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ABSTRACT

Revenue maximization has been a challenge since the introduction of the county governments in Kenya. The aim of this paper was to evaluate the influence of legal frameworks on revenue maximization for county governments in Kenya in order to inform the design of an effective revenue mobilization strategy. The research adopted both a matrix and a descriptive survey method. The sample frame was extracted from the 47 counties in Kenya and the study sampled five counties. The targeted population constituted key informants, revenue collection clerks and taxpayers. Quantitative data were analyzed using the Statistical Package for Social Sciences (SPSS) version 22. The study also used inferential statistics for data analysis where regression analysis, correlation analysis and cross-tabulations were conducted to give further meaning to the data collected. The study established that there exists a significant and positive correlation between existing legal frameworks and revenue maximization.

***Key Words**: Legal frameworks, Revenue maximization, Devolved Units, Kenya*

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INTRODUCTION

Public revenue collection throughout the world is an integral component of fiscal, legal and administrative responsibility in any economy because of its influence on national government operations and the grassroots. It is a stimulant to every government as it is the main instrument through which government funding is ensured. Revenue collection should fulfil and conform to best practices of equity, ability to pay, economic efficiency, convenience and certainty (Visser & Erasmus, 2005). For a government to match its performance with the needs and expectations of its citizens, it should increase its fiscal depth without incurring costly recurring overheads (Gidisu, 2012).

South Africa operates a three-tier unitary system that is regarded as one of the best on the continent. The three levels are national, provincial and municipality. The model does not subordinate the municipality to the provincial, and the national government has the mandate to coordinate sub-national governments. Before 1998, South Africa used discretionary transfers for its revenue-sharing model. In 1998/99, however, formula-based transfers were introduced. Each layer of government under their 1996 Constitution receives an equitable share of resources. After extensive debate, it was agreed that the distribution be based on national standards and cost factors. A total of seven transfers are effected with some notably for health and education being conditional. This means that the allocated funds must be used for specified purposes in the targeted sectors. The indicators used include population, demographic structure, population eligible for social security, the population of school-age children, wage remuneration in a province. It is worth noting that the provinces do not have a specified revenue base.

Kenya has undergone a significant political change in the last few years, the most notable being the recent enactment of a new constitution. In this new constitution, the government's operations have been devolved from a national management level to largely independent running County Governments, 47 in total. Each County is self-governing with some support from the national government. A good number of County Governments are still in the process of implementing systems that allow for the maximum and compelling means of collecting revenues across the County. This study sought to determine the influence of legal frameworks on revenue maximization strategies that counties may employ.

According to Kamolo (2014), it is defeatist for county governments to exclusively look to the central government for revenue to establish or maintain programs whose benefits have a local reach. Local revenues should finance programs like feeder roads, garbage collection, establishment and maintenance of sewerage systems, keeping the street clean, rural access roads, development of markets and urban centres. County governments need to collect much more revenue by way of taxes to face the increasing financial expenditures budgeted by the county and to ensure a balance between county budgetary allocations and county revenue collection through tax County governments ought to collect their revenue to mitigate between the allocation of revenue from the central government and their own budget. This function has called for computerization of revenue collection systems from Local Authority Integrated Financial Operations Management System (LAIFORM) to Integrated Financial Management Information System (IFMIS). It is intended to enhance collection from multiple revenue streams including single business permits, market stalls, parking fees, real estates, land rates, and to achieve real-time transaction reports on a secure central server that must be accessible on the web and mobile platforms. One major administrative problem today for many county governments is their inability to cost-effectively and fully collect the revenues due to them.

Here, emphasis is on the efficiency of revenue collection in county governments (UNCTAD, 2008).

Article 209 of the constitution of Kenya 2010 mandates County governments to collect their revenues and retain and utilize the same for their local obligations. Among the desires of county governments is to facilitate the compilation and availability of official data on county fiscal capacity and adeptness at revenue collection. The data will then inform future decisions with regards to revenue between the national government and the county governments (Division of Revenue Bill, 2013).

Revenue collected by the central government is divided between the central and county governments through the division of revenue process. Through the national budgeting process, money is allocated from the National Treasury to national Ministries, Departments, and Agencies (MDAs). Through the county budgeting process, money is allocated from the County Treasury to county Ministries, Departments, and Agencies (MDAs). Since the 1980s, decentralization has been implemented in several African countries (Njiru & Kirira, 2014). These efforts aim to achieve such objectives as bringing public services closer to the people, addressing inequalities, promoting citizen participation, and strengthening democratic institutions. According to the Society for International Development (SID), constitution working paper No. 5, among the African countries with more extensive experience are South Africa, Ethiopia and Uganda, where good progress is reported. Rwanda is a more recent entrant into the decentralization drive.

For local authorities, districts and municipalities, however, the revenue base is mainly drawn from property rate collections and user charges. This revenue base has led to resistance by taxpayers, and political pressure, all of which make the sources inelastic, often leading to insufficient revenue generation. The South African model requires the sub-national governments to align their operations to the national level, which is similar to what Kenya's new Constitution requires in counties, (Bigambo, 2012).

Statement the problem

Globally, most countries have been experiencing many problems while dealing with the issue of revenue maximization; hence several studies have been done in this area. Maina (2010), on the factors affecting revenue collection in local authorities in Kenya, found out that collecting revenue in the Municipal Council of Nyeri (MCON) was riddled with inefficiency and ineffectiveness. Muhaki (2009), on factors affecting revenue collections in local government in Uganda, showed the constraints both endogenous and exogenous to the existing local revenue generation in the district that hinder the prospects for a significant increase in local revenue. Gyamfi (2014) on effective revenue mobilization by district assemblies in Ghana found that some of the problems undermining revenue mobilization are inadequate data on revenue sources, lack of enforcement of revenue mobilization by-laws, inadequate revenue collectors and their training. Finally, Cottarelli (2011) on revenue mobilization in a sample of developing countries concluded that a lot needed to be done by the respective countries to maximize the revenue collection in most African countries. From the above studies, there has not been significant research on the factors affecting the optimal revenue collection in the Kenyan context. Furthermore, the studies excluded some essential elements on the factors affecting the optimal revenue collection, which are critical for the performance and success of a tax system.

The debate today is about increased revenue allocation for the county governments by the central government for them to meet devolved obligations which include agriculture, county road transport, health, sanitation among other functions as well as recurrent administrative expenditures. Although it is the responsibility of the National government to allocate a certain amount of the total budget to the county government (COK, 2010), the county governments also have a responsibility of ensuring that their internal funds are collected to an acceptable margin of error. The preceding discussion indicates that there is a gap in the manner in which county governments are collecting their revenue. This study sought to establish the influence of Legal Frameworks on revenue maximization in devolved units in Kenya and which should subsequently enable the counties to have enough funds to finance their operations.

Objective of the Study

To determine the influence of legal frameworks on revenue maximization in devolved units in Kenya.

Research Hypothesis

H_0: Legal frameworks do not significantly influence revenue maximization in devolved units in Kenya

LITERATURE REVIEW

Sequential Theory of Decentralization

Sequential theory of decentralization developed by Falleti (2010) and used to support the understanding of the legal framework on revenue maximization in devolved units in Kenya. The theory includes decentralization as a process, takes into account the territorial interests of bargaining actors and incorporating legal feedback effects where it provides a dynamic account of legal evolution. Decentralization as a process is a set of legal reforms that are in place for transferring responsibilities, resources, or authority from higher to lower levels of government (Blokker, 2012). Decentralization policies belong to one of three categories — administrative, fiscal, and political — depending on the type of authority devolved: - Administrative decentralization entails the devolution of the decision–making authority over these policies, but this is not a necessary condition. If revenues are transferred from the centre to meet the costs of the administration and delivery of social services, administrative decentralization is funded (And coincides with fiscal decentralization). If devolved units bear the costs of the administration and delivery of decentralized services with their pre-existing revenues, administrative decentralization is not funded (Kahler & Lake, 2012).

Fiscal decentralization refers to a set of policies intended to grow the revenues or fiscal autonomy of subnational governments. Fiscal decentralization policies can assume different institutional forms. An increase of transfers from the national government, the establishment of new decentralized taxes, and the subsequent delegation of tax collection authority that was previously national are all examples of fiscal decentralization (Torome, 2013). Political decentralization is the set of constitutional amendments and electoral reforms designed to open new-or activate existing but dormant or ineffective-spaces for the representation of subnational institutions. Political decentralization policies and procedures are also designed to devolve electoral capacities to devolved units and their actors. Examples of this type of reform are the popular election of mayors and governors (who were previously appointed), the creation of subnational legislative assemblies, or constitutional reforms that strengthen the political autonomy of decentralized governments, (Mwenda, 2010).

Regarding the imports of each type of decentralization, administrative decentralization usually has either a positive or negative impact on the autonomy of county executives. If administrative decentralization improves local and state bureaucracies, fosters the training of local officials or facilitates learning through the practice of delivering new responsibilities, the organizational capacities and

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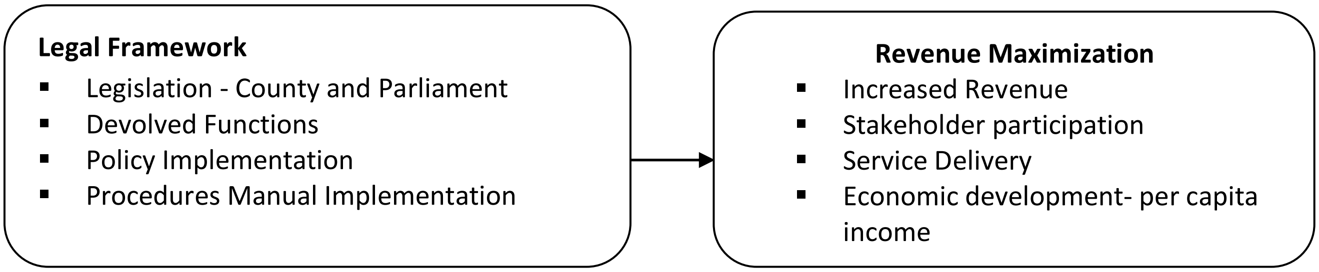
competencies of subnational governments are enhanced (Hankla, 2008). The converse is also true if administrative decentralization takes place without the transfer of funds. This reform may decrease the autonomy of officials of the devolved units, depending on subsequent national fiscal transfers or subnational debt for the delivery of public social services. Similarly, fiscal decentralization can have either a positive or negative impact on the degree of autonomy of the subnational level. The result largely depended on the design of the fiscal decentralization policy applied.

The theory involves the delegation of powers to lower levels in the territorial hierarchy, whether the hierarchy is one of the governments with a state or offices with a large scale organization (Wandera, 2014). Decentralization, therefore, involves the creation of smaller territories or the establishment of political and administrative institutions. Saideman (2012) further asserts that devolution establishes the best measure of decentralization within the unitary system of government. An effective devolved system motivates the poor to actively participate in the decision-making, to decide and lobby for their interests, bringing about their 'empowerment' as well as contributing to pro-poor policies, (Kaiser, Eaton & Smoke 2010).

Higher levels of automatic transfers increase the independence of subnational officials because they gain from higher levels of resources without being responsible for the costs (political and bureaucratic) of collecting those revenues. On the contrary, the assignment of taxing authority to subnational units that do not have the requisite skills and competencies to collect new taxes can set severe constraints on the local budgets, and increase the reliance of the local officials on the transfers from the centre. Prosperous decentralized units prefer to collect their taxes. However, poor states or municipalities are adversely impacted every time the collection of taxes is decentralized and, as a consequence, the horizontal redistribution of transfers from rich to weak subnational units is affected. Finally, political decentralization should always have a positive impact on the degree of autonomy of subnational officials from the centre; decentralization policies are unpacked in a way that, decreasing the power of subnational officials concerning the national executive. This is a feature of decentralization that both advocates and critics have failed to take into account (Ndunda *et al.*, 2015).

The primary aim of devolution is empowerment (Oloo, 2012). On the other hand, according to Paulos (2007), devolution is the most far-reaching type of decentralization. It is intended to reduce the gap between government and local population and also to increase control and direction, over utilization of resources and ensure effective and efficient service delivery (Ademolekun, 1999). In terms of effectiveness and efficiency, stated, "the development performance of the local government is more often than not affected by the financial and human resource available to them.'' Devolution improves the HRM functions by placing a higher degree of authority and answerability in the hands of managers at the department and regional level. The study ensured that the civil services could do the HRM tasks effectively and efficiently by giving them the power to attract, to recruit and select, to promote, to train and to reward accordingly. Studying devolution helped in understanding the administrative, political, fiscal and geographical aspects of decentralization. This study, therefore, viewed decentralization as the transfer of decision-making power and authority from the centre to local entities, which were official, delineated geographic and functional realms.



Independent Variable **Dependent variable**

Figure 1: Conceptual Framework

Influence of the legal framework on revenue maximization

The first stage of the county implementation process comprises the development of legal and legislative frameworks. The Taskforce on Devolved Government (TFDG) under the Ministry of Local Government did this (MoLG). The TFDG was mandated to make recommendations on necessary legislation and administrative procedures for a smooth transition to county governments. The Taskforce prepared a Legal report, a Legal sessional paper and six devolution Bills in 2011. Parliament has enacted several of these laws, including the Urban Areas and Cities Act, 2011, the Transition to Devolved Government Act, 2012 and the Intergovernmental Relations Act, 2012, among others. The transfer of responsibilities for public functions is tantamount to the distribution of political power and is consequently crucial in every devolved system. The Transition to Devolved Government Act, 2012 establishes a framework for the changeover to devolved government per section fifteen (15) of the sixth schedule of the Constitution of Kenya, 2010 (TISA, 2012). Parliament also legislated the Intergovernmental Relations Act, 2012. The Act provides a framework of consultations and cooperation between the national and county governments as well as between county governments themselves. The Act also provides for the resolution of intergovernmental disputes according to Articles 6 and 189 of the Constitution. There are few studies on legislation at the county levels but are incorporated in political systems of devolved governments.

There is no consensus on the perceived benefits of legally recognized self-government (Belanger, 2008). There are also conflicting perspectives in the academic realm regarding the desirability and potential consequences of devolution and political decentralization. Arguments against decentralization fall into two categories, focusing either on national effects or local effects (Azfar *et al*., 2004). At the national level, scholars have argued that the establishment of sub-national (or sub-provincial/territorial) governments can lead to fiscal deficits, as local government debts are reluctantly absorbed by the central government (Treisman, 2007). At the local level, rather than increasing democratic accountability, it has been argued that local elites can benefit disproportionately from devolution, effectively creating — authoritarian enclaves in local settings (Hutchcroft, 2001).

GOK (2014) also noted that the Kenyan county governance system is composed of four tiers of county government, namely: Cities, Municipalities, Towns and County Councils. These councils are corporate entities that are established under the County Government Act Chapter 265, overtaken by the new constitution. In addition to the Act, the county governments draw their legal powers from the Constitution of Kenya, other Acts of Parliament, Ministerial Orders and By-Laws. Currently, there are county governments in Kenya. It further points out that the above legal bodies constitute county Government in Kenya, the local governance framework in Kenya is broader than the county government. It consists of provincial, district, location and sub-location administration with technical staff drawn from various ministries. Inherent in the gamut of county government and local governance system are various public and private institutions, including civil society organizations. Kenya has no decentralization legislation that rationalizes power-sharing, responsibilities, and resources between the central government ministries, parastatals, District Development Committees, and the private sector. This has been a problem at an operational level, with most of the institutions and organizations lacking synergy. New Constitution in place, the county government, has an advantage since they already have a participatory electoral framework in place (Maina, 2010).

Ronald (2011) observed that although there are constitutional provisions for statutory allocations and internally generated revenues, local governments are tightly controlled and subordinated by state governors through several mechanisms, including manipulation of the disbursement of financial transfers to them. Local governments in Nigeria mobilize their funds solely from external sources. The external sources include federal and state governments financial transfers like grants, statutory allocations, the share of Value Added Tax (VAT), receipts and loans. These external sources introduce a dependency syndrome in local government revenue mobilization efforts. Any setbacks hurt the administrative machinery and execution of some local government viable projects weakening their internal revenue mobilization capacity (Sander, 2003).

Kari (2014) observes that state control is imposed on local government revenue mobilization capacity by central government through constraining local government budget. Even after approval, post-budget controls still impose further restrictions on what local governments can do. The delay in the passage of the annual budget for local governments poses an enormous problem in the sense that the budget sometimes takes three months before approval. Invariably, this causes a delay in the execution of local government functions, including payment of the staff salaries and hinder infrastructural facilities to be put in place. In 1996, some newly elected Chairmen of Local Governments in Nigeria condemned in its entirety the horizontal sharing formula of the local government 's allocation from the federation account which was equality (40 per cent) population (30 per cent), landmass/terrain (10 per cent) social development factor (10per cent) and internally generated revenue (10 per cent). This formula continues to yield less revenue for many local governments, especially when more local governments are created.

The reform programmer has recognized the importance of county government in enhancing economic governance, improving public service delivery, and increasing economic efficiency, accountability and transparency (GOK, 2014). The reforms have also included putting in place Fuel Levy Fund, Contribution in place of Rates, user charges rationalization, single business permits and most greatly Integrated Financial Management System (IFMS). These programs aim at restructuring the local public sector and more importantly, strengthening local level accountability mechanisms. The Kenya Local Government Reform Program (KLGRP) was conceptualized by the government of Kenya in the early 1990s and became operational in 1996. The program has three components: rationalization of central-local fiscal relationship, enhancing local financial management and revenue mobilization and improving local service delivery through greater citizen participation. KLGRP focuses on deepening the legal, financial management and institutional reforms in Local Government sector and this began with financial reforms aimed at enhancing inter-governmental fiscal transfers, improving financial management, debt resolution, streamlining budgeting system and service provision capacity building for Las (KLGRP, 1998).

Chapter 12 of the Constitution addresses public finance issues in Kenya, including revenue allocation, which is critical to devolution. This section has focused on the provisions of Chapter 12 that form the legal framework guiding revenue allocation in Kenya, ranging from the guiding principles, sharing of revenues between national and County Governments, as well as the reporting and accounting mechanisms. Public revenue collection is an essential component of fiscal Legal and government in any economy for it has an influence on national government processes and the grassroots. "It is the energy of every single government since it's the key mechanism through which government funding is ensured. Revenue collection should conform to the best practices of equity, ability to pay, economic efficiency, convenience and certainty" (Visser & Erasmus, 2005). If a government is to compare its performance with the needs and expectation of its Citizens, it, therefore, should escalate its fiscal penetration minus inviting costly recurring expenses (Gidisu, 2012).

Kenya has experienced significant political change in the last few years, the most significant being the implementation of a new constitution. In this new constitution, the government's operations have been devolved from a national management level to 47 county governments. Each County is self-governing with some support from the national government.

The Constitution provides for an equitable share of 15%, which is divided among the counties per the criteria outlined under Article 203 (1) of the Constitution. This equitable share should be allocated in such a way to ensure that counties have a similar capacity to deliver public services. Bahl and Linn in their taxonomy of intergovernmental transfers, discussed three conventional approaches to determining the size of the vertical share of revenue between levels of government. Kenya's vertical revenue sharing is determined as a percentage or as a share of the total National Government revenue. The Constitution requires that the revenue allocated to the County Governments must be at least 15% of all revenue collected by the National Government. This is an unconditional transfer that is guaranteed to the County Governments. This unconditional transfer aims to ensure that the objects of devolution, as outlined under Article 174, are achieved to the fullest extent possible.

Article 217 stipulates that Senate shall, once every five years, “by resolution, determine the basis for allocating among the counties, the share of national revenue that is annually allocated to the county level of government.” Towards this goal, the Constitution requires that the Senate takes into consideration recommendations from Commission on Revenue Allocation (CRA), views from county governors, the cabinet secretary responsible for finance, as well as public participation and consultation.

METHODOLOGY

The study adopted a mixed research design considering descriptive, causal and cross-sectional survey approaches aiming at addressing the objectives of the study. A cross-sectional survey was adopted since it comprised of the population sharing similar characteristics and differs in some key factors of interest like the age, income levels and geographical location. The study also adopted a descriptive method for the collection of information demonstrating the relationship between variables and the unit of analysis which was the County Government.

The study qualitatively described the revenue mobilization process from all parties through in-depth interview schedules for key informants and questionnaires. Consequently, considering that there were documented reasons for the dismal performance in revenue mobilization by devolved units in Kenya and beyond, it was prudent to determine specific indicators into the hindrances as experienced by those charged with the revenue mobilization tasks. The causal approach was adopted considering the objectives of the study, which sought to assess the influences of independent variables (legal frameworks) on revenue maximization. A causal research design is aimed at addressing the cause-effect relationships between variables (Schutt, 2009). This is referred to as a nomothetic causal explanation which looks at the variation in an independent variable as a cause to the variation in the dependent variable ceteris paribus (all other things held constant). The research population was from the total of 47 counties in Kenya, with 416 respondents selected from five counties that are Kisumu, Nakuru, Nairobi, Vihiga and Nyeri counties, respectively. Data for the study were obtained through the following two data collection methods, in-depth interview schedules for key informants and questionnaires for revenue clerks, all purposively sampled.

Individual responses were used to collect information from the Auditor General, Commission on Revenue Allocation chairman, Controller of Budget at the national level and from the County, The Director of Revenue, Minister of Finance and Economic Planning, Head of Revenue streams and the Speaker of the County Assembly.

The questionnaire was used to gather information from revenue clerks. And the community forum was used to gather necessary and factual information regarding the tax experience from citizens. The researcher was interested in; reasons for poor collection, suitable methods to increase collection, challenges faced in revenue mobilization and interventions required.

FINDINGS

The objective of the study was to determine the influence of legal frameworks on revenue maximization in devolved units in Kenya. The respondents were also asked to state their level of agreement about the influence of the existing legal framework on revenue maximization in devolved units. The results were presented in the Table below. 1-strongly disagree, 2-disagree, 3-neither agree nor disagree, 4 –agree and 5-strongly agree.

Table 1: Descriptive statistics of the existing legal framework on revenue maximization

Statement	1	2	3	4	5	Mean	SD
When a county has an adequate mechanism such as codes of ethics to deal with corruption and cartels, the county can increase per capita income	12 (3.0%)	16 (4.0%)	20 (5.0%)	174 (43.3%)	180 (44.8%)	4.23	0.936
When the county has adequate risk and compliance process in place, then revenue collection increases	6 (1.5%)	19 (4.7%)	31 (7.7%)	207 (51.5%)	139 (34.6%)	4.13	0.855
When all taxpayers and collectors understand existing laws and regulations, there is increased stakeholder participation	15 (3.7%)	6 (1.5%)	25 (6.2%)	143 (35.6%)	213 (53.3%)	4.33	0.94
When the existing institution is strengthened through automation like the e-sourcing system then the county revenue increases	10 (2.5%)	15 (3.7%)	41 (10.2%)	149 (37.1%)	187 (46.5%)	4.21	0.947
When county employees adhere to the existing constitution, Acts of both Parliament and County Assembly in the discharge of their duties, revenue collection would be improved.	12 (3.0%)	14 (3.5%)	22 (5.5%)	171 (42.5%)	183 (45.5%)	4.24	0.928

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The results in the Table revealed that the respondents agreed that when a county has adequate mechanism such as the code of ethics to deal with corruption and cartels, the county can increase per capita income. This was indicated by a mean value of 4.23. The majority (44.8%) of the respondents strongly agreed, 43.3% agreed and 5% were uncertain on whether the counties had adequate mechanisms such as code of ethics to deal with corruption and cartels. The other 4% and 3% disagreed and strongly disagreed respectively. Regarding questions as to whether the counties have adequate risk and compliance process in place, the majority (51.5%) of the respondents agreed, 34.6% strongly agreed, 7.7% were uncertain 4.7% disagreed and 1.5% strongly disagreed. The respondents, on average, agreed that their counties have adequate risk and compliance process in place with a mean response of 4.13.

Regarding existing legal frameworks, the study also sought to examine that if all taxpayers and collectors understand existing laws and regulations, there is increased stakeholder participation. On this, Majority (53.3%) of the respondents strongly agreed while 35.6% agreed, 6.2% were uncertain, 1.5% disagreed and 3.7% strongly disagreed. The resultant mean response score of 4.33 was observed, which indicated that on average, the respondents agreed that when all taxpayers and collectors in their counties understand existing laws and regulations, there is increased stakeholder participation.

The respondents were also asked whether the existing institutions were strengthened through automation like the e-sourcing system. The majority (46.5%) of the respondents strongly agreed to this, while 37.1% agreed, 10.2% were uncertain, 3.7% disagreed, 2.5% strongly disagreed. In another indicator, a majority (45.5%) of the respondents strongly agreed that county employees adhere to the existing constitution, Acts of both Parliament and County Assembly in the discharge of their duties while 42.5% agreed and 5.5% were uncertain. 3.5% respondents disagreed and another 3% who strongly disagreed to this.

It was observed that all the indicators of existing legal frameworks had the average responses were above 3 (uncertainty). This implied that averagely the revenue clerks believe (agree or strongly agree) that the counties are at least striving to observe and adhere to existing legal frameworks with the hope of streamlining revenue collection. From empirical studies, these indicators have been suggested for the improvement of the institutional capacity at the county.

The Kitui county revenue collection report (2016) observed corruption as a challenge to revenue maximization, among other factors. The Institute of Social accountability (2016) also notes the need for staff to be keen on enforcing compliance with corruption regulations. In the Constitution of Kenya (2010), legislative frameworks on revenue collection are formulated and should be adhered to by revenue collection employees. This study measured the levels of adherence to existing legal frameworks and to assess its effect on revenue maximization.

Regression analysis of existing legal frameworks on revenue maximization

A bivariate regression model was thus fitted with revenue maximization as the dependent variable and the existing legal framework as the independent variable. The table below shows a model summary for this model which comprises of the goodness of fit measurement. The R and R-square are 0.691 and 0.478, respectively. This implies that 48.8% of the variance in Revenue maximization is explained by variations in the existing legal framework and 52.2% by other factors not included in this model.

Table 2: Model Summary Table for Existing Legal Framework

Model Summary

Model	R	R Square	Adjusted R Square	Std. The error of the Estimate
1	.691[a]	.478	.477	.07459

a. Predictors: (Constant), Legal Factors

The ANOVA was carried out and presented in the Table below show the information about levels of variability within the regression model and those of the residuals and test for the significance of the model. The results revealed that the model significantly predicted revenue maximization, *F*=366.062; *p*= <0.000. The p-value of the F-statistic is less than 0.05, which implies significance at level 5%. This shows that the model and the variance explained by the regression predictor (legal frameworks) are significant.

Table 3: ANOVA on the existing legal framework

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2.037	1	2.037	366.062	.000[b]
	Residual	2.226	400	.006		
	Total	4.262	401			

a. Dependent Variable: Revenue Maximization

b. Predictors: (Constant), Legal Factors

The table below showed the model coefficient Table. The results revealed that existing legal frameworks significantly influence revenue maximization. This was indicated by the significant coefficient estimate of existing legal frameworks (β= 0.884, t= 19.133, p-value = 0.000) at 5% level of significance as shown by the p-value that is less than 0.05. The constant term is also significant; thus, the equation generated from this model does not pass through the origin. The constant term is the expected level of revenue maximization at zero levels of existing legal frameworks as measured in this study. The model equation was given below.

$$Y = 3.165 + 0.884X_3 + \varepsilon$$

Table 4: Model coefficient Table for the existing legal framework

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.165	.075		41.967	.000
	Legal Factors	.884	.046	.691	19.133	.000

a. Dependent Variable: Revenue Maximization

The analysis revealed that when considered as the only predictor; changes in legal frameworks within devolved units influence the extent of revenue collection and maximization. The analysis results were used to test the study hypothesis that was based on the objective that was to determine the influence of legal frameworks on revenue maximization in devolved units in Kenya.

H_0: Existing legal frameworks do not significantly influence revenue maximization in devolved units in Kenya.

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The coefficient of existing legal frameworks in the model was found to have a p-value of 0.000, which is less than the 0.05 level of significance. The study thus rejected the null hypothesis, and a conclusion was drawn that existing legal frameworks significantly influence revenue maximization in devolved units in Kenya. Improvements in the existing legal frameworks are bound to affect the collection of revenue. A unit improvement in the existing legal frameworks is bound to affect the collection of revenue by 0.884. For county governments to maximize revenue, the existing legal structures and frameworks should be improved. A study by Gikandi and Bloor (2010) also drew similar results with the adoption of e-commerce. They emphasized the role of Kenya Government in achieving a secure environment for e-banking activities by; putting in place clear laws, rules and regulations and providing relevant technical training to the regulatory authority to empower them to enforce the laws effectively. From this study, it is deduced that the implementation of existing regulations is key to revenue maximization in the devolved units. This supports the observations by Ronald (2011) that even though there are constitutional provisions for statutory allocations and internally generated revenues, local governments are tightly controlled and subordinated by state governors through various mechanisms, including manipulation of the disbursement of financial transfers to them.

SUMMARY

The results revealed that the respondents agreed that when a county has adequate mechanism such as code of ethics to deal with corruption and cartels, the county is able to increase per capita income and a majority of the respondents supported this. The respondents again, on average, agreed that when the county has adequate risk and compliance process in place, then the revenue collection increases. They also agreed that when all taxpayers and collectors understand existing laws and regulations, there is increased stakeholder participation. When the existing institution is strengthened through automation like the e-sourcing system then the county revenue increases and when county employees adhere to the existing constitution, Acts of both Parliament and County Assembly in the discharge of their duties, revenue collection would be improved.

The following are the study results based on the objective 'to determine the influence of legal frameworks on revenue maximization in devolved units in Kenya' and tested through the study hypothesis, **$H_{0:}$**

H_0: Existing legal frameworks do not significantly influence revenue maximization in devolved units in Kenya.

The coefficient of existing legal frameworks in the model was found to have a p-value of 0.000, which is less than the 0.05 level of significance. The correlation analysis results showed that existing legal frameworks have a significant moderate and positive relationship with revenue maximization ($\rho = .499$, p-value=.000). Model estimation between legal frameworks and revenue maximization yielded a significant coefficient estimate for legal frameworks in the bivariate model (β= 0.694, t=13.661, p-value = 0.000). This implied that legal frameworks significantly influence revenue maximization

CONCLUSIONS

It was also concluded that legal frameworks influence revenue maximization. Regression model estimate results were used to test the null hypothesis that existing legal frameworks do not significantly influence revenue maximization in devolved units in Kenya. Considering on the p-value of the coefficient of legal frameworks in the model that was found to be less than 0.05, the study rejected the null hypothesis and concluded that existing legal frameworks significantly influence revenue maximization in devolved units in Kenya. Adequacy of mechanisms such as code of ethics to deal with corruption and cartels are bound to lead to an increase in per capita income resulting in revenue maximization. The county governments increase their revenue collection when they have adequate risk and compliance process in place for effective revenue management. If taxpayers and collectors do not understand existing laws and regulations, the levels of revenue collection would be low with limited stakeholder participation. The study also established that revenue collection is optimized with the strengthening of existing institutions through automation like the e-sourcing system. Finally, the study established that when county employees adhere to the existing constitution, Acts of both Parliament and County Assembly in the discharge of their duties, then revenue collection would be significantly improved.

RECOMMENDATIONS

The study recommended that adequate mechanism such as code of ethics should be enacted to support the effort for dealing with corruption and other vices in the county where this is expected to solve the problem of decreasing per capita income in the county government. The county government leadership should ensure proper risk and compliance process to support increased revenue collection process. There should be adequate training of taxpayers and collectors on the importance of understanding laws and regulations about stakeholder participation. The existing legal frameworks should be strengthened with regards to supporting automation like e-sourcing system for increased county revenue collection. Further, there should be strict adherence to the existing constitution, Acts of both Parliament and County Assembly in the discharge of duties by the county revenue employees. Every action taken by county staff should be in line with the legal provisions under the county government Act, and any contravention of the said legal provisions should be heavily punished. The legal issues related to the revenue collection should be properly addressed to ensure maximum revenue collection by the county government.

SUGGESTIONS FOR FURTHER STUDIES

The study suggested further research on the existing integrated financial management systems that look at the management of local revenues with institutional standards of revenue collection module. The module should accommodate all the local revenue sources linked with the county expenditure since the existing integrated financial management systems only link with the county expenditure but not county revenue. Besides, a further study should be conducted on factors resulting to the harmonization of county revenue streams and leading to the promotion of principles of efficiency, accountability, transparency, predictability and equity in all the 47 devolved units in Kenya.

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