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**EFFECTS OF LEGAL FRAMEWORK ON TAX REVENUE  
COLLECTIONS OF THE ENTITY**

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## EFFECTS OF LEGAL FRAMEWORK ON TAX REVENUE COLLECTIONS OF THE ENTITY

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### Abstract:

**Purpose:** This study aimed to examine the effects of the legal framework on tax revenue collection in Tana River County, with a focus on how tax legislation, enforcement mechanisms, and administrative structures influence overall revenue performance.

**Methodology:** The study adopted an explanatory research design targeting 102 employees in the County Revenue Department. Primary data was gathered using structured questionnaires based on a five-point Likert scale, while secondary data was obtained from the Kenya Revenue Authority,

The County Department of Finance, and the Commission on Revenue Allocation. Guided

by Institutional Theory, the study used linear regression analysis to determine the relationship between the legal framework and tax revenue outcomes. The response rate was 92.2%.

**Findings:** The results revealed a strong positive relationship ( $R = 0.684$ ) between the legal framework and tax revenue collection. Legal framework components accounted for 61.4% of the variation in revenue performance ( $R^2 = 0.614$ ). The relationship was statistically significant ( $F = 3.044$ ,  $p = 0.000$ ), with  $\beta = 0.308$ , indicating that a one-unit improvement in the legal framework increases revenue collection by 0.308 units. The study concluded that strengthening legal structures is critical for effective revenue mobilization across the county.

**Unique Contribution to Theory, Practice and Policy:** The study reinforces Institutional Theory by demonstrating that formal rules and enforcement mechanisms directly shape tax revenue performance. Practically, it highlights the need for robust tax legislation, improved compliance monitoring, and coordinated enforcement. For policy, the study provides evidence-based guidance for enhancing county-level revenue governance through stronger legal and administrative frameworks.

**Keywords:** Legal Framework; Tax Revenue Collection; Institutional Theory; Tana River County.

**JEL CODES:** H20, H26, H71, K34

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## 1.0 INTRODUCTION

### A. Background of the Study

Legal frameworks have emerged as a fundamental component of effective tax administration in county governments, fostering compliance between tax authorities and taxpayers to enhance revenue collection, transparency, and overall fiscal performance. The concept is rooted in the principles of fiscal federalism, regulatory compliance, and administrative law, which have been recognized as effective mechanisms for improving revenue mobilization and building sustainable public finance systems (Fortea, 2025). Legal framework management encompasses various strategies, including tax laws, revenue policies, enforcement regulations, and compliance procedures that encourage active taxpayer participation in revenue generation efforts (Adelakun et al., 2024).

Tana River County, located in Kenya's Coastal region, has experienced significant challenges in revenue collection activities, particularly in business permits, property rates, market fees, and parking charges. County governments in this region face increasing challenges regarding revenue performance, including tax evasion, enforcement gaps, policy inconsistencies, and administrative inefficiencies. These challenges have been attributed to factors such as weak legal frameworks, inadequate enforcement mechanisms, and limited coordination between revenue authorities and taxpayers (Kang'alya & Kipeno, 2025). According to the Commission on Revenue Allocation (2023), county governments in Kenya have recorded fluctuating revenue collection indicators, highlighting the need for enhanced legal framework implementation practices.

The Kenyan County Revenue System has attempted to implement various legal and regulatory initiatives; however, their effectiveness has been hindered by weak policy enforcement, inadequate legislative frameworks, and limited investment in compliance monitoring programs (Ndirangu, 2022). Globally, legal framework development has been recognized as a critical revenue collection strategy. Studies from developed nations indicate that well-structured legal and regulatory frameworks significantly contribute to revenue mobilization and fiscal sustainability (Njaramba, 2015). In Kenya, the adoption of comprehensive legal frameworks has demonstrated potential in improving revenue collection, particularly in county government sectors (Mutua & Gitagia, 2025). However, in Tana River County, the effectiveness of legal frameworks in enhancing tax revenue collection remains a subject of investigation, as challenges such as policy gaps, enforcement weaknesses, and compliance barriers persist.

A review of existing literature suggests that strong legal frameworks foster improved compliance, leading to better revenue accountability, timely collections, and enhanced taxpayer cooperation (Prichard et al., 2019). Moreover, research highlights that county governments with robust legal and regulatory systems experience superior revenue performance due to increased transparency, clear enforcement procedures, and effective dispute resolution mechanisms (Nazrul, 2022). However, in Tana River County, barriers such as lack of policy implementation capacity,

inadequate enforcement infrastructure, and limited taxpayer education programs hinder the effectiveness of legal framework initiatives. This study seeks to examine the extent to which legal frameworks influence tax revenue collection in Tana River County, identify the challenges faced, and propose recommendations aimed at enhancing revenue performance through strategic legal and regulatory reforms.

## **B. Statement of the Problem**

Despite various revenue enhancement strategies employed by Tana River County Government, tax revenue collection remains inconsistent, affecting service delivery, development projects, and fiscal sustainability. The county revenue department has witnessed increasing challenges including revenue leakages, low compliance rates, enforcement difficulties, and administrative inefficiencies, raising concerns among county leadership and fiscal stakeholders (CRA, 2023). While legal framework development is widely recognized as a crucial approach to revenue excellence, its implementation in Tana River County has been limited by factors such as lack of comprehensive tax laws, inadequate enforcement systems, and insufficient coordination between revenue administrators and taxpayers (Mdanku et al., 2025). One of the major challenges in Tana River County's revenue system is the ineffective implementation of legal and regulatory frameworks. While some revenue policies have been enacted, their impact has been undermined by weak enforcement mechanisms and lack of structured compliance monitoring systems (The National Treasury, 2017). The study seeks to address these pressing issues by evaluating the influence of legal frameworks on tax revenue collection in Tana River County Government.

## **C. Purpose of the Study**

The purpose of the study was to examine the influence of legal framework on tax revenue collection of Tana River County Government.

## **2.0 LITERATURE REVIEW**

### **A. Theoretical Framework**

#### **Institutional Theory**

This theory was advanced by North in 1990, who argued that institutions can achieve effective governance and economic performance through the strategic development of formal rules, informal constraints, and enforcement mechanisms that shape organizational behavior. The theory suggests that legal frameworks represent institutional structures that, when properly developed and implemented, can provide revenue authorities with effective systems that enhance compliance and collection performance (Williams, 2020).

The theory maintains that legal frameworks create value through clear regulations, predictable enforcement, and fair dispute resolution, which in turn lead to improved taxpayer compliance, revenue accountability, and fiscal sustainability (Nair & Bhattacharyya, 2019). The theory allows revenue authorities to identify and leverage legal frameworks as institutional structures that can drive revenue excellence and long-term fiscal stability (Scott, 2022). This theory will assist this study in understanding how legal frameworks function as institutional resources that influence tax revenue collection outcomes. The legal framework dimensions serve as the independent variables in this study, namely tax policies and regulations, enforcement mechanisms, compliance procedures, and administrative reforms. The end result of these institutional structures is enhanced tax revenue collection, which is the dependent variable.

## **B. Empirical Review**

### **Legal Framework and Tax Revenue Collection**

Macharia (2021) examined how legal and regulatory frameworks affected local government revenue collection in developing countries. The study attempted to ascertain the effectiveness of tax laws and regulations using a quantitative research approach targeting 180 local government units across five African countries. The study found that legal frameworks had significant potential for improving revenue collection and achieving better fiscal outcomes for local governments. Babalola et al. (2021) in a comprehensive study for the International Tax Association examined the role of legal frameworks in revenue optimization. The author analyzed primary data from 250 tax jurisdictions and identified the significance of robust legal structures in revenue administration. According to the research, legal frameworks are crucial for enhancing tax revenue collection and building sustainable fiscal systems. In research on legal framework implementation and its impact on revenue collection in Nairobi County, Chumba (2019) looked at how tax laws and regulations contribute to revenue excellence using a descriptive research design. According to the study, legal frameworks significantly and positively contributed to enhanced tax revenue collection in Nairobi County Government. The study by Hassan et al. adopted a multi-country approach which may not capture the specific contextual factors affecting Tana River County.

## **3.0 METHODOLOGY**

This study employed an explanatory research design to investigate factors influencing revenue collection in Tana River County. The research targeted all 102 employees in the County Revenue Department, covering top, middle, and lower-level staff, and adopted a census approach. Primary data was collected using structured questionnaires based on a five-point Likert scale, while secondary data was sourced from the Kenya Revenue Authority, the County Department of Finance, and the Commission on Revenue Allocation. Data collection involved issuing questionnaires physically and online to ensure full coverage.

Quantitative data was coded, sorted, and analyzed using descriptive and inferential statistics. Linear regression was applied to assess the effects of employee competence, staff behavior, technological innovation, and legal frameworks on revenue collection. Diagnostic tests ensured adherence to regression assumptions. Ethical procedures included informed consent, voluntary participation, confidentiality, and obtaining authorization from NACOSTI and Moi University before data collection.

#### 4.0 RESEARCH FINDINGS AND DISCUSSION

##### A. Response Rate

The study targeted all 102 revenue employees working in Tana River County Government Revenue Department across the four sub-counties. Questionnaires were distributed to the entire target population through both physical and online platforms to maximize participation rates.

**Table 1: Response Rate**

Category	Target Population	Actual Response	Response Rate (%)
Top Management	4	4	100.0
Middle Level	83	79	95.2
Lower Level	15	11	73.3
<b>Total</b>	<b>102</b>	<b>94</b>	<b>92.2</b>

**Source: Field / Survey Data (2025)**

The study achieved an overall response rate of 92.2% with 94 respondents out of the targeted 102 revenue employees. This response rate is considered excellent for research purposes. According to Mugenda and Mugenda (2003), a response rate above 70% is excellent for statistical reporting and analysis. The high response rate can be attributed to the researcher's personal involvement in questionnaire administration and the use of both physical and online data collection methods.

##### B. Descriptive Analysis

The study sought to evaluate the effects of legal laws, policies and regulations on tax revenue collections. The findings are displayed in Table 2 below.

**Table 2: Legal Framework and Revenue Collections**

Statement	SD f(%)	D f(%)	N f(%)	A f(%)	SA f (%)
Policies and regulations in place for efficiency	3.2	7.4	12.8	50.0	26.6
Policies available to public for transparency	5.3	11.7	17.0	43.6	22.3
Administrative procedures governing collection	4.3	8.5	16.0	46.8	24.5
Operational reforms being implemented	6.4	13.8	21.3	38.)	20.2
E-strategies governing tax revenue department	8.5	17.0	23.4	35.1	16.0
Bills and policies operationalized timely	7.4	14.9	19.1	40.4	18.1
Reliability of legal framework	5.3	10.6	20.2	44.7	19.1

**Source: Field / Survey Data (2025)**

The findings indicate a moderately effective legal framework for revenue collection in Tana River County. Regarding policies and regulations, 76.6% of respondents confirmed their existence for efficiency purposes. Public availability of policies for transparency received 65.9% agreement. Administrative procedures governing collection processes were acknowledged by 71.3% of respondents. However, operational reforms implementation showed weaker support at 58.5% agreement. E-strategies governing the tax revenue department received the lowest support at 51.1%, indicating gaps in digital governance frameworks. Timely operationalization of bills and policies received 58.5% agreement. Framework reliability was confirmed by 63.8% of respondents. These findings are in line with Williams (2020) study who established that proper legal frameworks significantly enhance revenue collection effectiveness in county governments. The results suggest that while Tana River County has established basic legal structures for revenue collection, there are notable gaps in reform implementation and digital strategies that could be limiting optimal revenue collection outcomes.

### Revenue Collection Outcomes

The study sought to assess the current state of revenue collection outcomes in Tana River County. The findings are displayed in Table 3 below.

**Table 3: Revenue Collection Outcomes**

Statement	SD f(%)	D f(%)	N f(%)	A f(%)	SA f(%)
Revenue growth witnessed in last 5 years	8.5)	17.0	23.4	34.0	17.0
Safety of tax revenues collected	5.3	12.8	19.1	43.6	19.1
Immediate recording of revenues collected	4.3	10.6	16.0	45.7	23.4
Development projects from internal revenue	9.6	19.1	25.5	29.8	16.0
Capability in efficient revenue collection	6.4	14.9	20.2	39.4	19.1

**Source: Field / Survey Data (2025)**

The findings reveal mixed outcomes in revenue collection performance. Revenue growth in the last five years received moderate confirmation at 51.0%, suggesting inconsistent growth patterns. Revenue safety scored well with 62.7% agreement, indicating good financial security measures. Immediate revenue recording received strong support at 69.1%, demonstrating good accounting practices. However, funding development projects from internal revenue showed weak results with only 45.8% agreement, indicating limited fiscal impact. These findings align with Prichard et al. (2019) who found that organizational structure gaps significantly affect county revenue collection effectiveness. The results indicate that while Tana River County maintains good revenue recording and safety practices, structural challenges are likely limiting optimal collection outcomes.

### C. Inferential Analysis

This section presents the inferential analysis used to determine the relationship between legal framework variables and tax revenue collection outcomes.

**Table 4: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.684a	.614	.591	1.3361

**a. Predictors: (Constant), Legal Framework**

**Source: Field Data (2025)**

The R value of 0.684 suggests a strong positive relationship between the predictor (Legal Framework) and tax revenue collection outcomes. The R Square value of 0.614 indicates that approximately 61.4% of the variation in tax revenue collection outcomes is explained by legal framework factors. The Adjusted R Square value of 0.591 accounts for the number of predictors in the model, indicating that the model is fairly accurate in predicting revenue collection outcomes.

**Table 4: ANOVA <sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	12.434	4	3.108	3.044	.000b
	Residual	71.486	89	1.021		
	Total	83.920	93			

**a. Dependent Variable: Tax Revenue Collection Outcomes**

**b. Predictors: (Constant), Legal Framework**

**Source: Field Data (2025)**

The ANOVA results show that the regression model is statistically significant, with an F value of 3.044 and a significance level of 0.000 ( $p < 0.05$ ). This indicates that the combined effect of Legal Framework significantly contributes to explaining the variation in tax revenue collection outcomes.

## 5.0 SUMMARY OF THE STUDY

The analysis reveals strong legal framework implementation in revenue administration initiatives in Tana River County Government. The enforcement of tax laws and regulations significantly influences tax revenue collection outcomes ( $\beta=0.308$ ,  $p=0.002$ ), indicating that for each unit increase in legal framework strength, revenue collection outcomes improve by 0.308 units. The compliance monitoring between revenue authorities and taxpayers shows particularly strong results, suggesting effective regulatory cooperation. The regression analysis supports this finding, with legal frameworks explaining a significant portion of the variance in tax revenue collection outcomes ( $R^2=0.614$ ). These results demonstrate that legal frameworks are a crucial determinant of successful revenue collection strategies in Tana River County Government. The study found that 76.6% of respondents confirmed the existence of policies and regulations for efficiency purposes, while 65.9% agreed that policies are available to the public for transparency. Administrative procedures governing collection processes were acknowledged by 71.3% of respondents, indicating a reasonable level of procedural clarity. However, operational reforms implementation showed weaker support at 58.5%, suggesting gaps in reform execution. The digital governance framework received the lowest support at 51.1%, indicating significant room for improvement in electronic strategies governing the tax revenue department.

## 6.0 CONCLUSION

The study concluded that legal frameworks are a fundamental driver of successful tax revenue collection in Tana River County Government. Active enforcement of tax laws and regulations in revenue administration programs demonstrated strong effectiveness, particularly in fostering compliance between revenue authorities and taxpayers. The findings revealed that when legal frameworks are comprehensively implemented in revenue collection initiatives, the likelihood of successful fiscal outcomes increases substantially.

The strong regulatory relationship between tax administrators and taxpayers emerged as a critical factor in revenue mobilization efforts. This underscores the importance of maintaining and strengthening legal framework enforcement in all aspects of tax revenue collection planning and implementation. The study established that while Tana River County has basic legal structures in place, significant gaps exist in operational reforms, digital governance strategies, and timely policy operationalization. These gaps represent critical areas requiring immediate attention to optimize revenue collection performance and enhance fiscal sustainability.

## 7.0 RECOMMENDATIONS

The study recommended that Tana River County Government should strengthen their legal framework management system by establishing comprehensive tax legislation and enforcement structures. This should include creating regular stakeholder consultations, implementing systematic compliance monitoring programs, and developing joint enforcement committees that bring together revenue administrators and key taxpayer representatives (Njaramba, 2015). These initiatives should ensure continuous policy review, shared regulatory understanding, and active taxpayer participation in developing and implementing revenue enhancement strategies that improve fiscal performance and sustainability. Specifically, the county should prioritize the operationalization of digital governance frameworks by investing in electronic tax administration systems, establishing clear e-strategies for revenue collection, and ensuring that all revenue officers are trained in digital compliance monitoring (Mutua & Gitagia, 2025). Additionally, the county should establish a dedicated policy implementation unit responsible for ensuring timely operationalization of bills and policies, conducting regular legal framework audits, and addressing enforcement gaps through structured capacity-building programs for revenue staff (Fortea, 2025).

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