

**IMPACT OF INTERNAL REVENUE COLLECTION ON THE
DEVELOPMENT OF INFRASTRUCTURE:
A CASE STUDY OF BUKOBA MUNICIPAL COUNCIL**

**By
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**A Dissertation Submitted in Partial Fulfillment of the Requirements for the Award
of the Degree of Master of Science in Accounting and Finance (MSc A&F) of**

Mzumbe University

2013

CERTIFICATION

We, the undersigned, certify that we have read and hereby recommend for the acceptance by the Mzumbe University, a dissertation entitled “**Impact of internal revenue collection on the development: A case of study of Bukoba Municipal Council** in partial fulfillment of requirements for the degree of Master of Science in Accounting and Finance (MSc.A&F) of Mzumbe University.

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God bless you all

DEDICATION

I dedicate this dissertation to my lovely Mother, Paulina Sanga. And my wife, Felista Mayoyi, may our Almighty God bless them.

LIST OF ABBREVIATIONS AND ACRONYMS

LGA	Local Government Authority
EAC	East Africa Community
LA	Local Authority
BMC	Bukoba Municipal Council
MU	Mzumbe University

ABSTRACT

This study aimed at examining the impact of internal revenue collection on the development of infrastructure in Bukoba Municipal Council. Infrastructure of the council depends much on internal revenue. Therefore internal revenue collection of the Council is the cause of the development.

The methodology used were non participatory method, the study used a case study design, Bukoba municipal was used, and primary data were collected using questionnaire while secondary data were collected through documentary review. The information collected were analyzed using computer packages and processed them using manual method. The decision criterion was taken to the highest percentage.

The researcher used primary and secondary methods of data collection to generate the needed data. The researcher used both qualitative and quantitative research designs with a sample of 90 respondents included the staff of Bukoba Municipal Council. The data obtained through questionnaire and documentary. The data presented in tables and expressed in simple percentages.

The major findings found were under collection of internal source of revenue. The following were some of the findings which lead to insufficient development of the Bukoba Municipal: Bukoba Municipal council were incapable to deliver services and development expected by the people and insufficient of internal revenue collected to maintain the existing infrastructures.

The researcher therefore recommended that the challenge that contribute to the declining trend of internal revenue collections in Bukoba that include, political interference, poor collection systems, inadequate facilitation, traditional defaulting. Such challenges should be addressed using the following measures because were not beyond management control;- motivating revenue collector, mobilizing politician not to interfere in revenue collection, outsourcing of internal revenue collection and training revenue collectors because Internal revenue collection had a positive or negative correlation on development.

The researcher suggested that future studies should be conducted to analyze any other factors that affect internal revenue collection as well as development in local governments' authorities in Tanzania.

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CHAPTER ONE

INTRODUCTION

1.0 Background of the study

Revenue is the total amount of money received by any business entity or organization for the goods sold or services provided during a certain period. For the Government, public revenue means those amounts it receives from different sources. In other words, the income of the Government is public revenue. Internal revenues are that revenue raised directly by local governments where Central government funds are excluded. This revenue is from taxes, licenses, and fees.

The chapter introduces the study on impact of internal revenue collection on the development of infrastructure of Bukoba Municipal. The chapter starts with Background of the council, Background of the study, Background of the council, statement of the problem, Objective of the study, research question, Significance of the study, Scope of the study, Limitation of the study, literature review, the research methodology, presentation of findings, discussion of findings and ending with Summary, conclusion and recommendation.

1.1 Background of the Council

Bukoba Municipal Council is in Northwest Tanzania on the western shore of Lake Victoria. Bukoba Municipality is the head quarter of Kagera Region. Bukoba Municipal Council comprises 14 wards. The Bukoba town is among the eight town councils promoted to Municipal Council as per Government Gazette no. 210 of 29 July, 2005.

Bukoba Municipality was the administrative and commercial centre of Bukoba district and Kagera region respectively; it is strategically located and has common borders with the EAC member countries of Rwanda, Uganda and Burundi. The Bukoba Municipality has a total are of 80 sq km whereby, 22 km² are covered by water and the remaining 58 km² is land.

BMC is one of the eight local authorities (other include Bukoba rural, Misenye, Karagwe, Ngara, Biharamulo, Muleba and Kyerwa) in the Kagera region.

Administratively the BMC consist of 14 wards, 8 wards are situated in the suburban “Greenbelt” and the remaining 6 wards are located in the urban centre.

Vision is to be well educated community with better livelihood by the year 2025.

Mission is to provide high quality social economic services to the community through efficient and effective use of resources and good governance for improving living standards.

1.1.1 Municipal Population

According to the 2002 census results BMC had a total of 81,221 people with annual growth rate of 4%. The population of Bukoba urban was projected to 111,157 people by 2010 still remaining the same annual growth rate. These numbers include rapid population growth implying that the demand for the service would also grow. The BMC should be poised to plan to save these people to meet their expectation in terms of quality, accessibility and timeline.

1.1.2 Per capital income in Bukoba Municipality

It is estimated that per capital income for resident of Bukoba Municipality was Tsh. 385,000 by 2010. This income is earned through small business and small scale industrial activities whereby commodities and services are mainly sold locally. Most of the work force is engaged in banana trading, artisanal fishing , carpentry, bakery, daily cattle keeping, horticulture, medium scale industrial development is confined to processing of coffee where by BUKOP LTD , TANICA and several privately owned coffee factories absorb a work force for over 800 people. The fish processing industry is at its early stages of development but faces a multitude of problems associated with improper fishing gars, especially undersize fishing nets.

Bukoba Municipal, Its revenue sources comprised of market dues, building permits, trading licenses and other revenues. Officers called market masters collect the revenue from those sources. The Local Government Finance Act 1982 gave authority to the Local authorities through approved estimates to mobilize and collect revenue in form of taxes, market dues, fees, trade licenses and all other revenues specified in the fifth schedule of the Local Government Finance Act 1982.

Bukoba Municipal Council revenue is composed of Local revenue, central Government unconditional grants, conditional grants, and donor funds. The central Government formulated policies, programmes, and activities as they apply to Local Governments. The revenue received by Bukoba Municipal Council (BMC) contributed to development such as feeder roads, health centres, schools, and water and sanitation facilities. This can be observed through infrastructures constructed within Municipal Council.

Development is a combination of economic, socio-economic and political development. Development is highly associated with fund, much revenue is needed to plan, execute and maintain infrastructures and facilities at the local government level. The need of internal revenue collection are such as developmental of projects, like construction of accessible roads, building of public schools, health care centers, construction of bridges. Thus, the Local government cannot execute and possibly to carryout maintenance of these projects and other responsibilities without adequate internal revenue collection. This is the basic reason why internal revenue collection is skeletal at Local Government Authority.

The main issue of dissertation was to address how far this internal revenue collection can affect development especially in Bukoba Municipal Council.

1.2 Statement of the Problem

One of the major problems that Bukoba Municipal Council faces was that of decreasing on the internal revenue collection. Insufficient of revenue affect utilization of development of infrastructure to the public. According to revenue and expenditure report for the financial year 2007/2008 by the Municipal Treasurer the revenue for Bukoba Municipal Council has continued to decline. Therefore by decline of internal revenue has negative impact on the development of infrastructure of Bukoba Municipal since revenue collected were not enough to meet capital expenditure.

Revenue collected from sources such as trading licenses, market dues, fines, and fees is also declining tremendously to be effective utilize to provide the required development to the public. This can be obtain the evidence from the various deficit financial budgets of the Bukoba Municipal for the past five years, which means that the estimated expenditures are more than the estimated incomes hence a hindrance to effective development delivery. It was upon such a state affairs that the researcher investigated the impact of internal revenue collection on development in Bukoba Municipal Council.

The governments have decentralized its powers by establishment of local government authorities among other reasons in order to enhance development such as improve social services to public. The authorities have been vested with power to collect revenue and use it for development projects within their area of jurisdiction. Despite the decentralization of internal revenue collection and expenditure, there is still an insignificant development within the country.

Therefore the purpose of this research was to investigate the impact of internal revenue collection on the development of infrastructures of Local Government Authority: a case study of Bukoba Municipal.

1.3 Objectives of the Study

The broad objective of the research was to evaluate the impact of internal revenue collection on the development of infrastructure in Bukoba Municipal

1.3.1 Specific Objectives

- i) To determine the amount of annual revenue collected by Bukoba Municipal Council for five years.
- ii) To determine the impact of the revenue collected on recurring budget for Bukoba Municipal Council.
- iii) To determine the impact of the revenue collected on budget for development projects for Bukoba Municipal Council.
- iv) To find ways of improving internal revenue collection.

1.3.2 Research questions

1. What are the amounts of annual revenue collected by Bukoba Municipal Council for five years?
2. What is the revenue collected contributed for recurrent purpose?
3. What are the revenue collected contributed the development of projects in Bukoba Municipal Council?
4. How internal revenue collection can be improved?

1.4 Significance of the study

a) Local Governments

The study helps Local Governments, specifically Bukoba Municipal Council to understand the impact of internal revenue collection on the development.

b) Academician

The study was useful to academicians and researchers in internal revenue collection on the development as the research enabled to examine the impact of internal revenue collection on the development in Bukoba Municipal Council.

c) Researcher.

The research was of great significance to the researcher because it enabled him to acquire more skills in research methodology and data analysis.

d) Authorities.

The research was helpful to the Local Government authorities to carry out accountability and to be accountable to the various major stakeholders. For example, it helps to check on the misappropriation of the public funds. The research was significant because it help to improve on the management policies of the Local Authorities.

e) **Administrators.**

It was significant to Local Government administrators because they are able to recognize the strong correlation between internal revenue collection and development delivery in Local Governments. The study enabled Local Government administrators to use the revenue collected to deliver development to the public. They ensure that the revenue collected is effectively used to deliver development to the public.

f) **Stakeholders.**

The major stakeholders in the Local Government benefited from the study because a stakeholder is an individual, group, institution, or agency that has a common interest, stake, or share in any particular investments be it service or business. The research helps to the major stakeholders to realize the revenue collection.

1.6 Limitations of the Study

The researcher faces constraint of time as time frame for the submission of this dissertation and cooperation between a researcher and interviewee. The study was not preceded smoothly because some respondents were unwilling or unable to share information that the researcher need to collect.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction.

This chapter provides a review of related literature. It indicates various researches that have been done by different researchers: This review briefly includes concepts of internal revenue, development, external sources and internal revenue collection in Local Government Authority followed by empirical literature review, conclusion, conceptual frame work and finally operational definition.

2.1 Definition of key terms

Internal Revenue - Is the amount of money collected by a government from domestic sources of revenue through imposition of levies and taxes on facilities, incomes, sale of goods and services, transfers of properties, and other domestic transactions.

Development is the process of developing or being developed or a specified state of growth or advancement

Revenues of the Local authority

2.1.1 Internal Sources- is the revenue of the government from any domestic source of revenue. Examples of internal source are property tax, service levy, Hotel levy, rent from house.

2.1.2 External sources – is the source of revenue which has been generated through the following sources the government grants and Donars.

2.1.3 Internal revenue collections – Is the way of collection of revenue of the council from various sources of revenue.

2.1.4 Internal revenue collection at BMC

List of Department for internal sources of revenue

A list provided by the Municipal Treasurer office identifies the revenue sources under the five department:- Finance and administration service code, Business and economic service code, Preventive Health service code, Construction and transport services code, and Urban planning and Environmental code.

Finance and Administration Service

There are five sources of revenue being tapped currently namely: Hotel and Guest house levy, BMC house rent, other service of revenue under this code include Tender fee, equalization grant and other identified sources.

Business and Economic Services category

There are eight sources under these categories namely: Coffee Cess/Crop cess, Liquor licenses application fee, business licenses fee & application fee, Service levy, Market stall rent, Market user fee, Abattoir fee, and Loading and offloading fees.

Preventive Health

Under this service code there are two revenue sources namely, refuse/garbage fee and penalties on the defaulters.

Construction and Transparent Service

There are eight services under these categories namely: Tax registration fee, Building permit fee, Bus stand fee, BMC garage operation fee, Parking fee, property tax, Bill board fees, constructions supervision fee.

Urban Planning and Environmental Service

There are four sources being tapped under the urban planning and environment management namely: Residential areas garbage collection fee, Fishing license fee, Fish landing fee and land rent.

2.1.5 Sources of revenue in Bukoba Municipal Council

In an attempt to marshal out the functions of the local government authority in Tanzania, the second schedule of the constitution of the United Republic of Tanzania 1979 implicitly specified some of these sources of revenue generation to the local government. However, Local Government Finance Act 1982, Posited that generally the local government has several main sources of revenue.

Property tax

As one of the independent sources of revenue, people residing within a Bukoba Municipality pay some money to it in form of property tax. Property tax is a fixed percentage amount of the current value of a private property levied on the owner of such a property. It is paid annually. A flat rate, it is generally low so that the low income people can conveniently pay to the local government authority.

Fines

These are penalties imposed by the customary courts on individuals for the contravention of the bye-laws of the local government to regulate and control services allocated to them within their areas of jurisdiction.

Earning and Profits

These are profits, interests and premiums accruable to the Bukoba Municipal Council from its investment of funds in private or public economic ventures. In other words, they are money realized by the local government authority from commercial ventures such ventures includes fixed deposit. If such business is effectively managed with minimum local government interference and political influences, the higher revenue could be realized.

Fees and Charges

Revenue is generated through payments for the services which the local government provides such fees are in some cases designed to regulate and in other cases to maintain these services.

Fees and charges are imposed and revenue realized from the insurance of various types of licenses like motor cycle, taxi, bus stand, parking, abettor, market, forestry products sale of liquor license sign-boards, motor parks and markets etc. The imposition of fees and charges on these services by the local government always requires enabling laws for them to be lawful.

Grants

The government give grants often recurrent expenditure and capital expenditure to the local government authority to enable it discharge its functions effectively particularly in the area of the provision and maintenance of certain basic services for the people such basic service like water and electricity supply, building of educational and health facilities. The maintenance of roads

Local governments are expected and are indeed mean to embark on certain development projects that are listed as priorities of government. Consequently any local government of that embarks on such priority projects is given capital expenditure which is designed to simulate and encourage development.

Loan

Local government authority is empowered to obtain loans from the central Government and other local government. They are also allowed to raise loans from financial institutions like bank and from individuals. They raise loans for incurring capital development projects that are within their statutory functions.

Educational, Agricultural and Industrial development Projects, drainage schemes, health and market development are good examples of developmental projects for which loan can be raised.

The fact is that no local government can make any reasonable giant stride in rapid community development without borrowing. It is however important to note loans are necessity provided that they are prudently applied on capital projects for which they are obtained, on capital projects which are expected to be of immense benefits to the people including the coming generation which incidentally are reasonably

expected to pay for such loans in future, out of the rates and other forms of taxes they will pay.

Miscellaneous

Revenue can be generated from the payment of levies like developmental and educational levies. Money can also be realized from, Service levy, Hotel levy, Rents where council provide residential quarters for their staff, or have public housing and other rental properties paid for using building belonging to Bukoba Municipal Council.

In conclusion, local government authority is empowered to generate revenue to enable them carry out their statutory and permissive functions. It is therefore necessary to enhance revenue generation of the local government to enable them to carry out their duties.

2.1.6 The Local Government performance and medium term projections.

The budget can be categorized into two main sections; review of previous year revenue performance and medium term revenue projections.

Review of previous year's revenue performance.

The review of revenue performance involves an overview of budgeted against realized revenues broken down into revenue items (sources) and an analysis of the reasons behind the major deviations between budgeted and realized amount. The revenue analysis shows the actual annual collections for each type of generated revenues compared with the estimates to check how accurate the estimates have been. Furthermore, the revenue analysis show monthly collections for any revenue type to establish definite pattern or revenue inflow.

However, the major constraints to the generation of different revenues are highlighted, alongside any successes. When the review is done, a percentage can be determined of how much last years' Local revenue sources can be increased to forecast next years' revenue.

Sound revenue projections.

The importance of correct forecasting and budgeting of revenues for any Local Government cannot be overestimated. Realistic expenditure estimates can be framed only if revenue estimates are being based on realistic expectations. In other words, the announced grant figures from the ministry of finance, planning and economic development, secured funding from donors and the previous financial years and locally collected revenues add a reasonable percentage increase.

Nevertheless, most Governments produce optimistic and thus unrealistic revenue budgets, which in turn create frustration amongst the implementers who have to slow down or put on hold ongoing and planned activities. This frustration could however be avoided if the principle of producing sound revenue budgets is taken seriously by the politicians and technocrats which is always difficult to adhere to due to political interests as well as lack of well trained personnel to formulate sound revenue budgets.

2.1.7 Revenue from Government and donor grants.

Article 193(1) of the constitution and section 84 of the Local Government Finance Act 1982; provide that central Government shall transfer money to Local Governments through unconditional, conditional and equalization grants. Unconditional grants are the minimum grant paid to Local Governments to run decentralized services. Conditional grants are monies given to Local Governments to finance programmes agreed upon between the central Government and Local Governments, and they are spent only for the purposes for which they are meant and in accordance with the conditions agreed on.

Equalization grant is the money paid to Local Governments as special subsidies, and is paid based on the degree, which a Local Government is lagging behind the national average standards set by the central Government. Therefore, through the conditional, unconditional and equalization grants, central Government can influence Local Government policies and programmes

As estimates for the sector grants are to be calculated and communicated by ministry of finance, planning and economic development, Local Governments do not need to invest a lot of time in the calculation of transfers from the centre. Thus the sector ceilings communicated by ministry of finance, planning and economic development in the Local Governments' budget framework paper workshops will be incorporated in the budget framework paper.

The Local Government gets donor funds from agencies such as the World Bank, international monetary fund, United States aid agency, and friendly countries such as Britain. Such funds are instrumental in providing various services to the community especially where the Local Government is running a deficit budget.

Although, It is important to capture the flow of donor funds to Local Governments, but donor funds should not be budgeted for unless negotiations are in a very advanced stage or, even better, when the donors have committed themselves to provide the funds. This so because sometimes the donor agencies fail to give their pledges, which may drastically hinder the provision of services to the community especially when the donor funds have been included in the budgets of the Local Governments.

2.1.8 Local revenues.

Local Governments should budget for Local revenue basing it on the previous year's revenue and a reasonable percentage increase based on the previous years' increases. To improve on Local revenue performance, Local Governments are also required to budget for revenue enhancement activities. That is to say, their cost and the income from such activities will be applied.

Local Governments are required to budget for Local revenue enhancement activities. Revenue enhancement activities should be identified and discussed with politicians as to their political acceptability and amount of yield. Once agreed, the activities should be cost as to show how much such revenue would cost to collect.

Unfortunately Local revenue projections should be based on documented capacity to collect taxes and activities like tax campaigns, training, and mobility of tax collectors which Local Governments always fail to uphold. For example, Local Governments fail to avoid unrealistic increases from revenue enhancement activities, which make the realization of revenue and service delivery to be more of a dream than a reality.

2.1.9 Revenue Collection

Revenue refers to the total amount of money received by a company from goods and services sold. Local revenue is the income collected by a Local Government from sources within its jurisdiction.

Broadly, Local revenues come from taxes, administrative fees, licenses, and property income. Article 191(2) of the constitution of the United Republic of Tanzania stipulates the fees and taxes to be levied, charged, collected and appropriated to include rent, rates, royalties, stamp duties, fees on registration and licensing and any other fees and taxes that parliament may prescribe.

A tax is the most important source of public revenue. By definition, a tax is a compulsory contribution imposed on the individuals to meet the expenses, which are incurred for a common cause.

A tax is a non quid pro quo payment because in return there is no direct exchange as it will be with a price and a fee. The benefit received by the taxpayer from the Government does not necessarily correspond to the amount of the tax paid. It can be equal, greater, or less than the tax paid. Taxes that a Local Government collects include trading license fees, property related duties/fees, fishing, licenses, Service levy, Hotel levy among others.

Generally, taxation in the context of developing countries is used as a tool to enhance economic growth, savings, and investment, reduce income inequalities, and finance the setting up and maintenance of social services, defense, law, and order. Conditional grants consist of money given to Local Government to finance programs agreed upon between the Government and Local Governments. These are expended only for purposes for which they were made and in accordance with the conditions agreed on. Unconditional grants are paid to Local Government to run decentralized services. For example, the construction of schools, roads, and health centre.

A fee is a payment made for a service rendered. A fee is a quid pro quo payment as it involves direct exchange for a good or a service after the payment of money to the Local Government. Fines and penalties are imposed to punish those who break state laws for example overloading vehicles and these contribute a relatively small percentage towards the revenue of the Local Government.

In essence, the revenue collected from the various taxes, fees, conditional grants from the Government and unconditional grants, donor funds, equalization funds, fees, fines and penalties greatly influence service delivery in Bukoba Municipal Council.

However, the aspect of revenue generation is not always precise as depicted in the literature above. The Local Government rarely derives revenue from fines and penalties from the lawbreakers due to corruption among the tax authorities. More so even though the literature shows that the tax is the most important source of Local Government revenue, it is noteworthy that tax revenue can hardly finance a big fraction of the Local Government budget to ensure service delivery to the people.

2.1.10 Collection of the revenue

The role of the Local Government in an economy is to provide development of infrastructure such as schools, hospital, roads, clean water among others. Then how does the Local Government raise funds to finance the activities? This is done through collecting taxes, grants, fees, fines, trading licenses and others. Article 191 of the constitution of the United Republic of Tanzania allows Local Government to charge and collect taxes and fees.

2.1.11 Service delivery in Local Governments

The Local Government is a crucial institution from where people can best define their priority problems and organizes to deal with them. Moreover, the poor interact almost exclusively with the Local Government from which they seek services and support.

Local Governments are capable of providing public services, mobilizing community resources, stimulating private investments, expanding rural-urban linkages, adopting national development to Local conditions and investing in Local infrastructure (Ssentamu 2004). They can also be a crucial source of empowerment by offering opportunities for long neglected citizens to participate in the Local decision making processes. They hence act as a voice for Local needs at higher levels and providing adapted support for Local people's initiatives.

A description indicating how services are being delivered to the community throughout the Local Government can be formulated. For example there is a section that sets out the summary for the council as a whole, then a section that splits the sector budget into geographical areas (for example the Local council, and provides information on the service outputs, such as the pupil to teacher and textbook and pupils in a given area. Indicators may be on service delivery levels and not traditional activities. For example in education, information on the enrolment and number of teachers, textbooks and pupils in a given sub county/division will be provided in place of indicators on the number of activities. This service being delivered data will provide information on the service delivery outputs, such as the pupil to teacher and textbook ratios.

The desegregation of data area helps to ensure that funds are allocated fairly throughout the District/municipality. For example, this involves service delivery investments by section and geographical area such as counties and sub counties. Members of sector committees, councilors, departmental managers are interested in service delivery in their areas and therefore ensure that proper policies are designed and later implemented to ensure effective service delivery to the community.

A major weakness of the literature review regarding service delivery is that it assumes that the services are provided by default by the Local Government Authority from the revenue collected. It portrays a scenario whereby the public automatically benefits from the programs in the communities and is quite misleading as it tries to correlate the urban linkages and shows how the citizens directly participate in decision making which is not always the case.

2.1.12 The purpose of Revenue in Local Service delivery.

Being a major source of revenue to Local Governments, taxes are used to finance the recurrent and development expenditures. Local revenue contributes to service delivery with such services as feeder roads, health centre, and donations to schools, among others. This is done through Local Government development programs (LGDP). Local revenue is not subject to central Government control and it encourages ownership of Local investments by taxpayers thereby linking their taxes directly to usage.

Local revenue allows maintenance and servicing Local Governments' sustainable investments and it finances remuneration of all elected leaders in Local council systems. Such services offered by Local Governments are effectively undertaken with sufficient and efficient revenue collections. A decline in revenue collection will mean less or poor services offered by Local Governments to the Local community. This is because Local revenue contributes a reasonable percentage in funding service delivery.

The major purpose of revenue collection is always sacrificed at the expense of individual selfish interests of the Local authorities. It is true that the revenue collected is meant to finance the recurrent and development expenditures in order to provide services such as feeder roads, health centre but this is not always implemented. Even though the literature above shows that the amount of revenue collected greatly correlates with the services delivered to the public, it is not always the case as some revenue is always misappropriated.

2.1.13 Importance of internal revenue collection on the development of BMC

The importance of internal revenue collection can be emphasized and the revenue collected in the local government constitutes the crucial and central component in the administrative process of the local government authority. This is largely so because finance determines the services rendered by the local government authority.

The following gave rise to the importance of internal revenue collection in the Bukoba Municipal Council:-

To solve diverse functions allocated to the Bukoba Municipal Council

The local government is allocated diverse functions as it now has in Bukoba, some of which are large in scope like education, health, water supply and rural electrification. The revenue sources to be provided should correspondingly be large in scope, viable and rich in content to match the diverse functions.

To be able to pay their highly skilled personnel

Related to the above is a wide variety and meningitides of functions require a large body of high skilled, professionally trained and technically competent staff that must also be regularly motivated. The employment of such staff would necessitate the purchase of a lot of costly equipment and materials for use in the discharge of their duties.

To tackle large territorial landmass and population of the Bukoba area

Most local government in Tanzania are very large both in terms of territorial and population sizes, in such a circumstance, a greater need for revenue arises to enable such a local government cope with the developmental problems of such a large area and at the same time be able to meet satisfactorily the diverse needs of the large population.

The success or the failure of the local government depend on the financial resources available to the individual local government and the way those resources are utilized. This fact is further recognized and emphasized in the guideline for local government reforms of 1976 which stated that it must be recognized that if meaningful local government is to be expected in Tanzania, much larger financial resources are needed in the development of such local government authority.

2.1.14 Challenges in Local revenue collection

A number of challenges face Local revenue collection in Local Governments and these include the following:-

There are inadequate capacity and technical skills to manage Local revenue collection in Local Government Authority.

The problem is compounded by the fact that many workers within the Local Government lack the necessary academic qualifications. There are inadequate capacity and technical skills to manage Local revenue generation in Local Governments. The problem is compounded by the fact that many workers within the Local Government lack the necessary academic qualifications. For example, a greater percentage of the labor force engaged in revenue collection cannot differentiate between direct and indirect taxes let alone knowing the implications of these various types of taxes.

Lack of transparency

The tendering function has attracted many criticisms on their lack of transparency, compromising the amount of revenue collected and there is lack of professionalism, which manifests itself in corruption tendencies in the award of tenders. To make it worse, the line that separates the tender board from the political structures in the municipal is a thin thread, hence leading to a vicious circle of corruption and inefficiency.

Political interferences

A survey carried out in the Tanzania Local Government authority, indicated that politicians are “continuously and unlawfully awarding themselves tenders”. The Local Government ministry and the development network of indigenous people organization also support the study. It alleged that politicians pressure and influence the procurement committees to award tenders. The association noted that this led to shoddy work and substandard services because the companies are hard to supervise. It should be noted that even at the Local Government, level there is a lot of interference by the political leaders, which hinders the desired objective of increasing revenue collection in local governments. For example, many tax evaders/defaulters have always been affected by the political ‘heavy weights’ within the Local Government.

Inappropriate laws governing property rates and trading licenses.

Some of the laws governing property rates and trading licenses are not appropriate in Local Governments. Some of these laws will be appropriate in big commercial centers where the tax base regarding property and trading licenses is high unlike the rural based Local Governments, hence low revenue collection.

Inadequate record keeping by the authorities

This greatly affects accountability as far as revenue collection, is concerned. Although some records are essential in tax administration in Local Governments, they do not always achieve the desired goal because they are always abused/ misused by the revenue authorities.

The weak tax-benefit linkages

This has greatly led to poor revenue collection as the masses fail to realize the purpose of paying tax yet they do not directly benefit from the fruits of taxation. In some instances, the poor tax-benefit linkage has resulted into violent strikes especially towards the tax administrators who are regarded as daytime robbers.

A challenge of tax assessment collection and administration

It is worth noting that the tax assessment collection and administration is a very big challenge. For example, the apportioning of the tax burden to the potential taxpayers is unfair. In most cases, the process of tax assessment lacks both horizontal equity as well as vertical equity. Unfair taxes are imposed on the people and this is partly due to the undefined sources of income as well ignorance about the true nature of a tax system by the tax authorities hence leading to poor revenue collections.

Poverty among the taxpayers

Most of the potential taxpayers in Bukoba Municipal Council are poor, as some live below the poverty line. This means that the tax authorities are left with a small number of individuals who taxable and who have the tax capacity. Tax capacity is the ability of a taxpayer to pay a tax assessed on him and remain with enough disposable income. Hence, the low taxable capacity affects revenue collection and hinders effective service delivery.

Poor motivation to tax authorities

The tax collectors are not well motivated in terms of material and financial incentives and yet lack the moral support from the top District authorities. For example, they collect a lot of revenue in comparison to what they earn as salaries or wages yet the exercise involves high risks like violence in form of tax riots, harassments, as well as assault from the potential taxpayers. The poor motivation has caused complacency, neglect, and more so bribery and corruption among the tax collectors.

2.1.15 Budgeted versus actual collections.

Budgeted revenue collections refers to the Local Governments estimated amount of revenue to be collected in a financial year and the costs to be involved in collecting that revenue. In addition, the actual revenue collections are what the Local Government s actually collects by the end of a given financial year. In some instances, the actual collections could be greater than the budgeted and this shows good performance in revenue collection

In other instances, the actual collections could be less than the budgeted. This shows negative performance in revenue collection and it is not desirable if the Local Government is to deliver quality and sufficient services to its people

The Local Government must produce a budget because; the Local Government has scarce resources, which are not sufficient to carry out all its programmes and projects. It is a legal requirement, in order to identify and disclose the sources of revenue, in order to requisition for funds to implement approved programmes and projects, in order to give an overview of past financial and output performance. In order to control the implementation of various programmes so that a particular programmes do not encroach on the resources of others.

It is a requisition of good governance and a political tool that provides overall guidance, it is an information/communication tool for both the central Government and donors detailing how transfers from them to Local Governments be utilized, and whether compliance with donor and national objectives is being met.

It is noteworthy that not all deficit budgets are indicators of poor performance as the literature above purports to assert. This is because some deficit budgets are an inducement to economic growth and economic development. The authorities may use deficit budgets to solicit big funds from donors and hence foster development in Local Governments for example by encouraging investors and at the same time some deficit budgets aim at relieving the taxpayers of the burden of taxation. Yet even though the Local Governments produce budgets as a must due to various significances of the budgets, sometimes these budgets do not necessary meet the standards hence failing to meet the intended objectives.

2.2 Empirical literature review

According to Maduko, E.I (2010) Local government as the grassroots level deserves serious attention from the central government so as to be able to deliver essential services to the urban communities. It is in recognition of this fact that the 1976 reforms gave local government the constitutional recognition of a third tier of government. The local government was vested with the power and the responsibilities of providing essential services to the urban communities which would help to make life more meaningful.

The local government constitutes the most variable instrument for effecting a viable and sustainable urban transformation. However, they cannot do this unless they are provided with adequate financial and human resources to effectively discharge their statutorily assigned functions, with revenue generation base in Local government council in Nigeria, the local government would not be able to provide urban transformation in terms of developmental efforts on road construction and maintenance, provision of potable pipe-bore water, building of health centers, as well as secondary school.

- a. Insufficient revenue collection and service delivery to the community has been not provided with basic developmental needs such as health center which was not built by the local government through the town planning development.

- b. In addition, water bore-hole was not installed in communities that make up the local government just like in Umuahia North Local Government through an initiative of the local government supported by developmental effort of the people; a portable pipe-bore water supply was not installed.
- c. There had been not an improvement in the area of rural electrification, such extension of rural electrification. This initiative of the local government could only be achieved based on improved revenue generation base.
- d. In the area of educational development in the local government has been able to achieve a landmark achievement by providing funds inadequately for prompt payment of teacher's salaries, provision of educational books, textbooks and equipments. Also every community in Umuahia has a secondary school while some secondary schools have no service rendered by LGA. This show the degree of importance which the local government attach to the education to provide a minimum acceptable international standard of education for all children in the local government by ensuring excellence in improvement in learning and tutoring techniques for primary Education. This vital role of the local government with effective source of revenue generation to augment the federal and state allocation
- e. In the area of Agriculture which is the backbone of Nigeria economy. They are better placed than any other level of government to make significant and positive contributions to increase agricultural production. This could be achieved by the local government by modernization of agriculture, encouraging the participation of Nigerian farmers mostly found in the rural areas, by providing them with modernized system of farming through extension programmes, an initiative of the local government. This programme could only be achieved through internally generated revenue by the local government.

- f. Poverty alleviation programme of the local government to reduce the poverty level or total elimination of poverty through such programme, the revenue generated in the local government would help to augment the federal allocation to the local government to achieve basic objective of the 2020 vision of total elimination of poverty in Umuahia North local government.
- g. Insufficient revenue generations have been a major problem hindering the efficient performance of the functions of local government and the development of local government areas in Nigeria. Due to insufficient revenue generation, the local government can't afford to provide the urban people with basic social amenities such as provision of clean water, construction of accessible roads for easy movement of transportation, provision of well-equipped health centers, dispensaries in order to reduce death rate of people.
- h. Inadequate revenue has made the local government not to embark on the establishment of small scale industries, which could have help in providing employment opportunities for the youths to reduce the level of unemployment in the local government. This problem has attributed to rural-urban migration by the youths that leave their communities to urban centers for greener pastures.
- i. There is inadequate provision and maintenance of primary education which is the sole responsibility of the local government. The local government can't adequately provide the local people with minimum acceptable international standard of education for all children, which could have ensured excellence improvement in the learning process of these children in Local Government Authority.
- j. Inadequate revenue collection had made an insignificant contribution to development of agriculture which could have help to increase agricultural

production. Most programmes that were initiated towards improving agriculture had not yielded any positive results.

- k. Rural electrification extension- An initiative of the local government, such rural electrification extension project between Okwu to Okwulaga community leading to Umuahia North local Government. A project initiative launched in April 2009, the project had been abandoned for years due to poor revenue generation base.
- l. In the area of provision of the health care center and several dispensaries. Most communities in Local government have not been provided with health care services and dispensaries. The building of ultra-modern health center the laying of the foundation work on the local government council could not afford to complete this project in due to poor revenue generation. The fund available to the local government by the central government gave 20 percent of the fund, while the local government was meant to provide the remaining 80 percent. The local government was not able to provide their own share due to poor revenue generation base.
- m. In the area of total elimination of poverty, the local government introduced a youth empowerment programme that will motivate the youths towards self actualization. This initiative of umuhaia north local government will encourage youths to learn some vocation/trade while on the programme. The local government has not been able to achieve this objective due to poor revenue generation.

2.2.1 Tax as a major source of revenue

Tax can be defined as a compulsory levy by government on goods, services, income and wealth, primarily to obtain revenue. In other word, it is levy or dues on the income of person and companies. It provides definite source of revenue of person for government expenditure. It is the way by which government obtain extra money it spends from the income of individuals or companies.

Tax is a compulsory levy imposed by government to individuals and companies for the various legitimate functions of the state. There are basically two types of taxes, direct and indirect tax.

Direct tax is that which is levied on and really paid by the person/establishment (firms) on whom, it is legally imposed. It can also be said to be that tax which demanded from the very person or company that is intended should pay it. The burden of a direct tax is wholly borne by the payer.

Indirect tax is a tax imposed on an item or product usually at the point of production which oftentimes, is shifted from the originator of the item or product to another who ultimately consume the product.

Indirect tax is levied on the production (sale) or purchase of a product (goods and services) other than personnel services. It therefore follows that an indirect tax can partly or wholly paid by another, other than the person on whom was originally levied.

2.2.2 The purpose of tax

The primary purpose of taxation is to raise revenue for government especially the local government, which is needed for the provision of essential services and execution of other activities of the local government.

To Regulate the Production of Certain Commodities or Services: The government imposes taxes in order to control the production of certain commodities which are considered harmful to human health.

To Control Monopoly Powers: Certain taxes are levied in order to curb monopoly powers, such taxes includes excess profit tax.

To Protect Infant and Domestic Industries

Very high import duties can be used to discourage the importation and consumption of foreign goods which usually out-compete the locally produced ones.

To Regulate Business Activities

The form and direction on business activities can be regulated through taxation. A tax may discourage or encourage a given line of business. A high rate of taxation will discourage a business activities while subsidy (negative tax encourages the same)

To Curb Inflation

Certain forms of taxes may be used to reduce the level of inflation. A high rate of taxation without a corresponding increase in government expenditure will reduce disposable income of consumer. This will help to reduce price.

2.2.3 Problems associated with tax collection in local government area

The council's source of revenue is grossly inadequate to meet the numerous constitutionally provided functions. The grants by both state and central government cannot meet the day to day responsibilities of the council due to increase in the problem of tax collection machinery which is ineffective.

1. Inadequate Staff

There are lack of adequate staff and manpower to carry out the assignment efficiently. The headquarter of board of internal revenue in Local Government has division of units with staffs in each of them but their staffs are mostly junior officials, who are not educated to the extent that they finds it difficult to apply tax laws. The skeletal number of experienced officials is mostly found in the urban areas. These few are loaded with jobs as the available staff is not sufficient. The lack of experienced tax officials in LGAs created opportunities for tax evaders. Tax evaders can reduce their accounts and even direct the ill-equipped, half-backed junior tax officers on what he or she ought to pay. This result in loss of appropriate revenue that ought to be realized when properly assessed.

2. Inadequate Facilities

The facilities like motor vehicle and motorcycle to carry out their assignment effectively are inadequate. Visits to the tax office headquarter in Bukoba Municipal Council shows that the office lack

basic facilities. The office is not well equipped either to the extent that files are scattered everywhere, documents are not given adequate security as a result of the nature of the office.

3. Lack of Voluntary Compliance from the Tax Payers

This attitude of tax payers causes tax avoidance and evasion. Tax avoidance is the act of streamlining one's financial affairs within the law so as to minimize the tax liabilities that is exploiting the legal loopholes in the tax law to one's unpatriotic advantage reducing the tax burden on him or an organization. Tax evasion means illegal reduction in one's tax liabilities, thereby paying less than the appropriate amount of the tax base like profit or income. This lack of voluntary compliance from tax payers in Bukoba Municipal Council could be considered as a serious problem associated with tax collection.

4. Lack of Enlightenment Programmes

The generality of the people in the rural areas are not well informed as to why it is necessary to pay tax or other fees. Many illiterate people see tax payment as a form of victimization, low income and economic depression which have crippled many finance of the local government.

5. Bribery and Corruption

In this day, tax collector's personal interest has override their official interest in the performance of their duties, consequently affects tax collection. The internally generated revenue in LGAs which was hoped to increase the revenue generation base is bedeviled by corrupt practices on the part of revenue collectors. I will observe that these tax collectors have in their possession unofficial receipts; this enables them to divert local government money into private use

6. Mismanagement of Tax Collected

This is another major problem associated with tax collection in LGAs, where tax collected were not been utilized for the purpose for which it was collected. Many local government funds are embezzled by tax officials through all sorts of manner like inflated contracts of funds which affect the progress of development in LGA

2.3. The relationship between revenue collection and Development

The relationship between revenue generation and development can be clearly portrayed by various rules and regulations governing the Local Governments in Tanzania.

Published reports as well as some tools for integrated planning such as the Local Government Finance act, the Local Government finance Act and accounting regulations, Compliance with national priorities, The Local Government budget framework , Linkage between the Local Government budget framework paper and annual work plans as explained below:-

The Local Government Finance Act 1982

Local Governments budgetary powers lay down in the Local Governments Act states that Local Governments shall have the right and obligation to formulate, approve and execute their budgets and plans provided the budgets should be balanced. The Act further states that no appropriation of funds by a Local Government can be made unless approved in a budget by its council (the Local Governments Act section 83, subsection 1).

Thus the Local Government budget, including the explanatory notes, constitutes the decisive financial management tool as it forms the legal and operational basis for the implementation of the policies set by the council in order to deliver development to the public.

Without an approved budget or vote on account, the administration may not collect revenue nor incur expenditure, and any deviation from this rule may call for appropriate legal action by the relevant stakeholders. The Local Government Act provides that the Local Government budget shall reflect all revenues to be collected or generated by the Local Government, and to be appropriated for each year (section 78, sub-section 4). In this way a Local Government serves as an administrative management instrument providing detailed information about revenues to be collected and the expenditures to carry out the projects and activities set by the council hence effective service delivery.

The Local Government Financial and Accounting Regulations

The Local Government financial and accounting regulations make up the principal financial management framework for Local Governments. The Local Government financial and accounting regulations translates the Local Government act, as far as financial management provisions are concerned, into operational guidelines and provides the budget and accounting officers in Local Governments at all levels with detailed legal and regulatory instructions on most aspects of Local Governments financial management.

The main regulations concerning Local, Government budgets are contained in parts III of the Local Government financial and accounting regulations 1998. Therefore, the Local Government financial and accounting regulations enable the Local Governments to collect revenue and thereafter deliver services to the people.

Compliance with national priorities

It is a legal requirement for Local Governments to comply with national priorities by implementing various national programmes to ensure development delivery .the overall planning framework for Tanzania is the poverty eradication Action Plan which sets out the central Government's national objectives and strategies for reducing poverty.

The medium term expenditure framework (MTEF) is a three-year rolling budget system that constitutes the link between poverty eradication Action Plan and the budget allocations for implementation of the various programmes. The central Government ensures that national priorities are reflected in Local Government budgets through allocation and transfer of conditional grants to Local Governments.

The Local Government budget framework paper

The Local Government budget framework paper is one of the three main tools that enable integrated planning and budgeting in Local Governments. The Local Government budget framework paper articulates the Local Government's three-year budget strategy. This is an important decision making tool for the Local Government, which helps to focus the debate on spending options in the Local Government.

The Local Government budget framework paper provides a profile of the Local Government. It provides previous financial year revenue performance against revenue budget estimates and revenue projections for the next three years, provides revenue projections for the next three years, and provides sector objectives and performance targets for the next three years.

The Local Government budget framework paper also provides indicative allocations and sector objectives and performance targets for the next three years, show sector unfunded priorities and reallocations of funding.

Therefore, the Local Government budget framework paper greatly links revenue generation in the Local Government with the service delivery to the community.

Linkage between the Local Government budget framework paper and the annual work plans

Prior to the Local Government budget framework paper, each Local Government review and update its development plan to cover and include all intended activities for the financial year whether funded by the central Government, bilateral donors or Local revenue. Each activity will be numbered in the annual plan. The development plan should be resource constrained but highlight any priorities that cannot be funded over the medium term.

Notably all budgeting should be based on reference to the activity appearing in the development plan and accordingly the Local Government budget framework plan shall summarize the key elements and aggregate allocations and outputs in the council development plan. The development is the main basis on which the Local Government budget is prepared; the council development plan needs to be up date if the budget is to be realistic. Every financial Local Governments revise their development plans to reflect current resource constraints and new priorities.

Quality of Local budget framework and linkage to national budget framework paper

The Local Government budget committee is responsible for analyzing and ensuring that the contents of the Local Government framework paper are in line with the agreed rules of the game as set out initially by Local Government budget committee. For example, the Local Government budget framework paper must clearly demonstrate the link to the development plan, the budget and annual work plan or else it will not be accepted. The Local Governments also review and collate overall issues in the Local Government framework paper for submission to the ministry of finance planning and economic development to be incorporated in the national budget framework paper and budget.

It should be noted that all Local Government budgetary framework papers should have an executive summary. Its functions are, to set out the key objectives of the council as identified in the council development plan.

To set out the key elements of the medium term budget strategy in the Local Government budgetary framework paper to highlight major constraints in achieving set output targets, to highlight major achievements against set output targets, to highlight planned interventions to improve implementation, to provide the overall financial position of the Local Government including its debt burden, to highlight changes to grant allocations.

A well-written executive summary should provide the major stakeholders with an easy overview of important information without going into the detail. The issues in the executive summary are incorporated by the ministry of finance planning and economic development into the national framework paper to ensure that the intended objectives are achieved.

Local Government profile

Each Local Government budget framework paper should also include factual data on the municipal profile. This profile among others serves as a benchmark for measuring outcomes over time and form the basis for revenue and expenditure projections. Information in the profile might be; the size of the council, population, kilometers of main/ feeder roads, number of primary / secondary schools, number of hospitals and health centers, number of tax payers. This helps in the linkage of revenue collected to the delivery of services to the people in the municipal

2.3.1 Conclusion.

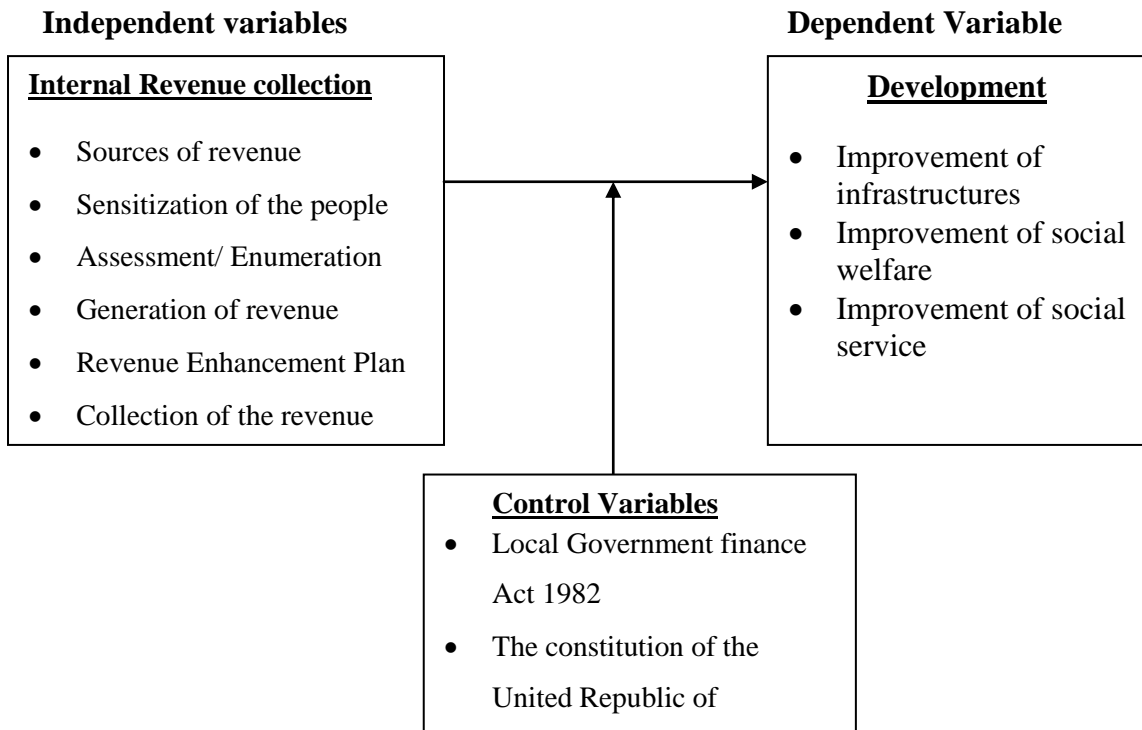
The literature analyzed shows the various revenue generated, principles of taxation; a challenge involved in revenue collection and depicts the relationship revenue generation and delivery of development. It explains various relevant rules and regulations as regards revenue collection and service delivery in Local Governments.

2.4 Conceptual Framework

A conceptual framework is a systematic representation between the relationship of variables and congruence map. The conceptual framework theory describes the effectiveness of internal revenue collection and development in Bukoba Municipal Council.

It consists of the independent and dependent variables as well as the control variables. The independent variable is internal revenue collection and dependent variable is development delivery, whereas the control variables consist of the various regulations that significantly influence both the independent and dependent variable

Figure 1. Conceptual Framework



Identification of Revenue Sources

The revenue generation process begins with identification of the various sources of revenue such as licenses, permits, fees and others from the community.

Sensitization of the people

The masses are to be sensitized about the benefits of paying taxes. For example, they should be enlightened that their contribution in form of taxes leads to effective development to the community.

Assessment /enumeration

There is need for tax assessment. This will enable the taxpayers to know the amount of revenue they are supposed to contribute. This may involve analyzing the various tax bases within the Local Government Authorities.

Revenue Enhancement Plan

A revenue enhancement plan is supposed to be made. This aims at improving on the efficiency in the generation of revenues from the various sources.

Generation of the revenue

Finally, the Local authorities generate the revenue that contributes to the delivery of the various developments to the people within the Local Government.

The Local Government Finance Act

In the Local Government Finance Act give authority to the Local Government authorities through approved estimates to mobilize and collect revenue in form of taxes, market dues, fees, trade licenses and all other revenues specified in the fifth schedule of the Local Government Act part III and IV. The revenue collected can be utilized to deliver of service to the public.

The constitution of the United Republic of Tanzania

The constitution of the United Republic of Tanzania gives Local Governments authority to assess, collect, and utilize the revenue to provide the various developments to the people.

Improvement of infrastructures

Improvement of infrastructures such as increase in numbers of classrooms and increase of feeder roads are indicators for development. When roads become accessible throughout the year it facilitates movement of goods and services and number of enrolments of students increases.

Improvement of social services

When social services are efficient lead to the development, example increase in number of health centre in Bukoba municipality are indicators of the development.

Increase of welfare of the people

An increase in welfare of the people will lead to the development such as increase of staff house and people are able to construct their own houses.

2.5 Operational definition

Revenue is the money received from taxation, fees, fines, inter-governmental grants or transfers, securities sales, mineral rights and resource rights, as well as any sales that are made.

Revenue generation is the process by which a organization markets and sells a product or service to produce income.

Developments of projects refer to capital expenditure in which the Local Government Authority implements in order to facilitate the social service of community surround the Municipal.

Recurrent expenditure refer to expenditure in which Local Government Authority used in facilitating the daily activities of the council such as supervision and monitoring of Development projects

Definition of Local Government

Local government refers collectively to administrative authorities over areas that are smaller than a state. The term is used to contrast with offices at nation-state level, which are referred to as the central government, national government, or (where appropriate) federal government. "Local government" only acts within powers delegated to it by legislation or directives of the higher level of government.
(Wikipedia Encyclopedia)

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter dealt with practical procedures that were used for carrying out the study and how data was collected and analyzed. It show a targeted population, sample and sampling techniques, Types and source of data, data collection method, Research variables and their measure, data analysis and finally ethical consideration.

3.1 Target Population

Population is the number of respondents the researcher is investigating. This also known as the universe of the population, the total population comprised 100 of working staff and residents of Bukoba Municipality.

3.2 Sample and Sampling techniques

The study's sample size was 100 respondents who were employee and residents of Bukoba Municipal. Respondents were selected purposively from among those who had the best possible knowledge, experience on the development of infrastructure. Non- probability sampling technique was used, whereby respondents were obtained purposively basing on awareness and experience on development of infrastructure.

3. 3 Type and Source of Data

This study based on qualitative and quantitative data. The study had drawn its data from two main sources: primary and secondary sources. The primary sources were original sources of information obtained through questionnaires in getting first hand information for the study. Secondary sources include monthly reports, published records, historical documents and other sources of published information.

3.4 Data collection methods

The researcher collected the primary data by use of questionnaires and secondary data collected by the use of published official documents of the Bukoba Municipal Council

3.4.1 Questionnaire

A questionnaire is a form containing a series of questions and providing spaces as well as options to be attempted by the respondents themselves. The questionnaires composed of close-ended questions and leading questions pertaining the research variables and objectives.

3.4.2. Official Documents

The secondary data or information obtained mainly from the documents and records of Bukoba Municipal Council for example; the revenue and expenditure reports and budgets for each financial year.

3.5 Research variables and their measurements

The independent variable was internal revenue collection while the dependent was development of infrastructure. The independent variable and the dependent variable were measured using statistical methods.

3.6 Data analysis

The raw data that collected from the field was scrutinized and analyzed by editing, coding and employing descriptive statistics in order to give more meaning to the data. The data edited in order to screen the relevant data from the raw data that carry meaning to the study. During this process, the researcher translated the data into numerical figures to add meaning and easy understanding of the data. The results presented in form of percentages, frequency tables and graphs for easy comprehension and later deductions being made from the analyses.

3.7 Ethical Consideration

Respondents assured of the confidentiality of information they have provided and I told that the information will be used for academic purposes only. Participants were free to withdraw from the study at any time. Formal requests to the Municipal Director and Head of departments for undertaking the research has been done in writing and the permission to conduct the research in their area.

CHAPTER FOUR

PRESENTATION AND ANALYSIS OF FINDINGS

4.0 Introduction

This chapter presents the analysis, discussions and findings on the impact of internal revenue collection and delivery of development in Local Governments. The research presentations, analysis and discussion of the findings were guided by the following research objectives:-

- i. To determine the amount of annual revenue collected by Bukoba Municipal Council for five years.
- ii. To determine the impact of the revenue collected on recurring budget for the Bukoba Municipal Council
- iii. To determine the impact of the revenue collected on budget for development project for Bukoba Municipal Council
- iv. To find ways of improving internal revenue collection

4.1. Respondents' Information

4.1.1 Gender of respondents

The researcher asked the respondents questions regarding their gender status and obtained the following responses:-

Table 1: Gender of respondent

Gender	Frequency	Percentages (%)
Male	45	50
Female	45	50
Total	90	100

Source: Researcher's findings 2013

The responses showed that 50% of the respondents were female as well as 50% were males. This showed that the research findings were not gender biased as both sexes were equally represented. It also implied that the labor force were not gender biased.

4.2 Age of respondents.

The researcher asked the respondents questions regarding their age and obtained the following responses:-

Table 2: Age of respondents

Age bracket	Frequency(years)	Percentages (%)
18-25	41	45.6
26-35	30	33.3
36-45	16	17.8
46-above	3	3.3
Total	90	100

Source: Researcher's findings 2013

The results showed that that 45.6% of the respondent of Bukoba Municipal Council were between 18 and 25, 33.3% were between 26 and 35 while 17.8% were between 36 and 45, and 3.3% were above 46 years of age. The findings indicated that the Bukoba Municipality had a great percentage of workers who were energetic.

4.3 Occupation of the respondents.

As regards the occupation among the respondents, the researcher obtained the following results:-

Table 3: The occupation of the respondents

Occupation	No. of respondents	Percentage (%)
Ward councilor	14	15.6
Local government employee	24	26.7
Business person	35	38.9
Other (Specify)	17	18.8
Total	90	100

Source: Researcher's findings 2013

The research findings showed that 15.6% of the workers were Ward Councilors, 26.7% were local government employees, 38.9% were business person and 18.8% were other occupation. The highest percentages of the respondents were business person showed in Bukoba Municipality.

4.4 Number of years worked of the respondents.

As regards to the number of years worked of the respondents, the researcher obtained the following results:-

Table 4: Respondents work experience with BMC

Years	Frequency	Percentages (%)
Below four years	8	8.9
Four – Six years	23	25.6
Six – Eight years	40	44.4
Eight years and above	19	21.1
Total	90	100

Source: Researcher's findings 2013

The research findings showed that 8.9 % of the respondents worked below four years, 25.6% worked between four and six years, 44.4% worked between six and eight years and 21.1% worked above eight years. The highest percentages of the respondents were 44.4% showed that the data provided are reliable for decision making because of the findings objective.

4.5 Amount of annual revenue collected by BMC

Knowledge about amount of annual revenue collected

The respondents were asked questions if have an idea of how much money is collected from internal sources of revenue in Bukoba Municipal Council and it yielded the following results:-

Table 5: Respondents knowledge about much money is collected from BMC internal sources

Responses	Frequency	Percentage (%)
YES	26	28.9
NO	64	71.1
Total	90	100

Source: Researcher's findings 2013

The researcher's findings showed that 28.9% they know how much money collected while 71.1% they don't know how much money collected from internal source of revenue. Therefore there is a need to show the approved budget against actual revenue collected from documentary source of data.

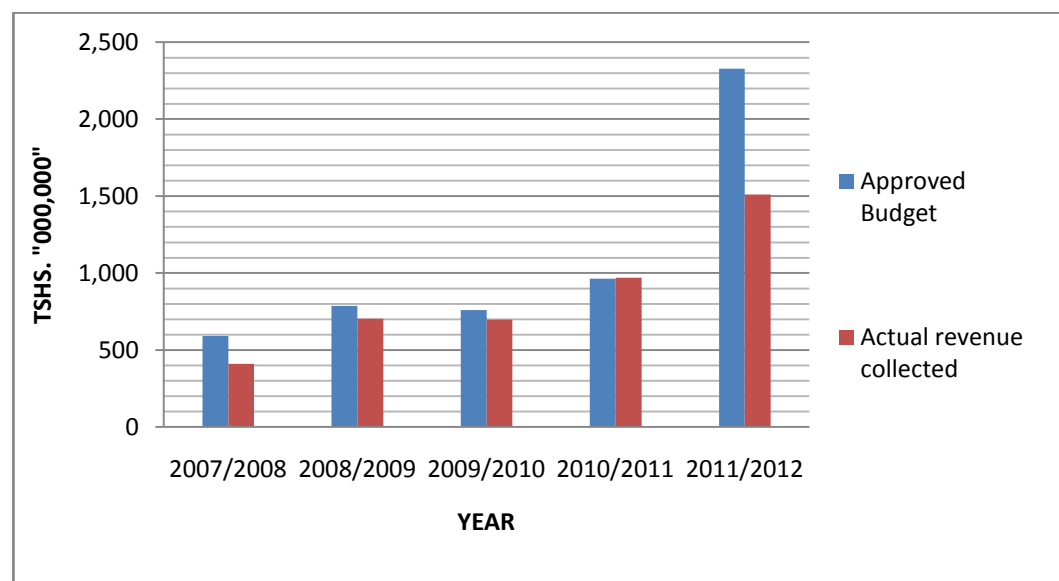
The following were amount of annual revenue collected for five years against amount budgeted in Bukoba Municipal Council.

Table 6: Approved budget against revenue collected

YEAR	APPROVED BUDGET	AMOUNT COLLECTED	PERCENTAGE %
2007/2008	591,878,303.00	409,002,700.10	66
2008/2009	787,185,209.00	706,190,100.92	89
2009/2010	760,000,000.00	696,706,746.05	91
2010/2011	962,803,975.00	969,025,508.31	100
2011/2012	2,327,513,000.00	1,510,159,300.67	64

Source: Researcher's findings 2013

Figure 2. Showing the approved budget against actual revenue collected by BMC



The results in figure 2 showed that the gap between approved budget and internal revenue collection. The approved budget has been all time high compared to the actual revenue collection although revenue collections decreasing over those years as depicted by the graph, but for the year 2010/2011 as depicted by the graph showed that approved budget are equal to actual revenue collection. The dependency of this magnitude does not indicate a healthy financial performance and the BMC need to improve its revenue collections towards financial autonomy.

4.6 The use of revenue collected in BMC

The respondents were asked, Do you know what this money does after it is being collected? The following were results:

Table 7: The responses on money collected

Responses	Frequency	Percentage (%)
YES	68	76.6
NO	22	24.4
Total	90	100

Source: Researcher’s findings 2013

Table 6 depicts that 76.6% of the respondent the know money does after collection while 24.4% they don’t know. Therefore there is a need to show the amount of revenue contributing for recurrent from documentary source of data.

According to the policy of Bukoba Municipal Council 30% of the total revenue collected from internal sources are allocated for development of the projects while 70% of the total revenue collected from internal sources is allocated for recurrent budget.

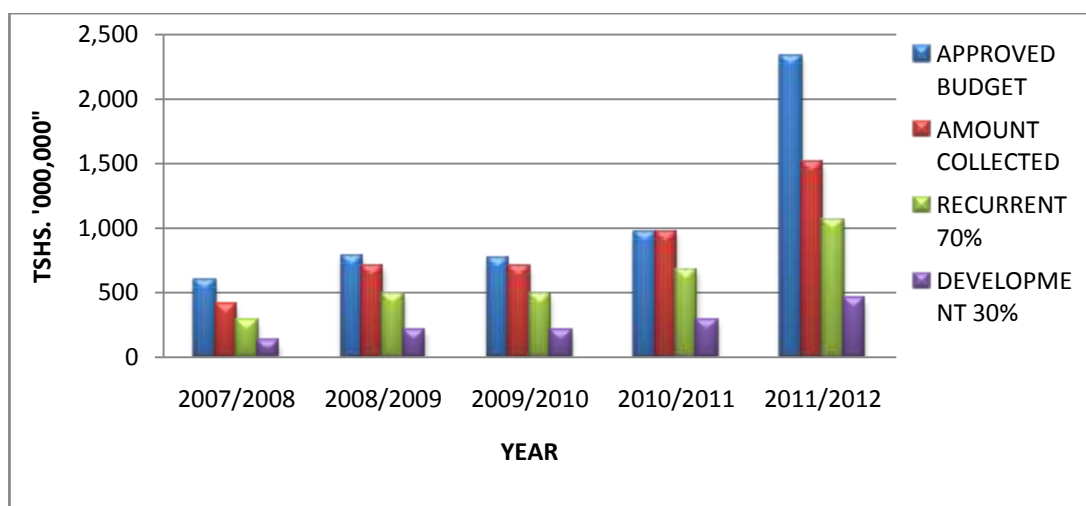
The following were amount of annual revenue collected for five years and its contribution towards service delivery and Development

Table 8: Approved budget, amount collected, recurrent budget and development budget

YEAR	APPROVED BUDGET	AMOUNT COLLECTED	RECURRENT BUDGET (70%)	DEVELOPMENT (30%)
2007/2008	591,878,303.00	409,002,700.10	286,301,890.07	122,700,810.03
2008/2009	787,185,209.00	706,190,100.92	494,333,070.64	211,857,030.28
2009/2010	760,000,000.00	696,706,746.05	487,694,722.24	209,012,023.82
2010/2011	962,803,975.00	969,025,508.31	678,317,855.82	290,707,652.49
2011/2012	2,327,513,000.00	1,510,159,300.67	1,057,111,510.47	453,047,790.20

Source: Researcher’s findings 2013

Figure 3 showing the recurrent budget and amount allocated for development by BMC



Source: Researcher’s findings 2013

The results in figure 2 depicted that recurrent budget were high compared to development budget due to high percentages allocated for recurrent budget.

4.7. The contribution of the revenue collected on budget for development projects.

The respondent was asked question if there was an impact on development in Bukoba as a result of use of revenue collected from internal sources. The responses were as follows:

Table 9.The response of respondents

Responses	Frequency	Percentage (%)
YES	71	78.9
NO	19	21.1
Total	30	100

Source: Researcher's findings 2013

The responses showed that 78.9% of the respondents said yes while 21.1% said no. This showed that the research findings were aware about development provided by the council. It also implied that there was a development of projects.

4.8. The contribution of internal revenue in development of BMC

The respondent were asked question if there is positive developments that have been made by Bukoba Municipal Council by using revenue collected from internal sources. The following are response from the respondents;

Table 10:The positive development in BMC

Positive development	No. of respondents	Percentage (%)
Constructions of classroom	36	40
Construction of health centre	12	13.3
Construction of roads	26	28.9
Construction of Wells	11	12.2
Staff buildings	5	5.6
Total	90	100

Source: Researcher's findings 2013

The research findings showed that 40% of the respondent said Construction of classroom, 13.3% were construction of health centre, 28.9% were Construction of roads, 12.2% were construction of wells and 5.6% were staff buildings. The highest percentages of the respondents were construction of classroom showed in Bukoba Municipality.

4.9. The rate of collection of internal revenue sources

The respondent were asked question how he/she can rate the collection of Internal revenue sources. The following were the response from respondents.

Table 11: The rate of revenue collection

Rate of collection of revenue	No. of respondents	Percentage (%)
Very perfect	10	11.1
Moderately perfect	22	24.4
Poor	42	46.7
Very poor	11	12.2
I don't know	5	5.6
Total	90	100

Source: Researcher's findings 2013

The research findings showed that 11.1% of the respondent said that very perfect, 24.4% said that moderately perfect, 46.7% said that was poor, 12.2% were very poor and 5.6% said that they don't know. The highest percentages of the respondents said that the rate of collection of revenue were poor shown in Bukoba Municipality.

4.10 The weakness of collection of internal revenue sources

There was some weakness which hinder the council to collect revenue budgeted from own source revenue. The following are the weakness collected for respondent.

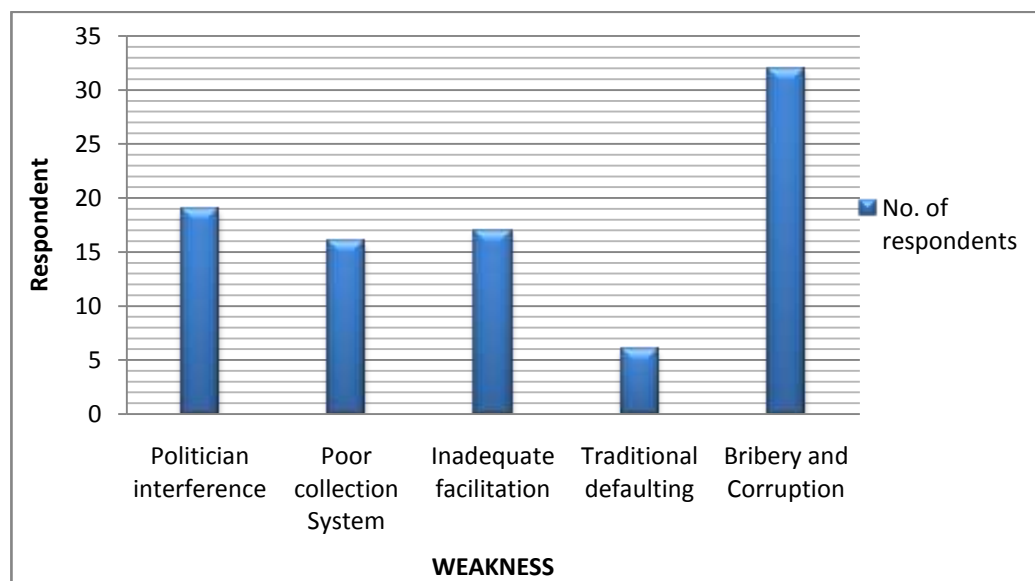
Table 12: The weakness of collection of revenue in Bukoba Municipal Council

Weakness	No. of respondents	Percentage (%)
Politician interference	19	21.1
Poor collection System	16	17.8
Inadequate facilitation	17	18.9
Traditional defaulting	6	6.6
Bribery and Corruption	32	35.6
Total	90	100

Source: Researcher's findings 2013

The research findings showed that 21.1% of the respondent said that politician interference, 17.8% said that poor collection system, 18.9% said that inadequate facilitation, 6.6% Traditional defaulting and 35.6% said that bribery and corruption. The highest percentages of the respondents said that the weakness of collection of revenue caused by bribery and corruption in Bukoba Municipality.

Figure 4. Depicted the weakness of collection of revenue by BMC



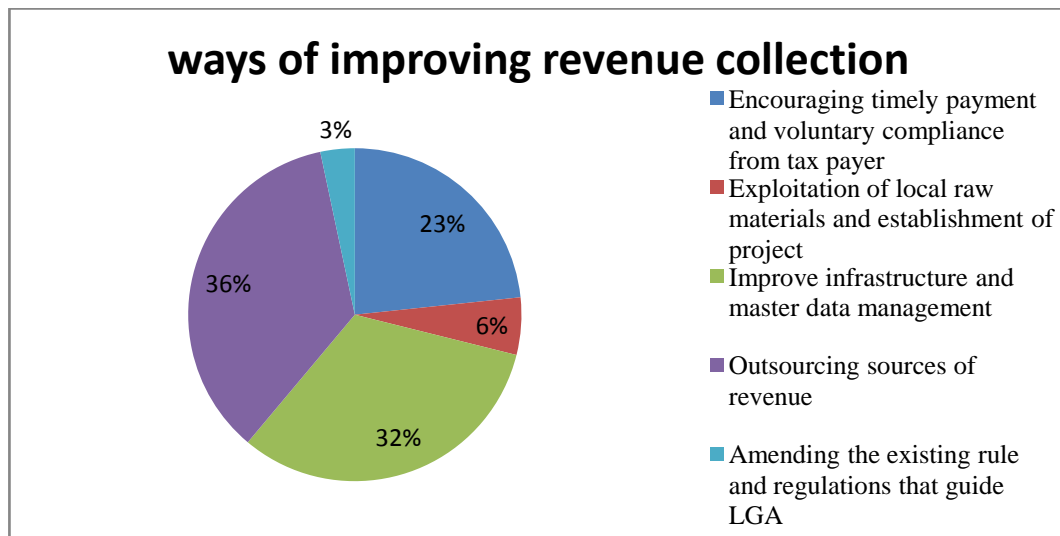
Source: Primary data

4.11 Ways of improving internal revenue collection in Bukoba Municipal Council

The respondents were asked questions on ways of improving internal revenue collection in Bukoba Municipal Council and it yielded the following results:-

The responses to the research questions were summarized into a pie chart to determine the most highly recommended solutions for improving internal revenue collection in Bukoba Municipal Council.

Figure 5. How revenue collection at BMC can be improved



Source: Researcher's findings 2013

The findings revealed that 23% recommended that encouraging timely payment and voluntary compliance from tax payer, 6% advocated for exploitation of local materials and establishment of projects, 32% recommended on improving infrastructure and master data management. 36% recommended on Outsourcing sources of revenue collection and 3% based on amending the existing rule and regulation that guide LGA. The findings revealed that encouraging timely payment and voluntary compliance from tax payer was a key factor in the improvement of internal revenue collection.

CHAPTER FIVE

DISCUSSION OF FINDINGS

5.1 Introduction

This chapter contained the general findings of the study. The findings were obtained by utilizing sources of data. There are also recommendations which came as a result of the findings obtained from the respondents who were selected from Bukoba Municipal Council and the customers of the municipality (i.e. residents and businesses) using a simple random sampling method. This part includes findings.

5.2 Findings

The study on the impact of internal revenue collected on the development with reference to Bukoba Municipality has led to certain findings as follows.

Firstly, Respondents identified municipal internal source of revenue such crop cess, hotel levy, service levy, property tax, tender fee, billboards, parking fee and central bus stand. Due to this reason local government has a responsibility to deliver services and development to the people which are the primary responsibilities. In order to deliver services and development the municipality has to utilize fully internal revenue collection.

Second, Bukoba Municipal council was incapable to deliver development expected by the people. This inability has been identified through a number of responses from the customers of the Bukoba Municipality. They all emphasized that the poor internal revenue collection has an impact on the delivery of development of Bukoba Municipal Council.

Third, the study analysis of the approved budget versus actual revenue collected. It indicated that Bukoba Municipal Council internal revenue were under collection for four years except for year 2010/2011. This situation gives a picture that Bukoba Municipal Council relies mostly on government grants instead on internal revenue collection. Therefore all activities which depends on internal revenue collection was not been implemented due to insufficient of revenue.

Fourth, the causes for insufficient of internal revenue collection and development have been identified, including the following reasons:

Politician interference, within the Bukoba Municipality has resulted culture of resident not paying for Municipal tax due to the influence of Ward Councilors to their voters. They encouraged not pay tax to the municipal council with their own interest, some reasons was to avoid losing a large number of voters during the period of election and other reason behind that green belt house are not allowed to pay for property tax. Hence all had an impact on internal revenue collection and the development of Bukoba Municipality.

Negligence particularly by those who are collecting internal revenue in Bukoba Municipal Council hinders the revenue to the council. These happened due lack of several training on revenue collection and also the knowledge on how to collect the revenue. Therefore due negligence on revenue collection hinder development of the Bukoba Municipal Council,

Traditional defaulting was a tendency of people hating of paying tax to council due to the reason that they were not benefited from revenue collected by Bukoba Municipal council and lack of tax compliance hence had lead to impact on internal revenue collection and the development of Bukoba Municipality.

Inadequate of facilities for revenue collection such as infrastructure, transport facilities and other means of collection of internal revenue had an impact on the development of Bukoba Municipal Council.

Bribery and corruption contributed to decline of revenue collection of Bukoba Municipal council due improper way of collection because the revenue collectors and customer were benefited from revenue collected.

CHAPTER SIX

SUMMARY, CONCLUSION AND RECOMMENDATIONS

6.0 Introduction

This study was carried out in order to assess the impact of internal revenue collection in Bukoba Municipal Council. The study examined how revenue contributes to make changes on development, secondly, how revenue contributes to quality services delivery and lastly how to improve internal revenue collection.

6.1 Summary

The researcher discovered that the impact of internal revenue collection of the Bukoba Municipality could be rated below average which has resulted to poor development of the urban areas.

The researcher also found out that the internal revenue collection within Bukoba Municipality was inadequate for the provision of development. The municipality was unable to provide basic social service such as health facilities, accessible road, schools, portable pipe-bore water.

The researcher also discovered that due to poor internal revenue collection lead to poor development and cause business man to move from one municipality to another.

6.2 Conclusions

Basing on the main research objective that is to say determine the contribution of internal revenue collection on the development of infrastructure in Bukoba Municipality, it was established that internal revenue collection has a direct relationship with the development.

In the research, it is clear that impact of internal revenue collection by Bukoba Municipal Council have affected the spread of development of infrastructure to all areas of municipality. Thus Bukoba Municipal Council and their management should strategically plan on proper measures to improve internal revenue collection as to meet with their functions as provide development. This will enhance their financial ability to implement development of infrastructure to the community.

6.3 Recommendations

Following the findings of the researcher calls to address the main challenges that contribute to the declining trend of internal revenue collections in Bukoba that include, political interference, poor collection systems, inadequate facilitation, traditional defaulting. Such challenges should be addressed using the following measures as analyzed below:-

Motivating revenue collectors, The revenue collectors should be highly motivated. For example, they should be given moral support from the Local Government authorities. Motivation should also be in form of incentives like high wages and transport facilities.

Trying to mobilize politicians not to interfere in revenue collection, The politicians should draw a clear line between their role and that of the revenue collectors. They should be called upon to be professional in the approach as well as ethical for the proper running of the Council's affairs.

Sensitizing the entire community, The masses should be sensitized about the benefits of paying taxes. For example, they should be enlightened that their contribution in form of taxes leads to effective development delivery.

Outsourcing of internal revenue sources, The Bukoba Municipal Council should outsource the collection of internal revenue in the Council. This will enable increased revenue (income) as the private firms will ensure that the loopholes in the tax system are bridged.

Training revenue collectors, The revenue authorities should be further sensitized about their role. For example through seminars, and others should be given scholarships by the District Local Government to go for further studies and acquire more skills. This will help to check on inefficiency due to inadequate education.

6.4. Suggested areas for future study.

I suggest area for further reading by the future researchers on impact of internal revenue collection on the development in other Local Government Authorities to find other factors that affect internal revenue collection on development of local government authorities in Tanzania.

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APPENDICES

APPENDIX I

Questionnaire Guide for impact of internal revenue collection on the development of Bukoba Municipal Council

My name is Emmanuel Titus, am conducting a study on the impact of internal revenue collection on the development of Bukoba Municipality. I would like to request you to participate in this study and be open and true to the data which you are going to present. Your data will be useful in meeting the objectives of this study, however participation is voluntary. Thank you and Welcome.

Instructions: Please tick (✓) inside chosen box

SECTION 1: PERSONAL DATA

1. Sex of the respondent
 - a. Male ()
 - b. Female ()
2. Age of the respondent
 - a. 18 – 25 ()
 - b. 26 – 35 ()
 - c. 36 – 45 ()
 - d. 46 and above ()
3. Occupation of the respondent
 - a. Ward councilor ()
 - b. Local government employee ()
 - c. Business person ()
 - d. Other (Specify) _____
4. How long have you worked in the Bukoba Municipality?
 - a. Below four years ()
 - b. Four – six years ()
 - c. Six – Eight years ()
 - d. Eight years and above ()

SECTION 2: KNOWLEDGE ABOUT INTERNAL REVENUE COLLECTION

1. Do you know the sources of internal revenue for Bukoba Municipal?
 - a. Yes ()
 - b. No ()

2. If yes, mention the sources of internal revenue that you know
 - i. _____
 - ii. _____
 - iii. _____
 - iv. _____
 - v. _____
 - vi. _____
 - vii. _____
 - viii. _____
 - ix. _____
 - x. _____

3. Do you have any idea about how much money is collected from these sources of internal revenue?
 - a. Yes ()
 - b. No ()

4. Do you know what this money does after it is being collected?
 - a. Yes ()
 - b. No ()

5. Have you witnessed any positive impacts on development in Bukoba as a result of use of revenue collected from internal sources?
 - a. Yes ()
 - b. No ()

6. Mention the positive developments that have been put up by Bukoba Municipal authorities by using revenue collected from internal sources
 - i. _____
 - ii. _____
 - iii. _____
 - iv. _____
 - v. _____

7. How do you rate the perfection of revenue collection by Bukoba Municipal authorities?

- a. Very perfect ()
- b. Moderately perfect ()
- c. Poor ()
- d. Very poor ()
- e. I don't know ()

8. If poor or very poor, what are the possible reasons for the weakness?

- i. Politician interference ()
- ii. Poor collection System ()
- iii. Inadequate facilitation ()
- iv. Traditional defaulting ()
- v. Bribery and Corruption ()

9. What should be done to bring the revenue collection and utilization to perfection?

- a. Encouraging timely payment and voluntary compliance from tax payer ()
- b. Exploitation of local raw materials and establishment of project ()
- c. Improve infrastructure and master data management ()
- d. Outsourcing sources of revenue ()
- e. Amending the existing rule and regulations that guide LGA ()

END

Thank you for your cooperation

APPENDIX II

Kiambatanisho II: Maswali Kwa wananchi

Utafiti huu unafanywa na Emmanuel Titus kama sehemu ya Shahada ya Uzamili ya Uhasibu na fedha Chuo Kikuu Mzumbe . **Lengo la utafiti huu ni kuangalia mchango wa mapato ya ndani ya Halmashauri katika maendeleo.** Ushirikiano wako katika kukamilisha lengo hili unathaminiwa. Majibu yako yatachangia katika kukamilisha utafiti huu. Matokeo ya utafiti yanaweza kuchangia katika kuboresha mpango huu kwa baadaye. Taarifa utakazotoa zitatunzwa kwa usiri mkubwa, Ushiriki wako katika utafiti utathaminiwa.

SEHEMU 1. TAARIFA BINAFSI

1. Jinsia
 - a. ME () b. KE ()
2. Umri
 - a. 18 – 25 () c. 36 – 45 ()
 - b. 26 – 35 () d. 46+ ()
3. Kazi yako
 - a. Diwani wa kata ()
 - b. Mtumishi wa serikali za Mitaa ()
 - c. Mfayanya Biashara ()
 - d. Kazi nyingine (taja).....
4. Ikiwa ni mwajiwa wa Manispaa, Una mda gani tangu uanze kazi katika Manispaa ya Bukoba?
 - a. Chini ya miaka minne () c. Miaka sita hadi nane ()
 - b. Miaka minne hadi nane () d. Zaidi ya miaka nane ()

**SEHEMU 2. UFAHAMU KUHUSU UKUSANYAJI WA MAPATO
VYANZO VYA NDANI VYA HALMASHAURI YA MANISPAA
BUKOBA**

5. Je, Unafahamu vyanzo vya mapato katika Manispaa ya Bukoba?
- a. Ndiyo ()
- b. Hapana ()
6. Ikiwa ni ndiyo, taja vyanzo vya mapato unavyovifahamu
- i. _____
- ii. _____
- iii. _____
- iv. _____
- v. _____
- vi. _____
- vii. _____
- viii. _____
- ix. _____
- x. _____
7. Je, unafahamu kiasi kinanacho kusanywa kutoka kwenye vyanzo hivi vya mapato?
- a. Ndiyo ()
- b. Hapa ()
8. Je, unafahamu fedha zinazokusanywa zinafanya kazi gani?
- a. Ndiyo ()
- b. Hapana ()
9. Kuna kitu chochote cha kimaendeleo kilichofanywa kutokana na vyanzo vya ndani vya mapato vya Hamashauri?
- a. Ndiyo ()
- b. Hapana ()

10. Taja vitu ambavyo vimefanywa kutoka na ukusanyaji wa mapato ya ndani ya Halmashauri ya Manispaa Bukoba?

- i. _____
- ii. _____
- iii. _____
- iv. _____
- v. _____

11. Ni kwa kiwango gani unaweza ukapima ukusanyaji wa mapato ya Hamashauri ya Manispaa Bukoba?

- a. Kizuri ()
- b. Wastani ()
- c. Kibaya ()
- d. Kibaya Sana ()
- e. Sifahamu ()

12. Ikiwa ni kibaya au kibaya sana, Chanzo cha udhaifu nini?

- i. Wanasiasa ()
- ii. Njia za ukusanyaji kodi sio nzuri ()
- iii. Ukosefu wa vitendea kazi ()
- iv. Ni tabia ya wanachi kutolipa kodi()
- v. Takrima na rushwa ()

13. Kifanyike nini ilikuimarisha ukusanyaji wa mapato ya Halmashauri na matumizi yake kuwa vizuri?

- i. Kuhamasisha walipa kodi kulipa kwa wakati na kwa hiari. ()
- ii. Kutumia raslimali ilipo na kuimarisha miradi ()
- iii. Kuimarisha miundo mbinu na mfumo wa takwimu za walipa kodi()
- iv. Kuwepo kwa wazabuni wa kukusanya mapato ya Halmashauri ()
- v. Kuboresha sheria za ukusanyaji wa mapato ()