to this study since it explains how organizations can adopt strategies in order to improve performance. It is important for organizations to ensure that they develop competitive advantages in order to foster improve performance. The five force framework is a good tool to indicate the organizations have strategies of gaining competitive advantage. The framework outlines a mechanism of how the expectations of the different stakeholders can be achieved without compromising the achievement of the others and those of the institutions. According to Davis & Cobb, 2010) organizations should deliberately and proactively deal with challenges presented by the environment. Strategic management is the planning and execution of ways to achieve some certain specified goals. It is important for organizations to align their plans with the organization's mission and vision. In this instance, the KRA needs to align its day to day operations with its vision and mission in order to control the collection in revenue collection.

2.2.3 The Resource Based View Theory (RBV)

The resource based view theory was coined by Rapert and Suter (1996) explains that the chances of achieving the best performance lie within the organization. The RBV notes that sustained performance of an organization is basically and easily attained when internal resources are utilized as opposed to external factors. This theory puts it that the organization has more power of controlling its internal environment unlike the external environment which may be above its control. Thus, this theory advocates organizations to concentrate on the efficiency of process internally in order to achieve their organizational goals. The theory of RBV identifies resources as the valuable key potentials that cannot be substituted and they when put into good use, creates value for the customers. The theory categorizes resources in terms of valuable resources and rare resources depending on their availability. Accordingly therefore, valuable resources creates value to customers and leads to the organization having competitive advantage, where rare resources can be acquire by a few companies.in the circumstance that the organizations needs to attain a sustained competitive advantage, then it has to differentiate its products and ensure the system runs efficiently.

This theory advocates for companies and organizations to exploit on their core competencies in order to foster their performance. Pearce and Robison (2007), notes that where competencies are utilized organizations develops competitive advantages. It is important to note that institutions that have competitive advantages in the industry whether state owned or private have improved performance. This theory of resource-based argues that the resources under the disposal of the organization play a major role in determining the performance of the organization. In this light, an organization may have ideas of operating efficiently but without the resources to implement such ways, the targets are greatly compromised. This theory is important to this study since it explains how the organization can utilize its resources to enhance performance. The KRA has employees who are skilled in different fields and coupled with advancement in technology, revenue collection may be enhanced.

This theory is important to this study because it explains how an organization can use its resources in order to improve performance. The resource based theory seeks to provide an understanding on how organizations achieve competitive advantages. Organizations strive to achieve operational efficiency in order to improve their performance. According to this theory, organizations must have resources they can use in order to achieve their business objectives. Thus, this theory is crucial in providing an explanation on how institutions may use their resources they already have through strategic planning to achieve success. (Pearce, Robinson & Mital, 2012) notes that the main contributing factor of success. Resource capabilities of organizations ensure that organizations can strategically plan, execute the plans and realize improved performance. Further, this theory idealizes that a strategy is a carefully idealized balance between the already existing resources and the development of new ones.

2.2.4 Ability to Pay Theory

The Ability to pay theory is a theory of taxation that was developed by Mill (1884) and its basic tenet is that individuals should pay taxes to the government in a manner that they are not burden by the obligations. In this respect, this theory indicates that individuals should support the activities of the government through paying of taxes. However, paying taxes should be limited to their ability to pay. In other words taxation should be levied in accordance to individuals paying ability with regard to their income. As per this theory, those who are capable of paying more taxes should therefore pay more irrespective of whether they stand to gain or not by paying such taxes. This theory is based on the idea of "sacrifice" and that those who have more income should pay more taxes in order to compensate for those who may not be able to pay the taxes.

It is important to note that by paying taxes individuals and corporates remain with less disposable income which they could have used for own consumption of investments. This sacrifice is thus done for the greater good of the state. Tax revenue should be used judiciously and economically for provision of public goods and services. The theory of ability to pay denoted that there should be vertical and horizontal equity. Vertical equity implies that people with different levels of income should not be taxed similarly while horizontal equity implies that people with equal amount of incomes should be taxed similarly and in equal measures. In so doing the tax system should be regarded as being unfair and this may enhance compliance among taxpayers.

Tax is levied by the government in order to provide public finance. It is for this reason that individuals should be taxed to facilitate the construction of school, infrastructure, and electrification among other social amenities. According to Chigbu, Eze and Ebimobowei, (2012), individuals should pay taxes in respect of their ability to pay such that they are not overburdened by the taxes. Moreover, this theory denotes that taxation is a compulsory levy and that there is no commercial or semi commercial relationship between the state and the people of the state. The theory views that paying of taxes should not be a burden but should be a contribution by the citizens towards the welfare of the state. Therefore tax rates would be determined by the factor relativity to pay.

2.2.5 The Theory of Optimal Taxation

The theory of optimal taxation was developed by Frank P. Ramsey (1927) and denotes that tax system should be to maximize the social welfare function of the citizens. In this respect, tax system should be set in a manner that it increases utility of the society. Therefore, taxation should be levied in a way that both the taxed and government find utility in the system. According to Mankiw, Weinzierl, and Yagan (2012), this theory posits that the tax system ought to reduce inefficiencies and distortion in the market under given economic constraints. Taxation is thus an element of utility and constraints and there is a need to strike a balance between the two since individuals are supposed to pay taxes to the states with the expectations from the state. The theory indicates that the taxation authority and the taxpayers are the social planners who should plan tax system with the aim of increasing utility. The social planner thus assumes that everyone in the society has the same preferences with respect to goods and services.

According to this this theory the social planner picks the tax system that maximizes the welfare of the citizens with the information that the citizens will respond to the incentives that that will be offered by the tax system. Mankiw et al (2012), notes that payment of taxes should be seen as a contribution to the social welfare and not as a payment for using public infrastructure. As a result, where consumers regard the tax system as fair and that the benefits will accrue to them, they will be motivated to comply with tax regulations.

2.2.6 Neo-Classical Theory

According to Marina and Danijela (2014), the neo classical theory of taxation was developed by J. Mutta and A. Laffer who posited that a tax policy should be established with consideration to its effects on state revenue and impact on private developments. According to this theory, it is important that the state plays a relatively moderate role in the regulation of economic processes. In this respect, the theory idealizes that, the state should adopt a tax policy which should charge as less as possible, taxpayers both individuals and corporates should be given maximum tax incentives and exemptions. The theory notes that a high tax rate leads to reduced rates of economic growth and development of the economy. This is because high rates of taxation will tend to scare away investors thus declining economic growth. Neo-classical theory of taxation advocates for non-interference of state in economic activities.

2.3 Empirical Literature Review

2.3.1 Technology Change and Revenue Collection

In Uganda, the automation of the tax system did not lead to efficiency in tax collection Nkote and Luwugge (2010). In their study with the purpose of assessing the relationship between automation of custom administration and tax collection, the study established that the automation did not specifically lead to more customs collected by the Uganda Revenue Authority. This is because automation as was expected, did not lead to reduction in time spent in clearance and thus costs were not reduced because not all systems had been computerized. This indicates that although adoption of advanced technology is a good strategy to enhance revenue collection, there is a need to ensure that all related department are automated. Strategic management considers the entire organization and formulates strategies to enhance performance.

A study to assess the impact of automation as a strategy on customs clearing procedures at KRA was done by Sigey (2010). The study had the objectives of establishing whether the automation of the customs department led to efficient service delivery and if it led to improved performance of the department. The study found that the Simba system had improved the efficiency of the department, improved the skills of the staffs, reduced cost of running the department and enhanced accountability in the customs departments. Thus, technology as a tool of strategic management has the benefits of ensuring that the costs are kept at minimum and the performance if consequently improved.

The study on the systematic change management was done by Kariuki (2009). The study sought to establish the effects of strategic change management adopted by the KRA in improving its performance. KRA(2009) notes that the improvement in revenue collection was partly influenced due to computerization its processes. This study was conducted as a case study of the KRA. The study established that the formulation of the corporate plan was a good blueprint towards improving performance of the organization. Further, the study noted that the adoption of new technology provided it with an impetus towards swift achievement of objectives. New systems have had improved the efficiency of tax administrations, the staff have obtained skills and the accountability of those charged with governance at all levels have been enhanced. This study has shed light on the results of new systems adoption at the KRA. Strategic planning provides the organizations with avenues of improving their performance.

Ayodeji (2014) assessed the impact of adoption of electronic tax systems in Nigeria. The study was conducted with the aim of assessing on the impact of electronic tax systems on tax administration amidst the falling of prices of crude oil in the global market. The study concluded that use of computerized system increased internally generated revenue through improved compliance and monitoring. The study further established use of integrated computer system on tax administration was beneficial as it enhanced the implementation of tax laws and regulations in Nigeria. It can therefore be deduced that use of computerized system increased revenue through enhanced monitoring and increased tax compliance. Tax compliance increases the amount of tax revenue collected in a particular year.

Another study was done by Gidisu(2012) in Ghana. The study had an aim of assessing the contribution of automation of Ghana Revenue Authority on tax revenue collection enhancement. The study adopted a case study design of the customs department. The study established that there was a positive impact of automation of the tax administration system on revenue collection efficiency. The study further found out that automation of process saved on costs and time of activities thus increasing the amount of tax revenue in a particular fiscal year. The study recommended that the Ghana Revenue Authority should consider a complete integration of tax administration in order to fully benefit from automation. It is crucial to note that the goal of automation is to enhance efficiency and effectiveness in service delivery. Where service delivery is high and customer satisfaction levels are improved, it follows that voluntary tax compliance is greatly enhanced.

2.3.2 Customer Service and Revenue Collection

A research by Afande (2013) on effects of strategic management practices on performance of financial institutions in Kenya: A case of Kenya Post Office Savings Bank concluded that adoption of strategic practices by Post Bank in Kenya had resulted into the bank having a competitive advantage over the years. The study established the bank had adopted strategies that ensured costs were kept at minimum, improved customer care, enhanced operational efficiency and ensured that its target market had their expectations. Strategies ensure that the desired organizational goals are achieved with the most efficient means. The study also established that adoption of strategies led to revenue growth and increased the net worth of the bank. According to Pearce and Robinson (2007) a strategy is a comprehensive and integrated plan that seeks to connect the organizations strategic advantages with the challenges in the environment. In other words, strategies ensure that goals are met efficiently. The modern business environment is very turbulent and institutions that survive are those that are proactive in dealing with risks.

The study on strategic response by Kenya Revenue Authority to the changing environment was carried out by Kittony(2013). The study had a purpose of establishing the strategies that KRA uses in order to fit the ever changing environment. The study adopted a case study design and used both primary and secondary data. The study identified a number of challenges among them being the new constitution implementation, reforms and automation, introduction of new technologies, performance contracts and influence of politics in the business of the authority. However, the study noted that KRA had made strategies that ensured that the environmental challenges had been mitigated. This study indicates that the external challenges played a great role in the performance of authority in terms of revenue collection. More importantly, the study indicated that KRA had laid strategies to mitigate the risks that may compromise the achievement of its objectives. This current study will seek to assess the influence of strategic management practices in enhancing revenue collection by the KRA. Strategic management aims at reducing the chance that an organization may not achieve its organizational objectives.

Strategies are developed to ensure that objectives are met and efficiency of the processes is kept high at all times. From the foregoing discussion, it can be noted that strategic management is a good tool of ensuring that organizations live to materialize on their missions and visions.

2.3.3 Strategic Partnership and Revenue Collection

A study on the impact of benchmarking on performance of KRA was done by Ouma (2014). The study adopted a case study design where qualitative data was collected by use of interview guides. The study established that the authority had formed strategic modern program in terms of the corporate plans that steered it to an improved performance. The study further identified that the authority had entered into strategic alliances with some institution such as commercial banks to facilitate tax collections. Thus, it can be inferred that strategic partners are an important aspect of improving performance of an institutions. This is because, they saves costs and time for both the tax payer and the KRA. For instance, through the itax platform, taxpayers generate the payments receipts and deposit the tax due through the banks. This ensures that the cost of running the KRA offices charged with tax administration is greatly reduced.

There is no single organization that operates in an island. In a highly changing world, most businesses and organizations are forming alliances to enhance their competitiveness. KRA is thus no exemption. For instance, the KRA has arrangement with most commercial banks on tax payments. In fact, all remittance is done through banks. Further the KRA has tax agents who withhold taxes at source (KRA, 2017). Such entities include institutions that deal with investments for interest income. Withholding tax is deducted at source hence ensuring that follow up costs are cut down. It is the responsibility of the interest payer to withhold as per the applicable rates. Also, VAT is withheld by appointed entities at the 6% as at 2017. This alliance makes the payment of taxes easy and saves time for both the KRA staffs and the tax payer. Filing and payment of taxes is done online hence easing congestions in the KRA offices and help centres. The political environment also plays a role in reduction of collection by the KRA. This is because, where there is political stability, economic activities tend to thrive much better than when there are political wrangles. In this regard, politics may affect the performance of KRA notwithstanding how well the strategic management practices are put in place at the state department.

2.3.4 Operational costs and Revenue Collection

Odundo (2007), carried a study on change management practices by the Kenya Revenue Authority. The study had an overall objective of assessing how the management of the state department adapted to changes with an aim of enhancing the performance of the corporation. The study established that the management had a great role in ensuring that changes are implemented effectively in the Authority. The study further notes that due to the strategic changes, departments within the authority were split, others were merged in order to stream line the activities of the authority. Also, KRA had to develop a strategic plan that clearly laid down the objectives and the means of achieving them. Thus, this study provides insights on the strategic management impact on managing changes which is very vital in strategic practices. However, the study does not consider customer efficiency which this instant study will incorporate in its analysis.

In Nigeria ineffective implementation of strategy was a challenge in tax administration (Abiola and Asiweh (2012). In their study on the impact of tax administration on government revenue in the developing countries, the study established that there was a need to enhance capacity in the departments responsible to collect tax on behalf of the state. The study collected primary data by use of questionnaires from 121 respondents. The study indicated that Nigeria lacked the appropriate tools for enhancing the revenue collection. Among the challenges identified were poor information and communication systems and lowly skilled human resources. Thus, it can be noted that items of strategic management had not been looked into with careful consideration. Strategic management practices ensure that the organization is better placed to achieve its objectives amidst the challenges in the industry. Strategic management is a careful analysis of the organization’s purposes and aligning their plans and actions to meet those purposes. Coulter (2008), notes that strategic management ensures that the competitive advantages of the firm are sustained. This includes the development of new products, new business processes, innovativeness and adoption of new technology. The formulation and implementation of strategies aligns the organization to its environment and its goals.

According to Adeosun et al (2009) indicates that the use of ICT as a strategic tool is a good enabler to the survival of the business. ICT facilitates the pursuance of business goals through proper decision making. It is important to note that decision making relies on a great deal of information processing. In the light of this observation it is crucial that organization process information on a timely fashion in order to ensure they remain competitive. ICT in its own capacity provides strategic tool for that can enhance the competitiveness of the organizations. Automation of processes ensures that the time for carrying out business process is fast and hence opportunities in the environment can be exploited at lower operational costs.

Barati, Moradi, Ahmadi & Azizpour (2014), did a study on assessing the models of electronic tax systems impact on tax revenue in Iran. The study collected primary data from a sample size of 382 taxpayers. The study adopted a descriptive research design in which descriptive statistics were computed in order to describe the relationship between electronic tax filing and tax revenue. The study found out that access to support services was statistically significant in determining the extent of adoption of online tax systems in the country. Further, the study revealed that tax payer training and education on the use of online taxes motivated them to adopt the system hence enhancing compliance to tax regulations. As a result, increased adoption of online filing enhanced revenue collection in the country. In realization of this, the Kenya Revenue Authority should develop and adopt strategic tools that would increase tax compliance among the citizens. As noted by the study, use of strategic technological tools such as itax plays a great role in tax compliance among the citizens and this improves the tax revenue. Tax is an important sources of revenue for government finance.

A study that had the aim of assessing the role of Electronic Tax Register on revenue collection was done by Sagas, Nelimalyani and Kimaiyo (2015). The study adopted a descriptive research design and had a target population of all the staffs of the KRA working in the Domestic Taxes Department. The study established that 75 % of the respondents indicated that use of ETR improved revenue mobilizations. Further, the study found out that use of electronic system was efficient in reducing the rates of tax evasion in the filing and remittances of Value Added Tax. In this respect, use of electronic tax registers was seen as a strategic tool of enhancing revenue collection.

2.4 Revenue Collection

A study was conducted by Debbie (2004), with an aim of assessing impact on tax policies on government collection in Kenya. The study established that there were a lot of tax revenue avenues that remained unexploited due to application of inappropriate tax policies. In addition, the study was keen to note that compliance issues resulted to collection in tax revenues. The study recommended that it was important to review the measures governing tax administration in order to reduce revenue collections. This study is important in that it highlights on the reasons for revenue collections in Kenya. However, the study did not consider management styles as a measure of reducing the tax collection. In this respect, this instant study had sought to establish the impact of strategic management practice on revenue collection reduction at the domestic taxes department at the Kenya Revenue Authority.

A study on effects of budget collections in Pakistan was done by Fatima, Ahmed and Rehman (2012). The study established that budget collection had negative impact on the economy of Pakistan and for this reason, the study recommended fiscal and managerial measures to reduce the budget collection. In this respect, revenue collections should be reduced to the minimum due to their negative impacts on economic growth. This study is important because, it highlights on the effects of revenue collections on the economy. Thus, it is important to assess the methods and mechanism that states use in reducing the revenue collections. In Kenya, the legal mandate of tax administration is with the KRA. This study seeks to assess the impact of strategic management practices on revenue collection reductions.

A study on assessing the Greece fiscal crisis was undertaken by Kaplanoglou and Rapanos (2013). Their study aimed at evaluating the subtle reasons that resulted to the fiscal crisis that the country faced for a period of more than 7 years. The study established that the fiscal crisis was consequence by failure of the institutions that were charged with the mandate of administration of government revenue in the country. This study is crucial because, it offers information on why governments run collection budgets. However, the study was not specific to the measures that should be undertaken to curb the escalating public debts. This instant study sought to establish the impact of strategic management practices on reduction of revenue collection at the domestic taxes department at the Kenya Revenue Authority.

2.5 Summary of Literature and Research Gap

The review of literature has indicated that strategic management may have positive impacts on performance of organizations. A review of literature has indicated that strategic management is an important aspect in ensuring that organizations have competitive edge in the market. Nkote and Luwugge (2010) in their study, whose purpose was assessing the relationship between automation of custom administration and tax collection, established that the automation did not specifically lead to more customs collected by the Uganda Revenue Authority.

Ouma (2014) identified that the Kenya Revenue Authority had entered into strategic alliances with some institution such as commercial banks to facilitate tax collections (Abiola and Asiweh (2012), indicated that Nigeria lacked the appropriate tools for enhancing the revenue collection. Barati et al. (2014), did a study on assessing the models of electronic tax systems impact on tax revenue in Iran and found out that access to support services was statistically significant in determining the extent of adoption of online tax systems in the country. Sagas et al.(2015) found out that use of electronic system was efficient in reducing the rates of tax evasion in the filing and remittances of Value Added Tax.Fatima, Ahmed and Rehman (2012), recommended fiscal and managerial measures to reduce the budget collection

However, the study did not consider the impact of strategies on reduction of collection at the state department. Afande (2013) studied the effects of strategic management practices on performance of financial institutions in Kenya established that strategic management improved customer care, enhanced operational efficiency and ensured that its target market had their expectations. It is in the light of this information that this study was to assess the relationship between strategic management practices and reduction of collection at the domestic taxes department in the Kenya Revenue Authority.

2.6 Conceptual Framework

Revenue administration is one of the primary roles of KRA. Automating the tax system particularly in the domestic taxes department may have positive impact on reduction of the collection since it increases the number of transactions. The use of advanced technology, for instance VAT filing through itax is time saving and may hence increase compliance to tax rules. Further, automation leads to more vigilance by those in office since tax remittance is done through online platform which are hard to manipulate. Assessment by KRA on tax liability is done online and thus cases of corruption are greatly minimized by use of technology.

In modern time the customer satisfaction is a priority of many organizations. KRA has a variety of clients, for example, domestic tax payers, employees, limited liability companies, partnerships and other legal persons with tax obligations. Their needs should be considered by the tax system adopted by the KRA so as to enhance compliance.

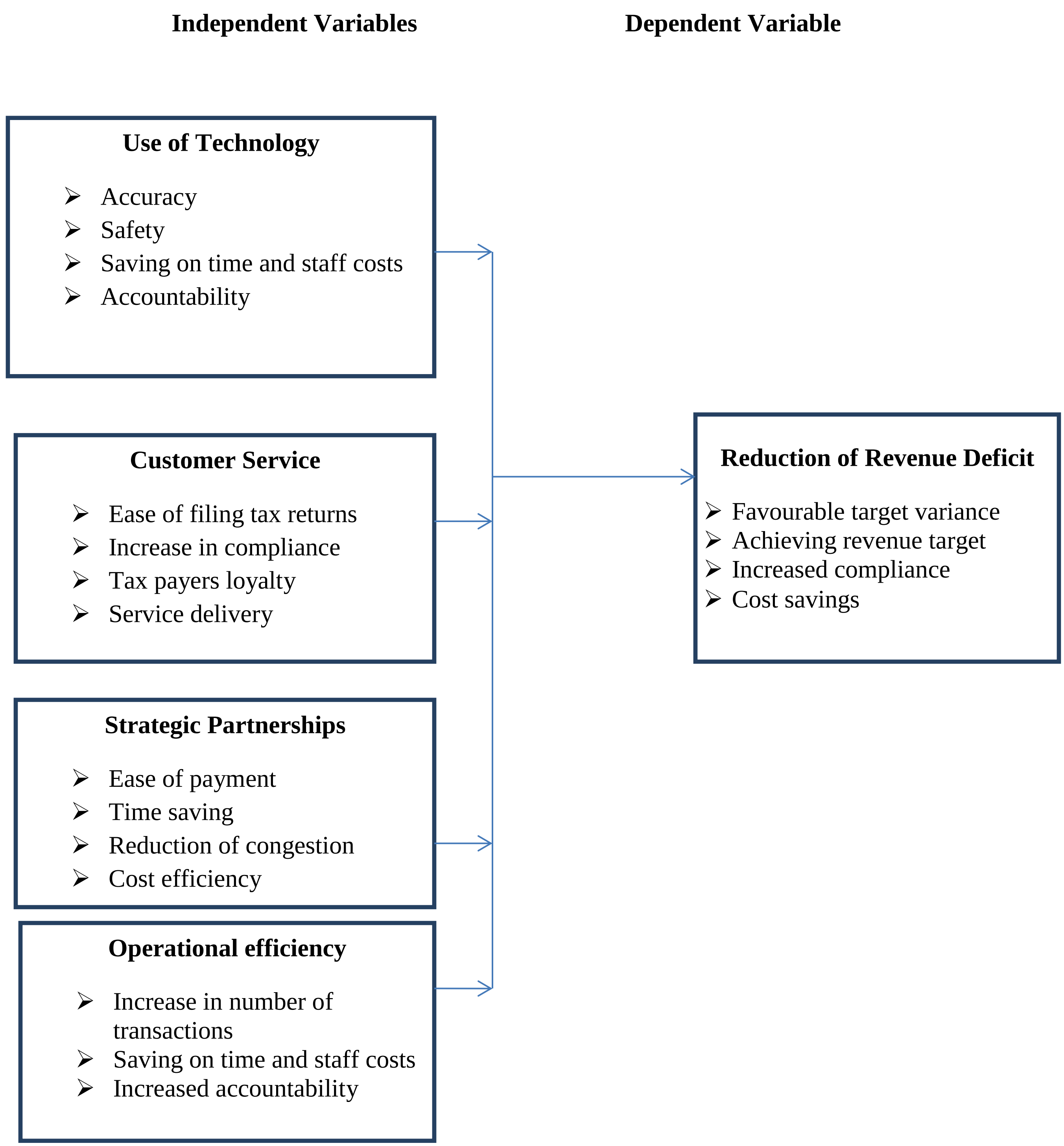

Figure 2.1 Conceptual Framework

Source (Author, 2017)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter contains the research design, target population, data analysis, regression model, operationalization of the variables and ethical considerations.

3.2 Research Design

This study adopted a descriptive research design. According to Kothari (2004) a research design is the arrangement of conditions of data collection and analysis of the same in order to relevantly answer the research questions or evaluate the research hypothesis. According to Mugenda and Mugenda (2003), describes a descriptive research design as a systematic, empirical inquiring into which the research does not have a direct control of independent variables as their manifestation has already occurred or because inherently cannot be manipulated. Thus, this study adopted the design since it had sought to describe the relationship between strategic management practices and improvement of revenue collection by the KRA.

A descriptive study seeks to determine if there is a relationship between variables and further describe the direction of the relationship. Another reason of adopting a descriptive research design for this study is because the research collected secondary data from the KRA records and analysed it. Kothari (2004), notes that a descriptive study is important when a researcher only seeks to tell if variables exhibits a relationship in their natural occurrence or not. A descriptive research design was preferred because, the researcher had the overall aim of establishing the effect of strategic management on revenue collection in Kenya. In this regard, a descriptive research design aims at describing the relationship between variables.

3.3 Target Population

The target population for this study was all top ranking managers at the domestic taxes department at KRA Nairobi office. According to KRA (2017) there are 105 top ranking managers in the domestic taxes department. Top ranking managers are those who report to the deputy commissioners. The choice of the top rank managers ensured data was collected from the people who are involved in decision making. They are based at the KRA office at Times Tower in Nairobi head office. Strategic management involves planning and implementing objectives in the most efficient ways enabling organisations to sustain themselves. Thus, this caliber of management is best suited to be the target population for this study since they can articulate the issues being addressed. Further, it was easier for them to fill the questionnaires. The top ranking managers are involved in ensuring that the strategic goals of the authority are achieved and they report to the deputy commissioner. Hence, owing to their responsibility in implementing and supervising the day to day operations of the departments, they are the most appropriate respondents.

Table 3.1 Target Population

Category	Target population	Percentage
Top ranking Managers	105	100

Source (KRA,2017)

3.4 Sample Size and Sampling Procedures.

This section outlines how the sample size was selected for this study.

3.4.1 Sample Size

The social research formula is a good tool of determining the sample size (Mugenda and Mugenda 2008). This study population is heterogeneous because the skills and responses of the staff may be different and thus it is important to use a statistical approach in determining the sample size. This study has a significant level of 95 % at a margin of error of 5 %. Thus the formula was:

$$n_f = \frac{z^2 pq}{e^2}$$

Where nf is the number of items to be selected as the sample size, Z is the confidence interval (for example 1.96 for 97.5% confidence interval) for a normal quartile and p is the fraction of the population with the desired traits , for instance knowledge of strategic management and q= 1-p, that is the desired margin of error which is 5 % for this proposal. The formula is substituted as;

$$n_f = \frac{z^2 pq}{e^2} = \frac{1.96^2 * 0.5 * 0.5}{0.05^2} = 384$$

This formula is applicable when the population has more than 10, 000 items. And, since this study has a population of less than 10,000 the formula was adjusted to cater for the finite number of population being considered. The study population has 105 top ranking managers at the domestic taxes department. This formula was adjusted as:

$$n = \frac{n_f}{1 + \frac{n_f - 1}{N}}$$

After substitutions,

n = 384/{(1+(383/105)}

n = 83

Table 3.2 Sample size

Category	**Target population**	**Sample size**
Top ranking Managers	105	83

Source (KRA 2017)

According to Krejcie and Morgan (1970), a population of 105 to 110 items requires a sample size of 80 to 86 samples of respondents to be the representative of the whole population. At the point of picking the individual repondents, the study used simple random sampling technique because the population of interest was homogenous. It is important to note that when the sample is homogenous, a simple random technique is appropriate.

3.5 Data Collection Instrumentation

Data was collected through administration of questionnaire. This is further explained follows:

3.5.1 Data Collection Procedure

The study used questionnaires to collect primary data. The questionnaires were distributed in person by the researcher. The 83 respondents were picked at random from the register of the managers at the domestic taxes department. This ensured that that the responded are guided on how to fill the questionnaires. Personal distributed of questionnaires increased the response rate. The respondents were allowed enough time to fill the questionnaires. The questionnaires were collected after one week of issuance. It was expected that the KRA was to grant permission to collect data and it did. Also it is expected that faculty issued an introduction letter to ease reception at the Authority.

3.5.2 Questionnaire

The questionnaire was developed by the researcher. It is important to ensure that the questionnaire answers the objectives being sought by the study. For this reason, the researcher involved an expert in the field of revenue administration and strategic management to make sure that the questionnaire is valid. It is important to note that the questionnaire was tested and rested to ensure that its reliability is acceptable. The study questionnaire are of two types of questions: the closed ended questions captures data on specific issues and also to appreciate the busy schedules of the top ranking managers and the open ended question allowed flexibility and enabled capturing of data that had not been earlier seen. The questionnaire was divided into five parts. The first part captures data on demographics including the level of academic qualification of the respondents, the age of the respondents and length of the time the respondent has worked at the KRA. The other three remaining parts captures data specific to the objectives of the study. The closed questions are based on Likert scale on (1-5 point scale) to measure the perceived effect of strategic management practices on reduction of revenue collection at the domestic taxes department in KRA.

3.5.3 Pilot Testing and Validity of Instruments

A pilot study is a preliminary mock study that precedes the actual study. This mock study is important because it enables the researcher to gauge if the instruments of data collection worked properly as expected. Mugenda and Mugenda (2003), cite that a relatively small sample of 10 % of respondents is enough for a pilot study. Consequently, 8 respondents were selected randomly for the purpose of the pilot study. These respondents were among the top ranking managers at the KRA office in Nairobi Office. The pilot study was crucial since it helped the researcher to rephrase the questions that were not understood and also pretest the questionnaire to rate if it were to collect the desired results

Validity of research instruments is the measure of the quality of data a given instrument provides with respect to what it is expected to collect. This study adopted content validity. By definition, content validity defined implies whether a given set of data can result into meaningful and useful inferences (Creswell, 2008). To improve the content validity of the data collection instrument the study south the services of an expert in the field of strategic management. According to (Castillo, 2009), validity is the strength of qualitative research; it occurs when the knowledge sought is arrived through descriptions that make possible an understanding of the meaning and enhance experience. Experts are crucial to a social research in that they give insights on how to frame the questions in a way that all respondents understand them in a similar manner. The researcher engaged an expert on government revenue at the Kenya revenue collection in order to understand how the KRA works and whether the questionnaire met its objectives.

3.5.5 Reliability of Instruments

Reliability of research instruments is the degree to which a given data collection instruments yields consistent results. The study used test and retest method in enhancing the reliability of the questionnaires. The questionnaire was pre-tested to the selected sample of the respondents. The selection of the pilot staff was done using purposive sampling. A Cronbach's alpha was used where 0.7 serves as a cut-off point for assessing reliability for multi-item scales (Cronbach& Meel, 1995). The reliability coefficients, Alpha, was calculated to check consistency of the scale. Cronbach's Alpha coefficients can range from 0.0 to 1.0, and may be interpreted as the percent of "true score" variance in a multiple item measure.

3.6 Data Analysis

Data was analysed in descriptive statistics. Descriptive statistics involves computation of means and standard deviations in order to describe the relationship between the strategic management practices and revenue collection by the KRA. Data was presented in form of frequency tables and charts. The study also used inferential statistics in order to describe the impact of strategic management practices on collection reduction at domestic taxes department at the KRA.

3.7 Operationalization of the Variables

The operationalization of the variables is as depicted in Table 3.3

Table 3.3 Operationalization of the Variables

Objective	**Type of Variables**	**Indicators**	**Scale**	**Tools of analysis**	**Type of analysis**
To determine the effect of technology change revenue in enhancing collection by the Kenya Revenue Authority.	Independent	• Number of transaction • Number filers • Time savings	Nominal and ordinal	Frequency distribution tables and percentages	Descriptive Statistics Inferential Statistics
To identify the effect of customer service in enhancing revenue collection by the Kenya Revenue Authority	Independent	• Ease of filing • Time savings • tax payer loyalty	Nominal and ordinal	Frequency distribution tables and percentages	Descriptive Statistics Inferential Statistics
To determine the impact of strategic partnership in enhancing revenue collection by the Kenya Revenue Authority.	Independent	• ease of payment • reduction of congestion • cost efficiency	Nominal and ordinal	Frequency distribution tables and percentages	Descriptive Statistics Inferential Statistics

To determine the impact of operational efficiency on reduction of revenue collection at domestic taxes department of the Kenya Revenue Authority	Independent	• performance contracts • cost efficiency • service delivery	Nominal and ordinal	Frequency distribution tables and percentages	Descriptive Statistics Inferential Statistics
Collection Reduction	Dependent	• achieving fiscal targets • more filing • increased tax payments	Nominal and ordinal	Frequency distribution tables and percentages	Descriptive Statistics Inferential Statistics

3.8 Ethical Considerations

The study appreciates that used information that was privileged from the KRA. Braym (2007) identifies that it is the responsibility of the researcher to identify any potential harm of his research to specific persons or to the general population. Thus, the study acknowledges the fact and cautions that the data to be obtained from the KRA was solely used for academic purposes. It is also ethically right to clarify that the findings may not necessarily be an indication of how well or worse the Authority has been doing in terms of revenue collections. Having noted this, the study advises that use of the findings without expert advice, is at the peril of the user. The researcher observed a high level of confidentiality and integrity throughout the field work and afterwards. Further the study treated the responses from the respondents with confidentiality it deserves. The researcher pledges that the data and information was solely used for academic purpose.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION

4.1 Introduction

This chapter has data analysis and findings of the study. The chapter has demographic characteristics and data analysis as per the objectives.

4.1.1 Questionnaire Return Rate

The study issued 83 questionnaires to top ranking managers at the Domestic Taxes Department at Nairobi Offices. 69 Questionnaires were filled and returned giving a response rate of 83 %. This response rate is adequate for data analysis. Mugenda and Mugenda (2003) notes that foe a descriptive study, a questionnaire response rate of 50 % is sufficient for data analysis and findings reporting; a response rate of 60 % is good while a response rate of 70% and above is treated as excellent. Thus this study had an excellent response rate. This rate can be due to the fact that respondents were allowed enough time to fill the questionnaires.

4.1.2 Gender of Respondents

Data findings indicated that 59 % of the respondents were male while 41 % of the respondents were female. This finding indicates that data was collected across the genders.

4.1.3 Age of the Respondents

The study collected data on the age of respondents and revealed that 4 % of the respondents were between 3 years, a majority, 54 % were between 41-50 years while 42 % above 50 years of age.

4.1.4 Working Period of the Respondents

The study collected data on the time period the respondents had worked for the Kenya Revenue Authority. Data finding is represented in Table 4.1

Table 4: 1 Working Period of the Respondents

AGE	Time with the KRA	Percentage
Less than 2 years	3	4%
Between 3-5 years	6	9%
Between 6-10 years	39	57%
Above 10 years	21	30%
TOTAL	**69**	**100%**

(Source: Research Findings, 2018)

Table 4.1 Indicates that, a majority of the respondents had worked for KRA for 6 to 10 years, 30 % of the respondents for a time period of above 10 years, 9 % for a time period of 3 to 5 years while 4 % had worked for KRA for less than 2 years. These findings indicate that the respondents had worked for respondents for enough time and thus could articulate issues of strategic management and relate them to the Kenya revenue Authority and its effect of revenue collection reduction.

4.1.5 Highest Level of Education Qualification

The study collected data on the highest level of academic qualification of the respondents. Table 4.2 indicates the data findings.

Table 4: 2 Highest Level of Education Qualification

Highest Level of Education	Frequency	Percentage
Undergraduate Degree	11	16%
Postgraduate Degree	53	77%
PHD	5	7%
TOTAL	**69**	**100%**

(Source: Research Findings, 2018)

Table 4:2, indicates the level of education for the respondents. A majority, 77 % had postgraduate degrees, 16 % had undergraduate degree while 7 % had doctorate degrees. These findings indicates that the respondents were qualified enough to fill the questionnaires.

4.2 Technology Change on Reduction of Revenue Collection at Domestic Taxes Department of the Kenya Revenue Authority

The study collected data on the effects of technological changes on reduction of revenue collection at the Domestic Taxes Department. Data findings are presented in Table 4:3

Table 4: 3 Effect of technology Change on Revenue Collection

Technology Change on Reduction of Revenue Collection at Domestic Taxes Department of the Kenya Revenue Authority	**Mean**	**SD**
In your opinion, would you cite that the itax filing of returns and generation of payment registration number receipts has positively impacted on amount of revenue collected?	4.12	1.273
The management has invested in a superb Management Information Systems(MIS) that makes it easy to administer tax collection and enforcement of tax obligations	4.89	0.142
The itax platform is suitably fit to steer the organisation towards achievement of the KRA Mission of "Building Trust through Facilitation so as to Foster Compliance with Tax and Customs Legislation	4.07	1.217
The MIS currently in use is innovative and customer based hence facilitates tax administration especially during payments by tax payers and accountability of tax collected	4.11	0.892
The authority has successfully leveraged on technology to make customer service accessible through technological centres and online platforms hence fostering tax revenue collection	3.56	1.745
The automation of the tax administration system has increased the amount of taxes collected in a fiscal year	4.72	0.141
In my opinion, the adoption of new technology saves time on	4.19	0.103

transactions		
Employees at the domestic taxes department are more efficient due to introduction of new technology.	4.07	1.037
The use of itax at the KRA has enhanced the level of accountability of revenue collected	4.62	0.891
The automation of processes at the domestic taxes department saves on manpower costs	4.37	1.042
The system is safe and secure and thus encourages taxpayers to comply and consequently increases the amount of tax collected.	4.56	0.187

(Source: Research Findings, 2018)

The study found out that adoption of advanced technology had positive effect on revenue collection reduction as indicated by the mean of 4.12 with a standard deviation of 1. 273. This result showed that the KRA move to adopt itax system as its main tax administration system had a positive impact on amount of revenue collected. The study had further found out that the management has invested in a superb Management Information Systems (MIS) that makes it easy to administer tax collection and enforcement of tax obligations as indicated by the mean of 4.89 and the low standard deviation of 0.142. It is important to note that strategic management practices are meant to ensure that organizations are safe from adverse effects that may be resulted due to advancement of technology. On use of technology to foster compliance and trust among taxpayers, the study has established that it does with a high mean of 4.07with a low standard deviation of 1.217.

The study has found out that technology adopted by the KRA was innovative and customer focused. This is as indicated by the mean of 4.11. Equally, the study has found that the authority has successfully leveraged on technology to make customer service accessible through technological centers and online platforms hence fostering tax revenue collection. However, the influence was not much positive as indicated by the mean of 3.56. It has been found that automation has led to increase in amount of taxes as indicated by the mean of 4.72. Automation ensures that there are more transactions carried out and also the chances of errors are minimal.

The study has also established that technology has made the employees of the authority efficient and this improves the performance of the institution. This is indicated by the mean of 4.07 with a low standard deviation of 1.037. Strategic management aims at fostering the delivery of services and ensuring customer satisfactions. Where the employees are equipped with skills and expertise in discharging their duties, their efficiency is enhanced and this saves on costs. The study has also found that, the use of itax at the KRA has enhanced the level of accountability of revenue collected. This is indicates by the mean of 4.62 with a standard deviation of 0.891. Further, the automation of processes at the domestic taxes department saves on manpower costs as indicated by the mean of 4.37 and a standard deviation of 1.042. The study also found out that use of technology is safe and secure and thus encourages taxpayers to comply and consequently increases the amount of tax collected. This is indicated by the mean of 4.56 and a low standard deviation of 0.187.

The findings of this study agree with those of Gidisu (2012) who found out that automation of services improved revenue collection in Ghana. This is because automation ensures that tax compliance is less costly from the taxpayer's point of view and that the tax administration department works efficiently. Equally, a study done by Yusniza (2009) in Malaysia established that adoption of electronic filing was an efficient method of tax administration. The study noted that online filing of taxes was effective since it worked all round the clock and thus greatly reduced the chances of non-compliance. However, Akello (2014) found out that in Uganda, online systems were not understood by most taxpayers due to insufficient service delivery and customer service by the staff of the revenue authority.

4.3 Customer Service and Revenue Collection at Domestic Taxes Department of the Kenya Revenue Authority

Table 4: 4 Customer Service and Revenue Collection

Customer Service and Revenue Collection at Domestic Taxes Department of the Kenya Revenue Authority	**Mean**	**SD**
The authority has taken paradigm shifts in human resource management that has changed staff attitudes to focus on compliance in tax regulation through effective facilitation and improving service accessibility in fair terms.	4.48	0.610
The management has built a robust, courteous and professional staff base that responds to taxpayers problem with integrity promoting compliance with tax legislations	4.29	0.452
The authority seeks to strengthen its administrative capacity in order to create an all the time access care centre that optimises on tax collections	4.07	0.021
The management is committed to improving customer care at all its regional offices and has equipped them with all necessaries in order to increase tax compliance among economic units	4.11	0.935
The authority has established the Kenya School of revenue Administration(KESRA) in order to enhance the knowledge and skills of the staff	3.25	0.724
Staff productivity and performance is fostered by the management information system which consequently improves the performance of the authority	4.10	0.693
The Customer Relationship Management at KRA is suitably fit in identifying new tax clients, bring them to taxation and increase the tax base for the organisation	2.93	1.259
The department engages on timely customer service regarding tax matters	3.79	1.137

The department is committed to high customer service that encourages tax compliance	3.32	0.538
Superior customer service enhances taxpayer's loyalty and hence improves the revenue collecting ability of the domestic taxes department.	4.57	0.158
High customer service has improved the image of the department of domestic taxes	4.19	0.834
The employees of the department are committed to assisting tax payers to ease the process of filing returns, registration of payment receipts and advisory on tax rules amendments	4.10	0.267
The customer service at the authority has transformed the system and has led to sustainable performance in terms of revenue collection particularly due to betterment in customer service	4.16	0.983

(Source: Research Findings, 2018)

The study has found that KRA has taken paradigm shifts in human resource management that has changed staff attitudes to focus on compliance in tax regulation through effective facilitation and improving service accessibility in fair terms. This is indicated by the positive mean of 4.18 and a low standard deviation 0.610. This is the most significant aspect of customer services among those assessed by the study. The study has also established that customer service strategies have led to the realization of a workforce that has integrity that promotes tax compliance. This had a mean of 4.29. A mean of 4.07 indicates that customer services increases the administrative capacity of KRA and this has capacity of increasing the amount of revenue collected thus reducing the collection. The respondents also indicated that the management is committed to improving customer care at all its regional offices and has equipped them with all necessaries in order to increase tax compliance among economic units. This is as indicated by the mean of 4.11. Further, the study has established that the establishment of KESRA has no effect on customer service delivery and this does not reduce the revenue collection. This is as indicated by the mean of 2.93.

In addition the study found that timely delivery customer services foster revenue collection to a small extent. This is as indicated by the mean of 3.79 with a standard deviation of 1.137. The study has also found out that KRA was not sufficiently committed to customer service as exhibited by the mean of 3.32. It was established that superior customer service enhances taxpayer's loyalty and hence improves the revenue collecting ability of the domestic taxes department as shown by the mean of 4.57. Further, a high customer service improves the image of the authority as indicated by the mean of 4.19. The study also found out that customer services eases the process of filing returns, registration of payment receipts and advisory on tax rules amendments and this scored a mean of 4.10. Lastly, the customer service at the authority was established to have transformed the system and has led to sustainable performance in terms of revenue collection particularly due to betterment in customer service as indicated by the mean of 4.16. In this respect, it can be deduced that customer service increases the amount of revenue collection and this reduces the revenue collection at the Kenya Revenue Authority. It is important to note that customer services aims at establishing a system that is customer focused. A customer focused system considers the needs of the customers and not necessarily the requirements of the implementing entity. These findings agrees with those of Muita (2014) who established that through adoption modern tax system ensured that the large tax payers customer service was high which improved voluntary tax compliance. As such it can be noted that customer service improves revenue collection by the revenue authority. Another study by The OECD (2015) noted that use of strategic tax systems is one of the best mechanisms of fostering tax compliance in both developing and developed countries.

4.4 Strategic Partnership and Revenue Collection at Domestic Taxes Department of the Kenya Revenue Authority

Table 4: 5 Strategic Partnership and Revenue Collection

Strategic Partnership and Revenue Collection at Domestic Taxes Department of the Kenya Revenue Authority	**Mean**	**SD**
The authority has entered into strategic partnership with mobile telephone communication companies (Safaricom and Airtel) to enable remittance of taxes due, through mobile money transfers and this positively impacts on the revenue collection	4.89	0.240

In my opinion, the alliances with mobile telephone services providers has formed a capability of enabling KRA to identify new tax persons which are brought to taxation hence increasing tax revenue.	4.73	0.143
KRA has alliances with the other national government state departments and has established such its outlets at Huduma Centres and this provides an accessible help to tax matters and tax payers problems are addressed promptly increasing tax compliance among taxable persons	4.68	0.715
The department of domestic taxes and KRA at large has entered into alliances with financial institutions namely commercial banks and this improves revenue collection with efficiency of business processes	4.31	0.157
Strategic partnership has increased the capacity of the department resulting into more tax collections	4.12	0.128
Entering into strategic alliances with banks and other institutions has increased tax compliance hence more revenue collection	4.37	0.182
KRA has tax agents, for instance VAT and WHT agents that improve on revenue collection of the authority	4.69	0.473

(Source: Research Findings, 2018)

The study has established that the strategic partnership with mobile telephone communication companies (Safaricom and Airtel) to enable remittance of taxes due, through mobile money transfers and this positively impacts on the revenue collection as indicated by the mean of 4.89. strategic partnerships has the capability of identifying new tax persons and this has the potential of increasing the tax collections as indicated by the mean of 4.73 with a low standard deviation of 0.143. Strategic partnering with other institutions such as Huduma Centres increases revenue collection as indicated by the mean 4.68. A mean of 4.31 shows that partnering with commercial banks to facilitate remittance of taxes increases the amount of revenue collected and this reduces the collections. The study has also found that Strategic partnership has increased the capacity of the department resulting into more tax collections and this is exhibited by the mean of 4.12.

In addition strategic partnerships were found to have fostered tax compliance among taxpayers and this increased the amount of revenue collections. This is indicated by the mean of 4.37. Lastly, the study found out that tax agents greatly reduced the revenue collection as indicated by the mean of 4.69. It is worthwhile to note that strategic partnerships enhance the process of filing and payments of taxes dues. For this reason, where the partnerships are strategically implemented for example, appointment of tax agents and having commercial banks as collection points, it increases the amount of tax collected. Crucial is the fact that any increase in amount of tax collected reduces revenue collection which has been a perennial problem faced by the authority. A study done by Jürgen (2011), did a study in Germany revealed that computerization of tax administration systems important because it enables payments of taxes through various outlets. This means that strategic partnership adopted by the Kenya Revenue Authority is beneficial as it enables the taxpayers to fulfil their tax obligations with ease.

4.5 Operational efficiency and Revenue Collection at Domestic Taxes Department of the Kenya Revenue Authority

Table 4: 6 Operational efficiency and Revenue Collection

Operational efficiency and Revenue Collection at Domestic Taxes Department of the Kenya Revenue Authority	**Mean**	**SD**
KRA has strategies that aim at increasing the number of transactions with taxpayers and this enhances revenue collection	4.10	0.231
KRA is committed to ensuring that there is accountability in all its processes	4.63	0.181
The management of KRA has set into place innovative platforms of service delivery that will reduce the 1.2% revenue collection deficit to 1 % as per the 6th corporate plan.	3.97	1.645
The authority management is committed to alternative funding sources from its assets in order to reduce the incremental funding approach other than those funds provided by the National treasury.	2.51	1.917
In my opinion, the strategic goal of KRA number 3 of upgrading the ICT to efficiently facilitate revenue administration and reduce operational costs has been achieved.	4.26	0.540

The planned launch of then General Packet Radio System(GPRS) monitored Electronic Tax Register (ETR) invoicing machine will make the cost of tax administration economical	4.09	0.167
The audit module in itax platform has led to an effective debt and collection and dispute and resolution department thereby saving on operational costs	4.39	0.576
The authority saves time and costs due to adoption of new and advanced technology in running its business	3.08	1.258
The systems being adopted by the KRA are modern and good in automation of process hence saving on running costs	4.11	0.965
Electronic customer service enhances operational efficiency at the department and this reduces the collections in revenue collection	3.86	0.632
In my opinion, I would say that KRA has successfully implemented a new MIS that is customer based and equally improves employees motivations hence reducing operational costs	4.32	0.543

(Source: Research Findings, 2018)

The study has established that operational efficiency positively impacts on revenue reduction collection at the KRA. In particular, the study has established that KRA has strategies that aim at increasing the number of transactions with taxpayers and this enhances revenue collection as indicated by the mean of 4.10 and a low standard deviation of 0.231. Also, a mean of 4.63 indicates that the authority is committed to ensuring accountability in all its processes. The study has also established that innovative platform improves customer delivery. However, the mean is at 3.97 showing that the respondents were almost neutral on the aspect. On the other hand, upgrading of ICT has been established to have a positive impact on revenue collection with a mean of 4.26. In contrast the respondents indicated that KRA depended on the National Treasury on funding as indicated by the mean of 2.51 and this limited its operational efficiency.

The study found out that the intended launch of GPRS monitored ETR has the potential of enhancing the operational efficiency of the KRA as indicated by the mean of 4.09. A mean of 4.39 showed that the audit module in itax platform has led to an effective debt and collection and dispute and resolution department thereby saving on operational costs. As indicated by a mean of 3.08, most respondents were indifferent on whether the authority saves time and costs due to adoption of new and advanced technology in running its business. On whether the systems being adopted by the KRA are modern and good in automation of process hence saving on running costs, the study has found out that it does as indicated by the mean of 4.11. Electronic customer service has been established to have led to operational efficiency at the domestic taxes department. Lastly, a mean of 4.32 indicates that KRA had successfully implemented a new MIS that is customer based and equally improves employees' motivations hence reducing operational costs. These findings agrees with of Wasao (2014), who established that adoption of technological tools in tax administration was important as it improved efficiency from both the taxpayer point of view and the tax administration agent.

4.6 Inferential Statistics

The study carried out inferential statistics in order to describe the extent of the relationship between the independent and dependent variables. Inferential statistics involves data analysis with the aim of establishing the percentage of variations in the dependent variable explained by the independent variable and to this end, the study adopted a regression analysis. The study carried out diagnostic test validity of the model.

4.6.1 Test of Autocorrelation

The study carried out an auto correction test using the Durbin Watson test. The finding are indicated on table 4.7

Table 4: 7 Auto Correlation Test

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.631[a]	.398	.361	.660	1.870

a. Predictors: (Constant), To what extent does operational efficiency affect revenue collection at the KRA?, To what extent does strategic partnerships affect revenue collection at the KRA?, To what extent does customer service affect revenue collection at the KRA?, To what extent does technology affect revenue collection at the KRA?

b. Dependent Variable: How would you rate revenue collection at the KRA?

Table 4.7 indicates the Durbin-Watson Test for auto correlation. The DW value was 1.87 indicating that the data has no autocorrelation since it is between 1 and 3 which is the set criteria for the autocorrelation. Autocorrelation implies whether variables are related to one another.

4.6.2 Multi Collinearity Test

The study adopted the VIF measure of multicollinearity and the results were presented on Table **4.8 Coefficients**

Model		Collinearity Statistics	
		Tolerance	VIF
1	To what extent does technology affect revenue collection at the KRA?	.792	1.263
	To what extent does customer service affect revenue collection at the KRA?	.854	1.172
	To what extent does a strategic partnership affect revenue collection at the KRA?	.790	1.265
	To what extent does operational efficiency affect revenue collection at the KRA?	.861	1.162

a. Dependent Variable: How would you rate revenue collection at the KRA?

As shown on Table 4.4, VIF for technology adoption had VIF of 1.263 and tolerance of .792; Customer service was 1.172 and tolerance of 0.554; strategic partnership had a VIF value of 1.265 and tolerance of 0.790. These values of VIF are less than 10 which is the general rule of multicollinearity tests, thus ruling out the chances of multicollinearity. According to (Field, 2009), VIF of less than 10 with a tolerance of more than 0.1 indicates that a set of data has no multicollinearity. It is crucial that variables are not correlated with other in order to enhance validity of the data findings.

4.6.3 Model Summary

The study analysed data with the aim of assessing the extent of independent variables on Return on Assets. The study findings are tabulated on table.

4.9 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.631[a]	.698	.361	.660	1.870

a. Predictors: (Constant), To what extent does operational efficiency affect revenue collection at the KRA?, To what extent does strategic partnerships affect revenue collection at the KRA?, To what extent does customer service affect revenue collection at the KRA?, To what extent does technology affect revenue collection at the KRA?

b. Dependent Variable: How would you rate revenue collection at the KRA?

Table 4.9 indicates the model summary that shows R, R^2 and adjusted R^2 and the standard error of estimate. As indicated on Table 4.9, the study found an R^2 of 69.8 % indicating that the independent variables accounts for 69. 8 % of the variations in revenue collection. This implies that other factors not considered in this study account for 19.4 % of variations in revenue collection.

4.6.4 Model Estimation

The developed a regression model and analyzed data to find the coefficients of the regression model. The data is presented on

Table 4.10 Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.392	.739		.530	.598
	To what extent does technology affect revenue collection at the KRA?	.237	.096	.269	2.471	.016
	To what extent does customer service affect revenue collection at the KRA?	.281	.112	.263	2.507	.015
	To what extent does a strategic partnership affect revenue collection at the KRA?	.317	.100	.347	3.183	.002
	To what extent does operational efficiency affect revenue collection at the KRA?	.044	.096	.048	.456	.650

a. Dependent Variable: How would you rate revenue collection at the KRA?

The multiple regression model was formulated as;

$$\mathbf{RC_t = \beta_0 + \beta_1 TC_t + \beta_2 CS_t + \beta_3 SP_t + \beta_3 OE_t + \varepsilon_t}$$

The equation is thus established as:

$$\mathbf{RC_t = 0.392 + 0.237TC_t + 0.281CS_t + 0.317SP_t + 0.44OE_t + \varepsilon_t}$$

Where:

0.392 is the unit of revenue collection in the absence of other study variables

0.237 is the increase in revenue collection in response to a unit increase in technology change.

0.281 is the increase in revenue collection in response to a unit increase in customer service

0.317 is the increase in revenue collection in response to a unit increase in strategic partnership.

0.237 is the increase in revenue collection in response to a unit increase in operational efficiency.

The study has established that all study variables have a positive impact on revenue collection. Thus, it is important that strategic management aims at adoption of tools that foster efficiency through reduction of costs. The findings of these study agreed with those of Nkote and Luwugge (2010) who established that the automation did not specifically lead to more customs collected by the Uganda Revenue Authority. A study to assess the impact of automation as a strategy on customs clearing procedures at KRA was done by Sigey (2010), found that the Simba system had improved the efficiency of the department, improved the skills of the staffs, reduced cost of running the department and enhanced accountability in the customs departments. Afande (2013) on effects of strategic management practices on performance of financial institutions in Kenya: A case of Kenya Post Office Savings Bank concluded that adoption of strategic practices by Post Bank in Kenya had resulted into the bank having a competitive advantage over the years. The study established the bank had adopted strategies that ensured costs were kept at minimum, improved customer care, enhanced operational efficiency and ensured that its target market had their expectations. A study on the impact of benchmarking on performance of KRA was done by Ouma (2014) established that the authority had formed strategic modern program in terms of the corporate plans that steered it to an improved performance.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter has a summary of major findings, conclusions, limitations of the study, recommendations and suggestions for further studies.

5.2 Summary of Major Findings

The study has established that strategic management practices impacts on reduction of revenue collection at the Domestic taxes department at Kenya Revenue Authority. The study has found out that strategic partnership is the most influencing factor, followed by technological influence customer service and operational efficiency.

5.2.1 Technology Change and Revenue Collection at the Kenya Revenue Authority

The study further has found that technology has enabled KRA to administer tax collection and enforce tax regulations. Also, adoption of technology has ensured that KRA can enforce accountability of taxes collected. In particular the study has found out that implementation of itax system is a great milestone towards reduction of revenue collection collection. This is because, itax system has saved costs of tax administration and hence creates avenues of reduction of the collections. The study has also found out that use of appropriate technology encourages taxpayers to comply with tax rules and thus increasing tax revenues.

5.2.2 Customer service and Revenue Collection at Domestic Taxes Department of the Kenya Revenue Authority

On customer services, the study has found positive relationships between improved customer service and reduction of revenue collection. The study has established that human resource management is customer focused, management works with a high sense of integrity, there is an efficient customer call centre and that the management is committed to improving customer service in order to foster compliance and consequently reduce the revenue collections. However, the study has found out that the customer relationship management at the KRA is not well performing and also, a majority of the respondents did not indicate that KRA advocates for timely delivery of customer services and this may does not positively impact on reduction of revenue collection in the domestic taxes department. In addition, the study has established that KRA has set strategies that seeks to enhance customer loyalty and this will also lead to an improved brand image that will foster tax compliance. The study has also found that most respondents believed that a majority of the staffs of the customer department were committed to offer help on tax filing, tax payment registration and that the performance was sustainable.

5.2.3 Strategic Partnership and Revenue Collection at Domestic Taxes Department of the Kenya Revenue Authority

On strategic partnership, the study has established that it positively impacts revenue collections in appropriately implemented. Further, the study has found out that strategic partnership with mobile telephone communication companies increases tax revenues, enables the identification of new tax persons and that such partnering with such institution like Huduma Kenya ensures that taxpayers issues are addressed promptly. The study has further, partnering with commercial banks has increased amount of tax revenues collected in a fiscal year and also it increases the capacity of KRA to fulfill its mandate of collection of revenue for the government. The study has also found that entering into strategic alliances with banks and other institutions has increased tax compliance hence more revenue collection and KRA has tax agents, for instance VAT and WHT agents that improve on revenue collection of the authority.

5.2.4 Operational efficiency and Revenue Collection at Domestic Taxes Department of the Kenya Revenue Authority

On the operational efficiency, the study has found out that KRA has strategies that aim at increasing the number of transactions and it aims at increases accountability in its processes, also the management of KRA has set into place innovative platforms of service delivery. However, the study has found out that the management was not adequately committed to funding options other than that of the National treasury and this has led overdependence on the Treasury is kept minimal. The study has also found out that the ICT tools adopted by the authority facilitates tax administration and thus leads to operational costs savings. The study has also found out that General Packet Radio System (GPRS) monitored Electronic Tax Register (ETR) invoicing machine will make the cost of tax administration economical. Also, the study has established itax increases operational efficiency and this enhances the process of tax administration. Lastly, the study has found out that the authority saves time and costs due to adoption of new and advanced technology in running its business.

5.3 Conclusions

5.3.1 Technology Change and Revenue Collection at Domestic Taxes Department of the Kenya Revenue Authority

The study concludes that technology changes play a crucial role on revenue collection reduction at the domestic taxes department. Strategic management is concerned with scanning the environment and setting objectives that ensures competitiveness and improved performance of organizations. Technology changes such as adoption of itax system, increases the number of transactions and this increases the amount of revenue collections.

5.3.2 Customer service and Revenue Collection at Domestic Taxes Department of the Kenya Revenue Authority

On customer service, the study concludes that strategic management is a good tool of enhancing customer service and this improves the performance of the domestic taxes departments. Strategic management aims at ensuring that systems and processes are customer focused. It was established that customer service increases taxpayer’s loyalty, increases the tax revenue collection and enhances the capacity of the KRA.

5.3.3 Strategic Partnership and Revenue Collection at Domestic Taxes Department of the Kenya Revenue Authority

On strategic partnership, the study concludes that strategic partnership has a crucial role on revenue collection collection. The study further concludes that strategic partnership is the most significant aspect of strategic management that leads to reduction of revenue collection. The study concludes that alliances with mobile phone money for mobile payments of tax dues and partnering with commercial banks for tax remittances greatly reduces the revenue collection at KRA. The study also concludes that strategic partnerships enhance the capacity of the KRA in tax administration. It is important to consider that tax administration is a tedious process that needs to involve many stakeholders. In this respect, the authority should plan and develop strategies that aim at improving the performance of the organization.

5.3.4 Operational efficiency and Revenue Collection at Domestic Taxes Department of the Kenya Revenue Authority

On operational efficiency, the study concludes that there is a crucial impact of efficiency on revenue collection collection reduction. Operational efficiency had been realized through the implementation of the itax system in tax administration. The study concludes that itax has increased the number of transactions and that the system is fast accurate and secure. Further the study concludes that operational efficiency improves accountability among the personnel of the domestic taxes departments. The study also concludes that KRA has successfully implemented a new MIS that is customer based and equally improves employee's motivations hence reducing operational costs.

5.4 Recommendations

For KRA to successfully reduce the revenue collection, it is important that the management practice strategic management. This is because, the study has found out that strategic management improves the performance of KRA and thus reducing the revenue collection in fiscal collections. The KRA should adopt technological tools that enhance their performance particularly that which increases compliance among tax payers. Moreover, it is important that KRA adopt technology that is capable of accurately tracking transactions such as GPRS ETR system with an aim enhancing revenue collection.

The study recommends that customer service should be a strategic goal of the Kenya Revenue Authority. Customer service ensures that the system is client-oriented and leads to superior delivery of customer service. It is this crucial that the authority designs ways and methods of ensuring that processes are easier to use and they are taxpayer friendly. The authority should, therefore seek to establish a customer care department that is robust and that which addresses the challenges faced by tax payers in their tax compliance activities.

For the KRA to reduce the revenue collection successfully, it is recommended that it foster its strategic partnership with stakeholders. The authority should partner with financial institutions in order to increase tax compliance. The authority should also partner more with other players such bank agency outlets to facilitate collection of taxes.

The study further established that operational efficiency, reduces the revenue collection at the domestic taxes department. For this reason, it is recommended that strategies be put in place ensuring that the cost of tax administration is kept at minimum. Strategic management practices ensure that organizations gains competitive advantages in a constantly turbulently changing environment. The KRA should in particular train its employees to boost their skills and expertise in handling matters of tax. In addition, the staffs should dedicatedly serve taxpayers in order to enhance compliance to tax laws.

5.5 Suggestions for Further Research

This research recommends that another study be done on factors influencing the successfully implementation of Strategic management practices at the Kenya Revenue Authority. This would ideally be important because as per this instant study, strategic management has been found to have positive impact on revenue collection reduction.

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Appendix A: Letter of Introduction

Dear respondent,

I am a postgraduate student of the Kenyatta University. I am carrying out a research study titled "**THE IMPACT OF STRATEGIC MANAGEMENT PRACTICES ON REDUCTION OF REVENUE COLLECTION AT DOMESTIC TAXES DEPARTMENT AT THE KENYA REVENUE AUTHORITY)"** and the aim of this questionnaire is to collect information related to this topic. You are kindly requested, to respond to these questions as honest as possible. The researcher also pledges that the information given shall be treated with strict confidence. Furthermore, the information will be solely used for academic purpose.

However your participation in this exercise is voluntary

Thank you,

Yours sincerely,

Signature...

Mwangi Salverius Gatheru.

Appendix B: Questionnaire to Staff of KRA-Domestic Taxes Department.

I am undertaking a master's degree at Kenyatta University and I have formulated the questions in the following questionnaire with regard to the topic of study. Kindly, indicate with a tick or filling in the space(s) provided.

Section A: Demographic Characteristics of the Respondents.

1. Please indicate your gender

   a) Male ( )

   b) Female ( )

2. Please indicate your age

   (b) Between 31-40 years ( )

   (c) Between 41-50 years ( )

   (d) Above 50 years ( )

3. Kindly indicate how long you have been working for the Kenya Revenue Authority?

   a) Less than 2 years ( ) b) between 3-5 years ( )

   c) Between 6-10 years ( ) d) more than 10 years ( ).

4. Please indicate the highest level of education completed

   a) Undergraduate Degree ( )

   b) Postgraduate degree ( )

   c) PHD ( )

Section B: Technology Change on Reduction of Revenue Collection at Domestic Taxes Department of the Kenya Revenue Authority.

The following statements show how technology changes may have been utilized to reduce the revenue collection in the domestic taxes department .Please indicate your rate by ticking appropriately on a scale of 5-1, where 5= strongly agree, 4=agree 3=neutral 2=disagree 1=strongly disagree.

Technology Change on Revenue Collection at Domestic Taxes Department of the Kenya Revenue Authority	**5**	**4**	**3**	**2**	**1**
5.In your opinion, would you cite that the itax filing of returns and generation of payment registration number receipts has positively impacted on amount of revenue collected?					
6.The management has invested in a superb Management Information Systems(MIS) that makes it easy to administer tax collection and enforcement of tax obligations					
7.The itax platform is suitably fit to steer the organisation towards achievement of the KRA Mission of "Building Trust through Facilitation so as to Foster Compliance with Tax and Customs Legislation					
8.The MIS currently in use is innovative and customer based hence facilitates tax administration especially during payments by tax payers and accountability of tax collected					
9.The authority has successfully leveraged on technology to make customer service accessible through technological centres and online platforms hence fostering tax revenue collection					
10. The automation of the tax administration system has increased the amount of taxes collected in a fiscal year					
11. In my opinion, the adoption of new technology saves time on transactions					
12. Employees at the domestic taxes department are more efficient due to introduction of new technology.					
13. The use of itax at the KRA has enhanced the level of accountability of revenue collected					
14. The automation of processes at the domestic taxes department saves on manpower costs					
15. The system is safe and secure and thus encourages taxpayers to comply and consequently increases the amount of tax collected.					

To what extent does technology affect revenue collection at the KRA??

To a very high extent [ ]

To a high extent [ ]

To a moderate extent [ ]

To a little extent [ ]

To no extent [ ]

Section C: Customer service and Reduction of Revenue Collection at Domestic Taxes Department of the Kenya Revenue Authority.

The following statements show how strategic customer service may enhance revenue collection in the domestic taxes department. Please indicate your rate by ticking appropriately on a scale of 5-1, where 5= strongly agree, 4=agree 3=neutral 2=disagree 1=strongly disagree.

Customer service and Reduction of Revenue Collection at Domestic Taxes Department of the Kenya Revenue Authority	**5**	**4**	**3**	**2**	**1**
16. The authority has taken paradigm shifts in human resource management that has changed staff attitudes to focus on compliance in tax regulation through effective facilitation and improving service accessibility in fair terms.					
17. The management has built a robust, courteous and professional staff base that responds to taxpayers problem with integrity promoting compliance with tax legislations					
18. The authority seeks to strengthen its administrative capacity in order to create an all the time access care centre that optimises on tax collections					
19. The management is committed to improving customer care at all its regional offices and has equipped them with all necessaries in order to increase tax compliance among economic units					
20. The authority has established the Kenya School of revenue Administration(KESRA) in order to enhance the knowledge and skills of the staff					
21. Staff productivity and performance is fostered by the management information system which consequently improves the performance of the authority					

22. The Customer Relationship Management at KRA is suitably fit in identifying new tax clients, bring them to taxation and increase the tax base for the organisation					
23. The department engages on timely customer service regarding tax matters					
24. The department is committed to high customer service that encourages tax compliance					
25. Superior customer service enhance taxpayers loyalty and hence improves the revenue collecting ability of the domestic taxes department					
26. Highly customer service has improved the image of the department of domestic taxes					
27. The employees of the department are committed to assisting tax payers to ease the process of filing returns, registration of payment receipts and advisory on tax rules amendments					
28. The customer service at the authority has transformed the system and has led to sustainable performance in terms of revenue collection particularly due to betterment in customer service					

To what extent does customer service affect revenue collection at the KRA??

To a very high extent [ ]

To a high extent [ ]

To a moderate extent [ ]

To a little extent [ ]

To no extent [ ]

Section D: Strategic Partnership and Reduction of Revenue Collection at Domestic Taxes Department of the Kenya Revenue Authority.

The following statements show how strategic partners may enhance the performance of the domestic taxes department at the Kenya Revenue Authority. Please indicate your rate by ticking appropriately on a scale of 5-1, where 5= strongly agree, 4=agree 3=neutral 2=disagree 1=strongly disagree.

Strategic Partnership and Reduction of Revenue Collection at Domestic Taxes Department of the Kenya Revenue Authority	**5**	**4**	**3**	**2**	**1**
29. The authority has entered into strategic partnership with mobile telephone communication companies (Safaricom and Airtel) to enable remittance of taxes due, through mobile money transfers and this positively impacts on the revenue collection					
30. In my opinion, the alliances with mobile telephone services providers has formed a capability of enabling KRA to identify new tax persons which are brought to taxation hence increasing tax revenue.					
31. KRA has alliances with the other national government state departments and has established such its outlets at Huduma Centres and this provides an accessible help to tax matters and tax payers problems are addressed promptly increasing tax compliance among taxable persons					
32. The department of domestic taxes and KRA at large has entered into alliances with financial institutions namely commercial banks and this improves revenue collection with efficiency of business processes					
33. Strategic partnership has increased the capacity of the department resulting into more tax collections					
34. Entering into strategic alliances with banks and other institutions has increased tax compliance hence more revenue collection					
35. Tax payers are able to file taxes with ease and payment of the same through					
36. KRA has tax agents, for instance VAT and WHT agents that improve on revenue collection of the authority					

To what extent does strategic partnership affect revenue collection at the KRA??

To a very high extent [ ]

To a high extent [ ]

To a moderate extent [ ]

To a little extent [ ]

To no extent [ ]

Section E: Operational costs and Reduction of Revenue Collection at Domestic Taxes Department of the Kenya Revenue Authority.

The following statements show how operational efficiency may enhance revenue collection in the domestic taxes department. Please indicate your rate by ticking appropriately on a scale of 5-1, where 5= strongly agree, 4=agree 3=neutral 2=disagree 1=strongly disagree.

Operational costs and Reduction of Revenue Collection at Domestic Taxes Department of the Kenya Revenue Authority	**5**	**4**	**3**	**2**	**1**
37. KRA has strategies that aim at increasing the number of transactions with taxpayers and this enhances revenue collection					
38. KRA is committed to ensuring that there is accountability in all its processes					
39. The management of KRA has set into place innovative platforms of service delivery that will reduce the 1.2% revenue collection to 1 % as per the 6th corporate plan.					
40. The authority management is committed to alternative funding sources from its assets in order to reduce the incremental funding approach other than those funds provided by the National treasury.					
41. In my opinion, the strategic goal of KRA number 3 of upgrading the ICT to efficiently facilitate revenue administration and reduce operational costs has been achieved.					
42. The planned launch of then General Packet Radio System(GPRS) monitored Electronic Tax Register(ETR)invoicing machine will make the cost of tax administration economical					
43. The audit module in itax platform has led to an effective debt and collection and dispute and resolution department thereby saving on operational costs					
44. The authority saves time and costs due to adoption of new and advanced technology in running its business					
45. The systems being adopted by the KRA are modern and good in automation of process hence saving on running costs					

46. Electronic customer service enhances operational efficiency at the department this reduces the collections in revenue collection					
47. In my opinion, I would say that KRA has successfully implemented a new MIS that is customer based and equally improves employees motivations hence reducing operational costs					

To what extent does operational efficiency affect revenue collection at the KRA??

To a very high extent [ ]

To a high extent [ ]

To a moderate extent [ ]

To a little extent [ ]

To no extent [ ]

Thank you for your time and response

Appendix C: Sample Size, Given a Finite Population

N-----n	N-----n	N-----n	N-----n	N-----n
10-----10	100-----80	280-----162	800-----260	2800-----338
15-----14	110-----86	290-----165	850-----265	3000-----341
20-----19	120-----92	300-----169	900-----269	3500-----346
25-----24	130-----97	320-----175	950-----274	4000-----351
30-----28	140-----103	340-----181	1000-----278	4500-----354
35-----32	150-----108	360-----186	1100-----285	5000-----357
40-----36	160-----113	380-----191	1200-----291	6000-----361
45-----40	170-----118	400-----196	1300-----297	7000-----364
50-----44	180-----123	420-----201	1400-----302	8000-----367
55-----48	190-----127	440-----205	1500-----306	9000-----368
60-----52	200-----132	460-----210	1600-----310	10000-----370
65-----56	210-----136	480-----214	1700-----313	15000-----375
70-----59	220-----140	500-----217	1800-----317	20000-----377
75-----63	230-----144	550-----226	1900-----320	30000-----379
80-----66	240-----148	600-----234	2000-----322	40000-----380
85-----70	250-----152	650-----242	2200-----327	50000-----381
90-----73	260-----155	700-----248	2400-----331	75000-----382
95-----76	270-----159	750-----254	2600-----335	100000-----384

Source: Krejcie and Morgan (1970), This Version, 2007