CHALLENGES FACING TANZANIAN LOCAL GOVERNMENT AUTHORITIES IN REVENUE COLLECTION: A CASE OF KITETO DISTRIC COUNCIL

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CERTIFICATION

The undersigned certifies that he has read and hereby recommend for acceptance by Mzumbe University a dissertation entitled: ***"Challenges facing Tanzanian local Government Authorities in Revenue Collection"*** in fulfillment of the requirements for the degree of Masters of Accounting and Finance of the Mzumbe University.

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DEDICATION

This dissertation is dedicated to my beloved parents.

LIST OF ABBREVIATIONS AND ACRONYMS

DED	-	District Executive Director
DT	-	District treasurer
FGD	-	Focus Group Discussion.
GAAPS	-	General Accepted Accounting Principles
IFRSs	-	International Financial Reporting Standards
KDC	-	Kiteto District Council
LGAs	-	Local Government Authorities
LGRP	-	Local Government Reform Program
MTEF	-	Medium Term Expenditure Framework
TRA	-	Tanzania Revenue Authority
VEO	-	Village Executive Director
WEO	-	Ward Executive Officer

ABSTRACT

Local Government Authorities collect revenue from different sources, external and own sources. The amount collected is used to provide social services such as water, education and health to the public. It is expected that if enough revenue will be collected more social services will be provided to the public. However, most of Tanzanian LGAs have not been able to collect enough revenue and therefore it has been difficult for them to carry out their activities effectively as expected. The purpose of this study was to examine challenges facing Tanzanian LGAs in revenue collection.

Kiteto District Council was used as a study case to conduct the research. A sample of 80 individuals was employed from which data was collected whereby information was obtained by using questionnaires. The information collected was analysed by using SPSS.

The findings indicated that Infrastructures, Community awareness and employee motivation affect revenue collections in LGAs. These findings made the government to consider putting more effort on planning, strategies and decision making process in order to bring about maximum result of their organisations.

This study recommends that in order to improve revenue collection in local government authorities the following issues should be considered: reviewing the current policies on revenue collection especially to give more revenue sources to the LGAs, to improve management skills and effective management of human resources such as improving motivation schemes to LGAs employees.

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CHAPTER ONE

INTRODUCTION

1.1 Back ground of the study

The term Local Government refers to an Agency organized to provide administrative, fiscal and other services to the people who reside within its territorial boundaries (Encarta Encyclopaedia, 2002). United republic of Tanzania constitution Article 146 (1) provides that LGAs exist for the purpose of consolidating and giving more power to the people. Also, article 146(2) of the constitution reads that objectives of Local Government are to enhance the democracy process within its area of jurisdiction and to apply the democracy for facilitating the expeditions and faster development of the people. LGAs also promote democracy at the grassroots level by conducting and organizing various elections at the villages,` `mitaa'' and ``vitongoji'. However the role of central government institution is confined to facilitation, policy and regulatory framework, monitoring accountability by the Local Authorities, financial and performance audit and provision of adequate grants.

According to Mwaikusa (1985), Local Government is a set of Authority or institution with separate autonomy and legal status distinct from that of central government with powers to raise revenue and spend it on the discharge of their functions as assigned to them by law. In Tanzania Local Government units consist of four major types; City, Municipality, Township and district Local Authorities (Dryclen, 1968). There are currently 132 Local authorities, consisting of four city councils, fifteen municipalities, nine townships and ninety nine councils in Tanzania.

Local Authorities were established in Tanzania during pre-colonial period and existed in colonial era, after independence up to now. The ongoing local government reform process dominates the period after 1998 (Ngwilizi, 2002). According to the LGRP

(1999), the main objective of the current reform is to improve the quality of access to public services provided by LGAs. The reform also create an opportunity for Local Governments to reform their revenue systems and to look at ways of improving revenue collection, new source revenue and cost savings (LGRP , 1999).

Astudy by Fjestad and Semboja (2000) in Tanzania revealed that councils do not have adequate revenue collection personnel and lack reliable transport infrastructures. They also face intentional tax evasion and resistance from tax payers, political pressure, corruption and misappropriation of funds. The study by Mukandala and Othman (2003)

Found that LGAs face poor capacity for actual revenue collection and administration, lack of clear demarcation between Local Government and central Government over range of taxes. Ngware (1994) in his study found that many LGAs failed to deliver social services efficiently to their communities because they face a number of obstacles including insufficient funds. However much the Central Government tried to reform LGAs, enough revenue collection is not yet achieved among Local Government Authorities

LGAs have two main sources of fund; external sources and own sources. External sources include development and recurrent expenditure grants from the central Government, funds from the donors and non-government organizations. While Own sources include raising fund through collection of taxes, fees, licenses, produce cess and charges. However, insufficiency of revenue collection has been one among major bottleneck in achieving their goals.

According to Odd –Hedge (2004) major problems facing Local Government Authorities is ability to collect enough revenue due to lack of transparency and accountability. Most LGAs faced financial difficulties due to the fact that they failed to mobilise internal revenue sufficient to deliver effectively social services to their communities (Mushi, 2002). In addition, tax payer compliance problems caused by the lack of a uniform local revenue system also has hindered the systematic collection of data on local on local government revenues. In order to achieve their goals, Local Government Authorities have to establish a strengthened financial viability (Fjeldstand and Semboja, 1998).

1.3 Statement of the Problem

Since their inception most of Tanzanian LGAs have not been able to become financially sustainable and therefore it has been difficult for them to carry out their activities effectively as expected. In spite of many reforms undertaken by the Central Government which intended to improve the situation in the Local Government Authorities, still they have failed to perform well particularly in areas of revenue collections (Ngware, 1994) Insufficient revenue collection has been one of the major bottlenecks in achieving LGAs goals. In Kiteto District council, there are huge gaps between reported and projected revenue.

Table 1.1 Revenue Trend for Kiteto District Council from 2007-2008 to 2012-2014.

Year	Estimate	Actual	variance	Percentage
2007-2008	135,727,000	134,490,628	1,236,372	0.91
2008-2009	135,727,000	309,889,394	174,162,394	128.3
2009-2010	241,484,000	222,566,211	18,917,789	7.83
2010-2011	565,848,011	479,849,258	85,998,753	15.2
2011-2012	868,928,000	670,697,517	198,230,483	22.8
2013-2014	1,157,786,000	761,127,639	396,658,361	34.2

Source: **Medium Term Expenditure Framework (MTEF) 2007-2014**

Kiteto district council internal revenue collections have been improving from one financial year to the next**.** However**,** the proportion of revenue collected against estimate is very low.

Some researchers have examined factors which affect revenue collections. Specifically, they found that (Odd hedge, 2004) lack of transparency and accountability (Fjestad and Samboja, 2000), political pressure, corruption and misappropriation of funds

(Mukandala,2003), poor capacity for actual revenue and administration, lack of clear demarcation between Local Government and Central Government.

However, little is known on the influence of infrastructure, Community awareness, employee motivation on revenue collection in Kiteto District Council.

1.3 Objectives of the study

1.3.1 General objective

The general objective of the study was to assess the challenges facing Local Government Authorities in Revenue collection.

1.3.2 Specific Objectives

i) To examine the influence of infrastructures on revenue collection in Local Government Authorities.

ii) To examine the influence of community awareness on revenue collection in Local Government Authorities.

iii) To examine the influence of employee motivation on revenue collection in Local Government Authorities.

1.4 Research Questions

i). How does infrastructure affect Revenue collections in Local Government Authorities?

ii) To what extent does community awareness affect Revenue collections in Local Government Authorities?

iii) What is the affect of employee motivation in revenue collections in Local Government Authorities?

1.5 Scope of the study

The study was conducted in Kiteto District Council in Kibaya, Dosidosi and Sunya wards. The reason for selecting these wards was due to having many sources of revenue which contributes about ninety percent (90%) of the district revenue.

1.6 Significance of the Study

1.6.1 Significance to Academicians

This study will be used for knowledge building to enable academicians to use the findings obtained to various stakeholders on how Local Government Authorities can fully utilise the resources in order to effectively deliver social services to the community. Furthermore, the findings will create a benchmark for others who will conduct research on related topics.

1.6.2 Significance to the policy makers

The study will help policy makers to formulate policies that will help in choosing the best ways in collecting of Local Government revenue so as to be able to deliver social services to public effectively.

1.6.3 Significance to the practitioners

The study will raise awareness to the council members including workers and utilise recommendations given in order to increase revenue performance, accountability and transparency. Furthermore, the study will help various council workers to get insights into how to be accountable and transparent in revenue collections in order to provide better services to the community.

1.6.4 Limitations of the study

The study faced the following limitation

i) The time for research was enough to cover the whole study population; this factor limited the number of informants to be reached.

ii) Financial constraints also affected data collection because the researcher financed herself for intra-transport, stationery costs and the costs of taking enough photos to make the study enriched.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter include reviews of theoretical literature, definition of the key terms related to this study, current situation of revenue collection, empirical study and conceptual framework.

2.1 Review of theoretical literature

2.1.1 Models for Revenue Collection

Revenue collection models provides on revenue collection. Some of the models to be discussed include: Social – economic and psychological models. These models provide theoretical implications with regard to revenue payments and collections and are categorized into two: sociological and economic models.

All of these models mostly provide analysis with regard to passiveness of people to pay levies and handles which are faced by revenue collectors. Sociological models provide explanations on the influence of social factors to people on paying levies. According to Hans (2000), the society is dominated by different people and that results on the practice of different behavior and perceptions on various intuitions' laws such as revenue collection. The model insists on the importance of cleanliness of the society leader and in this case, their transparency in paying taxes is a mirror to other people in the society and hence positive perception on the revenue collection. Thus in the model it is stipulated that if the society is clean in payment of levies every one in the society will pay because of fear of social commitment.

The contents in the model are important to the local government leader and the entire management that before enforcing laws and by- laws during revenue collection they should first ensures that they are paying all revenues which they are supposed to pay at the right time. This will have positive implication to the revenue payers since it will act as a motivation and they will develop commitment towards payments of taxes / levies. To the Local Authority, effective revenue collection will be realized and thus, they will be able to implement all socio-economic development plans stipulated in their budget (Anderson and Poole, 2004),

In the economic model, the assumption is that human behaviour underlies economic and that influence the evaluation of the costs and benefit of the given business or income. The pioneers in this model argue that people refuse to pay taxes/ levies when the uses are not observed. The mis-use of collected revenue is the core for what is called levy 'invasion' in the business industry. The model is important to the Local Authorities since it stresses on the effective use of collected to the revenue to the development of the local authority (Stewart et al,, 1989).

2.1.2 Agency Theory

Arnold (2008) describes an agency relationship as the conflict of interest between managers and stakeholders. A conflict is a situation in which an individual is required to act in two or more incompatible ways to achieve two or more exclusive goals (Robbins and Judge, 2009).The conflict of interest raises worries that the management team may pursue an objective which is beneficial to them but not necessarily beneficial to stakeholders. In other words in organizations there is normally a principal agent problems, and in order to deal with the problems principals should always find ways of ensuring that their agents act in their interest. In the case of Local Government Management Team acts as managers while councillors stand as stakeholders on behalf of those who elected them (citizens).

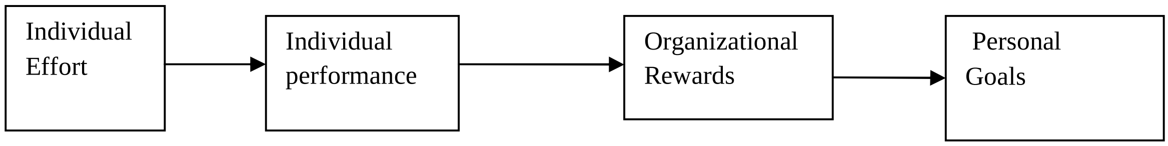
According to agency theory (Ross, 1973) relationship arises between two or more parties when an agent acts on behalf of the other part known as a principal in a particular domain of decision problems. Example of Agency relationship includes company directors who represent shareholders in the dealing of the company`s affairs.

Jensen and Mecking (1976) define agency relationship as a contract under which one or more persons (the principal) engage a person (an agent) to perform some service on their behalf. The engagements involve delegating some decision making authority to the agent. Given the fact that both parties have their own interest, there is a good reason to believe that the agent will not always act in the best interest of the principal. The principal can limit agent divergence from his interest by establishing appropriate incentives and incurring monitoring costs designed to limit the deviant activities of an agent. Incentives given by the principal and monitoring costs are known as agency cost.

2.1.3 Expectancy Theory

Vroom (1964) states the theory of expectancy as the strength of a tendency to act in a certain way depends on the strength of an expectation that the act will be followed by a given outcome and on the attractiveness of that outcome to the individual. This is to say that behavior is heavily influenced by perceptions of possible outcome (see figure 1). If an individual expects a certain outcome, possess the competence to achieve it, and wants it badly enough, he or she will exhibit the required behaviour. If the person expected that specific behaviour will produce an outcome that he or she perceives as undesirable, he or she will be less inclined to exhibit that behaviour. In this light a person who knows the other person`s expectation and desires can tailor outcomes associated with specific behaviours to produce motivation.

Figure 2.1 Expectancy Theory



1. Effort performance relationship
2. Performance Rewards Relationship
3. Reward Personal goals

According to Isaac, Zerbe and Pitt (2001) expectancy theory explains cause of behaviour exhibited in the workplace. External rewards are viewed as inducing motivational states that fuel behaviours, as opposed to intrinsic motivations, where behaviors are derived as consequence of internal forces such as enjoyments of the work itself. The motivational state of an individual performing a particular task is illustrated by using the following formula:

$$M = E \times I \times V$$

Where,

E represents expectancy, I represent instrumentality and V represents valence

Expectancy suggests that people will expend effort when they believe that certain levels of performance are attainable instrumentality constitutes a perception that performance levels are related to rewards bestowed. Valence refers to the extent to which the person values the reward he or she receives.

According to AI (2011) Vroom theory explains why people choose a particular behavior to satisfy their needs. According to them, before choosing behavior, an individual will evaluate various possibilities on the basis of how much work is involved and what the reward is. Motivation occurs direct proportion to perceived or expected rewards.

2.1.2 Summaries of theories

The theories that have been discussed above include Agency Theory which tells about conflict of interest between managers and stakeholders. In connection to Local Government Managers referred to Management Team and Stakeholders as Councillors. In this study perspective the conflict of interest rose between various groups of stakeholders such as the Councillors and Management team, also conflict between Management team and agents who collect revenue on behalf of the council. Another theory was Expectancy Theory which pointed out that workers provides their service to the organization with the expectation of getting a return of salary and other benefits and thus if the expectation of those workers met then they will be motivated to perform better. The theory was related to this study since the council use officials such as Village, Executive Officers (VEOs) and Ward Executive Officers (WEOs) to collect revenue on behalf of the Council. These officials provides their service to the Council with the expectation of getting rewards in return, therefore they need to be motivated so as they can perform better.

2.2 Definition of key terms

2.2.1 Revenue

Revenue has been variously explained based on the context. For a company, this is the total amount of money received by the company for goods or services provided during a certain time period. It also include all net sales, exchange of assets; interest and any other increase in owners' equity and is calculated before any expenses are subtracted. Net income can be calculated by subtracting expenses from revenue. (Jocks, 1998).

In terms of reporting revenue in a company's financial statement, different companies consider revenue to be received, or "*reorganized*", in different ways. For example, the revenue could be reorganized when a deal is signed, when the money is received, when the services are provided, or at other times. There are rules specifying when revenue should be recognized in different situations for companies using different accounting methods, such as cash basis and accrual basis. For the government, the increase in assets of governmental funds that to increase liability or recovery of expenditure. This revenue is obtained from taxes, licenses and fees. In light of these, revenue has explained as the return to property or investment; income, the items, or amounts of income collectively, as a nation, the income taxes, license, etc. as of a city, state, or nation and the governmental service that collects certain taxes (Jocks, 1998).

Achieving institutional revenue collection is a goal that all non-profit organisations strive for. Theoretically, this revenue collection will enable the institution to cover administrative costs and to prioritise all activities so as to accomplish institution`s mission, without undergoing interminable negotiations with donors who may or may not agree with the vision or with institution`s cost percentages (Leon, 2001).

According to the meaning given above we can explain revenue collection in local Government Authorities as the extent to which LGA is able to mobilise adequate internal financial resources different funds from own source, central government and donors and ensure that resources budgeted or allocated are spent on the LGA activities in an efficient way. LGAs have two main sources of fund; external sources and own sources. External sources include development and recurrent expenditure grants from the central Government, funds from the donors and non-government organizations. While Own sources include raising fund through collection of development levy, property tax, Agricul. cess /livestock levy, industrial cess/Service levy, land rent, license and fees, charges and other taxes and levies.

Methods of collection, most of the Tanzanian Local Government Authorities outsourced their revenue collection source to agents on behalf of the councils. Tanzania's LGAs play an important role in the delivery of public services in Tanzania. Local government authorities collect only 5 percent of all public revenues and are responsible for about 20 percent of public spending.

LGAs are expected to contribute 5.2% of total Government budget from internal sources while according to the 2010/2011 budget Local Government contributed only 2.9% of the total Government Budget from internal sources. These percentages show that LGAs contribute very small amount of the Government's total budget. (Government Budget speech , 2011/2012)

2.2.3 Local Government Authorities

The term Local Government or Local Authority refers to a Rural or Urban Political Subdivision within a nation, constituted by law and has substantial control over local affairs. In Tanzania Local Government units consist of four major types; City, Municipality, Township and District Local Authorities. There are currently 132 Local Authorities, consisting of four city councils, Fifteen Municipalities, Mine Township and ninety nine Councils (Dryden, 1968).Local Authorities were established in Tanzania since pre-colonial period, the colonial era, and the period after independence. The ongoing Local Government Reform process dominates the period after 1998 (Ngwilizi, 2002).

2.2.1 Outsourcing revenue collections

Outsourcing revenue collection is the extent to which an institution in addition to being viable, mobilizes its own financial resources internally instead of depending on Government or donors. It can be seen as the development of products and delivery systems that meet client needs, at prices that cover all costs of providing these financial services, (independent of external subsidies) (Rosengard, 2001). Outsourcing of revenue collections increases the amount of revenue collections in the sense that agents who are entrusted to collect council's revenue will put much effort to meet the estimates of revenue established in the Contract. The costs of monitoring and supervision of revenue collection will be minimized if proper outsourcing is instituted. Furthermore, when the council outsources revenue collections transparency and accountability among council stakeholders on revenue collected will be improved.

2.2.2 The Importance of Outsourcing

Outsourcing has become a frequently misunderstood term, and much of the apparent disagreement over the merits and risks of outsourcing can be traced to differing definitions. Outsourcing is essentially a “how” rather than a “what” term; it describes how services are obtained (Kimund, 2004). Generally, outsourcing is that of an organization contracting with an external source to supply a product or service which was previously supplied from within the organization. Although a practice have been more prevalent in the business area, the outsourcing of various institution services has recently become a persistent and controversial discussion. Academic institutions already outsource many of their operations due to changes in economic and in information access, are now considering outsourcing as a way to cut costs and reallocate skilled personnel. For public education institutions, an external source for services may be an agency, a commercial vendor, a food vendor, or an individual working under contract. And the actual contracted services may range from upkeep of the institution to providing complete technical services for the institutions current material (Dunkle, 1996).

According to PSRC, (2000), In Tanzania privatization has the following objectives:

- To improve efficiency;
- To increase capacity utilization;
- To offer new employment opportunities;
- To enhance production;
- To bring new skills and technology;
- To open up foreign markets for our products; and to increase government revenue through taxes and dividends

Generally, in Tanzania privatization focus at increasing the efficiency of the productive sector, reducing government budgetary cost and increasing revenues to sustain employment. According to Kejo (2004), privatization brought reforms and that aimed at broadening direct ownership and control of productive assets, and reorienting the role of the state. Other importance of outsourcing According to (REPOA March 2008) indicate following are the importance of outsourcing.

Avoid corruption, hence there is direct interaction between taxpayers and revenue collectors so by introducing this kind of collection may help to reduce if not to avoid it at all.

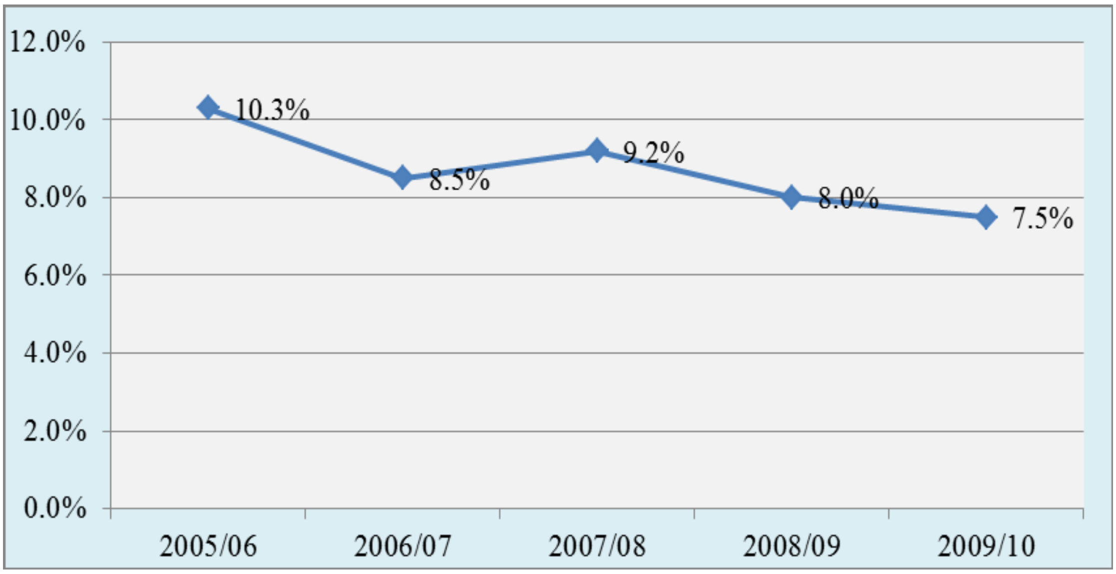
Time management, by outsourcing will help the council treasury staff may consume their time attend the other task in the office.

Reduce operation costs of revenue collection; hence by using permanent staff costs were fixed while through private agents it becomes costless.

2.2.5 The current situation of revenue collection in Tanzania(NAO)

Mzenzi (2013) in his study Revenue Mobilization Issues in the Tanzanian LGA's noted weaknesses on revenue collections outsourced to agents on behalf of the Councils. This area was noted to reflect unfavourable contracts which benefited agents more than the Councils. The ability of the Councils to funds its operation using internal sources of revenues is hampered by inadequate internal controls over revenues collection (Annual General Report of the CAG on the financial statement of the LGA's for the financial year ended 30th june,2010;p.1050).

Figure 2.2: Councils' own sources as % of recurrent



Source: Annual General Report of the CAG on the Financial Statements of the LGAs for the FY 2005/06 to the FY 2009/10.

The above graph shows an increasing trend in the revenue not remitted by the collecting agents from TZS 0.22 billion in the FY 2005/06 to TZS 2.76 billion1 in the FY 2009/10. It is also important to note here that in the same period, number of Councils involved in this anomaly increased from 14 to 43. Therefore, the LGAs normally do not sufficiently receive even the small share agreed in the revenue contracts. Worse enough, the attempts to remove the collecting agents were usually hampered by the court injunctions applied by them. As a result, the Councils have so many revenue collection related cases, a situation which depletes the Councils' revenue even further through increased legal expenditures. It was further observed that substantial amount of the collected revenues were retained by the collecting agents.

It was also found that revenue mobilization challenges including, local Tax Base whereby the current taxation system of the Tanzanian local governments has mainly originated from the reforms of local taxation made in the FY 2003/04 and 2004/05. Prior to that, LGAs had considerable freedom to set their own local revenue structures including establishing the collection rates charged to the various revenue sources. As each local government set its own revenue structure, administration costs were relatively higher (Allers & Ishemoi, 2010), and these, arguably, were transferred to the local tax payer in form of higher tax rates. Since each local government had its own structure and collection rates, it was also difficult to precisely establish the total income derived from all local governments in the country. As a result of these, in 2002, the Prime Minister's Office-Regional Administration and Local Government (PMO-RALG) produced guidelines which rationalised and harmonised the various sources of revenue (PMO-RALG, 2002). In attempt to operationalise the guidelines, in June 2003, the Ministry of Finance (MoF) announced major reforms of local taxation systems. In the budget speech, among other things, the Minister for Finance abolished number of local taxes including the development levy, some licenses fees, and livestock cess. Again in 2004, in what had been regarded as attempt to create favorable environment for business, the Government abolished local business licences fees.

Local revenues dropped by nearly 16.2% from TZS 57.7 billion in 2002 to TZS 48.3 billion in 2003, and dropped further to TZS 43.8 (11.3%) billion in 2004 (PMO-RALG, 2008).

To compensate for the abolished Development Levy and other nuisance taxes, the Local Government compensation grant was introduced in the FY 2003/04. Later, it was referred as General Purpose Grant (GPG) after being combined with the Local Administration Grant. With effect from the FY 2005/06, the grant was allocated based on three criteria, namely, size of the population (70%), land area (10%) and poverty count (20%). Although the introduction of the grant ensured efficient allocation of funds among LGAs, it was neither sufficiently compensated the Councils for the lost revenues, nor was able to treat Councils, especially those located in rural areas, fairly. As Allers and Ishemoi (2010) commented, “jurisdictions with a wealthier population are able to raise more tax revenue than poor jurisdictions” (p.712). Therefore, the reforms of the local taxation systems which have been carried out had largely left the Tanzanian LGAs with limited sources of income which are inadequate to support the increasing demand of the public services. While it is essential to rationalize and harmonize local taxation systems, sufficient freedom should be left to the Councils to administer their own sources of income.

Low Collection Rates, Collection rates charged by the Tanzanian LGAs in various sources are generally low and are regarded as unrealistic. For instance, taxes allowed by the Local Government Finances Act No. 9 of 1982 (as amended) to be charged by the Village Councils on sources of income derived within the Village boundaries range from TZS 10,000 to TZS 20,000 per annum! Similarly market stalls, fish auction fee, crop cess, auction mart fees, forestry produce cess, parking fees, and other local taxes remained very low.

The local taxation system, arguably, it is responsible to revise the collection rates regularly. However, the actual operationalisation of this was constrained by a number of factors, prime amongst which is the bureaucratic nature of the Government system. As a result, as the evidences suggest, the collection rates are not regularly updated and most of them are out-dated. A recent research conducted by the author within the four LGAs in Mainland Tanzania observed that some Councils are still charging market stalls at a rate of TZS 100 ($0.67) per day! Secondly, at the Council level, the new collection rates are required to be approved, at very least, by the Councillors. The general feeling is that, when it comes to the increase of the collections rates, the Councillors are usually sympathetic to their local communities. Combination of these issues had significantly reduced the Councils' revenues.

Low Awareness of Local Revenue Payers, Awareness of the local revenue payers is very low. Local tax payers lack sufficient knowledge on what type of products/businesses are subject to local taxes and the overall administration of the taxes concerned. In some cases, local tax payers do not aware about the payment procedures, timing for payment, and even the amount to be paid. Related to this is the case where some tax payers do not precisely distinguish between the local taxes charged by the Councils and the national taxes imposed by the Tanzania Revenue Authority (TRA). However, the Government is taking steps towards this anomaly. For instance, in some Councils, the TRA is commissioned to collect certain types of local taxes, such as property taxes, on behalf of the Councils.

Weaknesses in the Local Revenue Administration, majority of the Tanzanian Councils demonstrate major flaws in the administration of their own revenues. The two years' research conducted by the author within the four LGAs in Mainland Tanzania revealed substantial inadequate controls related to the Councils' revenue. In all of the Councils visited, virtually all of the revenue related functions such as follow-up, recording, and maintenance of the cash collected, were done by few individuals. The shortage of competent staff existed at the Councils in general, and revenue section in particular, did not allow sufficient segregation of duties which is potential for the efficient monitoring of the Councils' revenues. Also, unlike TRA which has put in place the revenue.

Central Government's Directives, some of the Government directives are also responsible for the decline of the revenue raising ability of the Councils. This largely associated with the restrictions imposed by the Government on certain sources of revenue. For example, a decision to abolish the Development Levy and local business licenses and permits in 2003 had resulted in a major decline of the total local revenues. The revenues from the local business licenses and permits alone had been reduced by nearly 54% from TZS 12.1 billion in 2003 to TZS 5.4 billion in the FY 2004/05 (PMO-RALG, 2008). Similarly, a decision to ban the importation of forestry products announced by the Ministry of Finance had significantly affected most of the Councils, especially those located in rural areas where forestry produce cess accounted for substantial part of their income. It is also important to acknowledge that with effect from July 2011, the business licence fees were reintroduced as an attempt to increase the Councils' revenue (URT, 2011b). However, the actual imposition of the business licence fees was encircled with the delays of implementation, a reason which had contributed to the reduction of the actual revenue of local governments.

For example, as of April 2012, Tanzanian local governments had collected only 40.8% (TZS 143 billion) of the estimated revenue of TZS 350.5 billion (URT, 2012). In general, the constant interference of the Government makes it harder for the Councils to institute proper planning mechanisms for their own revenues. This has partly caused the Councils to be less proactive in forecasting and monitoring their sources of income. While it is vital for the Government to play its role as the custodian of all public sector organizations, thorough assessment of the Government directives on the Councils' revenues needs to be taken into account to reduce unnecessary negative impact. Study findings suggested that, because the revenue raising capacity of the Councils is extremely low, there is an immense need for mechanisms to ensure that they substantially increase their local revenues. In this regard, the Government needs to set broader revenue targets for the Councils and refrain from the revenue administrative activities, such as setting and approving of the collection rates. To achieve this, instead of issuing the ‘closed list’ of allowed local sources, the Government needs to provide a list of abolished local taxes and allows the Councils to charge all other genuine taxes which are within their area of jurisdictions.

There is also a need to strengthen institutional arrangement in relation to the local revenues outsourced to the private collecting agents. It is also worth noting that for the local sources which the Government allowed the Councils to charge their own rates, majority of them do not have appropriate collection rates. The tendency was to collect themselves initially in order to establish rates prior to outsourcing. For the sources which they could not initially collect on their own, they used ‘guess work’ to determine the collection rates.

According to local Government Fiscal Review (2004) it was found that before the revenue rationalisation that was announced in June 2003, own revenue sources accounted for approximately 19-20% of Local Government financial resources,

Since then own source revenues experienced a significant decrease in it importance as a share of total local Government finances, dropping to only 14.2% of the total preliminary estimate by the authors suggest that this percentage may fall further to 9 or even 8 percent for FY 2004/2005 and 2005/2006.

The share of own source revenue in the local Government finances would be even lower (7-8 percent) if we were to take into account local Government expenditure funded from ministerial subventions .

Before the revenue rationalisation of 2005 the Development levy, agricultural and livestock taxes and licences and feels (including business licenses) were the three revenue categories that generated the highest yield for local Governments, these categories for the year 2001. Contributed 21.5%, 18.2% and 16.7% respectively to total local own source revenue collections; together, they accounted for almost 60 percent of local Government revenues. (Appendix II)

Table 2.1 Consolidated local government revenue collections by source 2001-2004 (Actual collections, in TSHS millions)

Source of revenue	2001	2002	2003	2004 (*)
Development Levy	10,994.4		3,179.6	466.2
Property Tax	3,146.4	11,212.0	3,171..5	4,901.2
Agricul. Cess/Livestock Levy	9,321.3	3,542.8	8,977.3	7,147.2
Industrial Cess/ Service Levy	5,217.1	9,209.2	7.724.0	9,377.1
Land Rent	620.8	742.7	753.2	369.5
Licenses and fees	10,152.8	11,052.8	11,998.7	6,201.8
Charges	3,141.4	4.041.6	5,042.2	4,389.5
Others taxes and levies	8.620.8	8,866.0	7,421.0	3,583.7
Total	**51,215.0**	**57,752.1**	**48,267.6**	**36,436.2**

Source: Computed by authors based on PO-RALG data (*) Annualized estimate, based on collections for January-June 2004

Table 2.2 Consolidated local government revenue collections by source 2001-2004

(As percentage of total)

Source of revenue	2001	2002	2003	2004 (*)
Development Levy	21.5		6.6	1.3
Property Tax	6.1	19.4	6.6	13.5
Agricul. Cess/Livestock Levy	18.2	6.1	18.6	19.6
Industrial Cass/ Service Levy	10.2	15.7	16.0	25.7
Land Rent	1.2	1.3	1.6	1.0
Licenses and fees	19.8	19.1	24.9	17.0
Charges	6.1	7.0	10.4	12.0
Others taxes and Levies	16.8	15.4	15.4	9.8
Total	**100.0**	**100.0**	**100.0**	**100.0**

Source: Computed by authors based on PO-RALG data.

Challenge on local government Own source Revenues, LGAs had wide discretion in structuring their own revenue systems, and local government revenue instruments therefore varied widely from council to council. No system was in place to gather data on revenue collections by different types of local revenue instruments or by type of tax and to analyse local government revenue collections in a systematic manner. Tanzanian expects have suggested that the overall effect of the reforms has been to lower voluntary compliance by local tax payers and to reduce the tax handle by local tax administrators, thereby causing an overall decline in local revenues the exceeded the direct impact of the reforms.

2.3 Empirical study

Hyman (2005) conducted a study in United States and found that taxation was the main source of revenue for local governments; they obtain some funds from fees and charges including tolls and charges at state run universities and colleges, revenue from public utilities (water, gas and electricity) and the liquor stores. However, local governments had to borrow funds when they could not cover all their expenditures from tax and nontax receipts.

Fjedstand (2003) conducted a study on new challenges for Local Government revenue enhancement. The aim was to find out the extent to which revenue has been enhanced by local Government Reforms. His study revealed that councils were not able to collect full revenue due to them because of (1) poor administrative capacity to access the revenue base (2) poor administrative capacity to enforce the taxes (3) tax evasion and resistance from tax payers (4) corruption (5) external pressure which led to of more optimistic projections and (6) political influence on the administration of local generated revenue. His study suggested that capacity building should be intended to administrative personnel and education be provided to tax payers So as to improve those administrative problem.

Baker Wallevik, Obama and Sola (2002) conducted a study on the local government reform process in Tanzania. Their study attempted to review the changes of the reform that were taking place at the regional, district and local levels. One among the areas reviewed was the area of finance. They reviewed whether local authorities were able to increase the financial resources available to them. The study was conducted in Mbulu District in Manyara Region and in Zanzibar.

Their study identified that LGAs have two sources of revenue: (1) Grant from the central Government which is about 80 % of LGAs revenue. (2) Direct local taxes which include property taxes, crops and animal cess, business licenses, market dues etc. The general performance in revenue collection (direct local taxes) has not been encouraging and there has been a mismatch between estimates and actual collection A number of reasons were attributed to this mismatch:

(i) Estimates are put at levels which cannot be achieved. Related to this was lack of current and reliable data of tax sources

(ii) The capacity to prepare realistic estimates and institute cost-effective collection strategies did not exist in most LGAs

(iii) Analysis of several of new revenue sources and plans for their collections were very rare, consequently misleading information about revenue collection performance was normal

(iv) Revenue collection methods were poor and not cost effectives. It was even stated that in some cases the collection costs equal the amount that was collected.

(v) Lack of reliable data concerning taxpayers, as well as sources of revenue allowed tax evasion on the part of taxpayers, and teaching on the part of the tax collectors.

(vi) No serious efforts have made by LGAs to sensitive people about the importance of paying taxes. Instead threats and occasionally force were used, thus making direct local taxes unpopular.

(vii) LGAs lack a culture of openness in terms of information and reporting mechanisms, consequently taxpayers receive no feedback either through their representatives or through other formal channels about how their money is being spent.

Fjeldstad and Semboja (2000) conducted a study on dilemmas of fiscal decentralisation on Local Government. The study covered on the capacities and constraints of the local tax administrations, especially in relation to revenue collection, incentive problems and service delivery. The study was conducted in Kibaha District Council in Coastal Region and Kilosa District Council in Morogoro Region. The study covered all three Council levels; the district headquarters, the wards and the village levels. Information was collected from a variety of sources and through different methods, and covered staff members of the tax administration, local politicians and taxpayers. In addition, data on tax revenues for about 50 Councils were collected from the Ministry of Regional Administration and Local Authorities. Data on central government taxes were collected from the Ministry of Finance and Tanzania Revenue Authority, where they also interviewed officials on the relationship between local and central government taxation.

Their study found that the major administrative problem for Councils was their inability to realise fully the revenue due to them. The ratio between reported and projected revenues differs significantly. The following factors provide explanations for the inability:

(1) Poor administrative capacity to enforce the taxes. Councils do not have adequate revenue collection personal. There are fewer collectors than the number of major revenue source such as market centers. Lack of reliable transport was further exacerbated the situation.

(2) Explicit and intentional tax evasion and resistance from taxpayers.

Taxes were widely perceived to be unfair. Taxpayers see few tangible benefits in return for the taxes they pay.

(3) Corruption, including embezzlement of revenues. The study observed that fiscal corruption is extensive in local authorities. It takes many forms and varies by types of taxes, methods of tax collection and location. Most common type of corruption is embezzlement of revenues were by tax collectors and administrators. Factors led to theft of tax revenues were: Low level of wages paid to staff, the complex nature of the tax structure and inadequate controls.

(4) Political pressure on the local tax administration to relax on revenue collection. This problem was a major impediment to revenue collection due to the fact that taxes were generally disliked and councilors who wanted to be re-elected disassociated themselves from increased taxation. In some cases councilors were also reluctant to raise local taxes and charges because they are major local landowners or business people who seek to minimise their personal tax burden.

Fjestad and Semboja (2000) conducted a study on dilemmas of fiscal decentralisation on local government. Another study was conducted in Kibaha District Council and

Kilosa District Council in Coast Region and Morogoro Region respectively. In the study it was found that:- (1) councils do not have adequate revenue collection personnel; For example at the examples market centres where by collectors were few than revenue bases; (2) Lack of reliable transport infrastructures also affected revenue collection; (3) intentional tax evasion and resistance from tax payers. The study found that many tax payers had a perception that taxes were unfair and they do not benefit much from the taxes they are paying from time to time; (4) political pressure on local tax administrators also accounted much to the lower rates of revenue collected. The councilors who wished to be selected in coming elections tended to impede revenue collections (5) Corruption and misappropriation of funds: the study observed that corruptions and fund misappropriation are widespread in local governments and affect them adversely in revenue collections.

Fjestad (2003) in the study on new challenges for Local Government revenue enhancement, aiming at finding out the extent to which local Government revenue has been enhanced by local government reform program. In his study he discovered that councils failed to collect full revenue because of the following reasons: (1) poor administrative capacity to enforce taxes (2) poor administrative capacity to access revenue base; (3) tax evasion and resistance to pay taxes: (4) corruption on the part of tax authority staff: (5) external pressure which led to provision of more optimistic projections; and (6) political influence on the administration of local generated revenue. In his study he suggested that the council staff should be trained and relevant education should be given to the tax payers so as to make LGAs became enough revenue.

Mukandala and Othman (2003) conducted a study in Zanzibarian local government's authorities and found that Zanzibarian LGAs lack sufficient revenue to provide basic services. They discovered that such a situation was mainly due to the overall institutional arrangements, but also due to poor capacity for actual revenue collection and financial administration. In their study they further discovered that there is no clear demarcation between local governments and central government over a range of taxes such as trade licenses, road licenses, etc. This has caused insufficiency of funds as most of revenue bases are controlled by central government which collects revenues which would be collected by local governments.

Ngware (1994) conducted a study on challenges facing LGAs revenue collection and found that many local government authorities failed to deliver social services efficiently to their communities because they faced insufficient funds. He also noted that however, as local government collect revenues from various they normally face many challenges in the due course as forecasted in their annual budgets. The provision of any services in society entails financial expenses; local authorities therefore must have money to provide such services. In order to undertake this task, Ngware recommended that local authorities need a sound revenue base and proper financial control.

Ngware (1994) and Liviga (1993) conducted their studies and found that LGAs needed to have an appropriate political – administrative framework for participation and national development and proper financial control to ensure smooth revenue collection and efficient social services provision. The local Government Finances Act no. 9 of 1982 provides for sources of revenue, funds and resources of all categories of Local Government authorities namely villages, township authorities, district and urban councils, procedures for their financial management and establishment of the Local Government Loans Board.

In the study conducted by shangweli (1998) it was found that there are poor record keeping, collection procedures and regulations which prevent smooth revenue collection. He also found that there is inadequate human resources capacity. He clarifies that although LGAs have number of employee they lack qualification and trainings.

Baker, Wallevik, Obama and Sola (2002) conducted a study on the local government reform process in Tanzania. The study was conducted in Mbulu District and Zanzibar. It attempted to review the changes of the reform that were taking place at the regional, district and local levels. One of the areas reviewed was the area of finance. Their study found that LGAs were financed by Central Government at the tune of 80% while LGAs contributed only 20% of their total revenue. They further noted that this had been caused by of relevant and current data, inadequate revenue sources, poor methods of collecting revenue and lack of culture of openness in terms of information and reporting mechanisms; consequently taxpayers receive no feedback either though rough their representatives or through other formal channels about how their money is being spent.

Kuzilwa (2007) conducted a study on optimising revenue collection in Local Councils in Tanzania. The purpose of the study was to identify the administrative efficiency in revenue collection. The study was conducted in Mufindi District Council. It was found that LGAs failed to collect sufficient revenue due to the following reasons: lack of qualified staffs, poor recording keeping, and administrative inefficiency. The study recommended that amongst the areas that need to be improved so as to attain optimum revenue collection is provision of education to the council staff concerned with revenue collection in order to properly estimates revenues due to them and effectively collect more revenue and proper record keeping of all council resources.
Some council has already started to explore methods to reduce the financial gap caused by the rationalisation by:

a) Outsourcing revenue collection to private collectors so as to increase revenues from existing sources such as natural resource products:- which includes charcoal, wood and other forest products as well as livestock auction fees.
b) Reducing costs, for example by limiting the number of meetings and workshops and by retrenching surplus staff; and imposing more cost effective spending, for example on electricity and stationeries. Signification will also help to expand the tax base, for instance, a long-term strategy introducing new cash crops, moreover, co-production of services by councils and local communities is on the rise. For instance, in several councils recently visited the increasing number of primary schools maintained and expanded via self-help schemes combined with

technical support from the council. Such measures are welcomed as well as promising for the future sustainability of Local Authorities (Fjeldstad, et al 2008)

Many Local Government Authorities in Tanzania have reformed their revenu collection systems in recent years in order to increase their revenue. Outsourcing of revenue collection is one of such reforms which were enhanced by the guidelines on outsourcing Local Government services issued in 2001 by the President`s Office Regional Administrative and Local Governments. However, privatised collection offers no ‘quick fix’ to increasing Local Government Authority’s revenue, as well as easing administrative problems with the revenue collection. Collection had increased and became more predictable for some council which had experienced substantial problems with corruption and exceptionally high profit margins for the private agents at the expense of accomplishing a reasonable return to the local government authority. However, when appropriately managed and monitored the outsourcing of revenue collection can establish a plat from for more effective and efficient Local Government revenue collection (Fjeldstad et al., 2008).

Lack of proper training among Local Government Revenue collectors has been cited as one of the problems leading to minimal revenue collection in most Local Government Authorities (LGAs) in the country. LGAs recorded poor collection of revenue because its personnel lacked proper training in their field. This is an area that needs to be empowered with best revenue collection skills to enable them deliver and improve LGA revenue collectors, tax compliance would only increase if tax payers saw the benefits accruing from their revenue. Poor property valuation was another area that led to poor collection of revenue in Local Government Authorities. There is a need to evaluate before implementation of other steps including assessment and collection. In Temeke District for example property revaluation conducted for 94 buildings had led to an increase of 150m/= revenue, while in Kinondoni District a revaluation for 294 buildings recorded an increase of 500m/= revenue (Shekigenda,2007).

The findings of reviewed literature suggest that many LGAs in Tanzania and other countries are not collecting enough revenue. LGAs depend much on allocation of revenue from their Central Governments. The literature reviewed has shown that some of the causes of failure to collect enough revenue are lack of skilled staff, taxation policies such that Councils do not have enough revenue bases, poor recordings, poor political pressures and poor estimates.

2.4 Knowledge Gap Analysis

Most of the Studies conducted by various scholars have covered challenges and problems facing LGAs in own revenue collection implying that many studies based mostly in tax related issues. For example, Mukandala and Othman in (2003) conducted a study in Zanzibar on good governance strategy and found that LGAs failed to provide basic services due to poor capacity for actual revenue collection and financial administration. Shangweli (1998) found that LGAs failed to collect more revenue due to poor record keeping and inadequate staff. Fjestad and Semboja (2000) conducted a study on dilemmas of fiscal decentralisation of Local Government and found that councils lack adequate revenue personnel and face intentional tax evasion from their communities.

These studies have left other important factors for achieving more revenue such as Infrastructures, Community awareness and employee motivation. Also, other factors that explain the situation of revenue collections in LGAs such as income diversification, strategic and financial planning, administration and finance, income generation, sound administration and finance have not been covered. Therefore, under this study apart from factors discussed by other scholars, some other factors which might affect revenue collection and those that explain revenue collection situation in the LGAs have been assessed.

The main issue emerged from previous researchers was that local government authorities were inefficient in revenue collections. This study will add knowledge on: (1) How to reduce unnecessary cost on revenue collection for instance through the elimination of revenue sources which their expected revenue is low than their expected cost (2) How to improve reward system (3) How to improve the complex and tedious collection procedures through the reviewing and restructuring of existing rules and procedures (4) How to improve accountability by addressing the issue of code of ethics council staffs.

2.5 Conceptual frame work

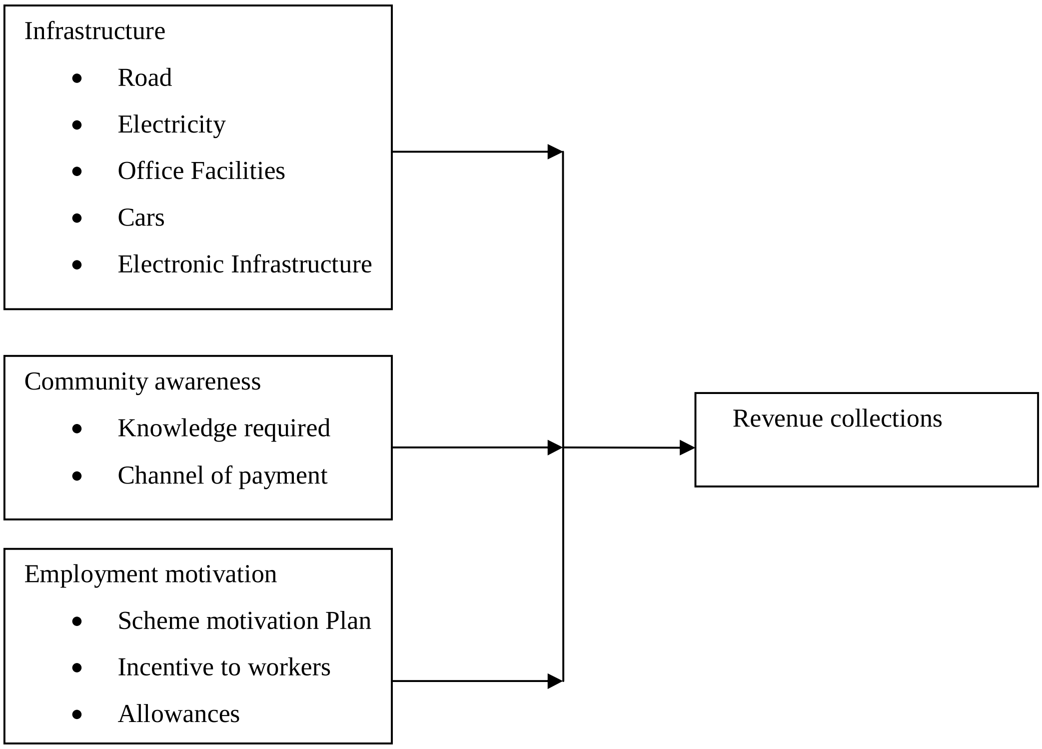
A conceptual Framework can be defined as a basic structure that consists of certain abstract blocks which represent the observational, the experiential and the analytical/ synthetically aspects of a process or system being conceived. The interconnection of these blocks completes the framework for certain expected outcomes.

- Infrastructures are very important factor to the financial sufficiency and sustainability, if a council has reliable infrastructures such as transportation and communication networks, well extended electricity supply and social services, then it will be a good position to raise more revenues and vice versa.
- Community awareness on revenue collections is potential factor in revenue collection, it may happen that if society has educated enough about it more revenue will be collected but fail to do so a lot of resources will be underutilised; then LGAs fail to reach the targeted goals.

- The role of employees cannot be ignored towards financial sustainability, if employees will be motivated and trained well the council will be in a position to generate sufficient revenue and become financially sustainable.

After reviewing what other researchers have said concerning the revenue collection system, the researcher is able to formulate conceptual framework that will summarise the study in case of independent and dependent variables. Revenue collection is presented in the framework as in figure 1;

Figure 2.3 Conceptual frame work



Source: Researcher`s conceptualisation (2014).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presents methodologies employed during the study, the area of study and reasons for studying the area are elaborated furthermore, research design, research approaches, targeted population, sample size and sampling procedures are also explained. The explanations of research techniques and instruments used during data collecting and data analysis procedure are discussed.

3.2 Research design

Churchill (200) defined Research design as a framework or plan for a study, used as a guide in collecting and analysing data. It is a blue print that is to be followed in completing a study. The study used the survey approach to obtain data and necessary information required. It was expected that the strategy would give more insight into the problem. Survey approach also expected to save time and costs and give more quality data needed for the studyIn this study Kiteto District Council (KDC) was used as a case to determine **"***The challenges facing Tanzanian local government authorities in revenue collection***".** The motives for adopting KDC as a case were: to enable the researcher to gain a more understanding of phenomenon, flexibility in respect of data collection method and to save both financial and time constraints. The rationale for choosing KDC as case was that: it is concerned with the provision of services to the public which in turn depend on its efficiency to collect revenue. Types of data that were collected were primary data. Techniques that used to collect data included questionnaires and documentary reviews. Sapling techniques were used to select individual for inquires. Both qualitative and quantities methods were used to analyse data, the purpose of using both methods being to enable the researcher be able to collect and analyse all kinds of data whether numerical or non numerical. Another purpose was to help the user of the report be able to understand it clearly. In addition to that, deductive approach was used to conduct this research.

3.3 Research Approaches

Qualitative and quantitative research approaches used during the data collection. Data collection through employment of qualitative approach incorporated: sources of revenue, problems during revenue collection and strategies employed during revenue collection or tax collection.

Quantitative research approach used to collect proved data such as the amount approved to be collected and actual amount of revenue collected in different years. Quantitative approach facilitated computation of data into percentages as well as tabulations. Qualitative and quantitative research approaches followed during the data collection because they bridge each other and there was no research which was pure quantitative. Employment of both qualitative and quantitative research approaches enables the researcher to benefit from conversations with respondents through interviews (qualitative) and the reward of numbers (quantitative).

3.4 The study area

The study was conducted in Kiteto District –Manyara region, where by 3 wards namely Kibaya, Dosidosi and Sunya were involved. The study area was selected since they comprise major source of revenue in the district. The areas have famous trade centres where by various economic activities are being carried out.

3.4 Targeted population

Considering time available for research, the targeted population was involved**,** unemployed, local governments such, Business person, Farmers/ Peasant from Kiteto District Council.

3.5 Sampling Procedures

Sampling procedures can either be probabilistic or non probabilistic. Probabilistic is a procedure in which every individual has equal chance of being selected in a sample while non probabilistic is a procedure in which respondents are selected by researcher`s discretion through technique such as judgmental or convenience sampling.

In probabilistic sampling technique, the researcher must guarantee that every individual has an equal opportunity for selection and this can be achieved if the researcher utilises randomisation. Compared to my study many researcher have been using probability sampling as a method of collecting data this methods has advantage where by every member in a group have an equal chance of being selected, due to the nature of works of other researchers and environment on which research conducted and nature of outcome needed which makers proper to use probability sampling. The method has the following advantages which are: the absence of both systematic and sampling bias.

If random selection was done properly, the sample is therefore representative of the entire population, the effect of this is a minimal or absent systematic bias which is the difference between the results from the sample and the results from the population. Sampling bias is also eliminated since the subjects are randomly chosen.

In this study non stratified sampling under probabilistic sampling were used. Respondents were divided into homogenous group of unemployed, local government workers, business person and famers/peasant. This type of sampling was used since it assures the researcher to be able to represent not only the overall population, but also key subgroups of the population, especially small minority groups. Information was collected from respondents though providing them with questionnaires.

3.6 Sample size

A sample is a group hopefully representative of the population intended to be studied and from which one devices generalisation about the population (Bailey, 1994). Sample size is the number of respondents selected for interview from a research population. It depends on the accuracy needed, population size, population heterogeneity whether the sample will be subdivided or not and resources available (Bailey 1994). Also Sanders et al, (2006) define sample size as the generalisations about populations from data collected using any sample based on probability.

The sample size of the study was 80 respondents whereby it involved, unemployed, local governments, Business person, Farmers/ Peasant and others from Kiteto District Council where making a total of 80 sampling size. The reasons as why the number of sample was selected above was to avoid wastage of time and cost on large sample, therefore size selected was sufficient tool to meet the needs for validity and reliability of the research findings

Table 3.1 Sample size

Respondents category	**Number of employees**	**Percentage**
Unemployed	5	6.2
Local Government	26	32.5
Business Person	27	33.8
Farmers/Peasant	21	26.2
Others	1	1.2
Total	80	100.0

SOURCE: Field data (2014)

3.7 Data collection

Data for the study may be primary or secondary. Primary data are those which are collected afresh and for the first time while secondary data are those which already existed in other sources of data (Kothari, 1990). In this study information was obtained through both primary and secondary sources of data.

3.7.1 Questionnaire

This technique involved the distribution of questionnaires to various individuals for purpose of obtaining information concerning revenue collection process at KDC. Questionnaires contained explanations and instructions of what kind of information was needed. All closed questions were provided with a space to be filled by ticking the more correct answer as perceived by the respondent. And all open questionnaires were provided a space which allowed the respondents to give out their explanations. All questions were numbered. The questionnaires were standardised to elicit respondent to yield types of data that was consistent with the study so that when tested eliminated ambiguities and biases. (Bailey, 1994).

3.7.2 Documentary review

The researcher consulted various material record documents such as journals, articles, acts, thesis and websites. The documentary sources were used because they provided information which is permanent and could be checked or reviewed by any one. Therefore, they helped the researcher in the process of data interpretation **(**Kothari**,** 1990).

3.9 Data Validity and reliability

3.9.1 Validity

Validity is concerned with the question of whether the findings can be proven true with reference to the problem under investigation (Saunders et al., 2009). If the data collected

3.11 Data Analysis

According to Mwanje (2001), the nature of the problem to a large extent dictates the type of data analysis technique to be used. The data were obtained from both qualitative and quantitative approaches, therefore, the first step in data processing were data refining. The data from questionnaires were coded into specific categories, and thus statistical analysis of events and simple statistics such as frequencies and percentages were employed to summarise the data. The statistical package for social science (SPSS) computer software was used to analyse the quantitative data. Findings were summarised and presented in terms of tables, charts, graph and finally descriptions were done around major research themes.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Study Findings and Analysis

This section presents findings obtains through questionnaire and focus group discussion and documentary review

4.1.1 Profile of Respondents

The total number of 80 respondents were reached under this study where distribution of respondent according to sex included 51 (63.75) male and 29 (36.25) female. The population included various group of peoples such as local government workers such as revenue section accountants, ward and village executive officer, business person and farmers. These diverse groups of people provided data from various knowledge experiences in revenue collection.

Table 4.1 Distribution of Respondent According to Sex

Gender	Frequency	Percentage
Male	51	63.75
Female	29	36.25

4.1.2 Age of Respondent

The distribution of the respondents according to their age is shown in the table below:

Table 4.2 Age of Respondent

Age Categories in Years	Frequency	Valid Percent	Cumulative Percent
Below 18	6	7.5	7.5
18-30	21	26.2	33.8
31-40	16	20.0	53.8
41-50	18	22.5	76.2
50-60	6	7.5	83.8
61+	13	16.2	100.0
Total	80	100.0	

Source: Field Data, (2014).

The findings from the table reveals that, more than 92% of respondents are aged above 18 years which indicate their ability to think and give answers from reasonable judgement on the various factors concerning revenue collection in local government. Also, more than 70% are aged between 18-60 years which is good representation of workforce which participates in various economic activities.

4.1.3 Educational Level of Respondent

Level of education determine the ability of a person understand and make proper decision of revenue payment. Dispersion of respondents in accordance with their level of education shows that, 22, (27.5%) were standard seven and below, 43 (53.8) had secondary education, 7 (88%) had either certificate or diploma, 5 (6.2) Degree holders while 3(3.8%) were holders of post graduate studies at different levels. This reveal the true nature of local government population since, most of residents, workers and small business people who pay revenue to the local Government had education below diploma level. The findings are presented in the table below

Table 4.3 Educational Level of Respondents

Level of Education	Frequency	Percent	Cumulative Percent
Standard Seven and Below	22	27.5	27.5
Secondary Education	43	53.8	81.2
Certificate/Diploma	7	8.8	90.0
Bachelor Degree	5	6.2	96.2
Post Graduate	3	3.8	100.0
Total	80	100.0	

Source: Field Data, (2014).

4.1.4 Experience Level of the Respondent

The study wanted to find out the experience level of respondents as a contributing factor toward understand of nature and environment of Local Government Revenue. Findings reveal that, 12 (15.0%) had experience below one year, 25 (31.2%) had 1-3 years, 29 (36.2%), had 3-5 years, 11 (13.8) had 5-10 years while 3 (3.8%) had more than 10 years. This shows that more than 85% of respondents had more than 1 year of experience in their career which gave them proper understand on nature of business and its association with revenue collection in local Government. The table below shows distribution of respondents according to their level of education,

Table 4.4 ExperienceLevel of the Respondents

Experience	Frequency	Percent	Cumulative Percent
Below one year	12	15.0	15.0
1-3 Years	25	31.2	46.2
3-5 Years	29	36.2	82.5
5-10 Years	11	13.8	96.2
10+	3	3.8	100.0
Total	80	100.0	

Source: Field Data, (2014).

The table above gives a picture of experience level of respondent which shows that most of respondents have more than one year experience which suggest that, they are in a good position to understand the nature of revenue collection.

4.1.5 Working Status of the Respondents

The working status of the respondents is shown in the table below:

Table 4.5 Working Status of the Respondents

Status	Frequency	Percent	Cumulative Percent
Unemployed	5	6.2	6.2
Local Government	26	32.5	38.8
Business Person	27	33.8	72.5
Farmers/Peasant	21	26.2	98.8
Others	1	1.2	100.0
Total	80	100.0	

Source: Field Data (2014).

From the table above it can be observed that, about 98% are important stakeholders in the revenue collection who can give valid data on revenue collection in local Government.

4.2 Effects of Infrastructures on Revenue Collection

Infrastructure is fundamental factor in revenue collection. Mobilisation, collection, reporting and auditing of revenue depend in various infrastructures including, road, electricity, office facilities, cars, and electronic infrastructure. Efficiency of infrastructure can influence effective collection while shortage and inefficiency of them can negatively affect collection of revenue**.**

In examining the extent of the infrastructure support revenue collection, participants were requested to respond to a number of questions which sought to illicit information regarding each infrastructure and its impact in revenue collection.

Given the role of road infrastructure in connecting one revenue centre to another as well as revenue centres to the central revenue collection point, study wanted to examine the contribution of road to revenue collection. Findings shows that, 12 (15.0%) of respondent suggested that, road infrastructure contributes to revenue collection to the greater extent, 14 (17.5%) somehow, 49 (61.2%) small extent while 5 (6.2) not at all. From the findings it can be observed that, more than 70% consider road network to have low or no impact to revenue collection. This implies that, road network of the Kiteto District Council does not contribute significantly to effective collection of revenue.

On other hand, findings from focus group discussion revealed that, poor road infrastructure affect revenue collection. Participant claimed that, Council depend on revenue collected from various markets located in the interior, where, road transport is not accessible through the year. This makes workers to start collection process late and sometime fail to appear especially during rainy season.

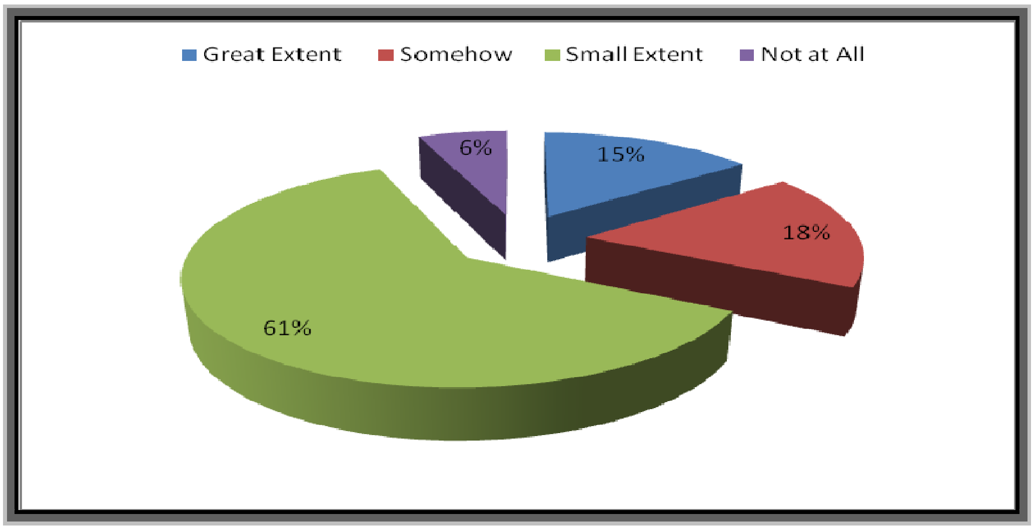
The findings are presented in table and pie chart and below:

Table 4.6 Impact of Road Infrastructure in Revenue Collection

Scales	Frequency	Percent	Cumulative Percent
Great Extent	12	15.0	15.0
Somehow	14	17.5	32.5
Small Extent	49	61.2	93.8
Not at All	5	6.2	100.0
Total	80	100.0	

Source: Field Data, (2014).

Figure 4.1Impact of Road Infrastructure in Revenue Collection



Source: Field Data, (2014).

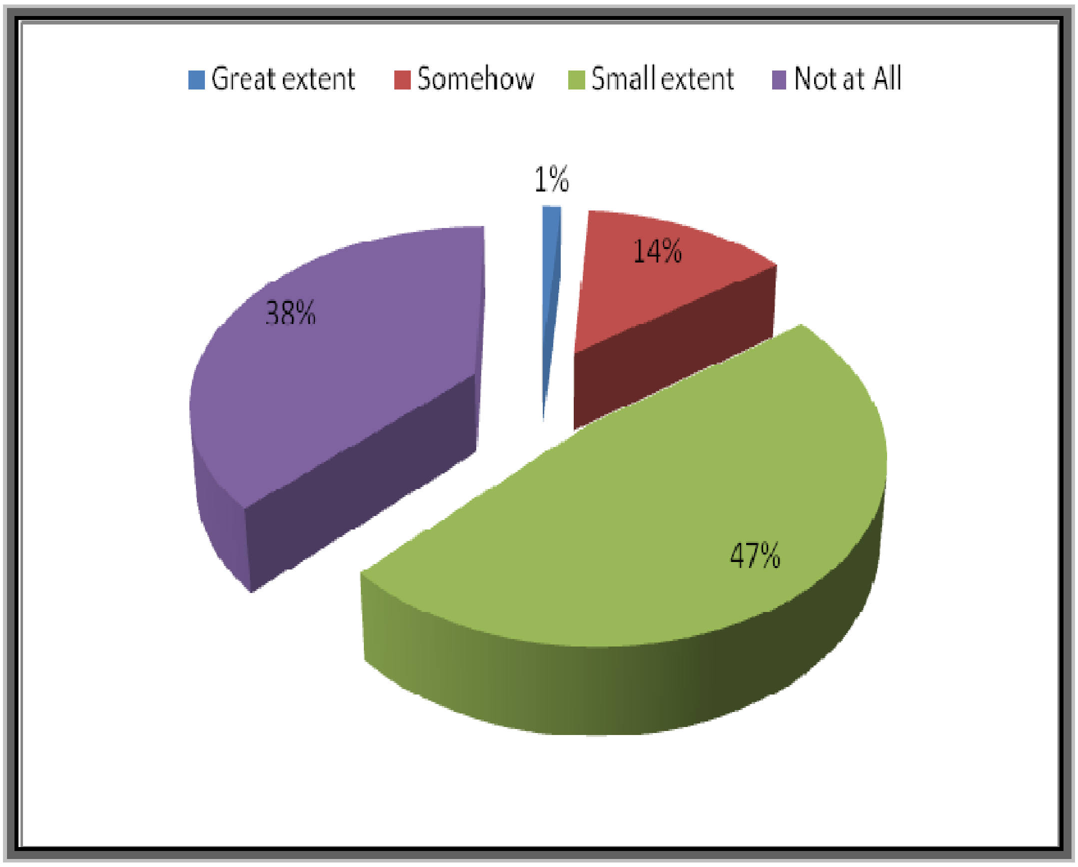
Furthermore, the respondent were requested to rate the contribution of electricity as essential infrastructure in enhancing revenue collection. Specifically, they were requested rate the question which asks, “How much the electricity infrastructure does enhances revenue collection”. This was based on the essence of electricity in supporting the use of electronic equipment and also provides light which enable offices to work even in night hours. Findings on the contribution of electricity in revenue collection show that, 1(1.2%) indicated electricity infrastructure enhance revenue collection to a greater extent, 11 (13.8) somehow, 38 (47.5) small extent and 30 (37.5) not at all. This is consistent with Focus Group Discussion findings which indicated that most of the wards in Kiteto District Council have no electricity which make it impossible to use offices during the night and limit the use of electronic device which could enhance effective revenue collection. The table and pie chart below illustrate findings on the impact of electricity in revenue collection

Table 4.7 Impact of Electricity in Collection of Revenue

Scale	Frequency	Percent	Cumulative Percent
Great extent	1	1.2	1.2
Somehow	11	13.8	15.0
Small extent	38	47.5	62.5
Not at All	30	37.5	100.0
Total	80	100.0	

Source: Field Data, (2014).

Figure 4.2 Impact of Electricity in Collection of Revenue



Source: Field Data, (2014).

Moreover, respondents were requested to rate the contribution of working office facilities/equipment in revenues collection. The findings revealed that, only 2 (2.5) of the respondents are convinced that, office facilities/equipment enhance revenue collection to the great extent while 2 (2.5) somehow, 62 (77.5) small extent and 14 (17.5) not at all. This is consistent with Focus group discussion finding where, Village and Ward Executive Officer indicated to have poor office buildings and office facilities such as insufficient chairs, tables, receipt book, pen and even transports facilities which limit efficient revenue collection.

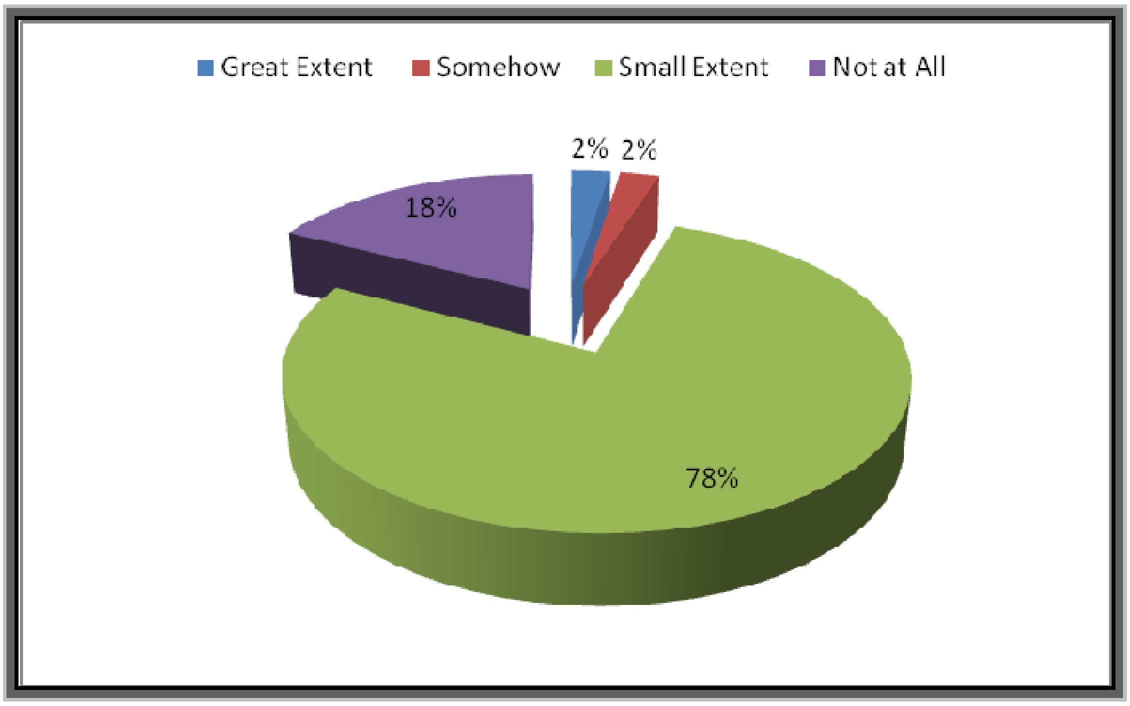
The findings are presented in the table and pie chart below.

Table 4.8 Impact of Offices/ Working Facilities/Equipment on Revenue Collection

Scale	Frequency	Percent	Cumulative Percent
Great extent	2	2.5	2.5
Somehow	2	2.5	5.0
Small extent	62	77.5	82.5
Not at all	14	17.5	100.0
Total	80	100.0	

Source: Field Data, (2014).

Figure 4.3 Impact of Offices/ Working Facilities/Equipment on Revenue Collection



Source: Field Data, (2014).

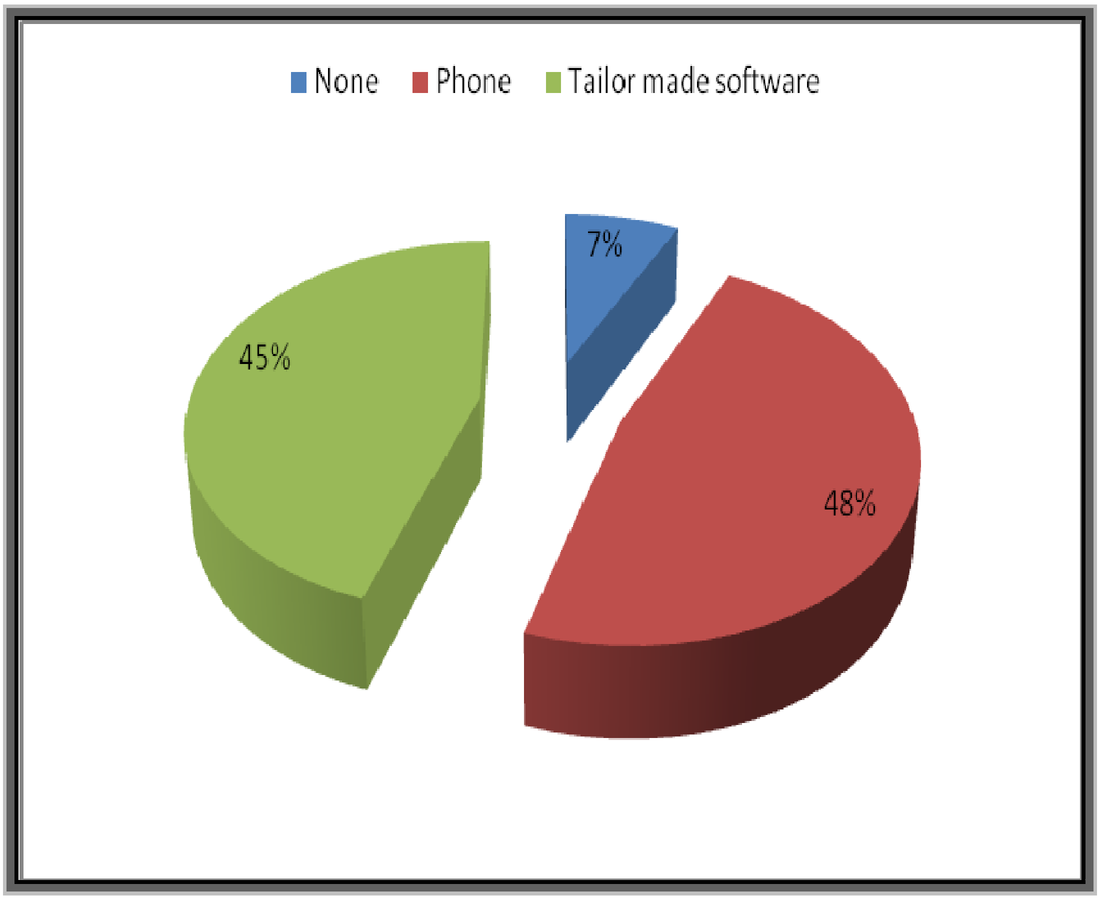
Finaly, the study assessed the availability and need for electronic system in revenue collection. Findings from documentary review and focus group discussion shows that, there is no any electronic system employed in payment/collection of revenue in the district. However, findings on the appropriate system for enhancing revenue collection is presented in the table and pie chart below:

Table 4.9 Prospects on the Type of Electronic System which can enhance Revenue Collection

Scale	Frequency	Percent	Cumulative Percent
None	6	7.5	7.5
Phone	38	47.5	55.0
Tailor made software	36	45.0	100.0
Total	80	100.0	

Source: Field Data (2014)

Figure 4.4 Type of Electronic System which can enhance Revenue Collection



Source: Field Data (2014)

From the findings above, one can notice that, uses of phone in revenue collection is ranked as the most prefferable means which can enhance collection of revenue followed by tailor made software while very few/only 7% thinks no any electronic system which can be used to enhance revenue collection. This imply that, there is a great need to improve means of collecting revenue by turning from mechanical ways to electronic needs or rather using both methods in collecting revenue.

4.3 Impact of Community Awareness on Revenue Collection

Awareness is a crucial factor in enhances revenue collection. Decision to pay revenue can be determined by level of community understanding on the requirement to pay revenue and importance of paying revenue. On other hand, it can be enriched by knowledge on the type of business/commodities required to pay revenue and means/channel of payment. Moreover, trust of people to the tax collector as well as confidence on the proper use of revenue collected can support collection. This study used Likert scale to find out respondents level of agreement with various awareness statements which represent different factors revenue collection. Findings are as follow:

Knowledge on the Requirement to Pay Revenue, finding on the peoples' awareness on the requirement to pay revenues show that, 1 (1.2) strongly agreed that, people know that, they are required to pay revenue 8 (10.0) agreed, 11 (13.8) neither agreed nor disagreed, 32 (40.0) disagreed and 28 (35.0) strongly disagreed. The findings also are presented in the table below:

Table: 4.10 Knowledge on the Requirement to Pay Revenue

Scales	Frequency	Percent	Cumulative Percent
Strongly agree	1	1.2	1.2
Agree	8	10	11.2
Neither agree nor Disagree	11	13.8	25
Disagree	32	40	65
Strongly Disagree	28	35	100
Total	80	100	

Source: Field Data (2014).

From the findings above it can be noticed more than 75% of respondent are either strongly disagreed or disagreed that people are aware on the requirement to pay revenue. The findings are consistent with focus group discussion finding which shows that, revenue collection is limited by low level of awareness on the requirement to pay revenue.

On top of the knowledge on the requirement to pay revenue, awareness on the importance of paying revenue is another important factor which can enhance or limit revenue collection. Therefore, the study explored community awareness on the importance of paying revenue through the question "People do not know the importance of paying revenue". The findings are presented in the table below:

Table: 4.11 Level of Knowledge on the Importance of Paying Revenue.

Scales	**Frequency**	**Percent**	**Cumulative Percent**
Strongly agree	39	48.8	48.8
Agree	26	32.5	81.2
Neither agree nor Disagree	6	7.5	88.8
Disagree	6	7.5	96.2
Strongly Disagree	3	3.8	100.0
Total	80	100.0	

Source: Field Data (2014)

From the table above it one can observe that, 39 (48.8), strongly agreed and 26 (32.5) agreed that people do not pay revenue because they do not know the importance of paying revenue while less than 12% either disagree or strongly disagred. This is consistent with the focus group discussion findings which revealed that, most of people do not have enough knowledge on the importance of paying revenue.

To seek further understand on the impact of awareness on revenue collection, the study sought to find out the extent that knowledge on the type of business/product required to pay revenue to the local Government enhance revenue collection. The result revealed that, 7 (8.8) strongly agreed that people have enough knowledge on the type of business required to pay revenue to the local government, 5 (6.2) agreed, 5 (6.2) neither agreed nor disagreed 28 (35.0) disagreed while 35 (43.8) strongly disagreed. Questionnaire finding are further illustrated in the table below.

Table 4.12 Knowledge on Types of Businesses Required to Pay Revenue

Scales	Frequency	Percent	Cumulative Percent
Strongly agree	7	8.8	8.8
Agree	5	6.2	15.0
Neither agree nor disagree	5	6.2	21.2
Disagree	28	35.0	56.2
Strongly disagree	35	43.8	100.0
Total	80	100.0	

Source: Field Data (2014)

The findings above is consistent with focus group discussion findings which revealed that, community is not aware of which business/products are supposed to pay revenue as well as which one is supposed to pay revenue to Tanzania Revenue Authority (TRA) and the one required to pay to the Local Government Authority.

Knowledge on the channel of paying revenue can enhance revenue collection, the study explored awareness of community on the channel for paying revenue which indicated that, 29 (36.2) strongly agreed, that people do not pay revenue because they do not know the right channel of paying revenue while 32 (40.0) agreed. 11(13.8) neither agreed nor disagreed, 5 (6.2) disagreed while 3 (3.8) strongly disagreed. The findings are summarised in the table below:

Table 4.13 Community Awareness on Channels of Paying Revenue

Scales	Frequency	Percent	Cumulative Percent
Strongly Agree	29	36.2	36.2
Agree	32	40.0	76.2
Neither Agree nor Disagree	11	13.8	90.0
Disagree	5	6.2	96.2
Strongly Disagree	3	3.8	100.0
Total	80	100.0	

Source: Field Data (2014)

On other hand findings from the focus group discussion shows, that revenue collection is limited by the low awareness on the channels for paying revenue. One of the participants in focus group discussion claimed that:

> *"There are many small business holders who do not know where and how they can register their business and how to pay revenue. Based on the fact that revenue collectors do not reach them, their revenues remain uncollected".*

Despite the contribution of the awareness in revenue collection, trust to the collector and the use of the revenue collected can affect willingness of people to pay revenue. This study assessed the impact of trust to the revenue collector on the payment of revenue. Findings reveals that, 33 (41.2) strongly agreed that people are reluctant to pay revenue because they do not trust the tax collector, 31 (38.8) agreed 4 (5.0) neither agreed nor disagreed 7 (8.8) disagreed while 6 (6.2) strongly disagreed.

The findings are illustrated in the table below.

Table 4.14 Awareness on Channels of Paying Revenue

Scales	Frequency	Percent	Cumulative Percent
Strongly agree	33	41.2	41.2
Agree	31	38.8	80.0
Neither agree nor disagree	4	5.0	85.0
Disagree	7	8.8	93.8
Strongly disagree	5	6.2	100.0
Total	80	100.0	

Source: Field Data (2014)

From the table above it can be observed that people are not confident with the revenue collector. This is consistent focus group discussion findings which revealed that people claim that the tax collector do forge the receipt which cause the collected revenue not reach a the right place therefore, demoralise people to pay revenue. The finding further portray that, revenue collected are not used for the right purpose. One woman who introduced herself that she sells cereal crops in the district market declared that;

> *Sometimes we are reluctant to pay revenue since we are told that revenue collection will be used to improve sanitation in our market area but still the market is dirt. Rubbishes are not collected on the right time and even during cleanness they do not perform it properly. You can observe the bad smell coming from the rotten rubbish due to improper cleanness. Therefore, make the revenue payer to think that revenue collected is beneficial to revenue collector rather than to the local government and for the community development.*

4.4 Effect of Motivation Revenue Collections in Local Government Authorities

Motivation is vital for the effective revenue collection. This study investigated motivational factors such as employee compensation, employee management and award in revenues collection. The find are as follow.

Impact of compensation on revenue collection; the study assessed the contribution of revenue workers compensation in revenue collection and the findings revealed that, 4 (5.0) of respondent indicated that, compensation enhance revenue collection to the great extent, 12 (15.0%) somehow, 49 (61.2%) small extent and 15 (18.8%) not at all. The findings are further presented in the table below.

Table 4. 15 Impact of Compensation in Revenue Collection

Scales	**Frequency**	**Percent**	**Cumulative Percent**
Greater extent	4	5.0	5.0
Somehow	12	15.0	20.0
Small extent	49	61.2	81.2
Not at all	15	18.8	100.0
Total	80	100.0	

Source: Field Data (2014)

These findings are consistent with Focus Group Discussion which revealed that, poor compensation of workers discourage them from collecting revenue. Adam Mbinga one of the Village Executive officer commented that,

> *We are paid very low salary and yet we are paid no allowance from Local Government Own Source which we are collecting. Allowances can not only help to boost our income but also encourage us to collect more revenue since allowances come from what we produce.*

Further urged that,

> *Some company has been outsourced to collect revenue on behalf of the council, but their workers are paid very low to the extent that, they can't afford even to buy lunch. This causes some of them to receive a bribe and allow people to pass in gates without paying revenue as well as in market.*

According to the Kiteto District council Annual Report 2013, the type of revenue which is collected through outsourcing includes, bus stand and district markets.

Impact of managements in revenue collection; managers and supervisor have the role to motivate and promoting working morale to their workers. Motivation can be in form of verbal praise, encouragement, counselling, provision of award/reward for best performance and even appreciation from good work. Findings on the impact of management approach in enhancing revenue collection reveals that, management style of the district and revenue collection agents does not motivate workers in revenue collection. 7 (8.8) of the respondent who were answered the question on the impact of management in promoting revenue indicated to enhance to the great extent while 8 (10.0) somehow, 50 (63.5) small extent and 15 (18.8) not at all. The findings are further presented in the table below:

Table 4.16 Contribution of Management on Revenue Collection

Scale	Frequency	Percent	Cumulative Percent
Greater Extent	7	8.8	8.8
Somehow	8	10.0	18.8
Small Extent	50	62.5	81.2
Not at All	15	18.8	100.0
Total	80	100.0	

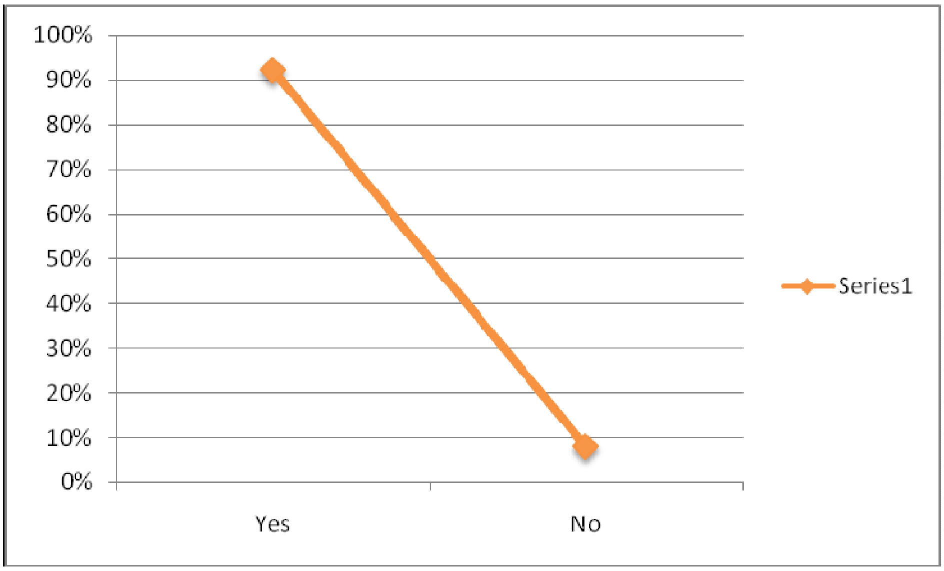
Source: Field Data (2014)

Based on the fact that, award/reward for best performance is an important form of motivation. The study explored the existence of awarding system for the best revenue collection. Findings from the Focus group discussion revealed that, there is no any form of reward offered neither to the best revenue collection centre nor the best workers in revenue collection.

The study further assessed the need for awarding in improving revenue collection and the form of award which will improve revenue collection. The findings revealed that, 92% of the respondents said “yes” to the question on whether rewarding system can boost revenue while only 8% said no.

The findings are presented in the table figure below:

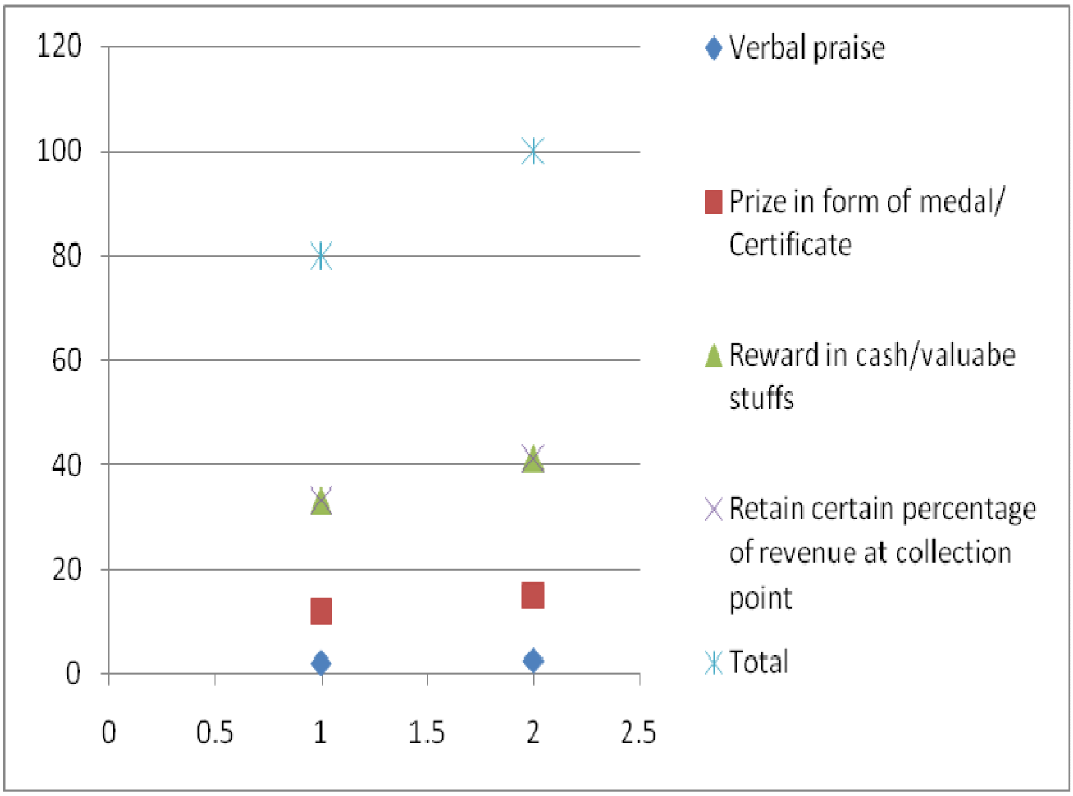
Figure 4. 5 Need for Award Scheme in Enhancing Revenue Collection



Source: Field Data (2014)

Moreover, findings on the preferable form of award for the best revenue collection, show that, 2 (2.5%) indicated verbal praise, 12 (15.0) prize in form of medal or certificate, 33 (41.2) Reward in cash/valuable stuffs and 33 (41.2) retain certain percentage of revenue at collection centre. This implies there is a greater need for award system in order to promote competition in revenue collection and the most proffered reward is retention of certain percentage of collection at the collection point and provision of reward in form of valuable staff which received 41.2% each. The findings are further presented in the graph below,

Figure 4.6 Preferred Form of Reward in Boosting Revenue Collection



CHAPTER FIVE

DISCUSSION OF FINDINGS

5.1 Impact of Infrastructures on Revenue Collections in Kiteto District Council

Infrastructures are a critical aspect in revenue collection. Road networks are required to operate in all seasons in order to enable revenue collectors and management to rich collection centres and report all revenue collections to central point. On the other hand, electricity enables offices to work efficiently by providing light, providing power for the electronical devices that are used in various offices operation. Furthermore, offices enhance recording and management while cars facilitate managing transportation of workers in collection of revenues and management of the collection activities.

Findings on the impact of road infrastructure on revenue collection shows that, more than 66% respondents are convinced that the it supports revenue collection either at small extent or not at all while 15% indicated “to the great extent” and 17% indicated “somehow”. The findings are consistent with observation and focus group discussion findings on roads where, most of them are rough and limited to support transport for only dry season of the year. This implies that, road infrastructure is among limiting factors in revenue collection. Therefore, it hinders the effective collection of revenue in Kiteto District Council. The finding is also consistent with Semboja’s (200) findings which revealed that, poor road infrastructure was one of the factors that limit effective revenue collection in Kilosa and Kibaha District council

Electricity is another infrastructure assessed under the study. Current technological development depends on the use of the electronic devices in processing and communicating revenue information as well as light during night and even some day hours. Findings show that, more than 80% of respondents are convinced that, electricity enhances revenue collection either to a small extent or not at all which implies that, the impact of electricity in revenue collection is very low.

This is consistent with focus group discussion findings where participants claimed to lack electricity in their village and even some villages which have electricity their offices are not connected.

Offices and equipment are essential infrastructure in revenue collection. The findings reveal that, 90% of respondents indicated them to enhance revenue collection to either small extent or not at all. The findings are consistent with Focus Group Discussion findings where most of the respondents claimed to be experiencing lack important equipment and facilities for revenue collection. The respondents emphasised on having poor offices which affect their work. Moreover, they claimed experiencing poor and lack of offices including shortage office furniture as well as computers, receipt books and files. They further reported on failure to establish electronic database for revenue collection and difficulties in retrieving data based on manual file. The effect of these constraints leads to inefficiency in collection of revenue.

The findings above are also consistent with the finding on the need for electronic systems in enhancing revenue collection. 47.5% indicated that electronic system through telephone can be a good means of remitting revenue while 45% showed the need for a tailor-made software which can enhance revenue collection. This will streamline the process of collection and hence increase revenue to the Local Government.

5.2 Impact of Community Awareness on Revenue Collection

Community awareness is a key factor on revenue collection. Payers need to understand what to pay, where to pay, when to pay as well as the importance of paying revenue himself and to the community. However, payer must have reasonable trust to tax collectors and must be convinced that, the amount paid is going to be used for the right purpose. Finding on the community awareness on the requirement to pay tax revealed that, only 9% of the respondents either strongly agree or agree on that. The community is aware of the requirement to pay revenue to the local Government while about 60% said either strongly, disagree that, community have enough knowledge on the need to pay revenue. This implies that, the community has not been well educated on the requirement to pay revenue. Therefore, education is required to be given to the community on the need to pay revenue. This is consistent with Kuzilwa's (2007) views whereby he recommended on the role of councillors and staff to educate the society on the requirement for revenue payment.

Not only understanding the requirement can enhance revenue collection but also knowledge on the importance of paying revenue. Findings on the community awareness on the importance of paying revenue revealed that, 65% of respondents either strongly agree or agree that community is not aware of the importance of paying revenue.

This implies that, revenue collection in Kiteto District Council is limited by the low level of awareness of the importance of paying revenue.

Knowledge of the channels for paying revenue; Effectiveness in revenue collection depends on the understanding of the channel of payment of revenue. However, the finding shows that community is not aware of the channels of paying revenue. The problem is critical in the interior where small business owners have low exposure on revenues collected by local Government and those collected by Central Government through TRA. Therefore, most of local businesses are not registered hence pay revenue occasionally.

In spite of the awareness, community trust to the tax collectors plays crucial role in boosting revenue collection. Payers require not only to have knowledge but also to trust the collector and proper use of the revenue collected. Findings reveal that community is not confident with the collectors of revenue as well as the usage of the collection.

Findings on Focus group discussion show that, even few people who are aware of the channel and importance of paying revenue are discouraged due to lack of trust on the revenue collectors. There are a lot of claims on forging receipts which create a picture that, some of the collections do not reach the required destination. Moreover, misuse of funds constrains the collection. Power sanitation and social services provided by local government indicate the improper use of funds by the local authorities which lowers the morale of the people to pay revenue even those who understand the importance and the channel for paying revenues.

5.3 Impact of Workers' Motivation on Revenue Collection

The last objective of the study was to find out the impact of workers' motivation on revenue collection. According to the Local Government Structure worker's salary is determined and structured by the central Government through budget and paid by the central treasury. However, Local Government has authorities to plan motivation scheme and pay allowances and other incentive to workers. In examining the extent to which workers' compensation encourages effective collection, the respondents were requested to indicate the extent to which workers' compensation enhances revenue collection. 761% of the respondents indicated compensation to have enhanced revenue collection to a small extent while 18.8% indicated not at all. Only 5% indicated to have enhanced to a greater extent while 15% said somehow. This implies that workers' compensation has low impact to revenue collection. Moreover, Focus group discussion findings further indicate that, workers are discouraged by low salary and lack of allowances from own sources collected by local government. This is consistent with expectance theory which postulates that, strength of a tendency to act in a certain way depends on the strength of an expectation that, the act will be followed by a given outcome and on the attractiveness of that outcome to the individual. Since revenue collection seems to have no attractive outcome to workers, their performance in collection of revenue becomes low.

Workers' motivation is not limited to salary and allowance. Management approach to workers can motivate workers and improve revenue collection. LGA revenue collection team include accountant in the district revenue section and village and Ward Executive Officers. It includes workers in gate collection and markets who are managed by District executive director. Findings show that, more than 80% indicated management to have contributed either to the small extent or not at all. This is consistent with Fjedstand (2003) which revealed that, councils were not able to collect full revenue because of poor administrative capacity to access the revenue base and poor administrative capacity to enforce the taxes. Establishment Award Scheme is one of the important motivations to workers. It promotes competition and raises the morale of workers to collect revenue. This study assessed the availability and need for award scheme for best revenue collectors in Kiteto District Council. Findings through Documentary review and focus group discussion revealed that there is no any award programme for best revenue collection.

However, respondents indicated the need for award scheme where 92% indicated yes to the question whether, introduction of awards scheme can enhance revenue collection. Moreover, on the type of award proffered findings show that, 41.2% of respondents proffered reward in form of cash/valuabe material, and 41.2% indicated retention of percentage of revenue at collection centre. This also is consistent with expectance theory which suggests that perfomance depends on the attractiveness of the expected outcome which unders this case is a reward from from best revenue collection.

CHAPTER SIX
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

6.1 Summary of the Findings

This study assessed the Challenges Facing Tanzanian Local Government Authorities in Revenue Collection: A Case of Kiteto District Council. It specifically assessed the impact of infrastructure, community awareness and motivation. The General findings show that infrastructure, community awareness and motivation do not contribute significantly in revenue collection. Almost all factors measured revealed very low impact on revenue collection while the trust of community to the revenue collector is quite low. The findings further reveal a great need to adopt new method (electronic) methods in collecting revenue where uses of phone has received great favour to enhance revenue collection followed by introduction of tailor-made software in revenue collection. Only less than 10% of respondents are convinced that there is no need to adopt electronic approaches in the collection of revenue while the remaining percentage proposed the changes. This implies that, despite the need for improvement of infrastructure, creating awareness on the requirement and importance of paying revenue and improvement of workers' motivation. District council are required to shift from traditional way of colleting revenue and turn to electronic approach.

6.2 Conclusion

Infrastructure, community awareness and workers motivation are significant factors in improving revenue collection in local Government. The most important infrastructures are road, electricity and office building with its facilities. However, community awareness enhances the decision of workers to pay revenue. Moreover, workers' motivation is too important to be ignored. Since, all the above factors have shown low impact in revenue collection, local governments need to form strategies to improve the above factor in order to improve revenue collection.

6.3 Recommendations

This study has revealed insignificant contribution of infrastructure, community awareness and workers' motivation in revenue collection. Therefore, the following should be done in order to improve revenue collection in Kiteto District Council and other related districts in Tanzania.

Local government council should prepare enough budgets and improve collection of all revenues related to infrastructure especially road and electricity office.

On the other hand, local government should establish an awareness programme and reach people through public meetings and various media like fliers, radio and television to educate people on the need to pay revenue and its importance in the development of the council and the nation in general. However, they should make sure that revenues are used properly in order to encourage the community to pay.

Finally, Local Government should introduce motivation scheme which will make the workers involved in revenue collection to benefit from revenue collected hence, increase their effort in collecting revenue.

6.4 Areas for Further Studies

This study covered challenges facing local government in collecting revenue; it did not cover the situation in central government. Since Tanzania Revenue Authority has not done enough to ensure effective collection of revenue, the proposed area for further studies is on the Challenges facing Tanzania revenue Authority in collecting revenue.

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APPENDICES

Appendix I

Questionnaire

Dear respondent thanks for your acceptance to share your experience on the study titled "**Challenges facing Tanzania Local Government Authorities in revenue collection**"

This is purely academic work and therefore information that you will provide will be treated with high degree of confidentiality and trust.

Profile of Respondent

I	Respondent Characteristics	Tick One Option
1	Sex	☐ Male
		☐ Female
2	Age	☐ Bellow 18 Years
		☐ 31-40
		☐ 41-50
		☐ 51-60
		☐ 61+
3	Education level	☐ Standard seven and below
		☐ Secondary education
		☐ Certificates/ Diploma
		☐ Bachelor degree (undergraduate)
		☐ Post graduate
		☐
4	Experience (in any career	☐ Bellow 1 years
		☐ 1-3

	you are dealing with)	☐ 3-5
		☐ 5-10
		☐ 10+
5	Working status	☐ Unemployed
		☐ Local Government employee
		☐ Business person
		☐ Farmer/peasant
		☐ Others

Effects of Infrastructures on Revenue Collections in Kiteto District Council

a) Indicate the extent to which the following infrastructure affects revenue collection

NO.	Type of Infrastructures	Level of Contribution
1	How does your road infrastructure enhance revenue collection in your area	☐ Great extent ☐ Somehow ☐ Small extent ☐ Not at all
2	How much does the electricity infrastructure enhances revenue collection	☐ Great extent ☐ Somehow ☐ Small extent ☐ Not at all
3	How does working offices and equipments enhance revenue collection	☐ Great extent ☐ Somehow ☐ Small extent ☐ Not at all

Do you use any electronic means/system in collecting revenue? Yes ☐ No ☐

If no, which form of electronic system can enhance revenue collection in your area? Tick one which is most appropriate

i) There is no any need for electronic system for revenue collection_________

ii) Phone ________________

iii) Any other tailor made software for revenue collection which suit our environment____

Impact of community awareness affect revenue collection in Local Government Authorities

Indicate your level of agreement/disagreement with the following awareness factor that limit/enhance effective revenue collection in Kiteto District. (1) Strongly agree (2) Agree (3) Neither agree nor disagree (4) Disagree (5) Strongly Disagree by putting a tick at the appropriate statement

		1	2	3	4	5
1	Most of people know that they are supposed to pay revenue					
2	People do not know the importance of paying revenue					
3	Local Government do not collect enough revenue because people do not trust the revenue collector					
4	People have knowledge on type of business and product required to pay revenue.					
5	People do not pay revenue because they do not understand the means channel of paying revenue					

Employee motivational factor that affect revenue collections in Local Government Authorities

Indicate the extent to which the following motivational factors affect revenue collection in kiteto district council

No.	Factor	Level of Impact
i	Workers compensation encourage effective revenue collection	☐ Great extent ☐ Somehow ☐ Small extent ☐ Not at all
ii.	Management style of revenue workers enhance effective revenue collection	☐ Great extent ☐ Somehow ☐ Small extent ☐ Not at all

v). Is there any award given for best performance in revenue collection Tick the appropriate Yes....... No..........

vi). Do you think introduction of award scheme for the best tax collection workers and their region enhance effective revenue collection? Yes....... No...........

vii). If yes, which of award can improve revenue collection within the following? Please, rank them according to scale of preference by ranging from the best being 1up to 5 being the least.

a) Verbal praise

b) Prize in form of medal/ Certificate

c) reward in form of cash/ Valuable stuffs

d) Retain certain percentage of revenue at the collection centre