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Research Article

Influence of Tax Diversification on Own Source Revenue Performance in Lake Region Economic Block Counties, Kenya

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About Article

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ABSTRACT

The 2010 Constitution, the 2012 Public Finance Management Act, and the 2012 County Government Act all talk about Own Source Revenue (OSR). OSR performance offers county governments more power over their own revenue, which helps them manage public finance better. On the other hand, counties in the Lake Region Economic Bloc (LREB) have problems collecting taxes since they don't have enough distinct kinds of taxes. The study used Gross County Product (GCP) as a moderating variable to look at how tax diversification affects OSR performance. The study used Modern Portfolio Theory as its basis. A descriptive survey study approach was employed to get in touch with 170 County authorities in the 14 LREB counties. We used structured surveys to get information. There was a pilot study in Uasin Gishu County. SPSS version 24 for statistical analysis was used. Pearson's correlation coefficient was used to establish relationships between variables and regression analysis to evaluate how they affected OSR performance. Cronbach's alpha was used to check how reliable it was. The results showed that tax diversification has a large effect on OSR performance ($\beta = 0.211$, $\rho < 0.05$). Counties should look into and use various ways to collect money besides traditional taxes. These could include service fees, licensing, and new activities that bring in money. The study's purpose is to assist county lawmakers develop and employ new ways to raise revenue, such as service fees and licensing.

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1. INTRODUCTION

Own Source Revenue (OSR) is an important part of how sub-national governments get money. It helps local governments improve services, rely less on national transfers, and make their finances more stable. Governance systems, economic activity, and administrative capacities all affect how well OSR works around the world (World Bank, 2021). Advanced fiscal decentralisation frameworks that focus on efficiency, accountability, and using technology to collect taxes have been put in place in developed economies, especially in the European Union and North America (Bird & Bahl, 2008; Boadway & Shah, 2009). These models show that institutional efficiency can help improve OSR performance (OECD, 2020; Smoke, 2013). Digital developments like e-governance and automated tax systems have also made it more easier to collect taxes (Gupta *et al.*, 2017). Fiscal decentralisation has been used in Africa to make local government and public services better. But OSR mobilisation is still limited by insufficient administrative capacity, corruption, and low taxpayer compliance (Fjeldstad & Heggstad, 2012; van den Boogaard *et al.*, 2018). OSR isn't very effective in a lot of African countries because of problems including tax evasion, bad tax enforcement, and people not wanting to pay taxes (KIPPRA, 2019). Countries like South Africa and Rwanda have made it easier to collect local taxes by using technology, changing institutions, and getting more people involved (Ahmad & Brosio, 2015; Moore, 2015). For example, Rwanda has effectively used electronic billing machines and digital tax systems, which have made it much easier for people to pay their taxes and brought in more money (IMF, 2020). According to the African Union's Agenda 2063, fiscal autonomy is an important part of enabling member states become independent and grow in a way that lasts (African Union, 2015). Local governments in Uganda and Tanzania have also used technology to help them collect taxes, albeit with different levels of success (Fjeldstad, 2016).

The 2010 Constitution set up fiscal decentralisation in Kenya, giving 47 county administrations the job of collecting and managing OSR as well as national transfers (Republic of Kenya, 2010). It was thought that devolution will make finances more independent and improve service delivery (Cheeseman *et al.*, 2016). OSR performance is still not good enough, though. Counties often don't reach their income goals because of inefficiencies, leakages, and insufficient enforcement mechanisms (Commission on income Allocation [CRA], 2019; Njoroge & Kinuthia, 2020). Some of the biggest problems are not reporting all of the money made, politicians getting involved in managing money, and not having enough ways to keep an eye on things (Ooko, 2021). Also, OSR's potential is limited by the fact that most counties only have a few sources of income, like property taxes, market fees, and single-sector levies (World Bank, 2021).

LREB, which is made up of 14 counties in western Kenya, wants to improve OSR by working together on economic projects and making policies more consistent (LREB, 2020). Even with these efforts, income mobilisation is still not good enough because of broken regulatory systems, sluggish adoption of technology, and low public engagement in fiscal decision-making (Ndung'u, 2021; Khaunya *et al.*, 2015). Limited investment in new revenue sources, underuse of productive assets, and insufficient connections between revenue collection and economic activity make it even harder to diversify revenue (Muchira, 2018). This study looked at how tax diversity affects the performance of OSR in LREB county administrations. The study's goal is to give policy suggestions that will help the region's revenue collection and long-term financial stability by finding important problems and best practices.

1.1. Statement of the problem

Own Source Revenue (OSR) is a key part of county governments that helps them reach their development goals and offer important public services quickly and effectively. Counties in Kenya, on the other hand, have always had trouble getting enough OSR to cover their spending demands, which has made them too reliant on intergovernmental transfers (CRA, 2019). These transfers are important, but they have been unpredictable and inconsistent, making fiscal instability worse and reducing counties' financial independence (Njoroge & Kinuthia, 2020). The ongoing failure to collect OSR poses major obstacles for governance and development, slowing down economic growth and service delivery at the county level (World Bank, 2021).

Another thing that hasn't been looked at much in past research is how Gross County Product (GCP) affects OSR performance. Counties with higher economic output are more likely to be able to generate OSR. However, differences in GCP between counties show that some may have structural economic problems that make it harder for them to make money (Kenya National Bureau of Statistics [KNBS], 2020). Previous research has looked at things like revenue diversification, legal frameworks, technology uptake, and public participation, but not enough at how a county's economic strength affects these factors and how they affect OSR success (Muchira, 2018; Omollo, 2020a). Understanding how GCP affects things could help us understand why certain counties are better at bringing in money than others, even though they have the same policies and reforms.

There has been a lot of studies on how to get more money at the national level, but we still don't know what specific factors affect OSR performance at the regional level, especially in the LREB counties. Some studies have looked at revenue diversification on its own, but there isn't much real-world research on how it affects OSR performance. Also, the existing literature doesn't do a good job of talking about how GCP affects OSR performance. This study filled up the gaps in our knowledge by looking at how tax diversification and technology affect OSR performance in LREB counties, with a special focus on how Gross County Product affects these factors. The study looked at how county laws, public engagement, revenue diversification, and technology adoption affect revenue mobilisation and made suggestions based on the evidence for how to improve it. The results will add to the larger conversation about fiscal decentralisation and give policymakers useful ideas for making county finances more stable.

1.2. Research objectives

i. To examine influence of tax diversification on own source revenue performance among LREB county governments.

ii. To establish moderating effect of Gross County Product on Tax Diversification on Own Source Revenue among LREB county governments.

1.3. Research hypothesis

H01: There is no significant influence of Tax diversification on the own source revenue performance in LREB.

H02: Gross County Product does not moderate the influence of Tax Diversification on Own Source Revenue in LREB.

2. LITERATURE REVIEW

2.1. Theoretical review

Markowitz's Modern Portfolio Theory (MPT) from 1952 is a basic idea in finance that says that investors should spread their money around to get the most money back while taking the least amount of risk. MPT was first created for investment portfolios, but its ideas have been used in many other areas, such as corporate finance, public sector budgeting, and managing the finances of nonprofits. The main premise is that organisations can lower their total financial risk and volatility by putting together a portfolio of assets with imperfect or negatively linked returns (Elton *et al.*, 2017). This theory says that diversifying income sources makes you less dependent on any one stream, which makes you more financially stable. This is very important for local governments and organisations that have to deal with changing economic conditions and uncertain funding situations (Carroll & Stater, 2009).

A lot of research has changed MPT to work in more than just traditional marketplaces. In the public finance and nonprofit sectors, diversifying income is seen as a key way to make sure that finances stay stable over the long term (Tuckman & Chang, 1991). Local governments, in particular, face financial uncertainties caused by changes in the economy, rules, and political agendas that could jeopardise their capacity to run smoothly (Hendrick, 2002). These organisations can weather shocks and keep providing services during times of instability since they have a wide range of income sources (World Bank, 2020). Still, MPT has several problems. For example, it assumes that returns are normally distributed and that people make decisions based only on risk and return (Riedl & Ferguson, 1991). Research shows that financial markets don't always act normally. For example, they might have skewness and kurtosis, and they can have very volatile periods that MPT's variance measure doesn't fully represent (Fabozzi *et al.*, 2014). Behavioural finance criticises MPT even more by pointing out that psychological biases affect how investors make decisions, which leads to irrational behaviour (Kahneman & Tversky, 1979). Value at Risk (VaR) and Conditional VaR (CVaR) are two more risk metrics that have been suggested to better deal with downside risks in situations when the outcome is unknown (Jorion, 2007; Sortino & Price, 1994). To get around these problems, theories like Post-Modern Portfolio Theory (PMPT) and behavioural finance include psychological variables, different ways to quantify risk, and more flexible ideas about how returns are distributed (Mandelbrot & Hudson, 2004).

The notion of diversification in public finance is similar to MPT's focus on reducing risk and maintaining stability. Kotler and Keller (2016) say that companies that enter new industries or find new ways to make money are better able to handle economic downturns. Hendrick (2002) says that local governments need to find more stable ways to get money, instead of just relying on taxes that can change or money that comes from other governments. This is backed up by research that shows that diversifying revenue sources makes both developed and emerging economies less likely to go through fiscal difficulty and more likely to bounce back (Bird, 2015; Ebdon & Franklin, 2006). For example, given Kenya's devolved governance structure, extending tax bases and looking for different ways to make money are important ways to lower the risks that come with relying on certain sources, like intergovernmental transfers or narrow tax instruments (World Bank, 2020). Overall, MPT's main ideas are helpful for minimizing financial risks through diversification, even though they have some problems with how they think the market works and how they measure risk.

2.2. Conceptual review

2.2.1. Own source revenue.

Article 209 of the Kenyan Constitution (2010) says that Own Source income (OSR) is money that one level of government makes. In this case, the County Government makes money through property taxes, entertainment taxes, and service fees and levies.

2.3. Tax diversification

Tax diversification means using several sources of income in a planned way so that you don't rely too much on certain types of taxes (Hendrick & Crawford, 2014). Neave (2000) and Teichler (2008) talk about important institutional variables, such as disparities in structure, discipline, and scale. It seems that most people believe that there is a positive link between diversifying revenue streams and performance. According to research, performance, like service delivery in county governments, tends to get better as diversity increases, but only up to a certain level of complexity (Thomas, 1988). Klein and Lasse (2009) have a similar point of view, saying that an organisation with a variety of portfolios may be able to work more efficiently than one that isn't diversified. There is general agreement that income diversification techniques can help businesses develop and expand. However, companies can only diversify to a point when the potential for synergistic benefits hits zero.

2.4. Gross county product (GCP)

The GCP gives a detailed look at Kenya's Gross Domestic Product (GDP) by county, showing how big and diverse the economies are in each county. It is a way to compare how county economies have changed throughout time. The GCP estimates match the stated national GDP since the total of the GCP is the same as the national-level GDP.

2.5. Empirical review

2.5.1. Tax diversification and own source revenue.

Management scholars and researchers agree that there is a link between diversification as a strategic approach and how well organisations do (Mintzberg *et al.* 2009). Most people think that there is a positive link between having multiple sources of income and doing well. Oyedijo (2012) adds to the conversation about diversification and performance by saying that diversification is linked to growth, but that growth tends to happen more quickly in businesses that are related to each

other than in businesses that are not.

Klein and Lasse's (2009) research on Diversification, Industry Structure, and Firm Strategy shows that a company that has a lot of different types of portfolios may be able to work more efficiently than a company that doesn't have any or has unrelated portfolios. Diversifying enterprises have a big impact on how industries change over time since they are usually bigger than new companies, expand faster, and have lower leave rates than the ordinary company. The research is still broad, looking at the company and the industry as a whole without going into detail on how well revenue stream diversification works. There is agreement that revenue diversification techniques can help businesses develop and expand, however Montgomery and Wernerfelt (1988) say that companies can only seek diversification to the point where the potential synergistic effects reach zero. When there are too many resources that are likely to cause market inefficiencies, businesses extend their operations as a strategic reaction. By looking at how different these characteristics are, we can say that organisations who choose the most diversification should expect the lowest average returns. Using Tobin's q as the measure for rents in a thorough empirical study fits with the ideas of diversification theory. The study only looks at big, successful businesses, hence it's important to do similar studies in LREB Counties about taxes instead of renting agreements.

According to Oates (2005), the research shows that carefully mapping out different sources of money and using them strategically can make public finance more predictable and stable. The fundamental point is that the way the tax system is set up may lead to an incorrect estimation of the costs of public spending since people don't know enough about the full costs of taxes. It also suggests that no one source of money is more important than others or should be relied on to the detriment of other sources of income. This makes sure that services in the public sector will continue to be available since the flow of money stays stable. This study used a survey as its method, which focused on the real-world evidence of fiscal illusion.

3. METHODOLOGY

The study utilized a descriptive survey research framework. The targeted 170 county officials within the County Revenue Administration Unit, individuals who possess a direct impact on the collection of own source revenue from the 14 LREB County governments, Kenya. The study utilized stratified and purposive sampling methods. Stratified sampling was adopted to ensure representation across all 14 counties thereby minimizing sampling bias and increasing generalizability of findings. Purposive sampling was used to select officials directly involved in OSR administration as the officials possess specialized knowledge and experience necessary to provide valid and reliable data. The study employed structured questionnaires utilizing a Likert scale to gather data. Reliability and validity of the questionnaire was tested. The data was analyzed utilizing the Statistical Package for the Social Sciences (SPSS). Figures and tables were used to present the results. Multiple linear regressions utilizing SPSS were subsequently employed to examine the impact of the Tax Diversification and other factors on the performance of Own Source Revenue among LREB counties. The independent variables were selected based on their theoretical and practical relevance to county revenue performance.

The regression model used in this study is expressed as:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \quad \ldots.(1)$$

Where,

Y = Own source revenue performance

β_0 =Constant or coefficient of intercep

X_1 = County legal framework.

X_2 = Public Participation

X_3 = Tax Diversification.

X_4 = Technology

$\beta_1 \ldots \beta_4$ Coefficients of the respective independent variables

ε = Error term i.e (Unexplained variation in OSR performance)

3.1. Ethical considerations

Prior to conducting the research, authorization was obtained from the pertinent authorities; initially, a letter of introduction was secured from the dean of the School of Business and Economics at Masinde Muliro University of Science and Technology. The research permission from the National Commission of Science and Technology (NACOSTI) has been applied for and attached. Confidentiality and privacy were maintained by ensuring that all collected information remained confidential and was utilized exclusively for research purposes. The participants were notified that the material is intended for academic research purposes and that unauthorized individuals are prohibited from accessing the questionnaire. The objective of the investigation was revealed by empirical evidence. The requests for anonymity from respondents were honored. The respondents' identities were obscured and maintained confidential, as their names were not specified in the surveys. The participants were solicited to engage in the research willingly via a research introduction letter. The results were communicated based on accurate data, devoid of any bias.

4. RESULTS AND DISCUSSION

4.1. Response rate

A total of 120 questionnaires were distributed to county officials, and 101 were returned fully filled, representing an 84.1% response rate. This high response rate can be attributed to the targeted follow-ups and the relevance of the study to the respondents' daily operations.

Table 1. Reliability test results

	Number of items	Cronbach's Alpha
Tax Diversification	10	0.851
OSR Performance	10	0.816

According to the study's results, the following factors contribute to the reliability of the following measures: tax diversification (0.851), and OSR Performance (0.816). The research instrument was deemed reliable for use in the study since all of these Cronbach's Alpha values were over 0.7.

Table 2. Tax diversification results

Description	N	SD (%)	D (%)	U (%)	A (%)	SA (%)	Mean	S.D
The county has diversified into several revenue streams other than Property rates.	101	3 (3.0)	23 (22.8)	23 (22.8)	32 (31.7)	20 (19.8)	3.46	1.14
There is payment for all the revenue streams.	101	1 (1.0)	4 (4.0)	18 (17.8)	54 (53.5)	24 (23.8)	3.99	0.82
There are many active and performing revenue streams that increase OSR Performance.	101	8 (7.9)	4 (4.0)	28 (27.7)	31 (30.7)	30 (29.7)	3.74	1.30

4.2. Descriptive results for tax diversification

According to the results in table 2, 32(31.7%) of the respondents agreed that the LREB County governments have diversified revenue streams other than property rates, while 44(23.8%) of the respondent Strongly agreed that the LREB county governments have in place payment for all the revenue streams. On the other hand, 31(30.7%) of the respondents agreed that there are many active and performing revenue streams that increase OSR performance. The study findings are interpreted to suggest that tax diversification evidenced by several active and performing revenue streams and existence of payment platforms for all the revenue streams are key in ensuring OSR performance among LREB County governments.

The study findings are corroborated by management scholars and researchers who concur that relationship exists between diversity and organizational success (Mintzberg *et al.*, 2009). A consensus appears to exist about the beneficial correlation between revenue diversification and performance.

4.3. Descriptive results for OSR performance

This section focuses on OSR Performance in LREB County Governments.

Table 3. OSR Performance results

Description	N	NAA (%)	LE (%)	ME (%)	GE (%)	VGE (%)	Mean	S.D
The OSR collected has been on rise between FY 2017/2018 and FY2022/ 2023	101	1 (1.0)	4 (4.0)	18 (17.8)	54 (53.5)	24 (23.8)	3.99	0.82
The OSR collection has been meeting the set targets between FY 2017/2018 and FY 2022/2023	101	8 (7.9)	9 (8.9)	18 (17.8)	39 (38.6)	27 (26.7)	3.71	1.20
There has been reduction in revenue leakages between FY 2017/2018 and FY 2022/2023	101	3 (3.0)	23 (22.8)	23 (22.8)	32 (31.7)	20 (19.8)	3.46	1.14

The results show that 54 (53.5%) of the respondents agreed that the volume of OSR collection has increased between FY 2017/2018 and FY 2022/2023, while 39 (38.6%) agreed that the county has been achieving the established OSR collection targets during the same period. Ultimately, 32 respondents (31.7%) concurred to a significant degree that there has been a decrease in income leakages between FY 2017/2018 and FY 2022/2023.

4.4. Inferential statistics

4.4.1. Pearson correlation analysis

Table 4. Correlation analysis of the study variables

		OSR Performance
OSR Performance	Pearson Correlation Sig. (1-Tailed)	1
Tax Diversification	Pearson Correlation Sig. (1-Tailed)	0.304* 0.036

Table 4 shows that there is a moderate and favourable relationship between tax diversification and OSR performance. At the 0.05 level of significance, the Pearson correlation coefficient is r=0.304 and p=0.036. This means that relying on a variety of sources of income makes finances more stable. Oates (2005) found that tax systems that are well-organized and have a lot of different types of taxes make money in a consistent and predictable way. Klein and Lasse (2009) said that having a variety of income sources makes a business more efficient because it doesn't depend on just a few of them. This study shows that counties that used a variety of revenue streams, such as land rates, cess, and business permits, were better at collecting OSR. This supports the idea that diversity helps with budget problems.

4.5. Regression coefficients

A multiple regression analysis was performed to forecast the impact of Tax Diversification, and other variables on OSR performance and to determine the degree of correlation among the studied variables. The outcomes of the regression tests are presented in Table 5

Table 5. Coefficients of the model

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Sig
Constant	13.290	2.218		5.992	0.000
County Legal Framework, CLF	0.198	0.067	0.256	2.941	0.004
Public Participation, PP	0.142	0.066	0.377	2.152	0.034
Tax Diversification, TD	0.211	0.065	0.229	3.246	0.002
Use of Technology, UT	0.338	0.083	0.471	4.072	0.000

a. Dependent Variable: OSR Performance

Table 5 indicates a strong positive correlation between the independent variables and OSR performance. Tax diversification was extracted from the multivariatemodel and used for publication purposes. Tax diversity has a positive and substantial influence on OSR performance ($\beta = 0.211$, $p = 0.002$), indicating that counties with a diverse array of revenue sources exhibit superior revenue collection outcomes. This finding is in line with what Oates (2005), a varied tax base makes the economy more stable by lowering the risks that come with relying on just one source of income. Different counties that use different ways to collect taxes, such as property taxes, business licences, and service fees, always have money coming in, even when the economy is bad. This study shows that counties that want to improve their financial stability need to use tax diversification as a key strategy. This study establishes that tax diversification is a crucial strategy for counties aiming to improve their financial sustainability.

Letting Y be Own source revenue performance, β_0 be Constant or coefficient of intercept, X_1 be County legal framework, X_2 be Public Participation, X_3 be Tax Diversification and X_4 be Use of Technology, using the regression coefficients in Table 10, we have;

$$Y = 13.290 + 0.198X_1 + 0.142X_2 + 0.211X_3 + 0.338X \quad ....(3)$$

According to the regression equation above, OSR Performance of LREB County Governments will increase by 0.211 for every unit increase in tax diversification. This indicates that in order to improve OSR performance, the LREB County Governments should diversify their taxation. When the other variables in the model (county legal framework, public participation, and technology use) are controlled, a unit change in tax diversification would result in a significant change in performance by 21.1% in the same direction. This value for tax diversification was another variable that also made a unique and significant contribution to the model.

4.6. Test of moderating influence of GCP on determinants

To examine the impact of moderation, Frucot and Shearon (1991) devised a regression model, the absolute difference value model of the independent variables. Table 11 shows the result of the model with moderating variable GCP.

Table 6. Moderated regression analysis

Indicators	B	T	Sig	Conclusion
County Legal Framework, CLF	0.185	3.035	0.003	Significant
Public Participation, PP	0.132	2.842	0.006	Significant
Tax Diversification, TD	0.203	3.708	0.000	Significant
Use of Technology, UT	0.300	4.851	0.000	Significant
Gross County Product, GCP	0.003	2.560	0.012	Significant
CLF*GCP	0.018	3.063	0.003	Significant
PP*GCP	0.011	2.529	0.013	Significant
TD*GCP	0.028	5.128	0.000	Significant
UT*GCP	0.032	6.370	0.000	Significant
Constant	15.370			
Prob F-Value	30.625			
Significant	0.000			
R square	0.515			
Adj R square	0.499			

The study used moderated regression analysis to look at how Gross County Product (GCP) affected the relationship between Tax Diversification and other factors on Own Source Revenue (OSR) performance. The results showed that GCP had a big effect on all four independent variables, which in turn affected OSR performance. The regression model that included GCP as a moderator was statistically significant (p-value = 0.000) and accounted for 51.5% of the differences in OSR performance (R^2 = 0.515). This means that when there is economic activity in a county, revenue strategies and government institutions work better.

Tax Diversification had a substantial moderating effect (β = 0.028, p = 0.000), which means that counties with stronger economies are better able to implement and maintain diverse tax structures. This is in line with what Oates (2005) said: that economic growth creates a space where different types of taxes can do well. The study shows that counties with higher GCP can add more sources of income, like property taxes, business permits, and service fees, which will help OSR do better.

The results imply that economic growth is very important for making sure that taxes are collected efficiently. Counties with greater GCP levels are more likely to benefit from good laws, active public participation, a variety of tax sources, and technologies for collecting taxes online. So, to improve OSR performance, policymakers should not only focus on revenue policies but also put money into tactics that will help the economy thrive, such making rules that are good for businesses, building infrastructure, and becoming digital.

To find out how the moderating variable affects the outcome, we set GCP to be the moderating variable and Y to be the Own source revenue performance. β0 is the Constant or coefficient of intercept, X_1 is the County legal framework (CLF), X_2 is Public Participation (PP), X_3 is Tax Diversification (TD), and X_4 is Use of Technology (UT). The regression coefficients in Table 4 show this.

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \beta_5GCP + \beta_6X_1{*}GCP + \beta_7X_2{*}GCP + \beta_8X_3{*}GCP + \beta_9X_4{*}GCP$$

Table 4 shows that.

$$Y = 15.370 + 0.185X_1 + 0.132X_2 + 0.203X_3 + 0.300X_4 + 0.003GCP + 0.018X_1{*}GCP + 0.011X_2{*}GCP + 0.028X_3{*}GCP + 0.032X_4{*}GCP.$$

The moderator regression equation above showed that a one-unit increase in tax diversification will lead to a 20.3% rise in OSR performance. The interaction between tax diversification and GCP will lead to a 2.8% improvement in OSR performance. The County's legal framework, public participation, tax diversification, and use of technology with GCP all have important effects on OSR Performance. This means that GCP changes how these factors affect OSR Performance. Wealthier counties perform better because they can diversify taxes and adopt ICT systems more effectively. Economic context –GCP is therefore a critical enabler of OSR performance.

Economic disparities among counties constrain generalizability and political factors and corruption were not measured but may affect outcomes.

5. CONCLUSION

The study concluded that tax diversification was a mor influence in how well OSR wor. Counties that add more ways to collect taxes to their revenue base are better able to be financially stable. Higher revenue collection comes from new ways to make money and better enforcement of tax laws. Lastly, the study showed that GCP has an effect on how tax diversification and other factors affect OSR performance.

RECOMMENDATIONS

It is suggested that tax diversification should be broadened to cover a variety of revenue sources, such as property taxes, tourism taxes, and digital tax models. Counties should look for new ways to collect taxes to make sure they can keep their finances stable. To make it easier to collect taxes, the government should put money into modern ICT infrastructure first. Counties should automate their tax systems, connect them to internet payment systems, and teach their employees how to manage digital money better. Lastly, counties should encourage local economic growth to make GCP's function as a mediator stronger. Counties may increase their revenue potential and improve OSR performance by bringing in investments and helping businesses flourish.

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