

**INSTITUTIONAL CAPACITY AND LOCAL GOVERNMENT REVENUE
COLLECTION IN KIRA TOWN COUNCIL
WAKISO DISTRICT UGANDA**

BY

KIRABO DOREEN

REG NO: MBA/42218/133/DU



**A DISSERTATION SUBMITTED TO THE SCHOOL OF POST GRADUATE
STUDIES AND RESEARCH IN PARTIAL FULFILLMENT OF THE
REQUIREMENT FOR THE AWARD OF A MASTER'S DEGREE
IN BUSINESS ADMINISTRATION OF KAMPALA
INTERNATIONAL UNIVERSITY**

JF1351
H1838
2016

NOVEMBER, 2016

DECLARATION

I KIRABO DOREEN declare that this thesis report is original and has never before been submitted to any institution for academic purposes.


SIGNATURE: 

DATE: 13/11/16

APPROVAL

This is to certify that this thesis report has been submitted with my approval as University Supervisor.

NAME: DR. SSEKAJUGO DERRICK

SIGNATURE:  _____

DATE: 13/11/2016

DEDICATION

I would like to dedicate this book to my dear parents Dr. Kirabo Kyeyune Joseph Bounty (father) and Madam Naigaga Mebra (Mother) for the support both financially and academically to accomplish this research.

I will never forget to thank my caring and loving husband Mr. Kirume Richardson Joel and my friend Mrs. Damalie N. Ssempijja for being such a great inspiration to me.

ACKNOWLEDGEMENTS

This research report could not have been a success without the assistance and contribution given to me by different personalities here under mentioned. I would like to extend my sincere gratitude to those who have made my dream come true.

I am most indebted to my supervisor, Dr. Ssekajugo Derrick for his encouraging comments and guidance during the data collection in the field and during the writing of this thesis.

This research has been made possible by the generous sponsorship provided by my father Dr. Kirabo Kyeyune Joseph Bounty. My special thanks go to him.

In regard to the data collection, I would like to thank the Accounts office, the office of the Town clerk and that of the Mayor and other public servants, all of Kira Town Council for their willingness to respond to the questionnaires and to participate in the interviews. I would like to also thank all the tax payers in the six wards that make up Kira Town Council.

My sincere thanks to my adviser and friend, Mrs. Damalie N. Ssempijja, for her genuine cooperation and continuous guidance and encouragement during my study.

My grateful appreciation to my family, Mr. Kirume Richardson Joel, my husband; Kirume Alpha Tusubira and Kibi Tumwebaze Elijah my sons; and Kisakye Patience Mpiindi my daughter, for their love, patience and understanding.

Without their support I could hardly stand the loneliness of being a Masters student in the hardships I have gone through.

May God bless us all.

TABLE OF CONTENTS

Contents

DECLARATION.....	i
APPROVAL.....	ii
DEDICATION	iii
ACKNOWLEDGEMENTS	iv
TABLE OF CONTENTS	v
LIST OF TABLES	ix
LIST OF ACRONYMS.....	x
ABSTRACT	xi
CHAPTER ONE.....	1
INTRODUCTION	1
1.0 Introduction	1
1.1 Background of the Study	1
1.1.1 Historical Perspective.....	1
1.1.2 Theoretical Perspective	4
1.1.3 Conceptual Perspective	4
1.1.4 Contextual Perspective	5
1.2 Problem Statement	6
1.3 General Objective/ Purpose of the study.....	7
1.4 Specific Objectives.....	7
1.5 Research Question,	7
1.6 Hypotheses that are tested:	7
1.7 Significance of the Study	8

1.8 Scope of the Study.....	9
1.8.1 Geographical Scope:.....	9
1.8.2 Theoretical Scope:.....	9
1.8.3 Content Scope.....	9
1.8.4 Time Scope.....	10
1.9 Operational definition of Key Terms	10

CHAPTER TWO.....11

LITERATURE REVIEW11

2.0 Introduction	11
2.1 Theoretical Review.....	11
2.2 Conceptual Frame work	11
2.3 Assess the institutional capacity of revenue clerks on revenue collection in Kira Town Council local government.	12
2.3.2 Evaluate how local government revenue collection is done inKira Town Council.	16
2.3.3 The relationship between institutional capacity and revenue collection in Kira Town Council.	21

CHAPTER THREE24

RESEARCH METHODOLOGY.....24

3.0 Introduction	24
3.1 Research Design	24
3.2 Research Population	24
3.3 Population Sample size	25
3.4 Sample Procedure.....	25
3.5 Research Instruments	26

3.5.1 Questionnaires	26
3.6 Validity and Reliability of the instruments	27
3.7 Data Gathering procedure	27
3.8 Data Analysis	28
3.9 Data presentation, Discussion and Interpretation.....	28
3.10 Ethical Consideration	28
3.10.1 Informed Consent.....	28
3.10.2 Authorization.....	28
3.10.3 Confidentiality.....	29
3.11 Limitations of the Study	29
 CHAPTER FOUR	 30
PRESENTATION AND INTERPRETATION	30
4.0 Introduction	30
4.1 Demographic Characteristics of the Respondents.....	30
4. 2 Assess the institutional capacity of revenue clerks on revenue collection in Kira Town Council local government.	33
4.3 To evaluate how local government revenue collection is done in Kira Town Council.	37
4.4 The relationship between Institutional capacity and local revenue collection in Kiar Town Council, Wakiso district – Uganda.	41
 CHAPTER FIVE.....	 44
DISCUSSION OF MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATIONS OF THE STUDY.....	44
5.0 Introduction	44

5.1 Discussion of the major findings.....	44
5.1.1 Assess the institutional capacity of revenue clerks on revenue collection in Kira Town Council local government.	44
5.1.2 To evaluate how local government revenue collection is done in Kira Town Council.	46
Revenue collection Kira Town Council Local Government, came out to be (mean = 2.58), which confirms that the level Revenue collection in Kira Town Council Local Government stands at moderate level.	46
5.1.3 The relationship between Institutional capacity and local revenue collection in Kiar Town Council, Wakiso district – Uganda	47
5.2 Conclusions	48
5.2.1 Assess the institutional capacity of revenue clerks on revenue collection in Kira Town Council local government.	48
5.2.2 The relationship between institutional capacity and revenue generation.....	49
5.3 Recommendations	49
5.3.1 Leadership Capacity	49
5.3.2Competence of Revenue Clerks	49
5.3.3 Tax Compliance	49
5.4 Contributions to Knowledge	50
5.5 Area for further research	50
REFERENCES	51
APPENDICES	55
APPENDIX I: QUESTIONNAIRE.....	55
APPENDIX III: ESTIMATED BUDGET	61
APPENDIX IV: WORK PLAN	62

LIST OF TABLES

Table 1: Showing the sample size of the respondents.....	25
Table 2: Profiles of the Respondents.....	30
Table 3: Assess the institutional capacity of revenue clerks on revenue collection in Kira Town Council local government.	33
Table 4: Revenue collection Kira Town Council Local Government.....	38
Table 5: The relationship between Institutional Capacity in Kira Town Council, Wakiso district Uganda.	41
Table 6: Regression Model.....	42

LIST OF ACRONYMS

DV	Dependent Variable
GDP	Gross Domestic Product
IV	Independent Variable
JARD	Joint Annual Review of Decentralization
LC	Local Council
LGA	Local Government Act
LR	Local Revenue
NGOs	Non-Government Organizations
NRM	National Resistance Movement
TC	Town Council

ABSTRACT

The study was set out to assess Institutional capacity on local government revenue generation and service delivery in Local Government in Kira Town Council, Wakiso district- Uganda. The objectives of the study were; to assess whether there is technical capacity to generate and handle the local government revenue, analyze whether there is management capacity to handle the generated local government revenue and to assess whether there is planning capacity in Kira Town Council concerning local revenue generation.

In the study, a sample was taken from the staff of Kira Town Council administration and a sample size of 197 respondents were considered which was done through questionnaires, Both primary and secondary sources of data collection were used. Tables and frequencies were used to analyze the findings.

Tools of data analysis used included frequency count for determining the profile level of respondents, social package for social science (SPSS) descriptive statistics showing the mean and standard Deviation, Likert scale for response rating and Pearson linear correlation coefficient was used to test the null hypothesis, and the following findings were revealed:

The findings revealed a positive relationship between institutional capacity and local government revenue generation.

The study recommended that should train tax collectors and workers, local council should engage them in educating the people about the role of taxes and why people need to pay them and also monitoring and evaluation from the top administrators should be done.

In conclusion, institutional capacity affect local government revenue collection. The gap in the management and technical capacity are responsible for the low yields of the locally generated government revenue in Kira Town Council.

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter discussed the historical, theoretical, conceptual and contextual perspectives, the statement problem, objectives, hypothesis, significance and scope of the study. The study assessed institutional capacity and local government revenue collection in Kira Town Council.

1.1 Background of the Study

1.1.1 Historical Perspective

Revenue in form of taxation, excise duties, customs, licenses or other sources is very crucial in ensuring smooth execution of government operations. Regional governments are referred variously depending on the country they are found. In the United States and Kenya they are referred to as county governments, in Uganda they are known as local authorities/ governments while in South Africa they are called regional governments. The structure, authority, and mandate of local governments also vary from one country to another. For instance, according to the National Association of Counties (2014), in the United States, there are 3,069 counties which greatly vary in size and population from Loving County, Texas with just 71 residents to Los Angeles, California which is home to 9.2 million people. 48 out of 50 states in that country have operational county governments.

Taxation is one of the leading avenues of revenue collection by governments all over the world. It is asserted that, developed countries have advanced and successful tax policies which enhance revenue collection. Nevertheless, developing countries often have inefficient tax systems which hamper their tax collection efforts Kayaga, (2007). The author posits that, the sub-Saharan Africa tax structures in terms of tax types and rates have improved in the recent past. The increased overall budget deficits in countries to the south of Sahara reflect insignificant improvement on growth in domestic revenue mobilization after various reforms. Fjeldstad and Heggstad, (2012) examined

opportunities and constraints facing local revenue mobilization in Anglophone Africa. They addressed political and administrative limitations that various revenue instruments face and tax compliance by citizens. It was deduced that, as exemplified by numerous cases in Anglophone African countries, mobilization of revenue by local government authorities though necessary, is hitherto inadequate to develop and supply requisite services to the public. Chitembo, (2009) noted that, the level of intergovernmental transfers varies widely amongst countries and between urban and rural councils in South and East African countries.

It is exemplified that, in Botswana the rural councils and urban councils receive 92 per cent and 62 per cent respectively from the Central Government. In South Africa, the local authorities on average generated 89 per cent from resources within their jurisdictions in year 2007 which implies that they have marginal financial reliance on the National Government. Revenue collection though devolved in several African countries such as Ghana and Uganda while it is centralized in countries like Liberia. It is cautioned that, considerable devolution of National Government revenue and spending functions to sub-national jurisdictions is likely to affect the Central Government's ability to undertake stabilization and macroeconomic adjustments through the budget Bird, (2010). It is further opined that, when the regional governments face light budget constraints, the potential of their destabilization increases.

Locally, a study was conducted on challenges facing collection of revenue and the effect of the same on service delivery in Naivasha Municipal Council, Kenya Ndungu, (2013). Corruption was identified to be the main challenge that inhibits revenue collection. The employees were also alleged to lack requisite competences for collecting revenue. The scholar recommended that integrating e-government technology and payment would enhance revenue collection. The inculcation of information and communication technologies (ICTs) is thus paramount in ensuring optimal revenue collection. Indeed, the call for transparency by the local governments is exemplified by the legal suit filed by the residents of Karen and Langat. The residents sought to be allowed to desist from remitting "exorbitant" property taxes to the City Council of Nairobi until when the

council would improve its service delivery and fiscal transparency Prichard, (2010). The residents won the case even though the council failed to comply. The property taxes, however, were put in an account out of council's reach for more than 10 years.

Local governments were given the mandate to raise their own revenue to finance their activities Local Government act,(1997). Local revenue collection refers to the procedures put in place by different local government agencies in collecting all assessed revenue as pre-determined in the budgets and work plans on due dates, local revenue handbook MOLG, (2007). It also refers to the procedures through which taxes and fees payment are obtained from different sources of income to government agencies, Kawesa, (2001), local revenue collection involves the management of tax laws, rules and regulations promulgated by the local government on behalf of the state, Zaake, (1998). Revenue refers to the total amount of money received by a company from goods and services sold Parkin,(1995).

According to Patton (1993), Public revenue means those amounts the Local Government (LG) receives from different sources (donations, government grants and local revenues e.g. licenses, market dues and other miscellaneous revenues). In other words, the income of the local government is public revenue. The major sources of local revenue include; parking fees, market dues, land fees, trading licenses, inspection and plan fees, registration fees, water revenue, taxes on specific services, local service tax (LST) , local hotel tax(LHT),operational permits and many others. (Andrew Patton). According to Oboth, (2001).

In spite of the outlined revenue sources amongst others, the Counties have been facing inadequacies of finances to fund their expenses. Needless to say, therefore, there are Of factors that influence the revenue collection by local governments including institutional capacity; a reason that necessitated this study.

1.1.2 Theoretical Perspective

The study will be guided by the Expediency Theory of Taxation. The theory states that every tax proposal must pass the test of practicability. In other words, it must be the only consideration when the authorities are choosing a tax proposal. Economic and social objectives of the state should be treated as irrelevant. This proposition has a truth in it, since it is useless to have a tax which cannot be levied and collected efficiently. There are pressures from economic, social and political groups. Every group tries to protect and promote its own interests and authorities are often forced to reshape tax structure to accommodate these pressures Bhartia, (2009).

In addition, the administrative set up may not be efficient to collect the tax at a reasonable cost of collection. Taxation provides a powerful set of policy tools to the authorities and should be effectively used for remedying economic and social ills of the society such as income inequalities, regional disparities, unemployment, cyclical fluctuations and so on Bhartia, (2009). The expediency is relevant to the current study in that, it seeks to explain how institutional capacity in relation to practicability of tax proposals could influence revenue collections by Kira TC Local Government.

1.1.3 Conceptual Perspective

The Independent Variable (IV) of the research study is Institutional capacity. In this study institutional capacity refers to the ability local governments to pursue their objectives; that is to say delivering quality services (effectively and efficiently). Institutional capacity in this study include administrative capacity, competence of revenue clerks, and tax compliance. The Dependent Variable (DV) is the generated local government revenue. In Kira Town Council as a local government, revenue is generated from two broad source that is to say; external and internal sources.

External sources of local government finance includes: Statutory allocation from the Central Government to each local government in its areas of jurisdiction, Local (Federal) Grants-in-aid, State-Grants-in-aid, Borrowing from central government and other

financial institutions, Local Rates on markets and shops, while internally generated source of finance includes; local rates, markets taxes and levies excluding any market where state finance is involved, Permits and fines charged by Customary Courts Local Government Business Investment, Tenement Rate Fees from schools established by the local governments Shops and kiosks rate, Slaughter slab fees, Marriage, birth and death registration fees.

In spite of the above sources of revenues, Kira Town Council lacks institutional capacity to source adequate revenue from local government.

1.1.4 Contextual Perspective

A more comprehensive or systematic approach has characterised institutional development practices since the early 1980s. Hence, the determinants of institutional capacity are also analysed comprehensively using the five-dimensional framework proposed by Hilderbrand and Grindle (see, for example, Grindle 1997a; Hilderbrand and Grindle 1997, 1994; Grindle and Hilderbrand, (1995). Harrow (2001:212) criticises the framework because it 'represents sites for actions rather than the actions themselves'. However, since this study assessed of institutional capacity and optimal revenue collection (which can be regarded as 'sites for actions') rather than interventions to improve the capacity of the Town Council, Harrow's criticism actually supports the appropriateness of using Hilderbrand and Grindle's framework in this study.

Hilderbrand and Grindle's framework has been used by a number of researchers to investigate and understand factors that affect the capacity of different government institutions in Romania, Bolivia, the Central African Republic, Ghana, Morocco, Sri Lanka, and the United Republic of Tanzania (see, for example, Nientied and Racoviceanu 2000; Grindle 1997a; Hilderbrand and Grindle 1997, 1994; Grindle and Hilderbrand 1995). The action environment is the first dimension of capacity. This refers to the social, political, and economic conditions of a country. Arguably, the political, social, and economic environment can either facilitate or hinder the capacity of government institutions (Hilderbrand and Grindle 1997:37). This study does not, however, investigate

factors in this dimension but the influence of institutional capacity on revenue generation in Kira Town Council.

Kira Town Council in Wakiso district. Kira Town is bordered by Gayaza to the north, Mukono Town to the east, Lake Victoria to the south, the city of Kampala to the west and Kasangati Municipality to the northwest. The coordinates of the town are: 00 24 00N, 32 38 24E (Latitude: 0.4000; Longitude: 32.6400). The town lies approximately 16 kilometres (9.9 mi) northeast of the central business district of the city of Kampala, Uganda's capital and largest city. The total area of the town is 98.83 square kilometers (24,420 acres) or 38.15 square miles (9,880 ha).

Under sub-paragraph 2 of paragraph 32 of the third schedule of the Local Government Act chapter 243 of the laws of Uganda, where a district headquarter is established, the area shall be called a town council. Therefore Kira Town Council gained a town council status by virtue of being one of the headquarters in Wakiso district.

1.2 Problem Statement

Local Governments get their revenue from taxation, permit fees, license fees and other sources. However, their over-reliance on the National Government for funds to a point of calling for a national referendum to have their allocation increased implied that there existed a myriad of challenges in revenue collection at local government level. The foregoing was a huge problem due to the fact that, Local Government operations might stall, projects might derail, and even the workforces might resort to go-slow and strikes as it had hitherto been witnessed in a number of local governments. When the local Governments failed to optimally collect requisite revenues, the public was negatively affected by being denied vital services. As aforesaid, the Local Government employees were bound to fail to be adequately remunerated. Moreover, the National Government was overburdened by the financial demand from the Local Governments which ultimately negated the national economy. Relative to this, it was fundamental to assess institutional capacity and local government revenue collection in Kira Town Council, Wakiso district- Uganda with a view of coming up with findings and recommendation

which if and when implemented the Local Governments would be financially self-sufficient.

1.3 General Objective/ Purpose of the study.

The main objective of the study is to assess the institutional capacity on local government revenue collection in Kira Town Council.

1.4 Specific Objectives

Specifically the study seeks to:

1. Assess the institutional capacity of revenue clerkson revenue collection in Kira Town Council local government.
2. Evaluate how local government revenue collection is done in Kira Town Council.
3. Analyze the relationship between institutional capacity and revenue collection in Kira Town Council.

1.5 Research Question,

Specifically the study seeks to find answers to the following overarching questions:

1. What is the institutional capacity of revenue clerks on revenue collection in Kira Town Council local government?
2. How is local government revenue collection done in Kira town Council local government?
3. What is the relationship between institutional capacity and revenue collection in Kira Town Council?

1.6 Hypotheses that are tested:

I have the null hypotheses as follows:

H01: There is a significant relationship between institutional capacity and local government revenue collection in Kira Town Council.

1.7 Significance of the Study

The findings from this study are expected to benefit various categories or strata of people as follows:-

Local Governments; the study helped Local Governments, specifically Kira Town Council Local Government to comprehend the levels of institutional capacity.

Academicians; the study also was useful to academicians and researchers in revenue collection as the research enabled to assess the institutional capacity in local government revenue collection in Kira Town Council.

Researcher; the research was of great significance to the researcher, as it enabled her to acquire more skills in research methodology and data analysis.

Authorities; the research helped the Local Government authorities to improve on the institutional capacity. For example, it urged them to eliminate on the inefficiencies so that they effectively manage the Local council affairs.

Administrators; It was significant to Local Government administrators as they will be able to recognize the strong correlation between revenue collection and institutional capacity in Local Governments. The study enabled Local Government administrators to use individual with appropriate ability to operate matters concerning local government revenue generation. They ensured that the generated revenue is efficiently handled and effectively put to use.

Stakeholders; The major stakeholders in the Local Government benefited from the study. A stakeholder is an individual, group, institution, or agency that has a common interest, stake, or share in any particular investments be it service or business. Therefore the major stakeholders such as the community (beneficiaries), central Government, civil servants, community based organizations or non-Governmental organizations, donor agencies such as the world bank, United states aids agency (USAID), international monetary fund. The research helped the major stakeholders to realize the value for money.

1.8 Scope of the Study

1.8.1 Geographical Scope:

It would be of more important to carry the research work on the entire local governments in the country. But due to some limitations in the instruments used by the researcher, the specific area of study is Kira Town Council, Wakiso district, Uganda. Wakiso District lies in the Central Region of the country, bordering with Nakaeseke district and Luweero district to the north, Mukono district to the east, Kalangala district in Lake Victoria to the south, Mpigi district to the southwest and Mityana district to the northwest. This area of study was chosen because the researcher resides there. This therefore will make accessibility and data collection easy and hence cutting down the research costs.

1.8.2 Theoretical Scope:

The study was be guided by the Expediency Theory of Taxation. The theory states that every tax proposal must pass the test of practicability. In other words, it must be the only consideration when the authorities are choosing a tax proposal. Economic and social objectives of the state should be treated as irrelevant. This proposition has a truth in it, since it is useless to have a tax which cannot be levied and collected efficiently. There are pressures from economic, social and political groups. Every group tries to protect and promote its own interests and authorities are often forced to reshape tax structure to accommodate these pressures (Bhartia, 2009).The expediency is relevant to the current study in that, it seeks to explain how institutional capacity in relation to practicability of tax proposals could influence revenue collections by Kira Town Council Local Government.

1.8.3 Content Scope

Institutional capacity in study was the independent variable and will be measured by the following variables (Human resource capacity, Financing capacity of tax payers – equity, and infrastructure capacity) while local government revenue generation was the dependent variable, and was measured using the variables (property tax, Licenses, Market dues, User fees, Service tax to the community, Advert fees and other local sources.

1.8.4 Time Scope

The study covered a period from 2011 to 2013 as this consists of 3 complete financial years. Institutional capacity will particularly be studied as well as central government grants.

1.9 Operational definition of Key Terms

Institutional capacity: In relation to the study, institutional capacity refers to the ability to implement revenue administration focusing on efficiency and effectiveness

Revenue: Revenue is the total amount of income that accrues to an organization (public or private) within a specified period of time.

Local Government Revenue: This is the basis of raising and identifying revenue sources by local governments.

Revenue Collection: Revenue refers to the total amount of money received by a company from goods and services sold.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter contains documentation of relevant literature and logical presentation of the relevant research work done thus far in this area of assessment. The researcher has reviewed journals, magazines, textbooks, previous research publications, and internet sources.

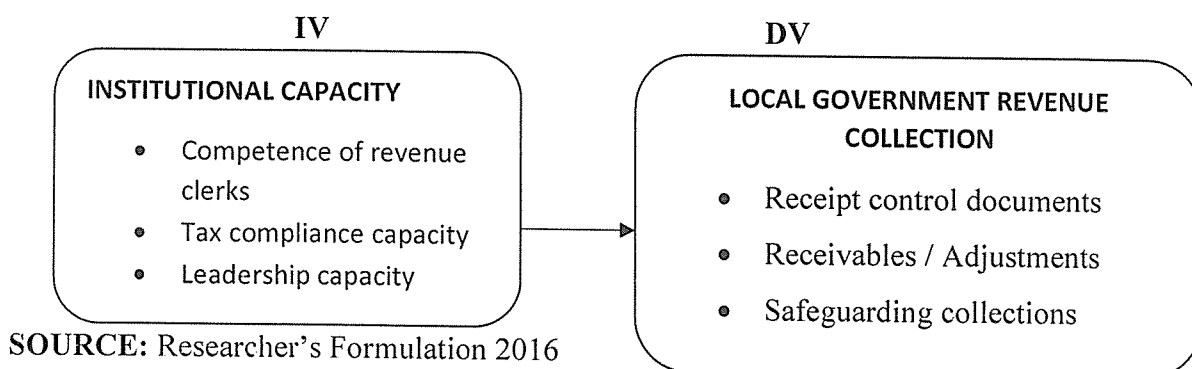
2.1 Theoretical Review

The study was guided by the Expediency Theory of Taxation. The expediency theory states that every tax proposal must pass the test of practicability. In other words, it must be the only consideration when the authorities are choosing a tax proposal. Taxation provides a powerful set of policy tools to the authorities and should be effectively used for remedying economic and social ills of the society such as income inequalities, regional disparities, unemployment, cyclical fluctuations and so on (Bhartia, 2009). The expediency is relevant to the current study in that, it seeks to explain how institutional capacity in relation to practicability of tax proposals could influence revenue collections by Kira TC Local Government.

2.2 Conceptual Frame work

The conceptual framework outlines the presumed relationship between the independent variables and the dependent variable as illustrated in Figure 1.

Figure 1: Conceptual Frame work



As outlined in Figure 1, there are four independent variables which are competence of revenue clerks and tax compliance. On the other hand, there is one independent variable (optimal revenue collection). The framework illustrates the hypothesized relationship between the aforementioned two sets of variables. That is, competence of revenue clerks and tax compliance are presumed to influence optimal revenue collection by Kira Town Council Local Government.

The conceptual framework presented institutional capacity as the Independent Variable (IV) that influences local revenue generation in Kira Town Council, Wakiso district, Uganda. Institutional capacity includes: sources of revenue in this study. Local revenue generated was the Dependent Variable (DV). The study seeks to assess the ability of the Kira Town Council administration to handle matters concerning local government revenue generation.

2.3 Assess the institutional capacity of revenue clerks on revenue collection in Kira Town Council local government.

Institutional Capacity

In general terms, capacity can be defined as “the ability to perform functions, solve problems and set and achieve objectives” (Fukuda-Parr & al., 2002). What makes a country able to perform a function, solve a problem or achieve an objective? It is very country-specific, since a country’s approach to a particular problem, such as revenue collection, is embedded in its complex history, institutional setting and social fabric. However, it is possible to find some common characteristics of institutional capacity that are valid across countries.

The context within which individual policies are pursued. The need for broad public sector and regulatory reforms is an issue that has moved to the centre stage in both developed and developing countries (OECD, 1997; World Bank, 2000).

The concept of institutional capacity actually sheds some light on this broader notion of capacity.

Institutions are not only discrete organizations (e.g., government agencies), but also, more generally, sets of rules, processes or practices that prescribe behavioral roles for actors, constrain activity, and shape expectations (Keohane 1988). Institutions are durable; they are sources of authority (formal or informal) that structure repeated interactions of individuals, companies, civil society groups, governments and other entities. Thus, institutional capacity represents a broader “enabling environment” which forms the basis upon which individuals and organizations interact. In this context, training individuals and strengthening organizations can only succeed in the long term if it is consistent with existing institutions, or if it helps transform these institutions, so that actions are based on rules, processes and practices that can be sustained through time. This institutional dimension can be illustrated with the case of national communications on climate change.

Most countries can, through their own resources or foreign assistance, hire and/or train experts to prepare a national communication. However, a successful completion of this study does not guarantee that the country has the institutional capacity to prepare national communications -or inventories- on a regular basis. Meeting such regular, periodic responsibilities requires a well-established system with a network of stable institutions and a clear set of rules (see OECD, 1999).

Competence of Revenue Clerks versus Revenue Collection

According to Baurer (2005), failure to deal with corrupt tax administration employees can create problems for the business community. Bird (2003) argues that, weaknesses in revenue collections occasion inadequate tax collections. Developing countries according to the scholar faces a problem of inefficient tax administration. The foregoing problem is attributed to with insufficient administrative staff with requisite skills, and high level of illiteracy among taxpayers and tax collectors. Kayaga (2010) further notes that, financial constraints has led to hiring of tax officials who lack understanding of the tax laws they are administering, and the concept of the concepts of accounting that are requisite to analyzing returns. The scholar further posits that, the problem of inexperienced and unqualified personnel is aggravated by lack of training facilities and opportunities.

Franzen's (2007) study conducted in Dar es Salaam, Tanzania indicated that, public officials are more effective as revenue collectors than their private counterparts. Fjeldstad and Haggstad (2012) concluded that, measures are required to improve the accountability of revenue collectors and elected officials. The foregoing, according to the scholars, can only be achieved through political goodwill from the national government. Kayaga (2010) in her study of tax policy challenges in Uganda as one of developing countries opined that, new technology alone is not sufficient if the government does not recognize the need for skilled tax officials. The scholar further avers that, effective tax administration requires qualified tax personnel with requisite skills to maintain these systems and operate them to their fullest potential.

The study on challenges affecting collection of turnover tax in Nairobi County, Kenya (Simiyu, 2010) established that, tax officers accepted bribes when offered to reduce tax liability and demand for bribes when they visited, a situation that hugely affected revenue collection. The foregoing findings concurred with earlier studies (Pashev, 2006; Chiumya, 2006) that noted that, turnover tax was hampered by illegal practices like reduction of deductions and collusion of County Government revenue collectors. Pashev had observed that, indeed, tax administrators colluded with taxpayers to reduce charges in exchange for illegal payments. When quoting Pashev (2005), Simiyu noted that, turnover tax collection is riddled with corruption and collusion among the tax administrators. It is lamented that, lack of clearly defined roles, functions, and duties of public officials creates an enabling environment for abuse. The greater the discretion, the greater the opportunity tax officials have to provide favourable interpretations of government rules and regulations to businesses in exchange for illegal payments (Pashev, 2005).

Tax Compliance on Revenue Collection

Spiro (2005) noted that, about 40 per cent of American citizens were not tax compliant, especially those drawn from the informal sector. It was argued that the non-compliance was occasioned by lack of requisite knowledge of the tax law by taxpayers, different interpretation of tax law by taxpayers, among other factors. In their study of local government revenue mobilization in Anglophone Africa, Fjeldstad and Haggstad (2012)

observed that, consultations and cooperation between the central government revenue administration and local government authorities are generally limited.

It is further exemplified that, in Ghana national tax personnel report that, tax officials at a times persuade citizens to pay local taxes instead of the national taxes (Prichard, 2008). Tax officials from the local authorities, on the other hand, studies indicate that, they lament that the national government officials have monopolized tax collection while at the same time offering very little, if any, administrative support (Fjeldstad & Haggstad, 2012).

It is further indicated that, lack of capacity and poor coordination between the central and local governments lead to only few queries being raised at the central level in respect of local governments' tax proposals. It is also posited that, lack of coordination between the central and local levels has resulted in duplication of taxes and inconsistencies between taxes imposed by local authorities (for instance, high taxes on export crops) and the national government's policy to encourage export production (Fjeldstad & Haggstad, 2012).

A study of the tax systems in Mozambique, Tanzania and Zambia established that, local taxation is still a major constraint on the commercialization of smallholder agriculture and formalization of the small and micro enterprises (SME). In particular, multiple taxes, including fees and charges, make it difficult to enter new businesses and markets. Levies are perceived as exorbitant, often charged upfront irrespective of the size and type of business (Misch et al., 2011). New local taxes, fees and charges are introduced replacing taxes abolished by the government in recent years. The foregoing issues contribute towards undermining the legitimacy of the local tax system, encourage tax evasion and delay the formalization of micro and small scale enterprises. Furthermore, it undermines tax compliance thus enhancing initiatives such as community outreach and taxpayer education.

Empirical surveys in both Tanzania and Uganda indicated that, citizens generally appreciate the necessity of taxation to support local service provision. However, citizens were found to choose non-compliance due to lack of confidence in local government (Bahiigwa et al., 2004; Fjeldstad et al., 2009). In addition, Fjeldstad et al.'s (2009) study suggested that, in Tanzania people's opinions regarding local taxation may change over time with implications for policy design. The study, further, noted that, people were more positive towards the tax system in 2006 as compared to 2003. The foregoing change was attributed to enhanced service delivery, specifically education, health, and law and order. More so, less oppressive revenue collection was found to have contributed to the increased people's positivity towards taxation. The study, moreover, noted that, citizens were inclined towards non-compliance in tax payment due to corrupt officials, a factor that had eroded their trust in government and government officials. Indeed, there were increased demands by the citizenry on how the revenues collected were employed by the government. Fjeldstad and Haggstad (2012) infer that, measures ought to be taken to enhance compliance of taxpayers.

Simiyu (2010) delved into the challenges that affect collection of turnover revenue tax in Nairobi County. In his study, the scholar pinpoints that governments ought to generally simplify tax administration for businesses. This is against the argument that tax compliance costs may slow down the economy. He noted that, taxation of small and micro enterprises (SMEs) faces several key policy challenges. It is averred that, when scaled by sales or assets, the compliance costs of SMEs are higher than those of large businesses. The scholar while agreeing with Chiumya's study findings indicated that, turnover tax suffered from tax evasion and illegal practices.

2.3.2 Evaluate how local government revenue collection is done in Kira Town Council.

Local Revenues.

Local revenue is the money income collected from taxes by the local government on behalf of the state, According to Bahemuka (2001). Or Local revenue is the income collected by a Local Government from sources within its jurisdiction. Local Governments

should budget for Local revenue basing it on the previous year's revenue. To improve on Local revenue performance, Local Governments are also required to budget for revenue enhancement activities. That is to say, their cost and the income from such activities will be applied. Byakusaaga – Bisobye (2000) dwelt on the significance of tax collection in the generalities of tax revenue, which revenue is used for service delivery. He urged that the revenue collection depends largely on collection of machinery available, tools and the competence of revenue collectors and compatibility of tax collection machinery.

Local revenues come from taxes, administrative fees, licenses, and property income. Article 191(2) of the constitution of the Republic of Uganda stipulates the fees and taxes to be levied, charged, collected and appropriated to include rent, rates, royalties, stamp duties, fees on registration and licensing and any other fees and taxes that parliament may prescribe. worse still local authorities are poor at collecting these local revenue because of poor tax administration that is in record keeping, computation and poor accountability Nsibambi, (1984).For example, Local Governments fail to avoid unrealistic increases from revenue enhancement activities, which make the realization of revenue and service delivery to be more of a dream than a reality.

In order to create incentive to the local revenue generation at the local level, revenue from the local government need to target services which are visible and not administrative expenses which are rarely appreciated by the service beneficiaries and tax payers.(Ndifuna,2008) Hence local revenue contributes a reasonable percentage in funding service delivery.

Revenue Collection.

Revenue refers to the total amount of money received by a company from goods and services sold (Parkin 1995). Revenue collection is one of the key activities in local government, MOLG publication, (2003) LGA, 1997, section 8(4) provides that the local government annual budgets shall reflect all revenues to be collected or received by the local government for each financial year. Section 79, states that local government revenues shall be regulated as provided for in the fifth schedule. These legal provisions

directly or indirectly provide certain people and institutions with roles and responsibilities to monitor local revenue collection in LG's such as council, C.A.O and R.D.C. Chief Finance Officer however, is empowered to monitor in order to ensure that the revenue collectors carryout their duties properly and that all revenue due to local governments is collected promptly. A classical economist Adam Smith (1776) put forward the canons or general principles of taxation which he said should be observed when imposing a tax, and these are; equity, certainty, convenience, productivity, buoyancy and economy. These canons if followed in tax assessment, collection and administration, improve on the revenue collection and administration. Kabwegyere (2004) noted that low revenue is a challenge to the decentralization model of government if they are to be able to achieve service delivery objectives. This has directly affected the LGs ability towards service delivery due to limited and narrow tax base. However, Challenges in revenue collection include among other: the politicizing of local government financial affairs, intergovernmental revenue sharing which occurs in relation to real property taxes among provincial and municipal governments (Hoffman, 2005) Local governments are replicating the central government inadequacies in providing relevant, timely and appropriate services (Nyirinkindi, 2007).

In essence, the revenue collected from the various taxes, fees, conditional grants from the Government and unconditional grants, donor funds, equalization funds, fees, fines and penalties greatly influence service delivery in Kaliro District Local Government. However, the aspect of revenue collection is not always precise as depicted in the literature above. The Local Government rarely derives revenue from fines and penalties from the lawbreakers due to corruption among the tax authorities. More so even though the literature shows that the tax is the most important source of Local Government revenue, it is noteworthy that tax revenue can hardly finance a big fraction of the District Local Government budget to ensure service delivery to the people. In conclusion, just like expressed by Miksell, (1986) Revenue collected provides net services delivered to the public. Hence the level of the revenue collected has a direct impact on the services delivered. The Government in a bid to raise more revenue decided to adopt the privatization policy. It was found necessary to privatize Local Government services

including revenue collection. The policy was primarily to develop better and efficient methods of collecting Local revenue generated at the District and the sub counties. This is mainly done through selling out tenders for outsiders to collect the revenue.

Sources of revenue

This involves coming up with various sources on which to levy taxes and fees. The sources could be peoples' income generating activities, property among others. The identification of the sources of revenue is normally determined and undertaken by the management and it is done following various revenue policies of the Government. In this regard, effective revenue sources are sought and the data collection instrument is developed. The enumeration and registration committee identifies and trains interviewers to collect the required data. The interviewers are also trained how to approach the public, the kind of questions to be asked and how to deal with non-responses. The more effective a revenue source will be, the more it yields good revenue returns and hence quality service delivery to the Local Government.

However, the identification of revenue sources is quite a challenge to the Local Government authorities. For example, it may be quite difficult to identify various income generating activities, as most of the economic activities in rural areas are not well documented. Yet the identification of sources of revenue is done by management, which is sometimes detached, from the grassroots or the common taxpayer. It is true that the enumeration and registration committee identifies and trains interviewers on how to approach the public but this in most cases does not yield the anticipated responses hence hindering revenue collection and effective service delivery. According to Carnegie and Baxter (2006) the local revenue generated constitutes 75% of the revenue used in the provision of services to the local communities in the developed countries. The main source of revenue is through taxation which can be defined as an implicit contract between citizens and their government (Moore, 1998). Grants are given to local governments for several reasons. The major objectives of extending grants to local authorities is to ensure that all LGs are able to provide minimum of social services. Unconditional grant is the minimum that shall be paid to the local governments to run decentralized services and shall be calculated in the manner specified in the seventh

schedule of the constitution. Closely related Conditional grant shall consist of moneys given to local government to finance programs agreed upon between the government and the local governments. Equalization grant is the money to be paid to local governments for giving subsidies or making special provision for the least developed district and shall be based on the degree to which local governments unit is lagging behind. Whereas unconditional grants could be used to enhance service delivery by local governments ,conditional grants has conditionality that affect service delivery because what appears the central government priorities may not necessarily be the same priority for the local government . Another source is through generous donations and grants from bilateral donors and charitable foundations. Local governments are decentralized units entrusted with the duty of to identify and meet local needs through service delivery; the donors who are foreigners should be entrusted with a supervisory role to see that the funds they donated are properly being put into good use.

Revenue performance

Local revenue performance is the percentage of budgeted collections that is actually collected. Local governments are supposed to use their own-revenues to finance local services (Odd-Helge, 2004).He adds that Local authorities are able to derive revenue from property tax, service tax etc, however, it's important to note that taxes don't only provide revenue but also act to decrease private investment and consumption (Hansen and Nanivska, 1990). They further argue that the advice effects of taxation on private investment and consumption are more significant with regard to personal income tax than graduated tax. By impacting on private investment and consumption, taxation becomes an important instrument of fiscal policy. In most countries in Africa, own source revenues compose a small percentage of total sub national revenue and their share has either not improved much or has actually declined. This means that sub national governments have not reduced their dependence on central government transfers (Taliencio, 2001). This was made worse by the removal of graduated tax which was the major source of revenue of the local government affecting the quality service delivery greatly. (Wakudumira, 2005). The revenue from central government in form of grants is beyond the estimates. This has been good but more than 50% of the unconditional grants are trapped. Therefore very little is left for enhancing service delivery (Oboth,

2001), Funders should always consider and justify what grant and condition funding period is most relevant within the context of meeting service user outcomes and overseeing the provision of services.

2.3.3 The relationship between institutional capacity and revenue collection in Kira Town Council.

The relationship between level of revenue collection and institutional capacity can be clearly portrayed by various rules and regulations governing the local governments which include the local government Act, 1997 (LGA), the local government finance and accountability Regulations (1998), Compliance with national priorities, The Local Government budget framework paper, as explained below:-

The Local Government Act, 1997; Local Governments budgetary powers laid down in the

Local Governments Act, 1997, Section 78(1), which states that Local Governments shall have the right and obligation to formulate, approve and execute their budgets and plans provided the budgets should be balanced. Local Government serves as an administrative management instrument providing detailed information about revenues to be collected and the expenditures to carry out the projects and activities set by the council hence effective service delivery.

The Local Government Financial and Accounting Regulations, 1998; the Local Government financial and accounting regulations, 1998 make up the principal financial management framework for Local Governments. The main regulations concerning Local Government budgets are contained in parts III of the Local Government financial and accounting regulations 1998. Therefore, the Local Government financial and accounting regulations enable the Local Governments to collect revenue and thereafter deliver services to the people effectively and efficiently.

Compliance with national priorities; It is a legal requirement for Local Governments to comply with national priorities by implementing various national programmes to ensure service delivery. The central Government ensures that national priorities are reflected in

Local Government budgets through allocation and transfer of conditional grants to Local Governments.

The Local Government budget framework paper; The Local Government budget framework paper is one of the three main tools that enable integrated planning and budgeting in Local Governments. It provides previous financial year revenue performance against revenue budget estimates and revenue projections for the next three years, and shows sector unfunded priorities and reallocations of funding. Therefore, the Local Government budget framework paper greatly links revenue collection in the Local Government with the services delivered to the community.

Kaweesa – Kiwannuka quoted Tanzi (1998) saying that an inefficient collection of local revenue possesses serious constraints to service delivery levels. It should avoid making the poor pay more than the rich and adequate sensitization of the payers for need and importance of local revenue should be ensured.

If local revenue collections are low, the activity budgets will not be met and hence the services will not be satisfactorily delivered which will make local people to miss out the much needed services, and worse still the local council which rely entirely on local revenue for operations and emoluments will be brought to a standstill.

According to Collier et al (2009) Local revenues are important for the success and long-term sustainability of infrastructure and service delivery in local governments. In deed the importance of local revenues cannot be over emphasized particularly in the case of Uganda where we have seen local revenues used for councilors' emoluments, co-funding capital development projects, providing bursaries, building administrative headquarters etc. However this source has declined due to the suspension of the graduated tax.

Many local governments are unable to deliver services to residents. This might be because of lack of finances or lack of capacity to provide a good service at an affordable price.

By providing a more direct link between citizens' contributions and service delivery, such mechanisms have in some cases proved to be an effective and sustainable means of

mobilizing the resources needed to improve basic services for the people (Odd-Helge, 2004). This indicates that high revenue collection will result into quantity and quality service delivery (Khemani, 2001) which is done in with institutional capacity.

Conclusion

As per Article 176(2) of the constitution of Uganda (1995), schedule 2 of the Local Government (1997) and section 97 and 91, local governments were to offer services including but not exclusive to education, medical and health services water and sanitation whilst their revenue source were to include: grants donations and local revenues. This therefore implies that there is a big little relationship between revenue collection in local governments and institutional capacity as strengthened by the above literature. Hence institutional capacity contributes a reasonable percentage in increasing local revenue collection. However, very little has been written about institutional capacity and local revenue collection and that is what this research was set to find out.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter explains the methodology used during the study which included Research design, target population, Sample size, sampling procedure, research instruments or methods, validity and reliability of research instruments, data gathering procedure, data analysis, ethical consideration matters and the limitation of the study and these methodologies were geared toward assessing institutional capacity and optimal revenue collection in Kira Town Council, Wakiso district- Uganda.

3.1 Research Design

The research design is simply the roadmap of conducting the study. Appropriateness of the design chosen is guided by a number of factors including the topic and objectives of the study, hypotheses, scope among others. The current study adopted descriptive research designs. The design was employed in order to describe the views of the respondents regarding the variables of the study. In tandem with Kothari's (2008) assertions, descriptive study is quantitative in nature.

3.2 Research Population

The study was limited to Kira Town Council Local Government staff attached to the revenue collection, accounts/finance, administrative departments and tax payers. The aforementioned employees are directly or indirectly involved in revenue collection and as such were presumed to be on a vantage position to understand the influence of institutional capacity on optimal revenue collection by the Local Government. In total, there are 300tax payers, 6 revenue clerks, 18 accounting/ finance officers, and 12 administrative staff. Therefore, the target population comprises of 336 employees of Kira Town Council Local Government.

3.3 Population Sample size

The sample size for this study was 182 respondents who participated in the data collection exercise from Kira Town Council local government, out of the sample, 8 were administrators, 10 revenue clerks, 18 accounting/ finance officers, and 169 business people (tax payers).

3.4 Sample Procedure

To get the respondents sample actual size to participate in the study, Slovine formula was used in determining the actual sample size.

Table 1: Showing the sample size of the respondents

Category	Study Population	Sample size
Administrative officers	8	8
Revenue clerks	10	10
Accounting/ Finance officers	18	18
Business people(Tax payers)	300	146
Total	336	182

Source: Primary Data 2015

To determine the actual sample size from the field during data collection, I used Slovine's formula which is represented by?

n = Number of sample, N = total target population, e = the level of significance 0.05

$$n = \frac{N}{1 + N(\alpha)^2}$$

$$n = \frac{336}{1 + 336(0.05)^2}$$

$$n = \frac{336}{1 + 262 (0.025)}$$

$$n = \frac{336}{1 + 0.84}$$

$$n = \frac{336}{1.84}$$

$$n = 182$$

3.5 Research Instruments

To obtain reliable data instrument used were mainly Questionnaires for data collection (secondary data) were gathered from text books, journals, unpublished books, and articles from the newspapers, and internets.

3.5.1 Questionnaires

These were self-administered during data gathering and for the purpose of consistency, a precise, short and logical standard design set of questions relating to the internal audit and financial accountability were distributed to respondents of local government, who filled them with the technical assistant from me the researcher and this was successful.

The questions provided were closed ended questions, respondents were asked to provide their answers by ticking responses from the list of **Likert scale tables**, ranging from strongly agree, agree, disagree, strongly disagree and not sure, these were used to interpret respondents opinions.

Likert scale

#	Mean range	Response Mode	Interpretation
5	4.01-5.00	Strongly agree	Very high
4	3.26-4.00	Agree	High
3	2.51-3.25	Not Sure	Fair
2	1.76-2.50	Disagree	Low
1	1.00-1.75	Strongly Disagree	Very low

$$Range = \frac{High - Low}{High}$$

$$Range = \frac{4 - 1}{4}$$

$$Range = \frac{3}{4}$$

$$Range = 0.75$$

3.6 Validity and Reliability of the instruments

The instruments used for the study were mainly questionnaires and the questions formulated were subjected to pre-testing, cross-checking and examined by the research expert (the supervisor) to ensure that the information the instruments would generate would be appropriated and consistent for data collection.

The pre-testing was done by using the formula below:-

V = Validity

RQ = Relevant questions

TQ = Total number of questions

Hence, the formula was
$$\frac{\text{Relevant questions}}{\text{Total questions}} = \text{Validity of the instruments used.}$$

After getting the answer, it indicated us the required scores which were above 0.5, which test the validity of the instrument level.

3.7 Data Gathering procedure

Here, secondary and primary data were gathered in three stages:-

Stage one: Before the administration of the questionnaires

- The introduction letter had been availed to me the researcher from the college of Higher

Degrees and Research, Kampala International University and approval was granted to me by the State Ministry of Local Government to conduct the study, and it was successful.

- I was able to explain to the respondents about the study intention and then gave them questionnaires to answer and it was participative.

Stage two: when the questionnaires were administered.

- The respondents were requested to answer all questions in full.
- The questionnaires were retrieved from the respondents within three weeks.
- Returned questionnaires were cross-checked to make sure that they were all answered.

Stage three: after retrieval of questionnaires.

- The data that were collected were computed into the computer.

3.8 Data Analysis

The data I collected is now interpreted accordingly using frequency and SPSS for the interpretations of mean, standard deviation and Pearson linear correlation coefficient as the appropriate statistical tools of analysis.

3.9 Data presentation, Discussion and Interpretation.

Results from data was presented using words, tables and frequencies. The findings of the research was discussed and interpreted in relation to the literature review.

3.10 Ethical Consideration

3.10.1 Informed Consent

The researcher used a transmittal letter to convince the participants that the study was entirely for academic purposes.

3.10.2 Authorization

The researcher appreciated the works of other scholars by making references to them in her work.

3.10.3 Confidentiality

The researcher made sure that the names of the participants are not published or even exposed without their permission.

3.11 Limitations of the Study

Access to Information: given the nature of the study, information accessibility was not be guaranteed. However, the researcher used her transmittal/ introduction letter to convince the respondents that the information they were to give would entirely be used for academic purposes.

Financial Constraints: the study turned out to be more expensive due to certain unforeseen events. Some respondents needed to be paid or at least be given at least a refreshment before they could respond. Besides, the numerous call backs necessitated additional expenditure on travel.

Failure to interpret Questions

This was a problem on the side of non-elite respondents. Therefore, there was need for explanation. The researcher made explanations majorly in Luganda and where necessary some other languages say; Lusoga was also employed. In addition, some terminologies too, were explained even to the elite.

CHAPTER FOUR

PRESENTATION AND INTERPRETATION

4.0 Introduction

This chapter presents and interprets the findings of the study. The findings are presented in light with the objectives of the study. Through data analysis and interpretation, the researcher tried to answer each of the research question in chapter one, executed with the help questionnaires in addition to observations and interviews conducted in the research. From these findings, the researcher draws conclusions and recommendations.

4.1 Demographic Characteristics of the Respondents

Respondents sample in this study involved males and females of different age, education level, and work experience.

Table 2: Profiles of the Respondents

Demographic Characteristics	Frequency	Percentage
Gender		
Male	106	58%
Female	76	42%
Total	182	100%
Age bracket		
20-29	62	34%
30-39	52	29%
40-49	43	24%
50-59	15	08%

60 & above	10	05%
Total	182	100%
Education level		
Masters	1	1%
Degree	18	10%
Diploma	50	27%
Certificate holders	22	12%
Secondary school leavers	91	50%
Total	182	100%
Work experience level		
Less than five years	45	25%
5-10 years	117	64%
15 and above	20	11%
Total	182	100

Source: Primary data 2016

The findings indicated that the majority of the respondents in the sample were males represented by 58% while females were the minority represented by 42%, and this could be attributed to the fact that women are still marginalized at the state ministry of local government. This implies that there is male dominance in matters of local revenue generation in Kira Town Council- Wakiso district Uganda.

The findings of the study designated that the majority of the respondents were represented by 34% age bracket 40-49, while the minority is represented by 05% age bracket 60 and above. This is likely to suggest that this is the youthful age where most

people become active and work hard to earn a living for themselves and their families and inevitably become tax- payers – local revenue generators. This means that the study covered relatively a mature age.

Similarly the study confirmed that the majority in the sample represented by 50% were Diploma holders and the minority represented by 1% masters holders. This implies that fairly reliable results have been generated as this section of the population is more informed.

The findings revealed that the majority in the sample of the study were represented by 64% with work experience between five to ten years and those with fifteen and above were represented by 11%, the dominant 64% could be because the State Ministry of Local Government is phasing out those with work experience from fifteen and above, replacing them with fresh minded employees.

4. 2 Assess the institutional capacity of revenue clerks on revenue collection in Kira Town Council local government.

The first objective was set to Assess the institutional capacity of revenue clerks on for which the researcher intended to find out how satisfactorily these institutional capacity of revenue clerks and the degree at which they stand when compared to revenue collection in Kira Town Council local government. Institutional capacity of revenue clerks were broken into three aspects (Competence of Revenue Clerks, Tax Compliance Capacity and Leadership Capacity). In this study, all the three aspects were measured using 15 qualitative questions in which respondents were required to indicate the extent to which they agree or disagree with each statement by indicating the number that best describe their perceptions. All the fifteen items on leadership styles were likert scaled using four points ranging between 1= Strongly Disagree, 2= Disagree, 3= Agree and 4= Strongly Agree. Their responses were analyzed and described using Means as summarized in table 4 below.

Table 3: Assess the institutional capacity of revenue clerks on revenue collection in Kira Town Council local government.

(N = 182)

Institutional Capacity	Mean	Std. Deviation	interpretation
Competence of Revenue Clerks			
There are elements of corrupt revenue clerks.	4.24	2.351	Very high
The problem of inexperienced and unqualified personnel is aggravated to lack of training facilities in the Town Council.	3.12	2.321	High
There are measures to improve the accountability of revenue clerks.	2.78	2.127	High
Corrupt revenue clerks and tax officials create problems for the business community.	2.77	1.170	High

Institutional Capacity	Mean	Std. Deviation	interpretation
Competence of Revenue Clerks			
There are elements of corrupt revenue clerks.	4.24	2.351	Very high
The problem of inexperienced and unqualified personnel is aggravated to lack of training facilities in the Town Council.	3.12	2.321	High
There are measures to improve the accountability of revenue clerks.	2.78	2.127	High
Corrupt revenue clerks and tax officials create problems for the business community.	2.77	1.170	High
There is inadequacy of skilled and competent revenue clerks in Kira Town Council.	2.78	1.127	High
Financial constraints have led to hiring of revenue clerks who lack understanding of the local government laws.	2.67	1.156	High
Average mean	3.06	1.709	High
Tax Compliance Capacity			
There are several incidences of tax noncompliance in Kira Town Council.	3.68	1.022	Very High
There is duplication of taxes which has encouraged noncompliance.	3.00	0.848	High
The town Council Local Government experiences high compliance cost.	2.78	1.127	High
Noncompliance is caused by lack of requisite knowledge of the tax law by the tax payers.	3.50	2.653	Very high
It is not clear to tax payers which tax should be paid to the town Council (local Government) and to the Central Government.	3.82	2.722	Very High
Average mean	3.36	1.674	Very High

Leadership Capacity			
The Town Council has got a clear and mutually compatible mission of local government revenue generation.	1.44	0.235	Very Low
The Town Council has got appropriate resources and management practices for the mission of optimal revenue collection.	1.49	0.247	Very low
There is leadership capacity to handle the varied sources of local government revenue collection.	1.55	0.325	Very Low
The administration has been able to adapt new mission e.g hiring specific staff to handle issues concerning revenue generation.	1.31	0.353	Very low
Average mean	2.23	0.966	Low
Total Average mean	2.88		High

Source: Primary data 2016

Interpretation of the Mean Range

Mean range	Response mode	Level of leadership
3.26- 4.00	Strongly agree	Very high
2.51- 3.25	Agree	High
1.76- 2.50	Disagree	Low
1.00- 1.75	Strongly disagree	Very low

The means in table above indicate that Institutional capacity of revenue clerks were rated at different levels. Out of the categories, tax compliance capacity was rated highest with (mean= 3.36) and competence with (mean= 3.06) was rated high, followed by leadership capacity (mean= 2.23) was rated low.

The average rating showed that of the three items under tax compliance capacity and one (1) under compliance, were rated very high (equivalent to strongly agree)

The rating also showed that of the five (5) items under competence and two (2) under tax compliance capacity were rated high (equivalent to agree)

The study also showed that of the four (4) items under leadership capacity was rated very low (equivalent to strongly disagree)

When you sum up all the three categories, the overall average mean is (2.88) which is equivalent to agree on the rating scale used and thus basing on these results, it can be concluded that institutional capacity of revenue clerks are so influential on revenue collection in Kira Town Council local government.

Items which were highly rated among others included the fact that There are elements of corrupt revenue clerks (mean=4.24), There are several incidences of tax noncompliance in Kira Town Council (mean=3.68), Noncompliance is caused by lack of requisite knowledge of the tax law by the tax payers (mean=3.50), and lastly It is not clear to tax payers which tax should be paid to the town Council (local Government) and to the Central Government (mean=3.82)

Items which were rated high among others included the fact that The problem of inexperienced and unqualified personnel is aggravated to lack of training facilities in the Town Council (mean=3.12), There are measures to improve the accountability of revenue clerks (mean=2.78), Corrupt revenue clerks and tax officials create problems for the business community (mean=2.77), There is inadequacy of skilled and competent revenue clerks in Kira Town Council (mean=2.78), Financial constraints have led to hiring of revenue clerks who lack understanding of the local government laws (mean=2.67), There is duplication of taxes which has encouraged noncompliance (mean=3.00) and lastly The town Council Local Government experiences high compliance cost (mean=2.78)

The findings conclude that there is a high degree of tax compliance capacity on revenue collection in Kira Town Council local government.

However the study rated four items very low and these were The Town Council has got a clear and mutually compatible mission of local government revenue generation (mean=1.44), The Town Council has got appropriate resources and management practices for the mission of optimal revenue collection (mean=1.49), There is leadership capacity to handle the varied sources of local government revenue collection (mean=1.55), The administration has been able to adapt new mission e.g. hiring specific staff to handle issues concerning revenue generation (mean=1.31)

Table 4.2 indicated that competence was high (average mean=3.36), this was attributed to the fact that the majority of the respondents agreed that revenue clerks are not corrupt.

Generally, institutional capacity in Kira Town Council local government is high (General Average mean=2.88, this is attributed to the fact that revenue collection clerks have low competency, lack appropriate qualification and objectivity in carrying its audit programs.

4.3 To evaluate how local government revenue collection is done in Kira Town Council.

The second objective was set to evaluate how is done in Kira Town Council for which the researcher intended to find out how satisfactorily local government revenue collection and the degree at which they stand when compared to revenue collection in Kira Town Council local government. Local government revenue collection was broken into three aspects (Competence of Revenue Clerks, Tax Compliance Capacity and Leadership Capacity). In this study, all the three aspects were measured using 15 qualitative questions in which respondents were required to indicate the extent to which they agree or disagree with each statement by indicating the number that best describe their perceptions. All the fifteen items on leadership styles were likert scaled using four points ranging between 1= Strongly Disagree, 2= Disagree, 3= Agree and 4= Strongly Agree. Their responses were analyzed and described using Means as summarized in table 4 below.

Table 4: Revenue collection Kira Town Council Local Government.

N=336

Local Government Revenue Collection	Mean	Std. Deviation	interpretation
Background information			
Only skilled and qualified personnel are involved in revenue collection.	2.45	1.412	Low
The Town Council has written procedure for internal controls about revenue collection.	2.47	1.423	Low
Cash dominates the forms of revenue collection in Kira Town council.	3.54	2.518	Very high
Many sales and services are conducted at Kira Town Council local government.	2.50	1.410	High
Average mean	2.74	1.388	High
Receipts Control Document			
Receipts are recorded on a control document in form of receipt book, cash ticket register etc.	2.75	2.139	High
The control documents are reconciled to deposit amounts daily of shift change.	2.04	0.986	Low
If revenue is received in person, a receipt Is provided to the tax payer or internal department as proof of exchange.	2.68	2.182	High
Average mean	2.49	1.013	Low
Receivables / Adjustments			
The Town council receives payments from amount billed to customers.	2.50	1.570	Low
Records are maintained and receivables are tracked by the collecting personnel.	2.34	1.123	Low

There is periodical reconciliation of the receivables balance at Kira Town Council.	2.29	1.114	Low
There is a proper write- off procedure for old accounts receivables.	2.29	1.114	Low
Average mean	2.35	1.230	Low
Safeguarding Collections			
A lock box or locked drawer is used to store revenue collection at Kira Town Council.	2.88	2.283	High
There has been no staff turnover in the department of revenue collection in the last five to ten years.	2.95	2.285	High
Duties of staff with the cash receipt function rotate periodically.	2.42	1.466	low
Staff involved in the revenue collection process work odd hours that is to say: late night, early morning or even weekends.	2.76	2.461	High
Average mean	2.75	2.273	High
Overall average total	2.58		High

Interpretation of the Mean Range Likert scale

#	Mean range	Response Mode	Interpretation
5	4.01-5.00	Strongly agree	Very high
4	3.26-4.00	Agree	High
3	2.51-3.25	Not Sure	Fair
2	1.76-2.50	Disagree	Low
1	1.00-1.75	Strongly Disagree	Very low

The results in table above revealed that on average, safeguarding collections was the highly rated construct with (mean= 2.75), followed by background information at a (mean= 2.74), receipts control document (mean= 2.49) and lastly Receivables/adjustments (mean= 2.35) respectively. On overall, three (1) out of (15) rated very high, six (6) were rated high, eight (8) were rated low respectively.

The item which was highly rated as far as Revenue collection Kira Town Council Local Government is concerned is, Cash dominates the forms of revenue collection in Kira Town council (mean= 3.54) respectively. This was equivalent to strongly agree on the rating scale used.

On the other hand however, the findings revealed six areas which led to high levels of Revenue collection Kira Town Council Local Government; three fell under safe guarding collection, the two under Receipt control documents, and one under Background information.

Lastly issues like Only skilled and qualified personnel are involved in revenue collection (mean= 2.45), The Town Council has written procedure for internal controls about revenue collection (mean= 2.47), The control documents are reconciled to deposit amounts daily of shift change (mean= 2.04), The Town council receives payments from amount billed to customers (mean= 2.50), Records are maintained and receivables are tracked by the collecting personnel (mean= 2.34), There is periodical reconciliation of the receivables balance at Kira Town Council (mean= 2.29), There is a proper write- off procedure for old accounts receivables (mean= 2.29) and lastly Duties of staff with the cash receipt function rotate periodically (mean= 2.42) as being the low (low) which is equivalent to disagree on the response mode.

To get a final picture on the Revenue collection Kira Town Council Local Government, the researcher computed an overall Grand average mean for all aspects in Table above, which came out to be (mean = 2.58), which confirms that the level Revenue collection in Kira Town Council Local Government stands at moderate level.

4.4 The relationship between Institutional capacity and local revenue collection in Kiar Town Council, Wakiso district – Uganda.

The third objective in this study was to establish the relationship between Institutional capacity and local revenue collection in Kira Town Council, Wakiso district – Uganda. On this, the researcher stated a null hypothesis that there is no significant relationship between Institutional capacity and local revenue collection in Kira Town Council, Wakiso district – Uganda. To achieve this last objective and to test this null hypothesis, the researcher correlated the means for aspects of Institutional capacity and those on local revenue collection using the Pearson's Linear Correlation Coefficient, as indicated in table below.

Table 5: The relationship between Institutional Capacity in Kira Town Council, Wakiso district Uganda.

Variable	Pearson correlation	Level of Significance	Interpretation	Decision on Ho
Institutional capacity Vs Revenue collection	-.277	0.001*	Significant relationship	Taken

* Level of significance (0.05)

* Correlation is significant at the 0.001 level (2-tailed)

The results in Table above indicate that Institutional capacity and Revenue collection are significantly correlated ($r = -0.277$) the sig. value indicate that there is positive and significant correlation (sig. = 0.000 < 0.05) leading to a conclusion that Institutional capacity significantly improves Revenue collection at 5% level of significance. Basing on these results, the stated null hypothesis of “relationship between Institutional capacity and local revenue collection in Kira Town Council, Wakiso district – Uganda” is rejected, and thus the findings showed a negative relationship between Institutional capacity and local revenue collection in Kira Town Council, Wakiso district – Uganda. These results

lead to a conclusion that an improvement in the Institutional capacity is likely to improve Revenue collection in Kira Town Council, Wakiso district – Uganda

To get the final picture on how Institutional capacity affects Revenue collection, three aspects of local government employee performance index were regressed against Institutional capacity, results of which are indicated in table below; and the remaining aspect were not significant however the overall general picture showed a positive and significant effect.

Table 6: Regression Model

Model	R	R Square	Adjusted Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.277	.077	.011	.19498	.077	1.163	1	14	.009*
				Unstandardized Coefficients		Standardized Coefficients			
				B	Std. Error	Beta	T		
Model				B	Std. Error	Beta	T	Sig.	
1	(Constant)			2.334	0.000		2.561	0.13	
	Receipt Control document			.005	0.000	0.799	.856	0.33	
	Receivables/Adjustments			.010	0.000	0.038	.080	0.46	
	Safeguarding collection			.077	0.000	0.299	.096	0.52	

a. Dependent Variable: Revenue collection

Table 4.5 indicated that institutional capacity is responsible for 1.1% variance in the level of local revenue collection of Local government in Kira Town Council of local government (adjusted R Square =0.011) This implies that institutional capacity accounts

for more than 1.1% variation in the local revenue collection in Kira Town Council, and that institutional capacity should be taken critically into consideration.

In addition to, the study pointed out that a unit change in the receipt control document is responsible for 79% variance in the level of revenue collection ($\text{Beta}=0.799$, $p<0.01$).while a unit change in competency is responsible for 3.8% variance in local revenue collection in Kira Town Council local government ($\text{Beta}=0.038$, $P>0.01$) and finally a unit change in safeguarding collection is responsible for 29% variance in the level of local revenue collection of Kira Town Council. ($\text{Beta}=0.299$, $P>0.01$)

CHAPTER FIVE

DISCUSSION OF MAJOR FINDINGS, CONCLUSIONS AND RECOMMENDATIONS OF THE STUDY

5.0 Introduction

This chapter discusses the major findings of the study, draws conclusions and makes recommendations in line with the study objectives.

5.1 Discussion of the major findings.

5.1.1 Assess the institutional capacity of revenue clerks on revenue collection in Kira Town Council local government.

Administrative Capacity, Results given in chapter four of this study show that the management capacity of Kira Town council is wanting. This was evident in the majority of the respondents who were in strong disagreement with 40%.

Competence of Revenue Clerks, In line with the first study objective, the relationship between competence of revenue clerks and optimal revenue collection in Kira Town Council, the correlation analysis results indicated that there exists a very strong, positive and statistically significant relationship between competence of revenue clerks and optimal revenue collection by Kira TC Local Government ($r = 0.823$; $p < 0.01$). Therefore, the second null hypothesis “H01: The relationship between competence of revenue officials and revenue collection in Kira Town Council Local Government is not significant” was also rejected. The findings indicated that the more competent the revenue clerks are, the more likely revenue collection will be optimized in Kira Town Council, and the reverse is true. The findings further underline the essence of the Town Council Local Government training or hiring competent revenue clerks.

Tax Compliance The findings revealed that tax compliance only marginally affected optimal revenue collection ($r = 0.65$; $p > 0.05$) in Kira town Council local Government. The relationship between the two constructs is not statistically significant even at 0.05 level of significance. Thus, the second null hypothesis “H02: Tax compliance does not significantly influence revenue collection by Kira Town Council Local Government”

failed to be rejected. The results of the study could be due to lack of clarity and defined taxation structure in the Town Council. This makes it rather difficult to assess how compliance to tax at local government level could affect optimal revenue collection.

Generally, institutional capacity in Kira Town Council local government was high (General Average mean=2.88, this is attributed to the fact that revenue collection clerks have low competency, lack appropriate qualification and objectivity in carrying its audit programs.

These findings were in line with those of Baurer (2005), who suggested that failure to deal with corrupt tax administration employees can create problems for the business community. Bird (2003) argues that, weaknesses in revenue collections occasion inadequate tax collections. Developing countries according to the scholar faces a problem of inefficient tax administration. The foregoing problem is attributed to with insufficient administrative staff with requisite skills, and high level of illiteracy among taxpayers and tax collectors. Kayaga (2010) further notes that, financial constraints has led to hiring of tax officials who lack understanding of the tax laws they are administering, and the concept of the concepts of accounting that are requisite to analyzing returns.

The scholar further posits that, the problem of inexperienced and unqualified personnel is aggravated by lack of training facilities and opportunities. Franken's (2007) study conducted in Dar es Salaam, Tanzania indicated that, public officials are more effective as revenue collectors than their private counterparts. Fjeldstad and Haggstad (2012) concluded that, measures are required to improve the accountability of revenue collectors and elected officials. The foregoing, according to the scholars, can only be achieved through political goodwill from the national government. Kayaga (2010) in her study of tax policy challenges in Uganda as one of developing countries opined that, new technology alone is not sufficient if the government does not recognize the need for skilled tax officials.

The scholar further avers that, effective tax administration requires qualified tax personnel with requisite skills to maintain these systems and operate them to their fullest potential.

The study on challenges affecting collection of turnover tax in Nairobi County, Kenya (Simiyu, 2010) established that, tax officers accepted bribes when offered to reduce tax liability and demand for bribes when they visited, a situation that hugely affected revenue collection. The foregoing findings concurred with earlier studies (Pashev, 2006; Chiumya, 2006) that noted that, turnover tax was hampered by illegal practices like reduction of deductions and collusion of Local Government revenue collectors.

5.1.2 To evaluate how local government revenue collection is done in Kira Town Council.

Revenue collection Kira Town Council Local Government, came out to be (mean = 2.58), which confirms that the level Revenue collection in Kira Town Council Local Government stands at moderate level.

These findings were in line with those of Odd-Helge, (2004).who adds that Local authorities are able to derive revenue from property tax, service tax etc, however, it's important to note that taxes don't only provide revenue but also act to decrease private investment and consumption (Hansen and Nanivska, 1990). They further argue that the advice effects of taxation on private investment and consumption are more significant with regard to personal income tax than graduated tax. By impacting on private investment and consumption, taxation becomes an important instrument of fiscal policy. In most countries in Africa, own source revenues compose a small percentage of total sub national revenue and their share has either not improved much or has actually declined. This means that sub national governments have not reduced their dependence on central government transfers (Taliercio, 2001). This was made worse by the removal of graduated tax which was the major source of revenue of the local government affecting the quality service delivery greatly. (Wakudumira, 2005). The revenue from central government in form of grants is beyond the estimates. This has been good but more than

50% of the unconditional grants are trapped. Therefore very little is left for enhancing service delivery (Oboth, 2001), Funders should always consider and justify what grant and condition funding period is most relevant within the context of meeting service user outcomes and overseeing the provision of services.

5.1.3 The relationship between Institutional capacity and local revenue collection in Kiar Town Council, Wakiso district – Uganda

The results in Table above indicate that Institutional capacity and Revenue collection are significantly correlated ($r = -0.277$) the sig. value indicate that there is positive and significant correlation (sig. = 0.000 < 0.05) leading to a conclusion that Institutional capacity significantly improves Revenue collection at 5% level of significance. Basing on these results, the stated null hypothesis of “relationship between Institutional capacity and local revenue collection in Kiar Town Council, Wakiso district – Uganda” is rejected, and thus the findings showed a negative relationship between Institutional capacity and local revenue collection in Kiar Town Council, Wakiso district – Uganda. These results lead to a conclusion that an improvement in the Institutional capacity is likely to improve Revenue collection in Kiar Town Council, Wakiso district – Uganda

These findings were in line with the findings from the Empirical surveys in both Tanzania and Uganda indicated that, citizens generally appreciate the necessity of taxation to support local service provision. However, citizens were found to choose non-compliance due to lack of confidence in local government (Bahiigwa et al., 2004; Fjeldstad et al., 2009). In addition, Fjeldstad et al.’s (2009) study suggested that, in Tanzania people’s opinions regarding local taxation may change over time with implications for policy design. The study, further, noted that, people were more positive towards the tax system in 2006 as compared to 2003. The foregoing change was attributed to enhanced service delivery, specifically education, health, and law and order. More so, less oppressive revenue collection was found to have contributed to the increased people’s positivity towards taxation. The study, moreover, noted that, citizens were inclined towards non-compliance in tax payment due to corrupt officials, a factor that had eroded their trust in government and government officials. Indeed, there were increased demands by the citizenry on how the revenues collected were employed by the

government. Fjelstad and Haggstad (2012) infer that, measures ought to be taken to enhance compliance of taxpayers.

Simiyu (2010) delved into the challenges that affect collection of turnover revenue tax in Nairobi County. In his study, the scholar pinpoints that governments ought to generally simplify tax administration for businesses. This is against the argument that tax compliance costs may slow down the economy. He noted that, taxation of small and micro enterprises (SMEs) faces several key policy challenges. It is averred that, when scaled by sales or assets, the compliance costs of SMEs are higher than those of for large businesses. The scholar while agreeing with Chiumya's study findings indicated that, turnover tax suffered from tax evasion and illegal practices.

5.2 Conclusions

5.2.1 Assess the institutional capacity of revenue clerks on revenue collection in Kira Town Council local government.

Administrative Capacity, There is less management capacity to handle the generated local government revenue in Kira town Council. This is because the Town Council lacks certain resources and management practices for the mission of revenue generation.

Competence of Revenue Clerks, It is acknowledged that there are some revenue clerks and tax officials working with the Kira Town Council Local Government who are corrupt. More so, it is deduced that lack of training facilities and opportunities has led to inexperienced employees in the Local Government. Financial constraints have led to hiring of revenue clerks who lack understanding of the County Government laws. It is further concluded that the importance of competence of revenue clerks and other Town Council officials in revenue collection cannot be understated.

Tax Compliance, It is concluded that there are several incidence of tax noncompliance in Kira Town Council and duplication of taxes which has encouraged noncompliance. It is also deduced that lack of requisite knowledge of the tax law by the taxpayers has resulted in non-compliance. The ambiguity in tax issues at Local Government level has led to

confusions among citizens who either fall victim to double taxation or fail to comply altogether.

5.2.2 The relationship between institutional capacity and revenue generation

There is a significant relationship between institutional capacity and local government revenue collection in Kira Town Council.

5.3 Recommendations

Following the research findings in chapter four and the conclusions drawn by researcher, following recommendations are brought forward:

5.3.1 Leadership Capacity

A specific legal framework or fiscal decentralization in general and for the increased local revenue generation in particular is required and it consists of the following key elements:

- A local government code
- Local government revenue legislation including a tax code

Monitoring and evaluation from the top administrators to the lower local councils to ensure efficiency and effectiveness of the revenue collections, this will improve on the service delivery in all sectors of the local government.

5.3.2 Competence of Revenue Clerks

It is recommended that Local Governments should create competitive terms for their employees in order to attract skilled and competitive employees. More so, Local Governments should organize workshops and seminars as part of in-house training with the aim of imparting skills in their workforce.

5.3.3 Tax Compliance

Taxes payable to Local Governments should be distinct from the ones payable to the Central Government. The foregoing would reduce tax evasion, non-compliance and also Double Taxation of Citizens.

5.4 Contributions to Knowledge

The research study contributed knowledge to the existing literature in the following ways:

It found that there are elements of corrupt revenue clerks and that corrupt revenue clerks and tax officials create problems for the business community. The study came up with several incidences of tax noncompliance in Kira Town Council and duplication of taxes which has encouraged noncompliance.

5.5 Area for further research

This section suggests arrears for further reading by future researchers on institutional capacity and local revenue generation. These areas are given as the following:

The other factors that affect local revenue collection as well as institutional capacity should be put to research for ascertainment of their effects.

The future researchers should use other statistical research methods such as the Chi-square regression analysis to prove whether there is a strong relationship between institutional capacity and revenue generation as the researcher reflected in her findings.

Other independent variables that affect revenue generation should be put to research to ascertain their effects i.e.

- The role of quality supervision on institutional capacity in local governments.
- Revenue management and institutional capacity also need to be researched on among others.

REFERENCES

- Abigaba M., (1998). Financial Decentralization and Social Service Delivery in Uganda.
UN published MA (PAM): Dissertation Makerere University.
- Ahmad, Ehtisham and Jon Criag. (1997). "Intergovernmental Transfers" in Teresa Ten-
Minassin. (ed). Washington DC: IMF Fiscal Federalism in Theory and Practice.
- Ahuja R., (2003). Research Methods for Business Students.
- Smith B.C., (1985). Decentralization, the Territorial Dimension of the State.
George Allen And Unwin Publishers Ltd.
- Bahl R., (1998). Intergovernmental Fiscal Relations & Local Finance Management
Course. George State USA. Atlanta, Georgia. Fiscal Decentralization.
- Beijuka J. and Ronald Kitanda (July 1996) A study of the state of local Resource
Mobilization. Amongst Development Network of Indigenous Voluntary Association
(DENIVA) No. 3 Kampala.
- Bennett, Robert J, ed (1990) Decentralization, Local Governments and Markets
(Oxford: Clarendon Press).
- Bird, Richard m and Frncois Vaillan Count. Eds (1999) Fiscal decentralization in
Developing Countries (Cambridge: Cambridge University Press.)
- Falleti, Tulia. 2003. "Governors: Coalitions & Sequences of Decentralization in
Argentina, Colombia, & Mexico." Ph.d. Thesis, Political Science, North Western
University, Evanston, IL.

- Ford J. (1999) "Constitutional, Legal and regulatory Framework for Decentralization"
- in J. Likvack and J. Seddon (eds). Decentralization Briefing Notes (Washington, DC: World Bank Institute).
- G.O.U. Decentralization Secretariat, 1994, Decentralization in Uganda – The Policy and its implications.
- Hurther, Jeff and Anwar Shah. (1998) "Applying a Simple Measure of good governance to the Debate on Fiscal decentralization." Policy Research Working Paper No. 1894, World Bank.
- Kato, Joshua (24 October 2007). "Challenges of Turning Wakiso District". New Vision. Retrieved 14 April 2014.
- Kayise C. 2003 Councilor Participation in Local Governance, UMI Dissertation.
- Kothari C.R. (1998) Research Methodology: Methods and Techniques, Wishwa Parakashan, New Delhi.
- Mahi, raksaka, Robert Simanjuntak, Bambang Brodjonegoro and Karyaman Much tar, "Alternative Local Revenue and Tax Sharing" 2000.
- Manor, James, 1999. The Political Economy of Democratic Decentralization. Washington, DC: The World Bank.
- Nsibambi Apollo. Decentralization and Civil Society. The quest for good governance. Fountain Publishers Kampala. 1998.
- Republic of Uganda (1987) Report of the Commission of inquiry into the System of Local Government. Entebbe Government Printers.
- Republic of Uganda (1995) Constitution of the Republic of Uganda 1995. Entebbe. Government Printers.

Republic of Uganda (1996) Financial Decentralization in Uganda Commission Report 1.
Entebbe Government Printers.

USAID, Data Sheet for Obligation FY 2004 and FY 2005.

ULGA (2006) Presentation of Major Issues and recommendations of JARD 2006
Regional Consultative Workshops.

MOLG (2006) Decentralization Policy Strategy Framework.

Bahiigwa, G., Ellis, F., Fjeldstad, O.H., & Iversen, V. (2004). Rural taxation in Uganda:
Implications for growth, income distribution, local government revenue and
poverty Reduction. EPRC Research Series No. 35. Kampala: Economic Policy
Research Centre.

Bhartia, H. L. (2009). Public Finance. (14th ed.). New Delhi: Vikas Publishing House
PVT Ltd.

Bird, R. (2010). Subnational Taxation in Developing Countries: A Review of the
Literature.” Policy Research Working Paper 5450”. Washington D.C.: World
Bank.

Lusaka. Fjeldstad, O., & Heggstad, K. (2012). Local government revenue mobilization in
Anglophone Africa. CMI Working Paper Series, 6, 31-36.

Franzsen, R. (2007). Property Taxation in Anglophone Africa. Land Lines. Lincoln
Institute of Land Policy.

Ghura, D. (2006). Tax Revenue in sub-Saharan Africa: Effects of Economic Policies and
Corruption, IMF Working Paper 98/135. Washington: International Monetary
Fund.

- Hazel, C. (2005). Tax policy in developing countries: what can be learned from OECD experience? *Journal of Public Economics*, 93, 855–66.
- Kayaga, L. (2007). Tax policy challenges facing developing countries: A case of Uganda. Master of Laws thesis. Queens University, Kingston, Ontario, Canada.
- Kothari, C.R. (2004). *Research Methodology: Methods and Techniques*. New Delhi, India: New Age International Publishers.
- Kothari, C.R. (2008). *Research Methodology: Methods and Techniques*. New Delhi, India: New Age International Publishers.
- Pashev, K. (2005). *Corruption and tax compliance: Challenges to Tax Policy and Administration*. Sofia, Bulgaria: Centre for the Study of Democracy

APPENDICES

APPENDIX I: QUESTIONNAIRE

Kirabo Doreen Masters questionnaire.

Dear Sir/Madam,

I am **Kirabo Doreen**, registration number **MBA/ 42218/133/DU**, a finalist student at the College of Higher Degrees and Research, Kampala International University (KIU) pursuing Masters of Business Administration majoring in (Finance & Accounting). I am conducting approved Academic research topic which is one of the University requirements for the study program and the topic is Institutional capacity and optimal revenue collection in Kira Town Council, Wakiso district- Uganda.

This research is an academic document that has nothing to do with anything outside academics in any way, and information provided will be treated ethically and with high confidentiality.

Kindly provide your own answers to these research questions and start with your age, gender, Education level and the title in the place of work in section A.

Section A (provide a tick where your choice fall)

Respondent information

Title _____

✓ Please tick where you fall

Gender, Male () Female ()

Age Bracket and Education level

- | | |
|-----------------|--------------------|
| a) 20-29 () | a) Secondary () |
| b) 30-39 () | b) certificate () |
| c) 40-49 () | c) Diploma () |
| d) 50&above () | d) Degree () |
| e) 60-above () | c) Masters () |

Work experience

- a) Less than five years ()
- b) 5-10 years ()
- c) 15-above ()

Questions rating system for answers

Respond mode	Description	Interpretation	Scores
Strongly agree (SA)	You agree with no doubt at all	Very satisfactory	5
Agree (A)	You agree with some doubt	satisfactory	4
Agree nor Disagree (N)	You are in the middle	fair	3
Disagree (D)	You disagree with some doubt	low	2
Strongly Disagree (SD)	You disagree with no doubt at all	Very low	1

Likert scale

#	Mean range	Response Mode	Interpretation
5	4.01-5.00	Strongly agree	Very high
4	3.26-4.00	Agree	High
3	2.51-3.25	Not Sure	Fair
2	1.76-2.50	Disagree	Low
1	1.00-1.75	Strongly Disagree	Very low

Section (B) Variable measurement

Institutional Capacity

Instruction: As honestly as you can, assess institutional capacity in form of a Tick (✓)

(i)	Competence of revenue clerks	1	2	3	4	5
IT1.	There are elements of corrupt revenue clerks.					
IT2.	The problem of inexperienced and unqualified personnel is aggravated to lack of training facilities in the Town Council.					
IT3.	There are measures to improve the accountability of revenue clerks.					
IT4.	There is inadequacy of skilled and competent revenue clerks in Kira Town Council.					
	Financial constraints have led to hiring of revenue clerks who lack understanding of the local government laws					
(ii)	Tax Compliance	1	2	3	4	5
OB1	There are several incidences of tax noncompliance in Kira Town Council.					
OB2	There is duplication of taxes which has encouraged noncompliance.					
OB3	The town Council Local Government experience high compliance cost.					
OB4	It is not clear to tax payers which tax should be paid to the town Council (local Government) and to the Central Government.					
(iii)	Administrative/ Leadership Capacity	1	2	3	4	5
CO1	The Town Council has got a clear and mutually compatible mission of local government revenue generation.					
CO2	The Town Council has got appropriate resources and management practices for the mission of optimal revenue collection.					

CO3	There is leadership capacity to handle the varied sources of local government revenue collection.					
CO4	The administration has been able to adapt new mission e.g hiring specific staff to handle issues concerning revenue generation.					
(iv)	Confidentiality	1	2	3	4	5
CF1	Internal audit is cautious in the use and protection of information acquired in the course of duties;					
CF2	Internal audit has not used any information for self-interested gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the institution.					
CF3	Safeguarding funds, assets against manipulations, fraud and to detect fraud and minimizes losses stemming from neglect, abuses have been confidentially practiced.					

Revenue Collection

(i)	Background Information	1	2	3	4	5
GO1	Only designated and qualified revenue clerks are involved in the revenue collection exercise.					
GO2	The Town Council has got written procedure for internal controls about revenue collection.					
GO3	Cash dominates the forms of revenue received at Kira Town Council.					
GO4	Many sales and service activities are conducted at Kira Town Council.					
(ii)	Receipt Control Documents	1	2	3	4	5
CT1	Receipts are recorded on a control document in form of receipt book, cash register, ticket register among others.					
CT2	The control docents (receipt books) are controlled numerically by another process.					
CT3	The receipt control documents are reconciled to deposit amounts daily or upon shift change.					
CT4	If revenue is received in person, a receipt is provided to the tax payer or internal department as proof of payment.					
(iii)	Receivables / Adjustments	1	2	3	4	5
RE1	The Town Council receives payments form amount billed to customers.					
RE2	Records are maintained and receivables are tracked by revenue clerks.					
RE3	There is periodical reconciliation of the receivable balances at the TC.					
	There is a proper write- off procedure for old Accounts Receivables.					

(iv)	Safeguarding Collections	1	2	3	4	5
DC1	A lock box or locked drawer is used to store revenue collection at Kira Town Council.					
DC2	There has been no staff turnover in the department of revenue collection in the last ten years.					
DC3	Duties of staff with the cash receipt function rotate periodically.					
DC4	Staff involved in the revenue collection process work odd hours that is to say: late night, early morning, weekends.					

APPENDIX III: ESTIMATED BUDGET

No	Schedules	Items	Price per Unit	Total units	Total Price
1	Library	Access	5,000/=	10	50,000/=
2	Bundles	1GB	20,000/=	1	20,000/=
3	Proposal works	Printing	4000/=	3	12,000/=
		Binding	1,500/=		4,500/=
4	Report work	Printing	10,000/=	3	30,000/=
		Binding	8,000/=		24,000/=
5	Fare	Town Service Up-country	30,000/=370,000/=		400,000
6	Research Assistants		30,000/=	5	150,000/=
7	Food and beverages		100,000/=		100,000/=
8	Others, including accommodation				200,000
9	Data Analysis using SPSS Software		450,000		450,000
General Total					1,440, 500/=

APPENDIX IV: WORK PLAN

	April	May	June	July	August	September	October	November
Proposal								
Data Collection								
Data Analysis								
Preparation of the dissertation								
Viva Voce								
Submission of the dissertation								

JF1351
 K1838
 2016

