

**ASSESSMENT OF ELECTRONIC FISCAL DEVICES PERFORMANCE ON
REVENUE COLLECTION IN TANZANIA: A CASE STUDY OF TRA IN
MBEYA REGION**

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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 this dissertation titled: “**Assessment of Electronic Fiscal Devices (EFDs) Performance for Revenue Collection in Tanzania: A Case Study of TRA Mbeya in Mbeya Region**”. In partial fulfilment of the requirements for the award of a degree of Master of Business Administration of The Open University of Tanzania.



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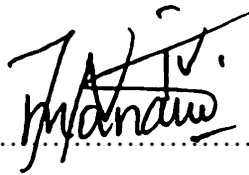
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DECLARATION

I, **Ng'wigulu Manani John**, 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.

A handwritten signature in black ink, appearing to read 'Ng'wigulu Manani John', written over a horizontal dotted line.

Signature

.....
Date:

DEDICATION

This work is dedicated to my beloved parents, my Dad John Manani and my Mum Suzana Ndahya for their moral care and laying a good foundation of my education.

This work is also dedicated to my wife Mary Boniface and my kids Alfred, Cesilia and Albert for their love and support they showed during my studies and of course they missed my love and care during the period of study.

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ABSTRACT

This study aimed at assessing the Electronic Fiscal Devices (EFDs) performance on tax revenue collection in Tanzania where the case study was TRA Mbeya region. The research used quantitative approaches, positivism philosophy and descriptive research design. A sample size of 86 respondents were selected from a study population of 110 TRA staff in Mbeya region through systematic sampling process. During the study, both primary and secondary data were collected from TRA staff in which primary data were collected using questionnaires and secondary data were obtained from TRA annual reports and other documents. Both descriptive and inferential analysis were used where the hypothesis was tested using Chi-Square. The study found out that after introduction of EFDs in Tanzania the tax revenue collection was growing. For this reason, the study concluded that the introduction of EFDs in Tanzania brought significant performance in terms of amount of tax collected. From the findings of the study a number of recommendations have been proposed. These include, ensuring that TRA continues to provide education on the use and the importance of EFDs, the purchase price of EFDs be reviewed downwards, Taxpayers should change with change in technology, proper examination of taxpayer ability to pay tax so that the tax to be paid by each taxpayer is fair and TRA should ensure timely delivery of services especially in solving problems related to EFDs. Also, the study suggested further studies to be conducted on the same topic in other places in Tanzania as well as on other factors contributed to increase in tax revenue collection after introduction of EFDs other than EFDs.

Keywords: *Electronic Fiscal Devices (EFDs), tax revenue collection, TRA, Mbeya region*

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LIST OF ABBREVIATIONS

EFDs	Electronic Fiscal Devices
GDP	Gross Domestic Product
ICT	Information and Communications Technology
SMEs	Small and Medium Enterprises
SPSS	Scientific Package for Social Sciences
TRA	Tanzania Revenue Authority
TSH	Tanzania Shilling
URA	Uganda Revenue Authority
VAT	Value Added Tax

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Globally, the governments are given the responsibility to provide infrastructure, finance various projects and provide social services to the citizens. For any government to provide social economic development in the country, it depends on taxation as the main and crucial source of revenue. Therefore, for the government to meet the cost of providing social services it is necessary for every working person and the society in general to pay a true and right tax on the right time (Samson, 2012). Many researchers and economists in the field of economic development have discussed and supported this fact. Agyman (2012) argues that taxation enables the governments to obtain funds for investing in development, relieve poverty and deliver public goods and services. The funds obtained from taxation gives financial dependence to developing countries and provide fiscal reliance and sustainability that is needed to promote growth.

In financing these activities, the government ensures that it has adequate funds from various sources. The sources of government revenues include taxes and non-taxes. Enache (2020), grouped tax sources into consumption taxes, social insurance taxes, individual income taxes, corporate taxes and property taxes. the non-tax sources of revenue include borrowing, tariffs, rates, fees, surplus of the public sector units, fines and penalties and also gifts and grants.

For the government to finance its projects and services, it must transfer resources from private sector to public sector. One means of transferring resources from private to the public sector is through taxation (Chaudhry & Munir, 2010).

In the modern world today in any developed or developing countries, tax collection has been the main source of the revenues that are used for economic and social development. Efficient and effective revenue collection is a crucial aspect of economic development of any country and the adequacy of state revenues allows the government to support its operations starting from administrative activities, infrastructure constructions and services (Malima, 2013). In order to enhance the speed of development in developing countries they must ensure proper management of all revenues (Ebeke, 2010).

Chaudhry and Munir (2010), explain that, countries have been facing a low tax to GDP problem for economic development which caused budget deficit. For example, in Pakistan various studies have been conducted to investigate the factors contributing to low tax revenue for the period between 1973 and 2009. In their study, they found out that the determinants of low tax revenue in Pakistan are dependence on agriculture sector, foreign aid, narrow tax base, and low level of literacy rates.

Facing persistent revenue shortages several sub-Saharan African countries adopted in the last 30 years measures to improve their ability to raise taxes. They came up with two innovations in which they invested, these are value added taxes (VAT) and autonomous revenue authorities (ARA). Autonomous revenue authorities, on one hand, are semi-private agencies that are tasked with revenue collection; in essence,

countries with an ARA reallocate the task of tax administration from the Ministry of Finance to a separate institution that is, to some extent, autonomous from the rest of the public sector (Fjeldstad & Moore, 2009).

The Government of Tanzania established an autonomous revenue authority (Tanzania Revenue Authority) by Act of Parliament No. 11 of 1995, and begun its operations on 1st July 1996. In completing its statutory functions, TRA is regulated by law, and is responsible for administering impartially various taxes of the Central Government. By 2013 in African countries, VAT was estimated to be contributing to 31.7% of total revenue in Uganda, 31% in Rwanda, 27.6% in Tanzania, 26.4% in South Africa, and 23% in Kenya (URA, 2013).

However, authorities in these same countries are facing with the challenge of serious levels of non-compliance among VAT-payers and potential VAT-payers. For the case of Kenya, between 2000 and 2003, 30% of the entire tax income came from VAT, but this percentage had declined to 23% by 2013, with one among the reasons for the decline being a high rate of VAT non-compliance (Mativo *et al.*, 2015; URA, 2013 as cited by Eilu, 2018).

The issue of collecting tax resources to the consolidated budget has determined and still determines difficulties which cannot be neglected (John, 2016). Nightingale (2002) as cited by Gregory (2014), posits that no one really likes paying taxes yet they are inevitable for the provision of social welfare. Moreover, Casey and Castro (2015) assert that the greatest challenge for any tax administration is achieving and

maintaining a high degree of self-assessment and voluntary compliance by taxpayers. Also, well-designed taxpayer services, education programs, and creative measures can facilitate self-assessment and compliance. In Tanzania, the issue of taxpayers' not declaring the true sales during assessment is greater especially for presumptive traders. This hinders the growth of tax revenue collection as aimed by the Government.

While there are varieties of the ways during which countries can reduce VAT non-compliance, it is difficult to imagine an efficient and effective tax administration which will perform its tasks without making substantial use of data and communication technology (Eilu, 2018). Several tax authorities in Sub-Saharan Africa have deployed electronic fiscal devices (Casey & Castro, 2015). These are computerized devices used by tax bodies to monitor the business transactions of each registered business through network.

EFDs were firstly used in the 1980s, in Japan and several countries in Europe. In recent years, there has been accelerated deployment of EFDs in Sub-Saharan Africa (Casey & Castro, 2015). In 2005, Kenya became the first East African country to implement EFDs, followed by Tanzania in 2010 and Rwanda in 2014 (Casey & Castro, 2015). They also added that, the deployments of EFDs in Kenya and Tanzania have encountered significant challenges. Casey & Castro (2015) attribute the difficulties to factors like lack of effective compliance-monitoring, lack of effective follow-up strategy and absence of enforcement measures.

In July 2010, the Government of Tanzania through Tanzania Revenue Authority introduced the use of Electronic Fiscal Devices (EFDs) for all VAT registered taxpayers. Under this first phase, all VAT registered traders were required to acquire and use EFDs in their businesses (TRA).

The introduction of EFDs aimed at providing to TRA the correct sales information from the business, reducing tax collection costs, encouraging taxpayer's compliance and hence increasing tax revenue collection.

Tanzania undergone a tax reform in 2012 by extending the use of Electronic Fiscal Devices (second phase) to non-VAT registered traders aiming at improving records for income tax purposes (Edward, 2018). The reform aimed to include taxpayers with annual turnover starting from Tsh. 14 million and above, also those dealing with selected business sectors such as mini supermarkets, spare parts, mobile phone shops, hardware, bar and restaurants, petrol stations, sub wholesale shops, pharmaceutical stores and electronic shops. By 2012, EFDs were in use by 22,000 VAT registered taxpayers across the country (Fjeldstad, 2019).

Moreover, it is important for Tanzania Revenue Authority (TRA) to obtain feedback from citizens on their perceptions of the tax system; whether people comply with VAT regulations. Also, to find out if people eventually pay VAT, people's views on tax administration and enforcement, perceived benefits of paying taxes, people's tax payment behavior in relation to government perception, people's perception towards

ease and their attitude towards using use of EFDs. Ajayi (2007), states that the development and adoption of an analytical technological framework emphasizes the role of knowledge, attitudes and perceptions in the efficient and effective decision-making. Theories and empirical studies demonstrate that risk and uncertainty play an important role in the adoption of new technologies (*ibid.*). Therefore, it is important to have feedback on the perceptions of EFDs from TRA staff and identify the main challenges facing EFDs in revenue collection in Tanzania.

Similarly, TRA in Mbeya has also been struggling to raise the level of compliance of registered traders to purchase EFDs and issue receipts to customers whenever they purchase goods and services. TRA Mbeya has been participating in trade fairs and exhibitions and use various gatherings as the important platforms to promote the use of EFDs for traders in making every transaction. It is high time to assess the effectiveness of EFDs on tax collection in TRA Mbeya in particular so as to formulate appropriate strategies and mechanisms of promoting the application of EFDs to taxpayers as a means of increasing revenue collection.

1.2 Statement of the Problem

The introduction of EFD system is not only advantageous to tax administrations alone but also to taxpayers (Mandari *et al.*, 2017). They also assert that, at the time the EFD system is effective, taxpayers may have the affairs of their business formally managed by firstly, complying with all legal requirements and secondly, keep and share proper and correct information with tax administrations and thus minimize compliance and tax risks to a greater extent.

According to Ikasu (2014), despite all these advantages, evidence shows that most of the taxpayers, particularly non-VAT registered in Tanzania are reluctant to register and use the EFDs. This reluctance has been demonstrated through protests against registration and use of EFDs by traders in various regions across Tanzania such as Dar es Salaam, Mbeya and Morogoro. Mmanda (2014) explains that in September 2013, Mbeya traders opposed the use of EFD by stopping opening their shops and small business followed by the similar demonstration in Morogoro and Dar es Salaam.

Some authors Ikasu, (2014); Mboma, (2012); Kamaara and Weru, (2013) were of the views that the traders protest against the EFD system was due to a number of factors amongst which are lack of awareness and taxpayers' education on the importance of registering and using the EFD system in their day-to-day business transactions; due to lack of trust; and social influence from other traders who do not find the EFD useful. However, the government is still insisting on the use of EFD for effective and efficient tax collection. This is contrary to the theory of fiscal exchange that has been applied in this study which posits that people will only comply to pay tax willingly when they see the Government is in proper utilization of tax revenues in building infrastructures such as roads, bridges, schools, hospitals, to mention but a few.

Empirical studies have been conducted in developing countries on EFDs performance in various countries and regions. Since Tanzania had launched and started to implement the use of EFDs in 2010 (Casey & Castro, 2015), there is little

documentary evidence to work out whether or not they have provided an economical solution to deal with the difficulties and risks that tax collectors (administrators) face in developing countries like Tanzania (Kamaara & Weru, 2013).

On the other hand, previous studies have only been studying the EFDs effectiveness from trader's perspectives but little studies have dwelt on to assess the impact of EFDs on tax collection to ascertain the tax trends (increase or decrease) before and after the introduction of EFDs in 2010 in Tanzania. For that reason, there was a significant need to conduct a study on EFD performance in revenue collection in Tanzania. Therefore, this study applied the fiscal exchange theory to assess the relationship between the performance of EFDs on tax revenue collection in Tanzania and this study was conducted in Mbeya region.

1.3 Research Objectives

1.3.1 General Research Objective

The general objective of this study was to assess the performance of Electronic Fiscal Devices on tax collection in Mbeya region.

1.3.2 Specific Research Objectives

The study specifically intended;

- i) To analyze the trends of tax collection before and after adoption of EFDs
- ii) To examine the factors that motivate traders to use EFDs
- iii) To examine the level of compliance of traders towards the use of EFDs

1.4 Research Questions

1.4.1 General Research Question

What is the performance of Electronic Fiscal Devices (EFDs) for tax collection in Mbeya?

1.4.2 Specific Research Questions

The study addressed the following questions;

- i) What is the actual tax collection trend before and after adoption of EFDs?
- ii) What are the factors that motivate traders to use EFDs?
- iii) What is the level compliance of traders towards the use of EFDs?

1.5 Scope of the Study

According to Kothari (2006), the scope of the study clarifies the boundaries of the research; this enables the researcher only to deal with tasks of focus in order to make decisions about the changes required in the study. As much as one might want to, he or she cannot study everyone, everywhere and everything (Miles & Huber man, 1994). According to the statement of related problems in this study, the researcher did his best to narrow down the scope of his study and make it appropriate.

Accordingly, the study focused on the assessment of the relationship between performance of Electronic Fiscal Devices (EFDs) and tax revenue collection in Tanzania. The independent variable for this study is the performance of EFDs and the dependent variable is the tax collection. This is clearly shown in the conceptual framework of the study. However, the study was descriptive in nature with the help

of purposive and convenience sampling techniques in selection of respondents who are tax collectors from TRA-offices in Mbeya region.

1.6 Significance of the Study

The study gives knowledge on the performance of EFDs in tax collection in Tanzania, thus enables taxpayers and tax collectors to be aware of the use and importance of EFDs in their businesses and tax collection. It emphasizes the best ways of tax collection to the government and thus reduces the taxpayers' resistance to pay tax by any means including closure of shops or businesses. Other researchers may use this work as a reference when doing research on the same or related topic.

1.7 Organization of the Research Report

The next chapters of this research report are chapter two, three, four and five. Chapter two covers the following; overview, conceptual definitions, critical review of supporting theories or theoretical analysis, empirical analysis of relevant studies, research gap identification, theoretical framework and statement of hypothesis. Chapter three covers the research methodology whereby chapter four covers the research findings and discussion and chapter five covers the conclusion, recommendations to the study and suggestions for further research.

CHAPTER TWO

LITERATURE REVIEW

2.1 Overview

This chapter has reviewed and discussed the literatures presented by various scholars or authors that relate to the research study. The conceptual definitions have been presented and the review of various related theories have been done. Empirical analysis has been done where studies from all over the world, Africa and Tanzania have been presented and discussed and the research gaps have been identified. The chapter has finally presented a conceptual model and research hypotheses.

2.2 Conceptual Definitions

2.2.1 Electronic Fiscal Devices

EFDs are machines used in business for effective management control in areas of sales analysis and stock control system (Andreoni, 2006). The devices run the gamut from electronic intelligent seals customs uses to monitor container traffic to tax control through the automatic monitoring of production and delivery of excisable goods (Anna, 2008).

2.2.2 Taxation

According to Nightingale (2002), taxation is defined as compulsory transfers of money from individuals to governments. The major purposes of taxation include generating revenue for public expenditure, redistribution of income and wealth in ways considered just and equitable, correcting market system inefficiencies in the

allocation of resources and control of money in circulation in order to stabilize the economy (Nightingale, 2002).

2.3 Theoretical Review

2.3.1 Fiscal Exchange Theory

The theory of Fiscal Exchange was developed by Moore in 1998. The theory suggests that, the presence of government expenditures may encourage tax compliance from the tax payers. The tax compliance among society increases with perception of the availability of public goods and services being developed in relation to the tax paid (Moore, 1998). The author further suggested that, government can increase tax compliance by providing goods and services that citizens prefer in a more efficient and accessible manner, emphasizing that taxes are necessary for the receipt of government services.

Consequently, taxpayers are concerning with what they are getting in return for their tax payments in the form of public services. In this viewpoint, taxation and the provision of public goods or services become catalysts to taxpayer in compliant to the tax paid (Fjeldstad and Semboja, 2001). This theory is more practical and acceptable because, it advocates individual willingness to comply without direct coercion and it serves the government from high collection costs resulting from enforcement measures.

The theory of fiscal exchange has been used by various researchers in their studies of taxation. Among others, D'Arcy (2011) used the theory of fiscal exchange and

identified that, tax behavior goes beyond the simple relationship between two actors such as taxpayers and tax administration. Also, Bodea and LeBas (2014) used the theory of fiscal exchange to assess the reasons for individuals to pay tax and found that individuals pay taxes with regard to the supply of public goods. Ali *et al.* (2013) used the theory to study the compliant attitude of people in paying taxes.

2.3.2 Strengths of the Theory

It can be said that whatever much the government or administrative authority adopt modern systems of collecting tax, the effectiveness of tax/revenue collection depends on the public services provided by the government to the tax payers. Therefore, it can be argued that introduction of EFDs in Tanzania can improve revenue collection if the public services offered are perceived to be equivalent to the tax revenue collected.

This theory helps the study to understand that if there is effective provision of public goods or services within a nation, it might advocate individual's willingness to pay tax without complaints.

2.4 Empirical Literature Review

Kapera (2017) did a study in Arusha with the objective of assessing the effectiveness of Electronic Fiscal Devices (EFDs) in Tax Collection in Tanzania. The population of the study included VAT registered taxpayers and TRA officials in Arusha. The sample size of the study involved 120 participants where 100 were traders and 20 were TRA staff. During the study, questionnaires and interview methods were used

for primary data collection while secondary data were collected through reviewing TRA reports. Both descriptive and exploratory research designs were used in which data were analyzed using thematic and descriptive analysis.

The study found that before introducing EFDs in Tanzania, revenue collected from VAT registered taxpayers were growing at 17.2% while after introducing EFDs the percentage of growth dropped to 15.2% and therefore the study concluded that the VAT revenue collected were growing yearly at a reducing rate although didn't conclude that this reduction was caused by introduction of EFDs. Moreover, the study found that, there are challenges in using EFDs which include; high purchase costs of the devices, lack of knowledge on its usage, frequent network outage and lack of motivation on the usage of the devices.

The relationship of the study with the current one is that, both aims at assessing the revenue collection changes as a result of introduction of EFDs in Tanzania and descriptive research design is used in the studies. The study used both qualitative and quantitative research approach, the current study used quantitative research approach and data were collected from TRA staff, reports and manuals.

The study recommended that, there should be a downward review of EFDs prices, education on EFDs usage should be provided to taxpayers, TRA should ensure timely delivery of services to taxpayers to create truthfulness and also taxpayers should change according to technology.

Mohamed (2015) conducted a study in Kinondoni with the objective of examining

the effect of introduction of EFDs in revenue collection in Tanzania. The population of the study included all taxpayers based in Kinondoni and a sample of 100 taxpayers was taken and only 60 responded to the questionnaires distributed to them. Both qualitative and quantitative approaches were employed where questionnaires, interview and content analysis were used in primary data collection. The secondary data were collected from textbooks, other reference materials documents, internet and lecture literatures. The analysis of data was done by using descriptive statistics. The relationship between the study and the current one is that descriptive statistics has been used as one of the tools for data analysis.

The study found that, there was an increase in revenue collection associated with the introduction of EFDs and study recommended that the Tax authority should conduct fair tax enforcement so as to make taxpayers comply with tax payment. The current study will employ descriptive and inferential techniques which are quantitative in data analysis.

The weakness of this study is that the number of the population was not clearly identified where the sample size of 100 was chosen and only 60 responded. The number of respondents is small and may not represent fully the population.

John and Mokaya (2016) did a study with the objective of assessing the perceptions of taxpayers on the adoption of EFDs in revenue collection in Tanzania. The study used both qualitative and quantitative approaches where descriptive research design was used. The sample size of the study was 99 respondents who were obtained by

random sampling technique. The researcher analyzed using descriptive statistics. The major findings of the study had found that EFDs reduce time to prepare sales report. Also, the challenge was noted to be high cost of devices and lack of knowledge of application of EFDs machines. The study had recommended that TRA should subsidize the EFDs machines and provide training to taxpayers on the application of EFDs.

This study of John (2016) assessed taxpayers' perceptions but the current study will assess the performance of EFDs for tax collection in Tanzania basing on TRA staff and reports. Also, both studies apply probability sampling techniques as random and systematic sampling techniques were used in the previous and the current study respectively.

Kira (2017) conducted a study that had the objective of identifying the taxpayers' perceptions on the use of EFDs in revenue collection in Tanzania. The population of the study was made by sellers at the market places in Dodoma and Arusha Municipal Council in which a sample size of 120 participants were taken. Cross sectional research design was adopted whereby a cross-sectional survey and descriptive analytical methods were used. Data were collected using both questionnaires and interview where quantitative data were analyzed using descriptive statistics and content analysis was used for qualitative data.

This study found that, in order for the small taxpayers to comply voluntarily with laws and regulations, the government should focus on the use of information

technology communicating such as; mobile phones, reduction in the tax rate to minimize tax burden, increase accountability and transparency among tax authority officials.

The study assessed taxpayers' perceptions but the current study assessed the EFDs performance in tax collection in Tanzania basing on quantitative data obtained from TRA staff and reports. Both the studies applied descriptive statistics as one of the techniques for analyzing quantitative data.

The study recommendation includes: improvement of tax-education to improve understanding between government and taxpayers in all tax matters, preparation of motivating mechanisms to influence the small taxpayers to pay taxes voluntarily, adopt effective tax collection methods and proper utilization of collected revenues, improvement of social services, increase in tax knowledge to both small taxpayers and tax officials, frequent training of tax officials and small taxpayers to increase transparent and accountability.

Siraji (2015) conducted a study in Mwanza that had the main objective of examining the challenges faced by taxpayers in using EFDs in Tanzania. The population of the study was 628 participants including 623 taxpayers and 5 TRA staff. The sample size was 205 respondents who were collected by using stratified random sampling and purposive sampling. Quantitative and qualitative approaches were used and descriptive and explanatory research designs were used. Primary data were collected using questionnaires and interview while secondary data was collected through

documentary review. Analyses of data were done using descriptive and thematic analytic methods.

The findings revealed that the key challenges are lack of education on the usage of EFDs, high costs of purchasing machines, lack of technical expertise and persistent power outage. The study had recommended that the government through TRA should address the various ways of improving the usefulness of EFDs. This study focused on obtaining the challenges from taxpayers but the current study focused on TRA staff only. The sample used by this study was large enough and hence representative of the population.

Justus (2018) did a study with the objective of assessing the factors hindering taxpayers on the use of EFDs in Tanzania. The study used both quantitative and qualitative approaches whereby case study design was used and the sample size was 100 participants. Analysis of data was done using descriptive statistics and chi square test. The study had found that the major challenge is negative perceptions of taxpayers on the use of EFDs. Other challenge includes the high cost of the machines. The recommendations were that there should be a reduction of prices of devices and also there should be provision of training to taxpayers on the use of EFDs.

The study assessed on the side of taxpayers to obtain the challenges they face in using EFDs but the current study assessed the factors to motivate taxpayers to use EFDs.

Nyareru *et al.* (2017), did a study on assessing the factors influencing improvement and utilization of EFDs by small and medium enterprises (SMEs) in Kenya. The methodology the study employed was explanatory research design and a sample size of 197 participants. Descriptive and inferential statistics were used to analyze data. The major findings had revealed that online submission of tax eliminates costs of manual filling. The recommendations of the study include that there should be regular training of SMEs on the use of EFDs.

The study assessed taxpayers' perceptions but the current study assessed the performance of EFDs in revenue collection in Tanzania. Also, this study employed a descriptive research design different from the previous study that used explanatory research design.

Swai (2018) conducted a study in Ilala Tax region on the effective management of sales and tax collection using EFDs in Tanzania. The population of the study included all taxpayers using EFDs in Ilala Tax region, the sample size of 80 participants were selected from the population using purposive and random sampling techniques. The study collected primary data using interviews, observation and questionnaires where secondary data were collected by documentary review. Data were analyzed by using descriptive statistics.

The relationship between the study and the current is that both used descriptive statistics as one of the techniques of analyzing data.

Findings of this study indicate that, there was an increase in revenue collection associated with the adoption of effective EFD machine uses in Ilala Region. Also, it was observed that traders were able to manage their sales through effective EFD machines uses. As they were able to have day to day sales record since they issue receipts in every transaction taking place.

The study recommends on reduction of prices on purchase of EFDs, proper training to EFDs users, inspecting the services provided by EFD suppliers, arrange mechanisms for resolving reported complaints. This study had analyzed data by using descriptive statistics only but the current study used both descriptive statistics and inferential statistics.

2.5 Research Gap

Contextual gap: Numerous studies have been conducted in both developed and developing countries. Also, there are studies that have been conducted in Tanzania in cities by looking at the effectiveness in general but little studies have been done in specific markets because the compliance to pay tax differs from one market to another. This is because of the difference in location of markets. This study dwelt on selected markets in Mbeya and gathered data from TRA staff who are the tax collectors only but majority of previous studies (John, 2016; Justus, 2018; Nyareru *et al.*, 2017; Swai, 2018) focused to obtain information from taxpayers only.

Methodological gap: Numerous studies (Chege *et al.*, 2015; John and Mokaya; 2016, Justus, 2018; Nyareru *et al.*, 2017; Siraji, 2015) have analyzed data by using

qualitative and quantitative techniques such as content analysis, multiple regression analysis and descriptive statistics. The current study applied only quantitative data analysis techniques such as descriptive and inferential.

2.6 Conceptual Framework

The conceptual framework of the study was as in the figure 2.1

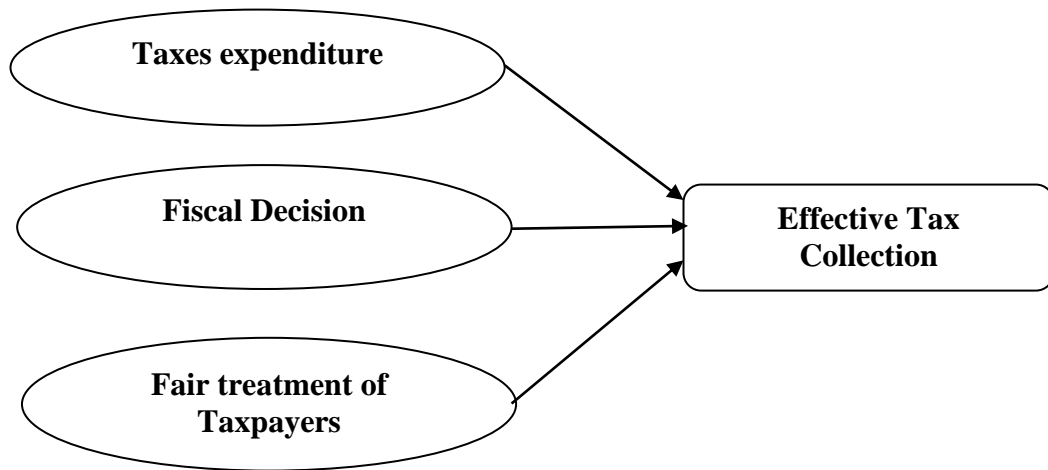


Figure 2.1: A Conceptual framework for the study

Source: Researcher (2020)

2.7 Research Hypotheses

The study tested the following research hypotheses;

- H₁: There is a positive relationship between fiscal decisions on motivation of tax payers and tax collection
- H₂: There is a positive relationship between Government treatment of tax payers and tax collection

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Overview

This chapter presents the research design and various methodologies of doing research study. Cooper and Schindler (2013) define that research methodology provides relevant ways and techniques that are useful for problem solving. In this chapter the important segments of research methodology were defined and explained in relation to the study.

3.2 Research Paradigm

The study used positivism research philosophy. It is usually associated with empirical testing. Bryman and Bell (2007), assert that positivism philosophy is aimed at explaining relationships through identification of causes that influence outcomes. The ultimate aim is to invent laws and form a basis for prediction and generalization. Hence the justification of using positivist philosophy in this study was due to the fact that the researcher can test the relationships between EFD performance and tax collection and finally test the hypotheses.

3.3 Research Approach

This research used quantitative approaches. According to Fellows and Liu (2003), the quantitative research is a measure of phenomena using numbers in mathematics and statistics procedures to process and summarize data. The researcher used this type of research so as to ease analysis of the collected data in a statistical procedure in order to summarize the results. The final of the study wished to employ

quantitative approach to describe the extent to which the introduction of EFDs has brought impact in the tax collection by comparing revenue collected before and after introduction of EFDs in 2010.

3.4 Research Design

This study used descriptive research design. Research design is a process of collecting data in order to answer questions concerning the current status of the phenomena to describe what exists with respect to variables or conditions in a situation (Yin, 1994). The primary use of descriptive research design was to describe information or data through the use of numbers.

3.5 Study Area

The study was conducted in Mbeya City Council in Mbeya Region. Mbeya is one amongst the growing cities of Tanzania and is the central part of other regions within the southern highland zone having large businesses. It is a commercial city that has many registered traders such as whole sellers (big supermarkets, distributors), retailers (retail shops, hardwares, vendor shops) and production and processing enterprises. Mbeya is one of the regions reported that its traders opposed the use of EFD by stopping opening their shops and small business in September 2013. The area was selected because of its popularity in accommodating many business centers and shops that are registered at TRA.

3.6 Study Population

The study was conducted in Mbeya region. This region is bordered to the northwest

by Tabora Region, to the northeast by Singida Region, to the east by Iringa Region, to the south by Songwe Region and Malawi, and to the west by Songwe Region. The region had recorded a population of 2,707,410 people in the 2012 Census. The total population of the study was TRA staff in Mbeya region which comprises of 110 staff.

The researcher decided to conduct this research in Mbeya region because it is a commercial city that has many registered traders such as whole sellers (big supermarkets, distributors), retailers (retail shops, hardwares, vendor shops) and production and processing enterprises.

3.7 Sampling Design

3.7.1 Sample Size

Yamane, (1967) provides a simplified formula to calculate sample sizes for finite population. The formula is used to calculate the sample size (n) of a given population (N) and a margin of error/level of precision (e). It is a formula to estimate sample size. Its formula is;

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

$$n = 110 / (1 + (110 \cdot (0.05)^2))$$

$$n = 86$$

Where N is total population and e is margin of error

By using the formula above, and given the population (N) of TRA staff is 110, confidence level of 95% and the margin of error (e) of 5% (0.05); the sample size of this study was 86.

3.7.2 Sampling Procedure

The study employed a systematic sampling procedure. It used a list of TRA staff available at Mbeya regional office. There was 110 TRA staff in Mbeya region. The study gathered information from TRA staff and therefore the study used systematic sampling process in distributing the questionnaires in the course of gathering data for the study where a researcher selected a starting integer on which to base as the starting followed by others on a fixed interval. Systematic sampling was used because the researcher assumed that the results would be representative of most normal populations.

3.8 Methods of Data Collection

3.8.1 Primary Data Collection

Mailed questionnaires was used in the study to obtain the primary data from respondents concerning with the performance of EFDs. The close ended questions were employed in this study because they are easier and convenient to fill by respondents and all respondents were given closed ended questionnaires to fill.

The researcher used the list of staff that was the sampling frame and sent the questionnaires to the sampled ones. The researcher sent the questionnaires through emails because TRA staff are located in various parts of the region, districts and customs points. Therefore, mailed questionnaire was the appropriate way of distribution and timely collection of responses from the participants.

The researcher constructed the questionnaire based on the objectives of the study.

This method of data collection aimed at obtaining data from respondents in order to meet the objectives two and three. Each objective consisted of questions that were responded by the participants.

3.8.2 Secondary Data

The study collected secondary data from TRA's past annual performance reports. The annual collection reports for five years including 2005, 2006, 2007, 2008 and 2009 which are years before introduction of EFDs and the data for five years 2010, 2011, 2012, 2013 and 2014 was collected and noted. The data were compared and analyzed by using excel, descriptive statistics and graphs to demonstrate the increase or decrease of performance of tax collection. Mainly the secondary data collected was on the actual tax revenue before and after introduction of EFDs. The data answered the objective (i) that assesses the trends of tax collected before and after adoption of EFDs.

3.9 Methods of Data Analysis

Quantitative data collected were coded and entered into Excel and SPSS software version 22. Descriptive and inferential analyses were carried out in the current study. The descriptive part of data analysis was carried out to determine the frequency, percentages and central tendency in order to profile and ease the understanding of various characteristics of the respondents.

Regarding inferential analysis, the study used correlation analysis to analyze the relationship between the measures that are taken by the Government and the

compliance of tax payers in tax revenue collection. Also, the study tested hypotheses by using chi-square test of association.

3.10 Tests for Validity

The validity of the collected data can be affected by participants' error, participant bias, observer error and observer bias (Greener and Martelli, 2015). According to Saunders *et al.* (2009), validity in research refers to the extent to which data collection method or methods measure accurately what they were intended to measure. Reducing the possibility of getting the wrong data and consequently wrong inferences attention was paid to ensuring validity.

3.11 Tests for Reliability

Reliability refers to the extent to which data collection techniques or analysis procedures yield consistent findings (Saunders *et al.*, 2009). According to Pallant (2010), internal consistency reliability is the degree to which the items that make up the scale are all measuring the same underlying attribute. Pallant (2010) adds that there are two frequently used indicators of a scale's reliability namely test-retest reliability and internal consistency reliability.

Nevertheless, Cronbach's Alpha coefficient using SPSS software was used to test for internal consistency and the value greater than 0.7 was used (George & Mallery, 2003). Therefore, the value indicated in the Table 3.1 shows accurately the reliability for the study hence it was above 0.7.

Table 3.1: Cronbach's Alpha

Cronbach's Alpha	Cronbach's Alpha Based on Standardized	N of Items
.81	.81	86

Source: Field data, 2020

3.12 Ethical Consideration

To ensure ethical standards, the researcher observed the ethical principles as proposed by Bhattacharjee (2012) which are voluntary participation and harmlessness, informed consent, anonymity, and confidentiality as well as disclosure. A research permit was obtained from the University's Postgraduate office to allowed the researcher to access and collect data. The purpose of the study was disclosed to the respondents so as to give them the freedom to participate out of informed consent and a consent form was signed by the respondent as an agreement that the data given be used only by research study purpose. Further, the collected information was kept confidential and anonymous by not divulging the respondents' identity in this report. The issue of plagiarism was highly taken care of by making appropriate citation and referencing. Finally, fabrication or falsification of data was not entertained throughout this study.

3.13 Data Cleaning

Normally all data sources include errors and missing values. Data cleaning is the process of improving the quality of data by correcting inaccurate records from a record set. It refers to detecting and modifying, replacing or deleting incomplete, incorrect, improperly formatted, duplicated, or irrelevant records. During the study,

data cleaning was done before data analysis in order to detect duplicate data, errors and incomplete data.

CHAPTER FOUR

FINDINGS AND DISCUSSION

4.1 Overview

This chapter presents data obtained from respondents of the study who were TRA staff followed by analysis of the findings and discussion of the findings of the research study. It covers the following parts, profile of the respondents, analysis of specific objectives, descriptive statistics, correlation analysis, simple linear regression, testing of hypothesis and discussion of the findings.

4.2 Profile of the Respondents

The study involved 86 participants who responded to the mailed questionnaires. The response rate was 100% because of the nature of data collection method which is mailed questionnaire. Email is the best means that ensure that all questionnaires reached each participant of the study and there is a big assurance of getting responses and all questionnaires returned as a feedback/response from the respondents.

The study involved 63(74%) males and 23(26%) females when it came to gender participants of the study. This implied that many male TRA staff participated in the study than female counterparts.

Regarding the age of respondents, the study involved 15(17%) staff of age group of 21-30, 20(23%) were of 31-40 age group, 29(34%) were of 41-50 age group and 22(26%) were of 51-60 age group. This has an indication that many of the staff were

from 41-50 (34%) years of age which implies that this age group involves staff who have an extensive experience in working as tax collectors at TRA and therefore have a wide knowledge about tax collection in Tanzania. Similarly, it was followed by the staff of age group of 51-60 (26%) who have experience and solid knowledge on tax collection and trends of tax collections before and after introduction of EFDs in Tanzania.

Finally, the study wished to understand the number of years of experience of participants and the staff of less than 1-year experience were 16 (19%) while those who have 2-5 years of experience were 32(37%) and those with 6-10 years of experience were 38(44%). It has been noted that staff of 6-10 years of experience were many 38(44%) and it implies that the tax collection exercise at TRA is designated to staff that have experience at TRA so as to maintain its effectiveness in tax collection.

4.3 Analysis of Specific Objectives

The study analyzed the specific objectives using the specified quantitative analytical techniques that fit with the specific objective.

4.3.1 The Actual Tax Collection Trends Before and After Adoption of EFDs

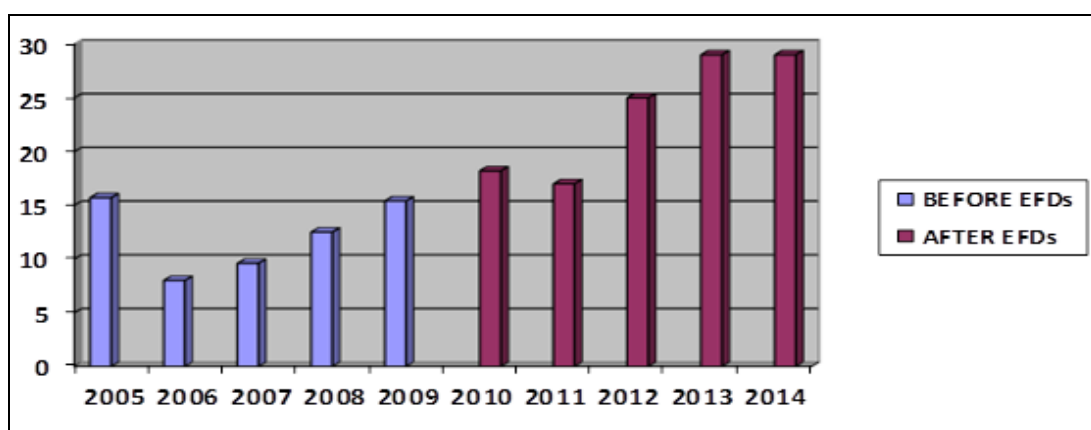
The study sought to obtain the data of revenue collected before introduction of EFDs (2005, 2006, 2007, 2008 and 2009) and the data of revenue collected after introduction of EFDs (2010, 2011, 2012, 2013 and 2014). The study findings which were obtained at TRA records are presented in the tables as follows.

Table 4.1: Tax revenue collected before EFDs machines were introduced

Year	2005	2006	2007	2008	2009
Revenue collected before EFDs (Bil)	15.7	8	9.6	12.5	15.4
Year	2010	2011	2012	2013	2014
Revenue collected after EFDs (Bil)	18.2	17	25	29	29

Source: Field data, 2020

Table 4.1 presents the trends of tax collection from 2005 to 2014 and the figure clearly indicates the substantial increase in tax collection from 2010 to 2014 and that is where EFDs were introduced contrary to the year of 2005 to 2009 where EFDs were not present. The study wished to understand the trends of tax collection to ascertain whether there is an increase or decrease and this will indicate whether EFDs are effective or not. The results were presented by using the bar chart for the years before and after the introduction of EFDs in Tanzania and bar chart showed a clear picture of the substantial changes to conclude the massive increase in tax collection after the introduction of EFDs.

**Figure 4.1: Trends of tax collection before and after introduction of EFDs**

The bar chart (figure 4.1) has shown that the rate of increase of tax revenue collected after the introduction of EFDs is high. This signifies that EFDs adoption has significantly brought the effectiveness in tax collection.

The increase in tax collection after introduction of EFDs has been influenced by a number of factors like proper record keeping in the sense that traders using EFDs are in a position to keep clear and accurate records of sales which ease the task of making follow ups and computing the tax that is recorded by TRA systems which is different from previous manual system of keeping records. It was difficult for traders to keep clear and accurate records of sales using manual sales book which sometimes are lost or damaged. This is parallel to the findings obtained by authors Swai (2018) and Kira (2017) who confirmed that tax increase is the result of use of ICT tools such as mobile phones to access information of taxes from TRA and further concluded that the adoption of EFDs ensures clear and accurate records are monitored and paid on time by traders.

After introduction of EFDs, traders have to pay an appropriate tax since their sales are recorded to TRA system and they are used by TRA officers for assessment during the assessment period. Here the Taxpayer has no room to cheat on the sales figure. Also, traders are currently confidence that the government is effectively utilizing the tax revenues collected and thus there is a positive compliance. This is closely very analogous to the findings of authors Nyareru, Kibati, and Ragama, (2017) who asserted that EFDs have improved records keeping and further that the perception of traders became positive due to the fact that traders are assured by the government in proper utilization of the tax revenue collected through development of infrastructures in the country.

4.3.2 The Factors That Motivate Traders to Use EFDs

The study wished to examine the factors that motivate traders to use EFDs which were introduced by TRA in 2010 in Tanzania. The study used descriptive analysis to compute mean for every variable of the questionnaire that was rated by the respondents through a 5-point Likert scale. The respondents (TRA's officers) were given questionnaires with 5 Likert points ranging from 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = strongly agree and asked to rate their views concerning with the extent of their agreement with the variables.

Mean scores values were employed to compute for how these variables motivate traders to use EFDs in Tanzania. The results have been shown in the Table 4.2 and have been arranged according to the order of their priority by ranking. The table also gives interpretations of the computed mean. This interpretation was based on the Kapera (2017) whereby the range Likert scale of the five points used in the questionnaire was divided into five equally intervals/ratios and the meaning were assigned to each interval according to the order of the objective.

Table 4.2: Motivation factors of traders to use EFDs machines in Tanzania

No.	Motivation factor for traders to use EFDs	N	Mean score values	Rank
1.	Price of EFDs machine is fair and affordable	86	4.53	1
2.	The network of accessing Tax system is reliable	86	4.27	2
3.	EFDs provide clear and true sales records	86	3.83	3
4.	EFDs save time and cost to tax payers	86	3.8	4
5.	Purchase of EFDs by the government and distribute freely to traders could motivate traders to use them	86	3.73	5
6.	Knowledge of ICT is important in using EFDs machines	86	3.67	6
7.	Proper and timely maintenance services of EFDs from suppliers motivate taxpayers from using EFDs	86	3.4	7
8.	Tax expenditure planning is participatory and thus involves people at all levels	86	3.21	8
9.	Medias have high influence through awareness programs	86	2.7	9

Source: Field Data (2020)

The findings of the study had revealed that the price of EFDs machine being fair and affordable is the factor that highly motivate traders to use EFDs and has a highest mean score value of 4.53. This was followed by the factor of the network of accessing Tax system is reliable as the second motivational factor with mean score values 4.27. These first two factors were rated high which indicate that they were very motivational factors for traders to use EFDs machine. The results are similar to the authors Kapera (2017) and Justus (2018) who also found that price of EFDs machine plays a significant role in motivating traders to use EFDs and recommended the government through TRA to make the price of EFDs fair and affordable.

Nevertheless, the other two factors of EFDs provide clear and true sales records and EFDs save time and cost to tax payers happened to have the mean score values of 3.83 and 3.8 respectively. These factors show that traders have been using EFDs and they also use EFDs for keeping their personal records to keep track of sales which later simplify the preparation of financial statements like income statements. Also, traders like EFDs to avoid keeping books that can be lost easily in their shops or offices and they consume space. The results comply to the findings and recommendations of John (2016) who insisted that EFDs save time and costs to traders.

The other factors that motivate traders were found to have the following scores as purchase of EFDs by the government and distribute freely to traders could motivate traders to use them (3.73), Knowledge of ICT is important in using EFDs machines (3.67), proper and timely maintenance services of EFDs from suppliers motivate

taxpayers to using EFDs (3.4), Tax expenditure planning is participatory and thus involves people at all levels (3.21) and Media have high influence through awareness programs (2.7). Kira (2017) has agreed with these findings especially when he recommended to the tax authority to provide knowledge of ICT to traders on how to properly use EFDs machines.

However, the findings had indicated that the factor of media influence have no significant effect in motivating traders to use EFDs because it was found to have the lowest mean score value (2.7) and the tax collectors showed their disagreement on this factor. The results of this study on this factor is contrary to the findings of (Siraji, 2015; Nyareru, Kibati and Ragama, 2017; Justus, 2018) who are advocating the tax authority to use education and training through media and other channels to convey message to traders and general public to use EFDs in their business transactions to enjoy its benefits and for the benefits of the country.

4.3.3 Government Measures to Impose EFDs and Compliance of Traders Towards the Use of EFDs

The study wished to examine the relationship between the measures that are taken by the government of Tanzania through TRA to impose EFDs and the level of compliance of traders towards the use of EFDs in Tanzania. To answer this objective, the information collected from the respondents were entered into SPSS software followed by correlation analysis to get correlation coefficients to study the association and finally test the hypotheses.

4.3.3.1 Pearson Correlation Analysis of Government Measures and Level of Compliance

Grönroos (2000) asserts that the relationship is expressed by value within the range -1.00 to +1.00 as Pearson product-moment indicates. Pearson correlation is +1 in the case of a perfect increasing (positive) linear relationship (correlation), -1 and 1 in all other case indicating the degree of linear dependency between variable. Pearson's correlation was used to measure the degree of linear association of two categories. The value of Pearson's can fall between 0 (no correlation) and + or -1 (strong correlation).

The study used a Pearson correlation technique to establish the relationship between government measures and level of compliance of traders. Generally, the findings had revealed that the variables of government measures are significantly related to the level of compliance. The Pearson correlation decision point ranges from -1 to +1 whereby the range of -1 to 0 implies a negative correlation and the range of 0 to +1 implies a positive correlation. Moreover, the range between -1 to -0.5 indicates a strong negative correlation and between -0.5 to 0 means a weak negative correlation of variables. Also, a range between 0 to +0.5 means a weak positive correlation and between +0.5 to +1 imply a strong positive correlation between variables (Churchill, Brown and Suter, 2010).

To determine the relationship between government measures' variables and level of compliance, Pearson correlation coefficients were computed. Table 4.3 presents the

results of Pearson correlation on the relationship between the government measures' variables and level of compliance.

Table 4.3: Pearson correlation between government measures and level of compliance

No.	Variables	1	2	3	4	5	6
1.	Level of compliance of traders towards use of EFDs	1					
2.	Fair and transparent treatment among of tax payers raises compliance	652*	1				
3.	Provision of regular training and education to tax payers increase compliance	394*	456*	1			
4.	Proper utilization of tax revenues raises compliance	781*	736*	762*	1		
5.	Tax considerations to tax payers is important in raising tax payers' compliance	702*	688*	698*	717*	1	
6.	The use of ICT tools such as mobile phones, computer influences tax payers to pay taxes	285*	321*	353*	295*	306*	1

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

Source: SPSS correlation result output (2020)

Table 4.3 indicates the results of correlation analysis where the correlation coefficients were computed for each variable to show the correlation between the government measures and the level of compliance.

The findings had revealed that the variable of proper utilization of tax revenue is the government measure that has a correlation coefficient ($r = 0.781$, $p < 0.01$). This shows that the proper utilization of tax revenue has a strong positive correlation with the level of compliance of traders towards the use of EFDs. This complies with the theory of fiscal exchange proposed by Moore in 1998 which suggests that the presence of government expenditures may encourage tax compliance from the tax payers. The author further suggested that, the government can increase tax

compliance by providing goods and services that citizens prefer in a more efficient and accessible manner, emphasizing that taxes are necessary for the receipt of government services.

This call for the government through the TRA to properly utilize the collected tax revenues so that the general public appreciates that the amount of tax collected reflects to the developments such as infrastructure, schools, hospitals, markets to mention a few.

The results further revealed that the government measure of tax considerations to tax payers have a correlation coefficient ($r = 0.702$, $p < 0.01$). This indicates that there is a strong positive correlation between tax considerations to tax payers and level of compliance of tax payers. The government through the tax authority TRA should ensure that they are considerate in treating traders. The cases of closing shops, freezing the bank accounts, taking legal measures such as court action to mention few should be a last option to take when traders have happened to avoid paying taxes. This is because there are some reasons that encounter traders to fail to pay tax revenues. There are factors such as theft of products, damage of shops like fire, unforeseen outbreak of issues like CORONA that affected many sectors are factors that may impede traders to generate sales that can put them in a good position of paying tax revenues. Therefore, the consideration of these factors is very important for the government through TRA so as to sustain its motive of tax revenues in the course of developing the country.

It was also found that fair and transparent treatment of tax payers (traders) is amongst the measure that motivates traders to use EFDs. It was revealed that the correlation coefficient was ($r = 0.652$, $p < 0.01$) for relationship between fair and transparent treatment of tax payers (traders) and level of compliance of traders. This shows that there is a strong positive correlation between fair and transparent treatment of tax payers (traders) and level of compliance of traders. This is analogous to the theory of fiscal exchange as proposed by Moore (1998) that the government should be open and transparent to disclose crucial information of revenue collected and expenditures. Therefore, the government through TRA should work friendly and cooperatively with the traders. Also, there should be a tendency of displaying the expenditures of the revenues collected and this will uplift the confidence of tax payers to pay for the tax revenues.

Nevertheless, provision of regular training and education to tax payers had a correlation coefficient ($r = 0.394$, $p < 0.01$) which signifies that there is a weak positive correlation with the level of compliance of traders towards use of EFDs. This finding is in line with empirical findings by Kira (2017) and Nyareru, Kibati and Ragama (2017) who had advocated the need for the tax authority to put much emphasis on training and education to traders by using the proper means. This will raise their awareness on the government's mission of tax collection that taxes are meant for their development and not otherwise.

The use of ICT tools such as mobile phones to communicate with traders, pay tax online, access tax information is a very important factor that motivate the traders to

pay tax revenue willingly. However, this is contrary to the findings which show that the use of ICT tools and level of compliance of traders had a correlation coefficient ($r = 0.285, p < 0.01$). This signifies that there is a weak positive correlation between the use of ICT tools and level of compliance of traders. This further show that TRA hasn't much applied the ICT tools in the course of collecting tax from traders which is different from Kira (2017) who had insisted that currently there are plenty of ICT applications such as smart phones applications that ease transactions and communication of information.

4.3.3.2 Hypothesis Testing

The purpose of a chi-square test is to statistically assess the significance of association between two variables. If the statistic value for the chi-square test of independence is greater than 0.05, it indicates that the relationship between the observed and predicted frequencies is poor or there is no relationship at all thus, the null hypothesis will not be accepted. A significant difference is shown with $p < 0.05$ where p signifies a probability of less than 5% in 100 responses. Churchill, Brown and Suter (2010) state that the association between two variables is considered significant if the p-value is less than 0.05.

Table 4.4: Chi-square test results for variables of government measures to impose EFDs

	Fair and transparent treatment among of tax payers raises compliance	Provision of regular training and education to tax payers increase compliance	Proper utilization of tax revenues raises compliance	Tax considerations to tax payers is important in raising tax payers' compliance	The use of ICT tools such as mobile phones, computer influences tax payers to pay taxes
Pearson Chi- square	0.013	0.023	0.035	0.041	0.033
Likelihood ratio	0.024	0.177	0.337	0.165	0.128
Linear by linear association	0.044	0.009	0.279	0.121	0.378
Hypothesis test Accepted at $p < 0.05$	H ₁ Accepted	H ₂ Accepted	H ₃ Accepted	H ₄ Accepted	H ₅ Accepted

Source: SPSS output, 2020

The results of hypothesis test show that there is significant relationship between the variables of government measures to impose EFDs and level of compliance of traders towards the use of EFDs. This is evidenced by the values of Pearson chi-square values (P-values) of fair and transparent treatment among tax payers raises compliance (0.013), provision of regular training and education to tax payers increase compliance (0.023), proper utilization of tax revenues raises compliance (0.035), tax considerations to tax payers is important in raising tax payers' compliance (0.041) and the use of ICT tools such as mobile phones, computer influences tax payers to pay taxes (0.033). Hence, all hypotheses were accepted.

These are the measures of the Government to raise the level of compliance of traders to use EFDs machines in making transactions. The measures that have been applied by TRA Mbeya have happened to be very appropriate in raising the level of compliance of traders. This is noted after all the hypotheses to be accepted by being $P < 0.05$.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATION

5.1 Overview

The study assessed the performance of Electronic Fiscal Devices for tax collection in Mbeya. This chapter presents the conclusion and recommendations made. The chapter ends with suggesting the areas for further research.

5.2 Summary

The study assessed growth of collected VAT collection in Tanzania before and after introducing EFDs. VAT statistics for five years' period before introducing EFDs (2005-2009) and five years after their introduction (2010-2014) were collected and the comparison was made. The statistical findings indicated that after introduction of EFDs in Tanzania, tax revenue collection was growing from year to year compared to the periods before introduction of EFDs.

Moreover, the study found out that in general the challenges which face both tax collectors and taxpayers regarding the use of EFDs were caused by high price of purchasing the devices in which taxpayers were more affected, and also lack of enough knowledge on the side of taxpayers concerning the use of EFDs. These two factors were reported to be the most challenging in the full implementation of EFDs machines in tax collection system. Other challenging factors were reported to be breakdown of the network system in which both tax payers and collectors acknowledged that there was frequent network outage, this rendered EFDs in

ineffective, lack of motivation on the use of these devices as well as traders' lack of trust on using the devices. Lastly it was found out that personal attitudes of rejecting innovation among the taxpayers was the greatest challenge which face TRA efforts of establishing effective electronic tax payment in the country.

5.3 Conclusion

The study concludes that the introduction of EFDs in Tanzania tax collection system so far has brought significant performance in term of amount of tax revenue collected. The study assessed the actual tax collection trends before and after adoption of EFDs whereby after analysis it was found that the growth rate of tax revenue collected before introducing EFDs devices was comparatively lower than the growth rate after the introduction of EFDs. The EFDs have made taxation service more available and accessible to the taxpayers as compared to the time before they were introduced. This has helped taxpayers to save time and money in searching for the tax services.

The study examined the factors that motivate traders to use EFDs and the results revealed that traders have been motivated to willingly use EFDs and this attitude has been attributed by the positive perceptions of traders towards EFDs. The positive perception has increased compliance of traders towards the use of EFDs because traders are confident and have realized that the government effectively and properly utilizes the tax revenue collected from traders through development of infrastructures like roads, hospitals, schools and provision of other services.

Also the study examined the relationship between Government measures to impose EFDs and compliance of traders towards the use of EFDs and it was revealed that the measures taken by the government had a positive and significant relationship with compliance of traders towards EFDs. The main measures taken by the government through Tanzania revenue authority (TRA) used by the study were fair and transparent treatment of tax payers, provision of regular training and education to tax payers, proper utilization of tax revenues raises compliance, tax considerations to tax payers is important in raising tax payer's compliance and the use of ICT tools such as mobile phones and computer influences tax payers to pay taxes.

5.4 Recommendations

From the findings of the study a number of recommendations are being proposed so as to improve the use of EFDs on the tax collection. The recommendation has been directed to TRA, the government in general and to tax payers.

- i) There should be a proper examination of the tax payer ability to pay tax, together with proper estimation of tax to be paid by tax payers in order to bring fairness needed in tax system for the creation of tax compliance among taxpayers. This is on the ground that a loyal tax compliant will not oppose innovations in the tax system.
- ii) Education on the use of EFDs should be provided more to the taxpayers in order to build trust on the usage. In additionally, education should not end on the use of EFDs only; should also cover how the collected revenue is disbursed and used in both recurrent and development expenditure to increase willingness to pay tax.
- iii) The purchasing price of the EFDs should be reviewed downwards so as to

motivate more taxpayers to purchase and use EFDs as a results revenue collections will be increased or the government may purchase the EFDs and distribute them freely to the taxpayers with a return of taxes to be collected.

- iv) TRA should ensure timely delivery of the services especially on EFDs issues. Being dependable and consistent in-service delivery in solving taxpayers' complaints, will improve the performance of the whole tax payment system.
- v) Taxpayers should change with the change of the technology. Despite the fact that TRA should put much emphasis on the ICT tools to allow fast payments of tax and access to substantial information of taxes at TRA.
- vi) The government should properly utilize the collected tax revenues to public goods and services as a return to tax collected so that the general public appreciates that the amount of tax collected is reflects in the developments such as infrastructure, schools, hospitals, markets to mention but a few.

5.5 Suggestion for Further Studies

In order to generalize the results of this study there is the need of conducting the same kind of study in other areas of the country apart from Mbeya City Council where this study was conducted. It is also important to find out other factors that cause percentage increase of tax revenue growth rate after the introduction of EFDs so as to consolidate the measures that are being taken to motivate traders to pay tax in Tanzania.

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APPENDICES

APPENDIX I: QUESTIONNAIRE

This survey is purposely designed to collect data for the following topic; **ASSESSMENT OF ELECTRONIC FISCAL DEVICES PERFORMANCE FOR TAX REVENUE COLLECTION IN TANZANIA**. Information provided is purely for academic purposes and would not be published in any form without your consent.

SECTION A: Respondent Profile

1. Gender: M _____ F _____

2. Age group of respondent

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

3. Number of years of experience in working at TRA

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

SECTION B:

1. The data of revenue collected before EFDs machines were introduced (2005, 2006, 2007, 2008 and 2009) and the data of revenue collected after introduction of EFDs (2010, 2011, 2012, 2013 and 2014).

Year	2005	2006	2007	2008	2009
Revenue collected before introduction of EFDs					

Year	2010	2011	2012	2013	2014
Revenue collected after introduction of EFDs					

2. Rate your opinions in the Likert scale ranging from 1-Strongly disagrees, 2-Agree, 3-Neither disagree nor agree, 4-Agree and 5-strongly agree to show how you accept each of the listed variable.

s/n	Variables	1	2	3	4	5
1.	Price of EFDs machine is fair and affordable					
2.	The network of accessing Tax system is reliable					
3.	Knowledge of ICT is important in using EFDs machines					
4.	EFDs save time and cost to tax payers					
5.	Proper and timely maintenance services of EFDs from suppliers motivate taxpayers from using EFDs					
6.	EFDs provide clear and true sales records					
7.	Medias have high influence through awareness programs					
8.	Tax expenditure planning is participatory and thus involves people at all levels					
9.	Purchase of EFDs by the government and distribute freely to traders could motivate traders to use them					

1. Please rate in the Likert scale based on your level of agreement such as 1-Strongly disagrees, 2-Agree, 3-Neither disagree nor agree, 4-Agree and 5-strongly agree.

s/n	Variables	1	2	3	4	5
i.	Fair and transparent treatment among of tax payers raises compliance					
ii.	Provision of regular training and education to tax payers increase compliance					
iii.	Proper utilization of tax revenues raises compliance					
iv.	Tax considerations to tax payers is important in raising tax payers' compliance					
v.	The use of ICT tools such as mobile phones, computer influences tax payers to pay taxes					

Thank for your time and consideration

APPENDIX II: CLEARANCE LETTER**THE OPEN UNIVERSITY OF TANZANIA*****DIRECTORATE OF POSTGRADUATE STUDIES***

P.O. Box 23409
Dar es Salaam, Tanzania
<http://www.openuniversity.ac.tz>



Tel: 255-22-2668992/2668445
ext.2101
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E-mail: dpgs@out.ac.tz

Our Ref: PG201507294

7th October 2020

Regional Manager,

Tanzania Revenue Authority (TRA),

P.O.BOX.674,

MBEYA.

RE: RESEARCH CLEARANCE

The Open University of Tanzania was established by an Act of Parliament No. 17 of 1992, which became operational on the 1st March 1993 by public notice No.55 in the official Gazette. The Act was however replaced by the Open University of Tanzania Charter of 2005, which became operational on 1st January 2007. In line with the Charter, the Open University of Tanzania mission is to generate and apply knowledge through research.

To facilitate and to simplify research process therefore, the act empowers the Vice Chancellor of the Open University of Tanzania to issue research clearance, on behalf of the Government of Tanzania and Tanzania Commission for Science and Technology, to both its staff and students who are doing research in Tanzania. With this brief background, the purpose of this letter is to introduce to you **Mr. JOHN, Ngwigulu Manani Reg No: PG201507294** pursuing **Master of Business Administration (MBA)**. We here by grant this clearance to conduct a research titled **"Assessment of Electronic Fiscal Devices Performance for Tax Collection in Tanzania"**. He will collect his data at your area from 8th October to 30th October 2020.

In case you need any further information, kindly do not hesitate to contact the Deputy Vice Chancellor (Academic) of the Open University of Tanzania, P.O.Box 23409, Dar es Salaam. Tel: 022-2-2668820. We lastly thank you in advance for your assumed cooperation and facilitation of this research academic activity.

Yours Sincerely,

Dr. Jacob Lisakafu

FOR DIRECTOR OF POSTGRADUATE STUDIES.

APPENDIX III: AUTHORITY LETTER

Ref. No. TRA/RM/MB/C.6/Vol. VI/54

12th October 2020

Director of Postgraduate Studies,
The Open University of Tanzania,
P.O Box 23409,
DAR ES SALAAM.

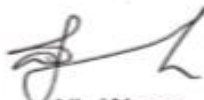
RE: RESEARCH CLEARANCE

Reference is made to the heading above and your letter with reference No. PG201507294 of 7th October 2020.

The letter intended to introduce to us **Mr. JOHN, Ngwigulu Manani** with Registration number **PG201507294** pursuing **Master of Business Administration (MBA)** who decided to collect data for his research topic from our office.

With this letter, we wish to inform you that the access to the required data and information have been granted and will collect data for study purpose only within the period stated in your Research Clearance.

"Together We Build Our Nation"



Ally Wayer

For REGIONAL MANAGER

ISO 9001 : 2015 CERTIFIED
Regional Manager
P.O. Box. 674, Mbeya, Tanzania
Tel: +255 25 2502134 Fax: +255 25 2502295

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