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**Revenue Collection Efficiency and Urban Development in Kisoro Municipality.**

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**Abstract**

The study examines the relationship between Revenue Collection Efficiency and Urban Development in Uganda, with a focus on Kisoro Municipality. Grounded in Fiscal Decentralization Theory (Oates, 1972) and second-generation fiscal federalism (Rodden, 2006), the study adopted a descriptive cross-sectional design. Data were collected from 116 respondents using questionnaires and key informant interviews. Quantitative data were analyzed using descriptive statistics, Pearson correlation, and regression analysis, while qualitative data were thematically analyzed. The findings reveal statistically significant positive relationships between local revenue sources ( $r = .588$ ,  $p < .001$ ), revenue collection efficiency ( $r = .621$ ,  $p < .001$ ), and revenue utilization and accountability ( $r = .714$ ,  $p < .001$ ) with urban development. Revenue utilization and accountability emerged as the strongest predictor, explaining 51.0% of the variance in urban development. The study concludes that strengthening accountability mechanisms is critical for sustainable urban development in secondary municipalities.

**Keywords: Revenue Collection Efficiency, urban development, fiscal decentralization, accountability, Kisoro Municipality, Uganda**

**Introduction**

Urbanization is accelerating globally, with over 56% of the world's population now living in urban areas (UN DESA, 2022). Revenue collection efficiency refers to the effectiveness and cost-efficiency with which local governments mobilize, track, and secure internally generated revenue within their jurisdictions. It encompasses aspects such as timely billing, accurate assessment, low collection costs, minimal revenue leakages, and high levels of compliance. According to Nkata and Karyeija (2022), efficient revenue collection systems contribute significantly to the fiscal capacity of local authorities, directly enhancing their ability to fund urban services and infrastructure. Therefore, in this study, revenue collection efficiency is measured through three primary indicators: (1) percentage of revenue targets achieved, (2) cost-to-collection ratio, and (3) automation and transparency in collection processes. These elements are crucial in determining how well local governments, such as Kisoro Municipality, can mobilize resources to meet urban development needs.

In Sub-Saharan Africa, urban growth is occurring faster than institutional and fiscal systems can adapt (AfDB, 2023). In Uganda, municipalities are mandated under the Local Government Act (Cap. 243) to mobilize and manage local revenues to finance development (Government of Uganda, 2021). However, many urban authorities struggle with weak revenue bases, inefficient collection systems, and limited accountability (EPRC, 2022; MoLG, 2023).

Kisoro Municipality typifies these challenges. Own-source revenue contributes less than 30% of its annual budget, limiting its ability to fund infrastructure and services (Local Government Finance Commission [LGFC], 2022). This study therefore investigates how Revenue collection efficiency influence urban development in Kisoro Municipality.

**Statement of the Problem**

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Urban development in Uganda remains a pressing challenge, particularly for secondary municipalities such as Kisoro Municipality, which depend heavily on locally generated revenue to finance service delivery. Although the decentralisation policy envisioned enhanced local financial autonomy, many urban authorities continue to face severe fiscal constraints due to weak internal revenue mobilisation systems (MoLG, 2023). National assessments by the Local Government Finance Commission (2022) showed that over 65% of municipalities failed to collect even half of their projected revenue, resulting in stalled infrastructure projects, inadequate urban services, and growing public dissatisfaction.

In Kisoro Municipality, the situation reflected this broader national crisis. Local Government Performance Assessment Reports (2022) indicated that the municipality's own source revenue (OSR) contributed less than 30% of its annual budget, forcing continued dependence on unpredictable central government transfers. Major revenue streams such as property tax, street parking fees, trade licenses, and market dues remained significantly under-collected due to outdated property valuation systems, weak enforcement mechanisms, and low taxpayer compliance. Furthermore, the limited revenue that was collected was often poorly utilised. According to the Auditor General's Report (2022), Kisoro Municipality experienced delayed implementation of urban infrastructure projects, unaccounted-for expenditures, and weak financial reporting, particularly in areas such as road maintenance, solid waste management, and market infrastructure improvement.

These challenges were compounded by political interference, limited institutional capacity, and weak citizen oversight, which undermined accountability and eroded public trust. As highlighted by the Uganda Economic Update (World Bank, 2021), unless municipalities strengthen internal revenue generation and ensure transparent utilisation, urban poverty, deteriorating infrastructure, and service delivery dysfunction persists. Failure to address these systemic issues threatens the municipality's ability to promote sustainable urban development and fulfil its statutory mandate. This study therefore examined how revenue generation influences urban development in Kisoro Municipality.

### **General Objective**

To examine the relationship between revenue generation and urban development in local government authorities in Kisoro Municipality, Uganda.

### **Specific Objective**

i. To evaluate the relationship between revenue collection efficiency and urban development in Kisoro Municipality.

### **Methodology**

A descriptive cross-sectional design was adopted (Kothari, 2023). Data were collected from municipal officials, revenue officers, and business owners using questionnaires and interviews. Instruments were validated using the Content Validity Index (Polit & Beck, 2021) and tested for reliability using Cronbach's Alpha (Nunnally & Bernstein, 1994).

Quantitative data was analyzed using SPSS version 28 with Pearson correlation and regression analysis. Qualitative data were analyzed using thematic analysis (Creswell, 2018).

**Results**

The "Revenue Collection Efficiency" (RCE), which measures the perceived effectiveness, timeliness, and technological integration of revenue mobilization processes in Kisoro Municipality. Respondents rated their level of agreement with various statements on a five-point Likert scale (1=Strongly Disagree to 5=Strongly Agree). The results provide crucial insights into the operational capabilities of the municipal revenue system and its potential impact on urban development outcomes.

*Table 1: Descriptive Statistics for Revenue Collection Efficiency (RCE) Indicators*

Statement	SA (5)	A (4)	N (3)	D (2)	SD (1)	Mean	Std. Deviation	Interpretation
RCE1: Revenue collection process streamlined and efficient.	8	21	25	45	17	2.56	1.19	Low
RCE2: There are minimal delays in revenue remittance.	12	30	28	35	11	2.91	1.21	Low-Moderate
RCE3: Technology is adequately used in revenue collection.	5	15	20	55	21	2.31	1.12	Low
RCE4: Staff are well trained on revenue collection procedures.	20	38	30	20	8	3.26	1.16	Moderate
RCE5: Collection targets are usually met or exceeded.	6	18	22	52	18	2.48	1.15	Low
<b>Composite Scale (RCE1-RCE5)</b>						<b>2.70</b>	<b>0.92</b>	<b>Low</b>

Note. N = 116. SA=Strongly Agree, A=Agree, N=Neutral, D=Disagree, SD=Strongly Disagree.

**Source: Primary Data, 2025**

The data in Table 1 reveals a concerning perception of revenue collection efficiency in Kisoro Municipality, with a composite mean score of 2.70 (SD = 0.92), which falls within the low agreement range. This indicates a consensus among stakeholders that the municipal revenue system operates below optimal performance. The most critical deficits are observed in the adequate use of technology (RCE3, M = 2.31) and the achievement of collection targets (RCE5, M = 2.48). This suggests that the municipality relies on outdated, likely manual collection systems, which

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directly contributes to its failure to meet revenue goals a finding consistent with challenges noted across Ugandan local governments by the Ministry of Local Government (2022).

A notable finding is the moderate rating for staff training (RCE4, M = 3.26). This indicates that while individual revenue officers may possess adequate training, systemic inefficiencies prevent them from performing effectively. This disconnect between human capacity and operational infrastructure highlights a critical implementation gap. As Kasumba and Mugisa (2023) found, staff competence alone cannot overcome the limitations imposed by obsolete processes and a lack of technological tools. The low score for streamlined processes (RCE1, M = 2.56) confirms that the collection system itself is bogged down by bureaucracy and inefficiency, leading to delays in remittance (RCE2, M = 2.91) and ultimately, significant revenue leakages.

The implications for urban development are direct and severe. Inefficient collection systems result in a substantial gap between potential and actual revenue, creating a financial shortfall that directly limits investment in urban infrastructure and services. The failure to meet collection targets

(RCE5) means that even the existing, arguably insufficient revenue sources (as established in Section 4.4.1) are not being fully realized. This creates a double bind: the municipality has a narrow revenue base, and it collects only a fraction of what that base could theoretically yield. This inefficiency starves urban development projects of necessary funding and perpetuates a cycle of underdevelopment, as documented in the Uganda Economic Update (World Bank, 2021).

The quantitative findings on revenue collection efficiency are vividly explained by the qualitative data from key informant interviews. The themes that emerged provide concrete, on-the-ground examples of the systemic failures captured by the low scores in the survey.

A Revenue Collection Officer, interviewed on October 20, 2025, directly addressed the technological deficit, stating: *"We still rely on paper receipts and manual ledgers. When I collect market dues, I write everything by hand in a book. At the end of the day, it is difficult to account for every shilling, and there is no digital trail. We have heard about e-payment systems in other districts, but here, it is still a dream."*

This testimony directly correlates with the very low score for RCE3 (Technology use) and explains the potential for leakage and errors that contribute to the low score for RCE1 (Streamlined processes). Furthermore, a Senior Finance Manager, during an interview on October 22, 2025, confirmed the impact of these inefficiencies on revenue targets and urban projects, corroborating the low score on RCE5:

*"Our revenue forecasts are often ambitious because we know what we need for development. But the reality on the ground is different. The manual system is slow and prone to manipulation. We rarely collect more than 60% of our target. This is why you see the same potholes on our roads year after year; the budget for repairs is never fully funded because the revenue never materializes."*

This statement powerfully links the operational failure in revenue collection to the stagnation in urban development, illustrating the causal chain between the variables under investigation.

The qualitative data, therefore, confirms that the low perceived efficiency is not an abstract concept but a daily reality characterized by outdated tools, cumbersome processes, and a significant gap between revenue potential and actual collection, which critically constrains urban development in Kisoro Municipality.

**Table 2: Pearson Correlation between Revenue Collection Efficiency and Urban Development**

	1	2
<b>1. Revenue Collection Efficiency</b>	—	
<b>2. Urban Development</b>	.621**	—

*Note. N = 116. \*\*p < .001 (2-tailed).*

**Source: Primary Data, 2025**

The results of the correlation analysis, presented in Table 2, indicate a statistically significant, positive, and strong relationship between revenue collection efficiency and urban development,  $r(114) = .621$ ,  $p < .001$ . The positive coefficient signifies that as the perceived efficiency of revenue collection systems including the use of technology, staff proficiency, and the meeting of targets increases, so too does the perceived level of urban development in Kisoro Municipality.

Based on this result, the null hypothesis (H<sub>02</sub>) is rejected. The analysis provides sufficient evidence to conclude that there is a significant positive relationship between revenue collection efficiency and urban development. This finding empirically validates the proposition that the operational effectiveness of a local government's revenue machinery is a critical determinant of its developmental outcomes. The strength of this relationship (.621) is notably stronger than that observed between local revenue sources and urban development (.588), suggesting that improving the *efficiency* of collection may be even more impactful for urban development than merely expanding the revenue base itself. This underscores a key insight from the second-generation fiscal federalism model, which emphasizes that institutional capacity and effective implementation are just as important as fiscal autonomy in achieving successful decentralization outcomes (Rodden, 2006). An efficient collection system minimizes leakages, ensures predictability of revenue flows, and enhances the total funds available for investment in urban infrastructure and services, thereby creating a more direct and potent link to tangible development.

**Discussion**

The findings support fiscal decentralization theory by confirming that local revenue capacity is essential for urban development (Oates, 1972; Ahmad & Brosio, 2021). However, the strongest determinant was accountability in revenue use. Weak transparency and delayed project implementation undermine development outcomes (Office of the Auditor General, 2022; Transparency International Uganda, 2023).

This aligns with studies showing that municipalities with strong audit and oversight systems achieve better service delivery and infrastructure outcomes (Muhumuza & Agaba, 2022; Nabukeera & Mwesigwa, 2021).

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**Conclusion**

Urban development in Kisoro Municipality is significantly shaped by how revenue is sourced, collected, and utilized. Among these, accountability and transparency in revenue utilization are the most critical drivers. Without strong institutional controls, increased revenue alone cannot guarantee development.

**Recommendations**

Diversify Local Revenue Sources; Updating property valuation rolls and formalizing informal businesses can expand the tax base.

Capacity Building; Continuous training of revenue staff in financial management and enforcement is essential.

Institutionalize Accountability Mechanisms; Municipalities should strengthen internal audits, public expenditure tracking, and citizen participation in budgeting.

Modernize Revenue Collection Systems; Adoption of digital revenue platforms can reduce leakages and improve efficiency.

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