

**LOCAL REVENUE MANAGEMENT AND FINANCIAL PERFORMANCE OF
LOCAL GOVERNMENTS: A CASE STUDY OF ATUTUR SUB-COUNTY, KUMI
DISTRICT**

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**A DISSERTATION SUBMITTED TO THE SCHOOL OF BUSINESS IN PARTIAL FULFILLMENT
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**UGANDA CHRISTIAN
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DECLARATION

I Aserait Christine declare that this research report is my original work and has not been published or submitted to any university or institution of higher learning for any award

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Date.....15 / 08 / 2025

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APPROVAL

This work has been done under our supervision, has met the research requirements of Uganda Christian University, and is now ready for submission

Sign :  Date: .. 

MR. KUKA PHINEHAS
(RESEARCH SUPERVISOR)

DEDICATION

I dedicate this work to my parents and family members for their moral and financial support and the encouragement that they gave me during the study.

ACKNOWLEDGEMENTS

First and Foremost, my sincere gratitude goes to my supervisor, Mr. **KUKA PHINEHAS** for his enthusiastic and professional guidance, which has enabled me complete this research proposal successfully.

My sincere gratitude goes to the owners and managers of Atutur Sub -County in Kumi district for their efforts, which enabled me, accomplish this work in time.

Special thanks to my lovely family and BBA classmates for their endless support, guidance and encouragement towards accomplishing this dissertation.

LIST OF ABBREVIATIONS

MOLG	Ministry of local Government
LGA	Local Government Act
LG FAR	Local Government financial and accounting Regulations
LGFC	Local Government Finance Commission
JARD	Joint Annual Review of Decentralization
O&M	Operation and Maintenance
DLG	District Local Government
FY	Financial Year
MOFPED	Ministry of Finance, Planning and Economic development
OBT	Output Budgeting Tool
LGFC	Local Government Finance commission
GDP	Gross Domestic Product
RDT	Resource Dependency Theory

ABSTRACT

The study established the relationship between local revenue management and financial performance in local governments with specific reference to Atatur Sub County, Kumi District. Based on this, three specific objectives were formulated and these are; to examine the relationship between local revenue planning and financial performance Atatur Sub County; to assess the relationship between local revenue collection and financial performance in Atatur Sub County and to determine the relationship between local revenue control and financial performance in Atatur Sub County. This study adopted a case study research design using triangulation approach in which both qualitative and quantitative techniques of data collection were used. The study found out that there is a significant and positive relationship between local revenue planning, local revenue collection, local revenue control and financial performance in Atatur Sub County. It is concluded that an effective and efficient local revenue management is very critical for enhancing financial performance in local governments. Consequently, the study recommends that all the key stakeholders be involved in local revenue planning, collection and the effectuation of a meaningful internal local revenue control mechanisms that will guarantee proper allocation of resources improve financial performance in Atatur sub - County among other local governments.

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CHAPTER ONE:

INTRODUCTION

1.0 Introduction

This chapter presents background to the study, statement of the problem, research objectives and questions, scope of the study, justification of the study, significance of the study, definition of key terms, purpose of the study, research questions, and conceptual framework. The study sought to examine the relationship between local revenue management and performance of local governments with specific reference to Atatur sub -county, Kumi district.

1.1 Background to the study

This sub section presents the historical background, theoretical background, conceptual Background and contextual background.

1.2 Historical background

While globally, decentralization policy has taken root in all countries, this differs from one country to another based on its forms and the extent of decentralization (Rondinelli, et al., 2009). In Africa, many states have pursued substantial decentralization reforms in the previous twenty years Wunsch (2011), in the areas of planning, capital investment, budgeting, fiscal management, personnel systems and management, and finance and revenue management. Meanwhile, in Uganda, decentralization was introduced in 1993 with many finance and revenue reforms and prominent among which was local revenue management. Under Fiscal decentralization, local revenue management involves resource mobilization or revenue generation, revenue sharing, budgeting, budget implementation, monitoring and accountability.

However, prior to the adoption of decentralization policy in Uganda, local revenue management could be traced way back to the British colonial administration. At the time, the focus was on local revenue generation through taxation. In 1954, the concept of graduated tax was introduced for all local authorities in Uganda as a main source of revenue. Local Governments rendered services to relative satisfaction of their constituents. The infrastructure, for example feeder and community roads were well maintained with a well-created spirit of ownership of the development process (cited by Tuhirwa, 2010). This state of

affairs was brought to an end by introduction of decentralization in 1993 by the National Resistance Movement Government based on democratic principles which empower and encourage the active participation of all citizens at all levels in their own governance as enshrined in the National objectives and principles of state policy. The policy aimed at achieving the following objectives among others: to enhance the contribution of the public sector, civil society and community based Organizations to national development and modernization; to improve the quality of service, policy formulation and management of service delivery; to make efficient and effective use of available resources; to reduce the decision making load by sharing it with more people and allow more decisions to be made below instead of concentrating them at the overburdened center.

It is worth noting that Uganda's decentralization system is believed to be a model in the African continent. Under fiscal decentralization, Local Governments were empowered to levy, charge, and collect fees as a means to generate local revenue (LGA, CAP 243, section 80). The fifth schedule of the Act, also spells out the regulations governing the Local Government revenue. In addition to graduated rates and grants from central government , local government revenue (local revenue) consists of ; Property rates; Fees and fines or licenses and permits; Interest on investments; Rents from lease of property; Donations, contributions and endowments; Charges or profits arising from any trade, service or undertaking carried on by the council; Parking fees; Charcoal burning licenses; Any other revenue which may be prescribed by the Local Government and approved by the minister; Local service tax and Local Hotel tax

Local revenue from these different sources is critical in local revenue generation hence need for its effective collection mechanisms in local governments. In view of the above, decentralization policy was not meant to be simply a policy goal to shift responsibility for development to local authorities, but a policy instrument aimed at improving local democracy, effectiveness, increased efficiency and sustainability in the delivery of essential services country wide. It also aimed at introducing efficiency and effectiveness in the generation and management of resources and delivery of services (MOLG, Induction of Local government council participants' handbook, 2012).

Nonetheless, as later observed in the work of Wunsch (2011), many of these reforms are still experiencing problems in bringing about effective local governance especially in regard to translating general reform initiatives into specific working arrangements at the local level that

are effective in several key processes and operations. Furthermore, fiscal decentralization strategy (FDS) designed to ensure efficient provision of local services that align with local needs, and to improve accountability to residents has normally not been achieved. As a result, adverse effects of deficient revenue, poor management systems and general problems of adequately managing these funds have been evident in Uganda's local governments, Kumi district inclusive (Rondinelli, et al., 1989; Rioja, 2013).

1.3 Theoretical Background

This study was informed by the systems theory and the resource dependency theory. In regard to the systems theory, it was proposed in the 1940s by Ludwig von Bertalanffy and focuses on understanding an organization as an open system that transforms inputs into outputs. According to Osborne (2010) and Charlton & Andres (2013), a system is a collection of parts unified to accomplish an overall goal and can be viewed as having inputs (financial and human resources), processes (management thus; planning, organizing, control, feedback), outputs (a functional service delivery process) and outcomes (enhanced social welfare, enhanced production of labor, markets working more effectively, employment opportunities and entrepreneurship)

This theory has had significant relationship on management science and the understanding of organizations. Its relevance has been propounded by Ashby (1996) as cited in Akonyo (2022); in studies that focus on financial management and service delivery in local government systems. Similarly, focusing on the organizational, decentralization policy and sustainability perspectives as provided in the Local Government Act Cap 243 and as treated in the work of Khan (2020), Charlton and Andras (2013) and Osborne (2020), the researcher found it underpinning the study as further argued in the literature review.

1.4 Conceptual background

The key variables in the study were local revenue management and financial performance in local governments. Local revenue management in the broader perspective of financial management refers to financial decision (acquiring finances), investment decision (allocating finances) and conserving finances (controlling financial resources) Paddy, (2015) as cited in Akonyo (2017). Under Fiscal decentralization, local revenue management is an important aspect of financial management which involves revenue mobilization and collection or revenue generation, revenue sharing, budgeting, implementation of the budget, monitoring and accountability. In this study, Local revenue management is conceptualized as having

three dimensions thus; local revenue planning with revenue enhancement plans, budgeting and business assessment as constructs; Local revenue collection with diversification of revenue sources, revenue mobilization, payment compliance as constructs; and Local revenue control with revenue sharing, budget implementation, accountability and monitoring and evaluation as constructs. Management and control of financial resources was treated as the dependent variable with indicators categorized as follows; cash related indicators, such as financial position,; cost/finance related indicators such as efficiency of cost recovery and adequacy of operating budget; customer satisfaction related indicators such as service availability, learning and growth related indicators such as adequate skills and experience; and employee satisfaction related indicators such as productivity of the asset. At operational level, management of financial resources in local governments depends on how well the local revenue is managed in terms of Local revenue planning, local revenue collection and local revenue control. Revenue enhancement plans, budgeting and business assessment as Local revenue planning constructs are very important measures for revenue performance improvement, and local revenue enhancement in general. If these measures are effectively implemented, they form the basis for mobilizing the financial resources required. On other hand, diversification of revenue sources, revenue mobilization, payment compliance as Local revenue collection constructs, determine how much revenue the local government collects. They are very important measures in improving local revenue collections, hence, addressing financial challenges that riddle performance. Meanwhile, revenue sharing, budget implementation, accountability and monitoring and evaluation as Local revenue control constructs, if effectively and efficiently implemented, can translate into a strong local revenue control system, capable of securing the local revenue collected from any form of financial abuse or misallocation hence guaranteeing effective funding.

1.5 Contextual background

Atatur sub county is located in the southern part of Kumi District along Soroti – Mbale road. Kumi district is located in the Eastern part of Uganda. Kumi district receives her funding from the central government and local revenue like taxes. It manages its resources differently in order for effective public service. Local Revenue management on financial performance is a unique academic dimension in Uganda and as such very little scholarly works have been done on the subject. The current studies have tended to focus much on declining local revenue and service delivery.

The Joint Annual review of decentralization (JARD) report for FY2022/2023 and the study on the holistic review of the Local government financing by Local Government Finance Commission (Ministry of Finance, Planning and Economic development; background to the Budget for the FY 2021/2022, June, 2022), reveals that the condition of existing public capital in local governments is deteriorating due to inadequate funding. In addition, there is no policy on operation and maintenance of local government investments. As a measure, the reports have suggested for an immediate action on Local government financing modalities and a policy on operation and maintenance of local Government investments. To this end it is recommended that central government control and manage the flow of financial resources or investments as part of central Government transfers, while urging local government to increase their local revenue collections. Prior JARD 2022/2023 report recommendations for local governments to enhance their local revenue by 50% by the end of FY2023/204. The plan aimed at realizing an upward trend in revenue generation. It also provided opportunities for increasing the amount of revenue realized from existing and new local revenue sources, identified through innovation. In addition, the plan outlined the current sources of revenue; review of local revenue performance; constraints and challenges to local revenue collection and management; potential new revenue sources, strategies for improved collection, management and accountability in terms of social mobilization and technical aspects; and proposed monitoring and coordination mechanisms.

Despite above policies and plans focusing on improving revenue management in local governments and Kumi DLG in particular, there still exist inadequacies in revenue planning, revenue mobilization and collection, revenue sharing, budgeting, budget implementation, monitoring and accountability (Kumi District Financial Statements FY 2011/12 to 2023/2024). In addition, as pointed out in the work of Kikwete (2013), local expenditure and local revenue generation is not in close proximity in local governments. Consequently, local revenue management continues to suffer inadequate funding. On the other hand, providing funds for investment in long term assets would a much better strategy of raising resources, the Researcher observes that this kind of financing modality might override decentralization policy objective of enhancing participation and ownership of projects by local governments and communities. This further poses a question, whether there is any commitment among local governments to tackle service delivery despite their discretionary powers over the management of local revenue. In Uganda and Kumi DLG in particular, inadequate funding for planned activities has become a chronic problem resulting in rapid decay of public capital

or deplorable state of facilities as revealed by anecdotal evidence and Education department supervision report of 6th October, 2023. Equally important and consistent with the foregoing is the fact that local revenue management is not given priority as argued by Luyendijk and Fonseca (2023). They maintained that funding should first be for those who do not have access rather than fund for those who already have access. This has been a subject of debate internationally (infrastructure and capital investment 2022-24; medium term exchequer framework report, November 2021). Despite the above, government has continued to prioritize and budget for new and highly visible investments without due regard to functionality of the existing ones. In the spirit of decentralization policy objective of sustainable development, this phenomenon calls for immediate attention if the intended investment benefits are to be realized.

1.6 Statement of the problem

Despite various efforts to optimize operations and improve service delivery, local governments continue to face significant financial challenges which are multifaceted and are related to some underlying issues like; revenue flexibility, fiscal sustainability, declining revenue growth, rising operational costs, inefficient asset utilization, high debt levels, cash flow management issues, among others (Local Government Annual Performance Report, F/Y 2023/24). Local Revenue management is a devolved responsibility to local governments which has been viewed as an instrument for addressing problems of providing and promoting good service delivery (MOLG, Induction of Local government council participants' handbook, 2022).

The financial performance of local governments has been a crucial area of concern over the past 3 years (2022, 2023 and 2024). Although there has been increased central government funding to Kumi District Local government and having discretionary powers over local revenue management in terms of local revenue planning, local revenue collection and local revenue control, poor financial performance has become a chronic problem in virtually all sub counties in the district (Kumi District Annual Reports F/Y 2022/23, F/Y 2023/24). According to Atatur sub county Revenue and Expenditure figures for the F/Y 2023/24, the budgeted local revenue was UGX 41,247,303 whereas budgeted Central Government grants were UGX 59,758,696, representing a ratio of 41% (Local revenue) to 51% (Central Government grants). However actual figures show that the local revenue collected was UGX 18,323,633, showing a negative variance of UGX 22,923,670, representing a deficit of 56%.

In comparison to the Central Government grants, local revenue contributed only 23% of the actual revenue

This poses a serious challenge to the sustainability of Local Government funding in Kumi District. If not addressed immediately, this phenomenon is likely to reduce the district's productive capacity and undermine the full realization of the gains of decentralization policy (Rioja 2013; LGA Cap 243) in terms of improved social welfare, enhanced production of labor, effective markets, creation of employment opportunities and entrepreneurship (World Bank, 1975; USAID, 1982), cited in (Rondinelli, et al., 1989). It is upon this scenario that the study was undertaken so as to bridge this existing gap.

1.7 Purpose of the study

The purpose of the study was to establish the relationship between local revenue management and financial performance of local governments with specific reference to Kumi District Local Government.

1.8 Research Objectives

- i. To examine the relationship between local revenue planning and financial performance in Atatur Sub County, Kumi district local government.
- ii. To assess the relationship between local revenue management and financial performance in Atatur Sub County, Kumi district local government.
- iii. To determine the relationship between local revenue and financial performance of Atatur Sub County, Kumi district local government.

1.8.1 Research Questions

The study focused on the following research questions;

- i. What is the relationship between local revenue planning and financial performance in Atatur sub county, Kumi district local governments?
- ii. What is the relationship between local revenue collection and financial performance in Atatur sub county, Kumi district local government?
- iii. What is the relationship between local revenue and financial performance of Atatur sub county, Kumi district local government?

1.9 Scope of the study.

The scope of the study was categorized into three types thus; Geographical scope, Content scope and Time scope.

1.9.1 Geographical scope

The study was conducted in Atatur sub - county, Kumi district. The sub county is located in the southern part of the district 5 kilometers along Kumi – Mbale road. The sub county is bordered by the following sub counties; South division to the north, Kanapa sub county to the east, Bukedea town council to the south and to the west. The sub county has an approximate area of 96.93 square kilometers with an approximate population of 30,369 as per the 2024 population census.

1.9.2 Content scope

The study covered the relationship between local revenue management and financial performance in local governments. Where the independent variable was measured using the constructs of revenue planning, revenue management and control and financial performance was measured using Cost/finance-related indicators, performance-related indicators, Customer satisfaction-related indicators, Learning and growth-related indicators, Employee satisfaction-related indicators as detailed in conceptual framework below as propounded by Khan (2000), Schiff et al.; (2013) and Sondalini, (2015).

1.9.3 Time scope

The study covered a period of three financial years from 2021 /2022 to 2022/2023. Available statistics show that the financial resources were poorly managed at this period and financial performance has continued to deteriorate; hence this period was long enough to provide the necessary data for understanding the relationship between the two variables under study in a bid to address the problem.

1.10 Justification of the study.

This study was the first of its kind to be conducted in Atatur sub county. It aimed at establishing the relationship between local revenue management and financial performance in local governments with specific reference to Atatur sub county and below is its rationale:

The management of existing financial sources of funds has often been neglected in favor of borrowing; Uganda has a weak financing system that focuses on putting up new investments in local governments without a corresponding provision for operation and control of these resources. This study was destined to be an eye opener.

Besides, a comprehensive analysis of the reasons and the relationship between local revenue management reveals that reallocating resources appropriately can have positive effects on the countries' GDP (Rioja, September 2013). This is because this decision has the capacity to enhance productivity of both the public and private capital stock. Equally, the key focus of public capital investment in the world over, is in part the need to protect the value of existing investments such as Education, health, Roads, water and sanitation, plant and equipment (Khan, December, 2000; infrastructure and capital investment 2021-26; medium term exchequer framework report, November, 2021). This is destined to enhance social welfare, productivity of labour, effective markets, creation of employment opportunities and entrepreneurship (World Bank, 2015; USAID, 2012) as cited in (Rondinelli, et al,2019). This study is a current invitation of the public sector to sustain a commitment on the management of local revenue resources to improve financial performance of local governments.

Still in tandem is the fact that the adverse effects of poor or lack of management of financial resources in local governments and its socio-economic impact on the entire citizenry as expounded by (World Bank, 2015; USAID, 2012); could probably remain obscure to both policy makers and implementers and the general public. Therefore, this study retains a central position in the promotion of local ownership and sustainability of projects and programmes.

1.10.1 Significance of the study

It is envisaged that this study may make significant contribution in the academia as well as contributing to policy making process by the Ministry of local government and Local Governments in the following ways:

Under the Ministry of local government, the study highlights the problems that financial resources or investments funded by local or central government or donors face. Therefore, as a supervisory body, it shall have the opportunity to appreciate the local revenue generated as it continues to step up efforts to revamp their centrality through ensuring that necessary and appropriate budgets are made and implemented effectively.

To the policy makers, the study may draw their attention of policy makers to the flaws in policy implementation with regard to the financial position to which public resources are allocated every year without appropriate routine management and control yet budgets presented before parliament signal a commitment by the local governments to utilize these resources appropriately.

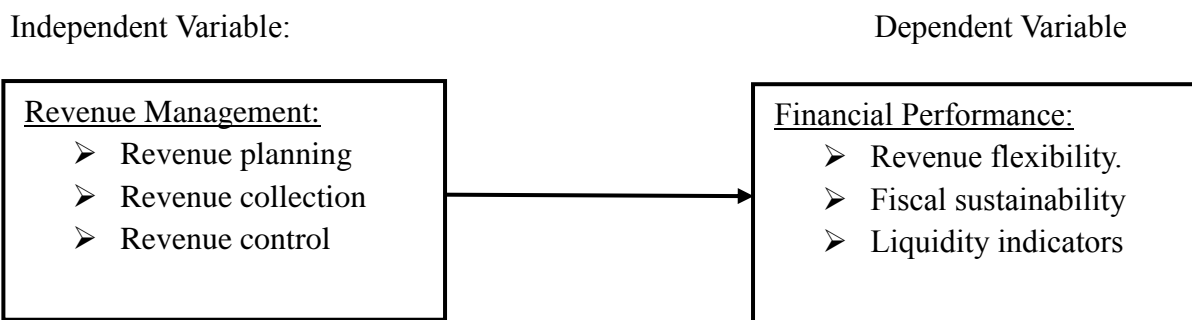
As far as the local governments in Uganda are concerned, the study lays bare the extent of local government neglect of effective budgeting of financial resources in face of the meager local revenue allocated in budgets and subsequently diverted for something else. In this regard, they can better focus now on the need to manage these resources and sources efficiently.

In regard to the academia, the findings offer a scholarly appreciation of local revenue management on financial performance in local governments. Therefore, it provides current literature against which, a review could provide a further ground for advancement of knowledge.

Furthermore, to the Researcher, this study is in part a fundamental requirement for the award of a degree of Bachelor in Business Administration.

1.11 Conceptual Framework

Figure 1: Conceptual Framework



Source: Adopted from Akongo (2021), Khan (2000), and Somaline (2023), Schiff A. et al. (2022) and modified by the researcher.

Based on the above conceptual frame work, financial performance is dependent on revenue management. Financial performance is viewed in terms of three dimensions namely; revenue flexibility, fiscal sustainability and liquidity while revenue management is looked at using the dimensions of revenue planning, revenue collection and revenue control.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This Chapter presents the review of the related literature to local revenue management and financial performance in local governments focusing on Local revenue planning and management, local revenue collection and financial resource management and local revenue control and financial resource management.

2.1 Theoretical Review

This study was informed by two theories; the systems theory and the resource dependency theory. The Systems theory was proposed in the 1940s by Ludwig von Bertalanffy. It focuses on understanding an organization as an open system that transforms inputs into outputs. It also focuses on the organization as whole, its interaction with environmental factors and its need to achieve equilibrium. The theory was supported by Ashby (1956) cited in Akonyo (2012) in the study of financial management and service delivery in local government systems in Uganda. This theory has had significant effects on management science and understanding organizations. A system is a collection of parts unified to accomplish an overall goal. A system can be looked at as having inputs, processes, outputs and outcomes. Systems share feedback among each of these four aspects of the systems (Osborne, 2010).

In organizational perspective, inputs would include resources such as raw materials, money, technologies and people. These inputs go through a process where they are planned, organized, motivated and controlled, ultimately to meet the organization's goals. Outputs would be products or services to a market. Outcomes would be enhanced quality of life or customers/clients, productivity. Feedback would be information from human resources carrying out the process, customers/clients using the products among others. Feedback also comes from the larger environment of the organization for instance influences from government, society, economics, and technologies. This overall system framework applies to any system, including subsystems (departments, programs, etc.) in the overall organization.

According to Charlton and Andras (2013), the nature of management may be conceptualized from a perspective of Systems Theory as the process by which an organization generates a global representation of its own processes (management depends upon modeling an organization). Modeling allows management to perform its distinctive information-processing activities such as monitoring, evaluation, prediction and control. The purposes to which these activities are directed define the function of management. The function of management is a product of the interaction between a management system and its environment.” This is a consequence of the way that management systems will tend to adapt to survive and grow in whatever specific context in which they are operating - this can lead to very different management functions in different environments. There is, of course, a vast and diverse literature in the discipline of Management Science which refers to the nature and function of management. It is not our intention here to engage with this literature, but to offer a fresh approach to the subject from the perspective of Systems Theory”

“The effect of systems theory in management has been appreciated, as helping managers to look at the organization from a broader perspective. It is contended that systems theory brings a new perspective that enables managers to interpret patterns and events in the workplace. They recognize the various parts of the organization, and, in particular, the interrelations of the parts for instance the coordination of central administration with its programs, supervisors with workers, etc. According to fore mentioned scholars, this has been appreciated as a major development. Otherwise, in the past, managers typically took one part and focused on that. Then they moved all attention to another part. The problem was that an organization could, e.g., have a wonderful central administration and wonderful set of teachers, but the departments didn’t synchronize at all. They applauded that paradigm shift in what they called systems thinking”. From the Decentralization policy of governance perspective, systems theory can be seen as a driver for the policy, as evidenced in the institutional framework and coordinated mandates of Local governments in the implementation of the decentralization process as provided in the Local Government Act CAP 243. The justification is evidenced under section 3 of the local government Act that provides for the establishment of the District and sub-county as local governments in the rural areas. In the urban areas the city, municipal and division councils are also local governments. The county, parish and village/ward are administrative units. Further, as evidenced under section 30 of the Act that provides for functions and powers of the local government council; thus, provision of services and execution of public expenditure including among others the development at the local levels.

There is recognition of various parts of the organization, and, in particular, the interrelations of the parts, as exemplified by coordination of central, administration with its programs under decentralized governance as propounded by system theory.

Under sustainability point of view, Khan (2010) and Nyakato (2019) while explaining sustainability strategy or process, concur with Charlton and Andras (2013) understanding of relationship of systems theory on management. Sustainability strategy is looked at as a follow up activity of sustainability analysis indicating the way various elements of sustainability including operation and maintenance are identified, assessed and incorporated into a project or a programme, right from the design stage. Sustainability analysis offers to interpret patterns and events as advocated by the systems theory. From the systems point of view as argued by (Osborne, 2010), Kumi District Local Government represents the organization, Lower local governments, administrative units, political and administrative organs of government, departments, sections and community represent Subparts, financial and human resources represent inputs, management (planning, organizing, control, feedback) represent the processes, a management of operational and functional resources (cost control) represent the output and the outcomes are enhanced social welfare enhanced delivery of services, government sectors working more effectively, employment opportunities and entrepreneurship. The research therefore recommends that this study is grounded on the systems theory underpinning it.

The Resource dependency theory (RDT), as advanced by Pfeffer and Salancik (1978) and cited in (Nyakato, 2019) is based on core argument that, organizations will respond to demands made by external actors or organizations upon whose resources they are heavily dependent and those organizations will try to minimize that dependence as possible. In this theory, the management style in a given organization will follow the extent to which it depends on external circumstances (Pfeffer and Salancik 1978). The main issues are basically concerning what the cost of giving in to external demands, what the costs of abandoning the use of the resource, and what the demands in conflict with other demands from actors on whose resources the focal organization is dependent on. Resource dependence theory is one of many theories organizational studies regarding the behavior of organizations. From fiscal decentralization point of view, the RDT, theory supports the study given that Local governments heavily depend on central government financial transfers. The Central Government remits conditional, unconditional and equalization grants direct to District, Municipal and Town Councils. Under section 83 subsection 5 of the LGA CAP 243, Local

Government councils are required to indicate how Conditional and Equalization Grants obtained from the Centre are to be passed on to lower Government councils. The high level of dependency can be evidenced in the proportion of central government transfers to Kumi District Local Government and subsequent transfers to lower local governments. (Kumi DLG financial statement for the financial year 2022/ 2023). The resource dependency theory is also very important in informing the study in that many projects in developing countries depend on donor funds as argued in the work of Rioja, (September 2003) noting that in developing countries, new public projects are mostly financed by international, conversely, is financed by taxation. In that, respect the researcher contends that this study is grounded on systems theory and the Resource dependency theory.

2.2 Thematic Review

This section focuses on literature review and presented objective by objective as below:

2.2.1 Local revenue planning and financial performance

The democratic principles, which empower and encourage the active participation of all citizens at all levels in their own governance, are enshrined in the National objectives and principles of state policy and Chapter 11 of the 1995 Constitution of the Republic of Uganda. Local revenue management and financial performance are some of the key functions that have been devolved to the local governments under the decentralization system of governance.

The decentralization policy has been viewed as an instrument for improving local democracy, effectiveness, increased efficiency and sustainability in the delivery of essential services.

The system gives the district and the sub-counties the key responsibilities for the provision of services and execution of public expenditure. These include among others the development, provision and improvement of social services and the promotion of rural development at the local levels.

However, Wunsch (2011) argues that many African states that have pursued substantial decentralization reforms in the previous twenty years, have not had some of these reforms bring about effective local governance. He notes problems of translating general reform initiatives into specific working arrangements at the local level that are effective in several key processes and operations. These problems include among others; planning and capital investment, budgeting and fiscal management, personnel systems and management, and

finance and revenue. This argument points to the fact that decentralized governance does not necessarily bring about efficient local revenue management that translates into efficient financial performance in local governments. In that respect Tendler (2009) expounded that, while the demand for public services and service delivery is growing steadily as populations increase and as expectations of achieving better standards of living are raised by national development plans and international development assistance programmes, management of financial resources that does exist is notoriously poor and as such services and facilities deteriorate.

Focusing on the work of these scholars, it did not underpin the relationship between national development plans and international development assistance programmes on the management of financial resources which could have further informed this study especially in regard to revenue planning and management of the local revenue. Rioja (2003), on the other hand made emphasis on economic benefits of management of financial resources. He maintains that management disregard, for example, may lead to road deterioration, power line breakdowns reducing the economy's productive capacity. Furthermore, he submits that in developing countries, new public projects are mostly financed by international donors (typically by governments of industrialized countries or international organizations) and the management of existing financial resources, conversely, is financed by taxation. Whereas this was good attempt to demonstrate the significance management of financial resources to the economy's productive capacity and source of its financing, the study did not explore how different dimensions of revenue management, for instance, how local revenue planning affects financial performance in local governments which gap this study will attempt to explore.

Furthermore, Rondinelli et al. (2009) noted that the problems of providing and maintaining public services had increased calls for decentralization. Many decentralized developing countries however, have not translated the policy to address the problem of management of local revenue due to inadequate misappropriation. Consistent with this, Therkildsen and Semboja (2012) argues that whereas rural local governments in Tanzania were introduced in 1984, they face serious problems of financing the operation and maintenance of basic services. A similar view was held by Grundy et al (2003) who affirmed that since the advent of devolution in the Philippines, the under financing of public health services had resulted in their slow decay in terms of un-maintained infrastructure and un-repaired or un-replaced equipment among others. Accordingly, the researcher believes that these phenomena negate the aim of decentralization which is meant to widen decision making space of middle level

managers, enhance resource allocations from central to peripheral areas and to improve the efficiency and effectiveness of services delivery. Whereas these studies underscored under funding to explain the deplorable state of infrastructure, little was done to show the relationship between resource management (revenue planning) on financial performance management, which the study deals with.

The reviews of other studies have revealed that the management of local revenue has continued to gain focus of public capital investment plans because of the need to protect the value of the existing investments. Whereas the researcher concedes to this argument, it is also sufficient to mention that this obtains in developed countries not in the developing world and local governments in Uganda in particular as further alluded to in the work of Agénor (2015), where it was argued that local revenue management has been a chronic problem in many countries in the developing world, resulting in rapid decay of public capital. Management and control of local revenue has been neglected in favor of borrowing for highly visible projects despite their macroeconomic contribution to the country's GDP (Rioja, 2003), which assertion the researcher agrees with. In Uganda, the study on holistic review of local government financing conducted by the Local Government Finance Commission in October 2012, reveals that the current financing system focuses on putting up new investments in local governments without a corresponding provision for operation and maintenance. Consequently, it strongly recommended for review of local government financing in order to take care of operation and maintenance. However, the study did not underscore the issue of management of local revenue at the local governments especially with regard to planning for proper financial performance using locally generated revenue in local government which is point of focus of this study.

Furthermore, Kumi District capacity building plans for the last two Financial Years (2020/21 and 2022/23) including FY2023/24 indicate that there has been Human Resource Capacity Building Programs in areas of financial management and planning. These interventions could have translated into improved local revenue performance, and yet what has happened is contrary. Despite such interventions, the district still faces local revenue management challenges which could be translating into deteriorating condition of local government investments. The district seemed to be trapped in financial distress; thus, a failure to meet financial commitments. This argument was supported in the work of Stewart and Walker (2007), where it was noted that local councils in the Australian state (New South Wales) were

engulfed in financial distress, hence, hindering restoration resources performance to a satisfactory condition. The study therefore, sought to explore financial distress in light of slow financial growth despite rigorous capacity building programmes and revenue planning processes in local governments.

Most of the studies above were carried out in highly urbanized local government environs where sources of revenue are diverse and tax compliance is equally high whereas Atatur sub county is located in a rural setting where both revenue sources and tax compliance is low and yet conditions differ across contextual settings. This research therefore, is an attempt to fill that gap.

2.2.2 Local revenue management and financial performance

Previous studies conducted on the matter have not provided space to share how the decentralization policy is related to this. The decentralization policy transferred to local governments responsibilities for resource mobilization and collection, revenue sharing, budgeting, budget implementation, monitoring and accountability or generally streamlined financial management procedures as provided for in the local Government, Act CAP 243 and Local Government financial and accounting Regulations 2008. However, as noted in the work of Wunsch (2011), problems still exist in translating general reform initiatives into specific working arrangements at the local level that are effective in several key processes and operations in many African states that have pursued substantial decentralization reforms in the previous twenty years. These debates about implementation of decentralization policy have continued to feature in scholarly world. Consistent with the foregoing, little has been done to address the lacunas on management of local revenue and execution of devolved mandate of management and control of financial resources in local governments which this study intends to deal with.

According to the Local Government Act, CAP 243 Section 80, Local Governments are empowered to levy, charge, collect fees as a means to generate local revenue. The fifth schedule of the Act, also spells out the regulations governing the Local Government revenue. The sources of revenue for Local Governments include; Grants from central government; Property rates; Fees and fines or licenses and permits; Interest on investments; Rents from lease of property; Donations, contributions and endowments; Charges or profits arising from any trade, service or undertaking carried on by the council; Parking fees; Charcoal burning licenses; Any other revenue which may be prescribed by the Local Government and approved

by the minister; Local Service Tax and Local Hotel Tax. These different sources of local revenue are critical in contributing to investments as earlier alluded to in the work Rioja (2013), hence the researcher strongly believes that there is need for a renewed call to local governments to put in place a relationship for revenue collection mechanisms for increased local revenue generation required for financial performance growth.

Notwithstanding the governments elaborate Local revenue (financial) management framework in Local governments as evidenced above, investments have quite often tended to encounter problems due to weak and inadequate support (Khan, 2010; Agénor, 2015). However, the researcher contends that what remained unanswered in the works of foregoing scholars was the question of addressing the existing challenges in the implementation of financial management framework in order to generate sufficient revenues required for effective service delivery. Furthermore, as earlier highlighted in the work of Rioja (2013), there is high dependency on central government transfers for service delivery among Local governments in Uganda. According to the researcher, this scenario is expected to place more responsibility on local governments to enhance their revenue collection to match the devolved mandate.

In addition, Luyendijk and Fonseca (2013) argue that in the ideal situation, regular maintenance costs should be borne by the users (community members or local government) of the system or facility. It is maintained that the beneficiary community of the investment is expected to own the investment through active participation in the projects maintenance or sustainability mechanisms, through formation of management committees for instance, water user committees (WUC), school management committees (SMC), Parents Teachers Associations (PTA), Health Management Committees (HMC). In practice this is often not the case due to poor revenue collections. Luyendijk and Fonseca (2013) argue that those committees' mandate has most often tended to appropriate or execute their plan on the funds released to them either from Donors or central government through the district or local revenue transfers. In the circumstances, the researcher believes that the thrust of mobilizing resources has often been left confusing among various stakeholders at different responsibility centers. As such community members tend to apportion the responsibility to plan and budget for such services to the District or lower local governments. On the other hand, in the spirit of participation and ownership of the projects in local governments, it is the community's responsibility for instance to generate revenues for development. According to the researcher, this phenomenon raises questions such as" to what extent does Kumi District local

government plan, budget, collect and allocate resources for service development?” which this study attempts to highlight.

Consistent with the foregoing, Paul & Robert (2013) while analyzing Uganda’s ambitious decentralization program said that Uganda operates a “Dual-Mode” system of local governance thus technocratic mode and patronage mode. Under a “technocratic mode,” conditional funding from the center is earmarked for particular programs but with little local participation. In contrast, the “patronage mode” is an elaborate system for local “bottom-up” planning, but with limited resources, which are largely consumed in administrative costs and political emoluments. This system of local governance seemingly does not favor development in local governments. The researcher believes that this study could further explore the participation of key Stakeholders in local revenue collection and financial performance which Paul and Robert (2003) did not expound.

From the previous Chapter, it has been noted that the problems of service delivery demand the question of declining Local revenue mobilization and collection in Local Governments and development of a policy on local revenue to be addressed (JARD report, FY 2013/14). Besides the researcher contends that, probable contributing factors which cripple local governments and undermine incentives for local officials and elected representatives to perform effectively such as unclear definition of fiscal decentralization, poorly articulated roles and resource deficiencies as argued by Smoke (2003 p7-16) need to be addressed. While this has been appreciated, the study could further explore how local revenue management affects financial performance.

Most of these researches were done at district or national levels, and yet the current decentralization policy has transferred most the implementation at the sub county level. The dynamics of management at these levels are quite different and therefore relying on the findings of the above investigations to draw conclusions on the relationship between revenue management and financial performance is inconclusive. This research therefore is an attempt to fill that knowledge gap.

2.2.3 Local revenue control and financial performance,

Studies that have compared allocation of public expenditure and management and endogenous growth frameworks have shown that management spending affects both the durability and efficiency of public capital (Agenor, 2019). In line with the foregoing, this study is to give a thorough assessment of the relationship of allocation of public revenue or

expenditure on financial performance. Increased funding has been witnessed in many African countries (Foster and Morella, 2010) and yet proper utilization of these resources in different sectors of government, including community access roads continue to suffer neglect.

In Uganda, there has been government's increased decentralization effort to improve public service delivery through the increased grants from central government to local governments. This has increased from 1763 billion to 2,009.1 billion representing 10.9% of the total budget during the financial year 2021/2022 (MOFPED; background to the Budget FY 2022/23, June, 2023). Accordingly, 99% of Kumi District's total budget was funded from central government. However, this funding is used for putting up new investments without corresponding provision for operation and maintenance (LGFC, October 2022). This is because Local governments are characterized by limited local resources, which are largely consumed in administrative costs and political emoluments (Paul and Robert, 2013) with little or no budgetary provision for maintenance (civil) as evidenced in Kumi DLG Financial Statement for FY 2021/22) Therefore, the researcher contends that if this trend is not reversed, the value of existing investments would not be secured hence undermining attainment of intended investment goals as further discussed below.

Procedurally, the Central Government remits conditional, unconditional and equalization grants direct to District, Municipal and Town Councils. Under section 83(5) of the LGA, CAP243, Local Government councils are required to indicate how Conditional and Equalization Grants obtained from the Centre are to be passed on to lower Government councils. Furthermore, all Local Governments collect revenue and it has to be shared in accordance with the provisions of section 85 of the LGA, CAP 243 as follows; In the city and Municipal Councils, collected revenue is shared 50% equally with the division Councils and 25% of what a division retains is distributed to the villages and 10% amongst wards. While in rural areas, the District and Sub county councils collect and share revenue at 35% and 65% respectively and the Sub County distributes 5% to parishes and 25% village councils. Where a higher Local Government collects revenue on behalf of the lower Local Government entitled to do the collection, such Higher Local Government shall remit the proportionate percentage to the Lower Council and retain the percentage it is entitled (LGA section 85 (4). Where lower Local Governments fail to remit the required percentages, section 85(3) empowers Higher Local Councils to take appropriate measures to fully recover the revenue due to it. Whereas the above framework has been put in place by governments to facilitate revenue allocation, sharing and accountability, conversely, there is neglect of investment in

all sectors equally in favor of new investments in local governments (LGFC; Holistic review of local government financing, October 2022).

Managing local revenue continues to face a lot of debate while considering funding priorities. Luyendijk and Fonseca (2013), while believing in “some for all rather than all for some.” maintained that funding should be directed first to those who don't have access rather than maintenance for those who already have access. It is further argued that donor funding should not be used for maintenance for those who already have access. It is contended that in the ideal situation, regular maintenance costs should be borne by the users of the system but this is often not the case due to poor revenue collections.

Equally important and consistent with the above submission is the fact that there is an almost universal deficiency of sub-national own-source revenues relative to assigned sub-national expenditure requirements, as such intergovernmental transfers play a critical role in closing this fiscal gap as well as in alleviating interregional resource disparities (Smoke, 2013). This assertion was also held by Kikwete (2023) noting that Local expenditure and local revenue generation is not in close proximity. Thus, the fiscal decentralization strategy (FDS) designed to ensure efficient provision of local services that align with local needs, and to improve accountability to residents has in few cases been achieved. This school of thought attempted to suggest that expenditures and local revenue management could as well be far apart from each other and such this investigation became very paramount. The above argument was evidenced by Kumi DLG Financial Statement for FY 2022/23 which indicated no budgetary provision for item 228001(maintenance civil) in the works department, and yet anecdotal evidence shows the deteriorating financial performance. This revelation reinforced the assertion that the current financing system in Government has continued to focus on putting up investments in local governments (LGFC, 2022). In line with the foregoing, the researcher strongly believes that this study will thoroughly assess the relationship of local revenue control in terms of allocation, budget implementation, accountability, and monitoring and evaluation.

CHAPTER THREE: METHODOLOGY

3.0 Introduction

This Chapter presents the research design, study population, sampling strategies, data collection tools, data quality control, data collection procedure and data analysis techniques that were used in the study.

3.1 Research design

This study adopted a case study research design. The case study design was used in order to generate in depth understanding of the study variables given the complex nature of local government service delivery (Neumann, 2021). Correlation was also used because the study variables have a cause -effect relationship. The study employed triangulation approach with qualitative and quantitative techniques. Qualitative technique were used because it explores attitudes, beliefs, motives and behaviors hence providing an in-depth study on the subject matter, while quantitative technique provides an understanding of cause-effect relationship.

3.2 Study population.

The study population were people comprising of Assistant Executive Secretary, Sub-Accountants, District Accounts Officers, District Internal Auditor; Community Development Officers. The aforementioned district staffs were the units of analysis for the study. These different categories of people were chosen because they are responsible for planning and budgeting, revenue mobilization and collection, and budget implementation at different levels of service delivery in Local governments.

3.3 Sample size and selection

The sample size of respondents was selected from the population of 34 people drawn from the different categories of respondents using Krejcie and Morgan (1970) model of determining the sample size as indicated below;

Table 3:1 shows the population and sampling size of the respondents

Respondent Categories	Population	Sample size	Sampling technique	Research Instrument
Assistant Executive Secretary	1	1	Purposive sampling	Interview guide
District Accountants	5	4	Purposive sampling	Self-administered questionnaire
Community Development Officers	23	20	Simple random sampling	Self-administered questionnaire
Account Assistants	1	1	Purposive sampling	Self-administered questionnaire
Revenue Mobilization Officers	4	3	Purposive sampling	Self-administered questionnaire
Total	34	29		

Source: Kumi DLG Staffing position report (April, 2024) and Krejcie and Morgan (1970 as cited in Amin (2003) and modified by the researcher. The above model is preferred because it satisfies the basic principle and laws of probability and assures the researcher of an utmost representation of the total population within the accepted margin of error. It is also easy to use and above all, it is cost effective.

3.5 Sampling techniques and procedures

Arising from Table 1 above, the sampling techniques that were used to select the respondents include; purposive and simple random sampling. In order to ensure representation of the study population, the sample was selected from a cross section of the Population of 34. The

selection of 20 mobilization officers was through Simple Random Sampling because it gives all the respondents an equal chance of being selected in the sample and avoids biases on side of the researcher (Mugenda and Mugenda, 2003). However, the selection of the Assistant Executive Secretary, Sub Accountant, District Accounts Officers and other respondents was by purposive sampling technique. Purposive sampling is preferred because of these categories' unique skills, knowledge, central role and responsibility in financial management in local governments and access to other information of interest to the study, hence, they were regarded as the key informants in this study.

3.6 Data Collection methods

Multifaceted approach using both the Qualitative and Quantitative methods of data collection were employed, and both primary and secondary data were collected. Questionnaire and interview methods were used to collect primary data using Self-Administered Questionnaires and Interview Guides respectively (Marshall & Rossman 2006) and cited by Opio A.D (2012). While secondary data was collected using documentary reviews from library/registry sources, internet sources and government publications, and exploring existing published literature.

3.6.1 Questionnaire method

This method is mainly used to generate quantitative data. In this study, it involved the use of self-administered questionnaires to respondents (District accountants, assistant accountants, Revenue mobilization officers, CDOs) in relation to how local revenue management relate to financial performance.

In generating quantitative data, only closed ended questions in a scale (five Likert 1-5 rating) were used. This method is critical in investigating motives and feeling in Likert scale (Creswell, 1994). According to Amin, (2005) questionnaires are popular with researchers because information can be obtained fairly, easily and responses are easily coded. It is also preferred because big number of respondents can be covered and cost effective.

3.6.2 Interview method

Interview is face to face interpersonal communication in which an interviewer asks participants questions aimed at eliciting answers related to the research questions (Nachmias and Nachmias, 2000). The structured interview which comprises of open ended questions that

elicit a variety of responses which are elaborate and truly reflect the opinions of the respondents shall be used on

Assistant Executive Secretary. It usually yields richest data, details, new insights and permits face-to-face contact with respondents; provides an opportunity to explore topics in depth and allows the interviewer to experience the affective as well as cognitive aspects of responses; it allows interviewer to explain or clarify questions; increases the likelihood of useful responses and allows the interviewer to be flexible in administering interview to particular individuals or in particular circumstances (Amin 2005). Therefore, a face to face interview with accounting officers (Chief Administrative officer and sub-county chiefs) shall be conducted because they have key information about local government administration and management.

3.6.3 Documentary reviews.

This involves sourcing for secondary data in relevant written documents such as Government Publications and reports. Lincoln and Guba (1985) define a document as "any written or recorded material" not prepared for the purposes of the evaluation or at the request of the inquirer. Documents can be divided into two major categories: public records and personal documents (Guba and Lincoln, 1985). This method enables the researcher to get necessary secondary data on local revenue management and Financial Performance. This method is preferred due to the fact that documents are available locally, cheap, provides information on historical trends or sequences, provides opportunity for study of trends over time and unobtrusive (Jacobson, Pruitt Chapin & Rugeley, 2019).

3.7 Data collection tools.

The Data collection tools for this study include; documentary analysis checklists, questionnaires, interview guides and observation checklist. These tools were preferred based on their theoretical and practical considerations. The theoretical issues center on the value of the types of data, the relative scientific rigor of the data and basic underlying philosophies of evaluation. On the practical level, it centers on credibility of findings, staff skills, costs and time constraints (Kidder and Fine, 1987).

3.7.1 Questionnaire

The researcher used self-administered questionnaires with closed ended questions with options to select and based on a one – five Likert scale. According to Amin, (2005), questionnaires are popular with researchers because information can be obtained fairly, easily

and responses are easily coded. It is also preferred because big number of respondents can be covered and cost effective.

3.7.2 Interview guide

The researcher carried out personal interviews to collect data from respondents. The interview provided in depth information about a particular research question (Nachmias and Nachmias, 1990). Face to face, communication ensures usefulness, accuracy and compatibility of data. It also provides opportunity for clarification of issues and gaining insight and context into a topic. It allows respondents describe what is important to them and useful for gathering quotes and stories (Patton, 1990; Amin, 2005). The interview guide was administered to mobilization officers because they have key information about local government administration and management.

3.7.3 Documentary analysis check list

This was mainly used by the researcher to source secondary data useful in understanding local revenue management on financial performance. It involved analysis of Government publications and reports such as Development plans and budgets, financial statements and relevant legislations and different academic articles and books, internet, newspapers/magazines. According to Jacobson, Pruitt Chapin & Rugeley 2009; Creswell (2014), document reviews is a good source of background information, provides a “behind the scenes” look at a program that may not be directly observable and it may bring up issues not noted by other means.

3.8 Procedure for data collection

The researcher obtained Letters of introduction from Uganda Christian University and the Chief Administrative Officer (CAO) Kumi District Local Government. The respondents were informed that the research is purely academic. The questionnaires to the respondents were distributed and data collection commenced thereafter. It was followed by face to face interview with key respondents who have expertise and responsibility for financial management in local governments.

3.9 Data quality control

Validity and Reliability was established by pre-testing the data instrument using statistical package for social scientists (SPSS). This ensured that the instrument measures exactly what has been set to be measured.

3.9.1 Validity

Validity is the ability of the instrument to produce findings that agree with theoretical or conceptual values (Mugenda and Mugenda 2003). According to Amin (2005), validity refers to appropriateness of the instrument. Content validity measures the extent to which the content of the instrument corresponds to the content of the theoretical concept it is designed to measure. According to (Mugenda and Mugenda, 1999), the content validity index of the instruments shall be determined by giving a list of objectives, research questionnaires and interview guides to experts in the area of study and questionnaire construction. The experts were requested to evaluate each item in the questionnaire and interview guide on a scale ranging from very relevant, quite relevant to relevant.

When the CVI is 70% it implies that the instrument can provide information which can answer about 70% of the research questions. The minimum deterministic value is 50% for the instrument to be considered fit and valid. The researcher got a CVI of 68%, which means that the questionnaire was valid. The purpose of pre-testing the instruments is to identify deficiencies in the instrument, limiting the researcher's bias and minimizing vagueness. Therefore, this process enhances validity of the instrument.

3.9.2 Reliability

According to Norland (1990), reliability refers to random error in measurement. It indicates the accuracy or precision of the measuring instrument. Reliability is a measure of the degree to which a research instrument yields consistent results or data after repeated trials (Mugenda and Mugenda, 1999). The researcher pre -tested the instrument to determine its consistency in terms of the likely duration of time that could be taken while answering the questionnaire, clarity of the questions, test of logical flow and whether the questionnaire could be reliably self-administered. The researcher used one respondent from each of the categories of the study population. After pre-testing the instrument, the researcher shall run the statistical test using SPSS to obtain the Cronbach coefficient Alpha (α) to determine the reliability of the instrument and if the Cronbach coefficient Alpha is greater than 0.5 ($\text{Alpha} > 0.5$), it implies a high level of reliability of the instruments (Amin, 2005).

3.10. Measurement of Variables

The measurement of variables was done using the Likert scale rating measure. This involved examining whether the study population strongly agrees or strongly disagrees with the statements on 5 – point scale (Seaman, 2000). In this study the scale will range as follows:

1 – Strongly agree, 2- Agree, 3 – Neutral, 4 – Disagree, and 5 – Strongly disagree.

3.11 Data management and analysis

The Researcher collected data, edited it in accordance with the responses from the structured and unstructured interviews and questionnaires. The data was coded, categorized under the variable and entered into the computer using the excel data management which was later be exported to the statistical package for social scientists (SPSS) for analysis.

3.11.1 Qualitative data analysis

The qualitative data from the interview responses, documentary review were analyzed using the thematic procedures. This involved organizing the statements and responses (through summaries, coding and testing out main study themes) and useful conclusions and interpretation generated based on patterns and explanations of the study findings and research objectives (Trochim, 2006). In addition, clustered qualitative information were synthesized and used to explain the quantitative analysis results.

3.11.2 Quantitative data analysis

The quantitative data was analyzed in three stages thus; univariate, bivariate and multivariate stages. The univariate analysis was carried out to generate information about demographic and socio-economic variables in the study. The information is presented in the form of descriptive statistics (i.e. frequency tables, charts and graphs). At the bivariate stage, cross tabulations and chi square test statistics were used to establish the significance of the relationships between the independent variables (local revenue planning, collection and control) and dependent variables (financial performance). The Pearson correlation matrix which measures the degree and the direction of the relationship between the two variables was also used to analyze the data as propounded by Mugenda and Mugenda (1999). A chi-square test with results showing a probability of 0.05 or less is commonly interpreted by social Scientists as a justification for rejecting the p - value that the row variable is unrelated (that is only randomly selected) to the column variable. If found significant, the interpretation is that, increases in one variable are associated with increases or decreases for negative relationship in the other variable greater than what would be expected by chance of random sampling.

3.12 Ethical considerations

In the context of research, ethics refers to the appropriateness of the researcher's behavior in relation to the rights of those who become subjects of the study or are affected by it. The researcher considered ethical issues throughout the period of the research and remain sensitive to the impact of his work on the respondents and stakeholders affected by the study (Saunders et al., 2009).

The researcher obtained introductory letter from Uganda Christian University to the Chief Administrative Officer, Kumi District prior to conducting research, seeking permission to conduct research in the District. The informed consent from the respondents was obtained by explaining the purpose and objectives of the study.

The researcher observed the principle of anonymity during data collection and presentation by using codes as a means of identify the respondents. This research dealt with direct questioning of respondents, and reviewing documents, administering of questionnaires to respondents and observations and throughout these processes, ethical concerns were observed.

CHAPTER FOUR:

PRESENTATION, ANALYSIS AND INTERPRETATION OF FINDINGS

4.0 Introduction

In this chapter the researcher presents, analyses and interprets results in regard to how Local revenue management affects financial performance in Atatur sub county. The results are presented according to the objectives of the study. The first section of this chapter deals with a presentation of the response rate and a description of the characteristics of the respondents. This is then followed by a section in which findings about the study objectives are presented.

4.1 Response rate

The response rate also known as completion rate or return rate in a study, refers to the number of people who answered the research questions divided by the number of people in the sample and it is expressed in the form of a percentage (%). Therefore, the table below provides the rate at which respondents completed the instrument of data collection.

Table 4:1 shows: Response Rate

Category	Sample	Questionnaires Distributed	% of questionnaires distributed	Questionnaires returned	Response rate
Assistant Executive Secretary	1	1	3.45	1	100%
District Accountants	4	4	13.79	4	100%
Community Development Officers	20	20	68.79	20	100%
Accounts Assistant	1	1	3.45	1	100%
Revenue Mobilization Officers	3	3	10.34	3	100%
TOTAL	29	29	100	29	100

From Table 2 above, 29 questionnaires were distributed as follows; 1(3.45%) Assistant Executive Secretary, 4 (13.79%) district accountants, 20 (68.97%) community development officers, 01 (3.45%) Accounts Assistants and 3 (10.34) revenue mobilization officers. A total of 29 questionnaires were returned representing 100%% response rate. Because of the routine follow-up, I was able to achieve the 100% response rate. These response rates are good enough to be relied on for the study.

4.3 Descriptive Characteristics of Respondents

The Descriptive characteristics covered the gender of respondents, marital status, age, level of education, work station and years of work experience as presented in the following tables below:

4.3.1 Marital status of respondents

Table 4:2 shows; Marital status of respondents

Status	Frequency	Percent
Married	26	89.66
Single	1	3.45
Separated	2	6.90
Total	29	100

Source: Primary data.

From Table 4 above, 26 (89.66%) of the respondents were married,1 (3.45%) was single and 2 (6.90%) persons had separated. The observation here is that a larger percentage (89.66%) of the respondents were married, this is because people with these job specifications are more likely to be married people The essence was to arrive at a team of mature responsible people, who undoubtedly provided the needed information.

4.3.2 Educational level of respondents

Table 4:3 Educational level of respondents

Educational level of respondents	Frequency	Percentage
Masters	1	3.45
Bachelors	24	82.76
Diploma	2	6.90
Certificate	2	6.90
TOTAL	29	100

From Table 4 above, 01 (3.45%) of the respondents were master's holders while 24(82.76%) were Degree holders, 2 (6.90%) certificate holders and 2 (6.90%) were diploma holders. It can be observed here that a larger proportion of the respondents were Degree holders and the least were those holding masters.

4.3.3 Distribution of respondents by work station

Since the need for the financial performance of the concerned authority is expressed by workers in those departments the researcher was interested in establishing the respondents work stations and the results are established in the table below.

Table 4: 4 Respondents period spent at work

Period spent at work	Frequency	Percent
1-5 Years	13	44.83
11 and above	07	24.13
6-10 Years	03	10.34
Below 1 Year	06	20.70
Total	29	100%

Source: Primary data

From Table 5, 13 (43.83%) of the employees had worked for a period of 1 -5 years, 07 (24.13%) had worked for a period of 11 years, 3 (10.34%) had worked for a period between 6-10 years and the remaining 06 (20.70%) had worked for a period below 1 year. The observation here is that a larger proportion of the respondents had worked in their position for a period of 1 -5 years.

4.4 The relationship between revenue planning and financial performance

Local revenue planning is a very important function for revenue performance improvement, through formulation of local revenue enhancement plans and budgets, proper business registration and revenue assessment. Local revenue planning if not well done can result in poor revenue generation, which in turn affects financial performance.

Table 4:5 shows: Analysis of local revenue planning and financial performance

Rated Items		Response category				
		SA	A	NS	D	SD
		f/29 & %	f/29 & %	f/29 & %	f/29 & %	f/29 & %
1	Sub-county has revenue enhancement strategies	8	18	2	1	1
		27.59	62.07	6.90	3.45	3.45
2	The revenue enhancement plan has helped in resource mobilization and collection	13	09	1	3	3
		44.83	31.03	3.45	10.34	10.34
3	Each department is represented at the technical planning committee meetings at the district headquarters	04	16	05	3	1
		13.80	55.17	17.24	10.34	3.45
4	Each department participates in budget process at the district headquarters	7	10	3	4	5
		24.13	34.48	10.34	13.8	17.24
5	Revenue composure always change in different ways	3	10	12	3	1
		10.34	34.48	41.38	10.34	3.45
6	Budget allocations are adjusted during short falls and surpluses	6	15	4	3	1
		20.69	51.72	13.8	10.34	3.45
7	District has strategies it uses to ensure transparency and accountability in the revenue generation	7	13	5	2	2
		24.14	44.83	17.24	6.90	6.90

Source: Primary data

From Table 6, out of the 29 respondents who were involved in the study, 18 (62.07%) of the respondents agreed while 08 (29, 59%) strongly agreed that the district/sub-county had revenue enhancement strategies. On the contrary 1 (3.45%) disagreed and 1 (3.45%) strongly disagreed meanwhile 2 (6.90 %) were not sure. Data provided evidence that 26 (91.66%) agreed that the sub county had revenue enhancement strategies. This means that Atatur sub county tries to fulfill its mandate of having revenue enhancement strategies, which are critical for increased local revenue generation.

From Table 6, it was also discovered that 13 (44.83%) strongly agreed, 09 (13.03%) agreed, 3 (10.03%) disagreed 3 (10.03%) strongly disagreed and 1 (3.45%) were not sure with the statement that the institution/department is represented at the technical planning committee meetings at the district/ sub-county. The data therefore provided evidence that 22 (75.86 %) agreed that their departments /institutions were represented at technical planning meetings as opposed to 06 (20.68 %) who had contrary view. This means that Atatur sub- county has well constituted technical planning committees which fairly undertake their mandate as a measure of compliance with Local Government Act that provides for the Technical Planning committees at local governments charged with planning processes.

In addition, 16 (55.17%) agreed and 04 (13.80%) of the respondents strongly agreed that revenue enhancement plan has helped in resource mobilization and collection. Meanwhile 1 (3.45 %) strongly disagreed, 3 (3.45%) disagreed and 05 (17.124%) were not sure. The data provided evidence that 20 (68.97 %) agreed that revenue enhancement plan has helped in resource mobilization and collection. This means that Atatur sub county attaches significance on revenue enhancement planning as a means to increased revenue mobilization.

Similarly, 10 (34.48%) of the respondents agreed and 07 (24.13%) strongly agreed that their institutions/departments participate in budget process at the sub-county. Meanwhile 05(17.24%) strongly disagreed, 4 (13.80%) disagreed and 3 (10.34%) were not sure. Although the data reveals that 17 (58.61 %) participated in the budgeting process, 09 (31.04 %) had contrary view. This reveals that Atatur sub county fulfills its mandate and undertakes budgeting as provided for in the public finance Act 2015. However, there is still a problem of effective participation and as a result the budgets may not give a true reflection of the needs of other institutions /departments.

Furthermore, 10 (34.48%) of the respondents agreed and 03 (10.34 %) strongly agreed that Revenue composure always change in different ways. On the contrary, 3 (10.34%) disagreed, 1 (3.45%) strongly disagreed and 12 (41.38%) were not sure. Although the data provided evidence that 13 (44.82%) of respondents agreed that budgeting for new investments is prioritized first, 04 (13.79%) disagreed and 12 (41.38%) were not sure. This means that on the whole, Atatur sub county prioritizes budgeting for new investments although there still exists challenges of increased participation of key stakeholders in the planning and budgeting process in the local government.

Table 4:6 shows: The relationship between local revenue planning and financial performance

Variables	Statistics	Local revenue planning	Financial performance
Local revenue planning	Pearson correlation Sig. (2-tailed N	1	0.827** 0.001 29
Financial performance	Pearson correlation Sig. (2-tailed N	0.827** 0.001 29	1

From Table 7 above, the correlation coefficient is 0. 827.This implies that there is a strong positive correlation between local revenue planning and financial performances. And since the p - value (0.001) is less than 0.05, the significance level, as such there is significant positive relationship between local revenue planning and financial performance in Atatur sub county.

4.5 The relationship between local revenue collection and financial performance

Local revenue collection determines how much revenue the local government collects. It involves diversifying sources of revenue, revenue mobilization and payment compliance, which are critical in improving local revenue collections for financial performance.

Table 4:7 shows: Analysis of local revenue collection and financial performance.

Rated Items		Response category				
		SA	A	NS	D	SD
		f/29 & %	f/29 & %	f/29 & %	f/29 & %	f/29 & %
1	District has revenue collection strategies	15	07	5	1	1
		51.72	24.14	17.24	3.45	3.45
2	District has adequate capacity in mobilizing for local revenue	11	14	2	1	1
		37.93	48.28	6.90	3.45	3.45
3	District sensitizes her tax payers on tax payments	09	05	10	3	2
		31.03	17.24	34.48	10.34	6.90
4	Local revenue is collected as planned	11	9	3	3	3
		37.93	31.03	10.34	10.34	10.34
5	Revenue collected is well managed	5	6	5	4	9
		17.24	20.69	17.24	13.79	31.03
6	District ensures local revenue mobilization	12	11	3	1	2
		41.38	37.93	10.34	3.45	6.90
7	District uses both local and electronic methods of tax collection	13	10	3	2	1
		44.83	34.48	10.34	6.90	3.45

Source: Primary data

From Table 8 above, 7 (24.14%) of the respondents agreed and 15 (51.72%) strongly agreed that they know the district has revenue collection strategies. Meanwhile 1 (3.45%) disagreed, 1 (3.45%) strongly disagreed and 05 (17.24%) were not sure. Although the data provided evidence that 05 (17.24%) of the respondents agreed that they know all local revenue sources in their local government as compared to 15 (51.72%) who disagreed. This means that the majority of the individuals are not aware of all local revenue sources as spelt out in the fifth schedule of the Local Act CAP 243. This could have adverse effects on revenue mobilization and collection.

In table 08 above, 14(48.28%) of the respondents agreed and 10 (34.48%) strongly agreed that the district has capacity for mobilizing for revenue. Meanwhile 1(3.45%) disagreed, 1 (3.45%) strongly disagreed and 3(10.34%) were not sure. This means that while there are more tax collection capacities, they were not being effectively utilized

Furthermore, 05 (17.24%) of the respondents agreed and 09 (31.03%) strongly agreed that District/sub-county/institution sensitizes her tax payers. On the other hand, only 03 (10.34%) disagreed, 2 (6.90%) strongly disagreed and 10(34.48%) were not sure. This means that Atatur sub county sensitizes its tax payers although one wonders whether they are that effective.

Furthermore, 09 (31.03%) of the respondents agreed and 11(37.93%) strongly agreed that Local revenue is collected as planned. Meanwhile 3 (10.34%) disagreed, 3 (10.34%) strongly disagreed and 3 (10.34%) were not sure. This means that Atatur does not realize the local revenue as estimated and this is indicative of poor implementation of planned activities.

From Table 7, 06 (20.69%) of the respondents agreed and 05 (17.24%) strongly agreed that Local revenue collected is well managed. On the contrary 4 (13.79%) disagreed, 09 (31.03%) strongly disagreed and 5 (17.24%) were not sure. This reveals that there are challenges in the management of collected local revenue.

It is also observed that 13 (44.83%) of the respondents agreed and 11 (37.93%) strongly agreed that sub-county ensures good revenue mobilization. To the contrary 1(3.45%) disagreed, 2 (6.90%) strongly disagreed and 3 (10.34%) were no sure. Although the data provided evidence that 14 (48.28%) of the respondents agreed that sub county ensures good revenue mobilization, 1(3.45%) had contrary view and 3 (10.34%) were not certain. This finding means that there are still problems of resource mobilization and collection resulting in declining revenue generation in the Atatur sub county.

Furthermore, 11 (37.93%) of the respondents agreed and 10 (34.48%) strongly agreed that there is compliance by tax payers towards tax payment. Meanwhile 2 (6.90%) disagreed, 1(3.45) strongly disagreed and 3(10.34%) were not sure. The data provided evidence that 11 (37.93%) of the respondents agreed that there is compliance by tax payers towards tax payment. Meanwhile 2 (6.90%) had a contrary view. This means that Atatur sub county has very low tax compliance, a challenge that already communicates poor local revenue collection and poor implementation of planned activities.

Table 4:8 The relationship between local revenue collection and financial performance.

Variables	Statistics	Local revenue collection	Financial performance
Local revenue collection	Pearson Correlation	1	0.720**
	Sig. (2-tailed)		0.001
	N	29	29
Financial performance	Pearson Correlation	0.720**	1
	Sig. (2-tailed)	0.001	
	N	29	29

. Correlation is significant at the 0.05 level (2-tailed).

From Table 9 above, the correlation coefficient is 0.720 which implies that there is a strong positive correlation of between local revenue collection and financial performance. And since the P - value (0.001) is less than 0.05 the significance level, there is significant positive relationship between local revenue collection and financial performance in Atatur sub county.

4.6 The relationship between local revenue control and financial performance.

Local revenue control is also another critical dimension of local revenue management, which is concerned with budget implementation, local revenue sharing mechanism, accountability, monitoring and evaluation. This will lead to an appropriate financial performance.

Table 4:9 shows the relationship between local revenue control and financial performance

Rated Items		Response category				
		SA	A	NS	D	SD
		f/29&%	f/29&%	f/29&%	f/29 &%	f/29&%
1	Local revenue collected is spent according to the budget	09	07	2	6	5
		31.03	24.13	6.90	20.69	17.24
2	There are challenges in budget execution	28	30	2	3	1
		43.75	46.88	3.13	4.69	1.56
3	Budgetary discipline at the district has enhanced service delivery	12	6	5	3	3
		41.38	20.69	17.24	10.34	10.34
4	District has mechanisms for internal revenue control	5	9	7	4	4
		17.24	31.03	24.13	13.80	13.80
5	Execution of budget on service delivery is audited	15	9	2	1	2
		51.72	31.03	6.90	3.45	6.90
6	Accountability has enhanced revenue control	16	10	1	1	1
		55.17	34.48	3.45	3.45	3.45
7	The council monitors the management of local revenue	13	12	2	1	1
		44.83	41.38	3.13	1.56	1.56

Source: Primary data

From Table 9 above, 7 (24.14%) of the respondents agreed and 12(41.38%) strongly agreed that Local revenue collected is spent according to the budget. On the other hand, 4 (13.80%) disagreed, 4 (13.80%) strongly disagreed and 1 (3.45%) were not sure. Data provided evidence that 7(24.14%) of the respondents agreed that Local revenue collected is spent according to the budget as opposed to 8 (29.57%) with contrary view and 1 (3.45%) not sure.

This means that Atatur sub county spends the local revenue collected according to the budget although there are market deviations. In addition, 14 (48.28%) of the respondents agreed and 11 (37.93%) strongly agreed that there are challenges in the budget execution. On the other hand, 1(3.45%) disagreed, 1(3.45%) strongly disagreed and 2 (6.90) were not sure. This means that Atatur sub county budget is executed.

From Table 9 above, 6 (20.69%) of the respondents agreed and 12 (41.38%) strongly agreed that budgetary discipline has enhanced service delivery as provided for in the LG Act, while 3 (10.34%) disagreed, 4 (13.80%) strongly disagreed and 05 (17.24%) were not sure. Although data provided evidence that 7 (24.13%) agreed that Local revenue collected is shared among local governments and administrative units as provided for in the LG Act, 4 (13.8%) had a contrary view. This means that to some extent the local revenue collected by Atatur sub county is not shared well and this affects delivery of services.

Furthermore, 09 (31.03%) of the respondents agreed and 5 (17,24%) strongly agreed that the sub county has internal revenue control. To the contrary 8 (12.50%) disagreed, 9(14.06%) strongly disagreed and 7 (24.13%) were not sure. Although data provided evidence that 09 (31.03%) of the respondents agreed that the local government internal control systems 4 (13.79%) had contrary view. This means that local government has internal control systems.

From Table 9, 9 (31.03%) of the respondents agreed and 14(48.28%) strongly agreed that execution of budget is regularly audited while 1 (3.45) disagreed, 2 (6.90%) strongly disagreed and 4 (13.79%) were not sure. the data provided some evidence 9 (31.25%) that execution of budget is audited. This means that there exist inadequacies in the audit function and this has weakened budget execution.

From table 9 above, 10 (34.48%) of the respondents agreed and 16 (55.17%) strongly agreed that accountability for local revenue has improved financial performance. To the contrary 1(3,45 %) disagreed, 1 (3.45%) strongly disagreed and 2 (6.90%) were not sure. Although the Data provided evidence that 9 (34.48%) agreed that accountability for local revenue has improved delivery of planned activities, 1(3.45 %) had contrary view and 1(345%) were not sure. This indicates that accountability for local revenue has not necessarily translated into improved financial performance.

Similarly, 14 (48.28%) of the respondents agreed and 12 (41.38%) strongly agreed that the council monitors the management of local revenue. On the other had 1 (3.45%) disagreed, 1 (3.45) strongly disagreed and 2 (6.90%) were not sure. Data provided evidence that 14

(48.28%) of the respondents agreed that the council monitors the management of local revenue as opposed to 1 (3.45%) who had a contrary view. This means that council fulfills its mandate as set out in the Local Government Act CAP 243, thus, to approve the budgets and monitor its implementation.

Table 4:10 shows: the relationship between local revenue control and Financial Performance

Variables	Statistics	Local revenue control	Financial Performance
Local revenue control	Pearson Correlation	1	0.820**
	Sig. (2-tailed)		0.001
	N	29	29
Financial Performance	Pearson Correlation	0.820**	1
	Sig. (2-tailed)	0.001	
	N	29	629

** . Correlation is significant at the 0.05 level (2-tailed).

From table 9 above, the correlation coefficient is 0.820. This implies that there is a strong positive correlation between local revenue control and financial performance. The P - value (0.001) is less than 0.05 the significance level, as such; there is a significant positive relationship between local revenue control and financial performance in Atatur sub county.

Table 4:10 shows Financial Performance

Rated Items		Response category				
		SA	A	NS	D	SD
		f/29&%	f/29&%	f/29&%	f/29&%	f/29&%
1	District total assets have shown growth	12	13	1	1	2
		41.38	44.82	3.45	3.45	6.90
2	District adequate ratios indicate strong financial stability	13	9	4	2	1
		44.82	31.03	13.79	6.90	3.45
3	Net income has increased over the past three years	8	7	2	6	6
		25.59	24.13	6.90	20.69	20.69
4	District efficiency ratios reflects effective cost management	4	5	14	3	3
		13.79	17.24	48.28	10.34	10.34
5	District leverages on data analytics to forecast and manage revenue	5	8	4	5	7
		17.24	27.58	13.80	17.24	24.14
6	District has measures for effectiveness of its liquidity management	4	2	20	3	3
		13.79	6.90	68.97	10.34	10.34
7	District has strategies it uses to balance the need for liquidity.	5	6	14	2	2
		17.24	20.69	48.28	6.90	6.90

Source: Primary data

From Table 10 above, 14 (48.28%) of the respondents agreed and 12 (41.38%) strongly agreed that the district total assets have shown growth. On the other hand, 1 (3.45%) disagreed, 2(6.90%) strongly disagreed and 1 (3.16%) was not sure. Data provided evidence that 14 (48.28%) of the respondents agreed that the district total assets have shown growth as opposed to 1 (3.45%) with contrary view and 1 (3.16%) not sure. This means that Atatur sub county invests in assets.

In addition, 9 (31.03%) of the respondents agreed and 14 (48.28%) strongly agreed that the district adequate ratios indicate strong financial stability. On the other hand, 1 (3.45%) disagreed, 1 (3.45%) strongly disagreed and 4 (13.79%) were not sure. This means that the Atatur sub county invests in assets.

From Table10 above, 8 (27.59%) of the respondents agreed and 9 (31.03%) strongly agreed that the Net income has increased over the past three years. while 5 (17.24%) disagreed, 5 (17.24%) strongly disagreed and 2 (6.90%) were not sure. Although data provided evidence that 9 (31.03%) agreed that the Net income has increased over the past three years, 5(17.24%) had a contrary view. This means that to some extent the mobilization has been effective.

Furthermore, 05 (17.24%) of the respondents agreed and 4 (13.80%) strongly agreed district efficiency ratios reflects effective cost management which has improved financial performance. To the contrary 3 (10.34%) disagreed, 2 (6.90%) strongly disagreed and 14 (48.28%) were not sure. Although data provided evidence that 5 (117.24%) of the respondents agreed district efficiency ratios reflects effective cost management which has improved financial performance 2 (6.90%) had contrary view. This means that most of the departments are not informed about some of this crucial information.

Table 10 reveals that 8 (27.59%) of the respondents agreed and 5 (17.24%) strongly agreed that District leverages on data analytics to forecast and manage revenue. On the other hand, 5 (17.24%) disagreed, 7 (24.13%) strongly disagreed and 4 (13.80%) were not sure. This means that sub county leverages on data analytics to forecast and manage revenue.

From Table 10, 05 (17.24%) of the respondents agreed and 4 (13.79%) strongly agreed that sub county has measures for effectiveness of its liquidity management while 3 (10.34%) disagreed, 3 (10.34%) strongly disagreed and 20 (68.97%) were not sure. Although 5 (17.24) of the respondents agreed that District has measures for effectiveness of its liquidity management. This means that information prepared does not reach everyone with this big numbers for people not sure.

From table 10 above, 14 (48.28%) of the respondents agreed and 2 (6.90 %) strongly agreed that sub county has strategies it uses to balance the need for liquidity. To the contrary 2 (6.90%) disagreed, 2 (6.90%) strongly disagreed and 1 (3.45%) were not sure. Although the Data provided evidence that 14 (48.28%) agreed that sub county has strategies it uses to balance the need for liquidity 2 (6.90%) had contrary view and 1 (3.45%) were not sure indicates that the sub county has strategies it uses to balance the need for liquidity.

CHAPTER FIVE

SUMMARY, DISCUSSIONS AND CONCLUSIONS

5.0 Introduction

This chapter presents a summary of findings, their discussion, conclusions and recommendations. The study had three objectives and these are:

1. To examine the relationship between local revenue planning and financial performance in Atatur sub county.
2. To assess the relationship between local revenue collection and financial performance in Atatur sub county.
3. To determine the relationship local revenue control and financial performance in Atatur sub county

Based on the report of the findings in the previous chapter, below is their summary;

5.1 summary of findings

5.1.1 Local revenue planning and financial performance

The results from the correlation test indicate that the correlation coefficient is 0.827 which implies that there is a strong positive correlation of 82.7% between local revenue planning and financial performance. Equally, since the P - value (0.001) is less than 0.05 significance level, we argue that there is significant positive relationship between local revenue planning and financial performance in Atatur sub - county.

5.1.2 Local revenue collection and financial performance

The results from the correlation test indicate that the correlation coefficient is 0.720. This implies that there is a strong positive correlation of 72.0% between local revenue collection and financial performance. And since the p - value (0.001) is less than 0.05 the significance level, as such; there is significant positive relationship between local revenue collection and financial performance in Atatur sub county. This therefore, implies that the local revenue collected when managed well can lead to improvement of financial performance.

5.2.2 Local revenue control and financial performance

The results from the correlation test indicate that the correlation coefficient is 0.820. This implies that there is a strong positive correlation of 82.0% between local revenue control financial performances. And since the p - value (0.001) is less than 0.05 the significance level, and as such; there is significant positive relationship between local revenue control and financial performance. This means that the financial performance depends on the control of the local revenue and if not well managed, there will be lack of funds to support operations.

5.2.3 Discussion of findings

The study established how local revenue management affects financial performance in Atatur sub - county. The following are the key findings in relation to research objectives and questions. The first objective was to examine the relationship between local revenue planning and financial performance in Atatur sub - county. The second objective was to assess the relationship between local revenue collection and financial performance in Atatur Sub County. And third objective was to determine the relationship between local revenue control and financial performance in Atatur sub county.

5.3.4 Local revenue planning and financial performance

Local revenue planning is a very important function for revenue performance improvement, through formulation of local revenue enhancement plans and budgets, proper business registration and revenue assessment. As such, effective local revenue planning is very essential for all local governments in financial performance.

From the study, therefore, 18 (62.07 %) were in agreement that the sub county had revenue enhancement strategies. This finding was in line with local government mandate under fiscal decentralization where Local Governments are empowered to levy, charge, collect fees as a means to generate local revenue (LGA, CAP 243, section 80). Data from interviews however, provided sufficient evidence that revenue enhancement plans are not implemented. This research, therefore, found it inconsistent with fiscal decentralization strategy (FDS) objectives that focus on revenue enhancement plans as an important tool in resource mobilization and collection. Therefore, the study concludes that financial performance suffered inadequate funding because local revenue enhancement plan could not create impact in local revenue generation in the local governments.

Similarly, 10 (34.48%) of the respondents agreed and 7 (24.13%) strongly agreed that their institutions/departments participate in budget process at the sub-county. Meanwhile 05 (17.24%) strongly disagreed, 3 (10.34%) disagreed and 1 (3.45%) were not sure. Although the data reveals that 18 (62.07 %) participated in the budgeting process, 9 (31.03 %) had contrary view. This reveals that sub county fulfills its mandate and undertakes budgeting as provided for in the public finance Act 2015. However, there is still a problem of effective participation as it is guided in the local government act and as a result, the budgets may not give a true reflection of the needs of other institutions /departments.

5.3.5 Local revenue collection and financial planning

Local revenue collection contributes immensely to how much revenue the local government generates. It involves diversifying sources of revenue, revenue mobilization and payment compliance, which are very important aspects in improving local revenue collections required for a proper financial performance.

08 (27.59%) of the respondents agreed and 15 (51.72%) strongly agreed that they know the district has revenue collection strategies. Meanwhile 1 (3.45%) disagreed, 1 (3.45%) strongly disagreed and 05 (17.24%) were not sure. This finding was found consistent with decentralization policy, which aimed at introducing efficiency and effectiveness in the generation and management of resources and delivery of services (MOLG, Induction of Local government council participants' handbook, January 2022). Review of secondary data however, revealed a declining trend in revenue mobilization and collection (Atatur Sub County Financial Statements, FY 2021/22 to 2023/24). This was a clear evidence that the existing local revenue collection strategies face implementation challenges such as inadequate capacity in mobilizing local revenue as alluded to by 9 (31.03 %) of the respondents and unprecedented 5 (17.24%) of respondents who were uncertain, despite Human Resource Capacity Building Programs in areas of financial management and planning interventions.

Furthermore, the study provided sufficient evidence that Local revenue collected is not well managed as alluded to by 18 (62.07%) of the respondents This poses a bigger challenge to local revenue management and financial planning in local governments (Paul and Robert, 2003) The sub-county also has challenges in ensuring good revenue mobilization. This finding was consistent with the assertion that there are still problems of resource mobilization and collection, (Wunch 2001), despite devolved responsibility under the decentralization

policy. In addition the study revealed noncompliance by tax payers towards tax payment as reported by (37.50%) of the respondents agreed and (46.89%) strongly agreed that there is compliance by tax payers towards tax payment. Meanwhile (4.69%) disagreed, (1.56%) strongly disagreed and (9.38%) were not sure. The data provided evidence that (37.50%) of the respondents agreed that there is compliance by taxpayers towards tax payment. Meanwhile (4.69%) had a contrary view. This means that Atatur sub county has issues in management of the taxes, a challenge that already communicate poor local revenue collection and poor management and implantation of policies.

This finding means that there still exist challenges in implementation of decentralization policy which was meant to provide for local popular participation and increased involvement of the people in decisions that directly affect them; to Promote local ownership and ensure sustainability of projects and programme and to enhance local economic development in order to increase local incomes. The study concludes that local revenue collection contributes immensely financial performance since it is the main source of income.

5.3.6 Local revenue control and financial performance

The study provided overwhelming evidence that there are challenges in budget execution as reported by (25.68%) of the respondents agreed and (43.75%) strongly agreed that Local revenue collected is spent according to the budget. On the other hand, (15.63%) disagreed, (15.63%) strongly disagreed and (4.69%) were not sure. Data provided evidence that (25.68%) of the respondents agreed that Local revenue collected is spent according to the budget as opposed to (29.69%) with contrary view and (4.69%) not sure. This means that Atatur sub county spends the local revenue collected according to the budget although there are market deviations.

In addition, (46.88%) of the respondents agreed and (43.75%) strongly agreed that there are challenges in the budget execution. On the other hand, (4.69%) disagreed, (1.56%) strongly disagreed and (3.13%) were not sure. This means that the Atatur sub county budget is not executed as planned due to challenges best understood by the budget implementers.

From Table10 above, (21.88%) of the respondents agreed and (40.63%) strongly agreed that budgetary discipline has enhanced service delivery as provided for in the LG Act, while (12.50%) disagreed, (12.50%) strongly disagreed and (15.63%) were not sure. Although data provided evidence that (21.88%) agreed that Local revenue collected is shared among local governments and administrative units as provided for in the LG Act, (12.50%) had a contrary

view. This means that to some extent, the local revenue collected by Atatur Sub County is not shared and this affects delivery of services.

The study further indicated that sub-county had mechanisms for internal revenue control as reported by (31.25%) of the respondents. These included presence of the budget desk; vote controller, quarterly internal audit, maintenance of books of accounts. Further evidence revealed that these internal control measures were still faced with challenges in regard to ineffective budget desk, irregular audit of execution of budget internal audit. One of the key informants supported this.

In addition, the study revealed some degree of disagreement that accountability for local revenue has improved financial performance despite high level of sharing accountability on activity implementation as maintained by (35.94%) of the respondents affirmed. Whereas this is in line with the objectives of the Public Finance and Management Act 2023/24 and Local Government Financial and Accounting Regulation (2007) thus; improving service delivery through accountability and transparency, internal audit has not improved implementation of budgets due to understaffing as revealed.

5.3 Conclusions

5.3.1 Local revenue planning and financial performance

The findings indicate that there is a positive and significant relationship between Local revenue planning and financial performance. There is very poor implementation of local revenue planning strategies as such local revenue enhancement is incapacitated; hence. Therefore, study concluded that if the local revenue is well planned and implemented, there is no doubt that there should be a corresponding improvement in the financial performance in Atatur Sub County.

5.3.2 Local revenue collection and financial performance

The findings indicate that there is a positive and significant relationship between Local revenue collection and financial performance. Atatur Sub County is still riddled with poor local revenue collection, consequently, hampering adequate financial performance. Therefore, the study concluded that local revenue has not substantially been availed to the financial performance in Atatur Sub County.

5.3.3 Local revenue control and financial performance

The findings indicate that there is a positive and significant relationship between Local revenue control and financial performance; although less revenue, control is undertaken in the sub county. There were still gaps in the local revenue control system, which exposed the revenue collected to financial abuse and misallocation at the detriment of the financial performance. Therefore, the study concluded that unless efforts are stepped up by administration to undertake effective local revenue control, a lot wait in improving the financial performance in Atatur Sub County.

5.3.4 General conclusion

This study set out to answer three critical questions thus; firstly, whether local revenue planning has any relationship with financial performance in Atatur sub county; Secondly, whether local revenue collection relates to financial performance in Atatur sub county; and thirdly, whether local revenue control had any relationship with financial performance in Atatur sub county.

In answering the first question, the researcher used both quantitative and qualitative methods of data collection - using self-administered questionnaires, interviews and document reviews. The study concluded that local revenue planning significantly affects financial performance, while noting very poor local revenue enhancement, which perpetuates inadequate funding, hence, continued poor financial performance in Atatur Sub County.

While answering the second question, the same research methods used in the first question were employed. The study concluded that local revenue collection significantly has a relationship with financial performance in local governments, while noting poor execution of local revenue collection strategies, which accounts for low tax revenues, as a financial performance, suffers insignificant budgetary provisions in Atatur Sub County.

Finally, under the third question, the researcher further used the same methods to gather the data. The study concluded that local revenue control significantly affects financial performance in local governments, while noting gaps in the local revenue control system, which exposes the local revenue collected to financial abuse and misallocation, hence, perpetuating improper financial performance in Atatur Sub County.

5.4 Recommendations

5.4.1 Local revenue planning and financial performance

- There is need for local governments to implement revenue enhancement strategies in order to generate more local revenues because revenue enhancement plans have been proved by this study to have significant relationship with financial performance.
- The local governments need to improve on mobilization strategies for local revenue collected through taxation for an enhanced financial performance since this study has proved that there is a challenge of inadequate financial resources available to the local government to enhance service delivery
- The local governments need to enhance involvement of all key stakeholders in local revenue planning since this study revealed that revenue enhancement plans help in resource mobilization and collection.

5.4.2 Local revenue collection and financial performance

- The local governments need to maintain the data base for tax payers because the study has proved that this will facilitate effective assessment of taxpayers hence improving resource mobilization and collection which is critical for financial performance
- The local governments need to hasten awareness creation because the study has proved that it elicits tax payment compliance hence generating more for service delivery activities.
- In a bid to raise a taxable population, local governments need to embrace programmes that aim at addressing poverty among the population.

5.4.3 Local revenue control and financial performance

- The Local governments need to put in place internal local revenue control mechanisms that will guarantee proper allocation of resources in local governments
- The local governments need to ensure that there is effective implementation of budgets as planned
- Local governments also need to ensure effective sharing of local revenue collected among themselves and administrative units as stipulated in the Law
- Local governments need to promote sharing of accountability on implemented activities with all stake holders

- The policy makers need to utilize the above findings to come up with fundamental policies on local revenue management and service delivery

6.0 Contribution of the study

The study highlighted the problems that local revenue, investments raised by local, central government, or donors face. Internationally, it is presumed that the study reinforces a considerable degree of consensus on the importance of, and potential economic returns from local revenue management. And regionally it ignites focus of public capital investment over the coming period on activities that generate more funds for the local government

The study draws the attention of policy makers and managers at national level in Uganda on the importance of local revenue management in ensuring an enhanced financial performance.

It assists local governments to respond to challenges of local revenue management and financial performance.

The study findings also enable stake holders from national to community level to apply the government policy in line with local revenue to achieve the intended goals.

The findings from the study offer the academia an appreciation of issues of local revenue management and effective financial performance in local governments.

At individual level this study enriches the researcher's knowledge in the field of research while making valuable contribution to policy shift in the subject.

It also enables the citizenry appreciate adverse effects of poor or lack of financial management skills on service delivery in local governments and its socio economic impact in their livelihoods.

7.0 Proposed suitable areas for further research

This study cannot claim to be exhaustive. Therefore, there are other areas of local revenue management that other scholars could venture into. The researcher proposes the following two areas for further inquiry;

- Factors affecting implementation of designed policies at the local governments
- Local revenue management and service delivery

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APPENDIX 1 QUESTIONNAIRE

The researcher is a student of Uganda Christian University (UCU) pursuing a Bachelor's Degree in Accounting; He is conducting a study on Local Revenue Management and Financial Performance in Local governments a case of Atatur Sub County. You have been identified as a respondent for this research due to your knowledge and experience in the topic under study. This research is purely for academic purposes and any information you provide will be treated with utmost confidentiality. Please kindly answer the questions below to the best of your knowledge.

SECTION A. DEMOGRAPHIC CHARACTERISTICS (Please tick where appropriate).

Q 1 Please indicate your gender 1. Male 2. Female

Q.2 Indicate your marital status

1. Single 2. Married

3. Separated 4. Divorced

Q.3 please indicate your age range 1. Below 30 years 2. 31-40

4. *Above 41 years*

Q4. Please indicate your education level

1. Masters 2. Degree 3. Diploma 4 Certificate

Q5. Please indicate your duty station

1. District 2. Sub-County/ 3. School 4. Health center

Q6 Please indicate your Work experience

1. Below 1 year 2. 1 – 5 years

3. 6 – 10 years 4. 11 above

For the subsequent sections below, indicate your level of agreement or disagreement to the Likert-scale statements ranging from 1 – Strongly disagree (SD),

2 – Disagree (D), 3 – Neutral (N), 4 – Agree (A), 5 – Strongly agree (SA)

SECTION B: Revenue Planning

Questions		Response Category				
		SA(5)	A(4)	N(3)	D(2)	SD(1)
B1	Revenue enhancement plan					
1	Sub-county has revenue enhancement strategies					
2	My department is represented at the technical planning committee meetings at the sub county					
3	The revenue enhancement plan has helped in resource mobilization and collection					
B2	Budgeting					
1	My department participates in budget process at the sub-county					
2	Budgeting for new investments is prioritized first					
3	There are conditions on how to budget for local revenue					
4	District /sub county Local revenue budget provides for maintenance for physical infrastructure					
B3	Business assessment					
1	District/sub-county/assesses its tax payers					
2	The sub county maintains data base for its tax payers					
3	Awareness about tax payment helps in revenue generation					

SECTION C: Revenue Collection

Questions		Response Category				
		SA(5)	A(4)	N(3)	D(2)	SD(1)
C1	Revenue sources					
1	I know all local revenue sources in my local government					
2	There are other sources of funding for maintenance activities					
C2	Revenue mobilization					
1	Sub-county has revenue collection strategies					
2	District/ sub county has adequate capacity in mobilizing local revenue					
3	District/sub-county sensitizes her tax payers on tax payment					
4	Local revenue is collected as planned					
5	Local revenue collected is well managed					
6	Sub-county ensures good revenue mobilization					
C3	Payment compliance					
1	There is compliance by tax payers towards payment tax					
2	Local revenue collected in Sub-county has enhanced maintenance of physical infrastructure					

SECTION D: Revenue Control

Questions		Response Category				
		SA(5)	A(4)	N(3)	D(2)	SD(1)
D1	Budget implementation					
1	Local revenue collected is spent according to the budget					
2	There are challenges in budget execution					
3	Budget discipline at the district/ sub county has enhanced delivery of maintenance activities					
D2	Revenue sharing					
1	Local revenue collected is shared among local governments and admin. units as provided for in the LG Act/law					
2	Local revenue sharing in the district/sub county has improved maintenance of physical infrastructure					
D3	Accountability					
1	District/sub-county has mechanisms for internal revenue control					
2	Execution of budget on maintenance is regularly audited					
3	Accountability has enhanced local revenue control					
4	Accountability for local revenue has improved delivery of maintenance activities					
D4	Monitoring and Evaluation					
1	The council monitors the management of local revenue					
2	Monitoring and evaluation has improved local revenue control in the district/sub county					

Thank you

APPENDIX 2

Interview Guide

The researcher is a student of Uganda Christian University (UCU) pursuing a Bachelor's Degree in Accounting; she is conducting a study on Local Revenue Management and Financial Performance in Local governments a case of Atatur sub county. You have been identified as a respondent for this research due to your knowledge and experience in the topic under study. This research is purely for academic purposes and any information you provide will be treated with utmost confidentiality.

Please kindly answer the questions below to the best of your knowledge.

PART 1: Local revenue planning and financial performance

A: Revenue enhancement Plan

1. What has been your experience in putting in place a comprehensive revenue enhancement plan in your institution /local government?
2. What is the impact of revenue enhancement plan on generation of local revenue in your institution /local government?

B: Budgeting

- 1 What percentage of your budget is funded under Local Revenue?
- 2 Do you feel your institution /local government prioritizes proper revenue management?

C: Business Assessment

- 1 Do you maintain a database for both formal and informal business activities/Tax payers in your institution /local government?
- 2 How useful is Tax Payer Data base to your institution /local government?

PART 2 Revenue collection and financial performance

A: Revenue sources

- 1 Do you feel Local Revenue Sources in your local government/institution are adequate to a proper financial performance?
- 2 What has been the contribution of Conditional grants to financial Performance in your institution/ local government?

B: Revenue Mobilization

- 1 What capacity does your institution /local government have in mobilizing local revenue at both the entity and community levels? Explain the adequacy.
- 2 What challenges do face in revenue mobilization and collection at both the entity and community levels?

C: Payment compliance

- 1 How compliant are Taxpayers with tax payment in your institution /local government?
- 2 Do taxpayers condition their compliance on provision of particular public services in your institution /local government?

PART 3 Revenue control and maintenance of physical infrastructure A: Budget implementation

- 1 Do you feel Funds in your institution /local government are spent according to the budget?
- 2 Do you feel each financial year's activities are executed as planned in your institution /local government?

B: Revenue sharing

- 1 Do you feel funds are released by management to the entity whenever requested in your institution /local government?
- 2 What challenges are faced in executing budgetary allocation in your institution /local government

C: Accountability

- 1 Is accountability with management in your institution

/local government and how?

2 Explain how poor execution of budget handled by internal control system in your institution /local government?

D: Monitoring and evaluation

1 How is the implementation of activities monitored in your institution /local government?

2 Do feel internal audit has improved implementation of activities in your institution /local government?

3 a) What other challenges do have in local revenue management

4 b) What strategies do have to address these challenges in your institution/local government?

Thank you.



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Office of Academic Registrar

To SUB COUNTY CHIEF
ATURU SUB

Dear Sir/Madam,

Re: Academic Research

Christian greetings!

We are honored to introduce to you Mr. Mrs./Miss: ACEIRAIT CHRISTINE
Of Registration Number; J24 /MUC/UBA/012 pursuing a Masters'
Degree/Postgraduate Diploma / Bachelor's Degree
DEGREE

He/ she is required to carry out an academic research on the topic
LOCAL REVENUE MANAGEMENT AND FINANCIAL PERFORMANCE
OF LOCAL GOVERNMENTS: CASE STUDY OF ATURU SUB COUNTY

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,

Timothy Akampurira
Academic Registrar



Perance SAT.

09th June / 2025

