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Effect of Automation of Revenue Collection on Financial Performance of County Government of Meru, Kenya

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ABSTRACT

The objective of automation of revenue collection was to address disparities in income and wealth distribution, and in contemporary economics, taxes stood out as the most crucial revenue sources. With the implementation of a devolved system of government, counties were expected to experience an increase in instances of financial deficits in their budgets. This study aimed to assess the impact of revenue automation and gauge the impact of County policies on the financial performance of the County Government. The study drew guidance from the new public management theory, employing an explanatory research design. The target population consisted of 276 staff from the County Government of Meru, including chief officers, technical finance staff, technical accounting staff, and members of the County Assembly. Using stratified random sampling, 163 respondents were selected. The study employed both descriptive and inferential statistical analyses. Data collection involved the administration of a self-administered questionnaire, and the reliability of the instrument was tested using Cronbach's alpha. Descriptive and inferential statistical analyses were conducted on the quantitative data, using Pearson's correlation coefficient to determine relationships between independent and dependent variables. Regression analysis was employed to predict the impact of operational determinants of automation of revenue collection on financial performance. The study found that internal controls had the most significant impact on the financial performance of the Meru County government. All variables were significant ($p < 0.05$). The study recommends that county governments allocate more funds for training and seminars for tax workers to enhance their competencies and expertise. Additionally, it suggests strengthening internal control mechanisms to improve monitoring of financial performance and boost overall financial results for the county government.

Key words; **automation, revenue collection, public management theory**

1.0 Introduction

Governments across the globe place a premium on collecting taxes and other forms of internal income since it is essential to the smooth operation of government operations and the growth of economies. The efficiency and efficacy of government service delivery, which in turn affects the public sector's financial performance and economic growth, are heavily influenced by the variables that affect the collection of internal revenue (Ewetan et al., 2021). Governments operate mostly in the field of public finance across the world (Dexu & Wenlong, 2022). This includes the government's role in macroeconomic stability, resource allocation, and income distribution. It is also underlined that operating expenses and revenue distribution are included in government spending. The challenges encountered by revenue collection systems on a global scale, such as corruption, have prompted various taxation reforms (Aghion et al., 2016). Consequently, entrepreneurs bear a significant burden, especially in regions where corruption hinders infrastructure development by local authorities, thereby impeding overall welfare gains.

According to the OECD (2014), governments in emerging countries and Africa rely heavily on revenue accumulation as a stimulus for budgetary expenditure. De La Cuesta et al. (2019) asserts that in order to maximize social and economic growth, governments engage in a wide range of political, social, and economic activities. Governments require enormous financial resources to carry out these responsibilities and tasks. The total revenues collected from all dependent federal departments, commissions, and other entities constitute the government's budget. These revenues, accounted for through standardized procedures, are categorized by their sources into various public funds, excluding intra-governmental transfers, associations, and private trusts. Whereas revenues in Ghana and Uganda are centralized into the national budgets, funds in Liberia are transferred between different levels of government.

Studies conducted in Zimbabwe and Nigeria show that digitizing tax systems has a favorable impact on revenue collection. The introduction of electronic tax identification, e-filing of returns, e-payments, and electronic tax registration in Nigeria greatly improved revenue performance, as the move to digital systems as a whole had a positive impact (Yusuf, 2022). Chilunjika (2018) discovered that online systems have an effect on small taxpayers' compliance with regard to tax registration, filing, and payment in Zimbabwe. Chilunjika strongly advised automating processes in order to boost efficiency. To summarize, studies in these two countries showed revenue improvements after implementing electronic and online tax systems, leading researchers to advocate for further digitization to continue enhancing revenue collection.

However, extreme redistribution of wealth to state and local levels may impede federal efforts to stabilize the economy and implement other significant reforms (Karimi Maina & Kinyua, 2017). Kenyan County Governments get money from a number of different places, including as taxes, licensing fees, discontinuances, and permission fees. As has historically happened, programs may fail, county governments' operational activity may stop, and some counties may experience a slowdown or labor strikes. (Muriithi, 2015). There are 47 county administrations in Kenya, each having a comparable constitutional structure, authority, and mission as stipulated in the 2010 Kenyan Constitution. Each county gets a certain amount of money from the national government, but it also has to make money on its own.

The effective collection of obligatory taxes from the general public is the responsibility of county governments in order to guarantee that people get vital services. The needs of county governments also put a strain on the federal government's finances, which hurts the economy of the whole country (Muriithi, 2015According to the Government of Kenya Report, the County Governments Act No. 17 of 2018 was the legal basis for the establishment of county governments in Kenya. Every responsibility that is entrusted to the County Government by the Constitution or by law must be met by it, as stated in the Act. According to Waema and Bowman (2014), all responsibilities outlined in Article 186 of the Constitution, as well as management activities, are included in the tasks that the federal government assigns to county governments.

By focusing on local needs and improving public services, devolved county governments do better than federal ones (Beekes & Brown, 2014).When it comes to decentralization, county administrations are in a better position than federal ones when it comes to meeting local needs and improving public service quality (Beekes & Brown, 2014). In line with this perspective, the Meru County administration has been tasked with finding and collecting monies from regional sources, such county property taxes, fines, and penalties, to enhance the amount of money that may be allocated for local development. While relying on IGFs is important, the county administration is also looking to launch programs and activities to alleviate poverty in the area (Aketch & Karanja, 2013). Additionally, County Revenue Funds and provisions for the development of additional county-level funds are established under Article 207 of the Public Finance Act of 2018.

Tax revenue and non-tax income are the two main components of the county's budget, which comes from a number of places including property taxes and individual company licenses. Business income is the money that comes in from sources that are specific to a company, partnership, or sole proprietorship. According to Article 209 of the constitution, the primary sources of municipal income for Kenyan counties are from property and entertainment taxes, parking fees, and single business licenses. This suggests that legislative actions are required to approve any new sources of funding for county administrations. The county's long-term survival, service delivery, and infrastructure depend heavily on its revenue stream. The importance of these county income cannot be understated, especially for Meru, where funds are used, among other things, to build administrative headquarters, co-fund economic development projects, provide scholarships, and pay personnel wages.

Adenya and Muturi (2017) state that Kenyan counties often barely collect around half of the funds allotted in their budgets. There is a significant dependence on money from the National Government, despite expectations that counties should increase their financial foundation for local development by generating cash from local sources. Due to the growing county population, rising infrastructure development demands, and other factors, many county governments are facing a large shortfall between their available funds and their spending requirements. Service delivery is being adversely affected by the gap between revenue growth and economic activity growth, as the 2014 ICPAK Devolution Baseline Survey made clear.

As seen by the collection of Sh219 million in FY2022/2023, Meru County has had difficulties with OSR and has fallen short of expectations (Controller of Budget, 2023). Compared to Kshs. 435 million in FY 2020/21, the own source income produced in FY 2020-21/2022 was Kshs. 385.39 million, indicating a drop. Against a goal of Ksh.705 million, the County earned Ksh.383 million from its own sources of income in FY 2019–20. As of FY 2018–19, the County's own-source income was Kshs. 550 million, or 50% of the Kshs. 1100 million collection objective (Controller of Budget, 2023).

1.1.4 Determinant of OSR Collection.

Tax revenue, including that from customs duties, excise taxes, licenses, and other sources, is extremely important for ensuring that government programs and services can be properly funded and implemented. Taxation is a major way that governments across the world raise money. Research shows that developed countries tend to have sophisticated tax systems that allow them to collect higher revenues. In contrast, developing countries often struggle with suboptimal tax policies and administrative structures, which hamper their ability to efficiently gather tax monies (O'Reilly, 2018).

Countries south of the Sahara still struggle with significant overall budget deficits despite a variety of changes because they have made very little headway in raising domestic income. Fjeldstad (2001) looked at the chances and difficulties that Anglophone Africa had when it came to collecting local taxes. He emphasized the administrative and political barriers that certain income streams face in addition to citizen tax compliance. Case studies conducted in Anglophone African countries show that while local government authorities' attempts to raise income are significant, they are still inadequate to produce and provide the people with the services that they need. According to Orwa (2019), illiteracy on the part of both taxpayers and tax collectors and a shortage of competent workers are the main causes of revenue collection shortcomings. Bird notes that appointing tax officers who lack the accounting knowledge and comprehension of tax rules necessary to carefully review returns has significantly hampered revenue collection. Qualified tax workers with the essential skills to uphold laws and maximize system efficiency are necessary for efficient tax administration (Orwa, 2019).

More money in the bank has been linked to technological developments like simplified taxes and changes to tax procedures. Almost 85% of established tax authorities feel that their tax effectiveness might be enhanced by greater technology and integration, as noted by Nyaga (2019). According to Jones (2009), revenue professionals may better use their resources to analyze data and create plans to increase income and decrease expenditures when they take a strategic approach to tax technology. This contrasts with wasting precious time accumulating data. Overall, revenue collection technologies allow revenue functions to become more effective by assessing current revenue gathering processes, pinpointing areas for improvement, and utilizing the most helpful technologies at the opportune time. Rather than expend effort amassing data, the focus shifts to strategy development and targeted data analysis to grow income and decrease costs.

The mobilization of OSR is influenced by the legislative and policy directions set by both national and county governments (Cheruiyot, 2018). In the Kenyan context, the focus has been on the legislative and policy aspects of devolution, which have been addressed by bodies such as the Council of Governors and the National Assembly through various reports and legislative measures. A sectorial policy and legislative analysis concerning devolution was conducted by the UND and the Council of Governors in 2015, as highlighted by Amuhaya (2019). This analysis examined the implications of various constitutional, legal, policy, and institutional frameworks being negotiated by both national and county governments, as well as other state entities. Recommendations from the report included the need for effective government relations, alignment of policy and legal frameworks, and clarification of roles between the two levels of government. Furthermore, the National Policy to Support County's OSR (2019) identifies inadequate revenue policies and legislation as significant hindrances to OSR generation.

The National Treasury has been the primary source of funding for Kenyan county governments since their establishment in April 2013. The fact that they want a national vote to boost their allocation demonstrates that there is a significant issue with the way counties collect their own revenue, since they rely excessively on the federal government. The Meru County Government has failed to achieve its source collection objectives for each of the last five fiscal years, as reported by the Controller of Budget. The county governments' restricted ability to raise money within their borders is the cause of this deficit. In the 2018/2019 fiscal year, the County Government of Meru specifically attained 50% of its own-source income against the yearly objective; however, in the 2019/2020 fiscal year, the target decreased from 1100 million to 705 million, and only 54.6% of its own-source revenue was accomplished. The trend has remained on downward move in the subsequent years. In financial year 2020/2021 the fall short with 37.3%, 2021/2022 with 44.9% and 2022/2023 the county fell short of OSR by 36.5%. Thus, in order to improve county financial performance, a strong own source income collecting system must be established (Rugutt, 2019). According to Adenya and Muturi (2017), there are large gaps in local revenue collection as a result of counties' incapacity to raise enough money to satisfy their budgetary objectives, which causes problems with county financial performance. The study lists some of the problems that counties face, such as not having enough staff, not having the right IT tools, not paying their taxes, and cheating in regional governments. Because of these issues, we need to look at several things that affect how counties collect their own source of income and how those things affect their financial health. Finding out how the operational elements that decide the County Government of Meru's source revenue collection affect its financial performance is the goal of this study.

2.0 Literature Review

2.1 Theoretical Literature

The NPM, put out by Manning (2001), places an emphasis on the significance of attaining effectiveness in public performance. Following the lead of the business sector, NPM advocates for public affairs management to adopt private sector techniques. Having said that, NPM has only achieved moderate success. Radnor, Osborne and Glennon (2022) raise questions about the feasibility of applying business techniques directly to public organizations, given the differences between the two sectors. Nevertheless, the New Public Management Theory comprises a set of intricate ideas that incorporate market elements into the public sector arena (Osborne, Radnor & Nasi, 2013).

Kenya is one of several industrialized and developing nations that has recently reformed its public sector, most notably its county finance system. Problems with policy enforcement during tax reform may be better understood with the use of this theory in the field of county finance. Typically, lower-level employees are assigned this task, and their personal views on new regulations may influence their implementation. Public reforms have failed in the past for a variety of reasons, and the NPM Theory provides an explanation for these failures. One of these causes is a severe lack of personnel to carry out the necessary activities, which may lead to subpar results (Frederickson et al., 2018). This is an extremely important factor to examine since the way County Finance handles the revenue collecting process has a direct impact on how well operational determinants work to collect income from own sources.

The idea of the public market has entered the realm of public relations with the advent of operational determinants, which recognize that private companies' methods of providing products and services may not always be the most cost-effective. As a result, the study considers how county governments' revenue collection efforts might be impacted by variables affecting public sector performance and service delivery. Public service reform has not been successful in its two primary goals—improved administration of public finances and projects and enhanced capacity to provide better services—according to Belhassan and Azegagh (2020).

The theory's main tenet is that the public sector may benefit by reforming its operations to more efficiently collect taxes by using a mix of private sector and public sector tactics and methods. Because of this, there is a connection between this theory and things like public awareness, staff competency, and automation when it comes to improving financial performance by maximizing revenue collecting. The idea of modern public management provides a solid theoretical foundation for the County Government of Meru's financial performance metrics, which include staff competency, automation, internal control mechanisms, and public awareness. Without a clear understanding of the importance and value of these determinants, management may inadvertently contribute to inefficiencies in financial performance.

2.2 Effect of Automation on Financial Performance

The role of automation in tax and revenue collection has become increasingly significant. The introduction of new tools to enhance business efficiency has a direct impact on the methods employed for collecting taxes and revenues. The rapidly evolving landscape of IT renders existing fiscal systems outdated within a short span. With the ever-changing nature of financial processes, there is an increasing need to integrate pre-existing structures, which in turn necessitates the creation of new applications (Adams, 2013). Counties may take use of new tactics in lobbying, advocacy, design, implementation, and citizen service delivery made possible by ICT. Management information systems that take into account regional, national, and global trends are essential for this. Reducing expenses, standardizing operating procedures, and decreasing mistakes may be achieved by automating all aspects of the operations.

Ndonye (2018) examined the avenues in which the Nigerian Ministry of State for Immigration and Registration of Persons generates income. A large majority of respondents (65%) strongly agreed that people in need of assistance have difficulties with online application processes due to a lack of technological knowledge. The ministry's attempts to collect funds are subsequently hampered by this. Additionally, the inquiry brought to light a number of challenges. There were several factors contributing to this problem, such as revenue collection staff members lacking in IT knowledge and skills, ministry employees being resistant to change, an inadequate infrastructure for IT, and the persistence of non-automated methods. Due to a lack of factor analysis to isolate factors influencing revenue collection, such as technical skill, the study may have been biased.

Research conducted by Maisiba and Atambo (2016) examined the impact of modern information and communication technologies on revenue generation, organizational productivity, and cost savings from 1992 to 2013. The study focused on the years 1992 to 2013. There was a direct correlation between the employment of technological tools and increased income and decreased expenditures, according to the results. Worldwide use of ICT has boosted corporate efficiency and cut costs significantly in areas like cross-border money transfers. Another study, this one focusing on tax-makers in Malaysia, by Ling and Nawawi (2015), looked at how advanced fiscal education apps and ICT skills were integrated. The primary purpose of the research was to provide participants with the knowledge necessary to make good use of an electronic tax system. In order to make good use of automated tax systems, individuals need three specific abilities, according to the research. Even though the new online system cost the Malaysian tax office a lot of money, barely 20% of the intended filers were able to utilize it after three years. The lack of technological literacy was the main reason of this.

Akinyi and Odundo (2018) used the example of Homa Bay water and Sewerage Company limited to show how information systems (IS) contribute to the long-term viability of Kenya's public water utilities. Specifically, the study highlighted the possible advantages of completely integrating IS in water revenue collection, especially the electronic payment system, and found a favorable association between ICS and financial sustainability.

Yegon (2023) also looked at how e-tax affected collecting taxes in Uasin Gishu County using a case study method and data from 102 respondents. Research found that iTax had its own set of problems, particularly with taxpayers' ease of use and Kenya's low levels of computer expertise, even if e-filing system training has been effective in Kenya. To improve the scheme's efficacy, the report suggested that the KRA implement civic education. On the other hand, the study's goals and the respondents' contributions were not made clear, and the results and conclusions hinted to a double-blind approach, combining two investigations into one.

If you want to increase your productivity and efficiency in generating income, you must utilize technology. Technology is crucial in attaining revenue collection objectives by decreasing tax avoidance and evasion, however traditional paper-based approaches are still essential (Karimi, Maina, & Kinyua, 2017). A subfield of public administration, tax system technology seeks to increase profitability and efficiency on a national and regional scale. Policy discussions in industrialized nations have recently focused on the potential benefits of switching to computerized revenue collection.

According to Owino, Senaji, and Ntara (2017), for example, a tax assessment and collection system for online services is necessary because of current trends in public taxation. Potential advantages of state-building taxes, the financial and debt troubles in Western countries, and the effects of trade deregulation on their budgets, and their need for foreign aid; and the urgent financial demands of emerging nations are some of the reasons for this concept. There is a discrepancy between anticipated and actual collections because developing nation governments face substantial obstacles in collecting tax revenues. It is essential to invest in current technologies like ICT when automating revenue collecting systems so that the system can be updated, convergence can be promoted, and knowledge sharing can be facilitated for improved performance (Kira, 2016).

Establishing efficient and effective revenue collection procedures that improve transparency and resource utilization throughout the county is crucial for ensuring adequate management of budgeted services and project activities (Amin, 2013). By automating processes and structures, technology—particularly notably information and communication technology plays an essential role in the evolution and simplification of tax administration (Mugambi & Wanjohi, 2018).

In light of this, Foster and Hope (2017) conducted an empirical study to assess the impact of technology on revenue mobilization in India. Using regression analysis on a random sample of 20 local governments worldwide, the research demonstrated that the government may fulfil residents' development ambitions by significantly increasing its financial depth without increasing administrative expenses. Technology implementation, especially through automated systems, was identified as crucial for revenue collection, particularly in Malaysia, where it was observed to improve the acquisition of road parking fees, thereby boosting revenues.

The ease, dependability, and safety of payment methods, in addition to their speed, were highlighted by Henry et al. (2016) as crucial factors in attaining efficient and successful retail payment systems in Thailand, quality of services, and fees charged by financial institutions. Tax payment automation, originally coined in the US, has been adopted by countries like Australia for the administration of municipalities (Owino et al., 2017). Turkey's tax strategy focuses on simplifying tax laws, aligning them with EU laws, and highlighting the critical role of modern technology in revenue mobilization, especially for developing nations promoting municipal growth.

Weru et al. (2017) examined potential tax structures and economic growth rates in Brazil and Japan. The lessons learned from Japan's tax system show that a country may make changes before it reaches a certain degree of growth. Alternatively, the domestic market and economic development might be boosted via a new system. Collins (2016) looked at the efficiency of the Automation System Procedure of the GRA in collecting taxes in the country. After implementing the UNCTAD, many waiting operations were discovered to be simplified, including tax clearing, accounting, processing customs declarations, transit, and others. The purpose of collecting trade data was to aid in economic and statistical analysis.

According to Kondo (2015), Zimbabwe has positively influenced the success of organizations in developing countries by implementing online receipt technologies. Unlike traditional receipt processes, online receipts offer added value by facilitating secure online communication between senders and recipients. Certified receipt processes need to ensure the validity of origin and receipt exchange. In case of successful transmission or delivery failure, confirmation from both the sender and the hindering mechanisms for new technology implementation is crucial.

Automation is positively correlated with revenue collection and productivity collection in Uganda, according to study by Omwono, John, and Kevin (2016). On the other hand, the time needed for tax clearance was adversely and strongly correlated with automation. Tax administration, automation, time efficiency, and revenue collection efficiency are all greatly improved by this research. Another study by Awita et al. (2015) in Kenya demonstrated that implementing e-payment using mobile technology for parking increased parking rates. However, the study recommended designing a traffic control application for parking space allocation without addressing penalty payment schemes.

In their 2016 study, Maisiba and Atambo investigated the mobile parking management system in Nairobi County and the loud demands for electronic payment. Although the research did find several obstacles, it did not specify how to control them. While the effects of electronic payments on tax collection were not immediately apparent, awita's (2015) study did indicate that automating such processes would greatly boost revenue collection. The Mombasa County Government was advised to automate their income collecting process, albeit the research did not reveal which technology will be used.

Revenue collection was one of the responsibilities shifted to county governments in Kenya under the 2010 Constitution (Muriithi & Moyi, 2013). Permit fees, cessation charges, licensing fees, and parking fees are some of the taxes that county governments use to fund their operations. For the system to work as intended, effective revenue collection is critical; otherwise, vital services may have to be cut, which might slow down the transition. The effectiveness of fiscal decentralization, which aims to empower communities by increasing administrative openness, depends on a strong revenue structure (Masaiba et al., 2016).

According to Muema Awita (2015), smart parking systems and other contemporary e-payment solutions make it easy to collect payments using mobile phones. Nevertheless, due to its novelty and a lack of data and research on internet banking in Kenya, the implementation of e-payment by Kenyan County Governments encounters obstacles.

3.0 Materials and Methods

3.1 The materials

According to Sekaran and Roger (2011), research design served as a comprehensive manual outlining the procedures and methods for collecting and analysing vital data. In an effort to better understand the world, this study used an explanatory research strategy to look for links between variables. The primary objective of explanatory research was to identify any elements or variables connected to the study's topic that may be considered causal. According to Johannesson, Ohlson, and Zhai (2023), the purpose of the study was to confirm hypotheses that were formulated in light of the current situation. This study used an explanatory research design to quantify the impact and magnitude of each independent variable on the dependent variable, which in this instance was the financial performance of the County Government of Meru. It also facilitated the investigation of the connections between different variables. Because the study used an explanatory research method, it was able to determine how OSR factors affected the County Government of Meru, Kenya's financial health.

For this particular research, the population under examination consisted of 276 employees from Meru County. This includes 7 chief officers, 144 technical finance staff, 56 technical accounting staff, and 69 members of the County Assembly. The lists containing the numbers of staff at various levels were acquired from the Meru County Human Resource department, while the list of County Assembly members came from the Meru County Assembly itself. The composition of the study population is presented in Table 1.

Table 1: Target Population

Staff	Target Population	Percent
Chief Officers	7	2.5
Technical Staff (Accountant)	56	20.3
Technical Staff (Finance)	144	52.2
Members of County Assembly	69	25.0

Total	**276**	**100**

Source: Meru County (2024)

3.2 Methods

The data collected in the field was coded and cleaned before being loaded into the computer system for SPSS analysis. The data was compiled in accordance with the objectives and criteria of the research in order to identify new trends and issues related to certain subjects. The study obtained variable scores by combining indicator scores. According to Parveen and Leonhauser (2004), a mix of qualitative and quantitative approaches was used, depending on the data collected, to build indices from the combined scores of numerous factors.

The variables that influenced OSR collection and financial success were compared and contrasted using descriptive statistical approaches, such as frequency distributions and cross-tabulations. To further understand how the independent factors impacted the dependent variables, multiple regression analysis was conducted. This kind of study proved helpful for examining the interaction between a single dependent variable and several independent variables, according to Hair et al. (2005). The VIF was used in the study to solve the issue of multi-collinearity. The model gave beta (β) coefficients for each independent variable to show the impact of each variable on the dependent variable. The required regression model is shown here:

Model Specification

$Y1= \beta0+ \beta1X1 +\varepsilon$

Where;

Y = Financial performance (dependent variable)

X1 – Automation

β0– regression constant

ε – Error term assumed to be randomly distributed

4.0 Results and Discussion

4.1 Response Rate

163 questionnaires were given out by the researcher to members of the County Assembly, technical staff, and chief officers. Of these, 146 surveys were filled out and sent back, yielding an 89.6% response rate. A 50% response rate is deemed sufficient for analysis and reporting, 60% is acceptable, and 70% or more is exceptional, according to Mugenda & Mugenda (2003). Accordingly, the study's 89.6% response rate is exceptional by their standards.

4.2 Automation of Revenue Collection and Financial Performance

The second goal of the research was to determine how the financial performance of the Meru County government was affected by the automation of tax collecting. Using the strongly disagree, disagree, disagree, neutral, and agree scales, the researcher assessed the respondents' degree of agreement with the different assertions made about the Automation of Revenue Collection. The results are shown in Table 2.

Table 2: Descriptive Statistics of Automation of Revenue Collection

Statements	N	Min	Max	Mean	SDiation
Delay in revenue collection in the county government is attributed to issues with revenue computation.	146	1.00	5.00	3.33	0.910
Automation of the revenue collection process has significantly improved the system	146	1.00	5.00	3.46	0.879
Automation has reduced instances of fraud	146	1.00	5.00	3.51	0.909
Automation has increased efficiency, and promoted accountability in revenue management	146	1.00	5.00	3.54	0.973
Automation led to an increase in collected revenue	146	1.00	5.00	3.62	0.926
Proper management of revenue resources has also been enhanced through the implementation of automation in the county government.	146	1.00	5.00	3.26	0.700

Valid N (listwise)	146

Source: Researcher (2024)

According to the study's results, most respondents were ambivalent about the idea that the county government's revenue collection delays are caused by problems with tax calculation (Mean=3.33, SD=0.910). Furthermore, a sizable portion of respondents agreed that automating tax collection had enhanced the county government's overall operations (Mean=3.46, SD=0.879). Automation has decreased revenue collection fraud, according to respondents (Mean=3.51, SD=0.909). Additionally, everyone agreed that automation had improved the revenue collecting process's accountability and efficiency (Mean=3.54, SD=0.973).

Automating revenue collection has reduced waste, according to respondents (Mean=3.62, SD=0.926). Respondents were indifferent (Mean=3.26, SD=0.700) when asked whether automation enhanced the administration of county income resources. With a SD below 1, the results demonstrated that the answers were very consistent throughout the trial. Taken together, these findings point to an impact of automated revenue collection on the financial performance of the Meru county administration.

The study findings indicate that automating revenue collection has improved the overall process in various county governments. This aligns with the observations of Laban and Muthinja (2023), who noted that automation significantly impacts total revenue collection enhancing financial performance in Nyandarua County. Additionally, it supports Sande et al., (2020), who highlighted that an automation-based approach enhances revenue collection, leading to increased government revenue and enabling better service delivery to citizens.

Furthermore, the results show that automation has improved efficiency and accountability in revenue collection within county governments. This is consistent with the research of Adams (2021), Williams and Roberts (2022), Thompson and Baker (2020), and Green (2019), all of whom noted that automating revenue collection fosters effectiveness, efficiency, accountability, and transparency among revenue authorities, thereby helping governments achieve their objectives.

4.3 Correlation Analysis

To evaluate the relationship between the study's independent and dependent variables, the Pearson correlation analysis was used. The outcomes are shown in the table 10.

Table 3: Correlation

		Automation of Revenue Collection	**Financial Performance**
Automation of Revenue Collection	Pearson Correlation	1	
	Sig. (2-tailed)		
	N	146	
Financial Performance	Pearson Correlation	0.765**	1
	Sig. (2-tailed)	0.001	
	N	146	146

Source: Researcher (2024)

Meru County financial performance and automation of the revenue collection system ($r=0.765$, p-value<0.05), according to the Pearson correlation results in the table. All of the tests were statistically significant, and there is often a positive correlation between the independent variables.

4.4 Regression Analysis

To ascertain the link between the study variables, the researcher conducted a regression analysis. This was accomplished by regressing the dependent variable, financial performance, against the independent factor, automation of revenue collection. Below is a summary of the findings.

Model Summary

The degree to which the independent factors predict the dependent variable is shown in the model summary table below.

Table 4: Model Summary

Model	**R**	**R Square**	**Adjusted R Square**	**Std. Error of the Estimate**
1	0.863[a]	0.712	0.716	0.86990

a. Predictors: (Constant), Automation of Revenue Collection

The predictor variable has a positive correlation (R = 863) with the financial performance of the Meru County governments, according to the data in the table. According to the findings, the "R squared" value is 0.712. This indicates that differences in revenue collection automation accounted for 71.2% of the variance in the Meru County government's financial performance. The findings also indicate that additional variables not included in the model or the focus of the present research were responsible for the 28.8% difference in Meru's financial performance.

Table 5: Analysis of Variance (ANOVA)

Model		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	7.113	4	1.778	162.350	.000[b]
	Residual	46.917	141	0.757		
	Total	54.030	145			

a. Dependent Variable: Financial performance

b. Predictors: (Constant), Automation of Revenue Collection

The significance of the regression model for the gathered data was calculated with the aid of the ANOVA. The findings in Table indicate that the regression model's goodness of fit to the gathered data is statistically significant. At a 95% confidence level, this is shown by a high F-statistics value (Fcal =162.350 > Fcri = 4.123), and the results are statistically significant (p values = 0.000, which is less than 0.05).

Table 6: Coefficients of Regression

Model		**Unstandardized Coefficients**		**Standardized Coefficients**	**t**	**Sig.**
		B	Std. Error	Beta		
1	(Constant)	0.365	0.665		5.063	0.000
	Automation of Revenue Collection	0.071	0.120	0.114	0.955	0.010
a. Dependent Variable: Financial Performance						

Source: Researcher (2024)

Based on the regression results shown on Table 18, the regression model becomes;

Financial Performance = 0.365 + 0.071X_1

Where:

X1 is automation of revenue collection

According to the regression equation above, the Meru County Government's financial performance would vary by 0.365 if all other parameters remained the same. The findings also indicate that the financial performance of the Meru county government will alter by 0.071 for every unit increase in tax collecting automation. According to the report, the factors have a beneficial impact on Meru County Government's financial performance.

These results corroborate a number of earlier investigations. For example, Gidisu (2012) observed that revenue collection automation had a good impact, lowering administrative expenses while increasing revenue collection. Mitullah provided further support for these conclusions, pointing out that improving the management of revenue resources via automation of tax collecting led to higher revenue.

5.1 Conclusion

The research proved that a well-designed internal control system has a favorable effect on bottom-line results. Additionally, the research found that the financial performance of the Meru County governments is greatly impacted by the competency of the revenue personnel. Finally, the research found that financial performance was significantly impacted by automation. Meru County government's financial performance is favorably and considerably impacted by automation, competent revenue personnel, internal control, and county regulations, according to the study's conclusions. In order to decrease leakage, county workers should adhere to government laws, rules, and regulations. This includes conducting surprise audits to supplement self-assessment procedures, enhancing control mechanisms, and enforcing a severe penalty for non-compliance

5.2 Recommendations

County governments in Kenya saw an improvement in their financial performance after automating their tax collecting processes, according to the report. Therefore, in order to improve financial performance, the Kenyan county governments should think about automating all of their financial operations.

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