

**AN ASSESSMENT OF FACTORS INFLUENCING REVENUE
COLLECTION IN LOCAL GOVERNMENT AUTHORITIES IN
TANZANIA: THE CASE OF MBEYA CITY COUNCIL**

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**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, 2012

CERTIFICATION

The undersigned certifies that he has read and hereby recommends for acceptance by the University of Dodoma the dissertation entitled “An Assessment of Factors Influencing Revenue Collection in Local Government Authorities in Tanzania: The Case of Mbeya City Council” in partial fulfillment of the requirements for the degree of Master in Business Administration of the University of Dodoma.

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DECLARATION AND COPYRIGHTH

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

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DEDICATION

This work is dedicated to my wife Winfrida for her encouragement and patience and also to my beloved children Maria and Samwel who missed father's love and care for one year.

Also to my relatives and friends who supported me during studies

ABSTRACT

The study aimed at assessing factors that influence revenue collection in local government authorities. The study was conducted in 7 wards of Mbeya City namely; Ruanda, Iyunga, Ilomba, Forest, Igawilo, Sisimba and Nsalaga.

The research used a case study approach and collected data using interviews, questionnaire, documentary sources and FGD. Participants involved in the study were the principal income earners in the households. The data collected were analyzed qualitatively and quantitatively.

The findings show that Mbeya City Council has the following revenue sources: property tax, bus stand and parking fees, billboards and advertisements, service levy, sale of plots, market dues and, toilet fee. The findings also show that from year 2005/2006 up to 2010/2011 the trend of revenue collection was good. With regard to factors that influence revenue collection, findings show that it was influenced by affordability of tax/fee rates and satisfaction with service delivery. Other factors that influenced revenue collection were tax education to tax/fee payers, willingness to pay, availability of database for tax/fee payers, economic activities carried out within an area of jurisdiction. With regard to challenges that face revenue collection findings show that they were revenue not spent on public services, corruption, multiplicity of taxes/fees, harassment by tax/fee collectors, limited tax education and dishonest tax/fees collection officials. The study recommends that Mbeya City Council leaders deal with the challenges to improve revenue collection.

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ACRONYMS

FGD	- Focus Group Discussion
LGA	- Local Government Authorities
LGFA	- Local Government Finance Act
LGR	- Local Government Reform
MBA	- Masters in Business Administration
PMO-RALG	- Prime Minister' Office, Regional Administration and Local Government
REPOA	- Research on Poverty Alleviation
SPSS	- Statistical Package Social Sciences
TGS	- Tanzania Government Scale
URT	- United Republic of Tanzania
IMF-	International Monetary Fund

CHAPTER ONE

GENERAL INTRODUCTION

1.0 Introduction

This chapter provides the background to the study. It therefore comprises of the introduction, background information, statement of the problem, significance of the study, objective of the study, research questions, scope of the study and finally the conceptual framework.

1.1 Background information

Local government authorities like other organizations play an important role in the public service delivery including education, health, water supply, infrastructure, control and improvement of agricultural sector, trade and industries, environmental conservation and construction of well-structured sewage system along the residential areas. To keep pace with their obligations, it is important to improve revenue collection so as to offer services properly. The revenue sources which include taxes and fees charged by Local Governments, if designed well and properly collected can promote economic growth, lessen extreme inequalities, and dramatically improve public services.

However, since independence much effort has been put into the sector of revenue collection to ensure that social and economic services reach the people. In order to enable the council to meet its demand there is a need to collect revenue effectively whereby the collection of revenue will enable the local government to fulfill its development plan. The Central Government supports Local Government Authorities by providing them with potential sources of funds in the form of grants and human

resource to ensure that the local governments can operate effectively and efficiently in discharging their duties and responsibilities. This financial and human resources support from the Central Government is provided so as to supplement and subsidize the revenue collected from Local Government. Revenue of local Government includes all money delivered from any trade, industry and works or services.

In many ways, the reform of 2003 and 2004 failed to address the fundamental shortcomings of the local government revenue system, and in many ways the local government revenue system in Tanzania continues to be one of the weakest components of Tanzania's local government finance system. In particular, weaknesses of the current system include (a) local governments are mostly assigned low –yield taxes which are among the least popular and least politically acceptable revenue sources; (b) the fragmentation of the local tax system causes horizontal inequalities and inefficiency: (c) the “benefit principle” is largely missing as a conceptual foundation for local government revenues: and (d) local revenues are hard to administer and hard to enforce, while compliance costs for local taxes are unnecessarily high (URT,2004). An important component of the revenue mobilization reforms is to increase the fiscal autonomy of local authorities.

The Tanzania government is committed to decentralized local government, including fiscal decentralization. As said above, the local councils are responsible for the delivery of public services and the bulk of the funding for these services come from central government as also do the salaries and emolument of council civil servants. However, both the central government and the Local Government Authorities (LGAs) are expected to provide public services, though it is common to find that the

own revenue raising power of the LGAs are inadequate to meet the cost of providing these public services. The resulting gap can be filled by strengthening the capacity to collect revenue from LGAs' own sources.

Local revenues are important for the success and long-term sustainability of infrastructure and service delivery in local governments. Effective revenue collection is one of the Local Government Authorities (LGAs) factors for financing provision of good services to the citizens. The LGAs capacity to raise revenue is important for their financial sustainability and ability to promote the well-being of their local communities.

However, according to LGAs, financial reports for the year 2005/2006 to 2008/2009, LGAs' own source revenue collection in Tanzania is generally less than 10% of their resources spent and it is only 3-5% of the total revenue spent in Tanzania (National Audit Office, 2010). Most of local government authorities in Tanzania have huge gaps between reported and projected revenues. Recent studies conclude that insufficiency of revenue collection is due to: (1) poor administrative capacity to assess potential revenue base/sources; (2) poor administrative capacity to enforce the taxes; (3) explicit and intentional tax evasion and resistance from tax payers or unwillingness of taxpayers to pay tax; (4) corruption, including embezzlement of revenues; (5) external pressure on the local finance department to provide optimistic projections; and (6) political pressure on the local tax administrative to relax on revenue collection (Fjelstad, 2009).

In accordance with the Local Government Finances Act, 1982, local authorities have to collect revenue after making by-laws and hence provide services to their inhabitants. “Subject to this Act and to rules made by the Minister under this section, a local government authority may make by-laws imposing. Such rate to be paid by the inhabitants or such categories of inhabitants, for, on, or in connection with such services, things, matters or acts as the authority may describe or specify in the by-law in question”.(URT, 2000)

The historical background of Mbeya City can be traced back to 1927. The town developed dramatically into large settlement in 1935. In 1955 the town started to expand enormously following the Colonial Government decision to shift the Southern zone Province headquarters from Iringa to Mbeya. In 1980 Mbeya Town was officially accorded Municipality status. Similarly in the late 2005, Mbeya Municipality was promoted to become a City Council.

Mbeya City Council collects revenue by applying By-laws approved by Full Council and Prime Minister’s Office, Regional Administration and Local Government (PMO-RALG). Such By-laws used for collecting revenue in Mbeya City are as follows:

- By-law of Mbeya City Council (Property Tax) for the year 2011.
- By-law of Mbeya City Council (Markets) for the year 2011.
- By-law of Mbeya City Council (Environmental Conservation) for the year 2011.
- By-law of Mbeya City Council (Solid waste management) for the year 2011.

- By-law of Mbeya City Council (Billboards and Advertisement) for the year 2011.
- By-law of Mbeya City Council (Dues and Fees) for the year 2011.
- By-law of Mbeya City Council (Road transport management and vehicle fee) for the year 2011.
- By-law of Mbeya City Council (Service levy) for the year 2011.

Council own source revenue for Mbeya City Council is collected by collection Agents and City employees. The council's own source revenue collection trend from the year 2005/2006 to 2011/2012 is shown by the table below:

Table 1: Mbeya City own sources revenue collection

YEAR	ESTIMATES	ACTUAL COLLECTION	(PERCENTAGE) %
2005/2006	1,280,920,400.00	1,191,373,947.00	93
2006/2007	1,527,945,400.00	1,743,184,616.00	114
2007/2008	1,821,545,000.00	1,876,191,454.00	103
2008/2009	2,155,000,000.00	1,993,010,157.00	92
2009/2010	3,541,884,000.00	3,541,885,830.00	100
2010/2011	7,539,590,000.00	7,842,013,526.00	104
2011/2012	12,100,000,000.00	4,245,277,090.00	35

Source: Mbeya City profile

The table above shows estimates and actual collection for all own sources of revenue.

1.2 Statement of the problem

From the table 1 above revenue collection fluctuates and has begun to drop drastically for 2011/2012. Fluctuation of revenue collection may be determined by various factors such as inflation, inadequate investments, lack of competent people to collect revenue. However, the revenue started to drop drastically from 2011/2012 regarding the estimates and actual collection mainly because of failure to sell more plots and may be due to unwillingness of Mbeya City residents to pay taxes/fees, political influence, high taxes/fees, investment environment not conducive for investors.

The purpose of the study is to find out factors that influence revenue collection.

It is from the Council own source revenue collection as shown in table 2, the researcher aimed to assess the factors which influence revenue collection in Local authorities in Tanzania, the case of Mbeya City Council.

The purpose of the study is to assess factors that influence revenue collection in the local government revenue collection as well as observing the factors that lead to failure in collecting revenue from various sources of revenue particularly council own sources. Also the study will focus on measures that should be taken for the purpose of increasing the city council revenue for satisfying all community activities in line with the changing development of science and technology in the 21st century. Bearing in mind the fact that finance is important for the improvement of local government, it should be properly utilized and be in a position to bring sustainable development to the people in the area of control.

1.3 Research objectives

1.3.1 General objective

To assess the factors that influence revenue collection in Local Government.

Authorities: the case of Mbeya City.

1.3.2 Specific objectives

The study will be guided by the following specific objectives:-

- (i) To review revenue collection system and performance of Mbeya City Council.
- (ii) To identify factors that determine revenue collection at Mbeya City Council.
- (iii) To examine challenges that face revenue collection performance at Mbeya City Council.

1.4 Research questions

- (i) What are the system and performance of revenue collection at Mbeya City Council?
- (ii) What are the factors that influence revenue collection at Mbeya City Council?
- (iii) What are the challenges that face revenue collection at Mbeya City Council?

1.5 Significance of the study

The study will provide valid recommendation to policy makers and the solutions on how to improve revenue collection for the City Council specifically local revenue from own sources. It will also enable the policy makers on the proper distribution of funds through effective mobilization of funds. With this background it is the

researcher's expectations that the study will be of the significance in providing the basis for more research to be conducted by the other researchers who are interested in conducting study on a similar problem on the factors influencing collection of local revenue in local government authorities. However, city citizens will be provided quality services by Mbeya City Council. The study will also provide knowledge to Mbeya City Council on how to encounter challenges as regards to revenue collection and hence improve revenue collection. Furthermore, this study is very important for the researcher due the fact that to conduct research is one of the pre-requisites for students who pursue Masters in Business Administration (MBA) Degree at Dodoma University.

1.6 Scope of the study

The scope of the study will be on the factors that influence revenue collection in local authorities as well as observing the success and competence of sources of finance and measures taken to increase the city revenue for satisfying all community activities on facing the changing development of the science and technology in 21st century. The study will be conducted in Mbeya City Council and data will be collected from Finance and Trade Departments and Economic, Statistics, Monitoring and Evaluation departments with the help from the respondents in Mbeya City.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter presents the different views that have been put forward by some of authors on collection of revenue from local sources and the importance of revenue with regard to provision of social and economic services at a global level, in Africa, and in Tanzania with a more specific focus on the study Area, that is, Mbeya City Council.

2.1 Sources of revenue in Local Government Authorities

According to Local Government Finance Act (LGFA) No.9 of 1982, Local Government Authorities have provided sources of revenue to councils thus the management of funds, resources of local government authorities and for the other matters connected or incidental to securing the proper management of finances in the local government system.

The local government authorities have been given wide power to raise revenue through various sources as laid down under section 7(1) (a),(5), (2),(3) and (4).

These sources comprise the following:

- (a) Revenue due to council's assets
- (b) All fees received in respect of licenses granted within the council.
- (c) Area under the firms and stage plays Act, 1976, or in respect of other places of public entertainment.
- (d) All money derived from licenses or permit issued by the council under the provision of local government Act.

- (e) All fees, charges due and rent recoverable by the council (e.g. property tax).
- (f) All receipts derived from any trade, industry, works services or undertaking carried on or owed by council either whole or part.
- (g) All money representing the proceeds of the products sold by the council.
- (h) All returns upon moneys invested by the council except where special provision is made in regard to any of it under the local Government Act or any other written law.
- (i) Fines on violation of council's written law.

2.2 Abolished revenue sources in Local Authorities

According to the letter No 1 of 2003 written by Minister of President Office Regional Administration and Local Government dated 24 June 20003, there are various levies and taxes that require to be eliminated or adjusted due its ambiguities.

These are:

- (a) Development levy
- (b) Bicycles Tax
- (c) Small business licenses
- (d) Vegetable and fruits Tax
- (e) Adjustment of produce ceases to the level of not exceeding 5% of its selling price.
- (f) Elimination of double tax to any product
- (g) Moreover, the central government of Tanzania also gives grants provision of:

- (a) Public health service, Education service, Construction, reconstruction/ maintenance of roads, sewerage and agricultural extension services.
- (b) Refund of money spent on outbreak infectious diseases.
- (c) Salaries for senior staffs of the council capital works are jointly funded by the central government and the council.
- (d) Compensation on eliminated revenue sources.

Furthermore, according to section 35(1) of the local government (finance) Act No 9 of 1982, the incidental and necessary spending powers of local Authorities are limited to spending for those purposes to which the council is established.

Equally, local authorities themselves may actively engage and take part in economic development by using their power and position to establish development of the people in their localities. Local authorities are also obliged to spend a portion of the accrued revenue for financing development in their areas of jurisdiction. However, the capacity to do so depend on how much the council collects. When the local authority depends much on central government transfer, it may find itself being more accountable to the central government rather than the local electorate. Local authorities should impose strict measures to maximize revenue generation in order to be financially strong.

2.3 Theoretical Literature Review

2.3.1 Local Government Authorities

The history of financing local government Authorities in Tanzania has been to a large extent dealt with by different authors, Maxwell (1969), Pernner (1970) and Mawhood (1983). Through writings at different times and places authors have come to describe that, during the colonial era and in the post independence period the people of Tanzania were required to contribute towards financing the provision of social services and economic development projects in their respective areas. Apart from those above mentioned other authors various scholars and writers have shown their concern on local government finance and have attempted to sort out the problems and constraints that face Local Government Authorities in the collection of local revenue and the problems which limit their performance in achieving their planned goals. .

2.3.2 Tax system by Local Authorities Worldwide

Worldwide tax system by local authorities is considered as the set of all taxes for achieving certain objectives chosen and adheres to certain principles which are termed as its characteristics. A system therefore is the one designed on the basis of an appropriate set of principles, such as equality and certainty. Taxes play an important role in both the political arena and government policy making (LGR,2008).

2.3.3 History of financing Local Government Authorities

The history of Local Government Authorities in Tanzania goes much far back to the pre colonial period when different tribes and clans practice, albeit without formal

written constitutions. With the growth of tribes or clans, the society became military stronger and large in size. This led to the need for better organization of their system of governance. It becomes necessary to strengthen the authorities of the elders by selecting one overall leader as a symbol of unity, and as the authority in matters of tribal security and social justice. Members of the community were required to pay tax, fees and levy to those local authorities as their contribution towards local administration.

According to Penner (2000) there are various reasons for financing modern Local Government Authorities in Tanzania. The first reason is that Local Government Authorities give people a training in democracy and fits them together better to govern themselves. Democracy, in the sense used here means a way of life whereby people in the country have a say in running their day to day life including the right to elect representatives to certain or local assembly, who only remain there as long as they are approved by the majority of people. It should be realized, however that a democratic way of life also imposes responsibilities upon people, who must be prepared to pay taxes and help in the running of the affairs in the community to which they belong. Revenue is collected to cater for both local and Central Government matters.

Another reason for Local Government Authorities is that local people have more personal concern and possibly more knowledge of problems in their areas than Central Government officials who may be stationed many kilometers away. Local Government therefore can enable the local people to deal with their problems themselves. The distance between the local areas and the Central Government

headquarters may be considerable and if the Central Government is left to the work required, there are more delays before it is completed, than if it were dealt with locally. Local Government The Central Government supports essential sectors such as education, health, water and paid salaries of all personnel with Tanzania Government scale (TGS 2 and Above). From the fact that , the Local Government Authority in Tanzania have financial autonomy of 20% at most in terms of their total expenditure.

2.3.4 Importance of sound local revenue system

Importance of sound local revenue system as part of a sound framework for local government finance base on the abolition of local government revenue sources in 2003 and 2004 had a significant negative impact on local government revenue collections: the abolition of the development levy had a particularly negative impact on rural districts, whereas the near abolition of business licenses significantly reduce the revenue-raising ability of urban councils. In Tanzania with respect to policy relevance of own local revenues as part of viable system of local government finance there is no dispute (LGAs, 2007). The prevailing mood in Tanzania in this regard, both among central government officials and among some development partners was fed by a number of biases and misconceptions that were held about local taxation.

2.4 Empirical Literature Review

According to the research done by Fjeldstad (2004) reveals that part of the problem of raising local government revenues in Tanzania is persistent public resistance of paying, as evidenced by widespread tax evasion and non-payment of fees and charges. In the standard economic model of taxpayer behavior, the perceived quality

of the government does not influence the level of taxes remitted. The basic behavioral assumption is that no one will voluntarily contribute to the government unless the threat of punishment for non-payment makes it sensible to pay. .

A paper presented by Boex and Martinez-Vazquez (2003) shows that a main concern on the assigning of the expenditure responsibilities in Tanzania is the limited level of discretion that local governments have in implementing their responsibilities; local governments are substantially constrained in responding to local needs due to the presence of inflexible central government guidelines and conditionally attached to the centralized financing of local government services. Since local governments are highly dependent on allocation from the central government to fund their core responsibilities, the system of intergovernmental fiscal grants plays a crucial role in assuring the adequate, efficient, and equitable deliver of local government services.

Max (1991) argues that it is obvious that local government services can not wholly be financed by charging miscellaneous receipts. Likewise expenditure services must be paid for by taxation raised locally. This shows that local tax collected by local government will be accountable and responsible to the public and will have more freedom to determine its total expenditure and allocation of expenditure among various services.

The widening gap between local government revenue and expenditure lead to overdependence on the government grants which is said to reduce the accountability responsibility and the general autonomy of the local government. In fighting this

problem Max suggested that LGA should reduce overdependence on the grants through increasing its own sources of revenues.

Barker (1993) states that different funds are established for the specific functions that a government must provide. Most funds obtain resources from taxes on property, income or commercial sales; they may also obtain resources as grants from other government agencies, from fines or licenses, and from charges for services. Each fund must make its expenditures in accordance with its specified purposes.

It is expected the LGAs to be able to contribute significantly to finance the social services, development project and programs, social security and other national and international issues within the district such as combating environment degradation, air and water pollution, children rights, gender issues and population balance.

Katera and Ngalewa (2009) examine recent experiences with outsourced revenue collection to private agents in local government authorities in Tanzania. Based on evidence from four urban and three rural councils, the study examines how systems of privatized tax collection perform with respect to revenue generation, administration, and accountability. The selected councils were Dar es Salaam and Mwanza City Councils, Ilala and Kinondoni Municipal Councils, and Kilosa, Kisarawe and Moshi district councils. The study concludes that outsourcing offers no 'quick-fix' neither to increasing local government revenues nor to reducing tax administrative problems.

While collection has increased and become more predictable in some councils which have outsourced revenue collection, others have experienced substantial problems with corruption and exceptionally high profit margins for the private agents at the expense of accomplishing a reasonable return to the respective local government authorities.

However, when appropriately managed and monitored, outsourced revenue collection may establish a foundation for more effective and efficient local government revenue administration.

The study of Kuzilwa (2002) showed systems approach covering the internal and external systems to Local Government Authority's environment was used. A three-pronged approach was used for the study on his paper is based., including conducting an intensive documentary review of relevant literature at the national and LGA levels, a survey of officials relevant for tax / revenue collection at the regional, district and sub-district levels, and a survey of sampled tax /revenue clients including private business operators, farmers, property owners, farmers and livestock keepers.

2.4.1 Taxation

2.4.1.1 Criteria for taxes

To be effective taxes must meet three criteria: they must be equitable, simple and efficient. (G, Mc G-Hill, 1995)

The first criterion is equity or fairness. Some people feel that a tax is fair only if everyone pays the amount. Others feel is only fair if wealthier people pay more than

those with lower incomes. Still others feel that the only fair tax is a tax on someone else. We often hear complaints about tax loopholes- exceptions or oversights in the tax law that allow some people and businesses to avoid paying certain taxes. Loopholes are a fairness issue, and must people oppose them on the grounds of equity.

A second criterion is simplicity. Tax laws should be written so that both the taxpayers and tax collectors can understand them. Unfortunate consequences may arise if tax laws are too complex or unclear.

A third criterion of an effective tax is efficiency. A tax should be relatively easy to administer and reasonably successful as a revenue generating device. Efficiency also implies that the tax should raise enough revenue to be worthwhile: If it does not, or if it harms the economy in other ways, the tax has little value.

2.4.1.2 Principles of taxes

The three criteria above provide some broad guidelines for evaluating various taxes. They do not, however, indicate how to select the persons or groups on whom the taxes will be imposed, or say how much each will pay. Because everyone is a potential taxpayer “who pays what” is very important. . (G, Mc G-Hill, 1995).

In general, taxes are based on two principles that have evolved over the years. These principles are the benefit principle and the ability- to pay principle.

2.4.1.2.1 Benefit principle

The benefit principle of taxation is based on two ideas. First, those who benefit from government services should be the ones to pay for them. Second, people should pay taxes in proportion to the amount of services or benefit they receive.

However, the benefit principle has two limitations. The first is that many government services provide the greatest benefit to those who can least afford to pay for them. People who receive welfare payments or live in subsidized housing, for example, usually have the lowest incomes. Even if they could pay something, they would not be able to pay in proportion to the benefits received. The second limitation is that the benefits often are hard to measure. For example, it is difficult to measure that can be received by those who pay gasoline taxes.

2.4.1.2.2 Ability- To- Pay Principle

The second approach to taxation is the ability- to-pay principle of taxation which is based on the concept that people should be taxed according to their ability to pay, regardless of the benefits they receive.

The ability-to-pay principle is based on two factors. First, it recognizes that societies are not always able to measure the benefit derived from the government spending. Second, it assumes that persons with higher incomes suffer less discomfort paying taxes than persons with lower incomes.

2.4.2 Tax compliance

Tax compliance shows the relationship between a taxpayer and the local government and includes at least three elements (Lewis, D 2002). First is an element of coercion, as represented by the enforcement activities of tax collectors and the penalties imposed on non-compliance. The coercive element of the taxpayer-government relationship is the focus of the classical tax evasion model which assumes taxpayer's behavior is influenced by factors such as the tax rate determining the benefits of evasion, and the probability of detection and penalties for fraud which determine the costs. The problem is thus one of the rational decision making under uncertainty whereby tax evasion either pays off in lower taxes or subjects one to sanctions. This implies that if detection is likely and penalties are severe few people will evade taxes. Trust and coercion are closely linked in the new perspective on compliance and governance.

The government is sometimes crucial in establishing levels of trust among citizens that make possible a whole range of social, political and economic transactions that would otherwise not be possible (Lewis 2002:20). On the other hand, an effective enforcement agency does not allow each citizen from breaking the law but instead tries to provide a basis for trust by ensuring that non-compliers will be made to obey the law. At the same time, agencies concerned with trust aim to minimize the use of ruthless enforcement techniques on trustworthy citizens and ensure that enforcement procedures are perceived by the broader public as reasonable, fair and in accordance with the accepted standards of society. Therefore, in the long run trust-enhancing enforcement cannot be separated from legal processes and the contents of the law, since trust-based compliance is dependent on long-term social gains that make up for

compliance costs. With reference to taxes, this implies that factors expected to affect payment are the knowledge that all other people have to pay, that fair and reasonable enforcement mechanisms ensure that there is no way of avoiding payment, and that failure to pay will be punished with fines or eventually the cut-off of services.

Second is an element of fiscal exchange, whereby taxation and the provision of public goods and services are interpreted as a contractual relationship between taxpayers and the local government. Hence individuals may pay taxes because they value the services provided by the government, recognizing that their payments are necessary both to help finance the goods and services and to make others contribute. Accordingly, citizens' willingness to pay taxes voluntarily depends on the local government's capacity to provide services. The presence of government expenditures may motivate tax compliance. Individuals may pay taxes because they value the services provided by the government, recognizing that their payments are necessary both to help finance the goods and services and to make others contribute. A taxpayer may therefore be seen as exchanging, purchasing power in the market in return for government services.. Positive benefits may increase the probability that taxpayers will comply voluntarily, without direct coercion. Without a material benefit, compliance becomes less assured.

It is then reasonable to assume that a taxpayer's behavior is affected by his satisfaction or lack of satisfaction with his terms of trade with the government. Thus, if the system of taxes is perceived to be unjust, tax evasion may, at least partly be considered as an attempt by the taxpayer to adjust his terms of his trade with the government.

Third is the impact of social influences on the taxpayers' compliance behavior. For example, an individual's perception of the probability of his tax evasion being detected, in combination with his opportunities, may determine the decision regarding tax payment. Compliance behavior and attitudes towards the tax system may thus be affected by the behavior of an individual's reference group such as relatives, neighbors, friends and political associates. Consequently, if a taxpayer knows many people important to him/her who do not pay taxes, then his/her commitment to comply will be weaker. On the other hand, individuals can be dissuaded from engaging in evasion out of fear of the social sanctions incurred should their action be discovered and revealed publicly.(Fjeldstad & Semboja, 2001). The importance of social interactions in forming tastes and actions has been stressed by sociologists and social psychologists. It is reasonable to assume that human behavior in the area of taxation is influenced by social interactions much in the same way as other forms of behavior.

2.4.3 Willingness To Pay

Tax and fees charged by the local governments if designed well, can promote economic growth, lessen extreme inequalities, and significantly improving the lives of all citizens, especially the poor people. The success of the local government's commitment to implement its development goals is largely depending on its citizens' willingness to pay taxes and fees.. Part of the problem of raising local government revenues in Tanzania is persistent public resistance to paying, as evidenced by widespread tax evasion and non-payment of fees and charges. In the standard economic model of tax behavior, the perceived quality of government does not influence the level of taxes remitted. The basic behavioral assumption is that no one

will voluntarily contribute to the government unless threat of punishment for non-payment makes it sensible to pay (Fjeldstad and Semboja, 2001).

According to the study on tax morale and state building in developing country of 2009, micro and small business in Tanzania represent 69% of all private sector taxpayers, but pay only 0.28% of taxes raised. Across Africa as a whole, the IMF estimates that central government taxation is paid by less than 5% of the population. Where citizen tax morale is low, tax effort is not contributing adequately to development because citizens are more committed to tax avoidance, evasion and exemptions than to paying for constructing an effective state (Phillips, M, 2009).

An increase in corruption establishes a negative public perception that causes citizens to be unwilling to enter into reciprocal relationships with the government thus undermining the legitimacy of the tax administration (Fjeldstad, 2003). Local governments have also not evolved mechanisms for independently establishing the real profitability or actual revenue potential do not benefit optimally from this arrangement.

Unwillingness to pay is the result of a combination of political protest to the degradation of public services, perceptions of unfairness of the charges which do not take ability to pay into consideration as well as corruption and other administrative failings by the local governments. Government trustworthiness tends to legitimize the public sector and therefore impose some social norm to pay taxes. When government is perceived to be trustworthy, citizens are more likely to comply with the demands in general. Government trustworthiness is linked to citizens'

perceptions of the capacity of the government to make credible commitments about the use of their taxes. In the study on citizen's views on taxation in local government authorities in Tanzania most respondents said they would be willing to pay taxes if public services were improved (Fjeldstad, 2004).

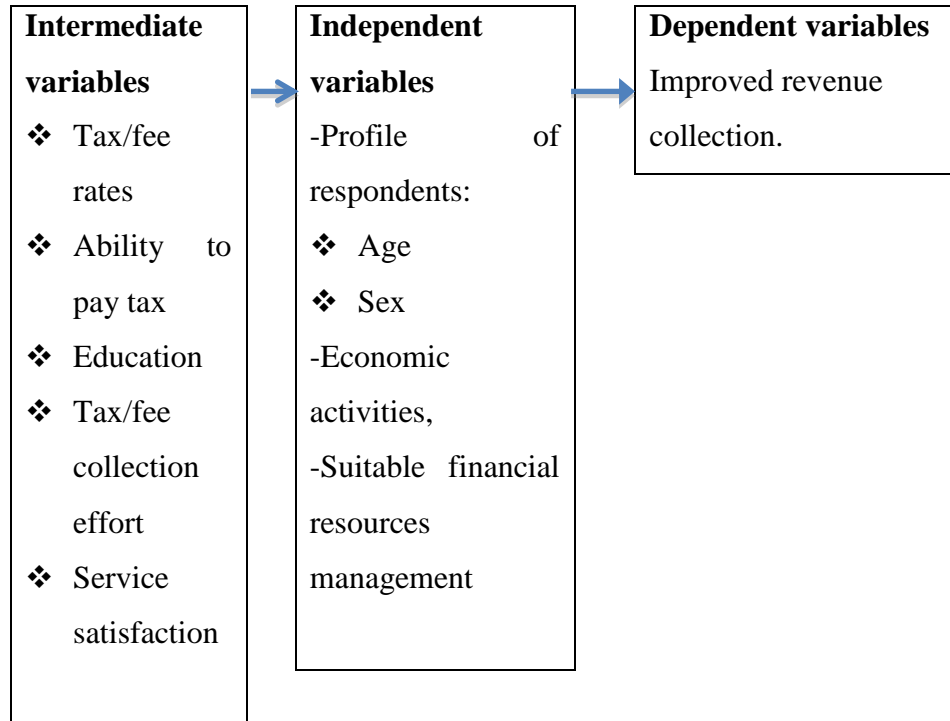
A tax may be seen as exchanging for purchasing power in the market in return for government services. Positive benefits may increase the probability that taxpayers will comply voluntarily without coercion. Without material benefits, willingness to pay becomes less assured. Although most taxpayers may not assess the actual value of what they receive from government in return for taxes paid, they have general impressions about their terms of trade. Taxpayers' behavior is therefore affected by their satisfaction or lack of satisfaction with the terms of trade. If the system is perceived as unjust, tax evasion may be considered as an attempt to adjust the terms of trade with government (Fjeldstad and Semboja, 2001).

Conceptual framework

Figure 1 presents the conceptual framework of the study. The assessment of the factors influencing the collection of local revenue in local government authorities a case of Mbeya City Council be determined by various factors such as, economic activities, ability to pay tax, suitable financial resources management, level of education. These factors can influence revenue collection in Local Authorities. The conceptual framework below shows relationship between dependent, independent, and intermediate variables.

CONCEPTUAL FRAMEWORK

Figure 1: Conceptual framework variables



Tax and fees (own sources revenue) charged by the local governments if designed well, can promote economic and improve the lives of all citizens in their respective jurisdiction areas. The success of local government to implement its development activities depends on its effort to collect revenue. Some of its revenue can be outsourced and collected by tax/fee collection agents and other sources to be collected by its employees. Local government authorities in Tanzania face a lot of problems as regards to revenue collection such as evidenced widespread tax evasion and non-payment of fees and charges.

As a result different reforms were formulated to solve the problem like outsourcing and giving grant to authorities, hoping the reforms will help to solve the problem.

This study which was conducted in MbeyaCity assessed the factors influencing revenue collection in Local Government Authorities in Tanzania.

Due to Local Government reform of 1998 arguments on how to improve the revenue collection on Local Authorities own sources, it was important to for Mbeya City Council to outsource some sources of revenue with the aim of increasing its own sources. However, from that period of time tax/fee collection agents started to get job through tendering process. In general, there was an increase of own sources revenue in Mbeya City Council though data indicate the decrease since the year 2011/2012 as shown in table 1.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter aims at introducing the areas where the study will focus its attention. Therefore it will comprise the introduction, study area, types and sources of data, research design, sampling design, data collection, data processing and data analysis.

3.1 The Study Area

The study will be conducted in Mbeya City Council as general. The reasons for choosing the whole city are due to the availability of local sources of revenue, feasibility of the area whereby there is possibility of accomplishing the study successfully due to the availability of primary and secondary data and transportation.

3.1.1 Geographical Location

Mbeya City is within Mbeya District. It is located between latitudes 8⁰50' and 8⁰57' south of the equator and between longitudes 33⁰30' and 35⁰35' east of the Greenwich meridian. It has a total land area of 214 sq km and borders Mbeya District Council on all sides. Mbeya City is the headquarters of Mbeya Region.

3.1.2 Administration Structure

Administratively Mbeya City Council is divided into two administrative Divisions namely Sisimba and Iyunga and it has 36 Wards with 180 Mitaa (hamlets).

Table 2: Distribution of Wards and Mitaa

DIVISION	WARDS	MITAA
Iyunga	21	115
Sisimba	15	65
Total	36	180

Source: Mbeya City Profile

3.1.3 Demographic Data

According to the 2002 National Census, Mbeya City Council had a total population of 266,422 in habitants, out of which 126,679(48%) were males and 139,743 (52%) were female.

The City population growth rate is 4% per annum compared to the national average of 2.9 percent per annum. Population projection for the year 2012 is estimated to 414,198 out of which 198,815 (48) are males and 215383(52%) are females.

3.1.4 Topography and Drainage

Mbeya City Council is situated at an elevated land and spreads along the slopes of two mountains namely, Mbeya and Rungwe at an altitude raising from 1600 to 2400 meters above sea level. Eight rivers run through the City. These are Sisimba, Nzovwe, Imeta, Hanzya, Mfwizimo, Simba, Nkwanana and Nsalaga. The two rivers Nsalaga and Nkanana pour into the Great Ruaha River which flows into Rufiji Basin. The remaining rivers join Songwe river that drains into Lake Rukwa..

3.1.5 Climate

Mbeya City receives mean annual rainfall of 1200 mm (November-May) accompanied by mean temperatures ranging between 11⁰ C – 25⁰C. Mbeya City is generally characterized by moderate climate and sufficient rainfall.

3.1.6 Economic Activities

The major economic activities in the City include trade, agriculture and livestock keeping, small- scale industrial production and service provision like transport, hotel, medical services and civil service. It is estimated that 33.3% of the City residents depend on agriculture for their livelihood; 21% are employed in the public sector which is mainly service provision and 43.4% are engaged in the informal sector which is mainly small scale production, petty trade and selling of agricultural crops and others.

3.2 Research design

Research design is also defined by Kothari (1990), as the detailed blue print used to guide a research study towards its objectives. It is detailed plan of work to be done to achieve the research objectives. A case study is used to describe a unit in detail (when, how, and why questions are being imposed when the investigation has no control over events and when the focus is on contemporary phenomena within some real life context).

In this study two basic approaches will be utilized specifically the ethno methodological approaches and mixed methods approaches. The ethno methodological approach allows the researcher to let people express their worldview.

With this approach, people can focus on how they make sense out of their everyday life when they encounter a researcher, and at the same time the researcher is able to learn to people's lives and construct practical explanations from the perspective of people. Such an approach is important in seeing how people make meaning of the world around them (Potter, 1996).

With the mixed methods approach, this study makes use of the quantitative and qualitative techniques in data collection and analysis. This is to make use of the compatibility of the quantitative and qualitative methods, later than polarizing them, for complimentary and triangulation purposes, thus, the science based objective of qualitative methods (Bamberger, 2000) is complemented with the science-based quality of things.

However, research design stands for advance planning of the methods to be adopted for collecting the relevant data and the techniques to be used in their analysis, keeping in view the objective of the research and the availability of staff, time and money (Kothari, 2004).

The respondents were selected among the following; Residents of Mbeya City; Firms which operate within Mbeya City; Council tax/fee collecting Agents, Mbeya City Council Officials from different departments including Finance and Marketing; Urban Planning and Environment; Works; Health; Legal; Economic, Statistics, Monitoring and Evaluation.

3.3 Sampling Techniques and sample size

3.3.1 Sample size

The population for the sampling frame was composed of 7 wards with a total population of about 105,000. Therefore, from the calculation using the equation below the sample size will be 105 respondents. Since 7 wards have similar characteristics, all of them were randomly taken making the sample size of 105. The respondents were distributed in 1 category that is 105 households. The distribution of respondents is shown in table 2. The sample size of 105 respondents was estimated using the equation (i)

$$n = \frac{N}{1 + N(e)^2}$$

Whereby

N= Population

F= precision desired (5% to 10%)

N= sample size

Then using N= 105,000, e =0.1 the estimated sample size will be 105 respondents

3.4 Sampling techniques

The survey was designed such that the sample selected represents the characteristics of the targeted population. According to the Census conducted during the year 2002, Mbeya City Council had a total population of 266,422. The population growth rate was 4.0% per annum compared to the national average of 2.9% per annum. Population projection for the year 2013 is approximately 430,766 people. The sample size for this study was 105 respondents.

The sample size was selected from 7 wards which are considered to represent the whole population. The selection process for the sample will take into account a mix of basic features of the Mbeya City Council wards such including the wards within the City centre and others in the peripheral centre..

The researcher adopted the stratified sampling technique to ensure all groups with similar characteristics are covered like gender, age, socio-economic and geographical location. The simple random sampling technique was adopted to select respondents within the desired strata (groups).The respondents for this study were 105 principle income earners in the households.

3.5 Data collection procedures

Before data collection, the questionnaire and the rest of data collection tools like interview schedule will be translated into Kiswahili. This is because is a common language to most of Tanzanians. In addition, the questionnaire was tested to ten respondents, that is 10 households.

3.6 Data collection methods

Regarding this study the data collection methods to be employed include interviews, questionnaire, observation and documentary sources. The data were then be categorized into two streams which are qualitative and quantitative. As already stated, this study has an approach that uses mixed methods. It is for this reason that data collected were separated into qualitative and quantitative.

3.6.1 Primary Data

Primary data are those which are collected afresh and for the first time, and thus happen to be original in character. Those data were collected through Focus Group Discussion, interviews, and using questionnaire.

The Focus Group Discussion has been employed as a tool of soliciting views of different of Mbeya city residents on possible factors influencing revenue collection and challenges that face revenue collection for Mbeya city. The general information provided through this technique is important due to the fact that add more information from what has been collected through questionnaire. The researcher convinced head of households in three wards to form FGD of 10 people in each ward by taking into account the aspect of gender balance, and each group selected 2 persons to lead their discussion.

Furthermore, the data collection from the selected heads of households had been done by interview using a prepared standard questionnaire well set to generate the information required to produce the deliverables of the assign.

3.6.2 Secondary Data

These are data which have already been collected by someone else and which have already been passed through the essential process. Different documents were used to get secondary information that were relevant to the study. Major sources of secondary information will include reports, various policy documents, by-laws and other relevant documents.

3.7 Data analysis

The research design applied in this study resulted into two sets of data: from the questionnaire, there was quantitative data and from the interviews, there was qualitative data.

The quantitative data were coded and entered in the SPSS program. With the SPSS, descriptive statistics were used in order to determine different types of percentages of the respondents. The data were imported from SPSS to Micro soft word for drawing tables and histograms.

3.8 Validity and reliability of the data

Validity is the extent to which a test measures what it claims to measure. It is vital for the test to be valid in order for the result to be accurately applied and interpreted (Kendra Cherry, 2009). According to (Joppe, 2000) reliability is the extent to which results are consistent over time. Results are referred to as reliable if the same results can be produced under similar methodology then the research instruments are considered to be reliable. In order to achieve validity and reliability the following was done.

- The selection of the respondents was based on established sampling procedures; for the qualitative data, respondents were selected based on opportunity to learn (Stake, 1998).
- Since the study will make use of multiple research tools in data collection process, there will be a possibility of triangulation of the data. With high degree of stability on data, there is a high degree of reliability, implying that the results are repeatable.

- The quantitative data collected were computerized in order to avoid unnecessary loss of data and conduct more precise analysis with the use of computer software.
- The pilot test on the questionnaire was done and revision was done if necessary to eliminate ambiguities in the questionnaire.

3.9 Limitation of the study

The study was conducted in 7 wards located in Mbeya City Council. In those wards as study area, adequate sample size will be strategically selected to include all groups within the population comprising taxpayers and revenue collectors. Among 7 wards some are pure urban in nature while others are peripheral. As regards this study rainfall was a limitation during data collection due to the fact that people in peripheral areas were busy with agricultural activities.

3.10 Ethical consideration

During the study participants were assured of their confidentiality and anonymity and agree not reveal the identity or information of participant to anyone other than the researcher or his/her collaborators. Moreover, during the study the researcher obeyed relevant laws and government policies.

3.11 Conclusion

The section has presents the methodology procedures for this study. It has presented the study area, description of the study area, the research design based on the ethno methodological and mixed methods approaches. Due to its adoption of the ethno methodological approach the study makes use of case study. Furthermore, the section

explains the research population, sample size, and sampling techniques to be employed in the study. It shows the data collection methods, data collection instruments and the data collection procedures for collection of quantitative and qualitative data. Moreover, it explains data analysis techniques. The section winds up with the issues related to validity, reliability, and limitation of the study.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.0 Introduction

This chapter is concerned with the presentation, interpretation and discussion of findings of the research. With regard to this study the specific objectives and research questions guided the analysis and findings from the data collected from the field.

The research questions were based on the following aspects.

- The system and performance of revenue collection
- The factors that influence revenue collection
- The challenges that face revenue collection

4.1 Profile of Respondents

The objective of this part is to present the general characteristics of the sample. The characteristics presented in this part are with respect to gender, age, education and occupation. The respondents involved in this study were tax payers particularly households and firms; and revenue collectors particularly tax/fee collection agents and city employees.

4.1.1 Age of Respondents

Results in figure 2 below show that 47.6% of the respondents had ages that ranged between 18-40 years, 42.9% of respondents had ages ranged from 41-60 years of age, and 8.6% of them had ages above 60 years. From these data it can be noted that the respondents who had ages that ranged between 18-40 were the majority in the

study compared to those of other age groups. This is so because that particular age group makes up the largest portion of the population in the society.

Table 3: Distribution of age of respondents

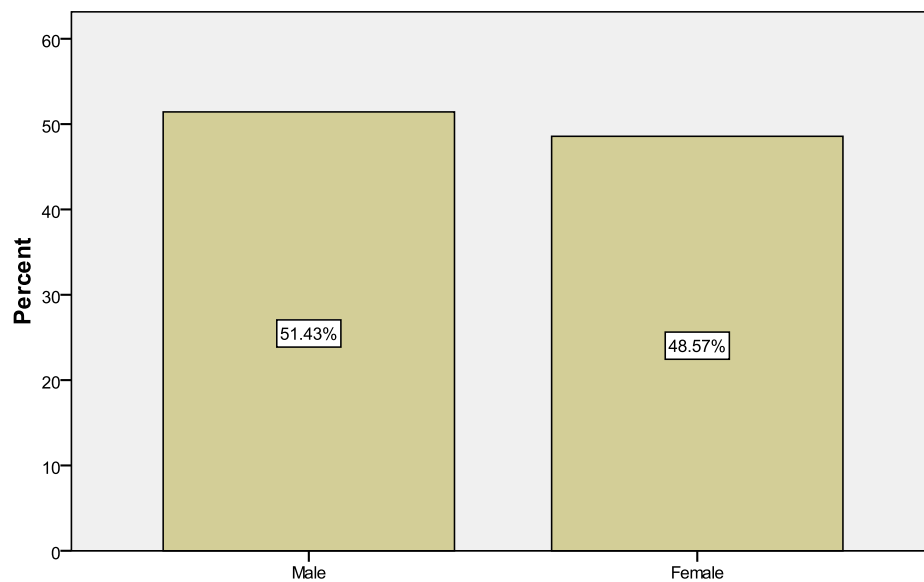
Years	Frequency	Percent
18-40 years	51	48.6
41-60 years	45	42.8
Above 60 years	9	8.6
Total	105	100.0

Source: Field Data, 2013

4.1.2 Sex

The findings in Table 5 show that 51.4% of the respondents were males and the other 48.6% of the respondents were females. The sample therefore has a fairly well balanced in terms of sex representation.

Figure 2: Distribution of sex of respondents



Source: Field Data, 2013

4.1.3 Education level

With regard to the education level of the respondents table 5 below shows that 46.7% of the respondents had acquired primary education. 41.9 of the respondents had acquired secondary education and 11.4% of the respondents had acquired college/university education. The data show that the majority had acquired primary education and very few had acquired college/university education. Thus, the respondents had adequate education to provide the required information on the study.

Table 4: Education level of Respondents

Education level	Frequency	Percent
Primary level	49	46.7
Secondary level	44	41.9
College/University	12	11.4
Total	105	100.0

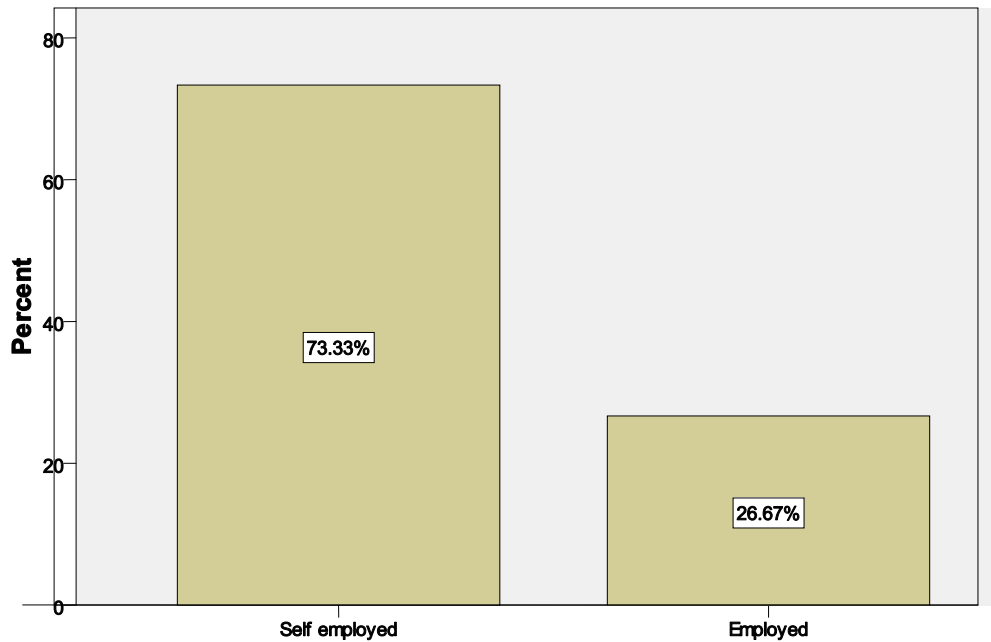
Source: Field Data, 2013

4.1.4 Employment status of the Respondents

With regard to employment status of the respondents there were two groups namely self employed and employed. The total number of the respondents was 105 whereby self employed respondents were 77 equal to 73.33% and the employed respondents were 28 equal to 26.67% as shown in Figure 3. The findings show that the majority of the respondents were employed in the informal sector.

The employment status of the Respondents is shown in Figure 3 below shows

Figure 3: Employment status of Respondents



Source: Field Data, 2013

In accordance with the findings from the field, self employed respondents were of different occupations specifically they were farmers, livestock keepers and business men. The employed respondents comprised of teachers, nurses and accountants.

The researcher wanted to know the opinion from two groups of employment status on taxes/fees charged by Mbeya City Council in order to be in a position to identify the factors that influence revenue collection.

Table 5 below shows the occupation of self employed respondents.

Table 5: Occupation of the self employed respondents

Employment status	The occupation of the self employed respondents						TOTAL	
	Farmers		Livestock keepers		Business men		No	%
	No	%	No	%	No	%		
Self employed	28	36.4	12	15.6	37	48	77	100
TOTAL	28	36.4	12	15.6	37	48	77	100

Source: Field Data, 2013

The majority of the self employed respondents were business men. They were able to pay taxes or fees. In general the income of self employed respondents is uncertain. Table 6 below shows the occupation of employed respondents.

Table 6: Occupation of the employed respondents

Employment status	The occupation of the employed respondents						TOTAL	
	Teachers		Nurses		Accountants		No	%
	No	%	No	%	No	%		
Employed	16	57	9	32	3	11	28	100
TOTAL	16	57	9	32	3	11	28	100

Source: Field Data, 2013

This group of employment status was able to pay taxes or fees because due to their certain income.

4.2 The Operating system and performance of revenue collection

Revenue of Mbeya City Council is collected by tax/fee collection agents and city employees. Some of the own sources of revenue collected by tax/fee agents are property tax, bus stand and parking fees, billboards and advertisements and toilet fee. Among the own sources of revenue collected by city employees are service levy, sale of plots, and market dues. Since the year 2005/2006 up to 2011/2012 the trend of revenue collection was good. For the year 2010/2011 own sources revenue increased substantially due to sale of plots at Iwambi area.

4.2.1 Legal general

In accordance with the Local Government Finance Act No.9 of 1982, Local Government Authorities have provided sources of revenue to councils thus the management of funds, resources of local government authorities and for the other matters connected or incidental to securing the proper management of finances in the local government system.

The local government authorities have been given wide power to raise revenue through various sources as laid down under section 7(1) (a),(5), (2),(3) and (4). Among those sources of revenue are: all fees received in respect of licenses granted within the council, all fees, charges due and rent recoverable by the council (e.g. property tax), and fines on violation of council's written laws.

In accordance with the information which has been collected by the researcher in the field revenue collection is carried out by revenue collection agents and city employees. Revenue collection agents deal with sources of revenue which have been

outsourced, and city employees collect from sources of revenue that are not outsourced by Mbeya City Council.

4.2.2 Regulations

The Local Government (Urban Authorities) Act, 1982 section 55 (1) states that subject to this Act, it shall be the duty of every urban authority within its area of jurisdiction-: (f) to provide, maintain, supervise and control public markets and pounds, and cold-storage depots, mineral water factories and public or private slaughter-houses, and all such matters and things as may be necessary for convenient use of such markets, pounds, cold storage depots, mineral water factories and public or private slaughter house, and to impose fees, rents and tolls in respect of the use of public markets, pounds or slaughter houses by any person.

This regulation states that urban authorities are responsible to collect revenue in their areas of jurisdiction.

4.2.3 How collection is done for each major revenue sources

The findings show that collection of major sources of revenue is done by both tax/fee collection agents and city employees on daily or monthly basis. The collection of each major source of revenue is carried out as follows;

4.2.3.1 Billboards and advertisement fee

It is collected by workers of fee collection agents who are obliged to move to different places. Before starting to collect this source of revenue, fee collection agent is provided with the data which indicate the billboards available within the city by Mbeya City Council. From there the workers of fee collection agents normally go to

the field to measure the size of each billboard and take the pictures for the purpose of establishing the database for fee payers. Those workers serve demand notes to fee payers which show the amount that is supposed to be paid and charge in accordance with the size of billboards. The amount collected is remitted to Mbeya City Council monthly as stipulated by the terms of contract.

4.2.3.2 Bus stand fee

This is collected by workers of fee collection agents who charge every vehicle which exit from the bus terminal. There is a road block which assists to control the fee payers. The amount collected is remitted to Mbeya City Council monthly as stipulated in the terms of contract.

Plate 1: A worker of Agressive Agency International Co. Ltd collecting Bus stand fee at Mbeya Bus Terminal



Source: Field Data, 2013

4.2.3.3 Property tax

It is among the sources of revenue which is collected by tax collection agents. Before starting to collect the tax collection agent is provided with data which show the properties to be charged. Usually workers of the tax collection agents go to the field to verify the information given. The tax collection agent distributes one worker in each ward to ensure tax is collected effectively and efficiently. The workers serve demand notes to tax payers which show the amount that is supposed to be paid. The amount collected is remitted to Mbeya City Council daily as stipulated in the terms of contract.

4.2.3.4 Sale of plots

This is one of the sources of revenue that is collected by city employees. Normally sale of plots takes place after completion of the process of survey of land in a given area and submit to the Ministry of Land, Housing and Human Settlement. The price of land depends on the value and size of the piece of land that is whether it is of high, medium or low density. There are special forms designed by the Mbeya City Council which are sold to those who buy surveyed plots for the purpose of increasing revenue. The city employees collect revenue from the plot buyers which is finally deposited into the Mbeya City Council account.

4.2.3.5 Market dues

The city employees particularly revenue collectors usually collect money daily from businessmen who sell goods in the markets. Those employees remit revenue collection to Mbeya City Council on daily basis.

Plate 2: City employee collecting market dues at SOWETO Market



Source: Field Data, 2013

4.2.3.6 Service levy

It is also one of the sources of revenue which are collected by city employees. Those employees serve demand notes to tax payers from which tax payers are informed about the amount they should pay. Service levy is paid to Mbeya City Council or to city employees who collect revenue from tax payers.

4.2.3.7 Toilet fees

This is among the sources of revenue which are collected by workers of fee collection agents who charge every person who use public toilets. The amount collected is remitted to Mbeya City Council monthly as stipulated in the terms of contract.

Plate 3: A public toilet at Mbeya Bus Terminal whereby Mam International

Vision (T) Co Ltd collects toilet fee



Source: Field Data, 2013

4.2.4 Revenue collected by tax/fee collection agents

The information from the field shows that Bus stand and parking fees, Property tax, Billboards and Advertisements, and Public toilets are among the sources of revenue collected by revenue collection agents.

Simamia Company Ltd collects Billboards and Advertisements fees; Aggressive Agency International Company Ltd collects Property tax, Bus stand and parking fees; Danford Kamenya, V. Mapunda and Mam International Vision (T) Ltd collect Toilet fees.

The tax/fee collection agents collect revenue from some of the own sources of revenue

The information collected from the field shows that local government authorities work with experienced revenue collection agents. As regards to data that have been collected, with the exception of one revenue collection agent who has experience of one year, others have experience of four years and above This situation implies that those revenue collection agents are experienced technically and financially.

In accordance with the data from the field the experience of tax/fee collection agents was as follows; V. Mapunda had an experience of more than 10 years, Danford Kamenya 10 years, Aggressive Agency International Company Ltd 4 years, Mam International Vision (T) Ltd and Simamia Company Ltd 1 year.

4.2.5 Amount collected per day

The amount collected by tax/fee collection agents and city employees per day has been shown in table 7 and 8.

4.2.5.1 Revenue collected by tax/fee collection agents per day

Results from the field show that the study area has potential sources of revenue which are absolutely essential for development. The amount collected by revenue collection agents per day or month is reasonable and reflects their capability to collect as shown by the table 8.

The findings show that revenue collection agent is able to collect Tshs. 20,000/= per day can collect Tshs. 7,200,000/= per year; revenue collection agent is able to collect Tshs. 25,000/= per day can collect Tshs. 9,000,000/= per year; revenue collection agent is able to collect Tshs. 65,000/= per day can collect Tshs. 23,400,000/= per year; revenue collection agent is able to collect Tshs. 500,000/= per day can collect Tshs. 180,000,000/= per year; revenue collection agent is able to collect Tshs. 500,000/= per day can collect Tshs. 180,000,000/= per year; revenue collection agent is able to collect Tshs. 1,050,000/= per day can collect Tshs. 378,000,000/= per year, and revenue collection agent is able to collect Tshs. 15,000,000/= per month can collect Tshs. 180,000,000/= per year. This situation implies that there is potential revenue in the study area. The information above had been summarized by the table below;

Table 7: Revenue collected by tax/fee collection agents per day

Source of revenue	Name of tax/fee collection agent	Collection per day/	Potential annual collection
Toilet fees	V. Mapunda	20,000.00	7,200,000.00
Toilet fees	Danford Kamenya	25,000.00	9,000,000.00
Toilet fees	Mam International Vision (T) Ltd	65,000.00	23,400,000.00
Billboards and Advertisement	Simamia Company Ltd	500,000.00	180,000,000.00
Parking fees	Aggressive Agency International Company Ltd	1,050,000.00	378,000,000.00
Property tax	Aggressive Agency International Company Ltd	500,000.00	180,000,000.00

Source: Field Data, 2013

4.2.6 Revenue collected by city employees

Apart from revenue that is collected by revenue collection agents there are some revenues that are collected by City employees such as service levy, market dues and sale of plots, refuse collection service fee, medical examination fee, and intoxicating liquor license fee. These sources of revenue are important as far as development is concerned.

Table 8: Revenue collected by city employees per day

Source of revenue	Market name/Ward name	Collection per day/	Potential annual collection
Refuse collection service fee	Igawilo	240,000.00	86,400,000.00
Market dues	Ikuti	55,000.00	19,800,000.00
Market dues	Ilomba	120,000.00	43,200,000.00
Market dues	Nzovwe	35,000.00	12,600,000.00
Market dues	Airport	20,000.00	7,200,000.00
Market dues	Mabatini	70,000.00	25,200,000.00
Market dues	SOWETO	220,000.00	79,200,000.00

Source: Field Data, 2013

The table above shows only two of the sources of revenue collected by city employees

4.2.7 Performance of revenue collection

The findings show that Mbeya City Council has potential sources of revenue such as property tax, bus stand and parking fees, billboards and advertisements, service levy, sale of plots, market dues, toilet fees and intoxicating liquor license fees. Such sources of revenue are collected by tax collection agents and city employees.

From the year 2005/2006 up to 2011/2012 the trend of revenue collection was appreciable.

In general the trend of revenue collection shows the improvement in the whole process of revenue collection. In accordance with the information collected from the field revenue collection increased substantially in the year 2010/2011 because of sale of plots at Iwambi area that amounted to Tshs. 4.2 Billion. The table below shows

the trend of revenue collection from all own sources of revenue since the year 2005/2006 up 2011/2012.

Table 9: Trend of Mbeya City actual own sources revenue collection

YEAR	ACTUAL COLLECTION
2005/2006	1,191,373,947.00
2006/2007	1,743,184,616.00
2007/2008	1,876,191,454.00
2008/2009	1,993,010,157.00
2009/2010	3,541,885,830.00
2010/2011	7,842,013,526.00
2011/2012	4,245,277,090.00

Source: Mbeya City Profile

4.3 Factors influencing revenue collection

The second objective of the study was to assess the factors that influence revenue collection. In accordance with the questionnaire used to collect data from respondents in the field, the findings show that revenue collection is influenced by affordability of tax/fee rates and service satisfaction. With regard to the data collected from the field through the questionnaire the results have been analyzed and discussed by the researcher on the basis whether the respondents were employed or self employed.

4.3.1 Tax/fee rates

The researcher wanted to know the feelings of tax/fee payers on affordability of tax/fee charges. With regards to tax/fee rates, the findings show that 89.3% of the employed respondents said that tax/fee rates were reasonable that is, affordable, 7.1% of the employed respondents said that tax/fee rates werenot affordable, and

3.6% of the employed respondents had no opinion on whether tax/fee rates were affordable or not as shown in table 10 below;

The results also show that 80.5% of the self employed respondents said that tax/fee rates were affordable, 13% of these self employed respondents had no opinion on whether tax/fee rates were affordable or not, and 6.5% of these self employed respondents said that tax/fee rates were not affordable as shown in table 10 below;

In general the findings show that the majority said that tax/fee rates were affordable. This situation implies that both self employed and employed are able to pay taxes/fees.

Table 10: Range of affordability of taxes or fees charges

Employee status	Range of affordability of taxes or fees charges						TOTAL	
	Affordable		Indifferent		Not affordable		No	%
	No	%	No	%	No	%		
Employed	25	89.3	1	3.6	2	7.1	28	100
Self Employed	62	80.5	10	13.0	5	6.5	77	100
TOTAL	87	82.8	11	10.5	7	6.7	105	100

Source: Field Data, 2013

The findings show that the majority of both employed and self employed were able to pay taxes/fees.

4.3.2 Service delivery

Provision of quality services to the society is very important because, if people get better services they will pay taxes/fees willingly and as a result revenue will increase. If people are not satisfied with services being provided they will refuse to pay taxes/fees and hence decrease revenue.

According to (Fjeldstad and Semboja, 2001) a tax may be seen as exchanging for purchasing power in the market in turn for government services. Positive benefits may increase the probability that taxpayers will comply voluntarily without coercion. Without material benefits, willingness to pay becomes less assured. Taxpayers' behavior is affected by their satisfaction or lack of satisfaction with the terms of trade.

The findings from the field show that there are different services being provided in the area of study. The analysis will be based on service satisfaction to the two major groups of respondents, that is, employed and self employed.

4.3.2.1 Road maintenance services

The researcher wanted to know the accessibility of road maintenance services in the study area. Road service is among the factors essential for creating conducive environment for investment.

Regarding road maintenance services the data show that 28.6% of the self employed respondents said that services were good, 24.7% of the self employed respondents said that services were bad, 24.7% of the self employed respondents said that services

were worse, 20.8% of the self employed respondents said that services were better, and 1.3% of the self employed respondents said that services were best as shown in table 11 below;

The findings also show that 35.7% of the employed respondents said that services were bad, 21.4% of the employed respondents said that services were worse, 17.9% of the employed respondents said that services were best, 14.3% of the employed respondents said that services were better, and 10.7% of the employed respondents said that services were good as shown in table 11 below;

The findings show that on one hand the majority of the self employed respondents were satisfied with road services. On the other hand the majority of employed respondents were not satisfied with road services. This situation implies that Mbeya City council delivered good road maintenance services, and the city residents were encouraged to pay taxes/fees voluntarily.

Table 11: Road maintenance services

Employment status	Type of Service: Road maintenance											
	Service Rating											
	Best		Better		Good		Bad		Worse		TOTAL	
	No	%	No	%	No	%	No	%	No	%	No	%
Self-Employed	1	1.3	16	20.8	22	28.6	19	24.7	19	24.7	77	100
Employed	5	17.9	4	14.3	3	10.7	10	35.7	6	21.4	28	100
TOTAL	6	5.7	20	19	25	23.8	29	27.6	25	23.8	105	100

Source: Field Data, 2013

4.3.2.2 Garbage collection services

The researcher wanted to know the accessibility of self employed and employed respondents to solid waste collection points. The findings from the field show that 33.8% of the self employed respondents said that services were good, 24.6% of the self employed respondents said that services were better, 23.4% of the self employed respondents said that services were bad, 16.9% of the self employed respondents said that services were worse, and 1.3% of the self employed respondents said that services were best as shown in table 12 below;

The findings also show that 39.3 % of the employed respondents said that services were good, 21.4% of the employed respondents said that services were better, 17.9% of the employed respondents said that services were worse, 14.3% of the employed respondents said that services were bad, and 7.1% of the employed respondents said that services were best as shown in table 12 below;

In general the findings show that both self employed and employed respondents were satisfied with garbage collection service. This situation encouraged the respondents to pay taxes/fees.

Table 12: Garbage collection service

Employment status	Type of Service: Garbage collection service											
	Service Rating											
	Best		Better		Good		Bad		Worse		TOTAL	
	No	%	No	%	No	%	No	%	No	%	No	%
Self-Employed	1	1.3	19	24.6	26	33.8	18	23.4	13	16.9	77	100
Employed	2	7.1	6	21.4	11	39.3	4	14.3	5	17.9	28	100
TOTAL	3	2.9	25	23.8	37	35.2	22	21	18	17.1	105	100

Source: Field Data, 2013

4.3.2.3 Accessibility of plots

The researcher wanted to know whether the city residents have access to surveyed plots in the study area

As regards to accessibility of plots the findings show that 33.8% of the self employed respondents said that services were good, 27.3% of the self employed respondents said that services were worse, 26% of the self employed respondents said that services were bad, 11.7% of the self employed respondents said that services were better, and 1.3% of the self employed respondents said that services were best as shown in table 13 below;

The findings from the field also show that 50% of the employed respondents said that services were good, 28.6% of the employed respondents said that services were worse, 10.7% of the employed respondents said that services were bad, 7.1% of the employed respondents said that services were better, and 3.6% of the employed respondents said that services were best as shown in table 13 below;

The findings show that the majority were satisfied with that service. This situation encourages city residents to pay taxes/fees.

Table 13: Accessibility of plots

Employment status	Type of Service: Accessibility of plots											
	Service Rating											
	Best		Better		Good		Bad		Worse		TOTAL	
	No	%	No	%	No	%	No	%	No	%	No	%
Self-Employed	1	1.3	9	11.7	26	33.8	20	26	21	27.3	77	100
Employed	1	3.6	2	7.1	14	50	3	10.7	8	28.6	28	100
TOTAL	2	2	11	10.5	40	38	23	21.9	29	27.6	105	100

Source: Field Data, 2013

4.3.2.4 Status of market places

The researcher wanted to know whether the city residents were satisfied with the status of market places in the study area. The findings from the field show that 32.4% of these self-employed respondents said that services were better, 29.9% of these self-employed respondents said that services were good, 23.4% of the self-employed respondents said that services were bad, 11.7% of the self-employed respondents said that services were worse, and 2.6% of these self-employed respondents said that services were best as shown in table 14 below;

The findings also show that 35.7% of the employed respondents said that services were good, 32.1% of the employed respondents said that services were better, 17.9% of the employed respondents said that services were bad, 10.7% of the employed respondents said that services were worse, and 3.6% of the employed respondents said that services were best as shown in table 14 below;

The findings show that both self employed and employed respondents were satisfied with status of market places. This was an indicator that city residents were paying taxes/fees willingly.

Table 14: Status of market places

Employment status	Type of Service: Status market places											
	Service Rating											
	Best		Better		Good		Bad		Worse		TOTAL	
	No	%	No	%	No	%	No	%	No	%	No	%
Self-Employed	2	2.6	25	32.4	23	29.9	18	23.4	9	11.7	77	100
Employed	1	3.6	9	32.1	10	35.7	5	17.9	3	10.7	28	100
TOTAL	3	2.9	34	32.4	33	31.4	23	21.9	12	11.4	105	100

Source: Field Data, 2013

4.3.2.5 Accessibility of agriculture extension services

The researcher wanted to know whether the agriculture extension workers were providing services to farmers. With regard to accessibility of agriculture extension services the findings show that 48.1% of the self employed respondents said that services were bad, 25.9% of these self employed respondents said that services were worse, 15.6% of these self employed respondents said that services were good, 9.1% of these self employed respondents said that services were better, and 1.3% of the self employed respondents said services were best as shown in table 15 below;

The findings also show that 60.7% of the employed respondents said that services were bad, 17.9% of the employed respondents said that services were good, 10.7% of the employed respondents said that services were worse, 7.1% of the employed respondents said that services were better, and 3.6% of the employed respondents said that services were best as shown in table 15 below;

The findings show that city residents were not satisfied with agriculture extension services

Table 15: Accessibility of agriculture extension services

Employment status	Type of Service: Accessibility of agriculture extension services											
	Service Rating											
	Best		Better		Good		Bad		Worse		TOTAL	
	No	%	No	%	No	%	No	%	No	%	No	%
Self-Employed	1	1.3	7	9.1	12	15.6	37	48.1	20	25.9	77	100
Employed	1	3.6	2	7.1	5	17.9	17	60.7	3	10.7	28	100
TOTAL	2	1.9	9	8.6	17	16.2	54	51.4	23	21.9	105	100

Source: Field Data, 2013

4.3.2.5 Accessibility of livestock extension services

The researcher wanted to know whether the livestock extension workers were providing services to livestock keepers. The findings from the field show that 42.9% of the self employed respondents said that services were bad, 26% of the self employed respondents said that services were good, 24.7% of the self employed respondents said that services were worse, 5.2% of the self employed respondents said that services were better, and 1.3% of the self employed respondents said that services were best as shown in table 16 below;

The findings also show that 50% of the employed respondents said that services were bad, 25% of the employed respondents said that services were good, 14.3% of the employed respondents said that services were worse, 7.1% of the employed respondents said that services were better, and 3.6% of the employed respondents said that services were best as shown in table 16 below

On one hand the findings show that the majority were not satisfied with the livestock extension services, and on the other hand the findings show that there were a big percent of the respondents who were satisfied with services delivered by Mbeya City Council.

Table 16: Accessibility of livestock extension services

Employment status	Type of Service: Accessibility of livestock extension services											
	Service Rating											
	Best		Better		Good		Bad		Worse		TOTAL	
	No	%	No	%	No	%	No	%	No	%	No	%
Self-Employed	1	1.3	4	5.2	20	26	33	42.9	19	24.7	77	100
Employed	1	3.6	2	7.1	7	25	14	50	4	14.3	28	100
TOTAL	2	1.9	6	5.7	27	25.7	47	44.8	23	21.9	105	100

Source: Field Data, 2013

4.3.2.7 Accessibility of car parking places

The researcher wanted to know accessibility of car parking places in relation to an increase of cars in the study area. With regard to accessibility of car parking places the findings show that 38.9% of the self employed respondents said that services were bad, 32.5% of the self employed respondents said that services were worse, 16.9% of the self employed respondents said that services were good, 10.4% of the self employed respondents said that services were better, and 1.3% of the self employed respondents said that services were best as shown in table 17 below;

The findings from the field also show that 35.7% of the employed respondents said that services were better, 28.6% of the employed respondents said that services were bad, 17.9% of the employed respondents said that services were good, 10.7% of the

employed respondents said that services were worse, and 7.1% of the employed respondents said that services were best as shown in table 17 below;

The findings show that on one hand the majority of the self employed respondents were not satisfied with service. On other hand the findings show that majority of the employed respondents were satisfied.

Table 17: Accessibility of car parking places

Employment status	Type of Service: Accessibility of car parking places											
	Service Rating											
	Best		Better		Good		Bad		Worse		TOTAL	
	No	%	No	%	No	%	No	%	No	%	No	%
Self-Employed	1	1.3	8	10.4	13	16.9	30	38.9	25	32.5	77	100
Employed	2	7.1	10	35.7	5	17.9	8	28.6	3	10.7	28	100
TOTAL	3	2.9	18	17.1	18	17.1	38	36.2	28	26.7	105	100

Source: Field Data, 2013

The researcher noted that the information collected through the questionnaire was not sufficient to express the factors influencing revenue collection. He facilitated formation of Focus Group Discussion and asked team members if they were satisfied with services and how they rated tax/fee charges.

The respondents from FGD were of the opinion that other factors influencing revenue collection are tax education to tax/fee payers, willingness to pay, availability of database for tax/fee payers and economic activities carried out within an area of jurisdiction. Tax/fee education to tax or fee payers is very important because through education people become knowledgeable about the necessity of paying taxes/fees. In accordance with the willingness to Pay' theory (Fjelstad and Semboja, 2001), the

success of the local government's commitment to implement its development goals is largely dependent on its citizens' willingness to pay taxes and fees. Availability of a database for tax/fee payers is another very crucial factor as far as revenue collection is concerned. A database enables the respective local authority to understand the number of tax/fee payers and be in a position to project revenue to be collected at a given period of time. However, economic activities carried out within an area of jurisdiction contribute to influence revenue collection due to the fact that economic activities determine the type of revenue source to be collected.

In general the information collected through this FGD is important due to the fact that, more information was obtained apart from what has been collected through the questionnaire.

4.4 The challenges that face revenue collection in Mbeya City

The findings from the study show that there are various challenges that face revenue collection. These challenges have to be taken into consideration as obstacles as far as regards to strategies set by Mbeya City Council for revenue collection. The challenges that have emerged from the study are discussed in the subsections that follow below.

4.4.1 Tax/fees not spent on public services

The researcher wanted to know whether the city residents understood the use of taxes/fees. It is important for tax/fee payers to know the use of taxes/fees so that they could pay willingly. According to (Fjeldstad, 2004) when government is perceived to be trustworthy, citizens are more likely to comply with the demands in general.

Government trustworthiness is linked to citizens' perception of the capacity of the government to make credible commitments about the use of their taxes. In the study on citizens' views on taxation in local government authorities in Tanzania most respondents said that they would be willing to pay tax if public services were improved.

The findings show that 35.1% of the self employed respondents had no opinion on whether tax/fee collected was not spent on public services or not, 23.4% of the self employed respondents agreed that tax or revenue collected was not spent on public services, 14.3% of the self employed respondents strongly disagreed that tax or revenue collected was not spent on public services, 14.3% of the self employed respondents disagreed that tax or revenue collected was not spent on public services, and 13% of the self employed respondents strongly agreed that tax or revenue collected was not spent on public services as shown in table 18 below

The findings also show that 28.6% of the employed respondents agreed that tax or revenue collected was not spent on public services, 28.6% of the employed respondents disagreed that tax or revenue collected was not spent on public services, 21.4% of the employed respondents had no opinion on whether tax/fee collected was not spent on public services or not, 14.3% of the employed respondents strongly disagreed that tax or revenue collected was not spent on public services, and 7.1% of the employed respondents strongly agreed that tax or revenue collected was not spent on public services as shown in table 18 below. This is a challenge because 36.4% of the self employed agreed as well as strongly agreed, and

35.7% of the employed agreed and strongly agreed that tax money was not spent on public services.

Table 18: Tax/fee not spent on public services

Employment status	Type of Challenge: Tax/fee not spent on public services											
	Challenge Rating											
	Strongly Disagree		Disagree		Indifferent		Agree		Strongly Agree		TOTAL	
	No	%	No	%	No	%	No	%	No	%	No	%
Self-Employed	11	14.3	11	14.3	27	35.1	18	23.4	10	13	77	100
Employed	4	14.3	8	28.6	6	21.4	8	28.6	2	7.1	28	100
TOTAL	15	14.3	19	18.1	33	31.4	26	24.8	12	11.4	105	100

Source: Field Data, 2013

4.4.2 Too high tax/fee rates

The researcher wanted to know whether tax/fee rates were too high. The findings show that 39% of these self employed respondents strongly agreed that tax/fee rates were too high, 22% of the self employed respondents had no opinion on whether there were too high tax/fee rates or not, 20.8% of the self employed respondents disagreed that tax/fee rates were too high, 13% of these self employed respondent agreed that tax/fee rates were too high, and 5.2% of the self employed respondents strongly disagreed that tax/fee rates were too high as shown in table 19 below

The findings also show that 25% of the employed respondents strongly agreed that tax/fee rates were too high, 25% of the employed respondents agreed that tax/fee rates were too high, 25% of the employed respondents disagreed that tax/fee were are too high, 17.9% of the employed respondents had no opinion on whether there were too high tax/fee rates or not, and 7.1% of the employed respondents strongly disagreed that tax/fee rates are too high as shown in table 19 below. This is a challenge

because 52% of the self employed agreed as well as strongly agreed, and 50% of the employed agreed and strongly agreed that tax/fee rates are too high.

Table 19: Too high tax/fee rates

Employment status	Type of Challenge: Too high tax/fee rates											
	Challenge Rating											
	Strongly Disagree		Disagree		Indifferent		Agree		Strongly Agree		TOTAL	
	No	%	No	%	No	%	No	%	No	%	No	%
Self-employed	4	5.2	16	20.8	17	22.	10	13	30	39	77	100
Employed	2	7.1	7	25	5	17.9	7	25	7	25	28	100
TOTAL	6	5.7	23	22	22	20.9	17	16.2	37	35.2	105	100

Source: Field Data, 2013

4.4.3 Corruption

The researcher wanted to know whether tax/fee collectors were corrupt. Corruption is an obstacle to revenue collection because people perceive that taxes/fees collected are used by tax/fee collectors. With regard to corruption findings show that 40.2% of the self employed respondents had no opinion on whether there were was corruption or not, 27.3% of the self employed respondents strongly disagreed that there was corruption, 15.6% of the self employed respondents strongly agreed that there was corruption, 13% of the self employed respondents agreed that there was corruption, and 3.9% of the self employed respondents disagreed that there was corruption as shown in table 20 below

The findings also that that 42.8% of the employed respondents had no opinion on whether there were was corruption or not, 17.9% of the employed respondents agreed that there was corruption, 17.9% of the employed respondents disagreed that

there was corruption, 14.3% of the employed respondents strongly disagreed that there was corruption, and 7.1% of the employed respondents strongly agreed that there was corruption as shown in table 20 below. This is a challenge because 28.6% of the self employed agreed as well as strongly agreed, and 25% of the employed agreed and strongly agreed that there was corruption.

Table 20: Corruption

Employment status	Type of Challenge: Corruption											
	Challenge Rating											
	Strongly Disagree		Disagree		Indifferent		Agree		Strongly Agree		TOTAL	
	No	%	No	%	No	%	No	%	No	%	No	%
Self-Employed	21	27.3	3	3.9	31	40.2	10	13	12	15.6	77	100
Employed	4	14.3	5	17.9	12	42.8	5	17.9	2	7.1	28	100
TOTAL	25	23.8	8	7.6	43	41	15	14.3	14	13.3	105	100

Source: Field Data, 2013

4.4.4 Multiplicity of taxes/fees

The researcher wanted to know whether there were many taxes/fees in the study area. The findings show that 28.6% of the self employed respondents had no opinion on whether there was multiplicity of taxes/fees or not, 27.3% of the self employed respondents strongly disagreed that there were multiplicity of taxes/fees, 22.1% of the self employed respondents strongly agreed that there were multiplicity of taxes/fees, 14.3% of the self employed respondents disagreed that there were multiplicity of taxes/fees, and 7.8 % of the self employed respondents agreed that there were multiplicity of taxes/fees as shown in table 21 below

The findings also show that 53.6% of the employed respondents had no opinion on whether there was multiplicity of taxes/fees or not, 17.8% of the employed respondents strongly disagreed that there were multiplicity of taxes/fees, 14.3% of the employed respondents strongly agreed that there were multiplicity of taxes/fees, 10.7% of the employed respondents agreed that there were multiplicity of taxes/fees, 3.6% of the employed respondents disagreed that there were multiplicity of taxes/fees as shown in table 21 below. This is a challenge because 29.9% of the self employed agreed as well as strongly agreed, and 25% of the employed agreed and strongly agreed that there were multiplicity of taxes/fees..

Table 21: Multiplicity of taxes/fees

Employment status	Type of Challenge: Multiplicity of taxes/fees											
	Challenge Rating											
	Strongly Disagree		Disagree		Indifferent		Agree		Strongly Agree		TOTAL	
	No	%	No	%	No	%	No	%	No	%	No	%
Self-Employed	21	27.3	11	14.3	22	28.6	6	7.8	17	22.1	77	100
Employed	5	17.8	1	3.6	15	53.6	3	10.7	4	14.3	28	100
TOTAL	26	24.8	12	11.4	37	35.2	9	8.6	21	20	105	100

Source: Field Data, 2013

4.4.5 Harassment by tax/fee collectors

The researcher wanted to know whether tax/fee collectors use force to collect revenue. The findings from the field show that 28.6% of the self employed respondents strongly agreed that they were harassed by tax/fee collectors, 24.7% of the self employed respondents had no opinion on whether they were harassed by tax/fee collectors or not, 24.7% of the self employed respondents strongly disagreed that they were harassed by tax/fee collectors, 13% of the self employed respondents agree that they were harassed by tax/fee collectors, 9.1% of the self employed

respondents disagreed that they were harassed by tax/fee collectors as shown in table 22 below

The findings also show that 28.6% of the employed respondents had no opinion on whether they were harassed by tax/fee collectors or not, 21.4% of the employed respondents strongly disagreed that they were harassed by tax/fee collectors, 21.4% of the employed respondents disagreed that they were harassed by tax/fee collectors, 14.3% of the employed respondents strongly agreed that they were harassed by tax/fee collectors, and 14.3% of the employed respondents strongly agreed that they were harassed by tax/fee collectors as shown in table 22 below. This is a challenge because 41.6% of the self-employed agreed as well as strongly agreed, and 28.6% of the employed agreed and strongly agreed that tax/fee payers were harassed by tax/fee collectors.

Table 22: Harassment by tax/fee collectors

Employment status	Type of Challenge: Harassment by tax/fee collectors											
	Challenge Rating											
	Strongly Disagree		Disagree		Indifferent		Agree		Strongly Agree		TOTAL	
	No	%	No	%	No	%	No	%	No	%	No	%
Self-Employed	19	24.7	7	9.1	19	24.7	10	13	22	28.6	77	100
Employed	6	21.4	6	21.4	8	28.6	4	14.3	4	14.3	28	100
TOTAL	25	23.8	13	12.4	27	25.7	14	13.3	26	24.8	105	100

Source: Field Data, 2013

4.4.6 Limited tax education

The researcher wanted to know whether the tax/fee payers had access to tax education.

The findings from the field show that 75.3% of the self employed respondents strongly agreed that they had not acquired tax education, 16.9% of the self employed respondents agreed that they had not acquired tax education, 3.9% of the self employed respondents had no opinion on whether they had acquired tax education or not, 2.6% of these self employed respondents strongly disagreed that they had not acquired tax education, and 1.3% of the self employed respondents disagreed that they had not acquired tax education as shown in table 23 below

The results also indicate that 60.7% of the employed respondents strongly agreed that they had not acquired tax education, 25% of the employed respondents agreed that they had not acquired tax education, 7.1% of the employed respondents had no opinion on whether they had acquired tax education or not, 3.6% of the employed respondents strongly disagreed that they had not acquired tax education, and 3.6% of the employed respondents disagreed that they had not acquired tax education as shown in table 23 below. This is a challenge because 92.2% of the self employed agreed as well as strongly agreed, and 85.3% of the employed agreed and strongly agreed that they had not acquired tax education.

Table 23: Limited tax education

Employment status	Type of Challenge: Limited tax education											
	Challenge Rating											
	Strongly Disagree		Disagree		Indifferent		Agree		Strongly Agree		TOTAL	
	No	%	No	%	No	%	No	%	No	%	No	%
Self-Employed	2	2.6	1	1.3	3	3.9	13	16.9	58	75.3	77	100
Employed	1	3.6	1	3.6	2	7.1	7	25	17	60.7	28	100
TOTAL	3	2.9	2	1.9	5	4.8	20	19	75	71.4	105	100

Source: Field Data, 2013

4.4.7 Dishonest local government officials

The researcher wanted to know the way local government officials treat tax/fee payers.

The findings show that 32.5% of these self-employed respondents had no opinion on whether there were dishonest local government officials or not, 27.3% of these self-employed respondents strongly agreed that there were dishonest local government officials, 19.5% of these self-employed respondents agreed that there were dishonest local government officials, 15.6% of these self-employed respondents strongly disagreed that there were dishonest local government officials, and 5.2% of the self-employed respondents disagreed that there were dishonest local government officials as shown in table 24 below.

The findings also show that 42.9% of the employed respondents had no opinion on whether there were dishonest local government officials or not, 25% of the employed respondents agreed that there were dishonest local government officials, 21.4% of the employed respondents strongly agreed that there were dishonest local government officials, 7.1% of the employed respondents strongly disagreed that there were dishonest local government officials, and 3.6% of the employed respondents disagreed that there were dishonest local government officials as shown in table 24 below. This is a challenge because 46.8% of the self-employed agreed as well as strongly agreed, and 46.4% of the employed agreed and strongly agreed that there were dishonest local government officials.

Table 24: Dishonest local government officials

Employment status	Type of Challenge: Dishonest local government officials											
	Challenge Rating											
	Strongly Disagree		Disagree		Indifferent		Agree		Strongly Agree		TOTAL	
	No	%	No	%	No	%	No	%	No	%	No	%
Self-Employed	12	15.6	4	5.2	25	32.5	15	19.5	21	27.3	77	100
Employed	2	7.1	1	3.6	12	42.9	7	25	6	21.4	28	100
TOTAL	14	13.3	5	4.8	37	35.2	22	21	27	25.7	105	100

Source: Field Data, 2013

4.5 Conclusion

The findings show that revenue of Mbeya City Council is collected by tax/fee collection agents and city employees. Some of the own sources of revenue collected by tax/fee agents are property tax, bus stand and parking fees, billboards and advertisements and toilet fee. Among the own sources of revenue collected by city employees are service levy, sale of plots, and market dues. Since the year 2005/2006 up to 2011/2012 the trend of revenue collection was good. For the year 2010/2011 own sources revenue increased substantially due to sale of plots at Iwambi area.

The findings also show that affordability to pay taxes/fees and satisfaction with services delivered by Mbeya City Council were the factors that influence revenue collection. In accordance with the findings the city citizens afford to pay taxes/fees because they are satisfied with various services delivered by Mbeya City Council, as

a result the pay taxes/fees willingly. City residents were particularly satisfied with road maintenance, garbage collection, accessibility of plots, status of markets and accessibility of parking places services.

Furthermore, findings show that Mbeya City Council is faced with various challenges as far as revenue collection is concerned. Challenges include limited taxpayer education, multiplicity of taxes or fees, too high tax/fee rates, harassment by tax/fee collectors and dishonest tax collectors.

CHAPTER FIVE

CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

The purpose of the study was to assess factors that influence revenue collection in local government authorities, as well as observing the challenges that face revenue collection. Also the study focused on the affordability of taxes/fees and the issue of service delivery for the purpose of increasing the City Council revenue taking into consideration the fact that finance is important for the improvement of local government authorities; it should be properly utilized and be in a position to bring sustainable development to the people in the area of control.

5.1 Summary of Research Findings

With regard to research question (i) the findings show that revenue of Mbeya City Council is collected by tax/fee collection agents and city employees. Among own sources of revenue collected by tax/fee agents are property tax, bus stand and parking fees, billboards and advertisements and toilet fee. Among the own sources of revenue collected by city employees are service levy, sale of plots, and market dues. Since the year 2005/2006 up to 2010/2011 the trend of revenue collection was appreciable. For the year 2010/2011 own sources revenue increased substantially due to sale of plots at Iwambi area.

According to research question (ii) the findings show that affordability to pay taxes/fees and satisfaction with services delivered by Mbeya City Council were the main factors that influenced revenue collection. They were particularly satisfied with road maintenance, garbage collection, accessibility of plots, status of markets and accessibility of parking places services. Because of being satisfied with city services delivery they were able to pay taxes/fees willingly although they complained that they were too high.

Furthermore, in accordance with research question (iii) findings show that Mbeya City Council is faced with various challenges as far as revenue collection is concerned. Challenges include limited tax payer education, multiplicity of taxes or fees, too high tax/fee rates, harassment by tax/fee collectors and dishonest tax collectors.

5.2 Conclusion

Mbeya City Council has several good sources of revenue and has collection which has been increasing steadily every year. The increase in revenue has been attributed to taxpayers finding tax rates affordable though high and to being satisfied with services particularly road maintenance, garbage collection, accessibility of plots, status of markets and accessibility of parking places services. However, there are challenges that have to be addressed by Mbeya City Council leaders in order to improve revenue collection. The study therefore makes recommendations as set out below.

5.3 Recommendations

- The City Council as a government should come up with by-laws for the business actors who refuse to taxes/fees.
- Potential sources of revenue which are still collected by the city employee such as service levy and market dues have to be outsourced for the purpose of improving revenue collection and service delivery at large. Among the services need to be improved are agriculture and livestock extension services.
- Taxes/fees collected should be utilized for public services.
- The City Council should provide motivation to the private revenue collectors and city employees who collect above targets by paying them a certain percentage of the collection over and above the set amount. By so doing corruption will be avoided.
- Tax or fee payers need to be educated on tax affairs, therefore the Council should collaborate with civil societies in providing tax education and base of compliance, and establish awareness programmes to the tax payers.
- The Council has to review its by-laws in order to ensure that taxes or fees charged comply with the current situation. This will assist to solve some of the challenges such as multiplicity of taxes, and too high tax/fee rates.
- Tax/fee collectors need to be trained on how to treat tax/fee payers. They also need to be trained on modern methods for collecting revenue. By so doing harassment by revenue collectors and dishonest by local government officials will be avoided.

5.4 Areas for Further Studies

In order to increase the understanding of the factors influencing revenue collection in local government authorities, it is recommended that further studies could be done on the following areas;

- Systems used by local government to collect revenue authorities.
- Factors that affect willingness to pay.
- Revenue and expenditure allocations for local government authorities.

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APPENDIX 1

HOUSEHOLD QUESTIONNAIRE

A. BACKGROUND INFORMATION

1. Respondent
name.....
2. Area.....
3. Age (select the appropriate answer by placing a tick to the box aside)
 - a) Less than 18 years ()
 - b) 18-40 years ()
 - c) 41-60 years ()
 - d) Above 60 years ()
4. Gender (select the appropriate answer by placing a tick to the box aside)
 - a) Male ()
 - b) Female ()
5. Education level (select the appropriate answer by placing a tick to the box aside)
 - a) Primary level ()

b) Secondary level ()

c) College/University ()

d) Other, please specify ()

6. What is the occupation of the principle income earner in the household?

a) Self employed ()

b) Employed ()

Specify.....

7. Marital status (select the appropriate answer by placing a tick to the box
aside)

a) Single ()

b) Married ()

c) Widow ()

d) Divorced ()

B LOCAL TAXATION PRACTICE

1. Why do you think people have to pay taxes or fees?

a).....

b).....

c).....

d).....

e).....

2. Do you pay the City taxes or fees?

a) Yes ()

b) No ()

3 Which taxes or fees do you pay to the City Council? Mention

a).....

b).....

c).....

4. How do you rate City taxes or fees charges?

a) Affordable ()

b) Not affordable ()

c) Some are affordable and some are not affordable

5. Which taxes are affordable? Mention them and their current rates

a).....

b).....

c).....

6. Can the rates in number 5 be reviewed to improve services?

a) Yes ()

b) No ()

7. Which taxes are not affordable? Mention them and their current rates

a) Yes ()

b) No ()

8. Have you ever delayed in paying City taxes or fees?

a) Yes ()

b) No ()

If Yes go to number 9 and if no go to number 10

9. What factors caused you to delay?

a).....

b).....

c).....

10. Have ever been penalized for not paying City taxes or fees?

a)Yes ()

b) No ()

11. Would taxpayers escape taxation if possible?

a) Agree ()

b) Disagree ()

c) Don't know ()

C: UTILIZATION OF TAXES AND FEES IN SERVICE DELIVERY

Please tick the appropriate box to indicate your degree of agreement.

Where 1= strongly disagree 2= disagree somewhat 3= not sure 4= agree somewhat

5= strongly agree

DESCRIPTION	1	2	3	4	5
CI: Tax and fees revenues collected in the area used to provide public services					
C2: People refuse to pay taxes until they get better services					
C3: Willing to pay more taxes if public services are improved					

D: SERVICE SATISFACTION

Please tick the appropriate box to indicate your degree of agreement.

Where 1= best 2= better 3= good 4= bad 5= worse

SERVICE	1	2	3	4	5
DI: Road maintenance services					
D2: Garbage collection					
D3: Accessibility of plots					
D4: Status of market places					
D5: Accessibility of agriculture extension services					
D6: Accessibility of livestock extension services					
D7: Car parking places					
D10: Others, mention					

E: MAJOR CHALLENGES ON TAX COLLECTION

Please tick the appropriate box to indicate your degree of agreement.

Where 1= strongly disagree 2= disagree somewhat 3= not sure 4= agree somewhat

5= strongly agree

DESCRIPTION	1	2	3	4	5
E1: Tax revenues not spent on public services					
E2: Too high taxes rate					
E3: Corruption					
E4: Too many taxes/fees					
E5: Harassment by tax collectors					
E6: Poor tax education					
E7: Dishonest local government officials					