

**EFFECT OF FISCAL DECENTRALIZATION ON SERVICE DELIVERY  
IN INDUSTRIAL CITY DIVISION MBALE CITY**

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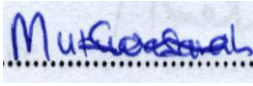
## **ABSTRACT**

The study concentrated on effect of fiscal decentralization on service delivery in industrial city division Mbale, City. The study concentrated on three specific objectives of: To find out how assignment of expenditure responsibilities affects Service Delivery in Industrial City Division in Mbale City, to analyze the effect of local Taxes on Service Delivery in Industrial City Division in Mbale City, and lastly to evaluate the role of inter-governmental transfers on service delivery in Industrial City division in Mbale City. The study used a descriptive research methodology and used a mixed research approach. The study considered a sample size of 110 respondents. Study findings concluded that expenditure has an effect on services delivery, that there is Political influence in allocation that Local Governments need more powers on expenditure, that Local Governments are responsible for budgeting for services, that Local taxes increase demands for services, that Local governments do not generate adequate revenue, that Local revenue is highly misappropriated and diverted, that Government transfers are aimed at improving service delivery. The study recommends that: There should be more investments by Central Governments to lower local governments to ensure effective service delivery and lastly that there is need for the local Governments to improve on revenue collection and management.

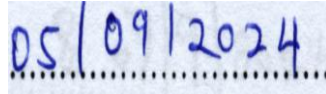
## DECLARATION

I, **Mutuwa Sarah** hereby declare that this research report entitled “effect of fiscal decentralization on service delivery in industrial city division Mbale, City” is my original work and to the best of my knowledge has never been submitted to any other institution of higher learning for any academic award.

Sign:



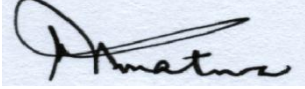
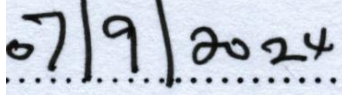
Date:



**Mutuwa Sarah**

## APPROVAL

This research report was carried out under my supervision on the topic “effect of fiscal decentralization on service delivery in industrial city division Mbale, City” and it is now ready for submission as a partial fulfillment for the requirements of the award of a bachelor’s degree of Public administration and Management of Uganda Christian University.

Signature:  Date: 

**MR. Watuwa Anthony**

**Supervisor**

## **DEDICATION**

This research report is a special dedication to my beloved family members who have in one way or another supported me till the completion of my course. May the Almighty God bless them all abundantly.

## **ACKNOWLEDGEMENT**

I acknowledge God the Alpha and Omega, for the precious gift of life, strength, knowledge and wisdom which have enabled me carry out this research successfully.

I acknowledge my research supervisor Mr. Watuwa Anthony for his tireless efforts and guidance till the completion of this research report may God the Alpha and Omega bless the work of his hands abundantly.

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## **LIST OF ABBREVIATIONS**

NPM	New Public Management
SDG	Sustainable Development Goals
NRM	National Resistance Movement
GDP	Gross Domestic Product
PEAP	Poverty eradication action plan
PGBS	Planning general budget support

# CHAPTER ONE

## INTRODUCTION

### 1.0 Introduction

This chapter is comprised of the introduction, background to the study, statement of the problem, purpose, objectives, and research questions, scope of the study, the significance of the study, limitations and delimitations.

### 1.1 Background to the study

Globally, decentralization is seen as the transfer of responsibility for planning, management, resource raising and allocation from the central Government and its agencies to the lower levels of Government (Nsibambi, 1998). Decentralization may be Political, Administrative and Fiscal with major forms of devolution, delegation, deconcentration and divestment (Nsibambi, 1998). The particular focus of this research was on the fiscal component of Decentralization. The world over, in the recent past, there has been increasing reference to the term "Fiscal decentralization" as a way of managing the financial resources of the public sector in both the developed and developing countries (Smoke, 2003). Fiscal Decentralization has no specific origin in terms of location but its original intent is shared among many countries as a strategy for New Public Management (NPM) Reforms.

In the post Bretton Wood Conference period of 1994, it was felt that the plans and programs of the central government were the most important thing for the development of a country. However, this approach did not prove to be correct because, in addition to the lack of sustainable economic growth in many developing countries, reduced public freedom, increasing corruption and low level of quality of public services and increase in poverty denoted the period of strong expansion of central government Yilmaz, (2018). Therefore, in the last two decades, many international organizations and the governments of many countries have advocated a greater role for lower levels of government in achieving development goals. It has been believed that by devolving greater powers and responsibilities to local authorities, these goals can be achieved, devolving greater powers to lower levels of government will lead to public policies that are closer to the people, more efficient allocation of resources, and ultimately greater economic growth Ebel (2002). However, to achieve these goals, local governments must also be well organized, which means that political decentralization must be followed by appropriate fiscal decentralization.

Fiscal decentralization on GDP per capita growth for 13 countries in Central and Eastern Europe was assessed by Korotun et al. (2020) who found that revenue decentralization and tax autonomy had a negative impact on economic growth. But expenditure decentralization was associated with a positive GDP growth rate. Moreover, structural transformations radically reduced the size of the public sector in Central and Eastern Europe, which had a positive impact on the economy. The main components of local budget tax revenues are income tax and property tax. In India, fiscal decentralization was used as a policy tool of shifting power and resources from central or regional authorities to local Government to achieve quality of public services Asfaw (2019). In Brazil decentralized budgeting has been used to capture the views of the citizens as a means of making Government responsive to Public interests and monitoring quality of services Shah (2019).

As an example, while fiscal decentralization may affect either economic growth, governments could resort to decentralization reforms in an effort to increase their rate of growth, or fiscal discipline or other processes. Similar cases of reverse causality issue may happen in studying the relationship between decentralization and regional economic disparities (see, recently, Kyriacou et al., 2015). Earlier studies barely acknowledged the endogeneity issues, while later studies offered possible, but often inadequate solutions. For example, some studies have used initial values of the independent variables to reduce the endogeneity issue (Akai and Sakata, 2002), while other studies proposed using lagged independent variables as instrumental variables (IVs) (Gemmell et al. 2018). The challenge has been the scarcity of appropriate time-variant exogenous instruments.

Many theories have been advanced to explain the concept of fiscal decentralization. These theories are based on the premise that the transfer of responsibility to lower Government units closer to the population has got several advantages including improved delivery and quality of services through greater citizen input, better accountability to the citizenry and for public service outcomes (Shah, 20078). Among the many theories attention was drawn to the efficiency theory as the most relevant to this study. The efficiency theory as raised in Bernnet (2018), states that: efficiency is an economic value seen as the maximization of social welfare. This greatly relates to the area of research which looked at how best social services can be provided in the most efficient and effective manner. Like the efficiency theory denotes, Decentralization if well implemented improves resource allocation as (Wallace, 2020). In the same vein, Dether (2019) developed supportive ideas to the efficiency theory by contending that fiscal decentralization is seen as a

way of bringing authorities in more direct contact with the citizens, and as a way of improving poor quality services to resolve tensions arising from the unequal pace of growth and improvement in standards of living. This explains why the efficiency theory formed the basis of this intended study.

In general terms, fiscal decentralization is a concept that denotes the transfer of national responsibility for generating revenue and managing its expenditure. Fiscal decentralization presumes that if more revenue is transferred or locally generated, Local Governments could deliver efficient and effective services as needed by communities. The Local Governments Act (2019) gives liberty to local communities to provide social services at local level basing on local priorities. With due regard, even conditional grants are directed to areas selected locally and the framework should make life less difficult. (Moody, 2017).

Fiscal Decentralization as a component of the general Decentralization framework, presupposes that stakeholder involvement in financial mobilization and management would make service delivery more sustainable, demand driven and thus more meaningful to target beneficiaries. This is why scholars believe that Uganda has developed a reasonable level of decentralized system of governance and as a result, there has been a reasonable level of popular participation in the process of planning at all levels. (APRM Country Review Report NO.7, 2018). Decentralization as a concept and more so the fiscal component, is a system whose original intention cannot be underrated given the vast advantages in the field of delivering services to humanity. This research was conducted to promote the positive ideas of fiscal decentralization, and suggest modes of correcting existing errors in the system.

Africa is working towards achieving two major targets set globally and by the continent itself in the 2030 Sustainable Development Goals (SDG) and the 2063 African Union's Agenda (Agenda 2063) respectively. Agenda 2063 is a strategic plan for the next 50 years that was adopted by the 24th ordinary assembly of the African Union in Addis Ababa on 31 January 2015. One of the main goals in the economic development pillar of the agenda is eradicating poverty within one generation. The SDGs were adopted by the UN member states in 2015 as a universal call to action to end poverty, protect the world and ensure that all people enjoy prosperity and peace by 2030. Setting up adequate financial policies and mechanisms is critical to achieving those goals. Fiscal decentralization is one of those mechanisms which is believed to contribute to achieving those two plans.

The early attempts of adopting fiscal decentralization in Africa started in the 1990s (Mwitit et al., 2017). The African City Summit which was held in 1998 in Abidjan, Ivory Coast, is one memorable instance of the continental progress towards embracing decentralization. The summit was held with the theme “Recognition of the essential role of local governments in the development of Africa”. Agendas such as challenges of decentralization, local development, regional integration, and cooperation within Africa were discussed during the summit (Wesonga and Davis, 2018). African cities have continued to be one of the important platforms where decentralization is discussed and experiences are shared among African countries.

In Uganda the current Decentralization framework is rooted way back in the mid-1980s when the NRM was still in the bush fighting the previous regime. The NRM established Resistance Councils (RCs) in some areas, primarily for mobilizing support to fight the war. The RC system was a five –level hierarchical structure of councils; RC1-Village, RC2-Parish, RC3-Sub-county, RC4- County, and RC5-District. In 1987, the NRM transformed RCs into democratic organs of the people to establish representative local authorities. In 1993, the first group of thirteen pilot Districts was decentralized, and in the same year, the local Government statute was passed. In 1995, the new Ugandan Constitution legalized decentralization further, and using article 206, the Local Governments Act was enacted in 1997, establishing structures. Nsibambi (2020). Nevertheless, views on the impact of fiscal and political decentralization on the quality of government are unclear and there are arguments both for and against decentralization.

In 1998, the Local Government financial and accounting regulations (LGFAR), streamlined the management of funds at all levels of Government in order to ensure effective social service provision. Since 1998, all categories of Local Governments became corporate bodies with authority to plan, Budget, sue and be sued as autonomous bodies. All this forms the basis of the current global national Decentralization frame work.

In Industrial City Division of Mbale City, instead of measuring changes in the amount and outcomes of public services, an alternative way is to ask citizens and taxpayers directly how they feel about decentralized services delivery. A growing number of household surveys in Industrial City Division have not typically shown increased citizen satisfaction with fiscal decentralized delivery of public services (Division Report, 2021). Similarly, other studies find that fiscal decentralization is associated with reduced citizens’ feelings of trust in government-related institutions in Industrial City Division. Recent contributions on fiscal decentralization in in

Industrial City Division have focused on the implications of fiscal decentralization for happiness only. Nuwagaba et al. (2022) noted that local autonomy may not be associated with greater levels of individuals' happiness and may be detrimental in some cases. Summing up, direct tests on the allocate and production efficiency of fiscal decentralization have remained elusive in the literature and much work remains to be done thus creating a research opportunity for this study.

## **1.2 Problem statement**

The justification of decentralization was based on the expectation that bringing services closer to the citizens would improve service delivery in both content and quality (Burns, 2018). Decentralization would improve on the efficiency and effectiveness of services which are currently inadequate in Industrial City Division of Mbale City. It is for this reason that Uganda adopted decentralization after the NRA bush war with the aim of empowering local authorities to identify and provide for the local needs (Nsibambi, 2020). The fiscal Decentralization framework should empower lower level governments to sustain themselves through managing local revenue and grants all with the intention of ensuring efficiency in service delivery, a situation industrial city division Mbale City has up to now failed to achieve.

Concerns have been raised about fiscal decentralization that it is low among Uganda districts. One of the issues that have been raised is about insufficient financial resources. For example, in Industrial City Division statistics show that the unconditional grant was **328,710,071** in 2011/12, **191,691,305** in 2012/13 and **189,499,480** in 2013/14 (Division Status Report, 2023). Thus, the trend from 2011 to 2014 was in a decline leading to insufficiency in financial resources. In order to empower local governments to fulfill their responsibilities, they are entitled to levy, charge, and collect local taxes and fees, and to receive a number of intergovernmental grants (Steiner, 2023). With regard to taxes and fees, District and urban local governments are allowed to manage property tax, several forms of non-tax revenue (market dues, trading licenses, parking fees, education contributions, among others. According to the law, proceeds from local taxes and fees are retained locally and shared between different levels of local government and administrative units but not with the Centre. However, since these proceeds are extremely low service delivery is low too. (Steiner, 2019)

In Industrial City Division, problems facing service delivery have been worsening from time to time. This has created a trend of continuous reduction of socio-economic welfare which is a threat to the sustainability of all municipal projects and activities given the continuous unreliability of central government transfers (Industrial City Division Report, 2023). This greatly impacts on service delivery in all sectors ranging from Administration, Health, Education, Works and production through failure to maintain existing facilities and projects, poor hygiene and health conditions, inadequate road network, low agricultural extension services and food insecurity, all impacting on social welfare (Industrial City Division Development Plan, 2022-15).

A continuation of this trend of inadequate, inefficient and ineffective service delivery framework in Industrial City Division is a dangerous social cost to Ugandans in the locality. Therefore, an in-depth investigation is vital. Without this study, the 1,900 humans living in Industrial City Division would continue missing substantial services. (The New Vision, 19<sup>th</sup> Nov. 2023, Pg. 44).

### **1.3 Purpose of the study**

The purpose of this study was to assess the effect of fiscal decentralization on service delivery in Industrial City Division in Mbale City.

### **1.4 Specific objectives**

- 1) To find out how assignment of expenditure responsibilities affects Service Delivery in industrial City division in Mbale City.
- 2) To analyze the effect of local Taxes on Service Delivery in industrial city division in Mbale City.
- 3) To evaluate the role of inter-governmental transfers on service delivery in Industrial City division in Mbale City.

### **1.5 Research Questions**

- 1) How does assignment of expenditure responsibilities affect Service Delivery in industrial city division in Mbale City?
- 2) What is the effect of local Taxes on Service Delivery in Industrial City Division in Mbale City?
- 3) Explain the role of inter-governmental transfers in service delivery in Industrial City Division in Mbale City?

## **1.6 Scope of the Study**

The scope of the study includes the following:

### **1.6.1 Geographical Scope**

The study was carried out in Industrial City Division in Mbale City in Mbale district. The City Division is one of the two City Divisions found in Mbale City. It is found to the northern line of Uganda railway, Southwest of Nabuyonga river, to the west by northern line of Uganda railway to the south Napwoli. To the East, it is bound by Tororo road, independency avenue and republic street.

### **1.6.2 Content Scope**

The study assessed the effect of fiscal decentralization and service delivery. The study specifically look at how assignment of expenditure responsibilities affects local Taxes on Service Delivery in industrial city division in Mbale City. It also evaluated the role of inter-governmental transfers in service delivery in industrial city division in Mbale City. Through this content scope, the researcher was able to collect adequate and relevant information that helped to attain study objectives.

### **1.6.3 Time Scope**

The study collected information from 2022 to 2024 because it was during this time that service delivery in industrial city division in Mbale City deteriorated.

## **1.7 Significance of the Study**

Using the findings of the study, it may be a basis for focused fiscal planning, revenue enhancement and thus improve financial and social service sustainability of in industrial city division in Mbale City

Government may use the recommendations in policy formulation thus aiding the local community in getting better services worth the value of public funds.

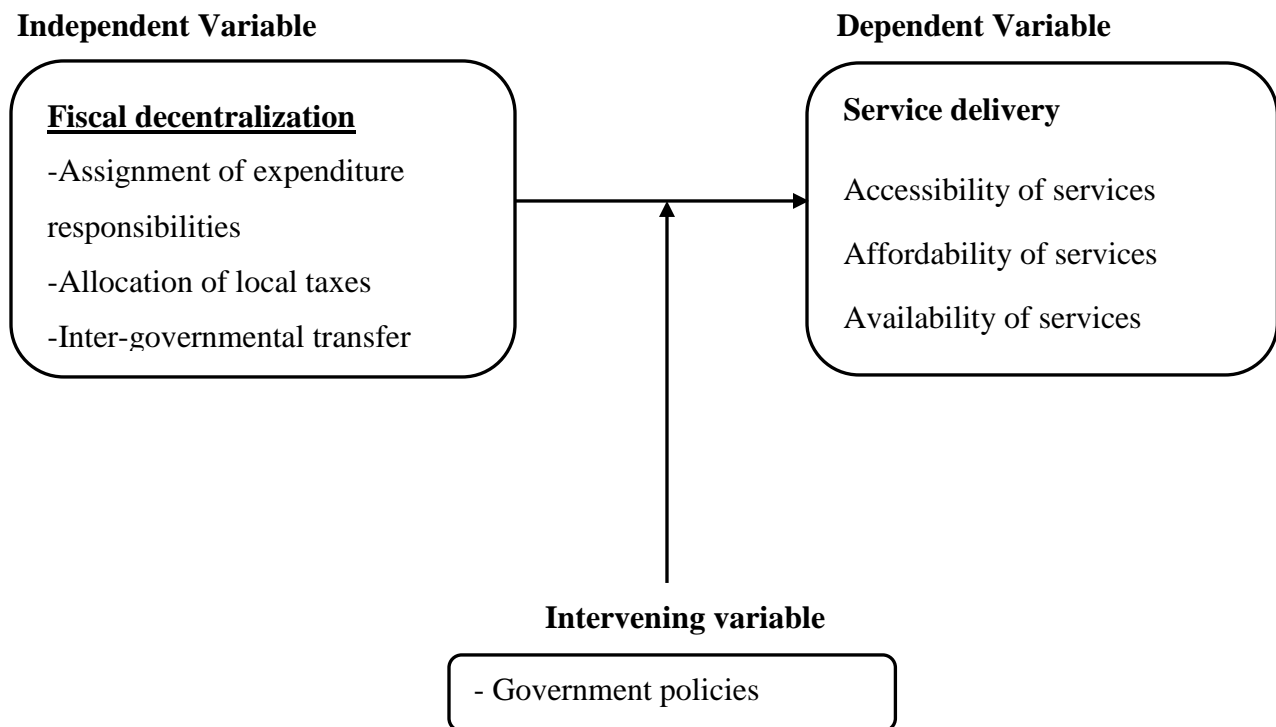
The study may recommend strategies for efficiency through proper accounting systems staff motivation and value for money audits in industrial city division in Mbale City

The study may empower stakeholders with a spirit of ownership for all projects under the support of taxes. This may lead to project sustainability and thus effectiveness in City service delivery efforts.

The study may be used as a source of information by future researchers who intend to carry out research in a similar field.

### 1.8 Conceptual Framework

This shows relationship that exists among variables of a study. This is normally presented graphically clearly outlining Independent, Dependent, Intervening and Moderating variables according to Mugenda and Mugenda (1999).



**Fig. 1: conceptual framework showing relationship between variables**

**SOURCE:** Adopted and Modified by the Researcher from Bahl, (1998)

The conceptual framework above, demonstrate the effect of Fiscal Decentralization on service delivery. Fiscal Decentralization an independent variable with parameters of assignment of expenditure responsibilities, and allocation of local taxes while independent variable is service delivery with parameters of accessibility of services, affordability of services and availability of services. The conceptual framework has been drawn on the assumption that if fiscal decentralization is improved, service delivery may improve and the reverse is true. Intervening.

## **1.9 Operational definitions**

**Decentralization:** in this study, the term referred to reorganizing a political unit so that power is shifted from a central or upper location to another less central place. It is therefore the transfer of authority and responsibility for specified services from Central Government to local Governments at different levels (Onyango 2016).

**Subsidiarity:** Assignment of power to small units: the principle that political power should be exercised by the smallest or least central unit of government which is capable of ensuring the required efficiency of the services (Mande, 2021).

**Fiscal decentralization:** fiscal Decentralization is in this study, assignment of national responsibility for generating revenue and managing its expenditure from Central Government to Local Governments (World Bank, 2018).

**Service delivery:** the process of providing social, political, economic and cultural needs of the population for improved welfare (World Bank, 2020)

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This Chapter gives an insight into what different writers have compiled about fiscal decentralization and service delivery in society. The chapter covers related concepts and dimensions of fiscal decentralization and the extent to which it influences service delivery towards ensuring efficiency and effectiveness of services. Under each objective, literature from both primary and secondary sources was analyzed, compared and thus used as basis for suggesting modes of improving service delivery.

#### **2.1 Effect of assignment of expenditure responsibilities on service delivery**

De Mello and Barenstein (2017) conducted their analysis in 78 developed and developing countries for the period 1980 - 1998. Their results showed that fiscal decentralization is related to various indicators of governance. They controlled for the influence of GDP per capita and population size and proved that decentralization of expenditure functions to the subnational level can improve governance. Moreover, their results showed that the source of subnational expenditure matters, i.e. the higher the proportion of grants and transfers and non-tax revenues, the stronger the relationship between decentralization and governance. They also showed that where subnational governments are large, further decentralization of the tax base can lead to allocate inefficiency and poor governance.

Looking back to when Uganda first received debt relief in late (2020), the poverty action fund (PAF) was developed as a mechanism for recovery, and poverty eradication action plan (PEAP) became part of the priority programmes to ensure human welfare. This explains why the principles of providing Aid are need based, where Governments express preferences for support under their budgets. This makes many countries, Uganda inclusive, aid dependent for Public expenditure among others. Thus most countries in Africa have their budgets externally influenced by more than 40% as loans in form of grants.

(Etienne, 2019) gives an insight of South Africa where social development had been identified as a key focus for budgeting. In the recent past, the Government had implemented policies aimed at providing better education, health care, housing and other social services. However, despite all

these strategies, socio – economic disparities remained rampant mainly because of budgeting policies that were too tight to the extent of failing to improve living conditions of the poor and instead, continuing to expand the economic opportunities for the self-sufficient (Etienne, 2022).

On the contrary, according to (Smoke, 2019), decentralized Governments in Kenya provide basic social services with minimal resources. This is attributed to the autonomy of their councils. This denotes that minimal resources with autonomy may transform society faster than vast resources with central Government restrictions on expenditure responsibilities. Therefore, in industrial city division of Mbale city, like other Local Governments in Uganda, expenditure responsibilities are assigned. Every Financial Year, IPFs are communicated from the center which are then integrated with local revenue sources to produce budget estimates. (Division Council minutes Aug. 2023).

According to the evaluation of planning general budget support synthesis report (May 2018), it was found that the most obvious effects of planning general budget support (PGBS) on service delivery have been through increased expenditure on basic services especially education and Health. Qualitative improvements are thus easier to achieve than quantitative improvements. The expansion of basic services has often been accompanied by deterioration in quality. Other PGBS effects (through policies) are likely to take longer. Where such a change has begun (through improved allocation and operational efficiency), it is not yet embedded. However, such effects of PGBS dialogue and performance targets have considerable potential to address issues of quality and access to social services. (Stephen, and Rebecca, 2019).

Bird and Wallich (2023) define assignment of expenditure responsibilities as part of a package of reforms aimed at improving the efficiency of the public sector, increasing competition among subnational governments in the provision of public services and goods, and promoting economic growth. Fiscal decentralization, according to Thiessen (2018), means giving government bodies below the central level the power to collect tax revenues and make independent decisions on expenditures. Studies on assignment of expenditure responsibilities have mostly examined its impact on regional inequalities or economic growth, while the relationship with quality of government is usually analyzed through the level of corruption and other aspects of quality of government are neglected. Nevertheless, a positive relationship between fiscal decentralization and government quality has been confirmed.

Huther and Shah (2020) examined the relationship between assignment of expenditure responsibilities and government quality using OLS regression for 80 countries at different stages of economic development. The work also aimed to fill the gap in measuring governance quality by constructing an index. The research results show that assignment of expenditure responsibilities improves governance quality as measured by governance index. This study will find out whether theoretical literature on fiscal federalism, considers an increase in public sector responsibility under fiscal decentralization.

## **2.2 Effect of local taxes on service delivery**

Taxes constitute a big portion of local revenue in all Local Governments. Taxes assigned to local governments include; Trading license, local service tax, hotel tax, property tax and other operational and occupation permits payable to local authorities. Levying/valuation/assessment and adjustment of rates may be done by particular local governments in their respective areas of jurisdiction as directed by the Minister. (LG Rating Act, 2018)

Most decentralized societies prove their worthiness and capacity through local revenue. This in most cases is dependent on local taxes. It is also argued that resource mobilization capacity makes Local Governments better equipped to collect more taxes. The efficiency of revenue collection may also be greater when stakeholders are involved in decisions taken by Local Governments through a participatory approach. This would be reflected in the willingness to pay taxes with hope to attain social services (Robinson,2019).

Studies on fiscal decentralization have confirmed that there is need to emphasize the actual degree of autonomy that local governments have over their revenues. One way to model the interaction between Local and Central Governments where both have real fiscal authority to tax and spend is as a game played by two levels of governments. As is always the case, the results may depend on the order of the moves and other details that have no clear real world parallels. Thus it is difficult to know how useful those metaphors are.

One problem with overlapping tax bases is that the tax rate set by each level in government creates vertical externalities by reducing the tax base of the other level. This competition may lead to tax rates that are too high. In fact, there is such a vertical externality in US and state taxes rise in response to federal tax increases on cigarettes and gasoline.

As a practical matter, in most poor countries, usually the only sub-national jurisdictions with a significant tax base are the major municipalities. Thus the governance outcomes of decentralization depend on the design of grants, conditional or otherwise. Tax administration should ideally be based on fiscal and administrative transparency. Government budgets and expenditure programmes need to be disclosed to the public (tax payers) to know how tax revenues will be spent.

A good sub-national tax system is critical to an effective and sustainable system of inter-Governmental fiscal relations a need that has become increasingly important around the world as more and more public services are being delivered through sub-national Governments. In most developing countries, potentially sound and productive taxes exist and are suitable for regional and local Governments. They include: property taxes, motor vehicle taxes, income taxes, VAT, business tax and others.

In line with previous research are the findings of Kyriacou and RocaSagales (2019). They also show the positive relationship between allocation of local taxes and the quality of government. The study covered 29 countries between 1984 and 1997. The indicator of government quality used in this paper represents an average of three dimensions: Corruption, Rule of Law, and Bureaucratic Quality, taken from the ICRG database. Kyriacou and Roca-Sagales (2022) conducted another empirical study. They applied a cross-sectional analysis with 101 countries and an unbalanced panel data analysis with 58 countries in the sample for the period from 1998 to 2006. Compared to the previous study, an additional dimension was added to the indicator of government quality, namely government effectiveness. Data were taken from the World Bank's Worldwide Government Indicators database (WGI), while data on fiscal decentralization were taken from the IMF's Government Finance Statistics database (GFS). The results are consistent with most of the empirical literature and show that local taxes under fiscal decentralization improves governance.

### **2.3 The role of inter-governmental transfers in service delivery**

Inter-Governmental transfer programmes serve multiple purposes; first, they help to cover sub-national government fiscal imbalances, supplementing inadequate local revenues to ensure ability to meet expected responsibilities. Second, they are used to meet national re-distributional objectives helping to off-set capacity differences among sub-national Governments. They are also

used to encourage local expenditures on particular goods and services that exhibit positive externalities considered to be basic needs to be accessed by all. Most transfer systems are intended to meet these objectives and they use a variety of mechanisms (Bahl, and Linn, 2018)

There have been a number of issues in the transfer mechanisms from central Governments and donors and this has been a matter of concern to Local Governments. Many of these mechanisms affect the decentralization framework giving little real power to Local Governments over allocations and decision making thus management and accountability problems emerge. That notwithstanding, in many Local Governments, accountability for conditional and unconditional grants is a problem. It is against this background that the Government of Uganda instituted a fiscal decentralization study to examine how to stream line and harmonize the process and management of fiscal transfers to local Governments. (Uganda National Budget, 2003-2004)

However, even in decentralized systems, the central government continues to exert a degree of control over Local Governments which undermines effective autonomy. There are differences in sub-national managerial and fiscal capacities both across and within countries. These differences combined with lack of reliable data and stringent controls left a lot to desire. (Breuss, and Markus, 2021).

According to Steffensen (2019), transfers can be used to “equalize” for service provision and to bring the LGs closer to a situation where all of them, potentially, have about the same ability to provide basic services to the citizens. Extra resources are transferred to LGs with lower fiscal (tax) capacity and/or higher expenditure needs than the average national level.

Specific/conditional grants can only be spent on specific purposes (categorical) or general purpose/unconditional (non-categorical). The grants may be used to finance a broad range of services (Steffensen, 2022). Most countries use a combination of conditional (categorical) and unconditional (non-categorical) grants. The reason is a wish to ensure a proper balance (trade off) between on the one hand the wish of the central government to ensure local adherence to certain national minimum service delivery targets in key sector areas like Education and Health, to ensure that safeguards are put in place, e.g. due to weaknesses in the LG administration (planning, budgeting and financial management capacity) and develop some confidence amongst the funding agencies, that all funds are not diverted e.g. for salary purposes. This is promoted by conditional/earmarked grants. On the other hand, there is the wish to ensure local allocative

efficiency, LG discretionary power and autonomy to adjust service delivery to local needs and priorities and to ensure local ownership and participation at the local tiers of governance, some of the main objectives of fiscal decentralization. These objectives are promoted by unconditional grants with a high degree of local discretion.

In their subsequent study, Kyriacou and Roca-Sagales (2014) confirmed that fiscal decentralization weakens the positive impact of fiscal decentralization on government quality. They explained that this could be due to the fact that local officials tend to be captured by local interests, considering that they are endowed with fiscal revenues and are subject to elections. Therefore, a positive effect of inter-governmental transfers under fiscal decentralization on the quality of government is achieved only if fiscal decentralization is not accompanied by political decentralization, which implies coordination problems or corrupt behavior by local incumbents.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

In order to achieve the desired outcomes of a non-biased study report, this chapter presents the methods that the researcher employed while conducting the study. It shows the research design, study population, sample size and selection, sampling techniques and procedures, data collection methods and techniques, validity and reliability of instruments, procedure of data collection, data analysis and ethical considerations.

#### **3.1 Research Design**

The research design is a detailed outline of how a given research is conducted (Etyang, 2018). Descriptive research design is a type of research design that aims to systematically obtain information to describe a phenomenon, situation, or population. More specifically, it helped to answer what, when, where, and how questions regarding the research problem rather than the why. (Maryam et al, 2018). Descriptive research is an appropriate choice when the research aim is to identify characteristics, frequencies, trends, and categories. The study was concerned with gathering of data manually.

The findings from descriptive research provided valuable insights and inform future research, but do not establish cause-and-effect relationships. The study adopted a case study design with the help of both quantitative and qualitative research approaches. Etyang(2018) Descriptive research provides a comprehensive picture of the characteristics and behaviors of a particular population or phenomenon, allowing researchers to gain a deeper understanding of the topic. Using descriptive research design which helped to provide a comprehensive and accurate picture of the population or phenomenon being studied and describe the relationships, patterns, and trends that exist within the data.

#### **3.2 Study Population**

The study population was drawn from industrial city division of Mbale City covering wards of Masaba Ward and south Central ward. The population consisted of 10 division staffs, 10 local leaders and 80 local people totaling to 100. Population specification was a requirement in the documentation of both qualitative and quantitative research and essential at arriving at valid and

reliable findings (Asiamah, Mensah, & Otenga-Abayire, 2017). health workers are chosen to participate in this study because they are the because of their direct involvement in day to day treatment of under-fives and as such, they have required information. Additionally, local leaders were included in the study because they are responsible for implementing and supervising health policy guidelines including mobilizing community response. Local people will be chosen because they have information on causes of malnutrition and copying strategies employed to overcome the problem of malnutrition among children.

### 3.3 Sample size

The total population (N) was 1152 people and therefore the sample population of 110 respondents, was arrived at using Krejcie and Morgan (1970) methods of determining sample size from the population

**Table 1 Demographic table showing sample size and Sampling Techniques**

<b>Respondents</b>	<b>Population</b>	<b>Sample Size</b>	<b>Sampling Techniques</b>
Division staffs	45	38	Purposive sampling
Local leaders	25	16	Purposive sampling
Local people	8	7	Purposive sampling
Residents of industrial City	74	49	Simple random sampling
<b>Total</b>	<b>152</b>	<b>110</b>	

**Source primary data (2024)**

### 3.4 Sampling Techniques

#### 3.4.1 Purposive sampling

Purposive sampling is a non-probability sampling method. This is a form of sampling technique that allows the researcher to use cases that have the required information with respect to the objectives of the study (Creswell, 2014). In this study, subjects were handpicked the respondents who possessed the required characteristics. Purposive sampling technique was used on division staffs, local leaders and local people because these people were assumed to have the exact information that the study needed. This sampling technique was used because it best suits the above mentioned respondents.

### **3.4.2 Simple Random sampling**

Simple random sampling is a type of probability sampling in which the researcher randomly selects a subset of participants from a population. Each member of the population had an equal chance of being selected. Data is then collected from as large a percentage as possible of this random subset (Mugende and Mugenda, 2016). Simple random sampling was used to select residents of Industrial City Division.

## **3.5 Research Instruments**

The researcher used questionnaires and interviews

### **3.5.1 Questionnaire Survey**

The research used questionnaire survey data collection method. The questionnaire survey comprised of closed ended questions which were answered by the respondents. The researcher used a self-administered questionnaire as a research tool to collect data from 60 local people. The questionnaire consisted of an introductory note. Section A for respondents' demographic information, Section B, C and D had questions on study variables. The researcher got a list of 60 local people identified through probability sampling to whom the questionnaires were administered.

According to Fisher (2004), a questionnaire was used because it is easy to administer, not so expensive, and helped to collect unbiased data. The nature of the questions were in form of structured and close ended questions where by a 5 Likers scale of measurement was on close ended questions based on a scale of strongly agree (5), agree (4), unsure (3), disagree (2), strongly disagree (1). Questionnaires were used because they allowed respondents to provide firsthand information which was free of bias and it was also easy to use.

**Table 3: 2 Likert Scale, Coding, and Interpretation**

<b>Scale</b>	<b>Coding</b>	<b>Mean</b>	<b>Interpretation</b>
Strongly agree	5	4.20-5.00	Very high
Agree	4	3.40-4.19	High
Unsure	3	2.60-3.39	Moderate
Disagree	2	1.80-2.59	Low
Strongly disagree	1	1.00-1.79	Very low

**Source: Primary Data 2024**

### **3.5.2 Interviews**

Other data was collected through interviews with the help of an interview guide. An interview guide is a research instrument that contains a set of questions on defined issues under study that are put to respondents on face to face basis (Saunders, et al, 2019). An interview guide collects data that supports the researcher through directing an interview process towards the objectives and issues regarding the study (Etyang, 2018). The interview guide consisted of open-ended questions and it was answered by all the respondents

### **3.6 Data quality control tools**

#### **3.6 Validity of Instrument**

The validity of the instrument was established using the content it entails. The researcher in consultation with her supervisor conducted a first session in which critical assessment of each item was rated for relevancy. Adjustments on the questions were made until validity was achieved. Content validity was established through expert judges using content validity index (CVI) given by the formula below (Amin, 2005).

$$CVI = \frac{\text{No of items declared valid}}{\text{Total no of items}}$$

#### **3.7 Reliability of Instrument**

In the case of reliability, the Cronbach Alpha coefficient method of internal consistency was used to calculate the reliability co-efficient of the questionnaire.

The formula was as follows:

$$\alpha = \frac{K}{K-1} \left( \frac{\sum D_i^2}{SDt^2} \right)$$

Where  $\alpha$  = the alpha coefficient  $\sum SDi^2$  = sum of the variance of individual items in the questionnaire  $SDt^2$  = variance of entire questionnaire

K = number of items in the questionnaire

Reliability of the questionnaire was 0.911 and this therefore warranting the researcher to proceed.

### **3.7 Data collection procedure**

The researcher got a letter from the University to allow her for data collection. Thereafter, the researcher sent consent letters to the responders requesting for them to participate in the study. Raw data was then compared and coded before data analysis was done. During editing, points of views of the responders seemed who were unclear were returned to them for checking so as to make certain of the meaning of the seemingly ambiguous replies. Thereafter, the researcher wrote a report that was submitted to the department for examination.

### **3.8 Data Processing and Analysis**

#### **3.8.1 Quantitative data analysis**

Any data that was presented in numerical form like statistics, percentages among others are referred to as Quantitative data. Quantitative data got from questionnaires was computed into frequencies and percentages. The initial step in preparing this data was coding. This involved allotting numbers to the respondents' responses in order for them to be fed into a database (Sekaran & Bougie, 2016). Responses were fed into a data base after they were coded. Raw data was entered using the SPSS Data Editor. Data was presented using different methods such as simple frequency tables which ultimately helped to measure effect of fiscal decentralization on service delivery in Industrial City Division Mbale City.

### **3.8.2 Correlations and Regression Analysis**

Correlations and regression analysis was used to analyze and measure the degree of relationship between variables because it is the most appropriate and presents minimal interference by the researcher and it give no room for manipulation of data. This type of inferential statistics was easy to compute and interpret and also helped in making conclusions.

### **3.8.3 Qualitative data analysis**

On the other hand, qualitative data gathered from open-ended questions in the interview guides were arranged into themes and presented in narrative format. A style called content analysis was used to test the validity and authenticity. Data in form of words is Qualitative data. The initial step in analysing this data is cutting it down through coding and categorization. Data reduction is the procedure of choosing, ciphering and placing data into categories. Coding is the analytic procedure by which the qualitative data that the researcher had gathered was cut down (Sekaran & Bougie, 2016). The intention of ciphering is to help the researcher to make conclusions that are meaningful on the data. Codes are labels assigned to units of text. These are then placed in groups made categories. Categorisation is the procedure of organising, arranging and classifying coding units. Codes and categories can be formulated both inductively and deductively. Data display comprised of displaying data that had been reduced in an organised, digested way. Drawing of conclusions was the last activity of analysis in the process of analysing data qualitatively.

### **3.9 Data collection procedure**

The researcher selected and presented a research topic to the department of education which was approved. Thereafter the researcher develops a research proposal. After approval of the research proposal, the researcher obtained an introductory letter from the Head of department which was presented to the relevant authorities in the study area for data collection. Thereafter the researcher wrote a report which was presented to the department for further examination.

### **3.9 Ethical considerations**

The following ethical considerations were looked at by the researcher during the research.

#### **3.9.1 Informed consent and voluntary participation**

The researcher got consent from the respondents to involve in the research not just forcing them to participate. Informed consent is the basis of ethical research (Denzin & Lincoln, 2016). The people participating in the study were made aware of what the study was about, its purpose, usage of the data, and any consequences that could arise from (Fleming, 2018). The researcher furnished the respondents with information on the reason for the research and the procedure of collecting data. The allowed enough time to ask questions and have any concerns addressed. The respondents exercised free will in deciding whether to participate in research activity or not. All people involved in the research given written informed acceptance.

#### **3.9.2 Confidentiality**

Confidentiality is looked at by Walford(2018) to mean information that is private and is not to be divulged to others. Whatever has been said in confidence must remain confidential. The researcher will assure the respondent that information offered by the respondent will not to be passed on to another party (third party) without consent of the respondent. Their identity and response was made confidential and anonymized through the use of numbers or through pseudonyms.

#### **3.9.3 Anonymity**

Anonymity, termed more appropriately is defined by Wiles (2013) as a major means used by the researcher to safeguard the confidentiality of responders by using pseudonyms. Anonymisation is one of the kinds of confidentiality, comprising of identity concealment of research responders (Saunders, Kitzinger, & Kitzinger, 2015). The researcher ensured that all respondents are anonymous implying that their identities are not known and not salient in the study. Withholding the identity of respondents is a guarantee that their statements are authentic (Taylor, 2015).

### **3.9.4 Plagiarism**

The researcher ensured that all written work was original and without any borrowed and manipulated texts, results or even expressions. The researcher made sure that, all words and publications of the author were given their due acknowledgement (Mugenda & Mugenda, 2016). The researcher subjected the written works to a software and made sure it was 15% or less compliant of plagiarism material.

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION OF RESEARCH

#### FINDINGS

#### 4.0 Introduction

This chapter contains the findings of the study which the researcher collected from the field by use of questionnaires and interview guides.

#### 4.1 Response rate

The targeted sample for the study was 110 respondents and all of them provided data as shown below in table 4.1 below:

**Table 4.1 Response rate**

Population	Actual participants	Percentage
110	110	100%

*Source: Primary data (2024)*

#### 4.2 Demographic Data of Respondents

The study solicited and involved the participation of 110 respondents of Industrial City Division Mbale City. This section consists of sex of respondents, age of respondents, marital status, Category of respondents and lastly education of respondents.

#### 4.2.1 Sex of Respondents

The study assessed and described the gender details of respondents to ensure fair representation of both males and females as presented in the table 4.2 below:

**Table 4.2: Sex of Respondents**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Female	81	60	70	70
	Male	29	40	30	100.0
	<b>Total</b>	<b>110</b>	<b>100.0</b>	<b>100.0</b>	

*Source: Primary Data (2024)*

Table 4.2 above shows that 70% of the respondents were female and 30% of the respondents were males in assessing the effect of fiscal decentralization on service delivery in Industrial City Division Mbale City. Although females formed majority composition of the respondents with a percentage of 60, the results showed that the findings of the study were concluded in respect to views of both sex.

#### 4.2.2 Age of Respondents

Respondents were asked not to reveal their actual age but the category where they belong and this was done to ensure that information was received from fully understanding respondents. Findings about the respondent's age are shown in the table 4.3 below:

**Table 4.3: Age of Respondents**

		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	20-25 Years	11	11.6	11.6	11.6
	26-30Years	50	45	45	56.6
	31-37 Years	25	22.7	22.7	79.3
	38-43 Years	18	12.5	12.5	91.8
	44-49 Years	4	5.7	5.7	97.5
	50 Years above	2	2.5	2.5	100.0
	<b>Total</b>	<b>110</b>	<b>100.0</b>	<b>100.0</b>	

*Source: Primary Data (2024)*

Findings in table 4.3 above show that all the respondents were in the age of 18 years and most were in the category of 26-30 years followed by those who were 31-37 years, followed by 38-43 years, followed by 44-49 years and lastly 50 years and above. This showed that data in relation to effect of Fiscal Decentralization service delivery in Industrial City Division Mbale City.

#### 4.2.3 Experience of respondents

Respondents were asked to reveal their working experience to ensure data was gathered from persons with enough experience in line with effect of fiscal decentralization on service delivery in industrial City Division, Mbale City.

**Table 4.4: working experience of respondents**

		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	1-5 years	5	3.4	3.4	3.4
	6-10 years	74	83.0	83.0	86.4
	11-15 years	15	8.0	8.0	92.1
	16 years above	16	5.6	5.6	100.0
	<b>Total</b>	<b>110</b>	<b>100.0</b>	<b>100.0</b>	

*Source: Primary Data (2024)*

**Table 4.4.** Above shows that 83% of the respondents had a working experience of 6-10 years making it with the majority, followed by 8%, with a working experience of 11-15 years, followed by 5.6% with a working experience of 16 years above and lastly 1-5 years was 3.4%. The majority being with a working experience of 6-10 years ensured that data was gathered from persons with enough working experience and able to express their views.

#### **4.2.4 Level of Education of Respondents**

The Researcher wanted to ensure that views regarding fiscal decentralization on service Delivery in Industrial City Division Mbale City were gathered from people who had attained some level of education. Findings in relation to this are shown in the table:

**Table 4.5: Level of Education**

	<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Bachelors	20	16	16	16
Diploma	31	24	24	40
Certificate	62	60	60	100
Total	110	100	100	

*Source: Primary Data (2024)*

The results above show that majority of the respondents had attained certificates (60%) followed by diploma qualification (24%) and lastly bachelors (16%) This implies that respondents had attained some level of education and they easily understood the questions in the questionnaire and interview guides in line with Fiscal decentralization on service delivery in Industrial City Division Mbale City.

### 4.3 Effect of assignment of expenditure responsibilities on service delivery

**Table Descriptive Statistics**

	<b>N</b>	<b>SD</b>	<b>D</b>	<b>NS</b>	<b>A</b>	<b>SA</b>	<b>Mean</b>	<b>Std. D</b>	<b>Comments</b>
Assignment of expenditure has an effect on services delivery	110	0 (0%)	20 (12.8%)	10 (5.2%)	50 (60%)	30 (22%)	3.82	1.022	<b>High</b>
There is Political influence in allocation	110	0 (0%)	5 (3.5%)	22 (17%)	55 (53.4%)	28 (26.1%)	3.96	0.815	<b>High</b>
Local Governments need more powers on expenditure	110	0 (0%)	0 (0%)	15 (10.2%)	65 (67.0%)	30 (22.7%)	4.14	0.600	<b>Very High</b>
Local Governments are responsible for budgeting for services	110	1 (1.1%)	11 (12.5%)	6 (6.8%)	60 (51.1%)	32 (28.4%)	4.01	0.905	<b>High</b>
Allocation of expenditure is determined by central government	110	0 (0%)	6 (2.3%)	18 (17%)	64 (62.5%)	22 (18.2%)	3.93	0.745	<b>High</b>
Valid N (list wise)	110								
<b>Overall Mean &amp; Standard Deviation</b>							<b>4.00</b>	<b>0.824</b>	<b>High</b>

**0.00-1.00 Very Low, 1.10-2.00 Low, 2.10-3.00 Moderate, 3.10-4.00 High, 4.10-5.00 Very High**

The first objective of the study was in line with effect of assignment of expenditure responsibilities on service delivery and responses in line with it are illustrated below:

Responses on if assignment of expenditure has an effect on services delivery showed that 22% of the respondents strongly disagreed, 60% of the respondents agreed, 5.2% of the respondents were not sure, 12.8% of the respondents disagreed and none of the respondents strongly disagreed a high mean of 3.82 with a standard deviation of 1.022 showed that assignment of expenditure has an effect on services delivery. This study finding was similar to that of a study conducted by Negrodo (2024) in Italy that mostly assignment of expenditure has an effect on services delivered.

Responses on if there is Political influence in allocation showed that 26.1% of the respondents strongly agreed, 53.4% of the respondents agreed, 17% of the respondents were not sure, 3.5% of the respondents disagreed, and lastly none of the respondents strongly disagreed. A high mean of 3.96 with a standard deviation of 0.815 showed that there is Political influence in allocation. This study finding was in line with a study conducted by Onyu (2022) noted that political influence in most developing countries in Africa has an effect on assignment of expenditure responsibilities.

Responses on whether Local Governments need more powers on expenditure showed that 22.7% of the respondents strongly agreed, 67% of the respondents agreed, and 10.2% of the respondents were not sure, none of the respondents disagreed nor strongly disagreed. A very high mean of 4.14 with a standard deviation of 0.600 showed that Local Governments need more powers on expenditure. This study finding was in line with a study conducted by David (2020) who noted that most local Governments in Africa have a very big red tape on expenditure which affects services delivery in these local governments.

Responses on if Local Governments are responsible for budgeting for services showed that 28.4% of the respondents strongly agreed, 51.1% of the respondents agreed, 6.8% of the respondents were not sure, 12.5% of the respondents disagreed and lastly 1.1% of the respondents strongly disagreed. A high mean of 4.01 with a standard deviation of 0.905 showed that Local Governments are responsible for budgeting for services. This study finding was similar to that Bagley (2020) who conducted a research study in Togo on responsibilities of local Governments on budgeting. This study finding was in line with a research study conducted by WHO (2023) which noted that local Governments are responsible for budgeting of services.

Responses on if allocation of expenditure is determined by central government showed that 18.2% if the respondents strongly agreed, 62.5% of the respondents agreed, 17% of the respondents were not sure, 2.3% of the respondents disagreed and lastly none of the respondents strongly disagreed. A high mean of 3.93 with a standard deviation of 0.745 showed that allocation of expenditure is determined by central government. This study finding was similar that Oboi (2020) who noted that the central government determines the amount of expenditure for each allocation in local Governments.

A high overall mean of 4.00 and a standard deviation of 0.824 indicated that there are number effects of assignment of expenditure responsibilities on service delivery as illustrated above.

#### 4.4. Effect of local Taxes on service delivery

**Table Descriptive Statistics**

	<b>N</b>	<b>SD</b>	<b>D</b>	<b>NS</b>	<b>A</b>	<b>SA</b>	<b>Mean</b>	<b>Std. D</b>	<b>Comments</b>
Local taxes increase demands for services	110	1 (2%)	0 (0%)	3 (6%)	40 (30%)	66 (62%)	4.46	1.072	<i>Very High</i>
Local governments do not generate adequate revenue.	110	0 (0%)	2 (3%)	10 (7%)	60 (54%)	38 (36%)	4.22	0.668	<i>Very High</i>
Local revenue is highly misappropriated and diverted	110	0 (0%)	0 (0%)	15 (10.2%)	65 (67.0%)	30 (22.7%)	4.14	0.600	<i>Very High</i>
Local Governments are assigned taxes that are hard to manage	110	1 (1%)	2 (3%)	0 (0%)	45 (38%)	62 (58%)	4.50	0.684	<i>Very High</i>
Many tax payers feel great with contributing to development	110	64 (63%)	0 (0%)	0 (0%)	46 (37%)	0 (0%)	4.58	0.509	<i>Very High</i>
Valid N (list wise)	110								
<b>Overall Mean &amp; Standard Deviation</b>							<b>4.34</b>	<b>0.732</b>	<i>Very High</i>

*0.00-1.00 Very Low, 1.10-2.00 Low, 2.10-3.00 Moderate, 3.10-4.00 High, 4.10-5.00 Very High*

The second objective of the study was about effect of local Taxes on service delivery and responses in line with these objectives are illustrated below:

Responses on if local taxes increase demands for services showed that 62% of the respondents strongly agreed, 30% of the respondents agreed, 6% of the respondents were not sure, none of the respondents disagreed and lastly 2% of the respondents strongly disagreed. A very high mean of 4.46 and standard deviation of 1.072 indicated Local taxes increase demands for services. This study finding was in line with a research study conducted by Oboth (2023) who noted that high local taxes in return increase community demand for services.

Responses on if Local governments do not generate adequate revenue showed that, 36% of the respondents strongly agreed, 54% of the respondents agreed, 7% of the respondents were not sure, 3% of the respondents disagreed and none of the respondents strongly disagreed. A very high mean of 4.22 with a standard deviation of 0.668 showed that Local governments do not generate adequate revenue. This study finding was in line with a study conducted by Mande (2023) who conducted a research study on local governments and revenue collation, and noted that most local governments in Uganda generate less revenue, and sometimes it's due to under declaration, small number of business among others.

Responses on if Local revenue is highly misappropriated and diverted showed that 22.7% of the respondents strongly agreed, 67% of the respondents agreed, 10.2% of the respondents were not sure, none of the respondents strongly disagreed nor disagreed. A very high mean of 4.14 showed that Local revenue is highly misappropriated and diverted. This finding was similar to a study conducted by John et al, (2018) who conducted a research study in Kampala and noted that due to high levels of corruption, many local governments misappropriated and diverted revenue.

Responses on if Local Governments are assigned taxes that are hard to manage showed that 58% of the respondents strongly agreed, 38% of the respondents agreed, none of the respondents were not sure, 3% of the respondents disagreed, and lastly 1% of the respondents strongly disagreed. A very high mean of 4.5 and standard deviation 0.684 showed that Local Governments are assigned taxes that are hard to manage. This finding was similar to that of Nassar (2019) who noted that local Governments have inadequate manpower to enforce collection of some local taxes.

Responses on if many tax payers feel great with contributing to development showed that 63% of the respondents strongly disagreed, 37% of the respondents agreed, none of the respondents were not sure, none of the respondents disagreed and lastly none of the respondents were not sure. A very high mean of 4.58 showed that many tax payers feel great with contributing to development.

#### 4.5. The role of inter-governmental transfers in service delivery

**Table: descriptive statics**

<b>Responses</b>	<b>N</b>	<b>SD</b>	<b>D</b>	<b>NS</b>	<b>A</b>	<b>SA</b>	<b>Mean</b>	<b>Std. D</b>	<b>Comments</b>
There are a number of roles of inter-governmental transfers in service delivery	110	0 (0%)	2 (1%)	5 (3%)	43 (36%)	60 (60%)	4.46	0.694	<b>Very High</b>
Conditional Grants are received in time	110	3 (5%)	5 (7%)	14 (10%)	55 (50%)	33 (28%)	4.12	0.731	<b>Very High</b>
Government transfers are aimed at improving service delivery	110	2 (0%)	7 (0%)	9 (10.2%)	62 (67.0%)	30 (22.7%)	4.01	0.875	<b>High</b>
Inter-governmental transfers are predictable	110	0 (0%)	0 (0%)	8 (6.8%)	42 (35%)	60 (58.2%)	4.47	0.647	<b>Very High</b>
Grants do not match assigned responsibilities	110	0 (0%)	0 (0%)	2 (4%)	44 (27%)	64 (69%)	4.56	0.562	<b>Very High</b>
Valid N (list wise)	110								
<b>Overall Mean &amp; Standard Deviation</b>							<b>4.34</b>	<b>0.677</b>	<b>Very High</b>

*0.00-1.00 Very Low, 1.10-2.00 Low, 2.10-3.00 Moderate, 3.10-4.00 High, 4.10-5.00 Very High*

The third objective of the study was in line with the role of inter-governmental transfers in service delivery and responses in line with this objective are illustrated below:

Responses on if there are a number of roles of inter-governmental transfers in service delivery showed that 36% of the respondents agreed, 60% of the respondents strongly agreed, 3% of the respondents were not sure and lastly 1% of the respondents disagreed. A very high mean of 4.46 with a standard deviation of 0.694 showed that there are a number of roles of inter-governmental transfers in service delivery. This study finding was in line with that of Mauricio (2022) who noted that there are a number of roles of inter-governmental transfers in service delivery.

Respondents were asked to reveal whether Conditional Grants are received in time and 28% of the respondents strongly agreed, 50% of the respondents agreed, and 10% of the respondents were not sure, 7% of the respondents disagreed and lastly 5% of the respondents strongly disagreed. A very high mean of 4.12 showed that Conditional Grants are received in time

Responses on if Government transfers are aimed at improving service delivery showed that 22.7% of the respondents strongly agreed, 67% of the respondents agreed, 10% of the respondents were not sure, none of the respondents disagreed nor strongly disagreed. A high mean of 4.01 with a standard deviation of 0.875 showed that Government transfers are aimed at improving service delivery. This study finding was similar to that of Tomkins (2019) who noted in most cases government transfers are aimed at easing service provision.

Responses in line with if Inter-governmental transfers are predictable showed that 58.2% of the respondents strongly agreed, 35% of the respondents agreed, 6.8% of the respondents were not sure lastly none of the respondents neither strongly disagreed nor disagreed. A very high mean of 4.47 showed that Inter-governmental transfers are predictable.

Responses on whether Grants do not match assigned responsibilities showed that 69% of the respondents were in agreement, 27% of the respondents agreed, 4% of the respondents were not sure, and lastly there was no respondent who strongly neither disagreed nor disagreed. A very high mean of 4.56 showed that grants do not match assigned responsibilities. This study finding was similar to that of Chris (2020) who noted that people who always give grants do not necessarily match assigned responsibilities.

## **CHAPTER FIVE**

### **DISCUSSION OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.0 Introduction**

This chapter presents the discussion of study findings' conclusions and recommendations revealed about Fiscal decentralization on service delivery in Industrial City Division Mbale City.

#### **5.1 Discussion of Findings**

##### **5.1.1 Effect of assignment of expenditure responsibilities on service delivery**

Study findings that assignment of expenditure has an effect on services delivery. This study finding was similar to that of a study conducted by Negredo (2024) in Italy that mostly assignment of expenditure has an effect on services delivered.

Findings showed that there is Political influence in allocation. This study finding was in line with a study conducted by Onyu (2022) noted that political influence in most developing countries in Africa has an effect on assignment of expenditure responsibilities.

Findings showed that Local Governments need more powers on expenditure. This study finding was in line with a study conducted by David (2020) who noted that most local Governments in Africa have a very big red tape on expenditure which affects services delivery in these local governments.

Findings also showed that Local Governments are responsible for budgeting for services. This study finding was similar to that Bagley (2020) who conducted a research study in Togo on responsibilities of local Governments on budgeting. This study finding was in line with a research study conducted by WHO (2023) which noted that local Governments are responsible for budgeting of services.

Findings showed that allocation of expenditure is determined by central government. This study finding was similar to that of Oboi (2020) who noted that the central government determines the amount of expenditure for each allocation in local Governments.

### **5.1.2. Effect of local Taxes on service delivery**

Study findings indicated that Local taxes increase demands for services. This study finding was in line with a research study conducted by Oboth (2023) who noted that high local taxes in return increase community demand for services.

Study findings indicated that Local governments do not generate adequate revenue. This study finding was in line with a study conducted by Mande (2023) who conducted a research study on local governments and revenue collation, and noted that most local governments in Uganda generate less revenue, and sometimes it's due to under declaration, small number of business among others.

Findings showed that Local revenue is highly misappropriated and diverted. This finding was similar to a study conducted by John et al, (2018) who conducted a research study in Kampala and noted that due to high levels of corruption, many local governments misappropriated and diverted revenue.

Study findings showed that Local Governments are assigned taxes that are hard to manage. This finding was similar to that of Nassar (2019) who noted that local Governments have inadequate manpower to enforce collection of some local taxes.

### **5.1.3 The role of inter-governmental transfers in service delivery**

Findings showed that there are a number of roles of inter-governmental transfers in service delivery. This study finding was in line with that of Mauricio (2022) who noted that there are a number of roles of inter-governmental transfers in service delivery.

Findings showed that Government transfers are aimed at improving service delivery. This study finding was similar to that of Tomkins (2019) who noted in most cases government transfers are aimed at easing service provision.

Findings showed that grants do not match assigned responsibilities. This study finding was similar to that of Chris (2020) who noted that people who always give grants do not necessarily match assigned responsibilities.

## **5.2 Conclusions**

### **5.2.1 Effect of assignment of expenditure responsibilities on service delivery**

Study findings concluded that expenditure has an effect on services delivery, that there is Political influence in allocation that Local Governments need more powers on expenditure that Local Governments are responsible for budgeting for services and lastly that allocation of expenditure is determined by central government.

### **5.2.2 Effect of local Taxes on service delivery**

Study findings concluded that Local taxes increase demands for services, that Local governments do not generate adequate revenue, that Local revenue is highly misappropriated and diverted.

### **5.2.3 The role of inter-governmental transfers in service delivery**

Findings concluded that there are a number of roles of inter-governmental transfers in service delivery, that Government transfers are aimed at improving service delivery and lastly concluded that grants do not match assigned responsibilities.

## **5.3 Recommendations**

Basing on the discussion of the study findings and conclusions of this report, the study recommends the following;

There should be more investments by Central Governments to lower local governments to ensure effective service delivery.

There is need for the local Governments improve on revenue collection and management

## **5.4 Suggested areas for further research**

Role of Government in implementation of fiscal decentralization

Challenges facing implementation of fiscal decentralization

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**APPENDICES**

**APPENDIX I: CONSENT LETTER**

**Dear Respondents**

**Ref. Request to Complete Research Questionnaire**

I **Mutuwa Sarah** a student of Uganda Christian pursuing a Bachelors Degree of Public administration and management of Uganda Christian University. Am currently carrying out a study on ‘**effect of fiscal decentralization on service delivery in industrial City Division in Mbale City**’. You are kindly requested to participate in this research and your selection to this effect has been based on random basis. Please feel free as you respond to the study questions because the information you are to give will only be used for academic purposes, confidential and finally held anonymous before any publication.

Thank you

.....

**(RESAERCHER)**

**APPENDIX II: QUESTIONNAIRE FOR DIVISION STAFFS AND LOCAL LEADERS**

**SECTION A: REpondent’S BIO – DATA**

**INSTRUCTIONS**

Please fill in the blank spaces or tick (✓)in the boxes provided where necessary.

1. Name: (optional)

.....

2. Age: 15 – 30  31 – 45  46 – 60  60 +

3. Sex: Male  Female

4. Marital status: Single  Married  Divorced  Separated  Widowed

5. Location:  
Cell ..... Parish .....  
Sub – county .....

6. Levels of education:  
None  Primary  Secondary  Tertiary and above   
Other (please specify)

.....  
.....

7. Religion: Protestant  Catholics  Muslims  Born again

Others (please specify).....

## RESPONSE SCALE

1	2	3	4	5
Strongly Disagree	Disagree	Undecided	Agree	Strongly Agree

<b>SECTION B: Effect of assignment of expenditure responsibilities on service delivery</b>						
1.	There is Political influence in allocation	1	2	3	4	5
2.	Local Governments need more powers on expenditure	1	2	3	4	5
3.	Local Governments are responsible for budgeting for services	1	2	3	4	5
4.	Allocation of expenditure is determined by central government	1	2	3	4	5
<b>SECTION C: Effect of local Taxes on service delivery</b>						
5.	Local taxes increase demands for services	1	2	3	4	5
6.	Local governments do not generate adequate revenue.	1	2	3	4	5
7.	Local revenue is highly misappropriated and diverted	1	2	3	4	5
8.	Local Governments are assigned taxes that are hard to manage	1	2	3	4	5
9.	Many tax payers feel great with contributing to development	1	2	3	4	5
<b>SECTION D: The role of inter-governmental transfers in service delivery</b>						
10.	Conditional Grants are received in time	1	2	3	4	5
11.	Government transfers are aimed at improving service delivery	1	2	3	4	5
12.	Inter-governmental transfers are predictable	1	2	3	4	5
13.	Grants do not match assigned responsibilities	1	2	3	4	5

**THANK YOU FOR YOUR TIME**

### **APPENDIX III: INTERVIEW GUIDE FOR WORKERS AND LOCAL PEOPLE**

- 1) What is your position?
- 2) How long have you worked here?
- 3) What challenges do you face in this organization?

APPENDIX IV: Data Collection Letter



UGANDA CHRISTIAN  
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A Centre of Excellence in the Heart of Africa  
MBALE UNIVERSITY COLLEGE

Office of the Academic Registrar

To THE TOWN CLERK  
INDUSTRIAL CITY DIVISION



Dear Sir/Madam,  
Re: Academic Research  
Christian greetings!

We are honored to introduce to you Mr. Mrs./Miss. MUTUWA SARAH.

Of Registration Number: J22/NUCL/BA/AM/034 pursuing a Masters' Degree/Postgraduate Diploma / Bachelor's Degree Bachelors

He/ she is required to carry out an academic research on the topic  
Effect of Fiscal Decentralization on service delivery  
in Industrial City division, Mbale City.

and thereafter produce a well bound hard cover research report (**MAROON**) in color for undergraduate and three (**BLACK**) copies for Postgraduate students as a University requirement for the award of a degree/diploma in the academic discipline that he / she is pursuing.

We shall be grateful for the help you may offer to him or her accordingly.

Thank you.

Yours faithfully,

26 MAR 2024

Mr. Akampurira Timothy  
Academic Registrar