

**ASSESSMENT OF THE ATTITUDES AND PERCEPTIONS OF
TAXPAYERS TOWARDS THE USE OF EFD MACHINES IN
TANZANIA: A CASE OF ARUSHA CITY**

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TAXPAYERS TOWARDS THE USE OF EFD MACHINES IN
TANZANIA: A CASE OF ARUSHA CITY**

By

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A Dissertation submitted in partial fulfillment of the requirements for the degree of
Master of Business Administration of the University of Dodoma

The University of Dodoma

October, 2017

CERTIFICATION

The undersigned certifies that he has read and hereby recommends for acceptance by the University of Dodoma a entitled dissertation “**Assessment of Attitudes and Perceptions of Taxpayer on the Use of EFDs Machines in Tanzania, A Case Study, Arusha City**” in fulfillment of the requirements for the degree of Master of Business Administration of the University of Dodoma

.....

Name of the Supervisor

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I, MAINOYA DANIEL declare that this dissertation is my own original work and that it has not been presented and will not be presented to any University for a similar or any other degree award.

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DEDICATION

This work is dedicated to my family, my former Employer (PSI Tanzania), my current Employer (Tigo) and all friends of mine for supporting me in my studies and the tolerance that they showed me for the whole time when I was taking this course.

ABSTRACT

This study aimed at assessing the perception and attitudes of the Taxpayers on the use of Electronic Fiscal Devices (EFDs) in Tanzania. The objectives of the study were: to analyze trend performance of VAT collections before and after the implementation of Electronic Fiscal Devices in Tanzania in the period 2006-2014; to assess the perception of taxpayers on the effect of Electronic Fiscal Devices (EFDs) to their business in the study area; to find out challenges associated with the use of Electronic Fiscal Devices (EFDs) in revenue collection in the study area; to establish measures that can be taken to improve the use of EFDs machines in tax collection. Data for this study were obtained using triangulation research design. The study used Descriptive, exploratory designs and cross-sectional survey where simple random sampling and purposive sampling were used to select respondents from 120 respondents who were 100 taxpayers and 20 TRA staff. A combination of qualitative and quantitative methods was used to collect data for this study through a short questionnaire and interview guide. The study used both primary data and secondary data which were obtained from TRA's staff and registered VAT tax payers by using questionnaire and interview as well as reviewing some of the TRA documents for the case of secondary data. The study setting was Arusha City Council. Quantitative data were analyzed by using Statistical Package for Social Sciences (SPSS 16.0) and Excel computer programme, while qualitative data were analyzed using content analysis. Descriptive statistics such as frequencies and percentages were used. The study found that before introducing EFDs in Tanzania, revenue obtained from VAT registered taxpayers was on increase, though at a slow rate. The study results show that there is an increase in VAT-revenue collected following the introduction of EFDs. It was reported during the study that EFDs have helped to make taxation services available and accessible to many tax payers. The devices are usable and reliable in the collection of tax. The major challenges facing full use of EFDs are high cost of purchasing the devices and lack of education on the side of taxpayers concerning the use of EFDs among others. The study concludes and recommends review of purchasing price and maintenance costs, improvement on system or network breakdown, increase of education, awareness and motivation on use. However, there is the potential of having great advantage and/or improvement in tax revenue collection using EFDs if the challenges mentioned would be addressed.

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LIST OF ABBREVIATIONS

ATM	Automated Teller Money
ECR	Electronic Cash Register
EFDs	Electronic Fiscal Devices.
EFP	Electronic fiscal Printer
ETR	Electronic Cash Register
GPRS	General Packed Radio Services
IT	Information Technology
KRA	Kenya Revenue Authority
MRA	Malawi Revenue Authority
SME	Small and Medium Enterprises
SPSS	Scientific Package for Social Sciences
TCCIA	Tanzania Chamber of Commerce, Industry and Agriculture
TRA	Tanzania Revenue Authority
TSH	Tanzania Shilling
TTA	Tanzania Trade Association
VAT	Value Added Tax

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents the background information of the study, statement of the research problem, research objectives, research questions, and significance of the study.

1.1 Background of the Study

Taxation is a very important tool for income generation of any government for its development and provision of social services. The adequacy of government revenues allows the government to support its operations ranging from administrative activities, infrastructure constructions and service provision. Ebeke (2010) commented on the importance of developing countries to adequately manage their sources of revenue to enhance the speed of development. Komanya (2013) supported that sufficient revenue collection decrease the degree of dependence of the government on donors for its developments which gives the government ability to make different developmental decisions. Therefore, it is compulsory for every business person and the society in general to pay a right tax at the right time to enable the government meet the cost of providing social services (TRA, 2013).

Tax system design is also closely linked to domestic and international investment decisions, including the systems used in tax collection. Based on the information presented in the several literatures, domestic resource mobilization is not just a question of raising revenue; but it is also about designing a taxation system that promotes inclusiveness, encourages good governance, matches society's views on appropriate income and promotes social justice (Samson, 2012). There also some

theories that support the connotation that people have to pay tax according to their ability to pay and the amount collected as tax should be used for the developmental projects within the society. These theories include social influences theory and fiscal exchange theory. The primary concern of any tax administration is how to increase tax compliance without causing economic distortion in the economy. Taxes are “the compulsory, unrequited payments to the general government sectors” (Messere, & Owens, 1987, p.37). Tax compliance includes four issues: registration of the taxpayer, filling in tax returns to declare tax liability, paying taxes on time, and submission of complete information to the tax authority (Kirchler *et al.* 2007; Casey & Castro, 2015). In pursuing their mission, tax administrations face a number of challenges, including how to broaden the tax base by continually bringing non-registrants and non-filers into compliance, strengthening organization and management, controlling tax evasion, improving tax collection, and facilitating voluntary compliance (Andreoni, 2006). The greatest challenge for any tax administration is achieving and maintaining a high degree of self-assessment and voluntary compliance by taxpayers. Well-designed taxpayer services, education programme, and creative measures can facilitate self-assessment and compliance. But the vexing questions that arise include what can be the effective system or approach of addressing the noncompliance? (Horn, 2013).

The need for effectiveness in tax administration operations is often vexing when dealing with hard-to-tax groups of the economy. For example, small businesses, farmers, and self-employed individuals who represent a large number of taxpayers. These groups usually lack the appropriate bookkeeping and accounting records to determine and assess their tax liabilities (Feinstein, 2008). It is very hard and expensive for the tax administrators to assess and collect taxes from these groups.

Consequently, many small businesses especially in the informal economy of developing countries simply elude the tax net and are not taxed at all (Agola, 2010). All tax administrations find this sector considerably burdensome, given their large number, their pervasive nature and the relatively low contribution to revenue collections (Horn, 2013). This being the fact administrations look for technology to help them deal with the massive numbers of taxpayers in this sector. In developed countries, tax administrations have embraced many technological advances (IMF, 2005). In this context, information technology (i.e. computerization of systems and business processes of the tax administration, data networking, and associated technological devices) is a key enabler, and its importance continues to grow, as does the pervasive role of Information Technology (IT) in everyday life (Duke, 2013). For developing countries, the opportunities offered by technology are more elusive and the challenges are greater (IMF, 2005).

Significant progress has been made by many developing countries in adopting ICT system for the tax collection management (Mbilinyi and Mutalemwa, 2010). Nowadays, the focus of many studies in this area is on the performance of a specific set of electronic devices, common known as Electronic Fiscal Devices (EFD's) that revenue administrations worldwide use to support their tax collection efforts. The underlying technology of EFDs may vary with the adoption of specific types of devices based on the needs of the tax administration and the time of introduction.

To better understand the choices available to administrations in selecting fiscal devices and the circumstances for which each device is best suited, it is worthwhile to consider the devices in greater detail (Feinstein, 2008; Clive, 2011). It is therefore imperative to use the devices which can improve relationship between revenue administrators and tax payers; such as: improved billing and accounting systems,

establishing convenient and transparent payment facilities, and strengthening the capacity to follow up cases of non-payment.

A number of countries have made efforts to deal with weak tax administration as well as reduced tax evasion and avoidance by introducing Electronic Fiscal Devices (EFDs) which have replaced Electronic Cash Registers. Globally the Electronic Fiscal Devices were firstly introduced in Italy by Italian Ministry of Economics in the 1980s to keep key financial data such as VAT totals turnover and owners details. Then other countries in Europe and Asia adopted the system which include Russia, Poland, Bulgaria, Serbia, Albania and Georgia. In Africa, the use of Electronic Fiscal Devices was also adopted as results of increase in technology in Kenya, Zimbabwe, Malawi, Ethiopia, Uganda and Tanzania (Chiwambo, 2014).

Tanzania Revenue Authority (TRA) adopted the Electronic Fiscal Device (EFD) to “combat non-compliance, particularly concerning sales and value added tax (VAT) payable on sales” (Casey & Castro, 2015, p. 7). An EFD is a machine designed for use in business for efficient management and control in areas of sales analysis and stock control which conform to the requirements specified in the Valued Added Tax (Electronic Fiscal Devices) regulations, 2010 and the Income Tax (Electronic Fiscal Devices) Regulation, 2012). Using the machine, the TRA can monitor business transactions in real time as they are recorded via the internet. Thus, effective use of EFDs enhances two components of tax compliance: submission of complete information on time, and declaration of accurate tax returns when the tax is charged on sales as in the case of VAT.

Despite the above seemingly good promise of EFDs, most businesses in Mainland Tanzania perceive their introduction to be burdensome. This is attributed to the

challenges faced by traders during adoption and implementation of EFDs in the country. In particular, the deployment of EFDs faced a number of challenges, including battery problems, lack of a Swahili EFD version, inadequate training on how to use them, network and printer failure, the issuing of inferior receipts, and their slow repairs (TCCIA & PAMOMA, 2012; Weru et al., 2013; Ikasu, 2014). Similarly, immediately after their introduction in 2011, most EFDs had network problems, which limited submission of important reports to TRA, and many failed to do so (TCCIA & PAMOMA, 2012). Also, as a result of inadequate knowledge and the skills needed for using EFDs, many businesses made wrong entries, resulting in the declaration of higher revenue than intended, in which case sometimes, the additional tax paid was not rectified by the TRA. Furthermore, many businesses reported the absence of maintenance services at their business premises as most suppliers are located in major cities and towns such as Arusha.

Therefore, some businesses have been reluctant to use EFDs, leading to a confrontation between taxpayers (traders) and TRA. Despite numerous attempts by TRA to resolve these misunderstandings through negotiation, confrontation has continued, which has caused traders to go on strike in many parts of the country. Unfortunately, strikes and shop closures cost the government an estimated loss of tax of Tshs 3 billion a day (Malanga, 2015), and denied customers much-needed goods. In an attempt to address the matter, in early 2015, the Government filed a case against some business leaders for allegedly mobilizing their counterparts to boycott the implementation of EFDs. As of now, the business community still has concerns about the usage of EFDs. In addition, despite the widespread use of EFDs, there is little documentary evidence to determine the perception of the taxpayers on the use of EFDs in Tanzania which is for that reason, this study was conducted.

1.2 Statement of the Problem

The introduction of EFDs Machines to taxpayers has been seen as an effective way to solve the problem of noncompliance and raise government revenues. Tanzania Revenue Authority (TRA) has recorded an increase in Value Added Tax (VAT) as a result of the use of Electronic Fiscal Devices (EFDs). For example, it was observed that TRA collected a total of Tsh785, 882.4 billion in the 2009/2010 financial year, before the EFDs were introduced. However, the Authority collected Tshs 791,462 billion in 2010/11 financial year immediately following introduction of the devices (TRA, 2013; Ikasu, 2014).

Although the Electronic Fiscal Devices (EFDs) have boosted revenue collection by plugging holes of tax evasion used by unscrupulous taxpayers, some of them protest against the use of EFD machines. The main arguments raised include battery problems, lack of a Swahili EFD version, inadequate training to business owners or runners on how to use them, network and printer failure, the issuing of inferior receipts, and slow repairs of EFDs (TCCIA & PAMOMA, 2012; Weru et al., 2013; Ikasu, 2014). Similarly, immediately after their introduction in 2011, most EFDs had network problems, which limited submission of important reports to TRA, and many failed to do so (TCCIA & PAMOMA, 2012). Also, as a result of inadequate knowledge and the skills needed for using EFDs, many businesses made wrong entries, resulting in the declaration of higher revenue than intended, in which case sometimes the additional tax paid was not rectified by the TRA. These challenges have affected the perception and attitudes of taxpayers and made them be reluctant towards tax compliance. It is with these views that this study intended to assess the attitudes and perception of eligible taxpayer on the use of EFD's in Tanzania.

1.3 Objectives of the Study

The main objective of the study was to assess the attitudes and perception of eligible taxpayer on the use of EFDs in Tanzania.

1.3.1 Specific objectives

1. To analyze trend performance of VAT collections before and after the implementation of Electronic Fiscal Devices in Tanzania in the period of 2006-2014
2. To assess the perception of taxpayers on the effect of Electronic Fiscal Devices (EFDs) to their business in the study area.
3. To find out challenges associated with the use of Electronic Fiscal Devices (EFDs) in revenue collection in the study area.
4. To establish measures that can be taken to improve the use of EFDs machines in tax collection.

1.3.2 Research Questions

- 1) What was the performance of VAT collections before and after the implementation of Electronic Fiscal Devices in Tanzania?
- 2) What are perceptions of taxpayers on the effect of Electronic Fiscal Devices (EFDs) to their business in the study area?
- 3) What are the challenges associated with the use of Electronic Fiscal Devices (EFDs) in revenue collection in the study area?
- 4) What are measures that can be taken to improve the use of EFDs machines in tax collection?

1.4 Scope of the Study

The study was about assessing the attitudes and perception of eligible taxpayer on the use of EFDs in Tanzania. The study was undertaken in Arusha Municipal council. This area of the study was purposely selected to represent the rest of Tanzania due to time and financial constraints. Also the area is easily accessible to the researcher and data were readily available due to the presence of both large and small tax payers. Moreover, Arusha is the researcher's workplace thus enhanced ease collection of data.

1.5 Significance of the Study

Little attention has been made to generate information regarding challenges facing the implementation of using EFDs in revenue collection in Tanzania. This study is therefore expected to make TRA have a look on those challenges. Furthermore, the results of this study may be used to develop better service delivery on EFDs machines which may increase revenue collection in Tanzania. The study may also give feedback to TRA in promoting its performance in building its institutional capacity and hence help developing countries in the world through copying its tax collecting mechanism. Besides, the study may be a basis for dialogue between policy makers and TRA stakeholders on the role of EFDs machines in enhancing the empowerment and sustainability of TRA which plays a vital role improving revenue collections in Tanzania. The study will also be an additional contribution to the number of studies done in the past and may be referred to in future. As Griffin et al (1993) indicated, any attempt to estimate the behaviors and benefit in particular communities and in other settings can lead to serious, misleading and erroneous conclusions, even when natural conditions between communities and the services to be offered are quite similar.

1.6 The Limitation of Study

The researcher faced some limitations in the course of conducting this study. The limitations were:

Financial constraints: The study encountered financial constraints but in order to solve financial difficulties, the researcher restricted the study to the Arusha City Council and at the Tanzania Revenue Authority – Arusha Branch tax region as area. Moreover, the researcher faced the problem of time constraints and in order to solve the problem the researcher developed an action-plan and abided to it in order to manage time effectively. In addition, the researcher restricted himself in collecting data that were useful and were more likely to be processed later by developing effective data collection tools and hence coming up with this dissertation.

Reluctance of respondents was another problem faced by the researcher where some of the Tanzania Revenue Authority (TRA) officials refused to answer some of the questions in the questionnaires by saying that they were not official spokes persons. To solve this problem the researcher informed the management and other personnel on the importance of the research in general and the importance of this particular study to TRA and the employee themselves.

1.7 Organization of the Study

The study is organized as follows.

Chapter one carries the introduction part of the study which includes overview of the information concerning the Electronic Fiscal Devices (EFDs). The chapter also presents a statement of the problem, objectives of the study and research questions, significance of the study, scope of the study and lastly, the organization of the study. Chapter two identifies relevant theories and concepts that were used in the study as a

guide to get better understanding of the matter under study. It then presents a synthesis of relevant literature that was reviewed and lastly it focuses on the conceptual framework while providing explanation on the variables. Chapter three presents the methodology of the study; which comprises of the research design, study population, sampling, research instruments, analysis and validity of the study. Chapter four presents data and analyses them and presents the results and discusses the findings. Chapter five gives the conclusion and recommendations for future studies.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter consists of what has been written in various sources by other schools and researches which are related to this study. It includes theoretical literature from various books and issues related to this study and the empirical Literature and conceptual framework which is presented with the study.

2.1 Theoretical Framework of the Study

A theory can be referred to as a set of views a person or a group of people has, which tend to explain the situation that exists and predict about the future. According to Kenneth (2005) theories tend to present a systematic view of a certain phenomenon by specifying the relations about empirical reality among variables using a set of interrelated variables, definitions and propositions. The theories which were used in addressing the study were as follows:

2.1.1 Fiscal Exchange Theory

This theory suggests that the presence of government expenditures may encourage tax compliance from the tax payers (Moore, 1998). According to him, tax compliance among society increases with perception of the availability of public goods and services being developed in relation to the tax paid. He suggested that the government can increase tax compliance by providing goods and services that citizens prefer in a more efficient and accessible manner, emphasizing that taxes are necessary for the receipt of government services. Accordingly, taxpayers are concerned with what they are getting in return for their tax payments in the form of public services. In this perspective, taxation and the provision of public

goods/services become catalysts to taxpayer in complying with the tax paid (Fjeldstad and Semboja, 2001 cited in Horn, 2013). This theory is more practical and acceptable because advocates about individual willingness to comply without direct coercion. Furthermore, it serves the government from high collection costs resulting from enforcement measures.

According to this theory, it can be said that however much the government or administrative authority adopt modern systems of collecting tax-the effectiveness of tax/revenue collection,it depends on the public services provided by the government to the tax payers. Therefore, it can be argued that introduction, of EFDs in Tanzania cannot improve revenue collection if the public services offered are not equivalent to the tax revenue collected. This theory helped the researcher to understand that if there is effective provision of public goods or services within a nation, it might advocate individual's for the willingness to pay tax without complaints.

2.1.2 Social Influences Theory

With regards to the area of taxation, the Humanbehavior in the area of taxation is influenced by social interaction in the same way as other forms of behaviour (Snaveley, 1990). Compliance behavior towards the tax systems may therefore be affected by the behaviour of an individual's reference groups such as relatives, neighbors, and friends. If a taxpayer knows many people in his group who evade taxes, his commitments to comply will decline. On the other hand, social relationships may also help motivate individuals to comply and shy away from tax evasion behavior for fear of the social sanctions imposed once discovered (Grasmick, 1982 cited in Samson, 2012).

This theory to a large extent, supports the fiscal exchange theory Snaveley, (1990)

also noted that the society with government advocating good governance has better chances to comply with laws and orders including tax laws that might create a tax payment culture among the society members. The implication of this theory is that in paying tax; behavior or culture of the society concerned intervenes the processes.

2.1.3 Theory of Planned Behavior

Theory of planned behavior is an important theory which presents within the scope of the social psychology and tries to explain human behaviors. This theory was developed by (Ajzen, 1991) and it is just the improved form of the Theory of Reason Action suggested by Ajzen and Fishbein, (1980) in order to explain conscious behaviours. According to this theory, behaviours of the individuals within the society are under the influence of definite factors, they originate from certain reasons and emerge in a planned way (Karanja, 2014). Nevertheless, the ability to exhibit a particular behaviour depends on the fact that the individual has a purpose towards that behaviour. As for the factors determining the purpose towards the behaviour, there is an attitude towards behavior, subjective norms and perceived behavioral control (Karanja, 2014). Factors explained above are also under the influence of behavioral beliefs, normative beliefs and control beliefs (Ajzen, 2002).

Intention is the basis of this theory and performance of a behavior or its transformation into a different behavior depends on the intention that the individual has generated towards the behavior. In the tax compliance environment planned behavior theory described intention as the factor indicating the degree of individual efforts in order to perform a certain behavior (Ajzen, 1991). Intention is explained by attitudes towards behavior, individual norms and perceived behavior controls (Klee *et al.* 2010). Attitude includes the evaluations made by the individual who will

perform the behavior (compliance) regarding the act of that behavior.

Also the subjective norm refers to the opinions of the other individuals who are important for individuals that will perform the behavior or are taken as reference with regard to this behavior. Finally, perceived behavior control specifies the difficulty level of the performance displayed by an individual. This element can sometimes affect the behavior directly. For example, in case the behavior control does not depend on the desire of the individual, in other words, if there is any legal sanction, the perceived behavior control can affect the behavior directly. As a conclusion, the Theory of Planned Behavior posits that tax payers' intentions, together with their perceived control over the behavior determine whether or not they will actually engage in the tax compliance. The aim of this study was also to analyze the behaviors of taxpayers regarding the use of the technological procedures in tax payment. Hence the theory helped the researcher in observing the behavior of individuals regarding their attitude towards use of EFDs.

2.1 Empirical Review

There are a number of researches, surveys and studies conducted on this topic. These studies have been conducted in varied dimensions and also across various sectors of learning. This section provides a general review of the empirical evidence regarding the topic under study.

2.2.1 The Perceptions of Taxpayers on the use of EFD

A study conducted by Nyasha *et al.*, (2013) dealt with attitudes of employees towards the use of fiscal electronic devices in calculating value added tax (VAT); this was, a case study of motor industry in Zimbabwe. The findings of the study revealed that fiscal electronic devices had positively impacted on the motor industry

through improvements in tax collection, saved time in tax collection, reduced direct contact between tax collectors and hence minimized corruption. Moreover, the study found out that employees with low educational level found it difficult to use fiscal electronic devices because they lacked know how on how best to use them. Employees perceived negatively the use of fiscal electronic devices because they were not aware of the method and some were just resistant to change. That is given all the resources they will reject to use the advanced method.

Weru *et al.*, (2013) revealed that when the ETR machines were introduced by Kenya Revenue Authority (KRA) most of the businessmen and service providers rejected them. They were all up in arms as human beings operate in a state of equilibrium and they did not want to learn new things. In Mombasa town, at the Coast of Kenya, for example the Asian businesses came to a halt as the owners protested on the streets. To date, there are many people who continue to reject the ETR machines and even those who have them use fraudulent methods to evade paying taxes by not issuing receipts after sales or offering a service; some cases are still pending in court. Swanson (2000) pointed the reasons for resistance to change to include among others, to be lack of conviction of need for change; dislike of imposed change/no involvement in the change; dislike of surprises/no information for readiness, fear of the unknown, and uncertainty; reluctance to deal with unpopular issues; fear of inadequacy and failures due to the need for new skills; disturbed practices, habits, relations and familiarity; and lack of respect and trust in the persons promoting change.

Sacks *et al.* (1993) developed a theory, which advocates that males tend to display positive attitudes towards the use of these devices, regardless of the level of

familiarity, while females' attitudes become more positive as the levels of familiarity increases. Brief (1998) argues that females tend to be resistant to the use of fiscal electronic devices while males accept to the change in the motor industry. Baack *et al.*, (1991) evidenced that older adults indicated that they were less likely than their younger counterparts to use these devices unless there was a perceived need. The same study attributed the low usage rates to low levels of familiarity.

Liden and Adams (1992) pointed out that older individuals do not respond well to rapid change as their younger counterparts unless the change is gradual overtime. Arthur *et al.*, (1990) identified a positive relationship between educational ability and familiarity with these electronic devices. The authors suggested that employees with low educational ability levels might consciously opt not to become familiar with these electronic devices due to the challenging nature of the technology. Gardner *et al.*, (1993) identified a positive correlation between experience with electronic devices and attitudes towards them. Not surprisingly, negative experience with these electronic devices correlated with negative beliefs and attitudes towards the technology. Employees with positive experience also espoused positive attitudes towards the devices.

Lumumba *et al.*, (2010) stipulated that the preparation of VAT returns at the end of the month by using EFD machine may take different time range since the businesses prepare and file their VAT returns in good time to beat the tax authorities' deadlines. Sometime businesses seek the involvement of tax agent's services in filling tax returns and with a proportion of the the monthly VAT returns paid to the agents.

2.2.2 The Benefits of EFDs Machines in Tax Collection

Nyasha *et al.*, (2013) quoting Newcomb (1943) stated that the benefits of automation include a reduction of fraud, remote access to information, improved collection of statistics and uniform application of tax legislation. The introduction of tax automation minimizes direct contacts between tax collection officers and traders or their agents and hence leads to a reduction of corruption. Further benefits realized through customs automation include improved reporting, control of file transfer, automation reconciliation of tax returns declarations and compliance testing of bank files. Paperless declarations and customs automation save time and make it easier to focus on inspecting high-risk consignments. The possibility of submitting tax returns declarations on-line has in some cases made it possible to reduce the associated fees, in other cases it eliminates the obligatory contracting of customs agents.

Kenya has witnessed significant changes in many aspects of its economy over the last four decades, but like most developing countries, it has had to compete with the common problem that affects tax collection in developing countries as noted by KRA, (2009). This led to the introduction of EFDs in tax collection system in the year of 2008. Following the introduction of these devices, Magutu, (2010) conducted a study to determine the extent to which the Electronic Fiscal Devices were being used by the taxpayers.

He found the following the problems encountered in using them as well as get possible solutions to the problems facing service providers, wholesalers and large scale retailers and supermarkets in Nairobi, Kenya. On the advantages of the study revealed that the use of EFDs machines was good because once a taxpayer entered information Kenya Revenue Authority (KRA) got information after 24 hours and if

one tampered with the information, the machine reported everything. The study recommended that stakeholders needed more awareness of the system and friendly environment of using EFD machines in which they suggested strongly strategies for improvements of the system. With regard to the problems encountered in using EFDs, the study noted the following;

Naibei, et al, (2011) conducted a study on the purpose of assessing the impact of use of Electronic Tax Registers (ETRs) on Value Added Tax (VAT) compliance among private business firms in Kisumu city, Kenya. The results revealed that effective and regular use of ETR has a significant impact on the Value Added Tax (VAT) compliance. Based on the research findings the study concluded that use of ETR have a significant impact on VAT compliance in Kenya. However, the study also recommended that the government needed appropriate strategies to overcome challenges which were likely to face the users of ETRs machines.

Yalemtesfa(2011) conducted a study on the importance of using EFDs to increase revenue collection in Ethiopia. The findings of the study indicated that, the use of EFDs machines reduced the operation cost of the government that it incurred to collect VAT as well as improve the business income of tax payers. Also the study indicated that while EFDs improved the efficiency and effectiveness of government operations also they provided timely and accurate tax information to businesses and increased the availability of electronic tax filing. The study concluded that introduction of EFDs helped to decrease tax evasions and were needed to create enough awareness and strong regular audit follow up to get those fruit full benefit of using them. The study recommended that creating awareness to the people by newspapers, pamphlets, with attractive radio and television programs was very

important in eliminating the tax evasions and could enhance the efficiency of the ERCA.

2.2.3 Challenges in the Use of EFDs Machines in Tax Collection

Mutalemwa (2014) assessed the challenges of adoption of electronic fiscal devices (EFDs) in tax collection in Tanzania. The findings of the study revealed that, the adoption of EFDs machines in Tanzania led to conflict between the government and traders due to the fact that traders were forced to buy the machines. Also the study showed that, traders opposed to the use of EFDs machines through demonstration by stopping opening their shops and doing small businesses.

Based on the same context Mmanda, (2014) reported that in September 2013, Mbeya traders opposed the use of EFD by stopping opening their shops and small business followed by the similar demonstration in Morogoro and Dar es Salaam. According to Mutalemwa (*ibid*) these challenges occurred because the government failed to provide enough education to traders who were required to buy these EFDs machines and the high amount of capital needed so as to have that machine. The study recommended that, mass education was very important once the government wanted to introduce a new system of collecting taxes that might affect the traders so as to avoid conflict between the government and traders.

Similarly, Chiwango (2012) conducted a study to find out whether the introduction of electronic fiscal devices was already making a difference in tax collection in Tanzania. The study revealed that during the short period of the operations of the EFDs from October to March 2010 tax payers had been lamenting due to several challenges which significantly affected the VAT registered traders. Also, the study revealed that, it was observed that the training period was not adequate as most of

the taxpayers were still in darkness with regard to the management and effective use of EFDs in their business. Again the study showed that most of the taxpayers were facing problems with the process from the point of ordering up to the installation stage as well as complaining that the machines were not working properly as expected and as advocated by the authority. The study recommended that taxpayers still needed to be well-trained on how to use EFDs machines as well as the importance of using these machines. Moreover, the study recommended that tax authority should analyze the effectiveness of EFDs for the period that the machines have been used and rework on all shortfalls identified to streamline the uses of the same.

Esther (2014) conducted a study to assess challenges facing the implementation and use of EFDs in tax collection in Tanzania. The study employed quantitative research approach. The study indicated that EFD system had a lot of challenges which were hindering the implementation and usage of the device. Those challenges included regular break down of the system, lack of knowledge on the use of EFD machines, high cost of buying and maintenance of the devices. The study recommended that stakeholders needed more awareness of the system and friendly environment of using EFD machines in which the study suggested the strategies for improvements of the system to be put in place. Also, the challenges facing the implementation of using of EFD machines in the tax revenue collections process in Tanzania have been examined by Ikasu, (2014). The results showed that regular system break down, unfairness of tax estimation from tax payers and lack of skills on the use of EFDs machines were the major challenges facing the implementation and use of EFD.

Chenya (2012) conducted a research concerning Evaluation of Electronic Fiscal Device on Value Added Tax (VAT) In Revenue Collection in Tanzania. He found out some of the problems that were facing the tax payers on the use of EFD on VAT in revenue collection to be such as lack of enough knowledge on the effective use of EFD in revenue collection, unwillingness of the tax stakeholders to pay their taxes as they complained that they didn't see any output of the tax paid to the Government, Lack of enough tax payer sensitization seminars and workshop on various tax laws as well as clear education concerning the use of EFD in revenue collection, Majority of the payers were avoiding paying tax on the right time and at the right place. Since EFD was a new system of revenue collection, the suppliers of the machine were very few hence become a huge problem for every tax payer to have a machine on the right time.

Weru et al (2013) conducted a study on the impact of introduction of computerized tax register for enhancement of tax collection with Uganda Revenue Authority in Kampala. The study used quantitative and qualitative approaches. In addition, the study applied probability sampling that involved simple random sampling technique to identify the sample size of the study. The major findings indicated that ETR system had enhanced tax collection in business premises in Kampala.

It was further found out that the stakeholders were yet to be trained effectively on the use of computerized tax collection machines. Also the study revealed that the Authority was still experiencing some resistance to change from both internal and external customers. Moreover, the study found out that tax payers resisted the use of computerized machines due to insecurity, personal attitudes, and lack of trust, financial reasons, misunderstanding, and fear of the unknown, disturbance of the routine systems of the businesses, inconvenience and group norms.

2.2.4 Measures to Eliminate Challenges of using EFDs Machines

Nawaz, (2010) conducted a study on how to control challenges of using EFDs machines in system of revenue collection in Malawi. The study revealed that through mass communication; the government via tax authorities had a tendency of providing enough education to the people in order to make them aware of what was going to be introduced which was important to the people including traders. The study recommended that mass communication would help much to avoid conflict that might arise between the government and business owners.

Mbilinyi (2010) conducted a study to find out ways of reducing obstacles in the implementation of EFDs in effective tax collection in Tanzania. The results indicated that the government through TRA should increase traders' involvement on revenue collection decision making. Also the study indicated that in order to be able to attain the country's development goal, the stakeholders in this tax system should work together with a common goal. The study concluded that this involvement would help to reduce misunderstanding between traders and the government.

Clive (2011) conducted a study on ways to reduce misunderstanding between the taxpayers and the government of Madagasca basing on challenges of using EFDs machines in tax collection. Interview and questionnaires were used during the process of data collection, and obtained data were analyzed using thematic and descriptive approaches. Results obtained from the study indicated that, the tax authorities should focus on the use of media as it plays important role in creating awareness. Moreover, the study showed that media should be used in delivering full, updated and accurate information to the taxpayers and more generally, to the public as a whole, about the impacts of fair taxation and the activities that the collected tax

is used for. The study concluded that media also plays a vital role in creating and building the fairness of the taxation system in a good form.

Agola (2010) conducted a study focusing on the perception of Nairobi traders on how to eradicate challenges of using Electronic Fiscal Devices in Nairobi. The findings revealed that the government, through the Kenya Revenue Authority (KRA) should administer penalties to those who were engaging in tax evasion, as tax evasion is a serious matter to the tax authority. The study concluded that giving fair answers to the taxpayers without discrimination and bias would also solve the problem. The study also suggested that, in order to fairly implement the tax system, the taxpayers who engage in tax evasion need to be penalized equally without considering their business level.

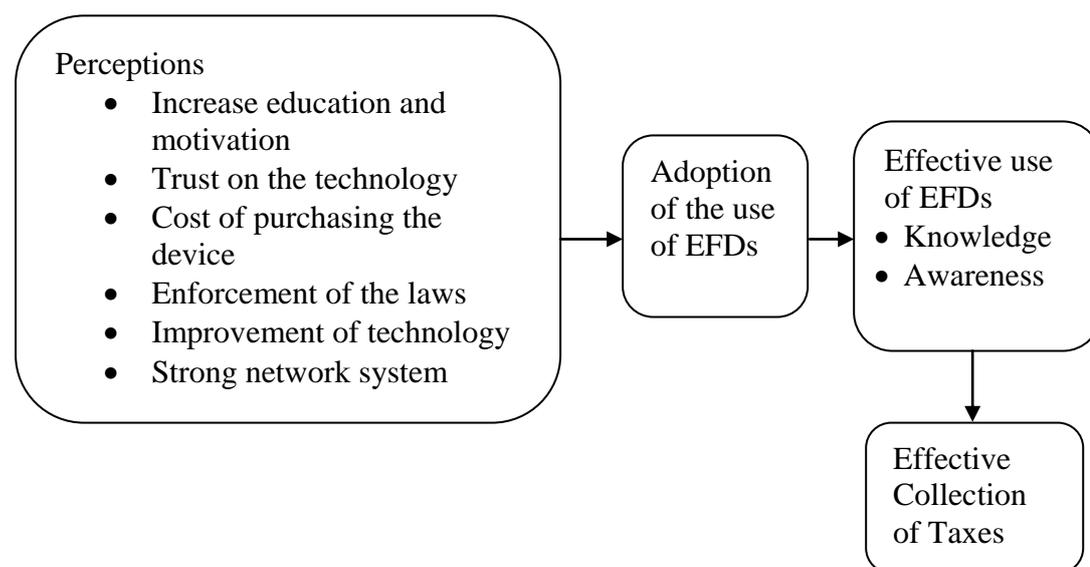
2.3 Conceptual Framework

Conceptual framework is an analytical tool with several variations and contexts. It is used to make conceptual distinction and organize ideas Kenneth, (2005). According to (Kenneth, 2005) a conceptual framework is an abstract indication of how basic concepts and constructs are expected to interact in the actual setting, and the experiences that form the foundation of the research study. It is concerned with the way ideas are organized to achieve a project purpose. The aim of this section is to develop an integrated conceptual model to analyze the variables of the study. Accordingly, based on what have been understood from theoretical and empirical reviews, the following conceptual framework was developed and used to guide the study.

The independent variables for this study were perceptions of taxpayers on the use of EFDs namely, increase education and motivation, trust on the technology, cost of

purchasing the device, the improvement of the technology and strong network system. These perceptions have an effect of the effective use of EFDs in terms of knowledge and awareness which were viewed as dependent variables. But the adoption of the use of EFDs affected both the perceptions of taxpayers and the effective use of EFDs at it was considered to intervening variable.

Figure 1: Conceptual framework



2.4 Research gap

Other scholars who have done similar studies include Ekasu, (2014), Weru at el,(2013), Duke,(2013) ,Clive, (2011), Mmanda,(2010) and Horn,(2003), their studies tried to describe the challenges, principles, benefits, advantages anddisadvantages as well as strategies of implementing the use of EFDs machines. However,this study under investigation is not going to discuss only challenges, principles,benefits, advantages and disadvantages, as well as strategies, but it going to discuss the perception of taxpayes on the effect of EFDs in the revenue collections.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

According to Kothari (2006), research methodology is a way to systematically solve the research problems. This chapter describes how the study was conducted in terms of research approach and design, area of study, sample size of the study, sampling techniques, and the instrument of data collection and analysis. The scientific work toward providing an answer for certain prevailing problems is actually done in the systematic way in order to come with the sound solution.

3.1 Research Approach

Naoum (1998) defined a research approach or strategy as the way research objectives can be investigated in a systematic manner. According to Kothari (2006) there are mainly two basic approaches to research, namely quantitative approach and qualitative approach. This research used both qualitative and quantitative approaches. The quantitative research is a measure of phenomena using numbers in mathematical and statistical procedures to process data and summarize them. It involves numerical data (Fellows and Liu 2003). The researcher used this type of research so as to enable him to analyze the collected data in a statistical procedure in order to summarize the results. On the other side, qualitative research tends to seek to gain information and to understand people's perception of the world, whether as individuals or groups (Fellows and Liu 2003). The study employed both quantitative and qualitative approaches to assess the challenges and benefits of using EFDs.

3.2 Research Design

Research design refers to the plan on how the researcher systematically collects and analyzes data needed to answer research questions. It is a framework or roadmap through which a research process is conducted to explain the social phenomena under investigation (Kothari 2006).

A cross sectional research design was used in the study. Data were collected from the field at a single point in time. This design according to Babbie, (1990 ;) Bailey, (1998) is useful for descriptive purposes as well as for determination of relationship between and among variables at a particular point in time. Data collection was undertaken for about two months, in the months of June to July 2017. This research design was found to be suitable for this study basing on how much knowledge the researcher had about the problem before starting the investigation and the type of information that was needed in order to deal with the purpose of this study at a single point in time. In addition this design was chosen on grounds of minimizing bias and maximizing the reliability of the data collected.

3.3 Study Area

The study was conducted in Arusha City Council of Arusha Region, where by some big supermarkets, retail shops and hardware as well as TRA offices are located. These were for selected the study. Arusha region is found in northern Tanzania. It shares its northern border with the Republic of Kenya and to the northeast Arusha region borders with Kilimanjaro region. Further east is Tanga region, to the south Dodoma Region is found, to the west Shinyanga region is found, and to the northwest Mara region.

The study was conducted in this region because Arusha City Council is one of the

commercial cities of Tanzania and therefore there are many traders (i.e. VAT registered entrepreneurs) in this area. Moreover, a pilot survey conducted by the researcher in this area showed that traders were complaining about the EFDs and were showing resistance in using them with a lot of grievances regarding the matter. The area was selected because of its popularity in accommodating many business centers and arcades. Also, there are many tax consultancy firms targeting these traders within Arusha City Council.

3.4 Study Population

Sekaran (2003) described population in research as an entire group of people; event or objects/things of interest that the researcher wishes to investigate. The study problem requires assessing the perception of taxpayers on the use of EFDs thus the population of the study included registered VAT taxpayer/traders in Arusha and the TRA's staff. The VAT-payers were visited in their working places/offices within the study area.

3.5 Sample Size

According to Kothari (2006), sample can be defined as a collection of some parts of the population on the bases of which judgment is made. A sample should be small enough to make data collection convenient and should be large enough to be true representative of the population which is selected. A total of 120 respondents were chosen for this study.

In this study, TRA officers selected were those who had worked with TRA for not less than six years. The reason behind this kind of selection criteria was that, five years had passed since EFDs were introduced in Tanzanian tax collection system in the year 2010. Now, it was the researcher's belief that this working experience

cutting point (i.e. not less than six years) would lead to the selection of staff who obviously had knowledge on the weaknesses and strengths of both conventional systems (before introducing EFDs) and electronic (after introducing EFDs) system of collecting tax. With regard to the tax payers, the study selected those who were VAT registered and agreed to take part in this study. The reason of selecting only VAT registered traders was that people under this group are obligated to use EFDs in their business operations.

3.6 Sample Procedure

According to Kothari (2006), sample procedure is defined as the process of selecting some part of the aggregate of the totality based on which a judgment or inference about the aggregate or totality is made. Being a process of selecting a group of people, events, behavior, or other elements with which to conduct a study it is also involved in selection of technique to be used in the selection process. The choice of a sampling technique depends on a situation whether a sampling frame is available or not, that is, a list of the units comprising the study population. There are two types of sampling procedures namely probability sampling and non-probability sampling.

3.6.1 Non-probability Sampling Technique

Non-probability sampling strategy is a sampling methods in which participants are selected on the basis that they are considered to know more about the topic under investigation in the wide population. Also this technique was used due to the nature of study, which demanded collection of data from units with involvement, expertise or experience and knowledge of tax. The probability sampling technique was used to collect data from 20 tax officials using a purposive and convenience sampling techniques which were used to obtain the representative of the study. The selection

of these techniques also based on the merits that these types of probability sampling techniques are simple and cheap to use.

3.6.2 Probability sampling

Saunders (2009) defined probability sampling as that type of sampling which includes all types of elements of the population. In probability sampling, each element has an equal and independent chance of being selected in a sample.

3.7 Methods of Data Collection

Based on the work of Yin (1994) data collection method is described as the specific approach used to gather information, and the choice of method depends on research objectives and questions to be addressed. Data collected for the study comprised of both primary and secondary data.

3.7.1 Primary Data

This is defined as gathering data that does not actually exist until it is generated through the research process (Lancaster, 2005). The primary data for this study were collected using structured questionnaire, and interview approaches.

3.7.1.1 Questionnaire

According to Kothari (2006), a questionnaire is a set of questions which are usually sent to the selected respondents to answer at their own convenient time and return back the field questionnaire to the researcher. Questionnaires were used in the study to obtain data from 100 respondents concerning on their perceptions for adopting EFDs as well as strengths and weaknesses of these devices. Close ended questions were employed in this study because they were easier and convenient to fill by respondents. All respondents were given closed ended questionnaires to fill.

3.7.1.2 Interview

According to Kothari (2006) an interview can be viewed as a set of questions administered through oral or verbal communication or it can be a face to face discussion between the researcher and the respondent. In this study, interview was used to supplement data after collection of filled questionnaires. Interview was used to collect qualitative data from 20 selected respondents who were found to have more knowledge concerning the challenges facing business people in using EFDs in taxation and these were TRA officials. Interview was conducted after collection of filled in questionnaires. The interviews were face to face and in preparation for the interview, the target respondents were requested for appointment and given copies of the interview guides to make them aware of the issues they would expect to respond to.

3.7.2 Secondary Data

According to Saunders (2007) secondary data can best be described as the data which were developed and analyzed in the process of accomplishing other research objectives. Secondary data are considered credible and free from error or any bias. The suitable source of secondary data for this study in the field of tax collection system to gain more understanding of the effectiveness of tax collection was from various reports of TRA such as their annual reports. After the collection of secondary data, the information obtained were subjected to data processing which included editing with the view of checking for completeness and accuracy to ensure that data is accurate and consistent and coding of data which was done manually and by the use of computer through word processing and excel.

3.8 Methods of Data Analysis

According to Zikmund (2003) data analysis is the application of reasoning to understand and interpret data that have been collected. From this study, the process of data analysis depended on the nature of the data whether it is qualitative or quantitative.

3.8.1 Qualitative Data Analysis

The researcher demonstrated strength of arguments and art of analyzing qualitative data obtained from primary sources. Qualitative data were obtained from respondents' experiences, feelings and assumptions, and some from documents. Qualitative data were analyzed by this method, verified more inputs were added to the quantitative data. The researcher selected this method as the nature of the study and kind of data obtained from the study demanded it.

From the field notes, themes were formulated that were relevant to the data collected and sub-divided into sub-themes depending on the differences in data found across respondents. The researcher developed codes that were applied in the text depending on the meaning of the text. For consistency purposes, texts were organized and coded in small sets of data that were again compared with the notes to find if the description of the codes were clear and specific.

3.8.2 Quantitative Data Analysis

Quantitative data were analyzed by this method using descriptive statistics. Quantitative data from the questionnaires were analyzed using the Statistical Package for Social Science (SPSS 20.0) software and Microsoft excel to determine the descriptive statistics such as percentages and frequencies of study

variables, which then were used to compare the two groups, and hence recommendations, and conclusion made for the studied problem.

The responses that were received from the questionnaires were organized, tabulated and analyzed using simple frequencies and percentages. Data to be presented in descriptive form and supported by mean, tables, frequency distributions and percentages. In case of open ended questions, responses were organized and analyzed according to the objectives.

3.9 Validity and Reliability.

3.9.1 Validity

Polit and Hungler (1995) explained that validity is the extent to which the research data and methods used obtain considered precise, correct and accurate findings. The definition also reflects on questions of how well the findings reflect on the truth, and reality of the main questions. There are three kinds of validity as noted by Yin (1994) that is construct, internal and external validity. Construct validity refers to the process of establishing the correct operational measures for the studied concepts.

The researcher ensured construct validity in this study by re-examining the data. Internal validity refers to the extent to which a researcher can prove that only the independent variable causes the dependent variable; it looks at the approximate truth about inferences regarding cause-effect or causal relationships. Internal validity is ensured through testing of hypothesis. Since this study did not test any hypothesis, therefore, internal validity was not applied. External validity was aimed at determining if the study's findings were possible to generalize beyond the immediate case study. Since the study was conducted in Arusha where there was a high number of tax payers (VAT registered traders) in the country, therefore, the

information obtained at this area represents the rest of VAT payers in other parts of the country.

3.9.2 Reliability

This refers to the fact that a measurement can be reproduced with similar results and therefore variations in the results are entirely dependent on the variations in the measured area and not in the instrument of measurement. Reliability is one of measuring instrument, it provides consistent results. It refers to the consistency of a measure. A test is considered reliable if we get the same result repeatedly. This means that in each time the test is administered to a subject, the results should be approximately the same. Chronbach's coefficient alpha was used to ensure reliability of this study.

The Cronbach alpha reliability coefficient ranges from 0 to 1 (George and Mallery, 2003), hence the closer the alpha coefficient is to 1.0, the greater the internal consistency of the items in the scale. According to George and Mallery (2003), a Cronbach alpha coefficient of 0.70 or more is considered ideal. Other studies, however, regard a Cronbach alpha coefficient of 0.50 as acceptable for basic research (Tharenou, 1993). A Cronbach alpha of 0.70 means that 70 percent of the variance in observed scores (the actual scores obtained on the measure) is due to the variance in the true scores (the true amount of the trait possessed by the respondent). In other words, the score obtained from the measuring instrument is a 70 percent true reflection of the underlying trait measured. Therefore, the measures of the variables were conducted as explained below.

Benefits for EFDs Machines in Tax Collection: the variables used here were reducing tax collection costs, integration, and standardization, computerization of

tax collection, automation, innovation and media influence. The instruments (variables) had a 5-point Likert-scale and reliability check of the instruments revealed a Cronbach alpha of 0.733, which shows that the measure was reliable. Benefits of EFDs machines in tax collection: the variables used were availability of tax services, accessibility of tax services, reliability of tax services, conformance of the tax services, assurance of tax services, and responsiveness of tax collectors. Also, the instruments had a 5-point Likert-scale and reliability check of the instruments revealed a Cronbach alpha of 0.562, which shows that the measure was reliable.

Table 1: Cronbach's Alpha Coefficient

Variables	N of Items	Cronbach's Alpha Coefficient
Perception for Adopting EFDs Machines in Tax Collection	8	0.733
Benefits of EFDs machines in tax collection	6	0.562
Challenges of using EFDs	6	0.632
Cronbach's Alpha of Questionnaire	20	0.648

Source:Pilot survey, 2017

CHAPTER FOUR

DATA ANALYSIS AND DISCUSSION

4.0 Introduction

This chapter presents the analysis of collected according to the objectives and research questions. The chapter starts by presenting demographic characteristics of the respondents and continues presenting results to the study objectives.

4.1 Demographic Characteristics of the Respondents

In this subsection, the respondents' characteristics were analyzed. However, it should be noted that, demographic information of respondent taxpayers (VAT-registered traders) and tax collectors (TRA's staff) was presented. These were individuals who provided their opinions regarding the study problem through interview. Therefore, demographic data of traders and TRA's staff have been given in this section. Table 2 shows that tax collectors were 20 while tax payers were 100 which makes a total number of 120 individuals.

Table 2: Demographic Characteristics of the Respondents

Category of respondents		TRA's Officer	Tax Payers	Total
Gender	Male	13 (65%)	63 (63%)	76 (63.3%)
	Female	7 (35%)	37 (37%)	44 (36.7%)
	Total	20 (100%)	100 (100%)	120 (100%)
Age of the respondent	Below 20 years	-	19(19%)	19(15.8%)
	21-41 years	7 (35%)	28 (28%)	35(29.2%)
	42-60 years	9 (45%)	37 (37%)	46(38.3%)
	61+	4 (20%)	16(16%)	21(17.5%)
	Total	20 (100%)	100 (100%)	120 (100%)
Education qualifications	Diploma	-	-	-
	Bachelor	10 (50%)	59 (59%)	69 (57.5%)
	Master	8 (40%)	31 (31%)	39(32.5%)
	PhD	2 (10%)	10 (10%)	12 (10.0%)
	Total	20 (100%)	100 (100%)	120 (100%)
Working experience	7-12 years	13 (65%)	-	13 (45.0%)
	13 years and above	7 (35%)	-	7 (35.0%)
	Total	20 (100%)	-	20 (100%)

Source:Field data, 2017

The results show that with regard to the gender of the respondents, Table 2 shows that 76 (63.3%) were male and 44 (36.7%) were female respondents in the study. This shows that there was almost equal representation and this reduced gender bias. Concerning the age of the respondents, the majority of the respondents 46 (38.3%) were within the age group of 42-60 years old, followed by 35 (29.2%) who were within the age group of 21-41 years old, the other group were within the age group of 61 years and above. Others were within the age group of 21 (17.5%) and the last group of age were 19 (15.8%) who were within the age group of below 20 years. These results imply that majority of respondents were knowledgeable of the taxation system before and after the introduction of EFDs.

Moreover, it was shown that more than half 69 (57.5%) of the respondents had bachelor degree qualifications while 39 (32.5%) had master degree qualifications and 12 (10%) had PhDs. This shows that the results were from educated people who were able to give objective answers and therefore the result could be assumed to be reliable. Lastly, 13 (45%) tax collectors respondents had worked with TRA from the period of between 7-12 years while 7 (35%) had worked for more than 13 years. It can be said that the tax collector respondents had worked in this revenue collection institution for enough period to be able to understand clearly the operating system of this institution. They had enough knowledge on the usefulness of EFDs and the conventional method of tax collection obtained from the experience.

4.3 Trend Performance of VAT Collections before and after the Introduction of EFDs

The first objective of this study was to analyze the growth of VAT collection in Tanzania before and after the introduction of EFD machines. The aim was to

determine if there has been any changes in amount of tax collected using conventional method and electronic method. It should be also noted that EFDs were introduced in Tanzania taxation system in the year of 2010 therefore; the analysis here involved VAT statistics for four years before (2006/07-2009/10) and four year after (2010/11-2013/14) introducing EFDs in Tanzania. Table 3 below has the result of the said analysis.

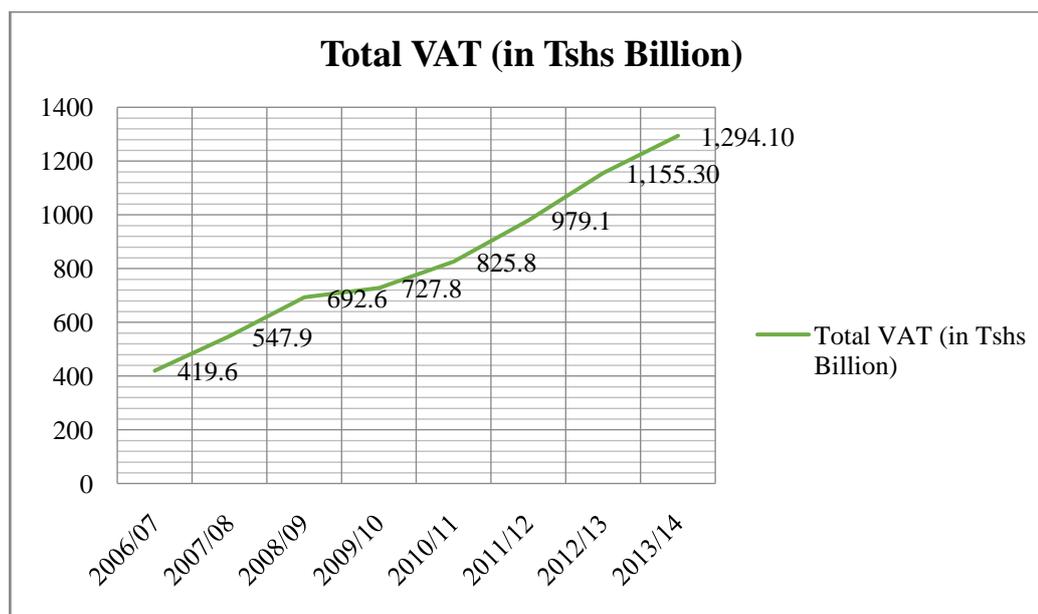
Table 3: Descriptive Analysis of VAT Statistics in Tanzania (in Tshs Billion)

Year	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Total	419.6	547.9	692.6	727.8	825.8	979.1	1,155.30	1,294.10
VAT								

Source: TRA, 2014

The results in Table 3 indicate that the amount of VAT collected by TRA kept increasing yearly in both two periods of “before” and “after” the introduction of EFD machines. This is because, the observed changes of VAT collected are positive throughout the reviewed years (both before and after the introduction of EFDs). However as it was seen, the increase was significant after the introduction of EFDs machines. Table 3 shows that in the year 2006/07 the VAT collected was TSH 419.6/= Billion and in the year 2007/08 the amount was TSH 547.9/= billion, an increase of TSH 128.3/= billion. From then, the income collected through VAT increased from 547.9 in 2007/2008 to 692.6 an increase of 144.9 billion equal to 26% percent. In the year 2009/10 income collected through VAT increased from 292.6 in 2008/2009 up to 727.7 billion an increase of 435.1 billion shillings equal to 60% percent.

Figure 2: Trend performance of VAT Collection before and after the Introduction of EFDs



Source: TRA, 2014

In the four years period after the introduction of EFDs, the volume of VAT collected started increasing each year from Tshs 727.8/= Billion in 2009/10 to 825.8 in 2010/11. In the year 2011/12, there was an increase in VAT collections up to 979.1. In the year 2012/2013, VAT collection increased up to 1,155.3 and in the year 2013/214, VAT collected increased up to 1,294. With this statistics one can assume that EFD machines have slightly increased the efficiency of VAT collection in the country as compared to the period before the introduction of these devices in the taxation system.

4.4 Assessment of Perceptions and Attitudes on the Effect of EFDs to Taxpayers' Business

The first specific objective was to find out the perception of the effects of EFDs machines which were introduced by tax authorities for tax collection. The descriptive analyze was used to analysis data. The variables used to find out the reasons for the introduction of these EFDs machines in tax collection were the

following seven variables; the respondents (both TRA's officers and business people) were given questionnaires with 5 Likert points ranging from 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=strongly agree and told to rate their views concerning the way they accepted the variables on the perceptions of the effects of using EFDs machine in taxation system. But after analysis the results was interpreted according to the objective.

The descriptive statistics were examined for all the styles using the means and standard deviations. The means and standard deviations were used meaning that a score of less than 1.5 means the respondents strongly agreed with the statement given. A score of 1.5 and above but less than 2.5 meant the respondents agreed with the statement given. A score of 2.5 and above but less than 3.5 meant the respondents were neutral. A score of 3.5 and above, but less than 4.5 indicated that the respondents disagreed. A score of 4.5 and above indicated strong disagreement with the statement given. The Table also gives interpretations of the computed mean. This interpretation was based on the Guilford (1976) whereby the range Likert scale of the five points used in the questionnaire was divided into five equally intervals/ratios and the meaning was assigned to each interval according to the order of the objective.

Table 4: Descriptive Statistics of perceptions on the effects of EFDs to the taxpayers' business

Perceptions	N	Minimum	Maximum	Mean	Std. Deviation
It is important to pay tax	120	1.00	4.00	2.0417	.58548
The principle of paying taxes is fair and just	120	1.00	5.00	4.2833	.76897
Time to prepare sales report after the introduction of EFDs has been reduced	120	1.00	3.00	1.9500	.42703
I am aware of all obligations and rights under the EFDs governing laws	120	1.00	5.00	4.2250	.99124
I am comfortable with the tax system	120	1.00	5.00	4.2667	.65764
EFDs ensure accurate tax rate to be paid by the tax payers	120	1.00	5.00	3.6333	1.09953
There is a routine EFD check up programe after sale services of EFDs approved to ensure the devices are in good conditions and used per operation is manual	120	1.00	3.00	1.9417	.39526
Valid N (listwise)	120				

Source:Field data, 2017

Respondents were asked to indicate their level of understanding on the importance of paying tax as a source of government revenue. Table 4 shows that the mean for that statement was 2.0417 and the standard deviation was 0.58548. These results imply that respondents agreed that it was important to pay tax. Therefore the study reports that the majority of respondents perceive positively that there was importance of paying tax as a source of government revenue. These study results comply with Oberholzer (2007) on the perceptions of taxation amongst different groups of South African taxpayers where only individual taxpayers were included while corporate taxpayers were excluded.

Respondents were asked to point out whether the principle of paying taxes is fair and just. Table 4 shows that the mean for that perception was 4.2833 and the standard deviation was 0.76897 implying that there was a disagreement with the view that the principle of paying taxes was fair and just. An interviewed respondent quoted so saying; “paying tax was not fair because the cost is high compared to how the business makes profit. Actually we are working for TRA.” However, the interviewed respondents believed that waste and corruption in government was high which limited proper utilization of taxes collected. These findings, in this case, indicate that the fiscal exchange argument behind taxpayer’s compliance has limited explanatory power in this case because people responded that they found the principle of paying taxes not fair and just, because the return on their taxes was lacking due to poor public service delivery. This may reflect fiscal exchange expectations among the populace: people are willing to pay taxes, but perceive that they get little in return, partly due to wastage and corruption.

The study results show a mean of 1.9500 and a standard deviation of 0.42703 implying an agreement that the EFD machine have reduced the time it takes to prepare sales report by the taxpayers. The finding of this study is in comply with Lumumba *et al.*, (2010) that taxpayers own assessment through EFD machine has reduced the time it takes to prepare sales report when used in revenue collection.

The respondents were asked whether they were aware of all obligations and rights under the EFDs governing laws. The result show in Table 4 that the mean was 4.2250 and the standard deviation was 0.99124. These results imply that there were not aware of the obligations and rights under the EFDs governing laws because they disagreed. Therefore this study argues that majority of tax payers were not aware of the obligations and rights under the EFDs governing laws something which resulted to inefficiencies in EFDs uses in revenue collection.

Respondents were required to state if they were comfortable with the tax system since tax is compulsory. Table 4 shows the results where the mean of 4.2667 and the standard deviation of .65764. These findings suggest that respondents disagreed with the statement that the taxpayer was comfortable with the tax system even though tax was part compulsory. This can be attributed to capitulation which means that, a taxpayer may not be happy with the tax system or tax office, but they acknowledge that it is a part of life and that taxes need to be paid.

According to the Table 4, the results show that majority of the respondents disagreed that the EFD machines ensure accurate tax rate to be paid by the tax payers to TRA because the mean was 3.6333 and the standard deviation was 1.09953. These study results differ from the results of Lumumba *et al.*, (2010) who said that the use of ETRs improved revenue collection for their businesses, and from the results; but

some interviewed respondents indicated that the use of ETRs increased the amount of money the businesses were receiving from activities in a given period, mostly from sales of products or services to customers. This means that the ETRs insured accurate tax rate to be paid which resulted to increased revenue collection on people's business.

The respondents were asked whether there was a routine EFD check up program after the sale services of EFDs by approved suppliers to ensure the devices were in good conditions. Majority of the respondents indicated that there were routine EFD check-up programs including after sale services of EFD by approved supplier to ensure the devices were in good condition and because the mean was 1.9417 and the standard deviation was .39526. EFD regulation of 2010 requires approved supplier to supply, sell and distribute the EFDs to various users in Mainland Tanzania, install, configure and activate them at user's premises. The results show that EFD quality as well as the quality of after sale services by EFDs approved supplier was good and was done as it was required. The modality of providing after sale services that ensured smooth operation was almost okay where by users presumed all charges had been incorporated in the purchase price of the devices, the supplier claimed that the only incorporated services charge was initial installation, configuration and training and not any subsequent charges. In practice, all technical problems needed to be attended to by suppliers. Another challenge that emerged was to what extent was the price of the devices covered after sale services. It was revealed that reluctance of users to pay extra money for maintenance of the devices discouraged the approved supplier from providing efficient and effective maintenance after the sale of the EFDs to customers something that resulted into ineffective administration.

4.4 Challenges of using Electronic Fiscal Devices (EFDs)

The second objective of this study was to analyze challenges of using EFD machines in tax collection system. The variables used to analyze the challenges of using these devices in tax collection were the following six variables: personal attitudes, high cost of purchasing the devices, lack of education on the use of EFDs machines, breakdown of the system, lack of motivation and lack of trust. The respondents were given questionnaires with five Likert points ranging from 1=strongly disagree 2=disagree 3=neutral, 4=agree and 5=strongly agree to rate their opinions on the extent to which the variables had become challenging factors to them in the course of using EFDs.

Table 5: Challenges of using EFDs

Challenges	Responses	Frequency	Percent
Lack of education on the use of EFDs	Strongly Agree	10	8.3
	Agree	80	66.7
	Neutral	23	19.2
	Disagree	7	5.8
	Total	120	100
Breakdown of the system	Strongly Agree	22	18.3
	Agree	90	75
	Neutral	8	6.7
	Total	120	100
High cost of purchasing the devices	Strongly Agree	17	14.2
	Agree	96	80
	Neutral	7	5.8
	Total	120	100
Lack of trust	Strongly Agree	20	16.7
	Agree	96	80
	Neutral	4	3.3
	Total	120	100
Lack of motivations	Strongly Agree	17	14.2
	Agree	95	79.2
	Neutral	8	6.7
	Total	120	100
Personal attitudes	Strongly Agree	17	14.2
	Agree	95	79.2
	Neutral	8	6.7
	Total	120	100

Source:Field data, 2017

4.4.1 Lack of Education on the use of EFDs

Results in Table 5 shows that there was lack of education on the use of EFDs by the business people because findings show that 80 (66.7%) of the respondents agreed and 10 (8.3%) strongly agreed. While 23 (19.2%) respondents were neutral, 7

(5.8%) disagreed on the statement that there was lack of education to the business owners on the use of EFDs. The study discovered that during the introduction of EFD machines, the users were not informed on how to use them properly. Even after they were installed, as respondents said, there were vast majority of traders with EFD machines who did not know how all the financial transaction could be done with EFD machines apart from knowing only to put the amount which they had sold a product into the machine. As such, with EFD machines one could analyze his/her business financial position by calculating the financial ratios, but many taxpayers as it has already been said did not understand the use of these devices beyond putting figures of the price of the product they had sold. So the other useful financial functions of these devices remained a secret of the tax collector. In many cases, when introducing a new system which might affect the public in one way or another, massive education would be very important, particularly with regard the direct users of the established system. Mutalemwa(2011) also supported this factor by stating that the government through TRA should have a tendency of providing enough education to business people in order to make them become aware of what was going to be introduced and its importance to them.

Tax collectors admitted that lack of knowledge to tax payers on how to use EFD machines was one of the biggest challenges disturbing proper uses of these devices in the taxation system but not much was given in the current TRA report and documents on how to use these devices.

Some of the TRA staff respondents (tax collectors) also acknowledged that little efforts had been done by TRA to educate tax payers on how to use the devices.

Provision of enough education to the users of EFD machines would help much to

avoid conflict that could arise between the government and business owners. It was further argued that within the customer care department of TRA, there should be special team which will be visiting users of EFDs machines to handle challenges encountered by users on the course of using EFDs. This should go hand in hand with educating many unregistered VAT payers on how the devices work. Also, there should be effective call Centre's to deal with challenges of EFDs. Therefore indoor and outdoor customer service needs to be provided by TRA to the users of EFDs.

Taxpayer education was also mentioned as an important issue. These correlates with Naibei, (2011) who mentioned that Kenya Revenue Authority (KRA) had to develop a dedicated taxpayer service division that would work in collaboration with the tax officers to provide education to taxpayers on how to use the new electronic tax payment system introduced by KRA. At the same time, EFD language, which in fact should be replaced with Kiswahili which many business people were conversant with. However it was revealed that it would be hard for TRA to do this given that the language of EFDs was programmed electronically in English.

4.4.2 Breakdown of the System

According to the findings as shown in Table 5, 90 (75%) of the respondents agreed that there was breakdown of the system in the devices, 22 (18.3%) strongly agreed on the statement and 8 (6.3%) were neutral. In addition, it was admitted by both tax collectors and taxpayers that breakdown of the network system was also the challenge facing the use of EFDs in the country. The study argues that since the EFDs concept is still new in the country the whole system not yet stabilized to support the growing number of VAT registered traders.

However, it was revealed that there were no enough skill personnel to work on this new system. A study conducted by Research on the Poverty Alleviation (REPOA, 2014) in Morogora, Iringa, Njombe and Dar es Salaam found that the use of EFDs in the business sector was good but the system had been associated with networking problem among other problems which undermined performance of the revenue collection. According to REPOA's survey, most traders were not happy with the implementation of EFDs because of the many hurdles involved. Among the suggestions and recommendations, REPOA advised TRA to purchase modern supporting machines that could handle a big number of users at once. This would help reduce or eliminate the problem of frequent breakdown of network.

One of the consulted tax consultants acknowledged that frequent breakdown of the network was a problem and advised TRA to repair reported problems within 24 hours and if possible prompt maintenance of tax collection system, particularly the new electronic system of collecting tax that should be enforced by the law.

4.4.3 High Cost of Purchasing the Devices

Table 5 shows the attitudes of business people towards the cost of buying EFD devices. The findings show that 96 (80%) respondents agreed and 17 (14.2%) respondents strongly agreed that the cost of EFD devices was too high to the tax payer and this is why most of the taxpayers were resisting the use of these devices. On the other hand, 7 (5.8%) were neutral on the statement that the device was expensive. These results imply that accepting using EFD machine is to accept to buy the devices which are sold at very high price for the majority of registered VAT payers to afford. At the time this study was being conducted, the Electronic Fiscal

Devices were sold at TSH 800,000/= as announced by TRA 2013 which was too high to many business people.

In the interview with respondents of this study (both taxpayers and tax collectors), it was noted that a big impediment to the electronic tax collection was high price of the EFD devices. Also, in the study conducted by Andreoni(2013) in Zimbabwe, it was revealed that a large number of the respondents especially the tax payers mentioned high cost of purchasing EFDs machines as the main reason as to why they refused to buy the devices as well as high cost of maintenance of the devices. Clive(2011) supported this argument by stating that high costs of purchasing the devices discouraged traders from purchasing those EFD machines for the reason that the purchasing price reduced their capital.

4.4.4 Lack of Trust

On this particular issue most of business respondents indicated that they did not trust EFDs due to findings shown in Table 5 which indicated that 96 (80%) agreed, 20 (16.7%) strongly disagreed and only 4 (3.3%) were neutral. These findings show that they lacked trust with these machines. They had their opinion that EFDs could be one way of exposing all their financial status to the malicious people who track peoples' financial information for their illegal acts. Anyanfo(2013) in his study on challenges of the implementation of EFDs machines in Nigeria revealed that tax payers resisted the use of computerized machines due to insecurity of their financial position to the competitors the fact which was judged as the lack of trust in using EFDs. Hence the government through TRA and other non-government organizations in the business sector technology in payment of tax should educate the tax payers on the use of EFDs that they are safe and that no information regards their business may

leak out. This can be done through development of stable tendency of providing all education needed to the users of EFDs in order to make them aware of security insurance guaranteed by the devices.

4.4.5 Lack of Motivation

Some of the respondents, especially taxpayers, reported that there was no motivation from the government which convinces them to purchase these machines. Table 5 indicates that 95 (79.2%) respondents (49.2%) agreed, 17 (14.2%) strongly agreed and 8 (6.7%) were neutral on the view that there was lack of motivation while using the EFDs. One of the male respondents said that TRA failed to provide enough education to the business people on the importance of the introducing this new system of tax collection. One trader said that he (and the other traders) would not stop demonstrating and/or rioting as well as closing their shops until the government withdrew the mandatory use of EFDs since he could not understand well as to why the device should be used:

“When importing our goods, we pay huge taxes and now for every sell, we are again required to pay 18 per cent of the sell price as the value added tax...this is too much.”

He lamented that the taxes weighed heavily on their profits and dramatically raised their operation costs. He went far by showing that there was no way they could be motivated to buy these EFDs machines because of the high price of purchasing them. He said that “for every 10,000/- we should pay 1,800/- as VAT, so at what price should we sell the goods to make any profit?”

4.4.6 Personal Attitudes

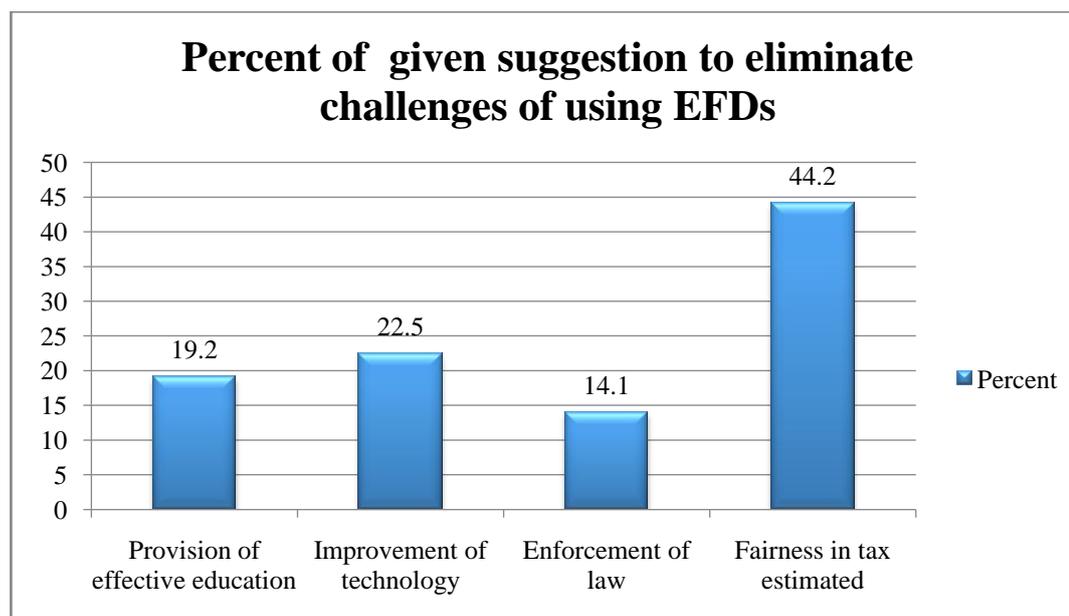
The finding in Table 5 indicated that to the tax collectors personal attitudes were rated to be a very big challenge hindering the use of EFDs machine in Tanzania

because the results show that 95 (79.2%) respondents agreed, 17 (14.2%) strongly agreed and 8 (6.7%) were neutral. It was argued that people differed in the way they interpreted issues, due to different levels of understanding, where some could easily understand, some took time to understand and others could understand easily but pretended like they had not understood. Indeed, the researcher noted that there were some traders who were rigid in accepting the use of EFD machines; they were only using them because they were forced by TRA to use them. They reported many negative perceptions and grievances on the implementation and use of this electronic system of paying tax. One put that she did not like EFDs at all, because she believed that the aim of introducing them was for the government interest only. Another person thought that the introduction of EFDs was the trick of the government leaders to get money from the business people for their own benefits and that was the reason why some of the business people refused to buy them.

4.5 Measures to Address Challenges of Using Electronic Fiscal Devices

The last objective sought to understand the respondents' perceptions on what should be done on the effect of EFDs machines in the tax collection process. To understand this, the researcher requested the respondents to give their perception and opinion of what they believed should be done to for the EFDs to be well integrated in the

Figure 3: Percent description of the suggestions given to eliminate challenges of using EFDs



Source:Field data, 2017

4.5.1 Provision of Enough Education

Figure 5 shows that 19.2% of the respondents suggested that there should be provision of enough education on the use of EFDs. In the second objectives, it was noted that lack of enough education was one of the major factors preventing effective use of EFD machines. Therefore, for effective use of these devices, the government needs to give more education to the traders on the benefits of using these devices so that they can be able to understand that EFDs create additional services for the expansion of the business. It was reported by many tax consultants in this study that it was easy for the business owners to monitor financial transactions (especially tax payments) of the business with simple knowledge if EFD machines were used effectively. The same argument was reported by Yalemtesfa (2011) in his study conducted in Ethiopia in which he reported that there was a need to conduct more educational project to the traders to explore the use and impacts of EFD machines and associated technology on taxpayer compliance and tax administration effectiveness.

Thus TRA should ensure that enough education reaches the taxpayers on how to use the devices together with providing them with mechanical support. The researcher also adds that through EFDs utilization campaigns, tax payers will also understand the most common reasons for the shifting from the traditional ways of collecting tax wherein papers were highly used, hence, mitigation of negative perceptions of using EFDs and strengthening tax compliance among the tax payers.

4.5.2 Improvement of Technology

Figure 5 indicated that 22.5% of the respondents suggested that technology should be improved for the EFDs to be effective in tax collection. For the full successful implementation of any technological service in the country especially essential services such as tax payment, there is a need to ensure that necessary technological infrastructures to support delivery of such services are well established and are well maintained frequently. There should be enough modern Internet and Computer Technology (ICT) components to carry out comprehensive technical support in the use of EFDs. This should go hand in hand with enough number of skilled staff who will be responsible for installation and maintenance of technological equipment to support online tax payment system.

One of the visited tax consultants said that the ICT skilled personnel were now highly required in TRA more than before to ensure effective use of EFDs machines in an ongoing basis and they should be identified as part of the EFDs project scope. However, it was discussed that, to ensure effective improvement of EFDs-technology in taxation system the tax authority should describe the maintenance support to the taxpayers after they purchased the devices. By doing so, the taxpayers will be able to realize mechanical problems and where to get maintenance services.

On the other hand, since the purchasing price of these devices is too high there is the great need of TRA to provide to the buyers a trustable and insurable installation support with limited phone support and discount or free replacement of device when the default device is beyond repair.

4.5.3 Enforcement of Laws

Respondents, especially the TRA staff suggested that there should enforcement of the law in terms of tax payment. It was argued that tax administration authority should note that the initiative for implementing the use of this device is about equal balance between policy initiatives at the government level, and administrative initiatives through the proper revenue administration. The study discovered that in the Tanzania Revenue Collection Act, 1995 Cap 399 there is no clause which supports innovations, specifically adoption of new technology, in the taxation system. The current legal framework wants every tax payer to pay his/her dues without touching on the method of paying it. Due to this, the study agreed that there was a need of amending the Revenue Collection Act to support the use of EFDs so as to provide the policy and administrative framework surrounding the use of fiscal devices. Many responded TRA staff mentioned that implementation of EFDs had been reasonably successful, but there was a need of supporting the use of EFDs machine together with other innovated tax collection methods with appropriate regulations.

4.5.4 Fairness in Tax Estimated

As Figure 5 indicates, it was reported by explain how many these (44.2%) were the respondents that the perception of tax fairness was one of the most important variables that could influence tax compliance behaviour among taxpayers. It was

mentioned that public perception that the tax system was fair and equitable was important for the development of tax system. Besides, using of EFD machine which are believed to ensure standardization in the tax payment, there have been connotation that some people are paying more and others are paying less than they are supposed to pay. Unfortunately, due to unfairness, some people have been failing to comply with the tax regulations.

Neo economists insist that fairness builds an atmosphere of trust and cooperation because a person feels that others are accounting in a reciprocal manner. On the contrary, evidence shows that in many cases, unfairness in tax payment is believed to have corrosive effects on tax compliance and if compliant tax payers believe that everyone else is paying his or her fair share of the taxes, they are most likely to remain compliant, but if the compliant tax payers feel like they are over paying, some will reach a point where they resent/dislike it and stop complying or comply at a lower level. Also it should be noted that, the degree of compliance may breed more compliance and that non-compliance breeds' noncompliance.

Indeed in any society or group people are discouraged to do good things due to unfair conducts. No organization can prosper if there is unfairness in the distribution of power, resources and other benefits. Therefore, for the EFDs to be trusted and therefore be effective to the users, there should be fairness in tax estimation. This is be supported by the ideas of Wadhavan and Gray (1998) who argued that, voluntary compliance is not only promoted by the awareness of the rights and expectations but also by clear, simple and user friendly administrative systems and procedures.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This study assessed perceptions and attitudes of the effect of using electronic fiscal devices (EFDs) to the eligible taxpayers in Tanzania. This chapter present summary of the findings, conclusions drawn and recommendations made. The chapter ends with identifying areas for further research.

5.1 Conclusion of the Study

Based on the results from data analysis and findings of the research, the study concludes that the introduction of EFDs in Tanzania tax collection system so far has brought significant performance in terms of amount of VAT revenue collected. This has been witnessed by the analysis made on the growth rate of VAT-revenue collected in which growth rate before introducing these devices was found comparatively lower than that after their introduction. Moreover, the introduction of EFDs in Tanzania tax collection system has been useful because it has reduced the time it takes to prepare sales report; EFDs facilitate assessment of taxpayers' tax liability easily; and they improve tax administration by creating easy approach to monitor taxpayers through EFD management system and increase efficiency in tax revenue collection. Hence, the use of EFDs has helped taxpayers save time and money in searching for the tax services. The challenges identified to have been facing the use of EFDs were rooted in the lack of enough research regarding proper ways of implementing the use of EFDs in tax collection prior to the introduction of EFDs. Hence, majority of traders did not have enough skills on the use of EFDs and this affected the tax compliance.

5.2 Recommendations

From the findings of the study, the following recommendations are put forward and addressed to TRA officials, government and tax payers.

- i. There should be proper examination of the taxpayer ability to pay tax together with proper estimation of tax to be paid by taxpayers in order to bring fairness needed in tax system for the creation of tax compliance among taxpayers. This is on the ground that a loyal tax compliant will not oppose innovations in the tax system.
- ii. Education on the use of EFDs should be provided to the taxpayers in order to build trust on their usage. In addition, education should not end on the use of EFDs only; but should also cover how the collected revenue is used in both recurrent and development expenditure to increase willingness to pay tax.
- iii. TRA should ensure timely delivery of the services; ensure truthfulness in keeping promises to taxpayers when reporting problems relating to the use of EFDs such as network breakdown, mechanical problems of the device and so on. Being dependable and consistent in service delivery in solving taxpayers' complaints, will improve the performance of the whole tax payment system.
- iv. Taxpayers should change with the change of the technology. All businesses should adopt technological improvement to attain efficiency and effectiveness therefore making them competitive.

5.3 Further Research Studies

In order to generalize the results of this study, there is a need of conducting the same kind of study in other areas of the country apart from Arusha City Council where this study was conducted. Further studies are recommended especially on

willingness of taxpayers to use EFDs, How to combat tax avoidance or evasion through the use of EFDs, Effective use of EFDs, EFDsadministration costs versus benefits accrued.

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APPENDICES

Appendix 1: Questionnaire

This survey is purposely designed to collect data for the following topic. **Assessment of Attitudes and Perceptions of Taxpayer on the Use of EFDs Machines in Tanzania, A Case Study, Arusha City.** Information provided is purely for academic purposes and would not be published in any form without your consent.

SECTION A: Respondent Profile

1. Gender: M_____ F _____

2. Category of Respondent

TRA's Staff (Tax collector)	TRA's Customer (tax payer)

3. Age group of respondent

21-30 years	31-40 years	41-50 years	51-60 years	Above 60 years

4. Your years of experience in working at TRA (for officers only)

>1 year	2-5 years	6-10 years	11 years and above

SECTION B: Study Questions

- The study wants to understand your attitude and perception on the use of EFDs machines in Tanzania. Therefore you have been given variables with the aim of understanding your attitudes EFDs were introduced in Tanzania. Therefore you are requested to rate your opinions on the Likert scale on how you think each of the variable given in the below table influence TRA to introduce EFDs in tax collection. The response point are (1) Strongly disagree (2) disagree (3) neither disagree nor agree (4) agree and (5) strongly agree.

S/N	Variables	1	2	3	4	5
i	It is important to pay tax					
ii	The principle of paying taxes is fair and just					
iii	Time to prepare sales report after the introduction of EFDs has reduced					
iv	I am aware of all obligations and rights under the EFDs governing laws					
v	I am comfortable with the tax system					
vi	EFDs ensures accurate tax rate to be paid by the tax					
vii	There is a routine EFD checkup programs after sale services of EFDs by approved to ensure the devices are in good conditions and used per operation is manual					

- It is believed that there some factors which confront proper implementation of EFDs in taxation system. The study wants to establish the root cause of

challenges which hinder implementation of EFDs in Tanzania. Now you have been given some variables inform of short sentences with the aim of understanding thereof. Please rate in the Likert scale given the how you accept that the variables cause challenges in implementation of EFDs in Tanzanian.

s/n	Variables	1	2	3	4	5
i	High cost of purchasing the devices					
ii	Lack of education on the use of EFDs					
iii	Breakdown of the system					
iv	Lack of motivations					
v	Lack of trust					
vi	Personal attitudes					

3. Mention other factors which you think do undermine EFDs performance in Tanzania?

4. Lastly, what do you think should be done in order to improve usability of EFDs in Tanzania revenue collection?

Thank for your time and consideration