

**USER ACCEPTANCE OF ELECTRONIC FISCAL DEVICE
(EFD) AS A NEW TOOL FOR TAX COLLECTION: A CASE OF
TRADERS ILALA TAX REGION**

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(EFD) AS A NEW TOOL FOR TAX COLLECTION: A CASE OF
TRADERS ILALA TAX REGION**

By

Emiliana Temba

**A Dissertation Submitted in Partial Fulfillment of the Requirements for the
Degree of Master of Business Administration in Corporate Management (MBA-
CM) of the Mzumbe University**

2015

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for acceptance by the Mzumbe University, a Dissertation entitled, “***User Acceptance of Electronic Fiscal Device (Efd) As a New Tool for Tax Collection: A Case of Ilala tax region***” in Partial Fulfillment of the Requirements for the Award of Master of Business Administration (CM)

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DEDICATION

This dissertation is dedicated to my lovely family for their courage and supportive thoughts to this study.

LIST OF ABBREVIATION AND ACRONYMS

DI	...	Direct Tax
ESD	...	Electronic Signature Device
ETR	...	Electronic Tax Register
GFI	...	Global Financial Integrity
IMF	...	International Monetary Fund
IT	...	Indirect tax
ITC	...	International Trade Centre
MOF	...	Ministry of Finance
REPOA	...	Research on Poverty Alleviation
TRA	...	Tanzania Revenue Authority
URT	...	United Republic of Tanzania
VAT	...	Value Added Tax
WB	...	World Bank

ABSTRACT

The study measured user acceptance factors towards the use of Electronic Fiscal Device (EFD). To attain this, the study was guided by the following research objectives that intended to determine the extent to which user involvement on EFD affects their acceptances levels, determine factors influencing user acceptance of EFDs as well as the extent to which the capacity of EFD to meet user needs affects user acceptances.

The study was conducted in Dar es Salaam using Ilala tax region as the case study. The sample size selected was 80 respondents who use EFD and 30 respondents from Tanzania Revenue Authority (TRA). The study used descriptive research design and simple random sampling techniques. The study used interview, questionnaire and documentary review for data collection. Data collected was analyzed by Statistical Product and Service Solution SPSS) or commonly known as Statistical Packages for Social Science (SPSS) version 22.00. Data collected was analyzed into frequency tables, cross tabulations, pie charts and bar charts. Findings revealed that majority of business operators have some partial elementary skills on the usefulness of Electronic Fiscal Device (EFD) in their business. Majority of traders seem to dislike the idea of using EFD 45 (56%) due to the following reasons highlighted by; respondents take long time to process one transaction (Pacing is not comfortable), difficulty in getting maintenance in case traders encounter any problem, high price as well as unreliable network that hinders effectiveness in undertaking transactions. Moreover, respondents seem to be satisfied with the capacity of EFD in storing sale information 62 (78%) as well as simple to discover error 49 (61%). It is recommended that, the following should be done to address the problem: More public education, control of corruption, reduction of EFD price, review of service level agreement as well as reduction of the amount of the charged VAT.

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CHAPTER ONE

INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 Introduction

This Chapter provides the background to the study. The framework of the chapter also considers objectives of the study followed by its significances, limitations and ultimately organization of the study.

1.2 Background to the Study

Taxation is one of the oldest functions of a government in running government affairs. Apart from the cost of running a government, normally there are some services which have to be met by the state. Imperatively, the government has to provide social services, maintain law and order, ensure defense and order of other undertakings which the free market cannot provide or which the state feels are better provided by itself (Fjeldsta,2006).

The government of Tanzania has been striving to improve its tax base and eliminate tax evasion using different attempts, such as various laws and policies such as Income Tax Act, 2004; one of the latest attempts being the introduction of Electronic Fiscal Devices. The Electronic Fiscal Device (EFD) has been introduced to VAT registered traders under the "The Value Added Tax (Electronic Fiscal Device) Regulation, 2010.

Three types of devices were introduced namely Electronic Tax Register (ETR) for retail business that issue receipts manually. Electronic Fiscal Printer (EFP) used by computerized retail outlets. It is connected to a computer network and stores every sale transactions or details made in its fiscal memory. Electronic Signature Device (ESD) is designed to authenticate by signing any personal computer (PC) produced financial document such as tax invoice. The device uses a special computer program to generate a unique number (Signature) which is appended to and printed to every invoice issued by the user's system with the main aim of enhancing VAT compliance.

Since rationalization of government taxes and, in particular, the abolishment of the development levy implies that many district councils lose 40-50 percent of their own generated revenues (REPOA, 2006), this has raised concern among stakeholders at both the local and central levels that necessitated TRA to come out with different reforms for enhancing tax collection.

According to Kitillya (2011), various reforms taken included among others, the following: Review of PAYE Structure; Un-taxable income by July 2010 was US\$ 98 per month, Payment of Taxes through Banks; 97% of total revenue collection was settled under interbank arrangements implementation of interbank arrangements; implementation of TISS Use of ICT systems for Tax Operations, Use of ICT systems for Tax Operations ITAX (includes TIN and e-filing) ASYCUDA++, Computerized Motor Vehicle Registration System, Computerized, Driver's License System and Risk Based Operations reforms were: Enterprise wide Risk Management System, Risk Analyses Studies in trade, Manufacturing, construction, telecomm and financial sectors, TRA Data Warehouse Import /Export Commodity Database and latest is Electronic Fiscal Devices which faced so many rejections (TRA report to the media, 2013)

The idea of the value added taxation (VAT) traces back to the writing by Von Siemens, a German businessman, in the 1920s. Not until 1948, however, was the tax first applied in France. At the beginning, France applied the GNP-based VAT covering up to the manufacturing level and subsequently replaced it with a consumption VAT in 1954. Theory and practice indicate that to be efficient, the VAT must be consumption-typed, broad-based, and applied through to the retail stage.

EFD and Tax collections in Tanzania

With the introduction of EFD since 2010/2011, the government has managed to increase its revenue by 40% by collecting tax of 791 billion (Daily news 20th January 2014). The Parliamentary Public Accounts Committee Chairman, Mr. Zito Kabwe said that with the introduction of EFD the TRA managed to increase Value Added

Tax (VAT) by 63% by raising 1770 billion from 16000 registered EFD users. He further insisted that if EFD could be promoted to be used to at least 20000 users about 3500 billion would be collected (Sunday news, 8th December, 2013).

The essence of introducing EFD was to control tax evasion Empirical evidence about the extent of tax evasion and avoidance for different world regions is also very limited. A new study by GFI estimates that African countries have lost US\$854 billion in cumulative capital flight over the period 1970-2008 (Global Financial Integrity (GFI), 2010).

1.3 Problem Statement

People vary in their orientation towards using new technology. They pose a stiff resistance or lack of confidence in new technology or computer system which affects the business operations (Dasgupta, Granger and Megary, 2002). Since the introduction of Electronic Fiscal Devices (EFDs) as an aid to tax revenue collections in 2010, the Tanzania Revenue Authority (TRA) shows that the machines have been showing considerable difference for the better, especially in the area of Value Added Tax (VAT) collections (TRA annual report, 2011). In a written response to the Business Times, the TRA acting director of Taxpayer Services and Education, Yerehiah Maghi, says that, tax collections from VAT-registered operators have improved since TRA introduced the devices two years ago. For instance, TRA collected a total of Tsh785, 882.4 million in the 2009/2010 financial year, before the EFDs were introduced. By comparison, the Authority collected Tsh791, 462.9 million in FY- 2010/11, immediately following introduction of the devices. Noting that this rise was not phenomenal or dramatic, Maghi attributed this to the fact that the EFDs had not become widely used that early. Significantly enough, in the following year -2011/12 TRA collected Tsh1, 086,374.0 million, about a 40 per cent increase (Business times Andrew Chiwango, January 30, 2014)

TRA claimed to have prepared necessary infrastructure and awareness session to EFD users. It conducted tax education seminars as part of efforts to enhance voluntary tax compliance. The use of an EFD by a trader when issuing a sale receipt to a customer makes it possible for the machine to transmit a message directly to TRA showing details of the transaction. This way, TRA gets to know the sales made each day. Also, at the end of the month, TRA is in a good position to know how much each EFD user has to pay as a monthly VAT obligation. Acceptance of new systems by users is deemed a necessary condition for its success (Venkatesh and Moris, 2003). However, resistance to new system (EFD) by users is a widespread problem in every corner of Tanzania (Guardian, 22 December 2014).

Citizens' willingness to pay taxes and fees is considered to be a major obstacle to enhancing government revenues in sub Saharan African countries including Tanzania. EFD though introduced in 2010 but yet its applicability was limited to 2013 with massive resistance from almost every corner of the country. Though findings from different research shows increased corruption and poor provision of public goods and service hinders citizens' morale in paying tax (REPOA, 2009), on the other hand the government blames citizens for evading tax which calls for this study to understand users' acceptance towards the use of Electronics Fiscal Device (EFD)

1.4 Objectives of the study

The study was guided by the following research objectives

1.4.1 General Objective

Main objective of the study was to determine factors behind users' acceptance of Electronic fiscal Devices (EFD) as a new tool for collecting tax from traders.

1.4.2 Specific Objectives

- To determine extent to which business operators were involved in the establishment of EFDs
- To determine user acceptance factors that describe the current EFD usage
- To determine the extent to which EFDs meet user needs

1.5 Research Questions

The study was guided by the following research questions:

- To what extent business operators were involved in the establishment of EFDs?
- What are the factors influencing user acceptance of EFDs?
- To what extent do EFDs meet user needs?

1.6 Scope of the Study

The study focused on the users' acceptance towards Electronic Fiscal Devices (EFD) at Ilala Tax region, Dar es Salaam, Tanzania. Ilala tax region was purposively selected due to the fact that major trading centers found in the city are located at Ilala. Thus, Karioakoo, city centre and Karume trading areas are areas with massive concentration of traders who resisted the use of EFDs (Daily news, 20 January 2014) which lead to further resistance from other areas.

1.7 Limitation of the Study

The author recognized the existence of so many challenges in the course of data collections, analysis and finalization of the findings. To ensure that reasonable information was collected from the right respondents the study collected data from respondents who were willing to share their business experiences on their acceptance of EFDs. Resistance to respond to questionnaire was observed in many areas due to the fact that EFD is the latest news that creates tensions between traders and TRA. To minimize such resistance principal researcher gave clear elaboration on the purpose and usefulness of the information collected as well as adherence with the confidentiality of data given by both government and traders as protected under Berne convention for protection of literary and artistic works.

1.8. Significances of the study

The study is expected to yield number of benefit to various groups

To scholars

The study is expected to add knowledge to the existing board of knowledge on the subject matters of user acceptance and electronic Fiscal Devices (EFD). This knowledge is expected to open up eyes of scholars on more in-depth study on the various taxation methods and how and why users resist EFDs.

To policy makers

The study will be published for policy makers to access it and in turn it is expected to open up their mind into better ways of ensuring EFDs are accepted by the public in tax collection. Various factors that may act as the key impending factors towards EFD acceptance are determined by this study. Thus, if taken into account, the problem with user resistance with EFD will be minimized and ultimately eliminated.

To traders

The study is expected to act as an open forum for various traders to show areas that need to be improved for them to accept EFDs. Issues raised by traders are very important for the government to use them as a good starting point towards coming with different strategies for resolving them and ultimately reduce user resistance towards EFDs in Tanzania.

1.9 Organization of the Thesis

This study is organized into five Chapters. Chapter one provides introductory party. Chapter two provides theoretical and empirical literature review, while Chapter three presents research methodology that was used to guide the study. Moreover, chapter four presented findings and discussion of the study and the final chapter presented study summary, conclusion and recommendations.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This Chapter presents literature review related to the study. It is divided into two parts. The first part is devoted to the key terms concerned with concept of user and theoretical literature review. The second part reviews empirical literature review from both Tanzania and world perspectives.

2.2 Theoretical Literature Review

This part covers concepts and user acceptance theories explaining user acceptances to new inventions. Theories covered are innovation diffusion theory of user acceptance to technology and Theory of Reasoned Action and Theory of Planned Behaviour.

2.2.1 The Concept of User Acceptance

For present purposes, user acceptance is defined as the demonstrable willingness within a user group to employ EFD for the tasks it is designed to support. Thus, the concept is not being applied to situations in which users claim they will employ it without providing evidence of use, or to the use of a technology for purposes unintended by the designers or procurers or intended purposes can be modeled and predicted. Lack of user acceptance is a significant impediment to the success of new inventions (Gould, 2006). In fact, users are often unwilling to use systems which, if used, would result into impressive performance gains. Therefore, user acceptance has been viewed as the pivotal factor in determining the success or failure of any information system project (Davis, 1993).

2.2.2 Innovation Diffusion Theory of User Acceptance on New Technology

Theoretical perspective on technology acceptance is innovation diffusion theory, which has been applied at both individual (Rogers, 2010) and organizational (Zaltman et al.2010,) levels of analysis. Its primary intention is to provide an account of the manner in which any technological innovation moves from the stage of invention to widespread use (or not). Though not concerned with Electronic Fiscal Device exclusively, diffusion theory offers a conceptual framework for discussing acceptance at a global level.

Diffusion theory posits five characteristics of innovations that affect their diffusion: relative advantage (the extent to which a technology offers improvements over currently available tools), compatibility (its consistency with social practices and norms among its users), complexity (its ease of use or learning), trial ability (the opportunity to try an innovation before committing to use it), and observability (the extent to which the technology's outputs and its gains are clear to see). Each of these characteristics on its own is insufficient to predict either the extent or the rate of diffusion, but diffusion studies have demonstrated that innovations affording advantages, compatibility with existing practices and beliefs, low complexity, potential trial ability, and observability, will be more extensively and rapidly diffused than an innovation with the cluster of opposite characteristics (Rogers,2010). Innovation diffusion theory suggests that factors at the level of the individual user are also important.

Rogers divides technology or innovation adopters into five categories depending on their speed of uptake: innovators, early adopters, early majority, late majority, and laggards. Such distinctions could be seen as somewhat fuzzy, not least because any distribution over time could be so divided. However, Rogers plots these categories over a normal distribution where each major category (innovators and early adopters are combined into one for this purpose) represents a standard deviation of dispersion. Accordingly, the division between early and late majority is the mean, with laggards and late adopters constituting 50% of the population. On this basis, Rogers estimates that early adopters and innovators jointly make up only 16% of the total population. Early adopters have disproportionate influence over the adoption of any technology, and profiling studies of these categories have revealed a number of personality (e.g., risk-taking, adventure seeking) and socioeconomic (e.g., wealth, education) variables that supposedly distinguish their members.

2.2.3 Theoretical Approaches to Understanding the Psychology of User

Acceptance

Acceptance has been conceptualized as an outcome variable in a psychological process that users go through in making decisions about new technology (Rogers, 2010). It is necessary to understand the dynamics of human decision making in the

context of accepting or resisting technology which seeks to predict how users will react to new technologies.

2.2.3.1 The Theory of Reasoned Action and Its Derivatives in User Acceptance

Fishbein Ajzen's Theory of Reasoned Action (TRA 1980) in the social psychology literature defines relationships between beliefs, attitudes, norms, intentions, and behaviour. According to this theory, an individual's behaviour (e.g., use or rejection of EFD) is determined by one's intention to perform the behaviour, and this intention is influenced jointly by the individual's attitude and subjective norm, defined as "the person's perception that most people who are important to him think he should or should not perform the behaviour in question" According to TRA, attitude towards a behaviour is determined by beliefs about the consequences of the behaviour and the affective evaluation of those consequences. Beliefs are defined as the individual's subjective probability that performing a given behaviour will result into a given consequence. Affective evaluation is "an implicit evaluative response" to the consequence; thus the attitude construct in TRA is general in nature and is not anchored to any given set of belief. This approach represents an information processing view of attitude formation and change which states that external stimuli influence attitudes only through changes in the person's belief structure

However, attitude alone does not solely determine behavioral intentions. Intentions are determined also by subjective norms, which, in turn, are determined by an individual's normative beliefs and motivation to comply with perceived norms. The end result is a generalized model for understanding the determinants of human behavior in situations where people may exert their choices. The model has been used to make accurate predictions of human choice in situations as diverse as voting in elections (Bowman 2002)

2.2.3.2 Theory of Planned Behaviour

The Theory of Planned Behaviour (TPB) (Ajzen, 1985, 1991) is a descendant of TRA and adds a third antecedent of intention, perceived behavioral control, to the TRA model. Perceived behavioral control is determined by the availability of skills,

resources, and opportunities, as well as the perceived importance of those skills, resources, and opportunities to achieve outcomes. Perceived behavioral control has been viewed to be close to Bandura's (1982) self-efficacy belief concept (Ajzen, 1991). TPB holds that attitudes, subjective norms, and perceived behavioral control are direct determinants of intentions, which in turn influence behaviour.

In attempting to apply TPB (which, like TRA, is a generalized model), a Decomposed Theory of Planned Behaviour (Todd) has also been examined in the IS literature which attempts to identify and model the specific antecedents to attitude, subjective norm, and perceived behavioral control relevant to IT use. Taylor Todd suggests perceived usefulness, perceived ease of use, and compatibility as antecedents of attitude (largely consistent with TAM). In addition, they suggest that peer influence and superiors' influence are antecedents of subjective norm. Finally, they model self-efficacy, resource-facilitating conditions, and technology facilitating conditions as determinants of perceived behavioral control.

Theory of planned behaviors illustrate that the behaviour of traders toward accepting the use of EFD is largely determined by availability of relevant skill on its usefulness as well as perceived opportunities to achieve outcome from using such devices.

2.2.4 Political Legitimacy Theory

According to the political dependency theory, tax compliance is influenced by extent that citizen that trust their government (Teyler, 2006, Aymar, 1999). Legitimacy could be described as belief or trust in the authorities, institutions and social arrangement to be appropriate, proper, just and work for common goods. Political scientist have addressed how political legitimacy and civic identification are fostered, Person (2008), argues that Africa countries that upon independent emphasized building national over ethnic identity were successful than those who allowed ethnicity to become the main animus of politics. Thus, with the political legitimacy theory it can reflect the extent to which political acceptance determined users acceptances toward electronic fiscal devices since a community that supports government efforts in collecting revenue will always support its new strategies for

more revenue collection. Much resistance towards the use of EFDs may be due to, among other factors, the extent to which traders are motivated or otherwise to support the government efforts in increasing its revenue from them.

2.4 Empirical Studies

This part covers what others have discovered on acceptance of the EFDs and several studies that explored and examined user acceptance on various technologies.

Research on Poverty Alleviation (REPOA, 2009) intended to investigate citizens' views on taxation in Tanzania based on data from two citizen surveys conducted in six councils in Tanzania during 2003 and 2006. The studies were guided by the key questions intending to find out what changes if any can be observed with the respect factors impacting people willingness to pay taxes or not and what did ordinary people consider to be the major challenge in improving the taxation system in 2003 and 2006. To attain this, the survey used 1260 respondents from 42 villages. The study findings revealed that people views on taxation were much positive in 2006 compared to three years earlier. Major factors accounted for such positive views was improvement in service delivery like education, health, law and order and much more due to reforms which have lead to less oppressive revenue collection. However, corruption was pointed out to be the major problem in both surveys with implication to their trust in government intuition and officials and thus their willingness to pay taxes and fees. The study concluded for showing that, citizens demand tougher actions against corrupt officials and more information on revenue collected and how the revenues are spent. However, the study did not seek to find out any technological changes that could improve tax collections in the country which calls more for this study to uncover the truth as to why people are not willing to use EFD devices.

Ali and fjeldad (2012) conducted a study on factors affecting tax compliant in Africa using Tanzania, Uganda, South Africa and Kenya. The study used attitude and perception data from around five of afro barometer survey, using binary logic regression in factors that are correlated with tax compliance attitude in the four countries. An increase in perception of individual about the deficiency in evading taxes is found to increase the likelihood of tax compliant attitude in Kenya and South

Africa. The study also found evidence that individuals who are more satisfied with public service provision are more likely to have a tax compliant attitude in all four countries. However, frequent exchange for protection affects the readiness of an individual's tax compliant attitude. Further, these individual who perceive that their ethnic group is treated unfairly are less likely to have a tax compliant attitude. Tanzania and South Africa tax knowledge also significantly correlated with tax compliant attitude in the same countries.

Agarwal and Singh (2011) in their study intended to identify similarity and dissimilarity in the perception of the taxpayers regarding the returns and assessment aspects under VAT in Assam and to locate the issues of similarity and differences in the perception. The study was based on the primary data collected from the taxpayers of Tinsukia town of Assam by the means of questionnaire. It was found that the perception of the taxpayers regarding the returns and assessment aspect was equally divided, favourable for certain aspects and unfavourable for certain aspects. Thus, there is a need for social marketing tool to educate the taxpayers in respect of the items of which their perception is unfavourable.

Grandcolas (2004) stressed upon the need for resources to be devoted to preparing appropriate legislation, developing administrative procedures, training staff, registering taxpayers, and educating both taxpayers and the public regarding the operation of the new tax. Jen-Ruei Fu (2004) found that the knowledge and information of the taxpayers help them in understanding the tax related matters in a better way. Turnier (1994) advocated for the special treatment to the smaller firms with respect to the compliance with the VAT related matters. Khadka (2000) talked about the efficient tax administration system for VAT.

An early meta-analysis of the innovation diffusion literature found that three of these characteristics had the greatest influence on adoption: compatibility and relative advantages were positively related to innovation adoption ($p < .05$), while complexity was negatively related to adoption at marginally significant ($p < .062$) levels (Tornatzky & Klein 2006). However, the authors criticized the then current conceptualizations of these constructs. Relative advantage, in particular, was cited as

especially ambiguous because the criteria used to judge what is "advantageous" is often not defined (e.g., an innovation could be advantageous because it costs less or is less complex).

In examining and extending these characteristics in a context specific to information technology (IT), Benbasat (2006), reports an extensive effort to develop an instrument which can be used to evaluate user perceptions of IT innovations. Their results suggest that the most important perceived characteristics of an IT innovation which affect decisions regarding use are: voluntariness of use, image ("the degree to which use of an innovation is perceived to enhance one's image or status in one's social system,"), relative advantage, compatibility, ease of use, trial ability, result demonstrability, and visibility. These results lend at least partial support to Rogers' factors, but add important emphasis on variables related to discretion and ease of use.

This approach seems to have direct relevance to studies of Electronic Fiscal Device (EFD) acceptance in Tanzania. Wetherbe (2006) showed that the cumulative adoption distribution of EFD's usage closely follows a sigmoidal, S-shaped curve, as predicted by innovation diffusion theory. Thus, TRA in evaluating EFD uses by traders must be cognizant of the user base for which the tool is both designed and purchased. For a tool that will be used throughout the country, it is reasonable to expect that a protracted period of time may be required before all users are "up to speed" on how to use the tool effectively. Understanding users who are likely to be "laggards" is important; intervention strategies (i.e., extended training) can be designed with those users in mind.

Section 26(3) of the VAT Act, 1997 requires the taxable person to lodge the VAT Return to the VAT office by the last working day of the month following the month of business. It also requires the taxable person to lodge his return to the VAT office within the time determined by the Commissioner by notice in writing (in particular cases). Section 27 of the VAT Act, 1997: provides for automatic penalties without recourse to the courts, if tax returns are not lodged on time. The imposition of automatic penalties saves time, which could have been spent in prosecuting such cases in the courts of law. It also saves time in terms of tax administration. Section

28 of the VAT Act, 1997 Sub-sections (1) & (2) provides for interest to be charged automatically at the commercial bank lending rate of the Central Bank plus 5% per annum, if payment is made after the due date. The aim of these provisions is to discourage delay in making tax payments and returns to the Government. Sub-sections (3) and (4) these provisions are also important if the Government revenue income is to be improved or maintained. The interest payable, while it remains unpaid, attracts interest as if it forms part of the unpaid tax. Section 31 of the VAT Act, 1997 provides for all monies owing to the Commissioner General to be recovered as a civil debt. The effective enforcement of debts is essential if revenue flow is to be maintained. Section 32 of the VAT Act 1997 provides for VAT debts of a taxable person to be recovered from any funds of the taxable person held by another party. e.g. a bank or a customer of the taxable person. Section 33 of the VAT Act, 1997 authorizes the Commissioner to request immediate payment of tax where there are grounds for believing the tax is at risk. It acts against taxable persons increasing their tax liabilities before the due date for tax payment with little chance of being able to pay on the due date, either willfully or through negligence. Section 34 of the VAT Act, 1977 provides for distress action on the authority of the Commissioner, for any tax or interest due from a taxable person, which remains unpaid, or where the taxable person refuses to pay the tax assessed by the Commissioner, Section 34 (6) makes it an offence to interfere with items on which distress has been levied.

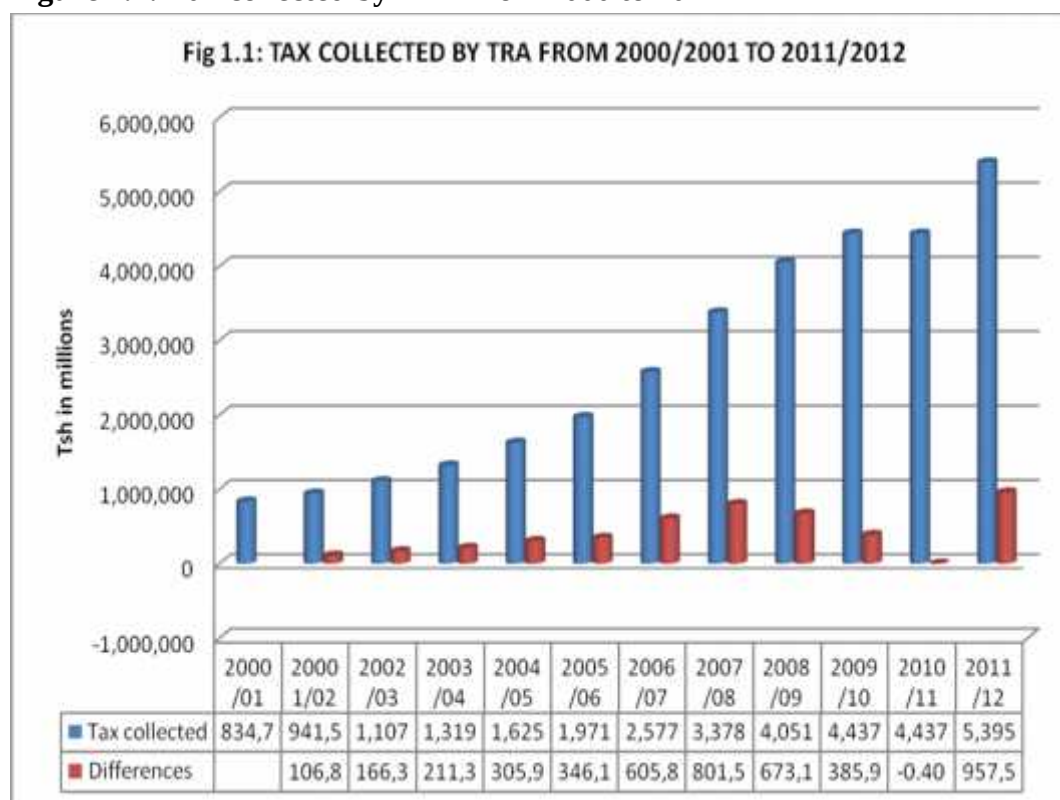
Section 37 of the VAT Act, 1997 requires anyone involved with supplies or imports, to produce books, records, accounts, any correspondence relevant to the transactions and to furnish information about them. The provisions also relate to records and information stored on computer. Failure to comply with the requirements of this section is an offence. An authorized officer may take copies of any records or documents, or remove them, providing a receipt, if he does so. The person from whom the records or documents are taken will be provided with copies, without charge, if they are needed for the business. Compensation will be paid if anything removed is lost or damaged. Section 39 of the VAT Act, 1997 authorizes an officer to enter business premises and examine goods and business records thereon,

including records held on computer. It also provides for search of premises where a magistrate is satisfied that there is a reason to believe that there has been a tax fraud and that the goods involved, or evidence of the fraud are on the premises. Section 43 of the VAT Act, 1997 authorizes assessments of tax to be made when there are grounds for believing that a tax return is incorrect, or a tax return has not been made by the due date, or a taxable person has not kept proper and adequate records for his business.

2.5 EFD and Tax Collection in Tanzania

The government of Tanzania under TRA has been collecting tax with increasing rate each year but minimal incremental which necessitated the need for EFD. Figure 2.1 shows the tax collected in each year from 2000 to 2011 (Source Tanzania Revenue Authority data from 2000 to 2011).

Figure 2.1: Tax collected by TRA from 2000 to 2012



Source: Tanzania Revenue Authority (2000-2011)

Figure 2.1 above shows that according to TRA data from 2000/2011 the amount of tax collected increases at increasing rate. However, the huge increment was from 2010/2011 to 2011/2012 resulting from among other factors the introduction of EFD devices. EFD seems to be effective in enhancing tax collection from registered traders; however, it gained massive resistance from all most all corners of the country. According to TRA, there are at least 14,000 EFDs that are currently in use across Tanzania, and the target is to cover all the VAT-registered traders in the country, who are estimated to number 17,000. Despite the fact that TRA has enjoyed such increase in Value Added Tax (VAT) collections over the period of time much objection has been raised in almost every trading centers in Tanzania. Major concern of traders is on cost of EFD devices which seems to be high but the ministry of finance under Ms. Saada Mkuya responded that TRA is charging the lowest price over other countries compared to the gains enjoyed as well as benefits to its users (TRA report on EFD, 2015).

User acceptance on Electronic Fiscal devices has been a key challenge in Tanzania. Traders complained to the government that they cannot afford to buy the device and they have been harassed by the TRA (Guardian 31 December 2013). Due to this they have been resisting by closing their shops after efforts to meet the authorities over their concerns proved failure. However, on the part of TRA they believe the strike to be masterminded by a few notorious businessmen despite of series of seminars offered to traders. Major concerns of traders rely on high price of EFD which seems to bring different view from government, traders, economists and politicians. The government under minister of finance insisted that the price is still low compared to other countries as listed on the list below (TRA website).

In most Sub-Saharan African (SSA) countries, revenue generation is negatively affected by the existence of large growing informal sector, high tax evasion, and weak tax administration (ESRF, 1997; Tadesse and Taube, 1997). The lowest revenue collection problem is also linked to misreporting actual sales and incomes by registered enterprises hence pay low taxes or evade taxes (Tadesse and Taube, 1997). Moreover, many small and medium scale enterprises and self-employed

professionals such as professional consultants are rarely registered as tax payers and therefore don't pay income taxes. This brief highlights the tax evasion problem related to professional service providers in Tanzania due to the weakness of the existing laws and practices related to collecting withholding taxes from professionals, it provides a comparison with other EAC member states in terms of withholding tax collection for professionals where in other EAC member states the tax is collected at the source while only in Tanzania the opposite is the case leading to loss of tax revenue to the government. Finally the paper provides some recommendations to reverse the situation.

While tax revenues in OECD-countries amount to almost 36 per cent of gross national income in 2007, the share in selected developing regions amounts around 23% in Africa (in 2007) and 17,5% Latin America (in 2004)³. Nonetheless, tax revenue has increased over time in many low-income countries. However, this development is mostly due to increased revenues from natural resource taxes, e.g. income from production sharing, royalties and corporate income tax on oil and mining companies and cannot be interpreted as a sign of an improved tax system or administration.

The strength of any government depends on among other things its capacity to collect tax and control its expenditure. The power to collect tax is invested to central government in Tanzania. The Central Government has two primary avenues of budget resources: domestic revenue, which includes both tax and non-tax revenues; and External Assistance, which comprises of grants and loans from bilateral or multilateral agencies (Revenue and taxation Policy, URT). These tax revenues are collected by the Tanzania Revenue Authority (TRA), an executive agency under the Ministry of Finance that was established in 1996. The TRA is mandated to collect major taxes including Income Tax, Value Added Tax, Import Duty and Excise Duty.

From 1992, Tanzania faced serious fiscal problems arising from the gap between stagnant revenues and public expenditures swollen by large government expenditures. International development Association (IDA) reports, 2006 on Tax reforms in Tanzania showed that despite the establishment of the Tax Revenue Authority (TRA) in 1996, tax collection revenue remained dismally low in 1997/98;

Tanzania's tax revenue of 12.4 percent of GDP was among the lowest in the region. Tax evasion was endemic as a result of institutional weaknesses in the TRA, poor infrastructure, and antiquated business processes.

Since the adoption of the World Bank IMF supported Economic Recovery Program (ERP) in 1986, the Government of Tanzania has undertaken various policy reform measures, including trade and exchange rate reforms, banking and financial sector reforms, and reforms in agricultural marketing. It has also embarked up on a comprehensive tax reform process. While piecemeal reforms of particular taxes have been going on since the late 1960s, the Government appointed a "Commission of Enquiry into Public Revenues, Taxation and Expenditure" in October 1989 to study and review the central and local government tax systems and its administration, and make recommendations.

In December 1991, the Tax Commission offered a proposal for reformation of the Tanzanian tax system.

The proposal shares several features with reforms that have taken place or are to be implemented in other countries since the mid-1980s (Fjeldstad, 1995). The Commission recommended reducing the marginal tax rates on personal and company income, to broadening the tax base by eliminating exemptions and to introduce more efficient enforcement mechanisms, to introduce measures to simplify the tax system, and, more controversial, to introduce a value-added tax.

For a long time, tax has been a major source of government revenue for most countries in the world. The structure is generally composed of direct and indirect taxes. For direct taxes the factors that produce incomes are assumed to pay the taxes while for indirect taxes the house hold or firms that consume taxed items are assumed to pay the associated taxes (Obwona & Muwonge 2002). Direct taxes often include corporate tax, income tax (PAYE, withholding tax, rental income tax, presumptive income tax, while indirect taxes include; taxes on domestic goods and services like the Value added Tax (VAT), excise taxes on the so called merit goods (e.g. Cigarettes and beer), tax on imported goods etc. Tax collection in the country is

still below the international standards of being above 30% of the GDP and currently it amounts to around 18% of the GDP (Clknet report on cubing tax by professional service provider in Tanzania, 2013). However, according to the current data, tax revenue collection contributes to around 53.3% of the total government budget while non-tax revenue mainly collected by the local governments is still as low as only 4.3% (TRA, 2013). The budget estimates for year 2012/2013 showed that Tax revenue expected for such period of time amounted to 53.3% from tax revenue, domestic and foreign loan 19.1%, non tax revenue 4.3% and foreign loan grants 26.9%(MFEA,2012/2014) . These data show that much need to be done to increase tax collections.

The International Tax Compact (ITC) report, 2010 on addressing tax evasion and tax avoidance in developing countries shows that most developed countries including Tanzania are characterized by a broad base for direct and indirect taxes with tax liability covering the vast majority of citizens and firms. Developing countries, in contrast, are confronted with social, political and administrative difficulties in establishing a sound public finance system. As a consequence, developing and emerging countries are particularly vulnerable to tax evasion and avoidance activities of individual taxpayers and corporations. This can be considered one of the primary reasons for large differences in the ability to mobilize own resources between developed and developing countries.

Thus, taxation is the primary source of revenue at all levels of government. Therefore, by all standards, taxes are inevitable due to their inherent advantages over other sources of revenue. For example, grants result into loss of liberty for the grantee government; the creation of new money is inflationary in nature; borrowing is to shift the burden to future generations; but by imposing taxes the government is not indebted to the taxpayers since there is no quid pro quo as to tax and the government is not obliged to render individual account on how it has spent her money, but rather to spend that money for the benefit of the people (Ebrill et al. 2001). In carrying out this function (of raising revenue), government formulates tax policies, enact tax laws (statutes), and translates these policies and statutes into the desired tax structure and administer its attainment (Ebrill, 2001).

In this regard, the government has to raise revenues to cater for such expenses thus, government finance is all about budgeting the revenue and expenditure of government. The government financier normally has five sources to choose from namely: taxes, the sale of goods and services, grants, the creation of new money and borrowing (Pashev, 2005). There is no universal formula of how the government should raise such revenue to cater for government expenses, but in most cases the government relies on taxes as a major means of raising such revenue. Therefore, out of the five sources from which the government can raise her revenue, taxation is a handmaid for raising revenue to meet government expenditure.

In Tanzania, TRA's new EFD system became effective on July 1, 2010 (Finance Act, 2010). The system aims at allowing the taxman to get correct sales information from business people; reduce tax collection costs and helping business people to comply with the Value Added Tax (VAT) regulations among others.

Tanzania government under Tanzania Revenue Authority (TRA) has been working hard to increase tax collection. However, various difficulties in tax collection lead to introduction of different reforms for the purpose of increasing revenue collection as well as controlling tax evasion. One major TRA tax collection problem is the inability to collect fully the revenues due to them. In most areas there are huge gaps between reported and projected revenues (REPOA, 2005). Study by REPOA concludes that this is due to: poor administrative capacity to assess the revenue base, poor administrative capacity to enforce the taxes, explicit and intentional tax evasion and resistance from taxpayers, corruption, including embezzlement of revenues, external pressure on the local finance department to provide optimistic projections; and political pressure on the local tax administration to relax on revenue collection (Fjeldstad, 2005).

In a study by Ebrill (2001) it was shown that there are interlinks between the VAT performance of a country and its level of development. The revenue gains from VAT are likely to be higher in an economy with higher level of per capita income, lower share of agriculture, and higher level of literacy (Ebrill et al. 2001). VAT

proves to be an efficient tool for revenue collection; its performance, therefore, has direct impact on fiscal mobilization, macroeconomic stability, and development.

According to Regulation 10 (2) of the Value Added Tax (Electronic Fiscal Devices) Regulations, 2010 all taxable persons are not allowed to conduct or operate any business undertaking within Mainland Tanzania without using Electronic Fiscal Devices. In order to minimize the cost of implementing the regime, the Government meets the cost of purchasing the devices by refunding.

Government under TRA promotes the usefulness of EFD with the following arguments: It has in-built Fiscal Memory which cannot be erased by mechanical, chemical or electromagnetic interferences; Automatic self-enforcing Issuing of daily “Z” report after every 24 hours; Transmits tax information to TRA system automatically; It has irreversible date mechanism Issues fiscal receipts/invoice which is uniquely identifiable, It can be used as a stand-alone and configured into a network; It has at least 48 hours power backup, and it can use external battery in areas with no electricity supply; It saves configured data and records on permanent fiscal memory automatically as well as memory capacity that stores data for at least 5 years or 1800 day transactions (TRA,2014).

2.6 Research Gap

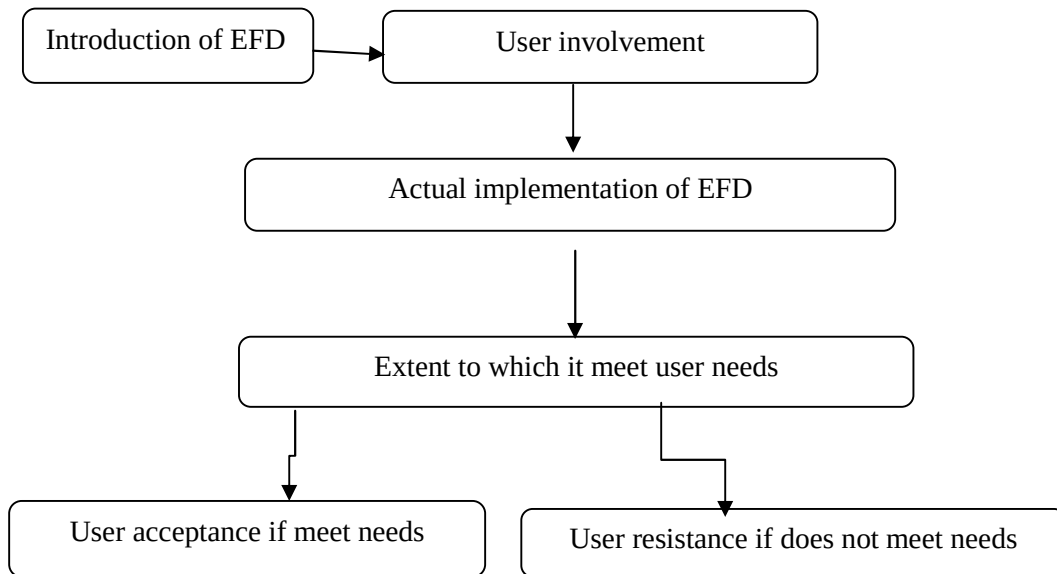
User acceptance towards new technology is deemed to be a necessary condition towards successful implementation of any new technology (Kearney, 1997). The success or failure of EFD is largely determined by among other factors the extent to which it will be accepted by traders. Various studies have been conducted to account for user resistance toward new technology which end up on the traditional findings of user resistance towards paying tax. The gap observed from failure to account for key factors for user acceptance with EFD necessitated the need for this study.

2.7 Conceptual framework for the study

The conceptual framework for this study was guided by three specific study objectives that intended to determine extent to which trader /EFD user were well

involved in all stages of EFD implementations, The extent to which EFD managed to meet user needs after full implementation of the device. The model is shown by figure 2.2 below

Figure 2.2: Conceptual frame work for the study



Source: Researcher own developed model, 2015

The model consist of three major variables namely user involvement, user acceptance factors and degree to which EFD meet user needs. The model shows that user acceptance with the EFD is the interplay of the following three variables:

User involvement: The model shows that user involvement in the introduction and implementation of EFD through giving education to user, collecting user suggestions and resolving issues raised by users is deemed to be a necessary condition toward preparing user towards developing positive attitude with the EFD. Sometimes user may reject the new changes simply because they were not involved hence lack sense of ownership and look it as a threat rather than opportunity to their business and future development of the Nation. Thus for EFD to be effectively accepted by user one of the precondition was to not ignore user suggestions and involve them to the fullest extent.

Extent to which the device meet user needs: The second factors that was considered necessary for user acceptance with EFD was the extent to which the device meets their needs in terms of controlling sales volume and determine sale reports that cover user needs as well as being reliable and easy to maintain. Thus if the EFD meet user needs it is likely that majority of traders will prefer it over traditional methods. On the other case if it cannot meets user needs, it will be rejected all the time.

User acceptance factors: The third variable shows that user accept the device if is good for information storages, it is easy in discovering errors, pacing is comfortable as well as maintenance is done automatically. The inverse of this will lead to user resistance with the device and ultimately failure of the device.

Thus three variables used in the model are independents showing that the extent to which one variable let say user involvement is achieved gives the good start to the other stage let say meet user need hence if it succeeded in meeting user needs it will automatically lead to user acceptance towards the device.

Thus the current user resistance with EFD may be formed by failure in both or either of the three key factors.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter explains various methodologies that will be used in gathering data and analysis which are relevant to the research. The methodologies will include areas such as the location of the study, research design, sampling and sample size, types of data, data collection method and its management.

3.2 Area of Study

The study was carried out in Ilala tax region, Dar es Salaam where main trading centers are located. Moreover, large numbers of traders are found in Dar es Salaam especially Ilala municipality. The rationale behind this choice is from the sense that Ilala is the only municipal with many trading centers over others in Tanzania, main trading centres like Kariakoo, City centre (Posta), Karume, and so forth are located at Ilala. Hence, there is a possibility of obtaining all necessary and relevant data from these from registered VAT traders over these areas.

3.3 Research Design

This study used descriptive research designs. It is opted because it is capable of providing answers to the questions of who, what, when, where, and how associated with a particular research problem (Martyn, 2008). Descriptive research is used to obtain information concerning the current status of the phenomena and to describe "what exists" with respect to variables or conditions in a situation (Martyn, 2008). In this sense it accounted for user acceptance factors toward the usefulness of electronic Fiscal Devices (EFD) in Tanzania. Descriptive research is often used as a pre-cursor to more quantitative research designs, the general overview giving some valuable pointers as to what variables are worth testing quantitatively. Descriptive studies can yield rich data that lead to important recommendations.

3.4 Population of Study

According to hatch, (2002), target population refers to the entire set of units for which the survey data is to be used to make inference. It stands for eligible population that is included in the research; it should be the group of individuals who

meet the criteria. For the case of this, the study used VAT registered operating at Ilala tax region who have been in business for the last one year. VAT registered traders are included because they are the ones obliged to pay Value Added Tax through EFD under the Value Added Tax (Electronic Fiscal Device) Regulation, 2010 - Subsidiary Legislation, Government Notice No. 192 published on May 28, 2010, and enshrined in the Finance Act 2010 (URT).

3.5 Sample and Sampling Procedure

3.5.1 Sample Size and Type

Sample refers to the subset of the population that is selected for the study. It is the small group of respondents/subjects drawing from the population in which the research is interested in gaining information and drawing conclusion from (Miles & Huberman). A sample is used because of time, cost constraints and workload (Chaturvedi, 2005). For the case of this study simple random sampling techniques was employed, only for respondents who meet the criteria stipulated under Income Tax Electronic Fiscal Devices Regulations, 2012 (URT) i.e. With annual revenue of not less than 14 million per year and registered traders are included. The use of randomly sampling techniques allowed every trader to have equal chance of being involved or not under the study. Simple randomly sampling technique was employed in selecting traders at different trading centers for instance Kariakoo where many SMEs are operating over all areas in Tanzania hence they were chosen randomly but only those who met the requirements were analyzed for the final report.

Sample Size

$$ss = \frac{Z^2 * (p) * (1-p)}{c^2}$$

Where:

Z = Z value (e.g. 1.96 for 95% confidence level)

p = percentage picking a choice, expressed as decimal

(.5 used for sample size needed)

c = confidence interval, expressed as decimal

(e.g., .04 = ± 4)

From the formula above, the confidence level chosen was 95%, number of registered EFD users at Ilala tax region were 19049 TRA data, (2014) with the percentage of 60. The proposed sample size with the above calculation was 110 respondents where 80 respondents were business operators and 30 staffs from TRA and ministry of finance. In total a sample of 110 respondents were used from both registered VAT traders, ministry of finance and TRA staffs under VAT department.

3.6 Research Method

The study used three key data collection instruments namely, Questionnaire, Interview method and Documentary Review.

3.6.1 Interview

Primary data were collected by the aid of interview method. Respondents were given open questions to give their views and suggestion on what were the factors accounting for different views on user acceptances toward the use or not to use Electronic Fiscal Device (EFD). Respondents were given free ground to share their experience with what they had observed since the emergence of riots from registered VAT traders. Interviews were particularly useful for getting the story behind a participant's experiences. The interviewer can pursue in-depth information around the topic. Interviews may be useful as follow-up to certain respondents to questionnaires e.g., to further investigate their responses (McNamara, 1999).

3.6.2 Questionnaire

Based on the nature of the study, questionnaire was employed to trap information to be used in the analytical part of the study. This helped to get an in-depth understanding of user acceptance factors towards the EFD. Respondents were given set of open ended as well as closed ended questionnaires to fill. First-hand information was collected by means of questionnaire. Sampled VAT registered traders were given set of questionnaires intending to measure their awareness levels as well as their degree of acceptance towards the use of EFD. Questionnaire was

used because resources are limited and the study needed data from many people. Questionnaires are also helpful in gathering information that is unique to individuals, such as attitudes or knowledge. Moreover, Questionnaires are helpful in maintaining participants' privacy because participants' responses can be anonymous or confidential (Hermann and Powell, 2000). This is especially important in gathering sensitive information like the recent resistance on using EFD in the country which are confidential business information that need adherence with trade secret rules.

3.6.3 Observation

The principal researcher collected primary data by acting as a customer in order to observe what real happens in the actual business environment. This was possible by purchasing a number of products and requesting an EFD receipt to see whether they real issued receipts in every transaction. The principal researcher hid her true identity and pose as other customers so as to have true picture of what is happening at various trading centers. With this instrument it was possible to see the true situation of what is happening hence easy to make comparison with what is written as well as what has been said by traders and the government through Tanzania Revenue Authority. The information collected from this observation was used to add reasonable elaboration to what has been said by the TRA, Ministry of finance and traders during the interview and interview session.

3.7 Ethical Issues and Consideration

The study considered all ethical issues from data collection, analysis to final report writings. Cohen et al (2000) argues that ethical principles in conducting research includes acquiring research clearance permit, the informed consent of participants as well as maintaining confidentiality. From the earlier step of writing this proposal the ethical issues were taken into account. Moreover, respondents were assured of reasonable confidentiality of information collected and the usefulness of such information. The researcher recognizes the importance of handling trade data since every trader is looking for relevant data in order to stabilize competitively. Respondents were assured of general information on EFD that do not affect their business and that, they were collected for education purpose and not otherwise.

3.8 Reliability of Data

Reliability has to do with how someone will answer the same question overtime (Mbamba). Since data were analyzed to give correct research data input, the respective findings or outputs were subjected to a reliability test. Morgan and Waring (2004), define reliability as a state that exists when data are sufficiently complete and error free to be convincing for their purpose and context. The researcher applied SPSS, Cronbach's Alpha numerical coefficient or reliability tools for assessing the reliability of scales. This aided determination of internal consistency or average correlation of items in a survey instrument aimed at gauging reliability.

Computation of alpha was based on reliability of a test relative to other tests with the same number of items, and measuring the same construct of interest (Morgan and Waring, 2004) Alpha coefficient ranged in value from 0 to 1 and was used to describe the reliability of factors extracted from dichotomous (that is, questions with two possible answers) and/or multi-point formatted questionnaires or scales (i.e., rating scale: 1 = poor, 5 = excellent). The higher the score the more reliable the generated scale, where 0.7 is an accepted reliability coefficient. Forza (2002) quoted Nunnally who stated that new developed measures can be accepted with $\alpha = 0.6$ otherwise, 0.7 should be the threshold with $\alpha = 0.8$ is very reliable. In this study, reliability was conducted using Cronbach's Alpha test using SPSS. Reliability measure of 0.744 was found, which implies that the data are very reliable and above the minimum of 0.7 set by the rule of thumb.

3.9 Validity

Validity is concerned with whether findings are really about what they appear to be about, (Saunders et al 2003). Validity aspect was observed in this research during planning and implementation stages. During the planning stage, the supervisor was consulted to check the questionnaire before actual data collection. All questions were pretested in the relevant study areas. Testing of questionnaire was done to ensure the data collected are valid.

3.10 Data analysis Procedure

Data collected from different sources were cleaned, processed and analyzed for discussion. Statistical Packages for Social Science (SPSS) computer software was employed in analyzing data. Frequency tables, cross tabulations, histograms and bar graphs were generated depending on the nature of the data that was collected during the survey. Statistical packages for Social Science (SPSS) SPSS was used because it provides a high level of readability and a class tested text as well as examples using screen shots and step-by-step procedures for successful completion of data analysis.

Due to the fact that most of the data were qualitative, just tabulation (particularly frequency and cross tabulation) have received great emphasize. Likert scaled questions however were intended to provide weight to the answers so as to allow quantitative analyses to be undertaken. This is to imply that both quantitative and qualitative analyses played part in establishing the findings of the study. The tabulation has established both descriptive statistics which include sums and frequencies. Therefore, the process of data analysis has depended by and large on tabular presentation of data. Most important, the analyses were based on the problem statement and research objectives.

CHAPTER FOUR

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.1 Introduction

The chapter presents results and discussion. It has the following sections: The first part presents the demographic characteristics of respondents followed by presentation of the findings in each objective. The presentation, analysis and discussion of the findings are made into four sub sections which correspond to the research objectives set in chapter one.

4.2 Background Characteristics of Informants

This section aims at gathering basic information concerning respondents' characteristics. The information sought are based on educational levels, duration in the business, size of the business, feelings toward paying tax, loss or profit status as well as type of EFD used by respective business operator. The essence behind collecting this descriptive information was to observe the relationship between them and user acceptance factors towards the use of Electronic Fiscal Device (EFD) using Ilala tax region as the case study. Respondents' basic background information is presented on the following sections.

4.2.1 Highest educational level Reached by business operators

Respondents were asked to tell the highest level of education reached with the intention of determining the level of education reached by various business operators. Findings are shown on table 4.1 below:

Table 4.1: Highest educational level reached by business operators

Distributions				
	Frequency	Percent	Frequency	Percentages
Primary	30	37.5		
Secondary	29	36.2		
Certificate/diploma	11	13.8		
Bachelor degree	8	10	12	40
Masters and above	2	2.5	18	60
Total	80	100	30	100

Source: Field data, (2015)

Table 4.1 above shows that the distribution of respondents' basis on highest level of education reached comprises of 30(37.5%) who underwent primary education only, 29(36.2%) secondary education, 11(13.8%) certificate/diploma, 8(10%) Bachelor degree and 2 (2.5%) attained masters and above. The implication we can derive from the above findings is that the distribution of respondents by highest level of education shows that majority of people who are engaging in business have either primary or secondary education only 73.1 percent of all respondents involved under the study, hence gives an alert that majority of people with bachelor degree and above tends to engage in white color jobs and have very minimal involvement in undertaking business activities.

On the other hand the distribution of TRA and MOF staffs with regards to the highest education reached showed that 12(40%) were degree holders and 18(60%) were masters holders. This shows the disparity between educated who base on white collar job versus less educated who deal with business and, hence, business is left for the less educated and non-educated class.

4.2.2 Duration of business

Respondents were asked to indicate the time frame since they started doing business with the intention of determining the extent to which the respective business man or

woman experiences with different VAT payments methods in relation to newly introduced EFD in Tanzania. Findings are shown on table 4.2 below:

Table 4.2: Duration of business

		Distributions	
		Frequency	Percent
Valid	Less than 5 years	32	40
	5 to 10 years	36	45
	Above 10 years	12	15
	Total	80	100

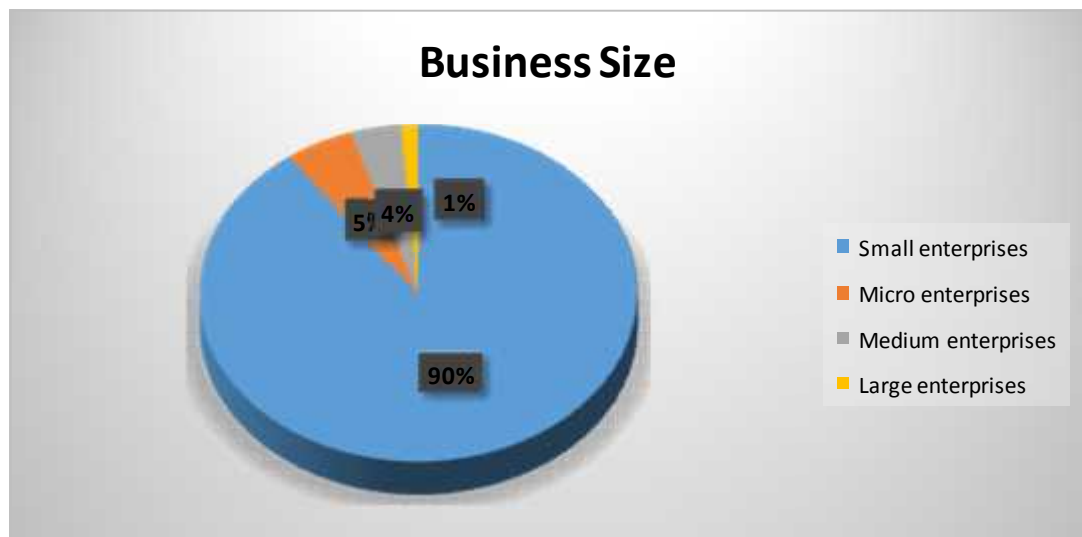
Source: Field data, (2015)

Table 4.2 above shows that the distribution of respondents basing on the number of years they have been in business shows that 32 (40%) haven in business for over the last five years, 36 (45%) over the last 5 to 10 years and only 12 (15%) have been in business for more than ten years. Thus, findings from this study are in a position to determine the user acceptance factors from both newly business operators as well as those who have been in business over the long period of time. Thus, the study reflects the actual situation of the current user acceptance factors with the use of EFD in Tanzania.

4.2.3 Size of the business

Respondents were asked to rate the size of their business from micro enterprises, small enterprises, medium enterprises to large enterprises basing on the capital size and number of employees they have as shown by the Tanzania Trade policy (URT, 2003). The intention was to determine size of business that commonly exists at various trading centers in Ilala tax region. Findings are shown on the figure 4.1 below:

Figure 4.1: size of the business



Source: Field data, (2015)

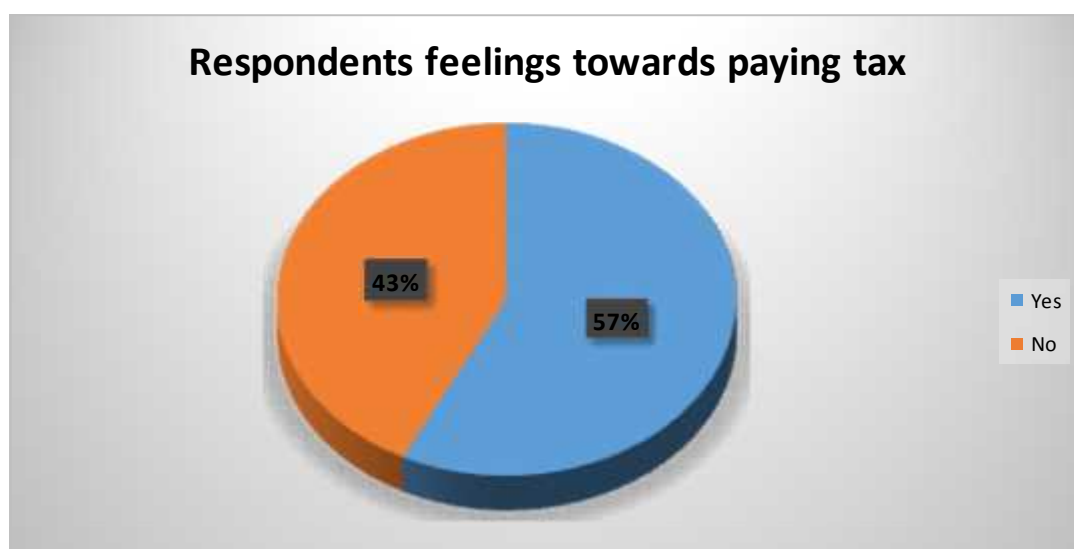
Figure 4.1 above shows that the distribution of respondents with regard to business size shows that 72 (90%) of all respondents were small business operators with capital size of between 5 to 200 million as stipulated by Tanzania trade policy (URT, 2003). 5 (4%) were micro enterprise, 4 (3%) were medium enterprises and 1 (1%) were large enterprise. Thus, findings show that the majority of business who dominate business operators from targeted respondents comprised of small business. This reflects the infancy of many businesses in Dar es Salaam.

According to Tanzania Chamber of commerce Industrial and agriculture (TCCIA) Small and medium-sized enterprises (SMEs) are considered to be one of the principal driving forces in economic development. They stimulate private ownership and entrepreneurial skills they are flexible and can adapt quickly to changing market demand and supply situations they generate employment, help diversify economic activity and make a significant contribution to exports and trade. Thus, existence of so many small businesses reflects the country situation of more small businesses over others.

4.2.4 Respondents feelings towards paying tax

Respondents were asked to indicate whether they feel comfortable paying tax or not with the intention of determining respondents' willingness to pay tax. Findings are presented on the figure 4.2 below

Figure 4.2: Respondents feelings towards paying tax



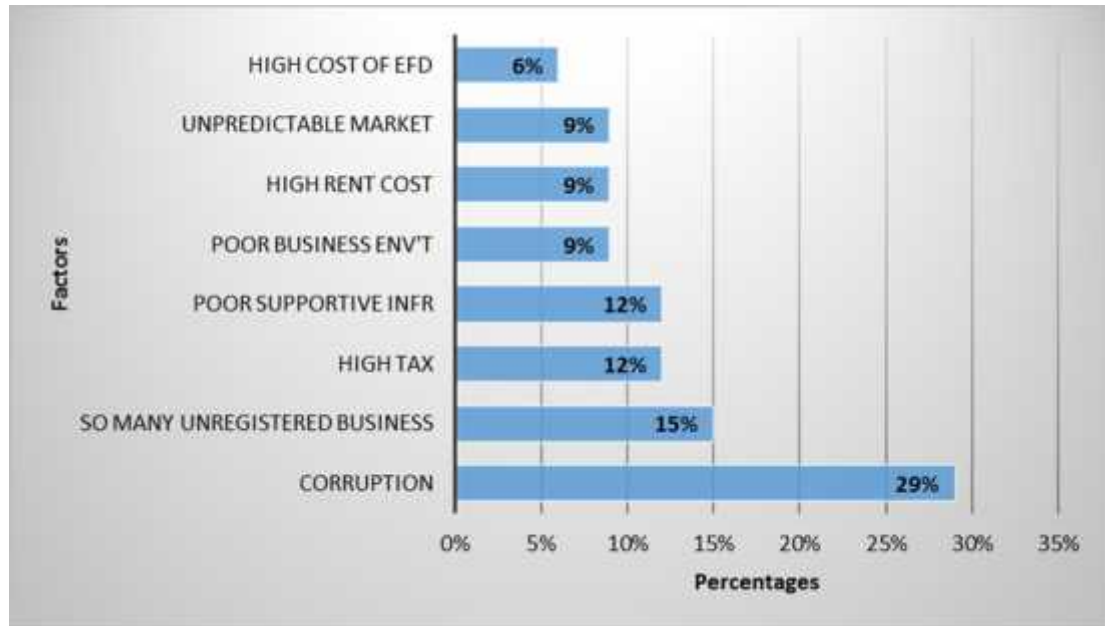
Source: Field data, (2015)

Figure 4.2 above shows that 46 (58%) of all respondents who were involved under the study feel comfortable to pay tax while 34 (43%) of all respondents do not feel comfortable. The implication we observe from this findings is that respondents though feel comfortable to pay tax yet there is a problem that needs to be addressed to change their attitude from unfavorable towards favorable towards paying tax in whatever method introduced by the government.

4.2.5 Reasons for not willing to pay tax

Respondents were not comfortable in paying tax so they were asked to list down factors behind this. Findings are shown on table figure 4.3 below:

Figure 4.3: Reasons for not willing to pay tax



Source: Field data, (2015)

Figure 4.3 above shows that respondents do feel comfortable paying various taxes because of the following factors:

Corruption: About 10 (29%) out of 34 respondents who were not feeling ok to pay tax mentioned corruption as the main factor that hinders their willingness to pay tax.

One of the respondents who were involved under the study commented that:

“With all these corruption scandal like ESCROW why should I pay tax? Government has a lot to control before collecting this small amount of tax from my small business”

Thus, the existence of so many corruption scandals that involve substantial amount of money discourages public from paying more tax to the government since they perceive the lost money is from their tax.

Moreover, the following issues were also listed out as the impending factors towards paying corruption. Existence of so many unregistered business (not paying tax) 5 (15%), High tax 4 (12%), poor supportive infrastructures e.g. road, electricity, cleanness 4 (12%), Poor business environment 3 (9%), high rent cost 3 (9%), unpredictable market 3 (9%), as well as high cost of acquiring Electronic fiscal devices 2 (6%).

4.2.6 Whether business makes loss or profit each year

Respondents were asked to indicate whether their business makes loss or profit each year with the intention of determining whether they are in good position to pay tax. Findings are shown on table 4.3 below:

Table 4.3: whether business makes loss or profit each year

	Distribution	
	Frequency	Percent
Profit each year	26	32.5
Loss each year	2	2.5
Unpredictable	35	43.8
Never keep record of loss /profit	17	21.2
Total	80	100

Source: Field data, (2015)

Table 4.3 above shows that the distribution of respondents with profit or loss status comprised of 26 (32.2%) of all respondents who were involved in the study experienced profit in each year, 2 (2.5%) loss each year, 35 (43.8%) unpredictable meaning that sometimes profit and some other times loss while 17 (21.2%) never keep proper records on profit or loss or were not willing to disclose their loss or profit status.

The implication we can observe from the above findings is that majority of businesses do make profit some times and loss which is actually the common nature of any business. It will be illogical to assume business operators will only pay profit at the moment of profit and get relief at the loss moment since everyone will hide some information to show that he or she did not make any profit unless there is transparency in all business undertakings.

4.3 Findings per Research Objectives

This part shows respondents' views as guided by specific research objectives. Recall the study was guided by four key research objectives that intended to: The main broad objective of the study was to determine factors behind the users' acceptance towards Electronic fiscal Devices (EFD) as a new tool for collecting tax from traders. To attain this, the study was guided by the following specific objectives

- To determine extent to which business operators were involved in the establishment of EFDs
- To determine user acceptance factors that describe the current EFD usage
- To determine the extent to which EFDs meet user needs

Findings per each study objectives are shown below:

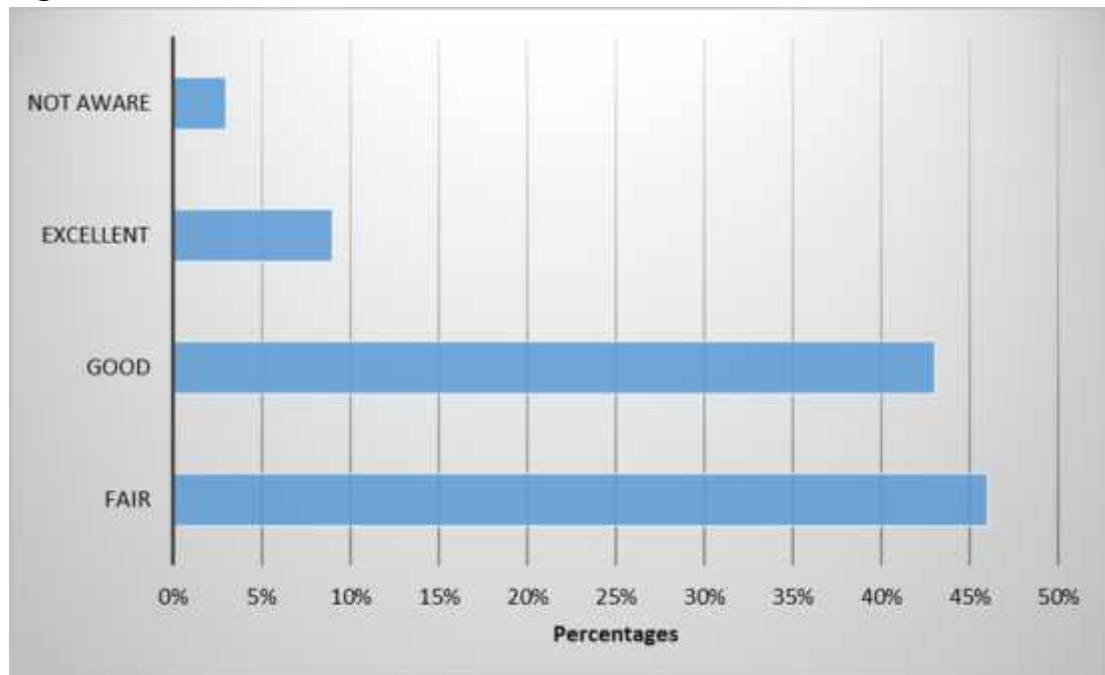
4.3.1 Extent to which user involvement on EFD affects their acceptances

The first study objective intended to determine the extent to which the involvement of users here referred to as business operators on various stages of EFDs' implementations affects their acceptance levels with the EFDs. To understand this, the study examined the user awareness with EFDs in order to examine the extent of education provided to users as well as level of user involvements in the implementation of EFDs. Findings are shown on the following sub sections:

4.3.1.1 Awareness with usefulness of EFD

Respondents were asked to rate their awareness levels with the usefulness of EFD from excellent, good, fair to not aware at all. The intention was to determine whether users were involved in the EFD trainings and awareness sessions before full implementation of the EFDs in their locality. Findings are shown on the figure 4.4 below:

Figure 4.4: Awareness on usefulness of EFD

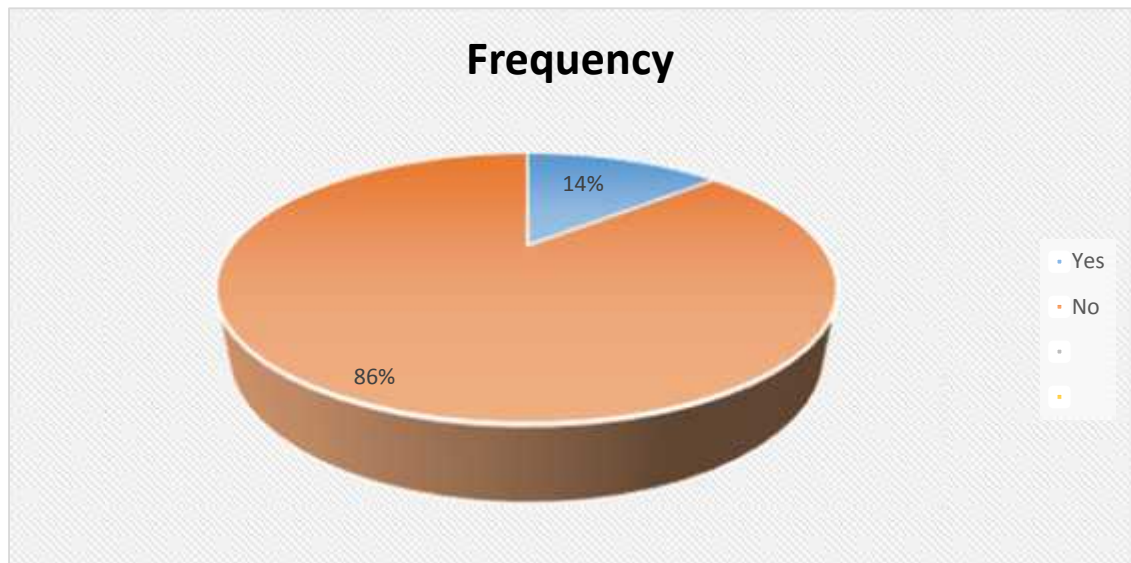


Source: Field data, (2015)

Figure 4.4 above shows that with regards to the awareness on the usefulness of EFD respondents showed that 37 (46%) of all respondents who were involved in the study rated their awareness level to be fair, 34 (43%) good, 7 (9%) excellent and 2 (3%) were completely unaware. The implication we can derive from the above findings is that, majority of business operators have some partial elementary skills on the usefulness of Electronic Fiscal Devices (EFDs) where about 71(89%) of all respondents who rated their awareness levels into fair and good with only 7(9%) rated it as very excellent. Thus low awareness with the usefulness of EFD may be acting as a barrier towards user acceptance of EFDs in their daily business operations.

Moreover, when respondents were asked to rate whether they managed to participate in any formal training or workshop on the usefulness of the EFDs Findings are shown on the figure 4.5 below:

Figure 4.5: whether participated in any training



Source: Field data, (2015)

Figure 4.5 above shows that majority of respondents never attended any training or workshop on EFDs i.e. 86 percent, while only 14 percent out of 80 respondents who were involved in the study agreed to have participated in the training. The implication we can derive from these findings is that majority of business men and women did not get opportunity to learn about EFDs hence have basic elementary usage skill gained from informal ways from friends which may act as a limiting factor towards EFD utilization and in turn low acceptance levels. Thus, prior preparation of the users before full embarking into using of EFDs was of paramount importance.

Nevertheless those who managed to participate in the formal training agreed to have gained immerse knowledge on the usefulness of EFDs. The question that remains is; why some business operators managed to have such opportunity while others did not? One of the respondents who participated in the training commented that:

“The training was good but the time allocated was so limited. It has opened up my mind to the extent of accepting EFD usage now than before”

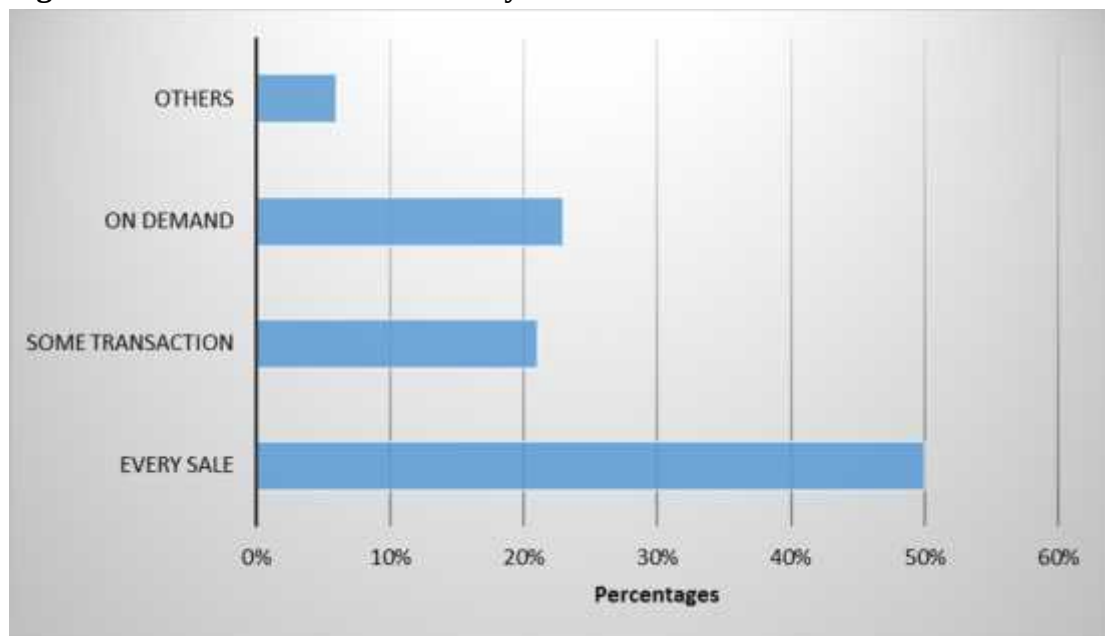
Thus, it is clearly observed that one of the key impending factors towards user acceptance with EFDs was limited knowledge on its usefulness. EFDs may be good to the government as well as traders but only if the government will introduce

mechanisms of training more traders on the usefulness of different components of the device.

4.3.1.2 How often is EFD used by traders?

Respondents were asked to indicate how often they use EFD in every transaction, in some few transaction, on the demand of customer or otherwise. The rationale was to identify how often the device was used by different traders. Findings are shown on figure 4.6 below:

Figure 4.6: How often is EFD used by traders?



Source: Field data, (2015)

Figure 4.6 above shows that only 40 (50%) percent of all respondents who were involved in the study use Electronic Fiscal Device (EFD) in every sales they make with customers, 17 (21%) in some of transaction (some sales), 18 (23%) on customers' demand, and 5 (6%) were others. Thus, the reflection we can observe from the above figure is that the extent of EFD usage among traders from Ilala municipal is questionable since the law requires every VAT registered trade to issues receipt in every sales and the legal receipts must come from the EFDs. According to section 24 of the Income Tax Act (Cap 332) subsidiary legislation, it is clearly stated that any person who fails to demand and retain a fiscal receipt or fiscal invoice or fails to report a denial of issuance of the receipts or invoice as required by regulation

27 of these regulations commits an offence and upon conviction is liable for payment of twice of the amount of the tax evaded.

Moreover, the law requires all purchasers to retain physical receipt as stated in section 28 of subsidiary Income Tax Act 28.-(1) Every purchaser shall demand and retain the fiscal receipt or invoice in his possession and shall upon a request made by the Commissioner or any officer authorized by the Commissioner, produce the said receipt to the Commissioner or such authorized officer. (2) Every person having demanded a fiscal receipt or fiscal invoice upon obtaining goods or services and is denied the said receipt or invoice, shall immediately report to the Commissioner through the quickest means of such incidence. Thus, the law imposes obligation to sale to ensure in every sales a legal receipt is issued and not in some sales as well as the purchaser has been given an obligation to demand as well as retain the receipt. This is very different from the findings above where only 50 perecent out of 80 respondents involved under the study did not issues legal receipt in ever sales whic calls for more governmet specifically, TRA attention on the issues.

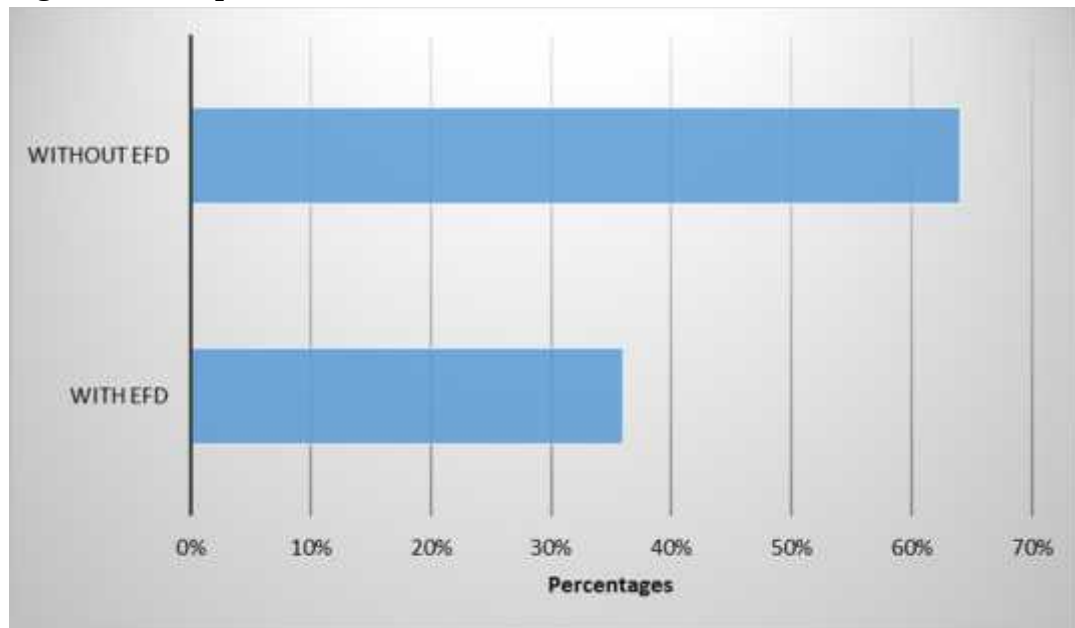
4.3.2 Factors influencing user acceptance with EFDs

The second study objective intended to determine the current user acceptance factors that determine usage of EFDs in Tanzania using Ilala muncipal as the areas of contration.To arrive into this, the study used diffferent questions and their responses are shown below:

4.3.2.1 Respondent choices on VAT with or without EFDs

Respondents were asked to choose between collecting VAT with EFDs or without EFDs.The intention was to determine whether thet accept or reject the usage of EFDs in collecting VAT. Findings are shown on the figure 4.7 below:

Figure 4.7: Respondent choices on VAT with or without EFD



Source: Field data, (2015)

Figure 4.7 above shows that about 51 (64%) out all 80 respondents who were involved in the study seem not to accept EFDs and suggest for VAT without EFDs. Moreover, 29 (36%) of all respondents agreed to continue using EFDs. These users' resistance towards EFDs is largely explained by limited knowledge on the potentials that can be derived by business operators from using EFDs as shown on the preceding sections. However, user resistance to new changes is common feature in any new undertaking which more government need control through involvement of various business operators in various EFD programs that are intended towards changing their attitudes towards using EFDs.

Any implementation of new projects, have historically been plagued by failures for which user resistance has consistently been identified as a salient reason. A survey of 375 organizations from around the world indicated that user resistance is the first-ranked challenge for the implementation of large-scale systems such as enterprise resource planning (ERP) systems (IT toolbox 2004). User resistance becomes particularly significant in such IS implementations due to the multifarious changes in social as well as technical systems that result (Gibson 2003). The TAM (Davis 1989)

posits that two beliefs (usefulness and ease of use) predict an individual's technology usage intention. The TPB (Ajzen 1991) is considered as a comprehensive foundation to explain the major influences on acceptance behaviour (Taylor and Todd 1995). Thus user resistance should be taken as a short term challenge to the introduction of EFD but in long run society will realize its potentials.

4.3.2.2 User acceptance factors with EFD usages

Respondents were asked to rate their user acceptance factors towards the use of EFDs from strongly agree, agree, Neither agree nor agree, disagree to strongly disagree. The intention was to determine which factors favours them to accept EFDs and which ones discourage them from using EFDs. Five user acceptance factors that are related with EFDs features were listed down and the following are the responses from the targeted respondents. Findings are shown on the table 4.4 below:

Table 4.4: User acceptance factors with EFD usages

	Strongly disagree	Disagree	Neither	Agree	Strongly agree	Total
I dislike the idea of using EFD	17	12	6	20	25	80
	21%	15%	8%	25%	31%	100%
Good for info storage	2	5	11	30	32	80
	3%	6%	14%	38%	40%	100%
Simple to discover error	11	7	13	29	20	80
	14%	9%	16%	36%	25%	100%
Pacing is comfortable	30	37	12	1	0	80
	38%	46%	15%	1%	0%	100%
Maintenance is done automatically	35	35	1	6	3	80
	44%	44%	1%	8%	4%	100%

Source: Field data, (2015)

Table 4.4 above rated user acceptance factors towards the use of EFD as follows:

Whether dislike the idea of using it

About 25 (31%) of all respondent of 80 who were involved in the study strongly agreed to dislike the idea of using EFDs, 20 (25%) agreed to dislike it and 6 (8%) were silent on whether to like or dislike the idea of using EFDs. Moreover, 17 (21%)

strongly disagreed and 12 (15%) disagreed meaning that they support the idea of using EFDs in their business. In general, it is observed that about 45 (56%) of all respondents dislike the idea of using EFDs and 29 (36%) liked the idea of using EFDs. Only 6(8%) were uncertain on whether to use or not to. Thus, the implication we can derive from this findings is that there are two opposing forces that one favours the usage of EFD while the other disfavours hence much more is needed to be done to stimulate more usage of EFDs in Tanzania.

EFD is good for Information storage

About 32(40%) of all respondents who were involved in the study strongly agreed on this, 30(38%) agreed and 11(14%) were uncertain on whether to agree or not. Moreover, about 5(6%) disagreed and 2(3%) strongly disagreed. In general, the findings reflect that 56(62%) of all seem to appreciate the capacity of EFDs in storing information meaning that the information storage part meets user expectation. However, some respondent commented that:

“It stores information for some times and large part of the information stored helps TRA than business operators in terms of quantity and quality.”

Thus, it is observed that users fail to understand the rationale behind the introduction of EFDs as it was the TRA tool for ensuring tax is collected according to the sales and not as a data base for business owner. This knowledge gap needs to be eliminated by the use of more education to users on EFDs components and usage.

Simple to discover error

About 20(25%) out of 80 respondents who were involved in the study strongly agreed that it is easy to discover an error, 29(36%) agreed and 13(16%) were uncertain on whether is easy to discover an error or not. Moreover 7(9%) disagreed and 11(14%) strongly disagreed. The implication we can derive from these findings is that majority of respondents agreed that the use of EFDs is helpful in discovering an error than others. About 59(61%) of all respondents are in favour of this. One of the respondents from Kariakoo who was selling electrical equipment explained that:

“If you keep on using the device it becomes easy to discover an error or even track your sales volume. But if you only use it at the moment you see TRA you will never become familiar with it”

Thus, the implication we can derive from these findings is that those who use the device in many sales get to understand it hence in position to realize its potential than those who have developed a negative attitude that hinders them from using it not because it is bad but because they have not realized the usefulness and potentials that it can offer to their business.

Pacing is comfortable (Neither too fast nor too slow)

Respondents were also asked to tell if the speed (reliability) of the device at the time of using is reasonable or not. Findings revealed that about 37 (46%) out of 80 respondents who were involved under the study disagreed, 20 (38%) strongly disagreed and 12 (15%) were neutral while 1 (1%) agreed. Thus, the findings reflect difficulties users encounter from poor networks as majority of respondents 67 (84%) seem not to be satisfied with its pace. One of the respondents from Karume business areas commented that:

In most cases my device lacks network, why don't they resolve the network problem before insisting us on using it? Sometimes so many customers are at the shop but the device is not working how can we issue receipts all the time under such situation?

Thus, the network problem seems to be among other factors the key impending factor towards EFDs utilization. Since people are not ready to accept this new government attempt they will use whatever weakness that is available at the device to reject it. Thus, government should conduct a random survey to realize the technical weakness of this device and solve them for good. This should be a continuous process.

Maintenance of the device

Respondents were asked to indicate their degree of agreement or disagreement with their experience on the maintenance of the device. Findings revealed that 35 (44%) of all respondents strongly disagreed, 35 (44%) disagreed, 1 (1%) neither agreed nor

disagreed and 6 (8%) disagreed while 3 (4%) strongly disagreed. Thus, findings reflect difficulties users encounter in case of fault in the device. One of the respondents from kariakoo commented that:

“In case the device gets problems it becomes difficult to resolve it It is also not easy to identify who is responsible for maintenance of the device. I expected to see various maintenance teams instead of encouraging the usage of EFDs without proper maintenance”

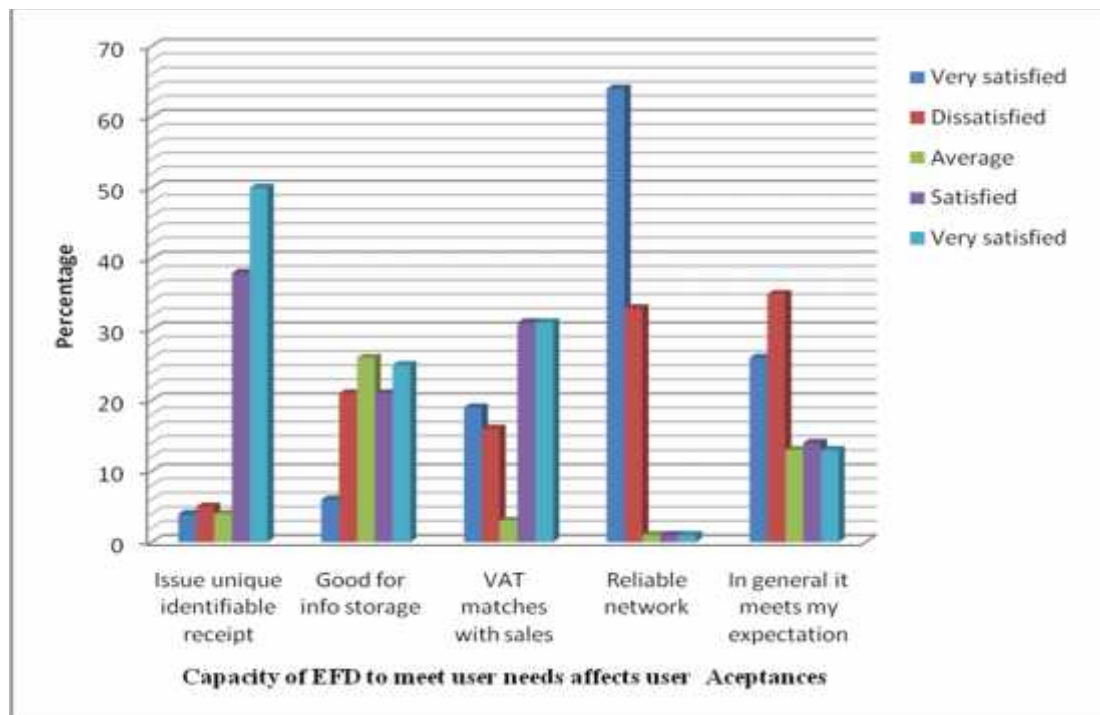
Thus, the findings as well as comments from respondents’ show that TRA did not prepare proper EFD repair mechanism hence left users with no area to raise their claims. Thus, more need to be done to ensure proper reporting mechanism is established at TRA call center to receive and register all reported faults and ensure timely solution is provided to them. Thus, detecting major area of fault will also be a good starting point for ensuring full control of the EFD devices.

4.4 Extent to which the capacity of EFD to meet user needs affects user acceptances

The third study objective intended to measure the extent the capacity of EFDs to meet user needs affects user acceptances with EFDs. To arrive into this, respondents were asked to rate their degree of satisfaction or dissatisfaction with various EFD components. Findings are shown on figure 4.8 below:

Figure 4.8 shows findings from respondents on whether EFDs meet user expectation. Findings are shown on the subsections below:

Figure 4.8 Degree to which EFD meet the business needs of its users



Source: Field data, (2015)

Issuing unique identifiable receipt

Findings from respondents on whether EFD meet their expectation on issuing unique identifiable receipt shows that 40 (50%) were very satisfied, 30 (38%) were satisfied, 3 (4%) were average, 4 (5%) were dissatisfied and 3 (4%) were very dissatisfied. Thus, the implication we can derive from the above findings is that 70 (88%) of all respondents agreed that EFDs meet their expectation in terms of generating unique identifiable receipt unlike the old ways where every business operator designed receipt with its specifications regardless of whether it meets TRA requirement or not. One of the respondents commented that:

Once we consider the uniqueness and quality of the receipt produced by EFDs we find that it is unique and professionally designed that meets our expectations.

Thus, it is clearly observed that the receipt generated by Electronic Fiscal Device (EFD) satisfied users in terms of quality and appearance.

EFD is good for information storage

Respondents' views on whether EFD meet their expectation in terms of storing basic information, findings revealed that 5 (6%) out of all respondents who were involved in the study were very dissatisfied, 17 (21%) were dissatisfied, 17 (21%) were neutral and 17 (21%) were satisfied, 20 (25%) were very satisfied. In general findings from the respondents show that 37 (46%) of all respondents out of 80 who were involved under the study were satisfied while 21 (26%) were average and only 22 (28%) were dissatisfied. These findings show that the EFD meet user expectation in terms of storing relevant business information on sales volume however one of the respondents who were selling electric equipment commented that:

The device is very good for storing sales information but only if the user is very careful in using it for issuing receipt. Sometime once I am not at shop my employees forget to use it hence some of the information is not captured by the device.

Thus, the comment from customer shows that despite the effectiveness of the EFDs in storing sales information yet the usage of it largely depends on the willingness and readiness of the user to submit all information to the device. Any user resistance will make EFDs ineffective since large part of the information will not be submitted to the system hence the estimated tax from the device will not match the collected tax. Thus, the government needs to do all efforts to ensure user acceptance with the use of EFDs is given the paramount importance.

Payment of VAT that matches with sales volume

Respondents were also asked to indicate their degree of satisfaction or dissatisfaction with the EFDs on the component of ensuring the amount charged for VAT matches with their sales volume. Findings revealed that 15 (19%) out of all respondents who were involved in the study were very dissatisfied, 13(16%) dissatisfied, 2(3%) n were average, 25(31%) 25(31%) were satisfied, 25(31%) were very satisfied. In general 50(62%0 of all respondents were satisfied with the ability of EFDs to determine the VAT that matches with their sales volume while 28(35%) were dissatisfied meaning that the EFDs proved to be the best way for the government to ensure everyone pays tax that matches with sales volume.

Reliability of network

Respondent were asked to rate their degree of satisfaction or dissatisfaction with the reliability of network at the time of using it. Findings revealed that 51 (64%) of all respondents were very dissatisfied with the reliability of network, 26 (33%) were dissatisfied, 1 (1%) were average, 1 (1%) were satisfied and 1(1%) were very satisfied. In general, findings show that 77 (97%) out of 80 (100%) were dissatisfied with the reliability of network. These findings give signal that there is real a big problem in using EFDs arising from poor network. This may be used as a key point for sabotage on the usage of EFDs by traders. Consider the figure 4.9 below showing various shop closed to resist the use of EFDs.

Figure 4.9: User resistance with EFD at Kariakoo



Source, taken by the Researcher (20th January 2015)

General respondents' view on whether it meets expectations

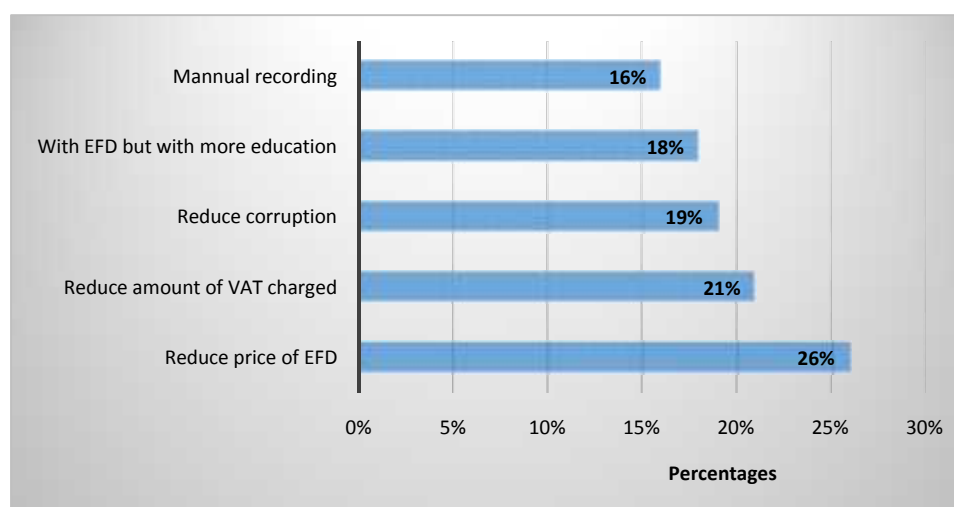
Respondents were asked to indicate their views on whether the EFDs meet their expectations with regard to all components of EFDs. Findings revealed that 21 (26%) of all respondents were very dissatisfied, 28 (35%) were dissatisfied, 10 (13%) were average, 11 (14%) were satisfied and 10 (13%) were very satisfied. In general findings show that 49 (61%) were dissatisfied, 21 (27%) were satisfied. Thus, majority of respondents seem not to be satisfied with the use of EFDs in their business. Thus, no one can specifically pin point the need to be done to ensure more user acceptance with the EFDs.

Different stakeholders have different argument on the usefulness of EFD in business. During the parliamentary session one of the Members of Parliament Hon Godfrey Thambi blamed the government for the high price of EFDs that does not match with the market price from both China and Dubai, In this he said thus: “*Nimepata kusafiri nchini Dubai na China pia katika ziara na waziri mkuu nimeona hizo mashine hazina bei hiyo ambayo TRA wanawauzia wafanyabiashara*” (Business times, 12th September 2014). Thus in responding to the question the minister of finance said that they are sold from 800,000/= to 1,000,000/= Tanzanian shillings only and the government will continue using them for the purpose of increasing revenue understanding sales information of various traders. Thus, unless this contradictions are solved the use of EFDs will not meet user expectations since even the government and the parliament disagree on some issues that need to be addressed e.g. extent of education given to users is still questionable.

4.5 Whether business operators need to operate without EFD

Respondents were asked to indicate factors that may convince the government to allow them to operate with EFDs with the intention of determining various alternative ways of collecting tax without any confrontation with the government. Findings revealed that:

Figure 4.9: whether business operators need to operate without EFD



Source: Field data, (2015)

Findings from figure 4.10 above show that 21 (26%) out of 80 respondents who were involved in the study agreed to use EFDs but need price of the device to be reduced for other users to accept it, 17 (21%) requested for tax reduction arguing that problem is not the device but high tax charged, 18 (19%) thought that existence of large corruption in the government discourages them from paying tax so the problem for them is not EFDs but the way the collected tax is being used. Moreover, 14 (18%) agreed to use EFDs but requested the government to provide more education and 13 (16%) requested for total ban of EFD and continue with manual recordings that they are familiar with.

Thus, the implication we can derive from the above findings is that users are willing to use EFDs but only if some issues are addressed. User acceptance to new technology has never been easy since it completely change many things that affect business process as well as revenue. Hence, the use of EFDs needs not to be insisted by force but rather by negotiating with business operators while trying to resolve issues raised by traders.

Moreover, almost all respondent who were involved under the study seem to accept the use of EFD but only if some issues are addressed.

4.6 Findings from TRA and Ministry of Finance

The second part of this study intended to show findings from TRA and MOF staffs on their experience with user acceptance factors towards the use of EFD. To arrive into this, about 15 MOF staffs and 15 TRA staffs were interviewed.

4.6.1 Whether education was given to EFD users

All respondents from TRA and MOF agreed to have carried out various awareness programs on the usefulness of Electronic Fiscal Devices (EFDs). It was also observed that various education or awareness sessions were carried out on how to use EFDs during the buying and selling of the product. Various tax assessment, registration as well as payment procedures were taught to business operators.

Respondents used seminars, radio, television programs as well as frequently visiting various traders on addressing various issues encountered in the course of using. One respondent commented that:

We have tried our best to give practical knowledge on how to use EFDs to various traders but some of them resist even before understanding it and others resist even to learn but we are not giving up.

Thus, the findings show that education was given but apart from the problem that EFDs may have but yet there was a problem of readiness of users to accept them. .

4.6.2 Issues raised by traders to TRA and MOF

Respondents were asked to tell if they noticed any issues from traders that need to be addressed. They highlighted the following issues as raised by users

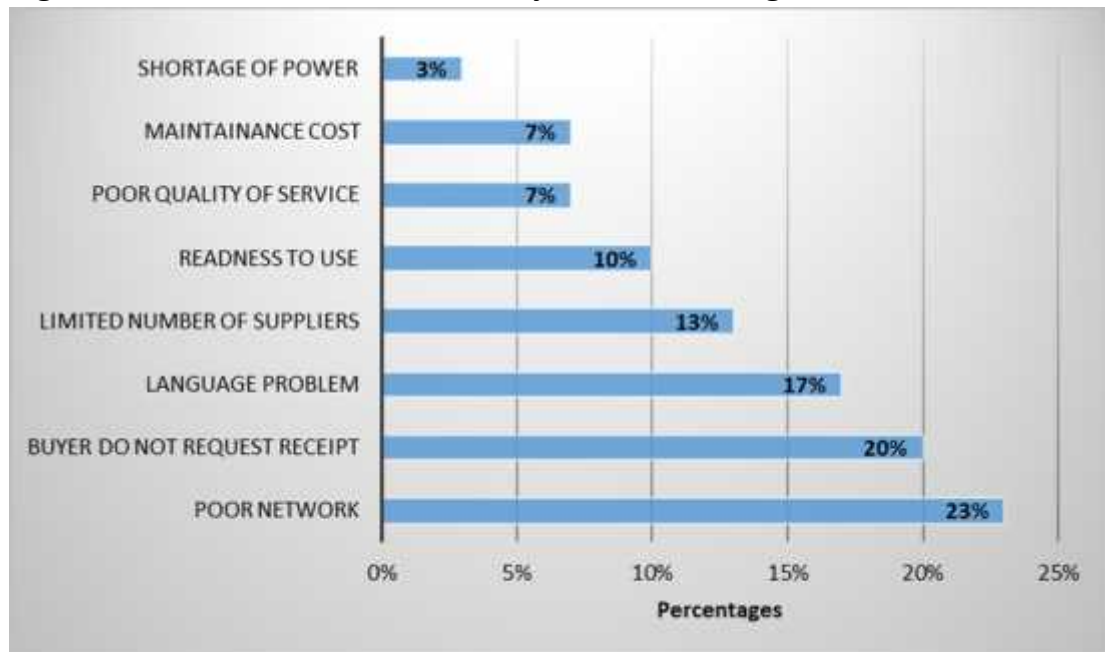
- i. High price of EFDs
- ii. Network problem
- iii. Problem with accessing suppliers(limited number of suppliers)
- iv. Large amount of fine imposed to offenders
- v. How to raise back money paid for EFDs
- vi. Low operating knowledge
- vii. High service charge
- viii. Most time are out of power
- ix. Poor support service in case of fault

Thus, it is clearly observed that so many challenges affect the fully utilization of EFDs in Tanzania. These challenges are not yet addressed hence user resistance with the EFDs is expected to continue until all these challenges are resolved. It was expected that government and other stakeholders to address the challenges of EFDs before full implementation to other regions.

4.6.3 Difficulties encountered by TRA from using EFD

TRA and MOF staffs were requested to list down problems they noted from the use of EFDs by traders. The intention was to discover whether what was said by traders' matched with what they know. Findings are shown on figure 4.11 below

Figure 4.10: Difficulties encountered by TRA from using EFD



Source: Field data, (2015)

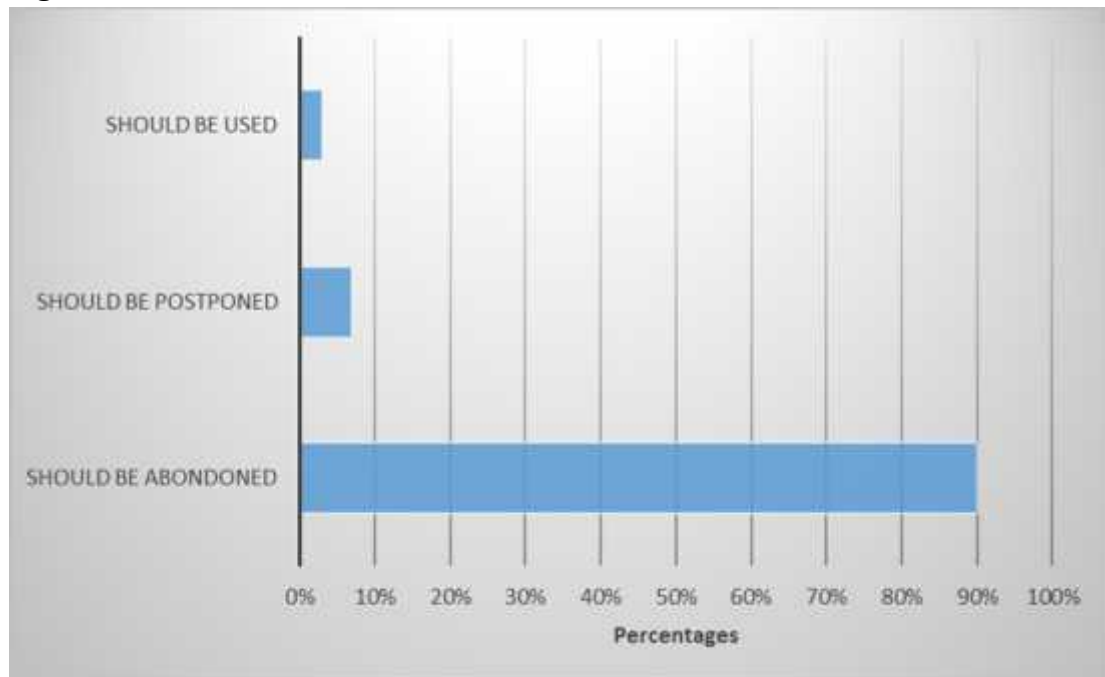
Figure 4.10 above shows that on the part of TRA and MOF staffs the following were noted as key impending factors towards the full implementation of EFDs in Tanzania. Poor networks 7 (23%), Buyers do not request receipts 6 (20%), 5 (17%) Language problem, 4 (135) limited number of suppliers, 3 (105) readiness to use, 2 (7%) poor quality of the device, 2 (7%) problem with maintenance cost and 1(3%0 shortage of power.

Thus, the finding above shows that there is a big problem in the implementation of EFDs in Tanzania that needs to be addressed since both users and implementers observed so many problems. Thus, it is the chance for the government to resolve the problem, before full implementation to other regions. Failure to timely resolve this problem means increase in number of user resistance towards the EFDs.

4.6.4 TRA and MOF views on whether EFD should or not be used

Selected respondents from both TRA and MOF were required to give their opinion on whether EFDs should continue being used or abandoned. Findings are shown on the figure 4.12 below

Figure 4.11: TRA and MOF views on whether EFD should or not be used



Source: Field data, (2015)

Figure 4.11 above shows that about 27 (90%) of all respondents who were involved in the study supported the idea of continuous using of EFDs, 2 (7%) wanted them to be postponed i.e. resolve current challenges and roll out again and 1 (3%) wanted them to be abandoned completely. Thus, the findings above show that TRA and MOF staffs who represent government view on EFD support the use of EFDs. One of the staffs from TRA commented that:

EFDs should be used, government support and general public is highly needed to ensure effective implementation by promoting sensitization programmes, demanding fiscal receipt and reporting offenders.

Since they know where the most are complained areas it is high time for the government to resolve the problem before it becomes completely rejected by both TRA and traders. Thus TRA staffs believed on more education as well as resolving these key noted complaints as the only way of influencing more user acceptance than force.

4.7 Discussion of the findings

User acceptance toward the use of Electronic Fiscal Devices is largely determined by the extent to which it meets their business needs while attaining the government intention of increasing revenue. Thus, there is contradicting views between traders and business men and women on the rationale behind the introduction of Electronic Fiscal Devices in Tanzania. For the traders, EFD is the tool for them to pay high tax than before while for the government it is considered as the tool for ensuring traders do not evade tax and pay tax that matches with their sales.

Thus, unless these contradicting views resolved, there will always be user resistance with the EFDs. Traders have their own argument as to why EFDs should not be used one being its network is unreliable as well as it is sold at very high cost (from 800,000 to 1,000,000 Tanzania shillings) unlike the actual marketing price found in China and Dubai as shown in the preceding section. Thus, to avoid these clashes, the government and traders can sit together and every part resolves its problems.

According to the researcher observation as well as issues raised by traders it is observed that the problem is not the device but rather the attitude towards paying tax. Majority of business operators prefer the old way of calculating tax were easy to bribe anyone or evade tax. Issues that show that the EFDs are not a problem but rather mindset is that during the data collection respondents were saying why should I pay tax while there is no stable power, no safe and clean water, poor infrastructure as well as corruption. However, all these sound good but the issue of corruption may hold as the key impending factors toward positive attitude in paying tax through the EFDs but other issues like poor infrastructures, unreliable power, poor water supply can only be resolved if people pay tax as required. The large proportion of government tax is being collected from workers because it is easy to identify them using the well-established system similar to the EFDs to traders.

There is no any reason that can invalidate the government to refrain from using EFDs. All issues raised by traders are manageable and can easily be solved instead of abandoning the system that has helped to increase government revenues. It is the

hope of the researcher that findings and recommendations of this study will be useful in assisting the government towards resolving key EFD issues.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents Summary; Conclusions and Recommendations. Lastly, areas for future study of the study are covered.

5.2 Summary of the Study

The study assessed factors accounting for user acceptance towards the use of Electronic Fiscal Device (EFD). To attain this, the study was guided by the following research objectives that intended to determine the awareness level of business operators on usefulness and potentials of EFDs, users' acceptance factors that significantly describes the current usage of EFDs device and measuring the degree to which EFDs meet the business needs of its users.

The study was conducted in Dar es Salaam using Ilala tax region as the case study. The sample size selected was 80 respondents who use EFDs and 30 respondents from Tanzania Revenue Authority (TRA). The study used descriptive research design and simple random sampling techniques. The study used interview, questionnaire and documentary review for data collection. Data collected was analyzed by Statistical Product and Service Solution SPSS) or commonly known as Statistical Packages for Social Science (SPSS) version 22.00. Data collected was analyzed into frequency tables, cross tabulations, pie charts and bar charts.

The study was guided by modified Technological acceptance model (TAM). The model has been used extensively to show user acceptance factors towards the use of technology, here refers to user acceptance factors towards Electronic Fiscal Devices (EFD).

Basing on the three key research objectives and questions, this study revealed the following findings.

In the general respondent information it was observed that: The distributions of respondents by highest level of education shows that majority of people who are

engaging in business have either primary or secondary education (73.1 percent). Distribution of respondents on the basis of number of years they have been in business shows that 32(40%) have been in business over the last five years, 36(45%) over the last 5 to 10 years and only 12(15%) have been in business for more than ten years. Moreover, distribution of respondents with regards to business size shows that 72(90%) of all respondents were small business operators with capital size of between 5 to 200 million as stipulated by Tanzania trade policy (URT, 2003). 5(4%) were micro enterprise, 4(3%) were medium enterprises while 1(1%) were large enterprise. Respondents seem to dislike paying tax because of corruption, so many unregistered business, high tax, poor support infrastructure, high rent cost, unpredictable market as well as high cost of EFDs.

Findings per research objective:

In the first study objective it was intended to determine extent to which user involvement on EFDs affects their acceptances levels. Findings revealed that majority of business operators have some partial elementary skills on the usefulness of Electronic Fiscal Device (EFD) where about 71(89%) of all respondents rated their awareness levels into fair and good with only 7(9%) rating it as very excellent. It was also observed that majority of respondents never attended any training or workshop on EFDs (86 percent), while only 14 percent out of 80 respondents who were involved in the study agreed to have participated in the training. 40(50%) percent of all respondents who were involved in the study use Electronic Fiscal Devices (EFDs) in every sales they make with customers, 17(21%) in some of transaction (some sales).18(23%) on customers' demand, and 5(6%) were in other transactions.

The second study objective intended to determine factors influencing user acceptance with EFDs. Findings revealed that majority of respondents dislike the idea of using EFDs 45(56%). It was also observed that it takes long time to process one transaction (Pacing is not comfortable), where 67 (84%) agreed on this. There was also a problem with maintenance where by 70(88%) seem to encounter difficulties in case they encounter difficulties. What was found to be good for respondents was its

capacity to store sale information 62(78%) as well as ability to discover errors 49(61%). In general respondents seems to dislike the idea of using EFDs because of its weakness that was also observed from TRA and MOF staffs who were involved in the study.

The third study objective intended to determine the extent to which the capacity of EFDs to meet user needs affects user acceptances. 70(88%) of all respondents agreed that EFDs meet their expectation in terms of generating unique identifiable receipt unlike the old ways where every business operator designed receipts with its specifications regardless of whether it meets TRA requirement or not. 37(46%) of all respondents out of 80 who were involved in the study were satisfied while 21(26%) were average and only 22(28%) were dissatisfied. These findings show that the EFDs meet user expectation in terms of storing relevant business information on sales volume. 50(62%) of all respondents were satisfied with the ability of EFD to determine the VAT that matches with their sales volume while 28(35%) were dissatisfied meaning that the EFD proved to be the best way for the government to ensure everyone pays tax that matches with sales volume. It was also observed that about 77(97%) out of 80(100%) were dissatisfied with the reliability of network. These findings give a signal that there is real a big problem in using EFDs arising from poor network.

In general it was observed that user acceptance with EFDs is largely hindered by high price of EFD itself, Network problem, Problem with accessing suppliers (limited number of suppliers), Large amount of fine imposed to offenders, How to raise back money paid for EFD, Low operating knowledge, High service charge, Most time are out of power as well as Poor support service in case of fault.

5.3 Conclusions

Basing on the above findings per the study objectives it is clearly observed that user acceptance toward EFDs is limited by poor preparation. So many problems are identified by respondents from users, TRA and MOF representatives. Major problem noted was high price of the device 800,000/= to 1,000,000/= and low education given

to users before full implementation. It was also observed that there is problem with networks as well as accessing suppliers. With all these limitations it is obvious that the user resistance with EFD will continue. The problems noted are open to the government to do some changes to resolve the situation. Failure to take corrective measures to address the issues raised by users it would mean creating more chances for other users to resist the devices.

User acceptance is deemed the necessary ingredient towards full utilization of any new system. If the ongoing user resistance on EFDs is uncontrolled by resolving the weaknesses observed then the government under TRA should prepare total failure of Electronic Fiscal Devices (EFD) implementation in Tanzania. Government can start to solve current problems before full roll out of EFD to other regions. It should be understood that traders have close link with all others all over the country hence the problem may be spread to other parts even before implementation of the EFDs.

5.4 Recommendations

It covers general measures as related to the problem and recommendation for further studies:

5.4.1 General Recommendations

This part covers general recommendations on what can be done to increase level of user acceptance with EFD. The following are specific recommendation with regards to key research objectives and findings of the study.

More sensitization campaign

We recommend for more awareness campaign on how to use EFDs. Rationale behind the introduction of EFD experience from other countries as well collecting all frequently asked questions that are related to EFDs. All these will increase public awareness on the usage of EFDs. This will aid in breaking gap that is misused by dishonest traders. Shortage of information to the general public is considered to be among the factors that hinder user acceptance with EFDs.

Control corruption

Among the factors that seem to be used as the reason for resisting against EFD usage was corruption that dominates various sectors of economy. It was observed that both TRA and traders blame the government for increased corruption that discourages TRA efforts in collecting tax. Thus, the government must exert more control over corruption for tax payers to feel happy with the way their collections are being used. People feel that what is collected is misused by various political and government leaders without solving their key social and economic problems. Thus, to encourage people to pay more tax they have to realize positive trend of national economies as well as their business environment being improved.

Reduce price of EFDs

One of the key problems raised by respondents was high price charged for the device itself. Respondents were questioning the legality of price charged for EFDs. Even the Member of Parliament such as Godfery Thambi blamed the government for not controlling the price to match with what is charged for the same device in Dubai and China. Thus there is perceived corruptions in the tendering process which calls for the government under TRA to review the price charged or otherwise. Too much price charged discourages the level of user acceptance with the EFDs.

Review the service level agreement

It was observed that the performance of the device does not meet user expectations in terms of networks, power and after sale services. This calls for the immediate measures to review the service level agreement between the government and supplies. Failure to do so means increasing user resistance with different components of EFDs. By reviewing service level agreements the government will be in a position to accommodate all setbacks observed from the current EFD users.

Prepare mechanism for resolving reported complaints

The government under TRA must prepare suitable mechanism for ensuring all reported cases that hinder effective utilization of EFDs are solved before roll out to

other countries. This will minimize the risk of user resistance with the EFDs. Ignoring small complaints means letting it to be large and in turn it will affect all users and hence become uncontrollable. In the course of data collection it was observed that both TRA and MOF staffs understand the weakness of the EFED process but have done nothing to resolve the problem and some of them blame the suppliers for failure to comply with the stated terms.

Reduce the amount of VAT charged

It was also observed that majority of customers reject EFDs because they show the actual amount they have to pay unlike the estimated amount that was formerly charged without considering the sales volume. Too much VAT charged discourages traders especially when they know the issue of tax holiday is being practiced to some foreigner traders for some years while for local nothing is given as a relief. Thus, too much high tax charged may encourage more tax evasion as well as black market.

5.4.2 Recommendation for Further Studies

By considering, conclusion and recommendation of this study it is observed that more studies are needed to uncover more findings on the factors determining customer satisfaction in service industry. The following are general recommendations for further study:

More study is needed on how to motivate people to pay more tax. It is observed that majority of respondents who were included in the study are not motivated to pay tax in whatever way. EFDs may happen to not be a problem but attitude towards paying tax may be unfavourable which calls for another attitude learning study to identify what needs to be done by the government for the public to be self-motivated to pay tax.

Moreover, another study is also needed to uncover the transparency of the process used to introduce EFDs. So many unanswered questions on the price as well as quality of the device remain an answered. Thus, the weakness in the process of introducing EFDs may act as a barrier towards full implementation of EFDs.

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APPENDICES

APPENDIX A: QUESTIONNAIRE FOR VAT REGISTERED TRADERS

A. Introduction

Dear respondent

The purpose of this questionnaire is to collect data on your acceptance factors towards the introduction of EFDs in Tanzania. It is part of research being conducted by a student from Mzumbe University in fulfillment of Master's Degree. I assure you that the data collected will be used solely for education purpose only and will be strictly confidential.

General Instructions: Please fill in the space provided, circle or tick in the box the answer corresponding most closely with your opinion or situation.

A. Basic information

1. Your educational level

- (a) Primary Education ()
- (b) Secondary Education ()
- (c) Certificate/Diploma ()
- (d) Bachelor degree ()
- (e) Masters and Above ()

2. Duration of your business

- (a) Less than 5 years ()
- (b) 5 to 10 years ()
- (c) Above 10 years ()

3. Size of your business

	Capital investment (Tsh)	
Micro enterprise	Up to 5 Million	☐
Small enterprise	5-200 Million	☐
Medium enterprise	200- 800 Million	☐
Large enterprise	Above 800 Million	☐

4. Do you feel comfortable paying tax?

- (a) Yes

(b) No

5. If not comfortable in number 4 above why?

.....
.....
.....

6. Does your business make loss or profit each year:

- (a) Profit each year ()
(b) Loss each year ()
(c) Unpredictable ()
(d) I never keep record of loss/profit ()

7. What type of EFD do you use?

- (a) Electronic Tax register (Retail business) ()
(b) Electronic Fiscal printer (computerized outlets) ()
(c) Electronic Signature Device ()
(d) I don't know ()

B. General information (as per research objectives)

AWARENESS AND USEFULNESS OF EFDS

1. How would you rate your awareness level with the usefulness of EFD?

(a)	Excellent	
(b)	Good	
(c)	Fair	
(d)	Not aware	

8. Have you ever participated in any workshop or training on EFDs?

- (a) Yes ()
(b) No ()

9. If yes in number 8 above did the training or workshop impart reasonable knowledge (enough) on how to use EFD device?

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10. What are the weaknesses of the methods used in training you on the effective use of EFDs?

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.....

11. How do you often use EFD in your business?

- (a) In every transaction ()
- (b) In some few transaction ()
- (c) On the demand of the customer ()
- (d) Others specify.....

USER ACCEPTANCE FACTORS ON EFD

12. Imaging government could ask you to choose either VAT with EFD or without, what would you opt for?

- (a) Without EFD ()
- (b) With EFD ()

13. Please express your degree of agreement or disagreement with the following user acceptance factors from 1- Strongly disagree,2- disagree,3-neutral,4- Agree and 5-Strongly agree

	1	2	3	4	5
I dislike the idea of using EFD					
It is good for business info storage					
It is simple to discover an error					
Pacing is comfortable (Neither too fast nor too low)					
Maintenance is done immediately					

14. Please rate your satisfaction or dissatisfaction levels with the use of EFD in your business, where 1-very dissatisfied, 2- Dissatisfied,3-neither, 4-Satisfied and 5 Very satisfied

	1	2	3	4	5
In Issuing fiscal receipts/invoice which is uniquely identifiable					
Keeping reasonable records for my business					
Ensure payment of VAT that matches with sales volume					
Reliable network all the time					
In general ,it meets my business expectations					

15. Please list out factors that you think may allow you to operate your business without the use of EFD?

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16. Which method do you think will be effective in ensuring that traders pay the tax that matches with their sales without conflict with the government?

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Thank you very much for your time!

APPENDIX B INTERVIEW GUIDES FOR TRA & MOF

A. Introduction

Dear respondent

The purpose of this interview questions is to collect data on traders' acceptance factors toward the introduction of EFDs in Tanzania. It is part of research being conducted by a student from Mzumbe University in fulfillment of Masters Degree. I assure you that the data collected will be used solely for education purpose only and will be strictly confidential.

B. Personal information

1. You job position
 - (a) Senior/Managerial ()
 - (b) Middle ()
 - (c) Junior ()
2. Specify whether you work with TRA or Ministry of finance.....
3. How long have you worked with TRA/ministry of finance
4. Your department.....

C. General information

5. Do you usually carry awareness campaign on EFDs to traders?
6. Which education session/awareness session do you teach traders?
7. How often do you teach traders on EFDs?
8. Which means/media do you use in imparting EFD skills to traders?
9. What kind of reactions you observed from traders during the training session?
10. Did issues raised by traders during the awareness session taken into account before the implementation of EFDs?
11. What are the issues raised by traders before and during the implementation of EFDs?
12. Did you note why traders resist the use of EFDs?
13. On your own views do you think EFDs have improved the way you collect tax?

14. What difficulties do you encounter from using EFDs?

15. Do you think EFDs meet users' expectations?

16. What are your views on whether EFDs should be used or not?

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17. Do you think what can be done to eliminate the current user resistances on the use of EFDs?

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Thank you very much for your time!