

**AN EXAMINATION OF THE FACTORS AFFECTING THE
EFFECTIVENESS OF REVENUE COLLECTION IN ZANZIBAR:
A CASE OF ZANZIBAR REVENUE BOARD**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF THE
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CERTIFICATION

The undersigned certifies that he has read and hereby recommends for acceptance by The Open University of Tanzania, a dissertation entitled, **“An examination of the Factors Affecting the Effectiveness of Revenue Collection in Zanzibar: A Case of Zanzibar Revenue Board (ZBR)”**. In partial fulfillment of the requirements for the award of degree of Master of Business Administration (MBA-Finance) of The Open University of Tanzania.

.....

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.....

Date

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DECLARATION

I, **Amina K. Ussi**, declare that, the work presented in this dissertation is original. It has never been presented to any other University or Institution. Where other people's works have been used, references have been provided. It is in this regard that I declare this work as originally mine. It is hereby presented in partial fulfillment of the requirement for the Degree of Master of Business Administration of The Open University of Tanzania.

.....

Signature

.....

Date

DEDICATION

This work is dedicated to my family and all those who truly care for me for their efforts, understanding and encouragement. Their support has led the successful accomplishment of my study.

ACKNOWLEDGEMENT

My sincere and heartfelt go to all who in one way or another have helped me through this study. First and far most, I am grateful to the Almighty for giving me strength and good heath which were paramount important in the success of this work. Also, I thank my supervisor Dr. Janeth Isanzu for her effort and encouragement until the accomplishment of this study. I also sincerely thank my beloved mother, husband and my entire family for their care to me until I finished this work. Their encouragement, patience and care were instrumental in my success. My appreciation also goes to ZRB for permitting me to pursue my study. Last but not least, I am also indebted to extend my appreciation to my friend Abdalla Ali Kombo for his effort that led me to the accomplishment of this study.

ABSTRACT

The purpose of this study was to examine the factors that affect revenue collection in Zanzibar. A descriptive research design was adopted. Simple random sampling technique was used to select a sample of 80 respondents. Primary data was collected using questionnaires. Data analysis was done using statistical package for social scientists (SPSS) version 22. Descriptive statistics and measures of association were used to examine the relationship between the independent and dependent variables. Pearson correlation was used to examine the relationship between independent and dependent variables. The findings revealed that the political situation affect business operations and hence tax collection. Findings also revealed that the policies in place affect the revenue collection for the jurisdiction. The study concluded that although a stable political environment enhanced revenue collection, closeness to general elections posed hindrances to collection of revenue in Revolutionary Government of Zanzibar. It was recommended that ZRB Online Portal should be monitored and controlled because of its adverse effect on planning and implementation of tax collectivity; respective agencies (federal, state and local government) responsible for tax collection should sensitize eligible and potential tax payers on the process and suitability of online tax registration by tax payers in order to enhance its impact on tax administration in the country the policy makers need to evaluate the best exchange rate policy for optimal economic development.

Keywords: Revenue collection, tax collection, ZRB, Zanzibar

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LIST OF ABBREVIATIONS

BOT	Bank of Tanzania
DC	Deputy Commissioner
DRD	Domestic Revenue Department
GURT	Government of United Republic of Tanzania
IDA	International Development Agency
ICT	Information, Communication and Technology
GURT	Government of United Republic of Tanzania
KMO	Kaiser Meyer Olkin
MBA	Master of Business Administration
MDC	Municipal and District Councils
RGZ	Revolutionary Government of Zanzibar
SDL	Skill Development Levy
TIC	Tanzania Investment Centre
TRA	Tanzania Revenue Authority
URT	United Republic of Tanzania
VAT	Value Added Tax
ZIPA	Zanzibar Investment Promotion Act
WED	Ward Executive Director
ZRB	Zanzibar Revenue Board

CHAPTER ONE

INTRODUCTION

1.1 Back ground to the Study

The ever rising economic and financial needs of Zanzibar and the budget constraints that constantly exist threaten the sustainability and growth of the Zanzibar economy. Thus, the challenge facing many nations is ensuring that taxpayers are treated with fairness, equity, justice while national governments assert their jurisdiction as taxing authorities. Ideally this tax collection can be analogized to the extraction of honey from the abode of honeybees where honey bees are not disturbed and careful extraction of the honey results in a circular process where more honey is deposited by honeybees giving better opportunity to the extractor to get the honey in perpetuity.

A sound tax system is the one that identify surpluses in the economy and should tax it so that it may cause minimal damage to productive activity. Tax collection should act as a catalyst for economic growth. Tax system should be neutral with respect to its effect on economic behavior. However, it is impossible to achieve neutrality. Administrative feasibility and practicability are two important constraints on tax policy. These are also matters of convenience to varying degree.

While designing a tax system, the government must ascertain four principles as follows: The tax base to be consisted of stable and easily identifiable features of the social and economic order. To make sure that the tax system does not cause substantial distortion of the base. To ascertain that the allocation of the tax burden

reflects the political, social, and ethical aspirations of dominant groups. Finally, to make sure that the tax system tries to achieve the purpose of the country.

In developing countries, the tax administrators face many challenges in collecting tax. The problem of tax evasion bothers tax administrators of both developed countries and developing countries. Smarter and more sophisticated taxpayers, who find the cost/risk of evasion greater than the benefit, practice risk free legal ways of non-payment of taxes rather than tax avoidance.

There are perfectly legal tax avoidance strategies for minimizing tax liabilities in many countries. For the government, the results of tax avoidance and tax evasion are the same. But for the taxpayer, tax avoidance is preferable because there are less or no chances of getting caught and prosecuted. It is also believed that relatively less wealthy and consequently less well-advised people engage in tax evasion whereas relatively wealthier and better-advised people practice tax avoidance (TRA, 2012).

The loss to government revenue on account of tax avoidance is much greater compared to tax evasion. In order to have effective revenue collection, governments are supposed to curb the tax evasion as the tax avoidance. The tax collection system should be designed in such a way that the tax evasion and the tax avoidance become difficult for the taxpayer.

1.2 Statement of the Research Problem

Ambali (2011) argue that high respect for taxpayers combined with as a drive towards encouraging them to pay more taxes voluntarily is needed in collection of

enough revenue. This is because taxpayer is the one who has the monetary power that can change profits or loss figures in the agency's annual reports. Zanzibar Revenue Board (ZRB) has largely met its goal of promoting tax compliance through a fair, equitable and transparent application of tax laws.

Compliance with tax payment is a result of the probability of audit, and the probability of accruing penalties from underpayment of taxes (Aizenman and Jinjark, 2015). This results in taxpayers honoring their obligations due to repercussions to noncompliance. The level of efficiency in revenue collection is affected by various factors, which include: high levels of illiteracy lack of sufficient workforce to enhance compliance of the entire taxable population, communication barriers, taxpayer ignorance and low levels of information penetration, just to mention a few.

These hindrances to revenue collection result in: indebtedness of taxpayers, high costs of collection which include taxpayer education, at times high risks for the tax collecting officers, deficits in meeting of targets from treasury, which in the long run leads to unavailability of funds to pay the country's debts or to finance the national budget (Waweru, 2015).

Over the past eight years, there have been surveys and reports carried out in Tanzania for the purpose of exposing weaknesses in service delivery as well as enhancement of revenue collection due to the need to increase revenue raised (Cheeseman and Griffiths, 2015). The National Business Agenda released by

members of the private sector pointed out that despite improved services, taxpayers still face difficulties from the complexities of ever-changing processes and statutory procedures as well as the forms and paperwork that are required to be filled in for service requests. As a result, the Taxpayer Program was developed so as to improve service delivery and enhance service options to taxpayers, deliver focused education outreach and alternate services as well as enhance information penetration levels and ensure strict adherence to the provisions of the Taxpayer Charter; and revamp the customer care desks as well as the call centre program (Tanzania Revenue Authority, 2012). These initiatives have improved service delivery a great deal; however, there still exists factors that hinder effective collection of revenue for ZBR (Fjeldstad and Rakner, 2016).

There are few existing empirical literatures about the revenue collection strategies. These include Awitta (2016) and (Gachanja, 2017); however, not much literature investigates actual factors that affect tax revenue collection in Tanzania (Ngowi et al., 2017). While this might be true, there was no existing study justifying the downward trend of revenue collection especially in Zanzibar Government; i.e. the factors affecting effective revenue collection in Tanzania specifically Zanzibar were not very known. Along with that, little was known on the institutional framework and the infrastructure used in revenue collection. Given this justification, this particular study was conducted to fill the literature gap in the country by exploring the factors that affect revenue collection and possible solutions to these factors, as well as those that boost collection of revenue in Zanzibar.

1.3 Objective of the Study

1.3.1 General Objective

The study sought to examine the factors that affect revenue collection in the Zanzibar, a case of Zanzibar Revenue Board (ZRB).

1.3.2 Specific Objectives

- i) To examine the effects of political instability in revenue collection.
- ii) To investigate the effects of policies in revenue collection.
- iii) To examine the effects of the support systems on revenue collection.

1.4 Research Questions

The study aimed to answer the following research questions:

- i) What are the effects of political instability in revenue collection?
- ii) What are the effects of policies in revenue collection?
- iii) What are the effects of the support systems in revenue collection?

1.5 Significance of the Study

The findings of this study are expected to provide insights regarding the improvement of Board's effectiveness and efficiency in collecting revenue in Zanzibar. The research findings would enhance the board's collection levels as a result of policies put in place by the government as well as helping in meeting of revenue targets for the purpose of funding the government expenditure. We expect the research findings to give guidelines to the Zanzibar government in the formulation of appropriate laws and policies that would seal the loopholes that create

hindrances to efficient and effective revenue collection. This research would help to increase information penetration to the tax payers. It would also lead to a reduction in the effect of penalties imposed on them, and as a result, create a tax compliance culture. This research will extend the existing knowledge on the means of revenue collection as well as the factors that promote or hinder efficient revenue collection. Lastly the study will help the researcher to fulfill the requirements for the award of the degree of Master of Business Administration (MBA) of Open University of Tanzania.

1.6 Scope of the Study

The study covered Zanzibar Government using Zanzibar Revenue Board (ZRB). A researcher approached the Zanzibar Revenue Board officers in various departments of Zanzibar in the collection of revenues.

1.7 Organization of the Study

Chapter one of this study introduced the background to the study, statement of problem, the objectives of the study, research question, and significance of the study and the scope of the study. Chapter two comprises three sections. The first section looks at theoretical literature review. It starts looking at some conceptual definitions of terms; theoretical analysis looks at different theories put forward by various scholars and tries to see if those theories safeguard this study. The second section deals with empirical studies. In this section review of studies done outside and in Tanzania by various scholars concerning the topic is done. Last section is conceptual framework. Chapter three deals with research methodology. This chapter looks at

research design and strategies, survey population and area of study. It also looks at sampling procedures, sample size and methods of data collection. It ends up by looking at data analysis. Chapter four is about research findings, analysis and interpretations, and lastly chapter five provides recommendations and areas for future studies.

CHAPTER TWO

LITERATURE REVIEW

2.1 Overview

This chapter presents definition of key conceptual terms. Various theories related to revenue collection are discussed. Theories concerning revenue collection are identified. Empirical literature on the topic is made to show the knowledge gap and the relevancy of the study. Furthermore, a conceptual framework for addressing the research problem is presented.

2.2 Conceptual Definitions

2.2.1. Revenue Collection

The revenue is conceptualized differently depending on the field in which it is being used. International Development Agency (IDA, 2012) defines revenue as the income that a company gets from its usual business activities, generally from the vending of goods and services to customers. Some companies get revenue from royalties, interest, or other fees. In general, revenue refers to business income, or the amount in a monetary unit, received over the course of a certain period of time. While in accounting, revenue is often referred to as the “top line” due to its position on the income statement at the very top, for non-profit organizations revenue is referred to as gross receipts (Bleaney, 1995).

For the sake of this study, revenue is the money obtained by the government in the form of cash or cash equivalents. This is a bit different from tax revenue. Tax

revenue is the income that a government receives from taxpayers. Revenue is also a calculation or estimation of periodic income based on a particular standard of accounting practice or the rules established by a government or government agency.

2.3 Revenue collection in Tanzania

In Tanzania, these tax revenues are collected by the Tanzania Revenue Authority (TRA), an executive agency under the Ministry of Finance that was established in 1996 (REPOA, 2008). The TRA is mandated to collect major taxes including Income Tax, Value Added Tax, Import Duty and Excise Duty (URT, 2012). Between 2000/01 and 2003/04 Tanzania has witnessed an average annual increase in Central Government tax revenues of 12% (adjusted for inflation).

Tax administration in Tanzania has a three-tier structure, namely Central Government tax administration, tax administration in Zanzibar and Local Governments tax administration (TRA, 2012). The Tanzania Revenue Authority (TRA) administers the Central Government taxes; Zanzibar Revenue Board administers domestic consumption taxes in Zanzibar, while the Local Authorities administer the various local imposts (TRA, 2012). Central Government taxes are the major revenue earner for the Government, accounting for about 90% of domestic revenue (TRA, 2010).

2.3.1 Tax systems in Zanzibar

Tax System under the current set up in Zanzibar consists of three administrative organs namely the Tanzania Revenue Authority (TRA), Zanzibar Revenue Board (ZRB) and Municipal and District Councils (sometimes referred as Local

Governments Tax Administration). According to the Act No. 11 of 1995 passed by the Union Parliament; TRA was established to serve as a central body for the assessment and collection of specified revenue, to administer and enforce the laws relating to such revenue and to provide for related matters for the Union taxes in the URT. Thus in that regard, TRA in Zanzibar deals with Union taxes as stipulated in the First Schedule of the URT Constitution.

TRA administers Central Government taxes in Mainland as well as Union taxes in Zanzibar. ZRB that was established under the ZRB Act No. 7 of 1996 is responsible for administering revenue collection from inland resources other than customs, excise and income taxes on behalf of the Government of Zanzibar. While TRA became operational in July 1996, ZRB became operational two years later (in July 1998). Municipal, Town and District Councils classified as Local Governments Authority in Zanzibar has empowered to collect local taxes by the House of the Representatives through the Zanzibar Municipal Council Act, No 3 of 1995 and Districts and Towns Councils Act, No 4 of 1995.

2.3.2 Taxes Administered by the Zanzibar Revenue Board

The ZRB is responsible for collecting internal revenues on behalf of Revolutionary Government of Zanzibar (RGZ). Zanzibar Revenue Board (ZRB) operates under the leadership of a commissioner who is assisted by deputy commissioner. For effective execution of its duties and responsibilities, ZRB has been organized into 13 departments in which 6 of them deal with revenue collection either directly or indirectly and the remaining 7 render support services to the organization. These

departments are headed by managers. As per the current set up, these departments are tax-type based as opposed to functionally based with one stop centre where all taxpayer services are rendered for tax payment purposes. As pointed out earlier, ZRB administers and collects inland taxes (non union) from both tax and non-tax sources within Zanzibar Islands. The main taxes collected by ZRB include Value Added Tax (VAT), Excise Duty Local, Hotel Levy, Hotel Levy, Restaurant Levy, Tour Operation Levy, Stamp Duty, Airport Service Charge, Seaport Service Charge, Road Dev. Fund, Petroleum Levy, Fuel Sector Dev. Fund, Road License Fees, Motor Vehicle Registration fees, Driving license fees, Ministry Collections and Parastatal Contributions.

2.4 Theoretical Literature Review

2.4.1 Revenue Collection Enforcement: A Theoretical Perspective

Numerous economists rely on the theory of public goods to explain the role of the government. By means of their ability to coercively enforce, governments can obtain the resources to fund the provision of public goods. This coercion is defined as the ability to alter someone's behavior by means of physical force, or the threat of it (Arias, 2007).

The alternative, private (i.e., market) provision, leads to under provision because of the free rider problem inherent in the financing of public goods (Acemoglu, and Robinson, 2015). This premise seeks to clarify how a certain government with such dues can come about. Most developed countries nowadays give confirmation of governments with such a role. But history reveals that such state prerogatives cannot

be taken for granted (Arias, 2017). For example, rulers in early modern states need not rely on state-administered revenue collection based on centralized coercive enforcement to obtain resources.

Moreover, Acemoglu and Robinson (2015) state that the provision of protection in the form of a standing army created and financed by the state is a modern phenomenon. During feudal times, kings depended on the military forces at the head of feudal lords to fight wars. The Church used to provide many of the public goods we assume today to be the responsibility of state authorities, such as poverty relief (Greif, 1998). This theory sheds light on why, if not by the threat of force, resources are transferred to rulers, and provides an endogenous explanation for the evolution to state-administered revenue collection by means of coercive enforcement and the creation of standing armies.

During the second half of the eighteenth century a series of reforms were implemented by the Spanish Bourbon kings in their American possessions: the creation of a standing army became a priority, and the fiscal administration was centralized and dramatically expanded (Arias, 2017). By means of a game theoretical analysis, it is understood that simultaneous transition to a state administered revenue collection and centralized coercive enforcement, and the creation of a standing army, is due to the free rider problem inherent in the financing of public goods. Importantly, the success of such a transition hinge on the perception of a threat of conflict. When the provision of public good takes precedence a non-coercive mechanism for the collection of taxes will lead to under provision of the good.

2.5 Tax Enforcement

The tax enforcement unit in TRA which is under Debt Management is comprised of three functions including collection, examination and investigation. Each function is separate yet interrelated so as to instill voluntary compliance with the tax laws. In the case of ZRB, it is under Tax Investigation and Audit department. The enforcement exercise in both cases (TRA and ZRB) insists on continued effort to effectively administer and collect while affording the best service possible in order to maintain fairness to all taxpayers. In support of the overall tax administration missions in Zanzibar, tax enforcement serves the purposes to discover potential tax law violations in a manner that fosters confidence in the tax system and compliance with the law.

Despite the efforts made, tax enforcement represents a significant problem for the tax systems in Zanzibar because they do not have necessary resources or the know how to discover dishonesty, tax evasion or to handle complicated tax issues. In that regard, the effort made by the staff to perform major enforcement activities including provision of urgent notice, close up of accounts and businesses, write offs, follow up of arrears, etc. is being jeopardized.

2.6 Theoretical Literature Review

There is no direct theory since now which have been formulated regarding internal control of the firm in relation to revenue collection. Numerous theories have been formulated on internal audit and financial performance. They include Agency theory and Contingency theory. Since internal audit have direct relationship with internal

control, it is better to discuss these theories too. These theories are discussed below.

2.6.1 Agency Theory

Agency theory is concerned with resolving problems that can exist in agency relationships; i.e., between principals such as shareholders and agents of the principals for instance, company executives. The two problems that agency theory addresses are: the problems that arise when the desires or goals of the principal and agent are in conflict, and the principal is unable to verify what the agent is actually doing and the problems that arise when the principal and agent have different attitudes towards risk. Because of different risk tolerances, the principal and agent may each be inclined to take different actions. Adams (2012) stated that agency theory can provide for richer and more meaningful research in the internal audit discipline. Agency theory contends that internal auditing, in common with other intervention mechanisms like financial reporting and external audit, helps to maintain cost-efficient contracting between owners and managers. Agency theory may not only help to explain the existence of internal controls and internal audit in firms but can also help explain some of the characteristics of the internal audit department, for example, its size, and the scope of its activities, such as financial versus operational auditing. Agency theory can be employed to test empirically whether cross-sectional variations between internal auditing and internal controls practices reflect the different contracting relationships originating from differences in organizational form.

In case of this study, this theory is related due to fact that ZRB act as principal and

staff of ZRB act as agents who collect revenues on behalf of their principal. It may arise conflicts when staff collect revenues and took them to themselves without bringing it to their principal if effective internal control systems are not designed.

2.6.2 Contingency Theory

Contingency theory is an approach to the study of organizational behavior in which explanations are given as to how contingent factors such as technology, culture and the external environment influence the design and function of organizations. The assumption underlying contingency theory is that no single type of organizational structure is equally applicable to all organizations. Rather, organizational effectiveness is dependent on a fit or match between the type of technology, environmental volatility, the size of the organization, the features of the organizational structure and its information system. Contingency theory is used to describe the relationships between the context and structure of internal control effectiveness and organizational performance, especially reliability of financial reporting. Empirical study suggests that internal auditors who are specialized and higher in internal audit ability will achieve internal control effectiveness analysis and that the firm will benefit from the organizational effectiveness via internal control mechanism efficiency (Jones, 2014).

Jones (2014) identified some factors, which impact management control systems; these are: external environment, technology, structure and size, strategy and national culture. It suggests that the demands imposed by technical tasks in the organization encourage the development of strategies to coordinate and control internal activities.

The dimensions of structure and control include authority structure and activity's structure, i.e., rules and procedures that determine the option of individuals. Contingency theory states that "the design and use of control systems is contingent upon the context of the organizational setting in which these controls operate," (Jensen, 1998).

This theory has direct relationship with the study since management control is contingent on a variety of internal and external factors. Therefore, researcher assessed factors such as external environment, technology, structure and size, strategy and national culture with their impact on collection of business licenses revenues at ZRB in Zanzibar.

Therefore, this study was guided by two theories namely; agency theory and contingency theory. Agency theory shows the relationship between the principal and agent and the agent's responsibilities which include financial reporting, budgeting and providing any other additional information to the principal. The contingency theory on the other hand explains that organizations' behavior and functions are dependent on factors such as technology, culture and the external environment that the organizations operate in.

2.7 Empirical Studies

2.7.1 Effect of Political Instability on Revenue Collection

Political instability may be categorized broadly into: Instability as a result of socio-political unrest such as political assassinations, riots and revolutions and mass violence. These forms of insecurity are associated with conflicts between ideologies

or due to religious or ethnic differences. The second dimension involves certain events, for example, termination of government, electoral hitches and inadequacies (Mutascu, Estrada and Tiwari, 2016). Both of these dimensions result in uncertainty about the future course of the tax rates, provision/availability of goods and services, exchange rates policies, inflation policies, financial aid, among other defining economic laws and policies. The political environment describes the level of stability or instability of the political situation of a country; and any change in the political environment of a region has great implications on the socio-economic systems (Mutascu, Estrada and Tiwari, 2016). Hendry (2017) observed that, sudden modifications of the economic policy and extreme political disturbance resulted in shocks/breaks in the economy and unavailability of public resources and thus, inefficiency in provision of public amenities and difficulty in revenue collection.

2.7.2 Stable Political Environment

Mutascu, Estrada, and Tiwari, (2016) from Netherland Political stability is defined as a position of being firmly established and not likely to change or fail politically. Stable political environments results in, among other things, improved confidence in government structures as a result of adequate security; enhanced local and international trade, this leads to higher levels of import tax revenue collection as well as improved investments; expansion of the economy through improved local and foreign investor confidence as well as adequate security for the country's workforce; lower levels of inflation due to the expanded economy and as a result, this improves functionality of government and the policies that it may put in place (Friedmann, 1977).

2.7.3 Unstable Political Environment

Alesina, Ozler, Roubini, and Swagel (1992) from Sweden defined political instability as either constitutional or unconstitutional susceptibility to change in the executive. They found that, a high probability of change in administration brought about uncertainty with regards to new policies the new government would come up with and how they would implement these policies. Political instability may also create myopia in the formulation of policies by the policymakers, that is, they may formulate policies for their short-term survival in office, rather than for the greater good of the people (Carmignani, 2013).

Bussiere and Multer (2015) categorized political instability through factors including: political polarization in parliament; coalition governments; undecided, influence-able and disloyal voters. Mutascu, Estrada and Tiwari (2016) noted that, manifestations of political instability include: civil wars; violation of human rights and of trade unions; forced displacement; little state presence; massacres, democratic setbacks and violent conflicts; expropriation of land and other assets from their owners. Political instability creates situations of high insecurity due to barriers in the flow of information, as well as increased strife and animosity between the people, leading to destruction of food and other resources and as a result, food shortages and inflation of prices; high levels of unemployment, thus increased poverty and reduced economic growth; high barriers to trade and unfair competition leading to high levels inflation; and decreased provision of public goods, leading to further inequality in the distribution of public resources and increased poverty levels; pulling out of investors due to diminished investor confidence, thus leading to high levels of capital

flight, this also causes declines in levels of production and less money in the economy (Blanchard and Wolfers, 2011).

2.7.4 Political Stability and Efficiency of Taxation

There are several schools of thought with regards to the political environment and the level of efficiency of revenue collection:

2.7.5 Political Stability Determines the Level of Efficiency of Taxation

According to Barro (2011), occurrences of political unrest, for instance, the occurrence of revolutions and coups as well as the number of murders/assassinations largely affect the economic growth of a country and as a result, it hampers revenue collection and thus, development of public amenities and provision of public resources is crippled. Alesina et al (1992) noted that, for countries with high propensity of government collapses, their rate of economic growth and efficiency of government policies is significantly lower than for those with more stable governments. They found that the frequent occurrence of government collapses resulted in further collapses in the economy; a ripple effect. Cukierman, Edwards and Tabellini, from their study in 1992 concluded that the countries that had a more polarized political system were more likely to have an inefficient tax structure and higher levels of seignorage, that is, profit made by the government by issuing of currency at a higher price than the cost incurred. Alesina et al (1992) observed that, a higher probability in government collapse, which would lead to a new government that is likely to tax capital and other activities, would mean replacement of productive domestic investments with consumption and capital flight, thus leading to

lower levels of domestic production. Vollerink and De-Haan (1999) used data from 1965 to 1995 to investigate the relationship between the political soundness and the tax structure. Their analysis showed that a fickle political administration resulted in a higher tax burden. According to Bohn (2002), political instability results in low revenue collection efficiency levels in government due to short-sightedness in an attempt to correct crises.

This result in high levels of government borrowing as well as high levels of noncompliance of economic policies put in place. Carmignani (2013) reiterated that, political instability negatively correlates to economic growth and efficiency in revenue collection, as well as provision of public goods. Aizenman and Jinjara (2015) found that the efficiency of tax collection was a product of political stability. In other words, reduced political stability and higher levels of polarization bring about low levels of efficiency of tax collection.

Aizenman and Jinjara (2015) conducted a study which had findings that; a one standard deviation increases in the durability of the political regime increased revenue collection efficiency by 3.1 percent, while a one standard deviation increases in the ease of participation of the public in politics increased revenue collection efficiency by 3.6 percent.

Azzimonti (2016) pointed out that an increase in the level of political instability reduced the resources available, in terms of revenue and public goods. This leads to restrictions and inequality in how the policymakers distribute resources. Elgin (2013)

found that, countries with high political turnover had low levels of tax burden. This was as a result of frequent but peaceful change in political administration, thus policies were constantly challenged and revised.

Mello (2018) also investigated the relationship between the tax level and political stability in Argentina. It was concluded that the level of political instability was a determinant to tax behaviors of the government. Rieth (2016) tested 13 member countries of the Organization for Economic Co-operation and Development (OECD) for the period 1964-1983 for a hypothesis that, higher political instability resulted in an increase of the tax rates on capital income. The findings were that, political instability did in-fact increase the rate of tax on capital income.

2.7.6 The Level of Efficiency of Taxation Determines Political Stability

Devereux and Wen, (2016) carried out a research based on the connection between political instability, economic growth and size of government. Some of their results showed that with higher taxation of capital, there were higher levels of political instability. Carmignani (2013) explored factors that affected political instability. They included: economic growth, budget formation, inflation, monetary policy and taxation matters. The findings arrived at were that, an increase in capital taxation resulted in lower investments, as well as political instability and uncertainty as a result of formulation of short-term policies. Palan (2014) found that the tax havens that thrive have high levels of economic and political stability; this implies that favorable tax laws enhance stability of the government. Ghura and Mercereau (2014) analyzed the relationship between trade and taxation, and political climate. They

found that turbulence in the level of trade and low levels of taxation bring about political instability. This implies that, political instability was caused by, among other things, shortages in revenue from taxation.

2.7.7 The Level of Efficiency of Taxation and the Political Stability Are Independent

Nkurunziza (2015) observed that, economic downturns and strife were the cause of political instability as well as high rates of taxation for individuals, businesses and corporate bodies. Collier (2019) also argued that insufficient economic resources and inequality in distribution thereof, was the main cause of political instability and the need for unfavorable taxation policies.

2.7.8 The Level of Efficiency of Taxation and the Political Stability Are Interdependent

Waris (2017) noted that, a state could not run a fully democratic society well without taxation, and a taxation system cannot function to optimum levels without democracy and peace in the land. Implying that democracy, political stability and taxation were interdependent; thus, a downturn in either one of them resulted in a negative impact in the other factors.

2.7.9 Effect of Policies on Revenue Collection

During the colonial era, the British implemented an indirect system of rule, whereby, they deviously used taxation to exploit and suppress the indigenous people and ensure that they were impoverished and did not grow out of their poverty (Afolabi,

2016). Oliver Wendell, an American statesman stated that tax was the price that people had to pay in order to have a civilized society. Cobham (2005) defined tax policies as the administrative tools used by government and its agencies to impose govern and collect taxes in a democratic society. He observed that for policies to be formulated, the policymakers first had to set out the purpose of taxation policy, that is, to clearly identify what the policy is supposed to accomplish and then draft the means of implementation of the said policy. He pointed out the goals of the policies to be:

Revenue: This according to Cobham (2005) is the main and most direct purpose of taxation. The need for revenue is to cater to:

- i) Urgent needs: these include crises solving and meeting of immediate problems, for example wars, drought, famine and floods as well as poverty and emergency medical treatment;
- ii) Short-term needs: these include immediate needs that are not quite crises, but are needs which may result in a crisis if they are not efficiently and effectively addressed, for example, poverty eradication, provision of education and preventative medicine and healthcare;
- iii) Long-term needs: these include the need to improve the people's quality of life, improve public amenities and infrastructure as well as to create suitable investment environments.

Redistribution

Cobham (2005) defined this as the need to achieve human development gain for the

society by removing members from the state of poverty that is as a result of inequality in distribution of resources. The government works towards achieving wealth distribution by charging higher rates of tax on those who are economically able as well as businesses and profit-making institutions, and utilizing the revenue collected to improve social and public amenities.

Representation: This is the need for citizens to feel as though they have a stake in governance and building of the democratic nation (Cobham, 2015). It is important for taxpayers to understand that the building, improvement and restoration of hospitals, schools, roads and other public amenities is made possible mainly by the revenue collected from taxpayers. This is to say that, all taxpayers contribute to the growth and sustenance of the nation and its people.

Re-pricing economic alternatives: Cobham (2015) noted that re-pricing of economic alternatives arose when government used policy to influence its citizen's behavior, for example, by creating incentives to save or by increasing the cost of dumping so as to protect the environment and thus, curb the vice. After the goal of the policy has been identified, the policymakers can then go ahead and make appropriate policies to fulfill the intended goal. This results in credible policies that enhance collection for the intended purpose.

Waris (2017) observed that, tax laws and policies are as a result of the capabilities of a nation and its constitution and legislative provisions. She was of the opinion that tax laws operate in a system of trial and error. This implies that, there is no 'one size

fits all' when it comes to formulation of tax policies, policymakers have to tailor-make their policies to fit their constitutional needs and economic trends, as well as to match the legislative structure and governance of the society; and that there is no way of finding out how effective a policy will be before it is implemented. Waris (2017) also noted that tax reforms in Tanzania were moving towards new legislation, rather than increasing or reducing the tax rate imposed. For instance, there are considerations of widening the tax base to include the informal sector, that is, the 'juakali' and second-hand clothes industry. Although this would be hard to accomplish, it would drastically increase the amounts of tax revenue collected on behalf of the government (Waweru, 2005).

Waris (2017) also pointed out that tax laws and policies source their authority from the constitution of the land they govern; and that the policies are not static, rather, they change depending on the goals of the government in power at the time and its priorities and intentions.

2.7.10 Impact of Support Systems on Revenue Collection

A support system is defined as a series of independent elements which work together interdependently to facilitate the seamless functioning of a whole system (Fjeldstad and Rakner, 2003). The revenue collecting agent in Tanzania, TRA had since 2004 been undergoing the Revenue Administration Reforms and Modernization Programme (RARMP). This programme was introduced for the purpose of dealing with the challenges that inhibited achievement of full integration, and a modern and seamless tax administration. Its aims were to have the reforms deeply entrenched in

the operations of TRA in-order to achieve operational efficiencies and enhance service delivery at the lowest possible cost. The programme was broken down into several projects that mainly comprised the main departments and support system of TRA. These projects are:

- i) Customs reforms and Modernization Project
- ii) Domestic Taxes Reforms and Modernization Project
- iii) Road Transport Reform and Modernization Project
- iv) Business Automation Project
- v) Human Resources and Revitalization Project
- vi) Infrastructure Development Project

Support systems include the people, that is, the human resources involved, as well as stakeholders who include the government, investors, the board of directors, creditors among others who have vested interests in the organization; the processes; the technology used as well the equipment that facilitate proper functioning of the entire business.

Information Technology: Information technology offers opportunities for any organization to substantially amplify its productivity and effectiveness while cutting costs of production and enhancing efficiency, effectiveness and accountability in the processes. However, this may be hindered by users' unwillingness to embrace change and to utilize the available systems, as well as insufficient training of the users, as well as shortage of funds available to conduct user training on new and current systems (Davis, 1989). With the world evolving into a global village and

everything being ‘technologified’, it is important to accept change and adapt to the technological changes taking place in-order to enhance efficiency in revenue collection (Miyahira, 2018). He also noted that, new technologies have brought about new tools to help businesses work more efficiently, this in turn translates into higher taxes from the businesses. The revenue collecting agency therefore has to keep up with the technological advancements in-order to exploit the new avenues created in enhancing revenue collection. Miyahira (2018) pointed out that the massive numbers of taxpayers bring about complexities in efficient collection of revenue; however, many different information technology systems have been put in place for the purpose of assisting in the tax collectors to carry out their duties. Within each of the six projects started up as part of implementation of the RARMP, Information Technology has been a big part of the reforms implemented. This has been in the form of: establishment of an online portal as a means of enabling taxpayers to access TRA online services; integration of TRA business systems into a single view for taxpayers across all functions; implementation of IT best practice and ensuring compliance with ISO complaint quality management system (Tanzania Revenue Authority, 2000). This has brought about higher levels of compliance due to: easier access to documentation and taxpayers’ records; empowerment of taxpayer through introduction of do-it-yourself processes, this ensures that the taxpayer can keep track of their records and transactions and obligations; reductions of corruption as digital records are quite hard to alter or eliminate; reduction of errors in data inputted, as the systems detects some forms of errors while inputting data. A computerized tax system may also reduce the operational costs of revenue collections and as a result, a reduction in expenditures, a probable residual budget may be invested in means to

enhance the citizens' welfare prioritizing the society's needs (Miyahira, 2018). Waweru (2015), the former Commissioner General of TRA noted that, the use of information technology in support of tax administration had boosted the tax administration in countries as diverse and multi-cultural as Spain, Mexico, Canada, Singapore and New Zealand. He pointed out that there was a need to use technology to support tax administration and although it is an expensive venture, it would enable the government to address the problems of transfer pricing, taxation of e-commerce and tax evasion by some tax planning techniques. It was his vision and dream to have a TRA that was completely computerized.

Human Resources: Huselid (1995) was for the argument that the use of high performance work practices that include proper and comprehensive employee selection and recruitment procedures, feasible and incentive compensation, performance monitoring and management systems, and extensive employee involvement in decision making and training can improve the knowledge, skills and abilities of a firm's current and potential workforce, increase their motivation and reduce employee turnover while enhancing retention of quality workforce.

Cutcher-Gershenfeld (2016) found that the firms that employed 'transformational' labor relations, that is, those that emphasized cooperation and dispute resolution mechanisms had lower costs and higher productivity than those that did not. According to the (Turkish Revenue Administration), among the most important factors to improving revenue collection is the level of quality of the service offered by the tax collecting agency. That is, there is need to have Total Quality

Management training in order to develop a comprehensive, innovative, effective and high-quality taxpayer service system.

Factors that were highlighted in this were:

- i) Training of all personnel in the organization, and especially those involved in service delivery on teamwork, problem solving techniques, leadership and motivation;
- ii) Creating a standardized measure and evaluation system for employee satisfaction;
- iii) Enhancement of employee growth by motivating them to further their studies;
- iv) Promotion of gender equality within the organization and having equal opportunities for growth and progression for both genders as well as the minority groups, for example, persons with disabilities.

2.8 Research Gap

Despite the fact that many researchers who conducted different studies on factors affecting Revenue Collection present various factors leading to performance of revenue collection, these studies left other important factors for achieving more revenue such as political stability, good policies and support systems. Therefore, under this study apart from factors discussed by other scholars, some other factors which might affect revenue collection and those that explain revenue collection situation in ZRB need to be examined.

2.9 Conceptual Framework

Conceptual framework is a group of concepts that are broadly defined and

systematically organized to provide a focus, a rationale, and a tool for the integration and interpretation of information, usually expressed abstractly through word models Kothari (2006). In any research work, there may be two variables, which will be used for testing hypotheses, one variable, which is known as independent variables and another variable, which is dependent variable. A dependent variable is what you measure in the experiment and what is affected during the experiment (Liu, 2012).

These variables are expressed in conceptual framework section of the study. Conceptual framework of this study also explains relationship between independent variables and dependent variable. Independent variables in this study are political stability, policies and support systems. Dependent variable of this study is effectiveness of Revenue Collections.

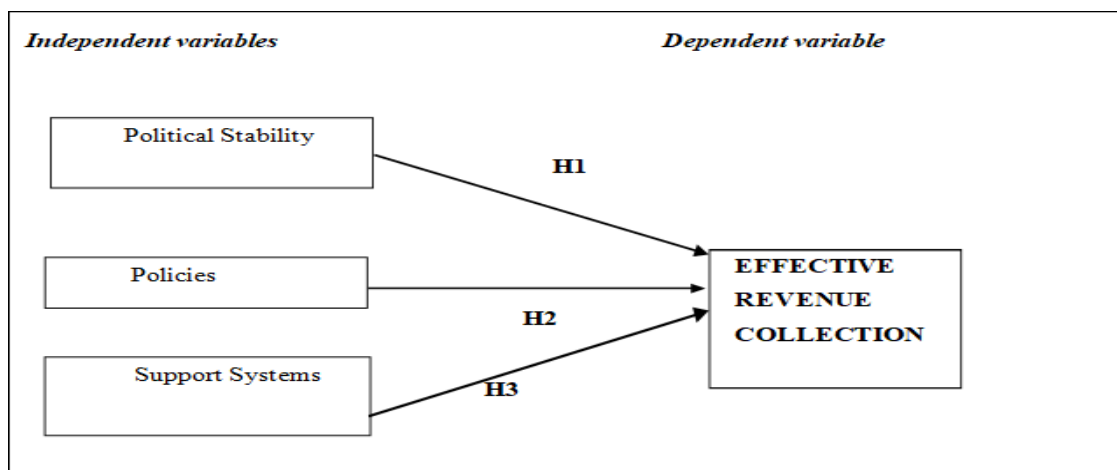


Figure 2.1: Conceptual framework

Source: Researcher (2020)

2.10 Research Hypotheses

H1: There is a significant relationship between political instability and revenue collection

H2: There is a significant relationship between policies and revenue collection

H3: There is a significant relationship between support systems and revenue collection

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Overview

This chapter describes the methods and techniques that were employed to carry out the study. In particular, it highlights the research paradigm, research design, the study area, target population, sample size and the sampling techniques, the methods of data collection, research tools used, validity and reliability of the research tools and data analysis. It also presents the research ethics.

3.2 Research Paradigm

Saunders *et al.* (2012) contends that research paradigm is a set of commonly held beliefs and assumptions within a research community about ontological, epistemological, and methodological concerns. Such a paradigm constitutes a mental model that influences and structures how the members of a research community perceive their field of study. According to Kothari (2008), research paradigm is categorized as having different types of philosophies. These philosophies include: positivist, post-positivist, interpretivist and pragmatist. In this study the researcher used pragmatic paradigm that contains positivist and interpretivist elements. Teddlie and Tashakkori (2009) argue that pragmatism is the best paradigm used in social science researches. This study adopted pragmatic approach because it offers an alternative that embraces both of the positivist/post positivists and constructivist paradigms along with research questions that determine the extent to which quantitative and/or qualitative methods are used. It provides a middle position both

methodologically and philosophically by offering a mix of quantitative and qualitative methods to answer research questions.

3.3 Research Design

Kombo and Tromp (2009) define research design as the glue that holds all the elements in the research project together. It holds all the elements in the research project. It is the structure of research. Research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with the economy in producer (Kothari, 2006). There are various research designs such as experimental design, case study research design, exploratory research design, explanatory research design and descriptive research design (Kumar, 2010; Kothari, 2014). This study used a descriptive research design. This is because descriptive studies are concerned with specific predictions, narrations of facts and characteristics concerning individuals, groups or situations. Therefore, this study adhered to the descriptive research design. The aim of the study was to investigate and get an insight to an unknown phenomenon that is the factors that affect the effectiveness of revenue collection in Zanzibar. A case study strategy was appropriate and relevant to examine the factors affecting the effectiveness of Revenue Collection in Zanzibar: The Case of Zanzibar Revenue Board (ZRB).

3.4 Area of the Study

The study was conducted in Zanzibar, specifically at Zanzibar Revenue Board (ZRB). The area was chosen because the researcher had a wide experience with ZRB especially its internal and external affairs hence it was possible to obtain data

required for this study. The researcher selected Zanzibar Revenue Board because there are many sources of revenue located in this area. ZRB is a regulatory agency that collects revenues and most of employees there are directly or indirectly involved in decision making and controls, therefore researcher was in position of assessing factors affecting revenue collection by the Zanzibar Revenue Board.

3.5 Target Population of the Study

Population is the entire group of people, events or things of interest that the researcher wishes to investigate, while the target population is the total collection of elements about which the researcher wishes to make some inferences (Saunders *et al*, 2009). The population for this study consisted of all officials who are responsible for administration and collection process from the sources of revenue at ZRB. This comprised revenue collectors, planning officers, accountants, treasurer and trade officers in Zanzibar making a total number of 100 staff.

3.6 Sampling design and sample size

Generally, it is not easy to study the whole population; therefore, the researcher determined the number of necessary samples to include in the study.

3.6.1 Sampling Frame

Mohd (2011) defined sampling frame, as a list of all the units of the population of interest. In this study, the sampling frame consisted of Zanzibar Revenue Board treasures, accountants, revenue collectors, planning officers and trade officers at ZRB.

3.6.2 Sampling Design

Sampling involves selecting units of analysis which is referred to as the individual case or group of cases that the researcher wants to express something about when completed and is therefore the focus of all data collection efforts (Tashakkori and Teddlie, 2009). Sampling is done due to constraints of time, money and accessibility of data to the entire population (Cohen, *et al.*, 2007).

This research employed probability sampling. Probability sampling involved stratified sampling because the sample was not homogeneous. Within the stratum, simple random sampling was used. This sample consisted of treasures, accountants, revenue collectors, planning officers and trade officers at ZRB. The aim of using simple random sampling was to make sure that each member within the sample had equal chance of been chosen.

3.6.3 Sample Size

Kothari (2006) defines sample as a collection of some parts of the population on the basis of which judgment is made, small enough for convenient data collection and large enough to be a true representative of the population from which it has been selected. Sample size refers to a number of items to be selected from the universe to constitute a sample. In this study the researcher used a sample of eighty (80) respondents from ZRB in Zanzibar. This sample included three (3) revenue board treasures, 32 accountants, 16 revenue collectors, 23 planning officers and 6 trade officers from ZRB. The researcher used Slovinc's formula shown below to calculate an appropriate minimum sample size from survey population.

$$n = \frac{N}{1 + Ne^2} = \frac{100}{1 + 100(0.05)^2} = \frac{100}{1 + 100 \times 0.0025} = 80$$

Whereby;

n is the minimum sample size

N is survey population

e is error at 95% confidence interval

Based on the calculation from the formula, minimum sample sizes of 80 staff were recommended. The sample size for this study is as shown in Table 3.1

Table 3.1: Sampling distribution

Type of respondents	Target population	Sample size
Revenue Board Treasures	4	3
Accountants	40	32
Revenue collectors	20	16
Planning officers	28	23
Trade officers	8	6
Total	100	80

Source: Field Data, 2021

3.7 Data Collection Methods

This section describes the types of data that collected in the field.

3.7.1 Primary Data Collection

Primary data refers to the information collected afresh and for the first time and thus happen to be original in character. They are named primary because they are unsullied and have not been manipulated by any other person (Kothari,2004). The

researcher collected data from treasurers, accountants, revenue collectors, planning officers and trade officers at ZRB.

3.8 Data Collection Tools

3.8.1 Questionnaire

Questionnaire is a research instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents (Kothari, 2006). This consist of a number of questions printed or typed in a definite order on a form or set of forms. The questionnaires were issued to the respondents who read and wrote down reply of their own. The researcher used the structured questionnaire during the study in which questions; a set of questions seeking data from respondents was organized and handled to them. The researcher used questionnaire because they are reliable, simple, needs minimum costs and the required data collected with a minimum number of errors. Open and closed questions were used.

3.9 Validity and Reliability of Data

3.9.1 Reliability of the Instrument

Reliability refers to the extent to which data collection techniques will yield consistent findings, similar observation, would be made or conclusions reached by other researchers or there is transparency in how sense was made from the raw data (Saunders, et. al., 2009) The researcher ensured reliability of the data by conducting a minor pilot study to test the reliability and validity of the questionnaires. The pilot study was conducted to the ZRB officials in Zanzibar where they were asked to fill in the questionnaire and one from each business was interviewed in order to

determine whether the questions are understood or not so as to minimize errors, time to be consumed when filling the questionnaires, and to check whether the constructs are effectively covered. The researcher accommodated comments of those informers who were involved in pre- testing so as to modify the instruments.

3.9.2 Validity of the Instrument

Validity of the study refers to the quality and instruments of the study are accurate, correct, true meaningful and right (Kothari, 2006). To ensure validity of data of this research, for every item that have been written, the next crucial step was to subject the questionnaire to a validation process. This is an extremely important exercise that cannot be skipped in the development of an instrument. The questionnaires were validated by the supervisor of this research. Kaiser-Meyer-Olkin (KMO) was also used in measuring validity of data that was collected. For the sake of improving validity of data collected from ZRB in Zanzibar, the researcher targeted respondents who have knowledge on factors affecting revenue collection at ZRB.

3.10 Data Analysis

Data analysis refers to the process of rearranging and reducing data so that it can be easily utilized (Kabiru & Njenga, 2009). The data obtained in this study was analyzed and presented for interpretation so as to fulfill the objectives of this study. In order to analyze quantitative data descriptive statistics was used whereby data from questionnaires was analyzed using Statistical Package for Social Sciences (SPSS) while content analysis was applied to analyze qualitative data.

3.11 Ethical Considerations

According to Tromp (2006), ethics is “general application of systems of moral principles”. They are related to what is right and wrong when research is conducted. This researcher was committed to the code of ethics and acceptable behavior throughout the entire research process. The information gathered from ZRB and its officials were kept confidential at all times. In order to ensure the commitment to ethical conduct, the researcher ensured that the following processes were adhered: Letter seeking permission to conduct the data collection at ZRB was written from Directorate of Post Graduate Studies (DRPS) at The Open University of Tanzania. Then permission was obtained from the ZRB to conduct the research. Secondly, respondents were assured of anonymity. All data collected was solely used for this research only. To avoid plagiarism all sources were cited.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Overview

This chapter presents the findings of the study. It starts by explaining the general characteristics and profile of the respondents by gender, age, job position of the respondents. Also, it summarizes the statistical results of respondents. It also looks at general observation. The arrangement of this chapter is in three sections: the introduction, followed findings based on study objectives and lastly discussion of the findings.

4.2 Findings

The study was guided by these objectives: To examine the effects of political instability in revenue collection; to investigate the effects of policies in revenue collection and to examine the effects of the support systems on revenue collection. Findings are as follows:

4.3 Test of Reliability and Validity

4.3.1 Reliability

In this study reliability test was done using Cronbach's alpha, Cronbach's alpha is the most common measure of internal consistency ("reliability"). It is most commonly used when you have multiple Likert questions in a survey/questionnaire that form a scale and you wish to determine if the scale is reliable (Adriano, 2010) Therefore in this study the findings of Cronbach's Alpha is 0.980, the coefficient is significant as shown in the table 4.2 below.

Table 4.1: Reliability statistics

Cronbach's Alpha	N of Items
.935	15

Source: Field Data, 2021

4.3.2 Validity

Factor analysis was done using Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of Sphericity so as to determine the level of adequacy of factor analysis. Kaiser-Meyer-Olkin (KMO) Test is a measure of how suited your data is for Factor Analysis. The test measures sampling adequacy for each variable in the model and for the complete model. The statistic is a measure of the proportion of variance among variables that might be common variance. The KMO measure of sampling adequacy reflects score of (0.750), which is well above the recommended 0.50 level as suggested by (Khan, 2010) and the Bartlett's test of sphericity is significant at 0.000 ($p \leq 0.000-0.05$) levels.

Table 4.2: KMO and bartlett's test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.750
Bartlett's Test of Sphericity	Approx. Chi-Square	303.885
	Df	3
	Sig.	.000

Source: Field Data, 2021

4.4 Finding in Relation to Objectives

This study had three specific objectives and the aim of the findings is to show if the objectives were met. The objectives are as follows:

- i) To determine how political instability affects revenue collection.
- ii) To find out how policies affect revenue collection.

iii) To determine the impact of the support systems, have on revenue collection.

4.4.1 Effect of Political Stability on Revenue Collection

The objective was to determine how political instability affects revenue collection. The findings with regard to the political instability to revenue collection. The findings from the 80 respondents show that the political situation does in-fact affect the general operations of a business. Be it from heightened insecurity for its workforce, to shortage or lack of resources, business operations highly depend on a stable government and stable political environment. This was shown by 78.8 percent of the responses being that the political situation does affect business operations. The closeness to the general elections has also been seen to affect revenue collection.

This was shown by 62.5 percent of the respondents who were of the opinion that the closeness to general elections affected revenue collection. This is may be attributed to the chaos and insecurity that was in the 2015 elections that saw many people lose their lives and even more lose property and businesses. Closeness to the general elections instills fear in the general citizens and hence inhibits normal operations to everything they undertake.

About 62.5 percent of the respondents characterized political stability as having improved investments due to high investor confidence. In addition, they characterized political instability as having high levels of inflation and reduced investments as a result of reduced investor confidence as well as high levels of insecurity for the citizens; and reduced money in the economy as a result of pulling out of investors; famine, wars, strife and other crises as a result of fewer resources

and inequality in the sharing of these resources; and contraction of the economy as a result of reduced money in circulation.

This study further revealed that 76.3 percent of the respondents felt that the prevailing political situation affects the taxation of individuals and organizations. This may be attributed to the increased need for funds to cater for the crises that arise from an unstable political environment.

Table 4.3: Effect of political stability on revenue collection statistics

S/N	Effect of Political Stability on Revenue Collection	Weighted Mean
M1	Political situation of the country affects normal business operations	4.25
M2	Closeness to general elections affect normal business operations	4.23
M3	Political stability is characterized by improved investments	4.33
M4	Political instability is characterized by pulling out of investors and high inflation levels,	4.31
M5	Political stability of the country affects taxation of individuals and organizations	4.05

Source: Field Data, 2021

Table 4.4: Effect of political stability on revenue collection

	Strongly disagree		Disagree		Neutral		Agree		Strongly agree	
	F	%	F	%	F	%	F	%	F	%
Political situation of the country affects normal business operations	0	0	3	3.8	14	17.5	48	60	15	18.8
Closeness to general elections affect normal business operations	0	0	8	10	22	27.5	30	37.5	20	25
Political stability is characterized by improved investments	4	5	16	20	10	12.5	40	50	10	12.5
Political instability is characterized by pulling out of investors and high inflation levels,	0	0	5	6.3	18	22.5	30	37.5	27	33.8
Political stability of the country affects taxation of individuals and organizations	0	0	15	18.8	4	5	45	56.3	16	20

Source: Field Data, 2021

4.4.2 Effect of Policies on Revenue Collection

This section sought to disclose how policies affect revenue collection. Table 4.5 shows that the weighted mean for all the items was greater than 4.1 indicating that respondents agreed with the statements L1 to L5. The study revealed that 58.8 percent of the respondents felt that the taxation laws put in place were hard to understand and interpret; this, coming from respondents from the large organizations and a majority of management level respondents indicates that the general level employees with much fewer years of employment found the taxation laws difficult to understand and interpret.

The study revealed that policies put in place make administration of organizations easier. This was shown by 53.8 percent of the respondents who felt that because the taxation laws are not ambiguous, and they do not change frequently, they enhance better planning for the organization and thus make administration of the organization easier. The respondents who are from large organizations are in favorable positions as they can employ tax experts and auditors who with the help of the laws and policies in place help make administration of the organization easier.

This study further revealed that 78.8 percent thought that taxation accomplished redistribution of wealth, that is, taxation was a means by which the government raises funds to build schools, hospitals and other social amenities for the good of the larger community while 8.75 percent disagreed and a further 12.5 percent were unsure of whether taxation accomplished redistribution of wealth; this may be attributed to the current state of the public schools and hospitals.

ZRB is an agent for other organization for example; it collects funds on behalf of the Zanzibar Bureau of Standards (ZBS). It also imposes penalties on individuals who contravene the ZBS laws and regulations. This study revealed that imposition of these laws enhanced protection of the environment. 88.75 percent of the respondents felt that by use of fines and penalties stipulated the policies set enhance protection of the environment. This research further revealed that only 82.5 percent of the respondents felt a sense of accomplishment and pride when they paid taxes, as they were part of nation building.

Table 4.5: Effect of policies on revenue collection

	Strongly disagree		Disagree		Neutral		Agree		Strongly agree	
	F	%	F	%	F	%	F	%	F	%
Laws on taxation hard to understand and interpret	0	0	25	31.3	8	10	29	36.3	18	22.5
The laws on taxation make administration of the organization easier	9	11.3	0	0	28	35	11	13.8	32	40
Laws set accomplish redistribution of revenue, that is, from the businesses' profits and individuals' incomes to social development amenities	0	0	7	8.75	10	12.5	56	70	7	8.8
The laws set enhance protection of the environment e.g. antidumping laws and the ZBR regulations	0	0	0	0	9	11.3	53	66.3	18	22.5
By pay taxes you achieve the feeling of accomplishment as you are part of nation building	0	0	0	0	14	17.5	48	60	18	22.5

Source: Field Data, 2021

4.4.3 Effects of Support Systems

This section sought to unveil the impact of the support systems have on revenue collection. This study revealed that the evolution and improvement of information technology has created avenues for organizations to maximize their productivity and efficiency while improving on quality and cutting costs in the long run. This was

shown by 50.1 percent of the respondents who were in agreement with the proposition. About 61.3 percent of the respondents were of the opinion that information technology has enhanced compliance and made it easier for taxpayers to observe the laws. Another 71.3 percent say that the online services portal and do-it-yourself services have promoted compliance as they have made compliance possible at the comfort of one's office or home with the help of the internet.

A further 88.8 percent were of the opinion that the level of knowledge and information possessed by ZRB personnel enhances compliance as they are in a better position to clarify any questions from taxpayers. This study further revealed that the level of quality of services provided by ZRB personnel were a factor to revenue collection, this was shown by 51.3 percent of the respondents who said that the level of quality of service is a factor to revenue collection. This means that revenue collection can be enhanced by improvement on the quality of service that is offered by the personnel of ZRB to the taxpayers.

Table 4.6: Effects of support systems

S/N		Weighted Mean
G1	Information Technology has created opportunities for the organization to amplify its productivity and effectiveness while cutting costs of production in the long run.	4.26
G2	Information technology systems have made it easier for the organization to comply with the tax laws and policies in place	3.93
G3	The introduction of the ZRB Online Portal and do-it-yourself services has made it easier for taxpayers to comply with the tax laws at the comfort of their offices or homes	4.28
G4	Trained and well informed and knowledgeable ZRB personnel clarify all questions regarding taxation and make compliance with the tax laws easier	4.13
G5	The level of quality of service offered by TRA personnel is an important factor to revenue collection	4.28

Source: Field Data, 2021

Table 4.7: Effects of support systems on revenue collection

	Strongly disagree		Disagree		Neutral		Agree		Strongly agree	
	F	%	F	%	F	%	F	%	F	%
Information Technology has created opportunities for the organization to amplify its productivity and effectiveness while cutting costs of production in the long run.	0	0	39	48.8	1	1.3	7	8.8	33	41.3
Information technology systems have made it easier for the organization to comply with the tax laws and policies in place	0	0	14	17.5	17	21.3	41	51.3	8	10
The introduction of the ZRB Online Portal and do-it- yourself services has made it easier for taxpayers to comply with the tax laws at the comfort of their offices or homes	6	7.5	5	6.3	12	15	40	50	17	21.3
Trained and well informed and knowledgeable ZRB personnel clarify all questions regarding taxation and make compliance with the tax laws easier	0	0	0	0	9	11.3	50	62.5	21	26.3
The level of quality of service offered by ZRB personnel is an important factor to revenue collection	0	0	7	8.8	32	40	39	48.8	2	2.5

Source: Field Data, 2021

4.5 Test of Hypothesis

The study was guided by the following hypotheses:

H₁: There is a significant relationship between political instability and revenue collection

H₂: There is a significant relationship between policies and revenue collection

H₃: There is a significant relationship between support systems and revenue collection

The hypotheses were tested by using correlation method where the association of both independent variable and dependent variable were tested in order to assess whether the study objectives were achieved and the relations are stated below are met.

Table 4.8: Correlation analysis

		Political Stability	Policies	Information Technology and Human Resources	Revenue Collection
Political Stability Correlation	Pearson	1	.873**	.956**	.637*
	Sig. (2-tailed)		.000	.000	.034
	N	80	80	80	80
Policies	Pearson	.873**	1	.868**	.790**
	Sig. (2-tailed)	.000		.000	.000
	N	80	80	80	80
Information Technology and Human Resources	Pearson Correlation	.956**	.868**	1	.680*
	Sig. (2-tailed)	.000	.000		.012
	N	80	80	80	80
Revenue Collection	Pearson Correlation	.637*	.790**	.680*	1
	Sig. (2-tailed)	.034	.000	.012	
	N	80	80	80	80

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Source: Field Data, 2021

Findings shown in Table 4.6 indicate that Political Stability has a positive moderate significant relationship with Revenue Collection with a coefficient of 0.637. Regarding hypothesis 2, Policies has a positive moderate significant relationship with Revenue Collection with a coefficient of 0.790. The third hypothesis, Information Technology and Human Resources also has a [positive moderate significant relationship with Revenue Collection with a coefficient of 0.680. The correlations are significant at the 0.01 level. The above results imply that all independent variables have a positive significant relationship with Revenue Collection.

4.6 Regression Analysis

In order for these hypotheses to be tested, three assumptions were considered.

First assumption: Coefficient of determination in the modal summary should explain the independent variables above 50%.

Second assumption: At 5% level of significant and 95% confident level, the significant value (P value) in the ANOVA and coefficient regression should be $P < 0.000-0.05$.

Third assumption: At 5% level of significant and 95% confident level, the value of predictions or independent variables should be $P \leq 0.000 - 0.05$

After analyzing dependent variables and independent variables on SPSS v.22, the mentioned three assumptions were tested so as to know if the hypotheses hold or not. First, variables were tested so as to check if coefficient of determination in the modal summary would explain the independent variables above 50%. After testing them on SPSS v.22 the results were presented on the table 4.9 below.

Table 4.9: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.628a	.394	.370	3.02789	.394	16.496	3	76	.000

a. Predictors: (Constant), Information Technology and Human Resources Policies, Political Stability

Source: Field Data, 2021

From the first assumption which holds in a model that if $R \text{ value} \geq 0.5$ then variables in the hypothesis have strong relationship that means a model summary from the field which have a value $R = 0.628^a$ have shown there is a strong relationship between dependent and independent variables.

Table 4.10: ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	453.709	3	151.236	16.496	.000 ^b
	Residual	696.779	76	9.168		
	Total	1150.488	79			

a. Dependent Variable: Revenue Collection

b. Predictors: (Constant), Information Technology and Human Resources, Policies, Political Stability

Source: Field Data, 2021

From the second assumption at 5% level of significant, the significant value (P value) in the ANOVA and coefficient regression should be $P \leq 0.000-0.05$. Therefore, From ANOVA table, the second assumption is hold due to the fact that, significant value (P value) is 0.000.

Table 4. 11: Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	4.925	2.158		2.282	.025
	Political Stability	-.856	.291	-.933	-2.940	.004
	Policies	0.478	.239	1.165	6.186	.001
	Information Technology and Human Resources	.202	.395	.160	.512	.010

a. Dependent Variable: Revenue Collection

Source: Field Data, 2021

The regression equation ($Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \alpha$) was; $Y = 4.925 + .856X_1 + 0.478X_2 + 0.202X_3 + \alpha$

Where by Y = Revenue Collection

X_1 = Revenue Collection Political stability

X_2 = Policies

X_3 = Information Technology and Human Resources

The coefficient table implies that there is a significant relationship between Political Stability and Revenue Collection as it shows value is 0.004 which is between $P \leq 0.000 - 0.05$ and there is a significant relationship between Policies and Revenue Collection as it shows value is 0.001 which is between $P \leq 0.00 - 0.05$. Also, there is a significant relationship between Information Technology and Human Resources and Revenue Collection as it shows value is 0.010 which is between $P \leq 0.00 - 0.05$.

4.7 Discussion of Findings

The research revealed that political stability was characterized by improved investments due to investor confidence, expansion of the economy, security for employees and the general population, lower levels of inflation and confidence in the government and the policies it puts in place. Whereas political instability is characterized by pulling out of investors and high inflation levels, reduced confidence in the government and its policies, high levels of insecurity for the whole society, reduced capital in the economy. It also revealed that the prevailing political situations as well as the closeness to general election do indeed affect business operations as well as the taxation of individuals and organizations. This confirms the

studies by (Mutascu, Estrada and Tiwari, 2011), Hendry (2017), (Friedmann, 1977), Alesina, Ozler, Roubini, and Swagel (1992), (Carmignani, 2003), Bussiere and Multer (2000), (Blanchard and Wolfers, 2000), Barro (1991), Vollerink and De-Haan (1999), Carmignani (2013), Aizenman and Jinjara (2015), Azzimonti (2016), Elgin (2013), Mello (2018), Rieth (2016) who all defined political stability and gave different impacts of the political environment on revenue collection.

Further, the research revealed that the tax laws in place helped in administration of organizations. It was clear that significant proportion of the respondents (58.8 percent) felt that the policies in place were not very easy to understand or interpret. It has also revealed that the laws enhance protection of the environment from the penalties imposed as a result of noncompliance with the set laws. This affirms to the stand of Moyi and Ronge (2006), (Muriithi & Moyi, 2013), (Government of Kenya, 1986), (Institute of Economic Affairs, 2012) who elaborated on the importance of laws, regulations and policies to revenue collection. The research also revealed that respondents from the Large Taxpayers' Office felt that the taxation laws presently in place accomplished redistribution of wealth.

This research revealed that Information Technology had created opportunities for organizations to amplify their productivity and effectiveness while improving quality and cutting costs of production in the long run. This in match with findings of Dowe (2013) who disclosed that tax authorities around the world are using electronic tax administration systems to interact with taxpaying public in tax collection, administration and compliance settings so as to improve effectiveness and efficiency

in tax administration. It also revealed that Information Technology had also made it easier for organizations to comply with the tax laws and policies in place, and that the introduction of do-it-yourself services and the ZRB Portal had enhanced compliance of taxpayers. This research also revealed that the levels of quality of services provided by ZRB staff as well as their level of knowledge and information are important factors to revenue collection.

4.8 Chapter Summary

This chapter has analyzed data, interpreted it and discussed the findings in relation to research questions, specific objectives and hypotheses. Tables and figures were used to present findings. The data were analyzed using inferential and descriptive analysis. Findings indicate that Information Technology and Human Resources, Policies and Political Stability have a positive significant relationship with Revenue Collection. Findings also emphasized the importance of accounting information on decision making.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Overview

This chapter highlights the summary of the findings, conclusions and recommendations based on the findings of this study. Finally, the chapter highlighted the implication, limitations and recommendations of the research.

5.2 Summary of the Findings

This research has contributed to the conceptual and empirical understanding of the factors that affect revenue collection in Zanzibar Revenue Board a case of Zanzibar. This research specifically sought to determine how political instability affects revenue collection, to find out how policies affect revenue collection. Also, to determine the impact of the support systems have on revenue collection. The following is the summary of the findings.

5.2.1 Political Stability

The first objective was to determine how political instability affects revenue collection. Respondents gave their views and opinions on how political instability affects revenue collection. The majority of respondents agreed that political situation affect the general operations of a business. Political stability has a vigorous and noteworthy total effect but a trivial direct effect on operations of a business.

5.2.2 Policies

The respondents agreed that laws on taxation are difficult to be understood and

interpret. This finding is consistent to the findings of Camilo (2010), who found that People don't like paying taxes because they don't understand them. In the same vein, some researchers like Bonus & Jackson (2013) in Zambia came with the same findings. According to them, tax laws are always complicated on the side of taxpayers. Furthermore; the researcher was interested to know whether the laws on taxation make administration of the organization easier. From the findings the respondents felt that because the taxation laws do not change frequently, they enhance better planning for the organization and thus make administration of the tax easier. Also, the findings reveal that imposition of tax laws enhanced protection of the environment.

5.2.3 Effects of Support Systems on Revenue Collection

Finally, the Researcher examined the impact of the support systems on revenue collection. The study revealed that evolution and improvement of information technology has created avenues for organizations to maximize their productivity and efficiency while improving on quality's online services portal and do-it-yourself services have promoted compliance as they have made compliance possible at the comfort of one's office or home with the help of the internet. Also, majority of the respondents agreed that the level of quality of service offered by ZRB personnel is an important factor to revenue collection.

5.3 Conclusion

The study concludes that the political stability impacts on revenue collection. Political stability of the country affects taxation of individuals and organizations. The

study further concludes that closeness to the general elections instills fear in the general citizens and hence inhibits normal operations to everything they undertake. The study further concludes that there is a direct relationship between political stability and the revenue collection. The study concludes that taxation accomplished redistribution of wealth, that is, taxation was a means by which the government raises funds to build schools, hospitals and other social amenities for the good of the larger community. It was further concluded that the evolution and improvement of information technology has created avenues for organizations to maximize their productivity and efficiency. The study also concludes that revenue collection can be enhanced by improvement on the quality of service that is offered by the personnel of ZRB to the taxpayers.

5.4 Implication of Findings

5.4.1 To the Government

The findings of this study should help the government to formulate guidelines, appropriate laws and policies that would seal the loopholes that facilitate tax avoidance and evasion.

5.4.2 To the Policy Makers

The findings of the study will enable the policy makers to know how policies formulated affect revenue collection so that they will come up with proper policies to control the inflation rate in Tanzania as it has a negatively impact on the revenue collection process.

5.4.3 To the ZRB

The study has helped ZRB management to understand the factors that affect revenue collection in order to improve efficiency of accounting information system because computer-based systems bring speed and accuracy in preparing accounting records and information to the public.

5.4.4 To the Researchers

From this study other researchers will identify research gap so that they will use the gap to conduct other studies. Other researchers will use the report as literature review in order to write other studies.

5.5 Recommendation

In respect of the research findings, the study recommends that: ZRB Online Portal should be monitored and controlled because of its adverse effect on planning and implementation of tax collectivity; respective agencies (federal, state and local government) responsible for tax collection should sensitize eligible and potential tax payers on the process and suitability of online tax registration by tax payers in order to enhance its impact on tax administration in the country. Furthermore, online tax remittance should be encouraged among tax payers because it enhances flexibility in tax collection, but it must be controlled with manual remittance due to its inverse impact on planning and implementation of tax administration. The policy makers should take relevant measures to ensure stable equilibrium for the exchange rates as they adversely affect the revenue collection process. The policy makers need to evaluate the best exchange rate policy for optimal economic development.

5.6 Limitations of the Study

The researcher faced some problems in collecting the revenue data needed due to the following: the confidentiality of some data/information. Some of the information is considered confidential therefore it was difficult to access them. Secondly, poor response from some respondent especially key responsible officers at Zanzibar because they were busy at their daily responsibilities. Third, financial constraints in managing logistics of visiting various places during the data collections due to geographical location of some areas; and time constraints. Time was also too limited to accomplish this task. However, the researcher managed to overcome some of these constraints and came up with reliable and valid data/information.

5.7 Suggestion for Future Research

The study has highlighted the factors that affected Revenue Collection in the Zanzibar with evidence from ZRB. Further studies need to be done on the following issues; To examine the perception of taxpayers on the misuse of revenue collected by the authority in relation to revenue evasion. Examination of the extent to which ZRB has been able to address revenue evasion and to examine the factors that affect the accuracy, fairness and timely tax collections.

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APPENDICES

APPENDIX 1: INTRODUCTION

My name is **Amina K.Ussi**, a student from the Open University of Tanzania (OUT). I am doing research on Factors affecting revenue collection in Zanzibar Revenue Board (ZRB) and therefore the purpose of this questionnaire is to capture information that will reflect the study topic at Zanzibar in particular as a study area. I kindly ask you to assist me in my study by answering the following questions. I assure you that your information will be kept confidential.

PART A: Questionnaires

Please, tick the number which best describes how you agree or disagree.

1. Strongly disagree, 2 . Disagree, 3. Neutral, 4. Agree, 5. Strongly agree.

	Effect of Political Stability on Revenue Collection	1	2	3	4	5
M1	Political situation of the country affects normal business operations	1	2	3	4	5
M2	Closeness to general elections affect normal business operations	1	2	3	4	5
M3	Political stability is characterized by improved investments due to investor confidence, expansion of the economy, security for employees and the general population, lower levels of inflation and confidence in the government and the policies it puts in place	1	2	3	4	5
M4	Political instability is characterized by pulling out of investors and high inflation levels, reduced confidence in the government and its policies, high levels of insecurity for the whole society, reduced capital in the economy.	1	2	3	4	5
M5	Political stability of the country affects taxation of individuals and organizations	1	2	3	4	5
	Effect of Policies on Revenue Collection					
L1	Laws on taxation hard to understand and interpret	1	2	3	4	5
L2	The laws on taxation make administration of the organization easier	1	2	3	4	5
L3	Laws set accomplish redistribution of revenue, that is, from the businesses' profits and individuals' incomes to social development amenities (development of public resources)?	1	2	3	4	5
L4	The laws set enhance protection of the environment e.g. antidumping laws and the TRA regulations	1	2	3	4	5
L5	By pay taxes you achieve the feeling of accomplishment as you are part of nation building	1	2	3	4	5

Impact of Information Technology and Human Resources on Revenue Collection.						
G1	Information Technology has created opportunities for the organization to amplify its productivity and effectiveness while cutting costs of production in the long run.	1	2	3	4	5
G2	Information technology systems have made it easier for the organization to comply with the tax laws and policies in place	1	2	3	4	5
G3	The introduction of the TRA Online Portal and do-it-yourself services has made it easier for taxpayers to comply with the tax laws at the comfort of their offices or homes	1	2	3	4	5
G4	Trained and well informed and knowledgeable TRA personnel clarify all questions regarding taxation and make compliance with the tax laws easier	1	2	3	4	5
G5	The level of quality of service offered by TRA personnel is an important factor to revenue collection	1	2	3	4	5

THANK YOU