INFORMAL SECTOR AND REVENUE COLLECTION IN LOCAL GOVERNMENT AUTHORITIES: THE CASE OF MBARALI DISTRICT IN MBeya REGION TANZANIA

By
Roman Pantaleo Kessy

A Dissertation Submitted in Partial Fulfilment of the Requirements for the Award of the Degree of Master of Local Government Management (MSc-LGM) of Mzumbe University 2013
CERTIFICATION
We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a dissertation entitled: Informal Sector and Revenue Collection in Local Government Authorities: The Case of Mbarali District Council- Mbeya Region Tanzania, in partial fulfilment of requirements for the award of the degree of master of Local Government Management (MSC-LGM) of Mzumbe University.

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DEDICATION

This research work is sincerely dedicated to my lovely heavenly God, the almighty. I also dedicate this work to my parents Mr and Mrs Salehe Pantaleo Kessy, Sister in-law, Rose Bange, my beloved Sons, Timotheo, Joseph and John, my beloved daughters Amma G. And Iweni M, and my young brothers Lucas, M and Kibiki J., for their full support, prayers and courage the whole period of my studies.
# LIST OF ABBREVIATIONS AND ACRONYM

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>BRELA</td>
<td>Business Registration and Licensing</td>
</tr>
<tr>
<td>CAG</td>
<td>Controller and Auditor General</td>
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<tr>
<td>CCT</td>
<td>Compulsory Competitive Tendering</td>
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<tr>
<td>CMT</td>
<td>Council Management Team</td>
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<td>DC</td>
<td>District Commissioner</td>
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<td>DCC</td>
<td>District Consultative Committee</td>
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<td>DED</td>
<td>District Executive Director</td>
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<tr>
<td>DIA</td>
<td>District Internal Auditor</td>
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<tr>
<td>DPLO</td>
<td>District Planning Officer</td>
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<tr>
<td>DSA</td>
<td>District Administrative Secretary</td>
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<tr>
<td>DT</td>
<td>District Treasurer</td>
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<tr>
<td>ERP</td>
<td>Economic Reform Program</td>
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<td>FY</td>
<td>Financial Year</td>
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<td>FYDP</td>
<td>Five Years Development Plan</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<tr>
<td>HH</td>
<td>Household</td>
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<tr>
<td>ICFTU</td>
<td>The International Confederation of Free Trade Unions</td>
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<td>ILFS</td>
<td>Integrated Labor Force Survey</td>
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<td>ILO</td>
<td>International Labor Organization</td>
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<td>IRS</td>
<td>The Internal Revenue Service</td>
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<tr>
<td>ISSER</td>
<td>Institute of Statistical, Social and Economic Research</td>
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<tr>
<td>JASPA</td>
<td>Jesuit Association of Student Personnel Administration</td>
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<tr>
<td>LDCs</td>
<td>Least Developed Countries</td>
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<tr>
<td>LGA</td>
<td>Local Government Authority</td>
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<td>LGFM</td>
<td>Local Government Financial Memorandum</td>
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<tr>
<td>MDC</td>
<td>Mbarali District Council</td>
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<tr>
<td>MFIs</td>
<td>Micro Finance Institution</td>
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<td>MSMEs</td>
<td>Micro, Small and Medium Enterprises</td>
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<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
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<tr>
<td>PMO</td>
<td>Prime Minister’s Office</td>
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<tr>
<td>Acronym</td>
<td>Full Form</td>
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<tr>
<td>RALG</td>
<td>Regional Administrative and Local Government</td>
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<tr>
<td>SIDO</td>
<td>Small Industrial Development Organization</td>
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<tr>
<td>SPSS</td>
<td>Statistical Package for Social sciences</td>
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<tr>
<td>TCCIA</td>
<td>Tanzania Chambers of Commerce Industry and Agriculture</td>
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<tr>
<td>TGNP</td>
<td>Tanzania Gender Networking Program</td>
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<tr>
<td>TRA</td>
<td>Tanzania Revenue Authority</td>
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<tr>
<td>UNDP</td>
<td>United Nation Development Program</td>
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<tr>
<td>UNIDO</td>
<td>United Nations Industrial Development Organization</td>
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<tr>
<td>URT</td>
<td>United Republic of Tanzania</td>
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<tr>
<td>USA</td>
<td>The United States of America</td>
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<tr>
<td>VAT</td>
<td>Value added tax</td>
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<tr>
<td>VEO</td>
<td>Village Executive Officer</td>
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<tr>
<td>WEO</td>
<td>Ward Executive Officer</td>
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<tr>
<td>WIDTECH</td>
<td>Women in Development Technical Assistance Project</td>
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ABSTRACT

This study is about the informal sector and revenue collection in Local Government Authorities in Tanzania. The study was conducted in Mbeya region specifically in Mbarali district council. The study intended to investigate the MDC capacity to collect revenue from the informal sector. Also the study assessed the contribution of informal sector in revenue collection in three selected wards in Mbarali district council. Additionally, the study determined ways to improve the contribution of informal sector in revenue collection, and finally it assessed the role of the government policies, laws and strategies in place in facilitating revenue collection in the informal sector. The study used a case study design. Questionnaire, interview, observation and documentary review were employed to collect data. The study had a sample of 120 participants. In this study, it was found that the problems which faced revenue collection included: Poor terms of contracts for revenue collection between the MDC and private revenue collectors; Lack of transparency on issues regarding revenue collection; taxpayers resisted to pay taxes; the business areas were not improved through fees and other charges paid by taxpayers; Failure of the MDC to involve different stakeholders in public and private sector such as CSOs, and the community i.e. they were not involved in revenue collection planning. Also, it was found that entrepreneurs had small capitals. The study recommends the government to improve mechanisms for revenue collection by supporting the informal sector, specifically, introducing training programmes, empowering micro-financial institutions, coordinating entrepreneurs groups and providing them with special places to conduct their businesses.
TABLE OF CONTENT

CONTENTS

CERTIFICATION ................................................................................................. i
DECLARATION AND COPYRIGHT ...................................................................... ii
ACKNOWLEDGEMENTS .................................................................................... iii
DEDICATION ........................................................................................................ iv
LIST OF ABRIVIATIONS AND ACRONYM ............................................................ v
ABSTRACT .......................................................................................................... vii
LIST OF TABLE .................................................................................................... xiii
LIST OF FIGURES ................................................................................................ xiv

CHAPTER ONE .................................................................................................. 1
INTRODUCTION ................................................................................................. 1
1.0 Introduction .................................................................................................. 1
1.1.1 Informal sector and fiscal decentralisation .............................................. 2
1.1.2 Trend and Growth of Informal Sector in Tanzania ................................... 5
1.1.3 Measurement of size of the informal sector ............................................ 8
1.1.4 Statement of the Problem ...................................................................... 11
1.2 Objectives of the study ............................................................................... 12
1.2.1 General objective of this study ............................................................... 12
1.2.2 Specific objectives ............................................................................... 12
1.3 Research questions ..................................................................................... 12
1.4 Significance of the study ............................................................................ 12
1.5 Limitation of the study ............................................................................... 13
1.6 Scope of the Study ...................................................................................... 14
1.7 Study Area Background information .................................................................15
  1.7.1 Brief historical background ........................................................................15
  1.7.2. Geological location and Climate .................................................................15
  1.7.3. Population ..................................................................................................15
  1.7.4. Ethnic Groups ............................................................................................16
  1.7.5. Land use pattern ........................................................................................16
  1.7.6. Business services available ........................................................................17
  1.7.7. District Economy .........................................................................................17
  1.8 Layout of the Chapters ....................................................................................17

CHAPTER TWO ........................................................................................................19

LITERATURE REVIEW ............................................................................................19

  2.0 Introduction .....................................................................................................19
  2.1 Concept of Informal Sector .............................................................................19
    2.1.1 Informal Sector ..........................................................................................19
    2.1.2 Small and Medium Enterprises .................................................................20
  2.2 An entrepreneur ..............................................................................................23
    2.2.1 Entrepreneurship ......................................................................................23
  2.3 Theoretical and Empirical Literature Reviews ..............................................24
    2.3.1 Theories of Taxation ...............................................................................24
  2.4 Empirical Literature Review ..........................................................................29
    2.4.1 Informal Sector and Local Revenue collection ...........................................30
  2.5 Synthesis .........................................................................................................32
  2.6 Conceptual framework ....................................................................................32
### CHAPTER THREE

**RESEARCH METHODOLOGY**

3.0 Introduction ................................................................. 34
3.1 Research design ............................................................. 34
3.2 Study Area ........................................................................ 35
3.3 Study Population and units .................................................. 36
3.4 Sampling Techniques and Sample size ................................... 36
  3.4.1 Sampling Techniques ...................................................... 36
  3.4.2 Sample size ................................................................. 36
3.5 Data Collection Methods ..................................................... 37
  3.5.1 Interview .................................................................. 37
  3.5.2 Questionnaires ............................................................ 39
  3.5.3 Observation ............................................................... 40
  3.5.4 Documentary Sources ................................................... 41
3.6 Data Processing and Analysis .............................................. 41

### CHAPTER FOUR

**PRESENTATION OF FINDINGS**

4.1 Introduction ....................................................................... 44
  4.1.1 Population ................................................................. 44
4.2 Respondents demographic characteristics .............................. 45
  4.2.1 The profile of the sample is presented in terms of age, sex, marital status, and level of education ............................................. 45
  4.2.2 The rationale for sex identification ................................... 45
  4.2.3 Marital status of the respondents .................................... 46
4.2.4 Education background of the respondents .............................................. 46
4.3 Informal sector revenue collection and type of the business ...................... 47
  4.3.1 Revenue collectors ............................................................................ 48
  4.3.2 Capital size of the business .................................................................. 48
  4.3.3 Amount of income earned per year ....................................................... 49
  4.3.4 Average taxes contributed to the council annually ............................... 50
  4.3.6 Challenges Respondents faced in their businesses ............................... 51
  4.3.7 Assistance needed ............................................................................. 51
  4.3.9 Trend of the business ......................................................................... 52
  4.3.10 Entrepreneurs training received ....................................................... 53

CHAPTER FIVE ..................................................................................................... 54
DISCUSSION OF THE FINDINGS ........................................................................ 54
  5.0 Introduction ............................................................................................. 54
  5.1 Factors Influencing Informal Sector’s Contribution to LGAs Revenues ...... 54
    5.1.1 Factors From Within the Council Itself .............................................. 55
    5.1.1.1 Terms of Revenue Collection Contracts between LGAs and Agents of
           Revenue Collection ............................................................................... 55
    5.1.1.2 Factor from the taxpayers ............................................................... 56
    5.1.1.3 Weak Public and Private Sector Participation Revenue in Decisions ...... 57
  5.2.1 Capacity of Local Revenue Collectors .................................................. 57
  5.2.2 Education and Awareness Creation for Taxpayers and Tax Collectors .... 58
  5.3 Capital Size of the Entrepreneur’s Businesses .......................................... 59
    5.3.1 Average Taxes Contributed to the Council Annually from the Informal Sector60
    5.3.2 Entrepreneur’s Business Trend ........................................................... 60
    5.3.3 Enforcement of By-laws on Informal Sector Revenue Collection ............ 61
<table>
<thead>
<tr>
<th>Chapter Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHAPTER SIX</td>
<td>65</td>
</tr>
<tr>
<td>CONCLUSIONS AND RECOMMENDATIONS</td>
<td>65</td>
</tr>
<tr>
<td>6.0 An overview</td>
<td>65</td>
</tr>
<tr>
<td>6.1 Conclusion</td>
<td>65</td>
</tr>
<tr>
<td>6.2 Recommendations</td>
<td>66</td>
</tr>
<tr>
<td>REFERENCES</td>
<td>68</td>
</tr>
<tr>
<td>APPENDICES</td>
<td>72</td>
</tr>
<tr>
<td>APPENDIX I</td>
<td>72</td>
</tr>
<tr>
<td>APPENDIX II</td>
<td>73</td>
</tr>
<tr>
<td>APPENDIX III</td>
<td>74</td>
</tr>
<tr>
<td>APPENDIX IV</td>
<td>76</td>
</tr>
<tr>
<td>APPENDIX V</td>
<td>78</td>
</tr>
<tr>
<td>APPENDIX VI:</td>
<td>84</td>
</tr>
<tr>
<td>APPENDIX VII</td>
<td>86</td>
</tr>
<tr>
<td>APPENDIX VIII</td>
<td>88</td>
</tr>
<tr>
<td>APPENDIX IX</td>
<td>91</td>
</tr>
</tbody>
</table>
LIST OF TABLE

Table 1.1 Status of informal economy by GDP (1999/2000) ..............................................9
Table 1.2 Distribution of informal enterprises in Nigeria by activity categories......10
Table 1.3 Classification of land use patterns in Mbarali District before expansion of Ruaha National Park .................................................................16
Table 2.1 Different between Informal sector and formal sector ......................21
Table 2.2 Schools of Informality Scholars.................................................................22
Table 3.5.1: Sample Size Distribution .................................................................37
Table 4.2 Respondents age groups.................................................................45
Table 4.2.2 Respondents by Sex ........................................................................46
Table 4.2.3 Respondents by marital status.........................................................46
Table 4.2.4 Respondents by level of education..............................................47
Table 4.3 Respondents by income generating activities ..................................47
Table 4.3.1 Categories of Revenue Collectors.......................................................48
Table 4.3.2 Respondents by size of their businesses .........................................49
Table 4.3.3 Respondents by income earned per year ........................................49
Table 4.3.4 Respondents by tax contribution per year......................................50
Table 4.3.5 Trend of Informal Sector and revenue collection ..........................50
Table 4.3.6 Respondents by business problems.............................................51
Table 4.3.8 Respondents by support they needed ...........................................52
Table 4.3.9 Respondents by trend of their business........................................52
Table 4.3.10 Respondents by status of entrepreneurship training ..................53
Table: 5.1 Policy options that LGAs were supposed to Execute ....................62
LIST OF FIGURES

Figure 2.1 Diagrammatical Presentation of the Research Conceptual framework ....33
Figure: 1.1 Map of Mbeya region showing location of Mbarali District..................87
CHAPTER ONE
INTRODUCTION

1.0 Introduction
This chapter describes background information, statement of the problem, justification, objectives of the study, research questions, and significance of the study, limitation of the study and scope of the study on the informal sector and revenue collection in local government authorities.

1.1 Background to the problem
It is globally recognized that the informal sector plays a crucial role in employment creation and income generation. The sector all over the world and Tanzania in particular can be easily established since its requirements in terms of capital, technology, management and even utilities, are not as demanding as it is the case for large enterprises (URT, 2003). These enterprises can also be established in rural settings and thus add value to the agro-products and at the same time facilitate the spreading of enterprises. Development of informal sector is associated with equitable distribution of income and thus important to poverty alleviation. Additionally, informal sector serves as a training ground for emerging entrepreneurs (URT, 2002).

Both formal and informal sectors contribute significantly to the national development through revenue mobilization. However, the formal sector is well structured to prevent avoidance of taxes, while the informal sector is not well organized and not given priority (Ofori, 2009). Various researchers have observed that the revenue generated from the informal sector has not been the best. Because the sector has been hard-to-tax due to lack of proper control of cash transactions as a result lack of clearly laid down legal framework which is well known to the entrepreneurs. This adds to the problem of poor record keeping, high illiteracy rate and little or no barriers to business entry. Various factors affecting the informal sector development include: low level of business association membership and low level of training of employees mainly semi-skilled; lack of training for entrepreneurs before they start
their business, lack of credit facilities which make them rely on own savings and relatives/friends as a source of loans; very limited access to banking institutions including MFIs high cost of credit; fear to borrow; also getting work space (especially for those operating in urban areas), unreliable power supply, poor quality of infrastructure, high transport costs and access to markets. Other challenges include: poor regulatory arrangements adopted by governments (national and local), outdated and inappropriate legal arrangements that force businesses to operate informally (Chen, 2001).

According to the report by OECD (2006) on removing barriers to formalization, various ways that try to reduce informality were identified. These ways include: supporting broad programs of regulatory reform, introducing regulatory impact assessments and instituting programs of reform that examine regulatory burdens from the enterprise point of view, designing measures to create a business-friendly culture in government and improving social service provision. However, OECD (2006) went far by providing steps that can be taken to improve the delivery of services to business by the government. These steps could simplify the government official administration for businesses in order to review and reduce the paperwork for businesses by using information technology (IT) wherever possible and minimize keeping of the official forms to avoid retroactive taxation for businesses. Thus the study intended to identify problems and performance of revenue collection in the informal sector in the study area in order to build capacity to taxpayers and tax collectors, increase availability of tax information in the community in order to increase participation and contribution of the informal sector in building the country’s economy through tax payments.

1.1.1 Informal sector and fiscal decentralisation
Fiscal decentralization involves shifting some responsibilities for expenditures and revenues to lower levels of government. One important factor in determining the type of fiscal decentralization is the extent to which sub national entities are given autonomy to determine the allocation of their expenditures and their ability to raise
revenue (URT 2002). The legislative framework for LGAs Finance in Tanzania owes its powers from Articles 145 and 146 of the Constitution of the United Republic of Tanzania of 1977, p. 130 which accord each LGA in Tanzania (Mainland) the status of being autonomous government. Such autonomy is well defined by the 1998 Policy Paper on Local Government Reform in Tanzania which further defines the areas of autonomy to include Fiscal areas (Shekidele, 2009).

Legal and Regulatory Framework given the importance of the sector and the need to transform it to a vibrant and dynamic one, is crucial to put in place strategies that will facilitate the removal of those constraints so that it can attain the desired vision and identified objectives (URT, 2002). In the informal sector development policy strategies have been identified focusing on areas which have maximum impact on the sector. The major areas of focus include: creation of the enabling business environment, developing the infrastructure, strengthening financial and non-financial services and establishing and strengthening institutions supportive to its development (URT, 2002).

Despite of various interventions aimed at improving the business environment in Tanzania, the legal and regulatory framework is bureaucratic, costly and centralized. These characteristics of the legal and regulatory environment affect all sizes of businesses adversely. However, informal sector enterprises are further constrained in this environment in comparison to larger businesses due to the disproportionately heavy costs of compliance arising from their size (URT, 2003). As a result most of informal enterprises have failed to formalize and micro enterprises have been unable to grow and graduate into Small and Medium Enterprises. Similarly, the tax regime in Tanzania is also unfavorable for informal sector development. Taxes are many, rather high and collected by various authorities including the Tanzania Revenue Authority and the Local Government Authorities. Furthermore, entrepreneurs are ignorant of tax matters and the cost of complying with tax regulations is considered high. Whereas taxation of businesses is a necessity for national economic development, the present tax regime imposes the major burden on the informal sector (IFC, 2010).
The poor infrastructure in Tanzania includes working premises, roads, cold rooms, warehouses, power, water and communication. These are destructively and disadvantageous to the development of the informal sector. Even where these services are available, the supply is unreliable and costly. Business Training informal sector operators in Tanzania have rather low business skills and seem not to appreciate the importance of business education (URT, 2003). On the other hand, the quality of training provided by existing business training institutions and costs involved has tended to be unattractive and unaffordable to the potential beneficiaries. Information In this millennium information has become the prime mover of all economic undertakings. However, the situation of informal sector in Tanzania is that of limited access to information caused by lack of awareness of its importance and the prohibitive costs of acquiring the same.

Technology advancement and transfer are important aspects of informal sector development. The sector has limited access to technology developed partly because they lack the relevant information. The problem is further compounded by the existence of industrial support institutions which are weak and do operate in isolation without focusing on the actual requirements of the informal sector (URT, 2002). Marketing Sustainability of a firm depends largely on its performance in the market. Unfortunately, many enterprises are facing problems of marketing due to poor quality of products, poor packaging, inadequate marketing skills and stiff competition. Inadequate marketing services have been prohibiting informal sector to become competitive in local and international markets (Chipangura, 2012).

Access to Finance, the informal sector in Tanzania has limited access to finance due to the following factors: the sector is perceived as high risk one due to inability of the sector operators to fulfill the collateral requirements, most banks do not operate in an informal sector financing window, some of the banks operate in limited geographical areas, inexperience of bank staff in issues related to Micro-finance, lack of guarantee scheme to back up banks financing the informal sector, high cost of screening and administering small loans spread over big areas and inabilities of borrowers to prepare and present applications that meet bank's requirements.
This has led to the establishment of a number of banks including the micro finance bank, liberalization of financial rates and the establishment of a stock exchange market. In spite of all these, yet the informal sector has faced major constraint in accessing finance (Anton, 2011). This limits their capacity to survive, increase capacity, upgrade its technologies and even in many cases, expand their markets and improve management or raise productivity and eventually increase incomes (URT, 2002).

1.1.2 Trend and Growth of Informal Sector in Tanzania

Since early 1970's Tanzania adopted series of policies designed to eradicate the informal sector activities. However, in the mid 1980's due to severe economic difficulties and pressure from the international donor community, politicians were forced to acknowledge the socioeconomic potential of the informal sector. This has led to a number of studies, policy documents and initiatives by both the government and international agencies to stimulate and assist people to enter into production, and once established, to develop their businesses Weir (2013). Until the mid 1980's the government was hostile towards informal sector activities, especially in urban areas as it considered them to be underground, exploitive and rebellious, as they challenged the socialist notion of an egalitarian and classless society and operated outside the legal system depriving the government of tax revenue, they must also be corrupt (URT, 2002).

As the consequence, the government mounted number of concerted campaigns to eradicate informal sector activities. In 1973 the issuance of urban trading licenses to self-employed traders was abolished in 1976, there were attempts to resettle DSM's self-employed and unemployed in Ujamaa villages, in 1983 as part of its eliminate of so-called 'economic saboteurs' the government enacted Penal Code amendment which branded all self-employed as 'unproductive' and 'idle disorderly persons' who were to be banned from towns. The final attempt was in 1984 when the government passed the Human Resources Deployment Act that introduced official identification cards in an attempt to rid towns of 'idlers and loiterers', that is the unlicensed self-
employed. Anyone who challenged and who was unable to produce, an official identification card was rounded up and resettled in the countryside.

The principal problem with government policies to eradicate informal sector activities was that they failed to distinguish between bona fide/real operators with established businesses and those who were either, unemployed migrants or undertaking criminally illegal activities (Weir, 2013).

Despite government attempts to eradicate the urban informal sector in the early 1970's, it encouraged some forms of rural self-employment. As part of the second Five Years Development Plan (FYDP), the government had established Small Industry Development Organisation (SIDO) to facilitate its policy of industrialization. Training was provided in wide range of trades and skills which were designed in the main, to reinforce rural development. Alongside traditional skills such as metal work, carpentry, tinsmithing and weaving, others were courses in pottery, oil extraction, fruit and vegetable preservation, lime manufacture, methane gas production and leather technology. Between 1974 and 1977 centers had been established in eight areas of training zones (majority of which were in the urban industrial areas) and a total of 12 courses had trained a total of 361 people (249 men and 112 women), of these, 196 (54%) and all male were either metal/tinsmiths or carpenters (CCT, 1979).

In terms of the number of persons trained, the SIDO program made little or no impact on rural life as many of those trained in metal or carpentry subsequently plied their trade in the urban areas, either establishing formal businesses are operating in the informal sector. This program was supported by official data between 1973 and 1981. Only 27% of the 120 million Tzs. Contracted development loans arranged by SIDO were for rural industrial projects.

The failure of this policy was attributed in part to structural difficulties in the public sector that resulted in lack of co-ordination, identifying client groups and in providing effective support to those receiving assistance.
According to the study by Kahama et al. (1986) on the performance of SIDO, it is reported that, 60% of the total projected new plans and 15% of the proposed investment did not appear to be based on concrete data.

The study also commented that in many instances the operating costs of small businesses were significantly higher than those for mass production. However, the quality of goods tended to be lower. These comments were subsequently endorsed by SIDO following survey of small-scale industries in 1977 - 1978. Since then, SIDO has progressively biased itself towards the formal sector and evolved into a parastatal consultancy.

The repression of genuine operators presented something of an ideological paradox as the characteristics of informal sector activities in many ways represent the very essence of the concept of self-reliance Weir (2013). This is further tested when the role of the state, considered in an earlier section is examined. In-country however, greater centralized control represented the antithesis of self-reliance. Socioeconomic intervention by the government attempted to impose the will of the state on the people by eroding their freedom and promote dependency on the state. The resilience and growth of the informal sector were therefore testimony to the determination of the people to maintain a degree of autonomy, the rural farmer adopting a strategy of day-to-day non-compliance with parastatal policies (Hyden 1980), or the urban operator deported and immediately returning to re-establish his/her business (Tripp, 1988).

During the severity years of the early 1980's the rapid growth in informal sector activities (rural and urban) ran contrary to the objectives of central government of socialism. However, the central government successfully found way around the legislation which was then passed in order to suppress the informal sector.

In both rural and urban areas many people both unemployed and those who faced job redundancies as the result of World Bank and IMF regulations, formed large group of people who formed the informal sector. In so doing, they conducted activities which represented survival strategies to alleviate hunger and poverty by doing independent survival efforts in order to sustain the livelihood of low income earners.
following the failure of the official economy to provide sufficient supplies of commodities (Kahama et al., 1986; Maliyamkono and Bagachwa 1990).

Existence of the informal sector was revealed in the study on urban informal sector enterprises in Arusha and DSM by Bagachwa and Ndula (1988), who found that, 75% of those surveyed in Arusha and 80% in DSM had been established between 1980 and 1987. Additionally, Tripp (1988) on the survey conducted in DSM, it was found that 64% of informal sector business had begun within the last 5 years compared to only 15% in the previous 5 years.

Tripp also found that there were a significant proportion of urban women (66%) who were self-employed and that most of them (78%) had started their businesses in the past five years.

In recent years this momentum has been maintained due to combination of growing youth unemployment, retrenchment and a steady decline in the value of formal sector wages. The ILO (1986) estimates that, real wages had declined by 13.5% for rural incomes, while non-agricultural incomes declined by 65% in the years between 1979 and 1984. This situation forced many formal sector employees to engage in informal sector activities to supplement their income. Omolo (1989), estimates that, over 70% of public officers operate one or more ‘mradi’ (project) ranging from ‘poultry, raising, farming, baking, petty commerce, carpentry, automobile and bicycle repairs, tailoring, giving private tuition classes by school teachers and other in similar way.

1.1.3 Measurement of size of the informal sector

The United Nations Industrial Development organisations (UNIDO) and United Nations Development Programme (UNDP) in the survey conducted in the year 2002, showed that, about 2,370,000 people engaged in informal production of goods and services at every time in the year. Some studies estimate that, informal businesses account for 35-50% of GDP in many developing countries. Table 1.1 shows the results.
Table 1.1 Status of informal economy by GDP (1999/2000)

<table>
<thead>
<tr>
<th>Region</th>
<th>Minimum</th>
<th>Average</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America and Pacific OECD</td>
<td>8.8</td>
<td>13.5</td>
<td>16.4</td>
</tr>
<tr>
<td>West Europe OECD</td>
<td>8.8</td>
<td>18.0</td>
<td>27.0</td>
</tr>
<tr>
<td>Asia</td>
<td>11.3</td>
<td>26.0</td>
<td>52.6</td>
</tr>
<tr>
<td>Latin America</td>
<td>19.8</td>
<td>41.0</td>
<td>67.1</td>
</tr>
<tr>
<td>Africa</td>
<td>28.4</td>
<td>42.0</td>
<td>58.3</td>
</tr>
</tbody>
</table>

Source: Friedrich Schneider (2002)

Flores and Valero (2005), with data from the National Employment Survey 2000, estimated that in Mexico, there were 29 million employees aged between 12 and 80 (excluding domestic workers and the agricultural sector), of which 15 million would be part of the formal economic sector and the remaining 14 million engaged in the informal sector.

In fact, Sub Saharan Africa, self employment comprises 70% of informal employment with exclusion of South Africa where the share increases to 81%. In Sub-Saharan Africa in particular, street vending predominates in much of the informal economy. Taken together, they represent 10 to 25% of the total workforce in developing countries. Within these two groups, women in the developing world constitute 30, 90% of all street vendors, 35 to 80% of all home-based workers and over 80% of home workers (industrial outworkers who work at home).

Similarly, in Kenya, the informal sector is quite large, and this was estimated at 34.3% and reported to account for 77% of employment statistics, and that over 60% of those working in the informal sector are the youth aged between 18-35 years, 50% being women (Ouma et al., 2009). The First 1993 Small and Medium Enterprises (SME) baseline survey revealed that there were approximately 910,000 SMEs employs up to 2 million people. The second SME baseline survey (1995), estimated the size of the SME sector at 708,000 enterprises employing up to 1.2 million people. Table 1.2 shows the results.
Table 1.2 Distribution of informal enterprises in Nigeria by activity categories

<table>
<thead>
<tr>
<th>Activity category</th>
<th>Distribution No. Person</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing</td>
<td>22,539</td>
<td>30.1</td>
</tr>
<tr>
<td>Water supply</td>
<td>458</td>
<td>0.6</td>
</tr>
<tr>
<td>Building and construction</td>
<td>1,375</td>
<td>1.8</td>
</tr>
<tr>
<td>Wholesale &amp; retail trade</td>
<td>36,722</td>
<td>49.0</td>
</tr>
<tr>
<td>Repairs (Cars, cycles &amp; goods)</td>
<td>2,406</td>
<td>3.2</td>
</tr>
<tr>
<td>Hotels &amp; Restaurants</td>
<td>1,948</td>
<td>2.6</td>
</tr>
<tr>
<td>Transportation (land &amp; water)</td>
<td>2,164</td>
<td>2.9</td>
</tr>
<tr>
<td>Financial intermediation</td>
<td>57</td>
<td>0.1</td>
</tr>
<tr>
<td>Real estate / renting service</td>
<td>300</td>
<td>0.4</td>
</tr>
<tr>
<td>Education</td>
<td>298</td>
<td>0.4</td>
</tr>
<tr>
<td>Health &amp; social work</td>
<td>637</td>
<td>0.9</td>
</tr>
<tr>
<td>Other community social services</td>
<td>6,008</td>
<td>8.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>74,912</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

*Source: CBN/NISER (2001)*

Compared to other sectors of the economy, the contribution of the SME sector to the country’s Gross Domestic Product (GDP) increased from 13.8% in 1993 to over 18% in 1999 (Sessional Paper No. 2 of 2005). However, according to Economic survey by URT (2012) the current estimate on the contribution of informal sector to the GDP stands at over 25%. Moreover, Schneider (2002) reported that, the size of Nigeria’s informal sector stood at 57.9% of its GNP or an equivalent to US$212, 6 billion. This below that of Zimbabwe (59.4% or $42, 4 billion), but above that of Tanzania (58.3% or $52, 4 billion) as shown in Table 1.4.2

The physical location of the informal sector enterprises reveals the need of the government to be closer to the entrepreneurs, recognize and consider their economic and social contributions to the life of the majority citizens which to the greatest extent is attached to the roles of government to ensure peace and security, social services provisions, and economic development of her people.

URT (2003) the Informal Sector Survey of 1991, micro enterprises operating in the informal sector alone consisted of more than 1.7 million businesses engaging about 3 million persons that was, about 20% of the Tanzanian labour force. At present, unemployment is significant problem that Tanzania has to deal with. Estimates show that there are about 700,000 new entrants into the labour force every year. About 500,000 of these are school leavers with few marketable skills.
The public sector employs only about 40,000 of the new entrants into the labour market, leaving about 660,000 to join the unemployed or the underemployed reserve. Most of these persons end up in the SME sector, and especially in the informal sector.

1.1.4 Statement of the Problem

Despite the fact that, the sector employs good number of people, the informal sector faces number of challenges, which include: small contribution in gross collected revenue, lack of information to tax administration on the informal sector labour market, less experience in the informal sector labour market, on access to working places and financial support from business Institutions. For instance, the sector is deprived of entrepreneur marketing, technology, training and information which are rarely available. Though the sector in Tanzania is among the most buoyant sector yet contributes marginally to tax revenue generation. According to the Integrated Labour Force Survey of ILFS (2006), the informal sector was the second greatest employer after agriculture. While Agriculture employed 75.1%, the informal sector employed 8.6% (Mbilinyi 2010).

The information on the contribution of informal sector to revenue collection in Tanzania is scanty and rarely available. The sector faces many challenges including some of which are: small number of taxable workforce, the domestic labour market having not supplied with education and lack of experience needed for tax administrations. Other constraints being demoralized entrepreneurs due to insufficient working premises, limited access to finance and institutional business development services namely services related to entrepreneurship, business training, marketing, and technology development and lack of information. The study therefore, intended to investigate the capacity of the informal sector in generating income of the government through policies and strategies in place to facilitate revenue collection.
1.2 Objectives of the study

1.2.1 General objective of this study
The main objective of this research is to assess the contribution of informal sector in revenue collection, in Mbarali District Council.

1.2.2 Specific objectives
Specific objectives were set to assess the contribution of informal sector in revenue collection. These included the following:-
(i) To investigate the capacity of the informal sector in revenue collection.
(ii) To determine ways of improving the contribution of informal sector in revenue collection.
(iii) To assess the roles of the government policies, laws, and strategies in place to facilitate revenue collections in the informal sector.

1.3 Research questions
In order to meet the above stated objectives, the study was guided by the following research questions:-
   i. How much revenue is collected through informal sector?
   ii. How does the informal sector contribute to revenue collection?
   iii. What is the role of government policies, laws, and strategies in place in promoting the revenue collection?

1.4 Significance of the study
The significance of this study lies in its attempt to assess the effectiveness of informal sector revenue collection so that:
   i. The study findings could inform the government to take corrective measures to further improve the informal sector’s revenue collection.
   ii. The study findings can be used to provide relevant information on the issue of informal sector revenue collections in order to motivate policy makers to formulate better procedures, legal provisions and strategies in effective informal sector revenue collection.
iii. The findings are anticipated to contribute to the existing body of knowledge in improving revenue collection performance, and stimulate other studies related to the topic in the Tanzania informal sector development.

iv. The anticipated findings act as a catalyst in increasing awareness among community members found in the informal sector on the need to have collective responsibilities in resolving revenue collection problems within the sector.

v. Successful completion of the study could enable the researcher to fulfill the requirement for the Degree of Master of Science in Local Government Management of the Mzumbe University.

1.5 Limitation of the study

Conducting research is important but very sensitive activity especially when dealing with people who have rational decisions unlike physical sciences research in which study units like animals are used. This research work faced a number of limitations that might have led to deviations in the intended results which other researchers may find slight difference in results if the same shall be conducted in other areas of the country. However, efforts were made in order to come out with reliable information regarding the study. Some of the setbacks experienced during this study were:

i. The suspicious and wary that were within LGA officers specifically when required to disclose information related to revenue/ tax issues. This was observed in most of respondents who were interviewed.

ii. Businessmen and women were very reluctant to voluntarily disclose information on their business activities and their tax status. This was because, some had bad notion that researchers were the tax collectors agents who went to collect information regarding their failures in paying taxes.
iii. Coincidences of the data collection exercise with external auditors visit to the LGAs offices to conduct auditing on the misuse of Local government council funds was another threat, which made respondents associate the research work with auditing. Moreover this created unnecessary fear among respondents who seemed to lack settled mind as their co-staff members were attending investigation at police station on the matter. Therefore, this might have contributed the delay and difficult to get information solicited.

iv. Lack of data or reliable data from LGAs tax/revenue departments. This was a limitation which possibly contributed to lack of clear picture on the revenue collection trends.

v. Bureaucracy and lack of transparency in financial matters regarding revenue collection and poor record keeping were also among the limitations.

vi. A limited fund on part of the researcher was another limitation. Since respondents, with time, they were looking for incentives like money, as other researchers who once visited them specifically those from NGOs used money to solicit information. So going empty handed led to getting little information.

In spite of all the above limitations, data were collected and worked on to the completion of this research work.

\section*{1.6 Scope of the Study}

The focus of this study was limited to Mbarali District Council. This district was selected as unit of the study because it had good number of informal sector stakeholders to examine the scope and nature of revenue contributions of the informal sector in relation to the economic and diversification of people.

However, the study rested in the collection of data that targeted to have clear understanding to what extent stakeholders were participating in local government
revenue mobilizations as well as exploring the factors hindering the contribution of revenues from the informal sector.

1.7 Study Area Background information

1.7.1 Brief historical background

Mbarali District is one of the seven Districts and eight councils that form the Mbeya region. The district was established on seventh July 2000 by the Local government Act No. 8 of 1982 and amended by Act No. 6 of 1999 and received certificate of registration on fifth June 2003.

1.7.2. Geological location and Climate

The District lies between latitude 70 and 90 South of the equator and between longitude 3380 and 350 East of Greenwich. The District is at an altitude ranging from 1000 to 1800 meters above sea level. Average temperatures range between 250C and 300C. The mean annual rainfall is about 450 to 650 mm. The District is bordered by the Iringa District on the North-East, on the west is bordered by the Mbeya District while on the East the District is bordered by Njombe and Mufindi Districts. To the North Mbozi District borders Ruaha National Park while to the South it borders the Market District and Mpanga Kipengere Game Reserve.

1.7.3. Population

According to the 2002 National Census, Mbarali District had a total population of 234,101 with a growth rate of 2.8%. The current population projection is about 300,023 where by 147,052 are males and 152,971 are females. Administratively, the District is divided into two divisions, namely Ilongo and Rujewa, with a total of 20 Wards, 99 registered Villages while the number of hamlets is 701 and 64,896 households.
The number of councillors elected 27 among them female is 8 males are, bureaucrats 2,070 among them primary teachers were 1193, secondary teachers were 309 other professionals 568. District departments were 13 and sections were 03. Organizational structure (see appendix vii).

1.7.4. Ethnic Groups

The major ethnic groups found at Mbarali district are: Sangu, Hehe and Bena. In addition, there are other small ethnic groups including Sukuma, Wanji, Barbeig, Masai, Kinga, Nyakyusa and Go-go.

1.7.5. Land use pattern

Before the expansion of the Ruaha National Park Mbarali District had a total area of 15,560 km², which half of it was covered by forest and savannah woodlands (Miombo). The rest of the District was made up of flood plain, which were used for paddy production, and wetlands, which was for grazing. However, after the expansion the remaining area is only about 5,000 km². Table 4.1.5 indicates Land use patterns before the expansion of Ruaha National Park. However, current land uses patterns still in process. Table 1.3 shows the results.

Table 1.3 Classification of land use patterns in Mbarali District before expansion of Ruaha National Park

<table>
<thead>
<tr>
<th>Classification</th>
<th>Area in Km²</th>
<th>Square area in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arable Land</td>
<td>1,960</td>
<td>12.2</td>
</tr>
<tr>
<td>Game Reserve</td>
<td>5,200</td>
<td>32.5</td>
</tr>
<tr>
<td>Forest Reserve</td>
<td>172</td>
<td>1.1</td>
</tr>
<tr>
<td>Settlement</td>
<td>6,078</td>
<td>38.0</td>
</tr>
<tr>
<td>Swamps, Hills, etc.</td>
<td>2,590</td>
<td>16.2</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>16,000</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Mbarali District Council (2002)
1.7.6. Business services available

Mbarali District has various business services mostly provided by private entities or individuals and few are run by the government. Available business services included: (i) Accommodation services (Private Guest house and lodging), (ii) Meals and beverage services (restaurants and bars), (iii) Transportation services (Buses, Bajaj, Motorcycles and Taxis), (iv) Insurance services for Motor vehicles, (v) Branch of Tanzania Revenue Authority for revenue collection, (vi) Min super markets and normal local markets, private retail shops and hardware. (vii) Others business services are financial service providers (NMB branch and various SACCOS), (viii) Branch of Tanzania Electric Supply Corporation – TANESCO, (ix) Rujewa Water Supply and Sanitation and (x) TTCL branch which provide telecommunication services on landlines and internet services.

1.7.7. District Economy

The economy of the Mbarali community depends mainly on agriculture for the production of crops and also livestock keeping. About 83% of the Mbarali communities are engaged in Agriculture mostly paddy farming, and few in businesses, fishing, livestock and civil services. Per Capita income of Mbarali in the year 2008/2009 was Tzs 350,000/= Rice and sunflower are the main District cash crops that are used for business transaction within and outside the District.

1.8 Layout of the Chapters

This study report consists of six chapters. The first chapter provides an introductory material which includes inter alia background of the study, statement of problem, general and specific objectives, research questions and significance of the study and scope of the study. The second chapter reviews both theoretical and empirical literature in relation to informal sector revenue collection. Chapter three on the other hand provides and describes the methodological approaches to this study.
This describes the selected research design, area and provides clarity of research study sample and describes the sampling techniques involved in obtaining the representative sample from the population under study. It also describes data sources, data collection tools and finally describes the methods used in data analysis and interpretation of results. The next chapter presents data collected and study results in relation to the study objectives and questions. However, chapter five presents the discussion of the findings. Finally chapter six presents the conclusion and recommendations.
CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction

This chapter presents literature review; theories on informal sector and empirical evidence on the importance of the sector in community and local government (LGAs) are explained. Generally the chapter shades light on how various scholars conceptualize the informal sector and its importance.

2.1 Concept of Informal Sector

2.1.1 Informal Sector

Generally, there is no universally accepted definition of the informal sector. The definition of informal sector has been differently presented depending on the authors’ perspectives. For example, Maina et al. (2012) defines informal sector as the term that comprise of activities of petty traders operating on the streets of the main urban centers whereby petty trader involve in the sale of second-hand items like clothes, and other business of shoe shining, street vendors, carpentry, vegetable selling, repair and construction work.

According to Mohamed (2009) informal sector refers to any income generating activity that provides profits, though on a small scale, using simple skills, and dynamic and not tied to the regulation of the activities by the government. Typically, this sector comprises economic activities not regulated by laws such as environmental, labor or taxation; however, subject to the regulations of the local authorities for the orderly business operation, and generally not monitored for inclusion in the Gross Domestic Product (GDP) of Nations.

The two definitions have something in common that for the sector to be informal; there must be a business or income generating activity, and that strict government regulations are not binding the activities being undertaken.
However, the two definitions differ in the sense that former considers the urban informal sector while the later gives general picture, respectively. However, a real picture that much of the informal sector generated income is not counted for the GDP.

2.1.2 Small and Medium Enterprises

The SMEs classification refers to the Micro, Small and Medium Enterprises. This is sometimes referred to Micro, Small and Medium Enterprises (MSMEs). There is no universally accepted definition of SME, clear cut definition of the MSME sector does not exist. There are various conceptual definitions provided by different organizations, academics and policy makers to suit their purposes and objectives (Young, 2007). Moreover, Gunasekaran, Forker and Kobu (2000) argued that it is not possible to have single common definition on SME because of the variation of concepts from country to country and from sector to sector. Developed economies have different economic settings which make some enterprises considered large companies, but in Tanzania, to be categorized as small or large, depend on the criteria used like assets one possesses, type of employment, Funds shareholding or sales criteria. However, combination of revenue and employment to define SMEs can also be used as defining criteria. In the Tanzania context, informal sector are those engaging up to 4 people, in most cases family members or employing capital amounting up to Tzs 5.0 million (Table 2.1). The majority of micro enterprises fall under the informal sector (Kuluwia, 2012).

Table 2.1: Categories of SMEs in Tanzania

<table>
<thead>
<tr>
<th>Category</th>
<th>Employee</th>
<th>Capital Investment in Machinery (Tzs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Micro enterprise</td>
<td>1 – 4</td>
<td>Up to 5 mil.</td>
</tr>
<tr>
<td>Small enterprise</td>
<td>5 – 49</td>
<td>Above 5 mil to 200 mil.</td>
</tr>
<tr>
<td>Medium enterprise</td>
<td>50 – 99</td>
<td>Above 200mil to 800 mil.</td>
</tr>
<tr>
<td>Large enterprise</td>
<td>100 +</td>
<td>Above 800 mil.</td>
</tr>
</tbody>
</table>

Malyamkono and Bagachwa (1990) in Tundui 2002, see the informal sector as the second economy, and those activities that are not recorded or are under-enumerated in the official GDP statistics. The informal sector has a long and well charted history in developing countries. In 1972 the ILO first defined socioeconomic system that is now commonly known as the informal sector, which meant to all activities that operate largely outside the system of government benefit and regulation (Table 2.1)

Table 2.1 Different between Informal sector and formal sector

<table>
<thead>
<tr>
<th>Employment</th>
<th>Enterprise</th>
<th>Formal sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Absence of official protection and recognition</td>
<td>Unregulated and competitive markets</td>
<td>Difficult entry</td>
</tr>
<tr>
<td>Non coverage by minimum wage legislation and social security system</td>
<td>Small scale operation with individual or family ownership</td>
<td>Frequent reliance on overseas resources</td>
</tr>
<tr>
<td>Predominance of own-account and self-employment work</td>
<td>Ease of entry</td>
<td>Corporate ownership</td>
</tr>
<tr>
<td>Absence of trade union organization</td>
<td>Reliance on locally available resources</td>
<td>Large scale operation</td>
</tr>
<tr>
<td>Low income and wages</td>
<td>Family ownership of enterprises</td>
<td>Capital-intensive and often imported technology</td>
</tr>
<tr>
<td>Little job security</td>
<td>Labour intensive and adapted technology</td>
<td>Formally acquired skills, often expatriate</td>
</tr>
<tr>
<td>No fringe benefits from institutional sources</td>
<td>Absence of access to institutional credit or other supports and protections</td>
<td>Protected markets (through tariffs, quotas and trade licenses).</td>
</tr>
</tbody>
</table>

Source: Hari Srinivas (2012)

Differences in defining informal sector persist hence different schools of thoughts, whose characteristics are summarized in the Table 2.2
Table 2.2 Schools of Informality Scholars

<table>
<thead>
<tr>
<th>School of thought</th>
<th>Characteristics</th>
<th>Authors and References</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dualist</td>
<td>-The informal sector is comprised of marginal activities, not related to the formal sector, that provide income for the poor and a safety net in times of crisis. &lt;br&gt; -The persistence of informal activities is due to the fact that not enough modern job opportunities have been created to absorb surplus labor, due to a slow rate of economic growth and a faster rate of population growth.</td>
<td>ILO, 1972  &lt;br&gt; Sethuraman, 1976  &lt;br&gt; Tokman, 1978</td>
</tr>
<tr>
<td>Structuralist</td>
<td>-The informal sector should be seen as subordinated economic units and workers that serve to reduce labour costs and increase the competitiveness of large capitalist firms. &lt;br&gt; -Different modes and forms of production coexist; they are connected and Interdependent. &lt;br&gt; -The nature of capitalist development, rather than a lack of growth, accounts for the persistence and growth of informal production relationships.</td>
<td>Moser, C., 1978  &lt;br&gt; Castell and Portes, 1989</td>
</tr>
<tr>
<td>Legalist</td>
<td>-The informal sector is comprised of micro-entrepreneurs who choose to operate informally in order to avoid the costs, time and effort of formal registration. &lt;br&gt; -Micro-entrepreneurs will continue to produce informally as long as government procedures and regulations are cumbersome and costly.</td>
<td>De Soto, H., 1989, 2000</td>
</tr>
<tr>
<td>Illegalist</td>
<td>-The informal economy is an underground or black economy. &lt;br&gt; -Informal entrepreneurs operate illegally to avoid taxation, commercial regulations, electricity and rental fees, and other costs of operating formally. In some cases, they deal with illegal goods and services.</td>
<td>Maloney 2004</td>
</tr>
</tbody>
</table>

Sources: Chen et al. (2004)

In this study the informal sector is taken to mean all the above activities, including, Market and street sellers, food vendors, food processing, carpentry, tailoring, firewood and charcoal sellers, casual construction, stone quarrying, shoes sewing, bicycle garage and bicycle hiring, small shops/kiosks and sellers of used clothes.
2.2 An entrepreneur

The entrepreneur is commonly seen as business leader and innovator of new ideas and business processes. Management skill and strong team building abilities are often perceived as an essential leadership attributes for successful entrepreneurs (URT, 2003).

Microsoft Encarta (2008) defined an entrepreneur as risk-taking businessperson who initiates or finances new commercial enterprises. In other words an entrepreneur is someone who wishes to take a risk in business, brings resources together in order to make profit, recognises an opportunity and is willing to use time, managerial and other skills and money to add to that opportunity and at the same time handle the uncertainties/risks of running a business.

2.2.1 Entrepreneurship

Entrepreneurship is the act and the art of being an entrepreneur or one who undertakes innovations or introducing new things, finance and business acumen in an effort to transform innovations into economic goods. Therefore entrepreneurship it is the entire process person undergoes to set up a business. Entrepreneurship also includes the successful running of the business. There are two major aspects of Entrepreneurship. They are the entrepreneur and the enterprise. Mathematically, Entrepreneur + Enterprise = Entrepreneurship, (UNIDO, 2013).

2.2.2 Microfinance

Microfinance refers to variety of financial services that target low-income clients, particularly women. Since the clients of microfinance institutions (MFIs) have lower incomes and often have limited access to other financial services, microfinance products tend to be for smaller monetary amounts than traditional financial services. These services include loans, savings, insurance, and remittances. Microloans are given for a variety of purposes, frequently for microenterprise development.
Microfinance is a general term to describe financial services to low-income individuals or to those who do not have access to typical banking services. Microfinance is also the idea that low-income individuals are capable of lifting themselves out of poverty if given access to financial services. Hence, microfinance plays a great role in the battle against poverty (Morduch 2001).

2.3 Theoretical and Empirical Literature Reviews

Theoretical literature review shows the mixed views, that is, the negative and positive perceptions from scholars over informal sector and revenue collection. However, empirical literature review examines some case studies of informal sector revenue collections in LGAs Tanzania. Various scholars have attempted to make investigations about revenue collections from informal sector in LGAs. For the purpose of enriching findings the researcher passed through the following readings.

2.3.1 Theories of Taxation

Taxation is a dynamic economic and social tool that must inevitably change in nature as national economies and business sectors develop (ACCA, 2009; Rhoads, 2010). In order to have a properly taxation system, there must be adherence to Adam Smith principles of taxation as were described by Rhoads (2010), referring to Adam Smith’s book of the Wealth of Nations (1776).

The four theories of Taxation put forward were:

i. **Theory of Equity**: According to this theory the subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state.

ii. **Theory of Certainty**: This theory asserts that, the tax which each individual is bound to pay ought to be certain, and not arbitrary.
Thus, the time of payment, the manner of payment, the quantity to be paid, ought all to be clear and plain to the contributor, and to every other person.

iii. *Theory of Convenience*: According to this principle, every tax ought to be levied at the time, or in the manner, in which it is most likely to be convenient for the contributor to pay it.

iv. *Theory of Efficiency*: This asserts that, every tax ought to be contrived as both to take out and to keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the state.

Translated to the modern era, the first axiom is in some ways the most contentious, as it appears to argue for progressive taxation, where tax is levied according to the ability to pay. On fairness grounds it is hard to argue against this and most modern tax systems follow this principle, but whereas the huge inequalities of wealth in Smith’s day made such a position necessary, it is arguable that it is now a political position rather than a statement of fact (ACCA 2009). The other maxims are less contentious. In order to be efficient in tax collection, the society's tax system must be known and understood by all its adult members; otherwise, they cannot play their part to the full (ACCA 2009).

According to ACC (2009), there are 12 code of belief (tenets or policies) which should be applied in order to ensure efficient and effective tax collection since modern economies and societies are complex. Thus, if followed by the government, these 12 policies would represent the basis of effective tax systems in LGAs.

a) Avoidance/Evasion:
Any LGA may arrange its affairs so that its taxes shall be as low as possible; it is not bound to choose that pattern which best pays the treasury. There is not even a patriotic duty to increase one’s taxes. Everyone does it, the rich and poor alike and all do right, for nobody owes any public duty to pay more than the law demands. Taxes are enforced violations, not voluntary contributions. There is a clear division between tax avoidance (or planning, or mitigation), which is legal, and tax evasion, which is not.
The former is the legal exploitation of the tax regime to one's advantage, to attempt to reduce the amount of tax that is payable by means that are within the law while making a full disclosure of the material information to the tax authorities. In contrast, tax evasion works outside the rules where the taxpayer tries to frustrate legal obligations by hiding income through nondisclosure, or improperly taking deductions to which he or she is not entitled. Tax law must be clear and certain and it should be remembered that businesses will try to minimise tax impact as a part of their normal commercial activity while most businesses try only to comply with the law, there have nonetheless been many cases of convoluted tax planning schemes that are designed not for any proper business purpose but to exploit loopholes in the law and avoid its spirit.

b) Tax Simplification and Stability:
Tax legislation and operations should be as simple and straightforward to understand and to comply with as possible. It is also essential that the volume of legislation is kept to a minimum. Much of the increase in tax law and administration in recent years is due to the number of new anti-avoidance measures introduced by tax authorities. Small businesses in particular have no time to engage in puzzling tax planning and are simply trying to cope with the volume of laws. Changes in tax law particularly those that reverse previous tax breaks or incentives that have formed the basis of business planning should be kept to an absolute minimum.

c) Openness, Transparency and Accountability:
Tax policies should be transparent and non-discriminatory unless part of a declared discriminatory policy, such as one intended to encourage new enterprise. There is a wider political question about the extent to which it is appropriate to use taxation as an instrument of social policy (e.g. penalising smoking by heavy duties, or environmental taxes to mitigate climate change). The government taxes should then meet the principles of being transparent, simple and effective. Governments should be wary of increasing the complexity of the tax system by too much mess to 'reward' certain groups of taxpayers.
On major issues of tax policy, there should be clear consultation where the different options are specified at the start, and properly considered with an audit trail including unambiguous minutes and written responses.

d) Certainty:
The tax systems in many jurisdictions can be criticised for the lack of certainty in outcomes or operations. Entrepreneurs using these legitimate tax planning techniques may find themselves having to report to the authorities or becoming the subject of burdensome tax enquiries. Often these artificial obstructions are used by the tax authorities as a way of ‘fine-tuning’ the legislation when it is unclear where the boundaries of acceptable tax planning are drawn. This is unacceptable for entrepreneurs trying to plan their business activities and who need certainty. It should always be possible for different taxpayers who look at legislation to come to the same interpretation of the law. Authorities should not over the sudden try to overturn long-established practice, which businesses are accustomed to, and then seek to challenge them on an unclear point of law. Thus, taxpayers must have certainty over revenue authorities’ interpretations through having openness on the application of tax policy. Hence, any rise in tax should be made openly and subject to debate to the stakeholders.

e) Tax competitiveness:
The government should ensure that its tax rates are competitive and its regime user-friendly, since tax is a key factor in ensuring the overall attractiveness of a location to mobile capital (businesses and individuals).

f) Efficiency
Tax systems should be efficient for governments in terms of their ability to secure the revenue due and to prevent tax leakage and the development of non-taxable business dealings. It should, however, also be efficient for taxpayers in terms of their ability to comply with its requirements. It should not be forgotten that small businesses represent the bulk of economic activity in most countries and regulation can have a disproportionate effect on small firms, as the smaller the business the
heavier the compliance cost. Research has shown that the smallest businesses incur five times the administrative burden per employee than larger firms and so every effort must be made to increase efficiency of the system. Test questions might include the following.

- Can related entrepreneurs’ business be treated as single entities for tax purposes and so are able to make only a single tax filing?
- Do multiple enquiries of the same taxpayer by different parts of the tax authority take place?
- Are the size of tax returns and the numbers of new or revised forms that need to be completed reasonable?

g) Sunset Clauses:
Tax systems should have a review principle whereby tax legislation is periodically overhauled and consolidated to bring it up to date and make it easier to follow. Outdated laws should be removed. Hence, there needs to be a positive prompt for justifying the existence of legislation. All anti-avoidance legislation should have sunset clauses attached to it. This will ensure that it is regularly reviewed and the need for it to remain in place is actively considered. Governments and tax authorities should devise clear metrics to gauge whether the tax system is being appropriately and sufficiently reviewed.

h) Clear link from tax to spend:
There is a lack of credibility with tax systems when taxpayers do not know why they are being taxed and where the revenue is being spent. It is of benefit to society, individuals and businesses if there is a clear link between tax take and its application. Hence, there should be greater clarity in the LGAs revenue collected from informal sector showing expenditure projections and how these are to be financed.
i) Avoidance of double taxation:
An essential principle of tax law must be that income should be subject to tax only once. This applies both to direct tax, where an individual or business should suffer tax once. There is a need of having an efficient and effective mechanism available to give relief to entrepreneurs in order to reduce the tax cost burden so as to make entrepreneurs realize their businesses amount of profits.

j) Human rights:
Taxpayers have rights as well as responsibilities. They are obliged to pay their tax due, in full and on time, as this is the only way governments can generate the funding to provide the public services everyone depends on, and in this sense tax is part of the social contract of any civilised society. Nonetheless, the huge inequality in resources and power between governments and individual taxpayers places a responsibility on states not to impose their will in the field of taxation in an arbitrary way.

k) Tax Shifting:
Governments must use tax policy as an instrument of positive change by providing incentives for investment in new cleaner technologies across a wide range of informal sector entrepreneurs' enterprises. When combined with tax reductions, tax shifting should be seen as a positive step rather than a threat to taxpayers.

2.4 Empirical Literature Review
This section reviews empirical literature with a view to highlight some previous studies on informal sector and revenue collection.

Taking Ghana as a case, informal Sector is vital for economic growth as it made significant contribution to socio-economic growth of Ghana. According to ISSER (2003) “a critical look at the operations of the informal sector visa-a-vis the economy’s growth pattern, demonstrates the significant contribution that it makes to national development’’. 
From informal sector, LGAs collect taxes that add to its revenue which is very important to sustenance of its obligation to the people within the country’s (Ofori 2009).

2.4.1 Informal sector and Local Revenue collection

Relationship between the informal sector and local revenues collection in LGAs:
Taxing the informal sector is different from other enterprises because it seems to be no culture of compliance. Its sets of rules, values, beliefs and institutions are different from those of the formal sector. As far as revenue collection is concerned, the sector encounters numerous problems, such as regulatory barriers, infrastructure, access to capital, poor human skills, lack of procedure to collect tax from the sector; poor recording keeping, poor tax compliance, little incentives to revenue collectors, and finally political figure acting in favour of the informal sector operators (Morris & Dadson 2000; Republic of Ghana 2006).

A study conducted by TGNP (2006) on budget shows that the government revenue remains highly dependent on external donors. Thus, limiting the autonomy of the government and its local authorities leading to low volumes of tax revenue collections, which suggested expansion of the country economy’s tax base and deepening and expanding economic development at all levels because this would provide a greater volume of goods and services to be taxed to providing sustainable livelihood and quality social services to all citizens. However, in the study by Fjeldstad et al. (2004) on the new challenges for Local Government revenue enhancement in five councils (Mwanza city council, Ilalal Municipal Council, Bwagamoyo, Kilosa and Iringa District Councils); it was revealed that revenue collection greatly varied across the councils and none of them made full collections of their estimated budgets.

The study revealed that reasons for under collections were partly attributed to the abolition of the development levy. However, to date those reasons can no longer help in justifying the failures because estimates are made without considering such a levy.
Moreover, the research findings attributed the failure to embezzlement by tax collectors and resistance of citizens to pay taxes because they don’t see any improvement in social service delivery.

Furthermore, the study by Devas (2011) discovered that the huge scale of the informal sector, particularly in countries like India, Indonesia, Pakistan, and Sierra Leone, as well as in the post-Soviet countries of Georgia and Ukraine, found great challenges to the tax authorities at both the national and local levels. The challenges identified included: the regulatory arrangements adopted by governments, at both national and local levels were out of date and inappropriate legal arrangements, which forced businesses to operate informally.

The report by OECD (2006) on removing barriers to formalization, discovered various ways that tries to reduce informality these includes, supporting broad programmes of regulatory reform, introduce regulatory impact assessments, and institute programmes of reform that examine regulatory burdens from the enterprise point of view, design measures to create a business-friendly culture in government and to improve service provision to local tax payers. However, they have gone far by providing the steps that can be taken to improve the delivery of services to business by government which are simplifying official administration for businesses, reviewing and reducing paperwork for businesses and make use of information technology (IT) where possible, keeping the official forms to a minimum and avoiding retroactive taxation for businesses that formalize.

ILO study (2002) on informal sector in Mainland Tanzania, reported that the government ceases to play the role of economic operator, but moved to play a more critical role as creator of the conditions within which enterprises in the emerging private sector can successfully supply the goods and services needed, while creating jobs and incomes at a pace keeping up with population growth.

Government policies and regulations become important tools for shaping the business environment. Currently, the policy supporting micro, small and medium enterprises is in draft form.
Roadmap observes that the bulk of regulations and institutional arrangements, carried over from a previous economic model, are cumbersome, inadequate, time-consuming and expensive.

2.5 Synthesis

From the theoretical and empirical literatures, it has been found that, although, both the formal and informal sectors contribute significantly to a national development through mobilizing revenue only, the formal sector is well structured to prevent evasion of taxes while the informal sector is not well organized and not given priority. The informal sector has been hard-to-tax due to improper non controlled cash transactions as a result of lack of laid down legal framework clearly known by entrepreneurs, poor record keeping, high illiteracy rate and little or no barriers to entry for business all depends on discretion of the entrepreneur. Many studies have been conducted on local revenue collection, but few have been done to investigate the capacity of the informal sector in income generating in LGAs, growth of the informal sector the enterprises turnover, and the capacity of government policies, laws, and strategies in place to ensure effective collection of revenues from the sector.

2.6 Conceptual framework

A conceptual framework is a travel map, this is a conceptual model of how one theorises makes logical sense of the relationship among the several factors that have been identified as important to the problem (Sekaran, 2003). It is also viewed as conceptual framework constructed after a literature review. It aims at indicating the most important areas to be covered by the study.
Independent Variables
Dependent Variable

Thus, the dependent variable for this study is high or low revenue from Informal Sector, while Independent variables are: laws, regulations, policies, facilitating revenue collection in LGAs, Revenue collectors’ capacity, and Turnover in Informal Sector. The conceptual framework assumes that if there are good or bad policies and strategies they may result in high or low revenue. It also assumes poor or good revenue collection laws may result in low or high revenue. The conceptual further assumes that if there are poor or good capacity of revenue collectors may result in low or high revenues. Moreover, it assumes that poor or good turn over in revenue collection results in low or high revenue in the informal sector.
CHAPTER THREE
RESEARCH METHODOLOGY

3.0 Introduction

This chapter describes the methodology employed in this research. It describes the research design, identifies the study area, and describes the research sample and sampling techniques (approaches), sources of data, data collection tools (methods) and, finally methods of data analysis and interpretation.

3.1 Research design

This study employed a case study design. As a form of research design it enabled the researcher to get into the respondents’ real record of personal experiences in their physical working and life situations from which data were obtained in the course of study. Mwanje (2003) and Yin (2003) defined a case study as a strategy for conducting research that involves an empirical investigation of a particular contemporary phenomenon within its real life context, using multiple sources of evidences. The study employed both qualitative and quantitative types of data.

The researcher followed the following stages during conducting this study: first, the instruments were prepared, namely interviews, questionnaire, observation and documentary review. Interview used was specifically face to face and one-to-many interview the purpose was to get detailed required information from the interviewees. Questionnaire was used in order to ease data collection from respondents. Observation was used to capture varied information. This would significantly contribute to enrich data collected through other methods, and finally documentary sources, these were used to get information that would help to understand what was actual happening regarding the issue under study. Also they were used to cement the information obtained through primary data collection methods. Second, the instruments were pre-tested to fifteen subjects within the study area; however, the participants in the pilot study were not involved in the actual study.
Third, the instruments were modified accordingly, including removing some of items which sounded repetitive or unclear and adding some new items which sounded important to include. Fourth, data were collected in the actual study and finally were analyzed.

Through case study, the researcher interacted with different respondents from three wards. The Key informants included: council staffs, ward executive officers (WEOs), village executive officers (VEOs), Tanzania Revenue Authority (TRA) staff, TCCIA leaders and revenue collectors. The selected design has got power to allow the researcher to focus on interesting cases of investigating the revenue collection from the informal sector in Mbarali district council. The design helped a researcher to have a wide field of observation of what was actually taking place on the selected issues. Moreover the selected research design provided the researcher with the ability to conduct an in depth study of a particular situation.

3.2 Study Area

This study was conducted in Mbalali District Council, Mbeya region Tanzania. This study was conducted in three wards, namely Rujewa, Ubaruku and Lugelele whereby the study intended to investigate, existing laws and regulations for revenue collection from the informal sector, revenue collectors capacity, turnover in informal sector, to assess how these laws and regulations facilitate or hinder the revenue collection from the informal sector, and finally to propose how the laws, regulations and strategies can be improved to facilitate informal sector in revenue collection.

Mbarali District was chosen owing to the presence of great deal of activities related to the informal sector from which the district council used to collect revenue. The performance of the informal sector was vital to the district’s economy and Mbarali residents. Thus, the study in this area was very crucial for suggesting policy intervention which could lead to improved performance of the informal sector and improved service delivery of the LGAs in the area.
3.3 Study Population and units

The population of the study refers to all residents in Rujewa, Ubaruku and Lugelele wards among the 20 wards of Mbarali who were involved in income generating activities from which the Mbarali district council used to collect revenues. From these wards the sampling units selected were 40 entrepreneurs from each of the selected ward to make a sample of 120 respondents. However, 4 VEOs from each ward were selected for focused group discussion as one of the key informants based on their roles played in informal sector and revenue collection activities. Other key informants were the: District Executive Director, District Treasure, District Internal Auditor and District Planning Officer as they were directly involved in revenue administration, WEOs, TRA officer, and TCCIA officer.

3.4 Sampling Techniques and Sample size

3.4.1 Sampling Techniques

The study employed purposive sampling in obtaining wards and villages based on numbers (sizes) of Informal Sector enterprises that were operating within the area. Moreover, VEOs selection also was purposeful. However, selection of entrepreneurs followed random selection using the list generated from the village in collaboration with village authorities.

3.4.2 Sample size

The size of the sample was 120 respondents who were selected as described in subsection 3.4.1 based on what Matata et al. (2010), claimed that, having 80-120 respondents is adequate for most social- economic studies in Sub-Saharan Africa household. Sample size distribution was as presented within Table 3.5.1.
Table 3.5.1: Sample Size Distribution

<table>
<thead>
<tr>
<th>S/N</th>
<th>Respondent’s Wards</th>
<th>Number of the target respondents</th>
<th>Returned Questionnaires</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Rujewa</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>2</td>
<td>Ubaruku</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>3</td>
<td>Lugelele</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td></td>
<td>TOTAL</td>
<td>120</td>
<td>100%</td>
</tr>
</tbody>
</table>

Source: Field Survey data (2013)

3.5 Data Collection Methods

This section describes the data collection process. It presents and justifies necessary data collection techniques that were used in this study. Two types of data, primary and secondary were collected. Primary data were collected by the researcher from respondents and assumed to be of original in character, but secondary data refers to information (data) that has already been collected and analysed by someone else (Kombo & Tromp, 2006).

Primary data were collected from respondents through interviews using a questionnaire. Moreover, a personal observation was conducted by means of paying visits to some of the entrepreneur’s business areas provided to get the first hand data on the real situation whereby photographs were taken.

3.5.1 Interview

Structured and non structured Interviews were used in the study. Structured interviews were conducted under the specific set of written open ended questions and were guided by objectives and the scope of the study in general. There were different interview sessions for entrepreneurs and key informants. The information provided by entrepreneur’s key informants addressed research objectives.

This implies that, the researcher either asks questions to the respondents (interviewees) through telephone or direct contact that is face to face, with the view
of collecting or gathering information of interest (Kotheri, 2004). Since the study was mainly qualitative, thus it used interviews in order to capture the stakeholders’ understanding of success or failure of the informal sector revenue collection in local government authorities. ‘Interview guides’ have been designed for informal sector business holders, council staff, WEOs and VEOs.

According to Robertson (1987) there are three types of interviews, namely structured, unstructured, and semi-structured interview. In a structured interview the researcher follows a rigid procedure noted down; used a checklist of questions and asks respondents (interviewees) in exactly the same way and exactly the same order for each respondent. The structured interview is inflexible, but it, “enables the researcher to make tabulations and comparisons for answers” (Robertson, 1987, p. 39). The unstructured interview is much more flexible and “open-ended” to questioning. When the unstructured interview is used the researcher puts more general questions to the respondents, allows them to answer questions freely, and follows up their comments. The researcher is free to ask additional questions or may omit questions when the situation requires so. In this approach, the disadvantage is the fact that the answers are often extremely difficult to compare and analyze.

In this study, the researcher used various interviews called ‘semi-structured interview’ which is the combination of two main described interview variants. It involves the use of defined topics (that is an interview guide) to guide the exercise of interviewing. These variants were used to provide an in depth investigation because it allow possible extra questions that enables the researcher to obtain detailed accounts of lived experiences from the interviewees and personal information regarding informal sector and revenue collection. It assists to avoid misinterpretations of the questions by the respondents (further clarifications are possible as it gives room for elaboration by interviewer). This data collection method enables the researcher to solicit information from illiterate people; who cannot write or read.
Those who were purposely identified by key informants (Council chairperson, DED, DT, TRA, and TCCIA officers) were interviewed through a face to face method in their respective places.

Despite of its usefulness, interviews have limitations as follows: the exercise of tracking people down and personally interrogating them is costly and time consuming, especially if all respondents do not live in the same area (Macionis, 1993). Interviews can be biased because the researcher controls the direction of the conversation; also, the respondents may lack confidence to provide the required information (Bailey, 1982). To overcome these limitations the study used triangulation of data collection methods, namely questionnaire, observation and documentation, (Kothari, 2004).

### 3.5.2 Questionnaires

A questionnaire is regarded as a series of questions, each one providing a number of alternative answers from which the respondents can choose (White, 2002). Kamuzora (2008) described a questionnaire as an instrument of data collection that consists of a set of predetermined and structured questions given to the subject to respond to in writing or to be filled by the researcher through self administered. The method is commonly used because it is easy to compile questionnaire. Regarding this study, the researcher prepared self administered questionnaires where a total of 120 questionnaires were distributed to the respondents. Both open and closed questionnaires. Open ended was used in order to give respondents enough freedom and wide room to give out the answers on the topic of interest while closed ended questionnaires for YES or NO questions required the respondent to choose one item from a list of alternatives (see Appendix II).

Closed and open- ended questionnaires are used when one wishes to solicit views or opinions of a large sample of respondents (Robertson, 1987). Thus, in this study, the researcher was motivated to use this method, because, respondents were expected to answer the questionnaires in time that was suitable to them and respondents could not be as inhibited in answering sensitive questions.
However, the questionnaire is the only practical approach when dealing with many respondents. Unlike interviews, it is a good technique of collecting primary data as it guarantees privacy and confidentiality to respondents, as it gives freedom to respondents to write or provide responses in the absence of a researcher, because, presence of the researcher may be felt as threatening and hence, disempowering the respondents (Kerlinger, 1987).

In this study, structured questionnaire which were composed of few open ended questions to verify some responses was administered to the selected respondents in the study area. Targeted respondents were: council staff, revenue collectors, WEOs, VEOs and entrepreneurs from the three selected wards in the study area. In this activity, questionnaires were distributed to the identified key informants listed in subsection 3.5.1. Thereafter, questionnaires were collected on agreed date and time. Next step was data coding and entry into the statistical software for statistical analyses to be carried out. Questionnaires used were very useful in gathering the information on respondents' opinions and understanding of various aspects of the informal sector and revenue collection.

### 3.5.3 Observation

An observation study is defined as “an extensive examination of a particular group, event or social process” (Robertson, 1987, p. 40). The author outlines advantages of this method in research that include the following: an observation allows the researcher to record/gather primary information (data) and the information which could not easily be obtained by other means. Moreover, observation techniques confine the researcher to aim at specific description and analysis of the observed / what takes place that is separate research from non research events.

Given the nature of the study, that is, to investigate the informal sector and revenue collection in three wards of Mbarali district council, observation was required to provide physical evidence on data collection process meetings, locations of enterprises, policies, laws, documents/official reports.
The observation data was used to find out success or failure of informal sector in revenue collection. Such data were used to confirm or reject interview findings and official reports on the performance of the Informal Sector in Mbarali district council.

3.5.4 Documentary Sources

Documentary sources refer to documents or electronically stored information. The information collected from these sources is called secondary data; it is neither collected directly by the user nor specifically for the user (Kombo and Tromp, 2006). Documentary sources were used to obtain background information and official assessment of performance of the informal sector. Some of the key documents which were examined include: policies, laws, and strategies facilitating revenue collection from the sector, revenue collection reports, registration of informal sector businesses the future strategies and plans on informal sector revenue collection.

The advantages of using documentary sources are: to assist the researcher to collect data significantly quicker and easier (hence less costly). Because data obtained are likely to be pre-processed, documentary data eliminates the time consuming in the analysis stage (Kombo & Tromp, 2006). However, documentary sources are associated with limitations as follows: It forces the researcher to rely on sources and the method by which data were collected which is often unknown. Also, the researcher is compelled to rely on skills and integrity of the people who collected and analyzed data. Documentary sources make the researcher has little or no direct knowledge of data processing method employed, and thus, may rarely have access to the original raw data to check the validity of the findings (Kombo & Tromp, 2006).

3.6 Data Processing and Analysis

According to Kamuzora (2008), data analysis refers to the computation of certain measures along with searching for patterns of relationship that exist between data groups. However, Kothari (2004) asserts that, the process of analysis aims at determining whether observations support the formulated hypotheses before going to the field to collect the information, or reject them.
Moreover, the concept data processing refers to the conversion of information into a form that can be understood by computers.

To achieve this, responses from then interviews (on the collected questionnaire) assigned some numerals (1-120), they were edited (proofreading, cross checking, confirming, correcting and summarizing of the possible errors in the questionnaires) the numerals stood as a name for each questionnaire (Bisile, 2010, p. 31).

Basing on this study, data processing involved, coding of data in which each response to each question was assigned a number ranging (1-7). Questionnaires were assigned numbers from 1-120 to ease the work of following entries for a particular question and avoid mixing information provided by different respondents. In coding questionnaire response options were assigned numbers ranging from 1-7 (values) which were assigned labels according to particular option. This was done purposely for easing the work of data entry after creating a number–language which can simply be understood by the computer SPSS-program. The coded data were entered in the SPSS computer program whereby frequencies and percentages of the responses were investigated on respondents’ understanding, opinions, judgment and vision upon what was asked were computed. Results of computation were later on interpreted and discussed to arrive at conclusions and recommendations.
<table>
<thead>
<tr>
<th>Research Instruments/Tools</th>
<th>Expected Data</th>
</tr>
</thead>
</table>
| Interviewing              | Respondents' understanding of the concept of informal sector  
i. Challenges facing informal sector revenue collection  
ii. Availability of LGAs policies which enforces the revenue collection from the informal sector                                                                 |
| Questionnaire             |  
i. Demographic particulars: Age, sex, marital status, education levels  
ii. The perception of entrepreneur towards the amount of revenue to be paid  
iii. Entrepreneurship training received.  
iv. Hindrances of registering a business  
v. Assistance needed by the entrepreneurs.  
vi. Government services received to tax payers.  
vii. Average taxes contributed to the council annually.  
viii. Factors contributing to the business trend |
| Observation                | Business premises, type of business activities, the behavior of taxpayers and tax collectors, social services given to taxpayers from the council. Ongoing survey meeting processes, informal sector revenue collection policies and bylaws. |
| Documentary                |  
i. District profile, taxation policies,  
ii. Bylaws,  
iii. Schedule on sensitization of tax payers and revenue collectors and their coverage (number of wards/centers reached out of planned wards/centers.)  
v. The trend of informal sector tax collections from the district directors’ office |
| Focus group discussion    | General information on their observations and suggestions on the factors affecting revenue collection from the informal sector, probably possibilities for improving the informal sector revenue collection in LGAs |

**Source:** Developed by the Researcher (2013)
CHAPTER FOUR
PRESENTATION OF FINDINGS

4.1 Introduction
This chapter analyses and presents the research findings based on the objectives and key questions which translate the theme informal sector and revenue collection in local government authorities in Tanzania. It gives an overview of the Mbarali district profile, demographic characteristics of the respondents such as age, sex and education background.

4.1.1 Population
The population of the study area at the time of this study it was projected to be 300,023 people of whom 147,052 were males and 152,971 were females. The population encompasses several ethnic groups which include, but not limited to Sangu, Hehe, Bena, Gogo, Kinga, Wanji, Nyakyusa, Sukuma, Barbeig and Maasai.

4.1.2 Geographical
The District lies between latitude 70 and 90 South of the equator and between longitude 3380 and 350 East of Greenwich. The District is at an altitude ranging from 1000 to 1800 meters above sea level. Average temperatures range between 250C and 300C. The mean annual rainfall is about 450 to 650 mm. The District is bordered by the Iringa District on the North-East, on the west is bordered by the Mbeya District while on the East the District is bordered by Njombe and Mufindi Districts. To the North Mbozi District borders Ruaha National Park while to the South it borders the Market District and Mpanga Kipengere Game Reserve.

4.1.3 Economic Activities
The study area at the time of this study had a number of economic activities. The activities included, but were not limited to: Agriculture, formal sector employment and trade.
4.2 Respondents demographic characteristics

This subsection identifies and describes key characteristics of the respondents. These characteristics include age, sex, marital status and education qualifications of the respondents.

4.2.1 The profile of the sample is presented in terms of age, sex, marital status, and level of education

Ages of respondents were categorized from under 18 years to above 51 years as shown on the table hereunder. The focus of variable was to determine which age was highly involved in the informal sector and then assessing the pushing factor (see Table 4.2).

<table>
<thead>
<tr>
<th>Age group</th>
<th>No of respondents</th>
<th>Percentages (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>≤18-30</td>
<td>45</td>
<td>37.5</td>
</tr>
<tr>
<td>31-40</td>
<td>42</td>
<td>35</td>
</tr>
<tr>
<td>41-50</td>
<td>27</td>
<td>22.5</td>
</tr>
<tr>
<td>≥51</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Survey data, (2013)

The findings show that the majority of the respondents were aged ranging 18-30 whereby respondents were 45 (37.5%). The second group was between 31-40 years of age, the respondents were 42 (35%). The third group was between 41-50 years of age the respondents were 27 (22.5%). The fourth group was 51 years old and above. The respondents were 6 (5%).

4.2.2 The rationale for sex identification

The purpose of this variable was to identify the sex that was more dominant in the informal sector businesses. This would help to determine the reasons for their variations. Table 4.2.2 gives more information.
Table 4.2.2 Respondents by Sex

<table>
<thead>
<tr>
<th>Sex</th>
<th>No of respondents</th>
<th>Percentages (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>62</td>
<td>51.7</td>
</tr>
<tr>
<td>Female</td>
<td>58</td>
<td>48.3</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Survey data, (2013)

The findings showed that the majority of the respondents were males 62 (51.7%). The second group were females, 58 (48.3%).

4.2.3 Marital status of the respondents

This is an important variable as it helps to determine whether one has many responsibilities and need more time to think and provide for his /her family, which may probably reduce the entrepreneurs’ income generation.

Table 4.2.3 Respondents by marital status

<table>
<thead>
<tr>
<th>Marital status</th>
<th>No of respondents</th>
<th>Percentages (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>27</td>
<td>22.5</td>
</tr>
<tr>
<td>Married</td>
<td>82</td>
<td>68.3</td>
</tr>
<tr>
<td>Widowed</td>
<td>9</td>
<td>7.5</td>
</tr>
<tr>
<td>Divorced</td>
<td>2</td>
<td>1.7</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Survey data, (2013)

The findings indicated that the majority 82 (68.3%) were married. Single were 27 (22.5%). Widows/widowers were 9 (7.5%). Divorced were 2 (1.7%).

4.2.4 Education background of the respondents

The study focused the education background of the respondents because through education, respondents might have enough knowledge about the problem at hand (Informal sector and revenue contribution in LGAs Tanzania in the area of study).
Table 4.2.4 Respondents by level of education

<table>
<thead>
<tr>
<th>Level of education</th>
<th>No of respondents</th>
<th>Percentages (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non formal education</td>
<td>5</td>
<td>4.2</td>
</tr>
<tr>
<td>Primary education</td>
<td>95</td>
<td>79.2</td>
</tr>
<tr>
<td>Secondary education</td>
<td>13</td>
<td>10.8</td>
</tr>
<tr>
<td>Certificate</td>
<td>7</td>
<td>5.8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field Survey data, (2013)

It was revealed that the majority of respondents about 95 (79.2%) had primary education. 13 (10.8%) respondents had Secondary school education; 7 (5.8%) had a certificate level and 5 (4.2%) had non-formal education.

4.3 Informal sector revenue collection and type of the business

This variable intended to know the types of the informal sector businesses found in the study area and to see the possibility of taxing them.

Table 4.3 Respondents by income generating activities

<table>
<thead>
<tr>
<th>Type of business</th>
<th>No of respondents</th>
<th>Percentages (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market and street sellers</td>
<td>26</td>
<td>21.7</td>
</tr>
<tr>
<td>Food vendor</td>
<td>23</td>
<td>19.2</td>
</tr>
<tr>
<td>Food processing</td>
<td>12</td>
<td>10</td>
</tr>
<tr>
<td>Carpentry</td>
<td>3</td>
<td>2.5</td>
</tr>
<tr>
<td>Tailoring</td>
<td>8</td>
<td>6.7</td>
</tr>
<tr>
<td>Firewood and charcoal</td>
<td>4</td>
<td>3.3</td>
</tr>
<tr>
<td>Casual contraction</td>
<td>1</td>
<td>0.8</td>
</tr>
<tr>
<td>Stone quarrying</td>
<td>1</td>
<td>0.8</td>
</tr>
<tr>
<td>Shoes sewing</td>
<td>1</td>
<td>0.8</td>
</tr>
<tr>
<td>Bicycle garage</td>
<td>35</td>
<td>29.2</td>
</tr>
<tr>
<td>Small shops</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field Survey data, (2013)

Field study revealed that the type of business performed by the majority of respondents about 35 (29.2%) was bicycle repair, 26 (21.7%) market and street
sellers, 23 (19.2%) food vendors, 12 (10%) were food processing, 8 (6.7%) tailoring, 6 (5%) was small shops, 4 (3.3%) delt with firewood and charcoal selling, 3 (2.5%) were carpenters, and finally 1 (0.8%) was casual contracted. Others with the same score of 1 (0.8%) was stony quarrying and shoe sewing (Table 4.3).

4.3.1 Revenue collectors

This sub-variable had the purpose of understanding the respondent awareness on the revenue collection responsible individuals. Table 4.3.1 illustrates this information.

Table 4.3.1 Categories of Revenue Collectors

<table>
<thead>
<tr>
<th>Revenue collectors</th>
<th>No of respondents</th>
<th>Percentages (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government officer</td>
<td>1</td>
<td>0.8</td>
</tr>
<tr>
<td>Illegal police</td>
<td>3</td>
<td>2.5</td>
</tr>
<tr>
<td>Local revenue collectors</td>
<td>84</td>
<td>70</td>
</tr>
<tr>
<td>Others (VEOs)</td>
<td>2</td>
<td>1.7</td>
</tr>
<tr>
<td>None (they don't know)</td>
<td>30</td>
<td>25</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field Survey data, (2013)

The study revealed that the majority of respondents about 84 (70%) mentioned local revenue collectors, 30 (25%) they do not know exactly who are their revenue collectors. 3(2.5%) were illegal police, 2(1.7%) VEOs and 1(0.8%) were government officials.

4.3.2 Capital size of the business

This sub-variable (capital size) aimed at measuring capacity of the entrepreneur to make more profit and being able to contribute revenues in LGAs.
Table 4.3.2 Respondents by size of their businesses

<table>
<thead>
<tr>
<th>Capital size (Tz$)</th>
<th>No of respondents</th>
<th>Percentages (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;100,000-200,000</td>
<td>48</td>
<td>40.0</td>
</tr>
<tr>
<td>200,001- 300,000</td>
<td>27</td>
<td>22.5</td>
</tr>
<tr>
<td>300,001-400,000</td>
<td>13</td>
<td>10.8</td>
</tr>
<tr>
<td>&gt;400,000</td>
<td>32</td>
<td>26.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Source:** Field Survey data, (2013)

Field data showed that majority of business entrepreneurs about 48(40%) had capital size ranging between 100,000 to 200,000, 32 (26.7%) had capital size of ranging Tzs >400,000.00, 27(22.5%) had capital size ranging between Tzs. 200,001 to 300,000 and lastly 13(10.8%) had capital size ranging between Tzs. 300,001to 400,000.

4.3.3 Amount of income earned per year

This sub-variable, aimed at determining the amount of income earned per year. The purpose was to measure capacity of the entrepreneur to make more profit sustainably and ability to contribute revenues in LGAs.

Table 4.3.3 Respondents by income earned per year

<table>
<thead>
<tr>
<th>Income earned per year Tz$</th>
<th>No of respondents</th>
<th>Percentages (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;500,000-800,000</td>
<td>48</td>
<td>40.0</td>
</tr>
<tr>
<td>800,001-1,000,000</td>
<td>40</td>
<td>33.3</td>
</tr>
<tr>
<td>1,000,001-1,400,000</td>
<td>12</td>
<td>10.0</td>
</tr>
<tr>
<td>&gt;1,400,000</td>
<td>20</td>
<td>16.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

**Source:** Field Survey data, (2013)

It was found that a big number of entrepreneurs, about 48(40%) earned income ranging from Tzs. 500,000 to 800,000 per year, 40(33.3%) had earned income Tzs.
800,000 to 1,000,000 per year, about 20(16.7%) had earned income ranged between Tzs >1,400,000, lastly 12(10%) had earned income of Tzs. 1,000,001 to 1,400,000.

4.3.4 Average taxes contributed to the council annually
This sub-variable intended to measure the capacity of the Informal sector to contribute revenues in LGAs.

Table 4.3.4 Respondents by tax contribution per year

<table>
<thead>
<tr>
<th>Tax contribution to the council annually Tzs</th>
<th>No of respondents</th>
<th>Percentages (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt; 20,000-40,000</td>
<td>6</td>
<td>5.0</td>
</tr>
<tr>
<td>40,000-60,000</td>
<td>14</td>
<td>11.7</td>
</tr>
<tr>
<td>60,000-80,000</td>
<td>80</td>
<td>66.7</td>
</tr>
<tr>
<td>&gt;80,000</td>
<td>20</td>
<td>16.7</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field Survey data, (2013)

Findings revealed that most of the respondents about 80(66.7%) were levied ranging between Tzs. 60,000 to 80,000 per year, 20(16.7%) were levied Tzs. > 80,000, followed by 14(11.7%) who were levied Tzs. 40,000 to 60,000.00 and lastly but not least 6(5.0%) who were levied Tzs. < 20,000 to 40,000. This data reflects the documents from District Director’s office as shown below:

Table 4.3.5 Trend of Informal Sector and revenue collection

<table>
<thead>
<tr>
<th>Year</th>
<th>Estimated budget</th>
<th>Annual collections</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010/2011</td>
<td>65,000,000</td>
<td>43,400,000</td>
<td>66.8</td>
</tr>
<tr>
<td>2011/2012</td>
<td>65,000,000</td>
<td>49,000,000</td>
<td>75.4</td>
</tr>
<tr>
<td>2012/2013</td>
<td>90,000,000</td>
<td>50,196,000</td>
<td>55.8</td>
</tr>
</tbody>
</table>

Source: Field Survey data, (2013)

The revenue collected from the informal sector in Mbarali for three years. 2010/2013
4.3.6 Challenges Respondents faced in their businesses

This sub-variable intended to assess challenges facing the business owners; it was found that the business persons encountered problems as: shortage of customers; Small capital, little knowledge on business; poor working tools and seasonal business. Table 4.3.6 summarise this information.

Table 4.3.6 Respondents by business problems

<table>
<thead>
<tr>
<th>Business problems</th>
<th>No of respondents</th>
<th>Percentages (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customers</td>
<td>60</td>
<td>50.0</td>
</tr>
<tr>
<td>Capital</td>
<td>6</td>
<td>5.0</td>
</tr>
<tr>
<td>Entrepreneur skills and knowledge</td>
<td>4</td>
<td>3.3</td>
</tr>
<tr>
<td>Poor working tools</td>
<td>5</td>
<td>4.2</td>
</tr>
<tr>
<td>A seasonal business</td>
<td>15</td>
<td>12.5</td>
</tr>
<tr>
<td>Others ( Competition from others )</td>
<td>30</td>
<td>25.0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>120</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Field Survey data, (2013)

The study revealed that the majority of the entrepreneur respondents about 60(50%) had problems of shortage of customers, 30(25%) had high competition from other business entrepreneurs, 15(12 %) had seasonal business, 6(5%) had shortage of capital, 5(4.2%) had poor working tools and finally 4(3.3%) had poor entrepreneurship skills and knowledge.

4.3.7 Assistance needed

This sub-variable intended to measure the specific priority areas to be assisted so that to motivate and enhance the growth and prosperity of business in informal Sector.
Study showed that the majority of respondents who needed soft loans were 58(48.3%), 38(31.7%) respondents were in need of entrepreneurship training, 14(11.7%) needed education on tax uses and finally 10(8.3%) were in need of working tools.

4.3.9 Trend of the business

This sub-variable measured the status of growth and prosperity of the small businesses in the Informal Sector in LGAs. Table 4.3.9 illustrates this information.

<table>
<thead>
<tr>
<th>Entrepreneurs business trend</th>
<th>No of respondents</th>
<th>Percentages (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expanding</td>
<td>54</td>
<td>45.0</td>
</tr>
<tr>
<td>No change</td>
<td>39</td>
<td>32.5</td>
</tr>
<tr>
<td>Contraction</td>
<td>27</td>
<td>22.5</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>100</td>
</tr>
</tbody>
</table>

It was found that most of respondents, 54(45%) revealed that most of the entrepreneur businesses trend was expanding, 39(32.5%) not changed and 27(22.5%) was contracting.
4.3.10 Entrepreneurs training received

This variable intended to see the existed efforts to create awareness to levy entrepreneurs on their roles to paying taxes, fees, other charges and the uses of revenues in LGAs, which would create a smooth environment for revenue collectors and therefore increase in tax compliance attitude. Table 4.3.10 illustrates this information.

Table 4.3.10 Respondents by status of entrepreneurship training

<table>
<thead>
<tr>
<th>Entrepreneur training received</th>
<th>No of respondents</th>
<th>Percentages (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>19</td>
<td>15.8</td>
</tr>
<tr>
<td>No</td>
<td>101</td>
<td>84.2</td>
</tr>
<tr>
<td>Total</td>
<td>120</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Field Survey data, (2013)

The study revealed that most 101 (84.2%) respondents did not receive entrepreneurship training, followed by few respondents 19 (15.8%) who received entrepreneurship training.
CHAPTER FIVE
DISCUSSION OF THE FINDINGS

5.0 Introduction
This chapter provides a detailed discussion about the meaning and implication of findings presented in chapter four of this dissertation. It presents the research results about how the research objectives and questions were addressed in the field. It also discusses on how the investigated factors had affected informal sector revenue collection in the study area. Moreover, from this chapter readers will get into an insight about the effects of the investigated factors to the performance of informal sector and its general contribution to financial sustainability of the LGAs. It is from this discussion that chapter six conclusions and recommendations have been established. Moreover, this chapter discusses pertinent issues which were raised by the key informants from focused group discussion. Such important issues which were not obtained from questionnaire interviews includes: issues on terms of contracts to local revenue collectors, factors which led to the failure of LGAs administrative machinery (tax collectors), awareness of tax payers on tax policies, weaknesses of the public, CSOs and private sector to participate in revenue decisions matters, capacity of informal sector and revenue collection as per each specific objectives.

5.1 Factors Influencing Informal Sector’s Contribution to LGAs Revenues
This subsection introduces the factors from within the council itself, poor terms of revenue collection contracts between LGAs and agents of revenue collection, factor from the tax payers, and weak public private sector participation in revenue decision.
5.1.1 Factors From Within the Council Itself

These are the factors investigated and found to have their root causes from within the council machinery itself. Indicators; were the poor terms of contracts of revenue collection between LGAs and Private Revenue collectors. These were the result of the failure of the Council administrative machinery (the tax collectors). This was also contributed by lack of involvement of other key stakeholders like CSOs for more inputs and experience sharing to effectively collect the revenue from the Informal Sector.

5.1.1.1 Terms of Revenue Collection Contracts between LGAs and Agents of Revenue Collection

Results obtained testified that the nature of councils’ contract operations were not transparent, which had raised a lot of doubts whether there were any scientific approach or qualified model applicable to eliminate corruption and issues of conflict of interests particularly those which were contributed by political interests existed among the councillors one part which influenced much of the decisions. Because councillors had the power to determine who were to be considered for the contract award among many tender applicants based on the technical know who. These findings show that the applications procedures were just formalities; the final decision maker was the tender board. This suggests that transparent mechanisms are needed to ensure the government policies laws and regulations objectives are practically implemented by the council officials. Although URT (2008) claims that many LGAs in Tanzania have outsourced their revenue collection during recent years in order to improve revenue collection activities of its councils, the purpose is to boost revenue collection and lowering the council’s administrative cost, yet, this has not been the case.

Instead, the amount of LGA’s revenue collected had been decreasing in most councils including Mbarali district council, had been experiencing serious problems with revenue collection agents in complying with the terms of the signed contracts.
Findings from this study showed that workers in tax collection were not enough as only three local workers were hired by the local revenue collector’s agent to cover three wards including cattle auction days. The area of work did not match with the manpower in revenue collection. These findings are in line with what was reported by REPOA (2009; 2008; Fjeldstad et al., 2008) who found a number of weaknesses in revenue collection endeavour.

Also the findings are similar to the CAG report 2007/2008-2009/2010 which revealed that procedures to procure private collector was not efficiently done for most councils, because revenue collection agents were not efficiently obtained because of limited competition between potential bidders and also lack of transparency of criteria for evaluation of the bids. Close to half of the tenders were published just on Council’s notice boards. However, Contracts were not prepared with the intention of protecting the interests of the Councils. Thus, council directors could not sue the revenue collection agent for failure to submit any amount in excess of what they have agreed.

5.1.1.2 Factor from the tax payers

Most noted problem on the side of tax payers was their resistance to pay such taxes, fees and other charges especially where charging misses relationship with the kind of amount of services delivered to them, such as public latrines, keeping street hygiene, collecting of refuse (e.g. in market places). These findings agreed with Tarimo (2011, p. 16) who reported that taxes levied by the government were used to fund activities of public sectors by providing welfare security and modernizing infrastructures to citizen, the degree to which approved the purpose for which the funding used would enlarge and determine their willingness to share the cost of such services through the tax mechanism.
5.1.1.3 Weak Public and Private Sector Participation Revenue in Decisions

Council’s failure to make full collection of revenue from the informal sector was attributed to her failure to involve different public and private stakeholders (private sector, CSOs, CBOs and community) in their revenue generating plans instead of using their officers’ ideas alone. This suggests that the council need to have a multisectoral and/or participatory approach in improving revenue collection.

5.2.1 Capacity of Local Revenue Collectors

The findings (see Table 4.3.1) revealed that revenue collection was done by local revenue collectors as reported by majority 84(70%) of the respondents who lacked ethics. Other people who were also reported to be involved in the collection of revenues were the council staff from district natural resources, and agriculture and livestock departments who collected revenues from meat inspection and livestock auctions or sales (for livestock like goats, sheep and cattle). Through different respondents testified that revenue collectors had no ethics in their approaches to collect revenues from the informal Sector. This could be that they were not trained in areas of revenue collection as they used to apply coercive force in their work. This case was worse to female traders of whom a fish valued at 2000 Tsh was taken away by revenue collector in exchange for 200 Tsh tax that the woman was required to pay as she did not have the money the time she was approached by revenue collector before selling her first fish. This was absurd, since the woman did not receive her remaining balance from the revenue collector, and thus traders used to see tax or revenue collectors as their thieves due to their lack of financial ethics. Although cases used to be reported to the LGAs, it seems that the problem still existing.

These findings agree with what was reported by (Bahiigwa et al. 2004; Fjeldstad and Therkildsen 2008; Juul 2006) that, high levels of arbitrariness, coercion and corruption, an anti-poor bias and the creation of major economic distortions are characteristic of most local tax systems.
Moreover, Bahiigwa et al. (2004), in the surveys conducted in both Tanzania and Uganda, reported that, citizens have a general appreciation of the necessity of taxation to support local services, but chose non-compliance due to an overwhelming lack of confidence in local government.

5.2.2 Education and Awareness Creation for Taxpayers and Tax Collectors

Study findings presented in Table 4.3.10 revealed that most of the entrepreneurs did not attend any entrepreneurship trainings as it was reported by the majority respondents 101(84.2%). This was mainly due to lack of opportunity for formal education and training, lack of management skills (e.g., problem-solving, leadership abilities, decision-making, delegation and team building). Lack of education and awareness on the part of tax in Tanzania is a problem. This agrees with TRA findings, many taxpayers do not know the taxation system of the country, as it was found that, 30.4% of the taxpayers did not know (TRA, 2010).

From this study, it was the expectation of the researcher to see the report councils’ number of training, seminar and workshop programmes per annum to taxpayers and tax collectors. However, nothing among them was found. Moreover, the record on number of newly invented sources of revenue in the sector, number of cases of tax evasions per year and number of public meetings in wards and villages was not found. Likewise, record on stakeholders’ meetings called by the council management to discuss issues of tax collection did also not exist. In the context of this study, then, the words, education and awareness strategies focused to taxpayers’ and revenue collectors’ knowledge on their roles to bring about sustainable financial capacity that enhances efficiency of revenue collection in LGAs.

5.2.3 Turnover in the Informal Sector

Field findings showed that about 48(40%) of the respondents were earning incomes ranged from Tzs. 500,000- 800,000, while 40(33.3%) earned income between Tzs. 800,001- 1000,000 per year (as in Table (4.3.4).
This suggests that informal sector income is for substance earning. Table 4.3 reports on the variable of business problems, that, most of the respondents 60(50%) had problem related to shortage of customers. This suggests that the activities conducted by the informal sector in the study area had few consumers or most of entrepreneurs depended on similar income generating activities. Table 4.3 indicated that majority 58(48.3%) of the entrepreneurs were in the need of soft loans this suggests that the entrepreneurs needed loans to improve their business. Table 4.3 described capital size of entrepreneurs in the study area. From these results, the majority showed that 48(40%) they had capital size ranging from Tzs 100,000-200,000 this suggests that the entrepreneurs lacked enough capital to run their business.

This study also had found that most of the respondents’ enterprises had poor turnover. This suggests that their business was of low turnover, this is somewhat similar to Maina (2012) who asserted that turnover tax (TOT) is a presumptive tax where the tax base is the turnover; any business below Kshs.5 million is taxed at a flat rate of 3% of annual turnover. It is specially designed for small businesses that are unable to keep proper records of accounts, among other complexities associated with regular tax regime. The main objective of the system is to draw informal sector into the tax net by simplifying tax procedures, encourage record keeping, and tax computation, thereby making it easy to file tax returns and reduce the cost of tax compliance.

5.3 Capital Size of the Entrepreneur’s Businesses

The data shows that majority of business entrepreneur’s respondents had capital size ranged from Tzs. 100,000-200,000. This finding implies that most of entrepreneur’s capital size too small and thus contributing very little to the council’s revenue. This may also mean that it is hard to get loans to support their business as established by Tedesco (2001) who found that the small size loans, and less profit obtained from the business, and big interest rates were threat to the entrepreneurs.
5.3.1 Average Taxes Contributed to the Council Annually from the Informal Sector

The findings in the Table 4.3.5 revealed that most of the respondents contributed Tzs 60,000 – 80,000 per year. These respondents were 80 (66.7%). This information implies that informal sector had capacity to contribute to the LGAs. The results from the key informants in the council officials showed that the estimated budget and actual collections from the informal sector in three years 2010/2011 to 2012/2013.

These findings show that the sector had declining trend of the informal sector revenue collection when compared the percentages of the actual contribution to the projected contribution by the council, though it is small share compared to annual estimated budget of the council, these findings are in line with Mbilinyi and Mtalemwa (2010) who assert that the rationale for Informal Sector Taxation indicated that, informal sector in Tanzania contributes about 40% to GDP. The revenue lost from not taxing the informal sector amounts to 35-55% of the total tax revenue. Maina et al (2012). The highest proportion of the underground economy in Kenya was recorded in the 1990s when it averaged 20% of GDP. The potential tax accruable from the underground economy averaged 4% of the GDP, thus the tax authority has the potential to expand the tax base by 4% of GDP. For the year 2005, this would have raised tax collections by about Ksh. 55 billion. The figure also revealed that the size of the underground economy has been increasing over the years, probably due to improved technology, more harsh regulations and burdensome taxation measures that force many hidden economic activities to emerge.

5.3.2 Entrepreneur’s Business Trend

The analysis revealed that most of the entrepreneur respondents, 54(45%) testified that businesses trend was expanding. The implication of these findings is that some of informal sector activities are growing and therefore can provide more employment chances and income to the majority of citizens, therefore deliberate efforts should be in place to ensure that the sector contributes in income and encourage its growth.
Contrary to the findings PO-RALG (2005, A-4-) states, “.....the quality of local tax administration (in Tanzania) is extremely poor and that local governments only collect a fraction of the local tax liabilities that they are owed”. Likewise, the Ministry of finance’s Budget Guide lines for the year 2004/05-2006/2007 estimated that less than 40% of potential revenue was lost from the informal sector revenue collections. However, Muganyizi (2012) observed that, Informal Sector and Presumptive Taxation in Tanzania 2010/11, though the sector is among buoyant sectors yet it contributes marginally to tax revenue generation averaged of 0.3%.

Furthermore, Komba (2013) Viewed that, informal sector in Tanzania contributes little to the government revenue (or not at all), and it is not easy to work out a taxation model that is suitable for informal activities and/or the informal sector.

5.3.3 Enforcement of By-laws on Informal Sector Revenue Collection

The field study findings showed that the council has got laws and by-laws established to support informal sector revenue collections. There are two tools for revenue collection for informal sector, which are: the Crop revenue collections by-laws (Sheria ndogo ya mazao) which was prepared under LGAs Financial Act, Chapter 290, by-law Number 7(2) and 16 (1) 2013 (Appendix ix), and Market revenue collections, by-law prepared under LGAs Financial Act, chapter 287, Cap. 153 of 2012 (see Appendix x). This suggests that laws guiding the collection of revenue from informal sector are in place; however, there is weak enforcement of the laws in the council. This implies that the taxpayers may neglect to pay tax dues as required. For these reasons then, there is a need for establishing realistic sanctions for non-payment of local taxes as well as local government officials who misuse tax revenues. Failure of which may result in unfair taxation system. This would consequently, reduce revenue collections from the informal sector due to lack of realistic enforcement mechanisms. This implies that, Tanzania needs to do something on policy regarding revenue collection in informal sector.
The finding is somehow in agreement with PMO-RALG (2007) which reported that Local governments in Tanzania rely heavily on taxes on local business activity, including produce cesses (turnover taxes on agricultural production of up to 5%) and the service levy (a turnover tax of 0.3% for firms with turnover in excess of TShs 20 million).

Although for Tanzania’s informal sector policy has not been put in place, other East African Country members like Kenya, there is well placed policy regarding the informal sector development whose policies may be applicable in the Tanzania environment as Policy options for informal sector development owing to the importance of this sector to LGAs. The Kenya’s policy on informal sector are as reported by Ogutu (2010) in his study on informal sector and taxation in Kenya, issues and policy options in the informal sector perspective, where one of the policies was to improve participation of the informal sector in regards to tax utilisation.

Table: 5.1 Policy options that LGAs were supposed to Execute

<table>
<thead>
<tr>
<th>Policy Options that LGAs were supposed to have and practice</th>
<th>Available Bylaws Policies and Implementation Status</th>
</tr>
</thead>
</table>
| (i) To improve participation of the informal sector in regard to tax utilization. | Bylaws policies  
Crop revenue collections (Sheria ndogo ya mazao)  
Prepared under LGAs Financial Act (Chapter 90)  
bylaw No 7(2) and 16 (1) 2013 (Appendix VIII)  
Implementation status  
The available bylaws were used by the revenue collectors’ agent in the study area. However, tax payers were not aware on the available taxes bylaws because of lack of transparency in tax matters. |
| (ii) Accelerate information access on taxation system through tax services and tax education targeting the informal sector. | Bylaws policies  
Market revenue collections, bylaw prepared under LGAs Financial Act (chapter 287) Cap. 153, 2012 (appendix x)  
Implementation status  
The same as the above situation, the bylaws are available only existing challenge is awareness creation to the community members |

Source: Developed by the Researcher (2013)
Study findings agreed by Komba (2013) who reported that, the headache with many governments for the last two to three decades revolved around structuring an administrative model that can best work or fit in informal sectors revenue collection. There have been plenty of literature and discussions going around in Tanzania on how to tax the informal sector. The truth is that informal sector in Tanzania contributes little to the government revenue (or not at all), and it is not easy to work out a taxation model that is suitable for informal activities and/or the informal sector. Informal activities in Tanzania are many, not predictable, full of confusion, with unreliable data and information, not friendly, with no proper hierarchy of responsibility and therefore very rough. In such situations, where the tax points are not easy, governments around the world have always resorted to administering tax at source.

Moreover, there are other important policy options whose compliance would lead to improved informal sector development and revenue collection which may include:

i. Create platform for engaging the sector players – the informal sector associations for mobilization for tax clinics including business information and services including registration.

ii. Increase information access on business activities/in the informal sector

iii. Information on business activities (business owners/managers; third parties such as banks, buyers of products/services, supplies of inputs, external accountants/auditors and government – regulatory, audit/service agencies.

iv. Increase information on business activities and accurate and reliable and updated records/data.

v. Provision of business services including training of informal sector on record keeping.
vi. Create platform for engaging the sector players – the informal sector associations for mobilization, identification of trainees and follow-ups.

vii. Structural platform to strengthen dialogue between the informal sector in reform processes.

viii. To improve participation of the informal sector in regard to tax utilization.

ix. Platform for regular engagement of the informal sector players in reform processes including monitoring compliance, utilisation and accountability.
CHAPTER SIX
CONCLUSIONS AND RECOMMENDATIONS

6.0 An overview

This chapter provides the conclusions and recommendations based on the findings of the study presented in chapter five. It is divided into two sub-sections: conclusions and recommendations. This aimed at: investigating the capacity of the informal sector in revenue collection, determining ways of improving the contribution of informal sector in revenue collection and assessing the capacity of the government policies, laws, and strategies in place to facilitate revenue collections in the informal sector.

6.1 Conclusions

Following investigation on the capacity of the informal sector in revenue collection, a lot of weaknesses are observed during the study. Weaknesses identified are such as: the existence of corrupt practices by tax collectors; poor terms of contracts specifically when revenues collection are to be outsourced to private companies; Councils’ poor social services provisions to the citizens and lack of involvements of CSOs in the district planning and budgeting and the decisions on local revenue collections.

Other problems identified as facing informal sector in the study area are: lots of regulatory barriers, poor infrastructure, lack of access to capital, poor human skills, lack of procedure to collect tax from the sector; poor record keeping; poor tax compliance; little incentives to revenue collectors, and finally negative influence of politicians on revenue especially when they needed to win voters and high illiteracy rate among entrepreneurs which have made it difficult to operate efficiently in their businesses, resulting into low financial capacity of paying reasonable amount of revenue to the LGAs.

This study has revealed that informal sector performance in the study area is too low especially in matters concerning revenue collection and service delivery.
This is due to (i) lack of trained personnel for revenue collection as it was observed that VEOs and WEOs were among the revenue collectors (ii) Few number of revenue collectors in relation to the size of the informal sector revenue collection area of operation (iii) unethical and corrupt revenue collectors and council officials who were misusing revenues collected (iv) poor business turnover and high business competition among entrepreneurs (v) weak enforcement of policies, laws, bylaws and related strategies (vi) shortage of soft loans, misuse of revenues by revenue collectors (vii) poor social services provided by the council to the citizens.

It has been found that although the district council had by-laws specifically to support the informal sector revenue collections, yet, there were no polices and laws which had been in place regarding the informal sector development and operations as it is at national level that Tanzania does not have such policy on the informal sector except that the government has policy on SMEs.

6.2 Recommendations

In view of the major findings and conclusions derived in this study, the following recommendations which have been put forward based on different problems observed. Recommendations should be taken as the way forward for improvement of the performance of the informal sector and revenue collection from the sector in the study area and other areas’ LGAs where it may be applicable.

i. The government should make sure that there procurement principles are adhered to by all its staff in order to reduce or eliminated all elements of corruption so that revenue collectors perform their duties lawfully and ethically, and that terms of contracts specifically when revenues collection are to be outsourced to private companies are made with transparency.

Government office bearers specifically the LGAs officials should consider involvement of all stakeholders like CSOs in their plans and budget processes and the decisions on local government revenue collections.
ii. The government should make sure that there are regulatory barriers which are minimized or even removed and improve its infrastructures for improving the performance of informal sector. Moreover, there should be deliberate efforts to make sure that informal sector entrepreneurs are given access to financial capital resource so as to increase their abilities of increase their businesses. Likewise human skills should be improved through giving opportunities to training which will improve their procedures in tax collection, have good record keeping, and increase tax compliance through creation of awareness. Either revenue collection will be improved through provision of incentives to revenue collectors. Finally politicians should not use their positions in discouraging revenue payers to pay taxes to the LGAs for their interests of winning votes.

iii. In order to improve informal sector performance in the study area is too low.
    The government should make sure that only trained personnel are used in revenue collection rather than using untrained people like VEOs and WEOs Few number of revenue collectors in relation to the size of the informal sector revenue collection area of operation
    There should be efforts to increase business turnover and reduce business competition among entrepreneurs.

iv. Policies, laws and by-laws should be enforced in order to make sure that revenues are not misused by revenue collectors and thus improve social services. Because, lack of policy on the informal sector is a big mistake which need to be rectified from central government and the LGAs.

v. Moreover, improvement of revenue collections from informal sector should be made by application of appropriate measures to get the right local revenue collection agents, provision of relevant trainings to the revenue collectors and taxpayers, support the provision of entrepreneurship skills to the sector beneficiaries, to ensure make sure that micro-finance institutions provide loans to small entrepreneurs at a relatively small interest rates.
REFERENCES


Kuluwia, H. (2012). Assessment of the Government Role to the Growth of Small and Medium Enterprises in Tanzania. A research report for Award of Bachelor Degree at Mzumbe University, Morogoro, Tanzania. 59pp


APPENDICES

APPENDIX 1

STRUCTURED QUESTIONNAIRE FOR INFORMAL SECTOR REVENUE COLLECTION IN LGAS

General Instructions to Enumerators

- Make brief introduction to each entrepreneur/trader before starting any question, get introduced to the respondent (greet them in the local way) get her/his name; tell them yours, the institutions you are working for, and make clear purpose and objective of study.
- Please fill up the interview schedule according to the respondent’s reply (do not put your own reply/feeling).
- Please ask each question so clearly and patiently until the respondent understands clearly (get your points).
- Please do not try to use technical terms while discussing with the respondent (use local language for better communication).
- During the process write the answer of each question on the space provided

BACKGROUND DATA

- Name of the Respondent............................................................
- Type of Business engaged in......................................................
- Name of interviewer:.................................................................
- Date of interview:.................................................................
- Name of Village:..................Name of Ward:.......................
- Division:......... District:...........Region:..............................
APPENDIX II

QUESTIONNAIRE FOR KEY INFORMANTS

A. General Information

1. Organization (Village name) .................................................................

2. District (Department) ...........................................................................

3. Position/Title in the leadership structure ............................................

4) Age Group [ ]
   1. 20 – 30
   2. 31 – 40
   3. 41 – 50
   4. Over 50

5) Sex: [ ]
   1. Male
   2. Female

5. Education level [ ]
   1. Primary school
   2. Secondary school/high school
   3. Adult education
   4. College

5. Professional Qualification

  (Mention) ..............................................................................................
APPENDIX III

QUESTIONNAIRES FOR BOTH LEADERS AND OTHER STAKEHOLDER’S INFORMAL SECTOR REVENUE COLLECTION IN LGAS TANZANIA

A: Policies;
1. What types of policies in place which enforces the revenue collections from informal sectors in LGAs?
   i. ......................................................................................................................
   ii. ..................................................................................................................
   iii. ..................................................................................................................

2. Are these policies effective enough in collecting revenues from the informal sector? [ ]
   1. Yes
   2. No

3. If the answer in question 2, above is “Not” what are the contributing factors for these policies to be not effective?
   i. ..................................................................................................................
   ii. ..................................................................................................................
   iii. ..................................................................................................................
   iv. ..................................................................................................................

B: By-laws.
4. Are there any by-laws in place enforcing revenue collections from informal sector in your council? [ ]
   1. Yes
   2. No
5. If the answer in question 4 above is “Yes” are they effective?  
   1. Yes  
   2. No  
6. If the answer in question 5 above is “Not” effective state why?  
   i. ..................................................................................................................  
   ii. ..................................................................................................................  
   iii. ..................................................................................................................
7. What are the strategies in place for effective revenue collection specifically from the informal sector?  
   i. ..................................................................................................................  
   ii. ..................................................................................................................  
   iii. ..................................................................................................................
8. Are these strategies effective?  
   1. Yes  
   2. Not  
9. If they are not effective what should be done to make them effective?  
   i. ..................................................................................................................  
   ii. ..................................................................................................................  
   iii. ..................................................................................................................
10. What to be done to ensure effectiveness of revenue collection from the informal sector in your Council?  
   i. ..................................................................................................................  
   ii. ..................................................................................................................  
   iii. ..................................................................................................................
APPENDIX IV

A QUESTIONNAIRE FOR WEOS, VEOS, AND REVENUE COLLECTING AGENTS IN THREE WARDS; RUJEWA, UBARUKU AND LUGELELE IN MBARALI DISTRICT COUNCIL

A. Residential area:
   a) Ward………………………………………………………………………………
   b) Village………………………………………………………………………………
   c) Occupation…………………………………………………………………………
   d) Job experience……………………………………………………………………

1) Age Group [   ]
   1. 20 – 30
   2. 31 – 40
   3. 41 – 50
   4. Over 50

2) Sex: [   ]
   1. Male
   2. Female

B. Education level: [   ]
   1. Standard seven
   2. Form four
   3. Form six
   4. Post Secondary education

3. Mention sources of revenue that exists in your area of work, (specifically from the informal sector).
   i. ……………………………………………………………………………………
   ii. ……………………………………………………………………………………
   iii. ……………………………………………………………………………………
   iv. ……………………………………………………………………………………

76
4. Which of the mentioned sources of revenue from the informal sector contribute more to the Council’s income? (Arrange them in ascending order).
   i. .................................................................
   ii. .................................................................
   iii. .................................................................

5. What are the major means of collecting revenue from the informal sector used here?
   i. .................................................................
   ii. .................................................................
   iii. .................................................................

6. From the question 5 above, give the effectiveness of each means as directed in the table below (tick √ in the appropriate option in the box)

<table>
<thead>
<tr>
<th>S/N</th>
<th>Means</th>
<th>Very good</th>
<th>Good</th>
<th>Average</th>
<th>Poor</th>
<th>Very poor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>2.</td>
<td></td>
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<td></td>
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<tr>
<td>3.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

7. How would you rate the revenue collecting in your area of influence? [    ]
   1. Poor
   2. Fare
   3. Good
   4. Excellent

8. Any other comments;
   i. .................................................................
   ii. .................................................................
   iii. .................................................................
APPENDIX V

SEMPLE QUESTIONNAIRE FOR ENTREPRENEUR ASSESMENT IN THREE WARD NAMELY; RUJEWA, UBARUKU AND LUJELELE IN MBARALI DISTRICT COUNCIL

This questionnaire is part of the study undertaken to identify the capacity of the informal and its contribution of revenue to LGAs. The outcome of this study will contribute to the creation of an enabling business environment for informal sector enterprises to contribute the revenues in LGAs. Every information will be treated as confidential and names will not be disclosed in the final report.

A. Demographic Data:

1. Name of the respondent: ..................  ..................  ..................
   (Last name)                  (First name)            (Other names)

2. Age (years)            [      ]
   1. 18-30
   2. 31-40
   3. 41-50
   4. 51-Above

3. Sex      1= Male            [      ]
   2= Female

4. Marital status?        [      ]
   1= Single
   2= Married
   3= Widowed
   4 = Divorced

5. Level of education?    [      ]
   1= Non formal education
   2= Primary education
   3= Secondary education
   4= Certificate
   5= Other (Specify)…

78
5. How many household members do you have? [  ]
   1. 1 - 2
   2. 3 - 4
   3. 5 - 6
   4. 6 - Above

6. How many family members do participate in your business? [  ]
   1. 1 - 2
   2. 3 - 4
   3. 5 - 6
   4. 6 - Above

B. Business Information
7. Business Data: [  ]
   1. Own business
   2. Family business

8. Type of business [  ]
   1. Market and street sellers,
   2. Food vendor,
   3. Food processing,
   4. Mat making,
   5. Carpentry,
   6. Cloth making
   7. Firewood and charcoal
   8. Brick and tiles making,
   9. Casual construction
   10. Stone quarrying and sand mining
   11. Others specify
9. Types of structure; [ ]
   1. Mat
   2. Kiosk/stall
   3. Pushcart
   4. Pushcart with tent/cover
   5. Marching gays
   6. Others (specify)

10. Is the entrepreneur business premise; [ ]
    1. Own
    2. Rented
    3. Temporary

11. How long are you in this business; [ ]
    1. Less than one year
    2. More than one year
    3. More than five years
    4. I have just stated
    5. Others (specify)

12. Have you been conducting the same business throughout theabove stated period? [ ]
    1. Yes
    2. No

13. If no, give the reasons for changing:
    i. ........................................................................................................
    ii. ........................................................................................................
    iii. ........................................................................................................
14. How much time do you spend on your business? [ ]
   1. Less than six hours
   2. Six to eight hours
   3. Eight to twelve hours
   4. Others (specify)

15. How many paid employees do you have? [ ]
   1. 1
   2. 2-3
   3. 4-5

16. How many unpaid employees do you have? [ ]
   1. 1
   2. 2-3
   3. 4-5

**PRACTICE OF TAX PAYMENT AND PERCEPTIONS**

17. Main reasons for rejection to pay official taxes and fees in Informal Sector. [ ]
   1. Excessive tax burden of the official payments
   2. Unclear tax laws
   3. Large number of taxes
   4. Uncertainty of appropriate use of the official payments
   5. Habituation effect

18. Who are the revenue collectors; [ ]
   1. Government officer
   2. Illegal “police”
   3. Local revenue collectors
   4. Others (specify)
19. Perception towards amount of revenue to be paid
   1. Higher than my earnings
   2. Moderate
   3. Lower than my earnings
   4. Others (specify)

20. Government services received;
   1. Security (especially from illegal “police”)
   2. Cleanliness
   3. Electricity
   4. Water
   5. Protection from eviction
   6. Legal business location

C. Business Environment:

21. What are the problems you are facing in this business?
   i. ...............................................................
   ii. .............................................................
   iii. .............................................................

22. Would you like your business to grow or you prefer to run a small business of this size?  
   1. Yes
   2. No

23. Would you like to enjoy the benefits of the registered businesses?  
   1. Yes
   2. No

24. What has hindered you from registering your business?
   i. .............................................................
   ii. .............................................................
   iii. .............................................................
25. Would you like to be assisted in any way? [ ]
   1. Yes
   2. No

26. If your answer is ‘Yes’ in question 25 above, mention the kind of assistance needed
   i. ........................................................................................................
   ii. ........................................................................................................
   iii. ........................................................................................................

QUESTIONS TO MEASURE THE EXPANSION AND GROWTH OF THE INFORMAL SECTOR

27. What is the capital size of your business? [ ]
    1. 100,000- 200,000
    2. 201,000- 300,000
    3. 301,000- 400,000
    4. 401,000 Above

28. What is the amount/income earned per year? [ ]
    1. 1,500,000- 800,000
    2. 801,000- 1,100,000
    3. 1,101,000- 1,400,000
    4. 1,401,000 Above
APPENDIX VI:
RESEARCHER GUIDE QUESTIONS FOR INFORMAL SECTOR RELATED INSTITUTIONS KEY INFORMANTS
1. Find out if the responsible officer can distinguish the different categories of entrepreneurs existing in his/her locality.

2. If he/she can distinguish them, ask him to mention them.

3. Ask him/her if he/she find any difficult in dealing with any category of the entrepreneurs.

4. Ask about a specific group which gives him trouble.

5. Ask if the organization have a laid down procedure or policies in dealing with such matters

6. If it is there, ask for its details and request for a copy of the available forms. Observe the areas where they are involved;
   - In business establishment
   - In operating
   - In locating the business
   - In reporting the business, records etc.

7. Record all the costs involved (official cost)
   - Administrative costs.
   - Registration fees
   - Levies
   - Time spent
   - Obtain all application forms which are submitted by the entrepreneur to the organization.
8. Is there any provision with the council dealing with the informal sector with regard to revenue collection?

9. If they don’t have future plan ask about the hindering factors.

10. Ask if they perceive any problem occurring to the informal sector resulting from his organization being silent about the issues.

11. Ask for his opinion if the informal sector should be encouraged or discouraged.

12. Ask him to suggest the way he/she thinks the sector is to be supported.

13. Get to know the way the arising issue is attended (get the procedure and the reason for the procedure). Compare to what happened to the affected Entrepreneur.
APPENDIX VII
MBARALI DISTRICT COUNCIL ORGANIZATION STRUCTURE 2011

Full council

District director

- Public relation & Information officer
- District council Legal officer
- Internal Auditor
- Technologia, Habari mawasiliano na mahusiano

- Stores
- Election
- Bee keeping

- Livestock & Fisheries
- Personnel & adm.
- Planning statistics &M&E
- Health
- Finance & Trade
- Primary Education
- Secondary Education
- Water
- Agriculture, Irrigation & Cooperative
- Land & Natural Resources
- Community Dev & Social welfare
- Works & Fire bridged
- Cleanliness & Environmental
Figure: 1.1 Map of Mbeya region showing location of Mbarali District

Source: Researchers’ survey (2013)
APPENDIX VIII

NEW UPDATED BY LAWS USED IN REVENUE COLLECTION IN MBARALI DISTRICT COUNCIL 2012

Tangazo la Serikali Na. _____________ Tarehe ……………………………

SHERIA YA FEDHA YA SERIKALI ZA MITAA (MAMLAKA ZA WILAYA)

(SURA 287)
SHERIA NDOGO
(Zimetungwa chini ya kifungu cha 153)

SHERIA NDOGO ZA (USHURU WA SOKO) YA HALMASHAURI YA WILAYA YA MBARALI, 2012

<table>
<thead>
<tr>
<th>Jina na mwanza wa kuanza kutumika</th>
<th>Matumizi</th>
<th>Tafsiri</th>
</tr>
</thead>
</table>
| 1 Sheria ndogo hizi zinajulikana kama Sheria Ndogo za (Ushuru wa Soko) za Halmashauri ya wilaya ya Mbarali za mwaka 2012 na zitaanza kutumika baada ya kusainiwa na Waziri Mkuu. | 2 Sheria ndogo hizi zitatumika katika eneo lote la Mamlaka ya Halmashauri ya Wilaya ya Mbarali | 3 Katika sheria Ndogo hizi isipokuwa itakavyoelezwa vinginevyo:

- "Afisa Mwidhiniwa" maana yake ni mtu ambaye ameidhinishwa na Halmashauri kutekeleza jukumu lolote chini ya sheria ndogo hizi.
- "Halmashauri" maana yake ni Halmashauri ya Wilaya ya Mbarali.
- "Ushuru" maana yake ni kiasi cha fedha taslimu kitakachotozwa kwa mazao au bidhaa zinazouzwa sokoni.
- "Soko" Maana yake ni sehemu yoyote ya wazi au iliyotengwa kwa ajili ya kuuza na kununua mazao au bidhaa mbalimbali ikiwa ni pamoja na maduka ndani na nje ya soko pamoja na vioski.
- "Vizimba" Maana yake ni jengo lolote, chumba kioski au duka ndani ya soko kuzunguka eneo la soko ambalo linatumika kwa madhumuni ya kuuza mazao au bidhaa, ikiwa kizimba hicho |
kimejengwa na Halmashauri au mfanyakia.

“Waziri” maana yake ni waziri mwenye dhamana ya serikali za mtaa.

“Mkurugenzi”Maana yake ni Mkurugenzi Mtendaji wa Wilaya au mtu yeyote aliyeteuliwa kufanya kazi za Mkurugenzi.

**Ushuru wa Soko**

<table>
<thead>
<tr>
<th>Maeneo</th>
<th>Maana</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Kutakuwa na ushuru wa soko utakalipwa kwa Halmashauri na mtu yeyote atakayefanya biashara kwenye maeneo ya soko</td>
</tr>
<tr>
<td>2</td>
<td>Ushuru huu hautatozwa kwa mtu yeyote anayeuza bidhaa ndogondogo kwa ajili ya kujikimu na maisha, hususani wauza nyanya, mbogamboga n.k</td>
</tr>
<tr>
<td>3</td>
<td>Ni marufuku kwa mtu yeyote kuua mazao au bidhaa nje ya eneo la soko, bidhaa zote zitauzwa ndani ya eneo la soko</td>
</tr>
</tbody>
</table>

**Mgawanyo wa Mapato**

<table>
<thead>
<tr>
<th>Maeneo</th>
<th>Maana</th>
</tr>
</thead>
<tbody>
<tr>
<td>5</td>
<td>Asilimia 80 ya mapato yatakayokusanywa kwenye masoko na magulio yataingia kwenye mfuko wa Halmashauri na asilimia 20 kwenye mfuko wa serikali ya Kijiji ambapo soko au gulio lipo</td>
</tr>
</tbody>
</table>

**Wajibu wa kulipa Ushuru**

<table>
<thead>
<tr>
<th>Maeneo</th>
<th>Maana</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>Kila muuzaji wa bidhaa katika soko atalipa ushuru uliopangwa katika sheria ndogo hizi kwa Halmashauri au wakala aliyeteuliwa na Halmashauri na kupewa risiti au stakabadhi ya ushuru husika.</td>
</tr>
</tbody>
</table>

**Saa za soko**

<table>
<thead>
<tr>
<th>Maeneo</th>
<th>Maana</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td>1. Kila soko litakuwa wazi kwa wananchi kuanzia saa 12:00 asubuhi hadi saa 12:00 jioni</td>
</tr>
<tr>
<td></td>
<td>2. Ni marufuku kuua au kuanua bidhaa nje ya ya soko katika muda uliopangwa.</td>
</tr>
<tr>
<td></td>
<td>3. Ni marufuku kuua mazao au bidhaa ambazo hazina viwango vya ubora ambazo zinaweza kusababisha madhara kwa afya.</td>
</tr>
</tbody>
</table>

**Wakala**

<table>
<thead>
<tr>
<th>Maeneo</th>
<th>Maana</th>
</tr>
</thead>
<tbody>
<tr>
<td>8</td>
<td>1. Halmashauri inaweza kutangaza zabuni ya ukusanyaji wa ushuru wa soko na kumteua wakala ikiwa ni mtu binafsi au kampuni, ambaye ataingia mkataba wa uwakala na</td>
</tr>
</tbody>
</table>
Halmashauri ili kukusanya ushuru wa soko

2. Wakala atakayeteuliwa na Halmashauri kutekeleza jukumu lolote chini ya sheria ndogo hizi atawajibika kusimamia ukusanyaji huo kwa viwango vilivyoinishwa chini ya sheria ndogo hii.
3. Wakala aliyeteuliwa atakuwa na majukumu ya kukusanya ushuru na kumshtaki mtu yeyote atakayeshindwa kwa makusudi kulipa ushuru anaotakiwa kulipa katika mahakama yenye mamlaka ya kusikiliza shauri hilo kama madai.

<table>
<thead>
<tr>
<th>Makosa na Adhabu</th>
<th>9 (1)</th>
<th>Mtu yeyote ambaye:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>a. Si wakala, atakusanya ushuru unaokusanywa chini ya sheria ndogo hizi</td>
</tr>
<tr>
<td></td>
<td></td>
<td>b. Atakataa au kukupea kulipa ushuru.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>c. Atashawishi mtu au kundi la watu wasilipe ushuru</td>
</tr>
<tr>
<td></td>
<td></td>
<td>d. Atauza bidhaa nje ya maeneo yaliyotengwa kama soko</td>
</tr>
<tr>
<td></td>
<td></td>
<td>e. Atashindwa kuzingatia kanuni za usafi</td>
</tr>
<tr>
<td></td>
<td></td>
<td>f. Atacheleweshwa kuwasilisha ushuru kwa Halmashauri</td>
</tr>
<tr>
<td></td>
<td></td>
<td>g. Atakusanya ushuru zaidi ya kwango kilichoanishwa kwenye sheria ndogo hizi</td>
</tr>
</tbody>
</table>

|                  | 9 (2) | Atakuwa ametenda kosa na akipatikana na hatia atatozwa faini isiyozidi shilingi laki tatu (300,000) au kifungo kisichozidi miezi kumi na mbili au adhabu zote kwa pamoja yaani faini na kifungo |
APPENDIX IX

JEDWALI

USHURU WA VIZIMBA SOKONI

<table>
<thead>
<tr>
<th>NA</th>
<th>AINA YA KIZIMBA</th>
<th>KIASI CHA USHURU</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Kizimba cha Matunda, Mboga na vitu vingine vya sokoni</td>
<td>Tsh. 500 kwa siku</td>
</tr>
<tr>
<td>2</td>
<td>Kizimba cha Nafaka na vitu vingine vya sokoni</td>
<td>Tsh. 500 kwa siku</td>
</tr>
<tr>
<td>3</td>
<td>Kizimba cha Bucha</td>
<td>Tsh. 500 kwa siku</td>
</tr>
<tr>
<td>4</td>
<td>Kizimba cha Chakula</td>
<td>Tsh. 500 kwa siku</td>
</tr>
<tr>
<td>5</td>
<td>Kizimba cha Mitumba</td>
<td>Tsh. 500 kwa siku</td>
</tr>
<tr>
<td>6</td>
<td>Maduka, vilabu na bar kuzunguka soko</td>
<td>Tsh. 500 kwa siku</td>
</tr>
</tbody>
</table>

Mhuri wa Halmashauri ya Wilaya ya Mbarali umebandikwa kwenye sheria ndogo hizi kwa kuzingatia azimio la kikao cha Baraza la Madiwani kilichoketi Tarehe …………… mwezi …………. 2012.

Mhuri umebandikwa mbele ya:

…………………………
Adam Idd Mgoyi
Mkurugenzi Mtendaji (W)
MBARALI

…………………………
Andrew Kenneth Ndingo
Mwenyekiti wa Halmashauri
MBARALI

NAKUBALI
DODOMA
Tarehe …………. Mwezi ………. 2012

…………………………
Mhe. Mizengo Pinda
WAZIRI MKUU