

The factors that influence revenue collection success in the Beneshangul Gumzu region: the case of Assosa town

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Abstract

The major objective of this study was to look at the factors that influence revenue collection at the BGRS (Benishangul Gumzu regional satete) Revenue Authority in Assosa town. The study's particular objectives were to evaluate the impact of human resources, assess the impact of ICT, analyze the impact of political instability, and determine the impact of support systems on revenue collection performance at BGRS, Assosa town. The study used a descriptive research approach, with a total of 176 tax payers and employees at the BGRS Revenue Authority in Assosa as the target demographic. The study used a probability sampling strategy to choose a sample size of 160 respondents, using a stratified random sampling technique. The questionnaires with a Likert-type scale format were the primary data gathering instruments. Finally, the relevance of the independent variables on the dependent variable was determined using Multiple Linear Regression model analysis. Tables and percentages were used to present the findings. The study found that organizational resources, information technology, political instability, and the tax support system were the primary predictors of revenue collection performance at the BGRS Revenue Authority in Assosa town. The study found that 82.9 percent of revenue collection performance is predicted by all explanatory variables. The study's recommendations included allocating additional human and financial resources to increase the organization's revenue collection capacity; and having the ability to communicate clearly and use automated revenue collection methods to determine revenue performance in BGRS, Assosa town.

Keywords: human resources, revenue collection and revenue performance.

I. INTRODUCTION

Resources are needed by governments in developing countries for a wide variety of expenditures, ranging from public administration and defense to the maintenance and provision of social services

and infrastructure. The costs of these expenditures are usually partly met through tax Revenue (Ahmed and Nicholas, 1989).

Like any developing countries, Ethiopia also needs sources of revenue to finance at least three functions such as defense, maintenance of law and order, and socio-economic development.

Therefore, in order to finance these activities, government raises revenue from different sources of finance namely; internal and external sources of financing. Among internal sources of financing,

taxation has been taken a lion share in providing sufficient fund for public expenditures.

Revenue management plays a great role for achieving the national objective of any nation which enhances the economic development and social wellbeing of the society (Yusuf, 2012). Revenue management assists the scarce resources of a country to be spent in efficient and effective manner, by enabling the wise

utilization of both the available and the forecasted revenue so that exhaustive extraction and proper utilization of the revenue potential will be ensured. Furthermore, revenue management involves all the procedures necessary for the government department for proper planning and fully executing the plan so that the Received cash is safely guarded and banked promptly. However, most of African countries face a lot of obstacles in either utilizing the available revenues in efficient and effective manner or exhaustively extracting the revenue potential (MOFED, 2009). An overview of budgeting suggests that all countries, either developed or developing, have come to grips with a constant struggle to face overwhelming demands for services while facing equally severe fiscal constraints (Francis et al, 2006).

Ethiopia is one of many countries facing similar difficulties. Currently, it operates under a decentralized revenue management system, in which the federal government and individual state constitutions encourage the various levels of government to share revenue-raising obligations. Most regional states, on the other hand, do not generate enough revenue to satisfy their budget needs. As a result, the Federal Block Grant Transfers are the primary source of funding for each regional state's budget.

Benishangul gumzu regional state administers federal government money, however revenue gathered from the sectors does not have the same level of budget deficit as the regions administration. As a result, the study aims to evaluate the factors that influence revenue collection performance in organizations that provide a wide range of public services. The region's government, like other parts of the country, has been dealing with a financial deficit for the past three years. As a result, the following issues were commonly encountered:

- Effects political instability on revenue collection success
- Effects of information technology on revenue collection success
- Effects of support system on the revenue collection success
- effects of human resources on revenue collection success

Research Hypothesis

Ha1. Political instability has significant effect on revenue collection success

Ha2. Information technology has significant effects on revenue collection success

Ha3. Support system has significant effects on revenue collection success

Ha4. Human resources has significant effects on revenue collection success

2. Review of Literature and hypotheses development

2.1 Effect of Political Instability on Revenue Collection

Political instability may be categorized broadly into two dimensions, these are: Instability as a result of socio-political unrest such as political shootings, disturbances and rebellions and mass violence. These forms of insecurity are associated with conflicts between ideologies or due to religious or ethnic differences. And the second dimension involves certain events, for example, termination of government, electoral hitches and inadequacies (Mutascu, Estrada and Tiwari, 2011).

Both of these dimensions result in uncertainty about the future course of the tax collection, 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, 2011). Hendry (2001) 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.

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).

Azzimonti (2010) 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 (2010) 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 (2011) 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 (2011) 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.

Ghura and Mercereau (2004) 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.

Ha1. Political instability has significant effect on revenue collection success

2.2 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.

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.

Ha2. support system has significant effects on revenue collection success

2.3 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, 2008). 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.

Ha3. Information technology has significant effects on revenue collection success

2.4 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.

The Taxpayer program was also developed so as to improve service options to deliver focused education outreach and alternate services as well as enhance information penetration and ensure strict adherence to the provision of the Taxpayer Charter and revamp the customer care desks and call center programs (Tanzania Revenue Authority, 2000).having a productive and motivated workforce would play a significant role in enhancement of revenue collection (Waweru, 2005).

Ha4. Human resources has significant effects on revenue collection success

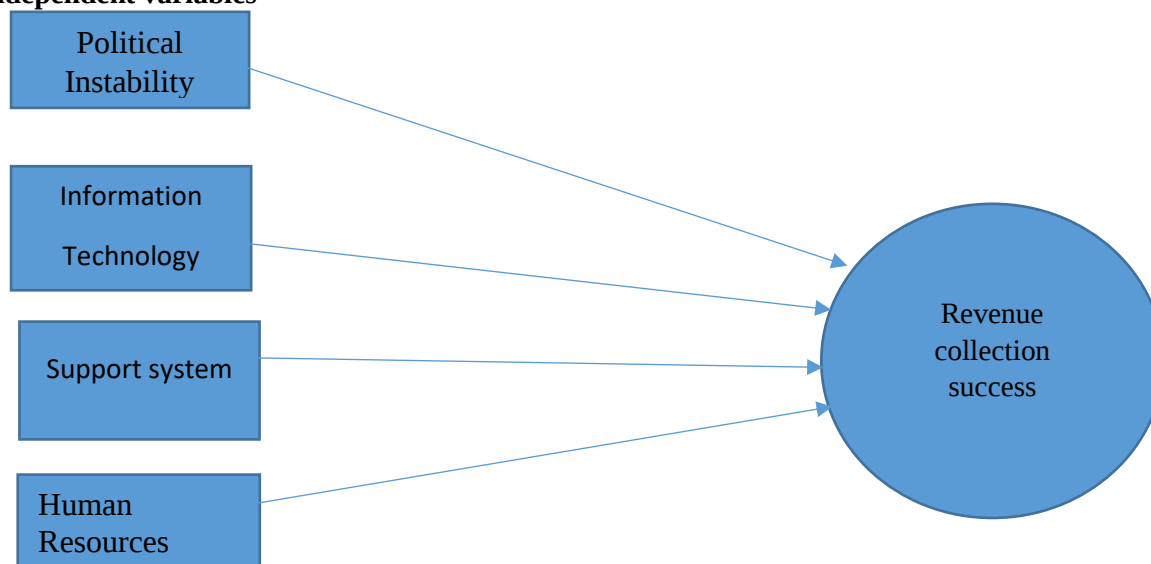
2.5 Conceptual Framework

These variables are expressed in conceptual framework section of the study. 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 (2004).

Conceptual framework of this study also explains relationship between independent variables and dependent variable. Independent variables in this study are political instability, information technology, human resources and support systems. Dependent variable of this study is Revenue Collections performance.

Figure 2.1: *Conceptual Framework*

Independent variables



(Own construction, 2021)

3. Research Design and Methodology

The study used a descriptive design method because it was appropriate to identify factors and it described what already existed and happening now. It was used to identify factors that were really affecting revenue collection performance in BGRS and suggested possible solution based on the findings of the study. For the accomplishment of this research, the study applied both primary and secondary sources of data. Primary data; the data that was collected

for the first time by the researcher. The study collected this data through questionnaires. Secondary data; was collected from different sources such as public revenue management documents, books, journals, articles, internet sources, reports etc.

The researcher obliged to minimize the study area to four public officials will be purposively selected that is from Mayor Committee and Inland Revenue office management committee members are taken purposively, while

employees of the region revenue bureau and tax payers had included in the study using random sampling. The study took four public officials from Mayor Committee members, and Inland Revenue management committee members Benishangul region revenue authority

Table 1: *Target population*

S/N	Target population	Total population
1	Employees	173
2	Tax payers	127
3	Mayor committees	6
4	Daily revenue estimating committee	7
		313

Benishangul Gumzu region unpublished report 2021

Therefore, in order to determine the sample for the study the following formula given by (yemne

1967) that take into account the precision of the results, confidence level, degree of variability, in determining the sample will be used for the calculation.

The formula is given by

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

Where: N= the total number of population in each units

n= designates the sample size the researcher uses

e= the maximum variable or margin of errors (5%or 0.05)

1= the probability of events occurring. Therefore, the number of samples is;

$$n = \frac{313}{1 + 313(0.05)^2} = 176$$

Table 2 *Sample size for the study*

No.	Target population	Population	Proportionate	Sample size
1	Employee	173	0.56	97
2	Tax payers	127		72
3	Mayor committees	6		3
4	Daily revenue estimating committee	7		4
	Total	313		176

Questionnaires were distributed to 176 respondents by simple random probability sampling method. The format of the questionnaire was adopted from prior authors and literatures and prepared in accordance with rationale and objectives of the study (Subhashree, 2013).The instrument used for data collection is based on the research questions and objectives under investigation, the research design and the information to be gathered focusing the questionnaire prepared about the

variables under consideration. Since, the appearance and layout of the questionnaire have a great importance in any survey where the questionnaires could be completed by the respondents (John et al., 2007). The layout of the questionnaire was kept very easy, simple and prepared in two different versions (English and Amharic) which helped to improve comprehension for meaningful participation of the respondents.

3.1 Model specification for the study

Identification of dependent and independent variables, as well as their measurement, is a must when constructing an empirical model. As a result, the current study's dependent variable is the revenue collection success. In addition, the empirical model includes independent factors such as political instability, information technology, support system, and human resources. Then the researcher employed, multiple linear regression used if the success measure used as the dependent variable is a continuous measure (terms of Ethiopian Birr or revenue collected, and the number of people employed which is staff count is counted in numbers).

$$RCS = \beta_0 + \beta_1PI + \beta_2IT + \beta_3SS + 4BHR + e$$

Where as

RCS = revenue collection success

PI= political instability

IT = Information technology

SS = Support system

HR = Human resources

Variable Definition and selection

Dependent

The success of revenue collection is employed as a dependent variable in this study. The performance of revenue collection was assessed by a Likert scale using a standardized questionnaire to see how much birr collected per fiscal years to accomplish the planed goal by the government, and the number of experts employed impact the revenue collection success.

Independent Variables

As independent variables, variables impacting revenue collection performance were employed. As replies from respondents, the independent variables was be assessed using a five-point Likert scale ranging from strongly agree (5), agree (4), neutral (3), disagree (2), and strongly disagree (1). Participants of the study were informed to participate voluntarily and their privacy and anonymity would be kept in secret and would be used for only academic purpose

4. Data Analysis and Interpretation

The questionnaires were distributed to 176 randomly selected respondents and 160 were completed and returned, resulting in a response rate of 91%. The collection procedures involved personal administration, follow up after distribution of questionnaires through mobile phone calls for validation of data when they would be equipped for collection and personal collection whenever possible. The response rate was found to be sufficiently satisfactory for analysis of the data. The unreturned questionnaires 16(9%) could be credited to delay on the part of the respondent completing and hence being unable to return back. Therefore, data were analyzed based on the data collected from 160(91%) respondents.

4.1 Regression Analysis

The multiple linear regression analysis models the relationship between the dependent variable which was revenue collection success and the independent variables which were political instability, information technology, support system, and human resources. The coefficient of determination (R^2) and correlation coefficient (R) shows the degree of association between revenue collection performance and factors affect it.

The research findings indicated that there was a very strong positive relationship ($R = 0.913$) between the variables. The study also revealed that 82.9% of revenue collection in BGRS could be explained by predictors under study.

Besides, given the R Square value of 0.833 and adjusted R square value of 0.829 it realized that 82.9% of the variation in (success of revenue collection) can be explained by the independent variables. R Square has used to find out how well the independent variables are able to predict the dependent variables. The remaining 17.1 % of the variance is explained by other variables not included in this study. Further, it is widely accepted in the social and psychological applications that an R^2 adjusted of above 75 per cent is very good; between 50–75 per cent is good; between 25–50 per cent is fair and below 25 per cent is poor (Sakaran, 2000). Based on the result the model is very good (82.9%).

Table 3 *Model Summary*

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.913 ^a	.833	.829	.16985

a. Predictors: (Constant), Human resources, Support system, Information technology, political instability
The model coefficient as shown in table below.
The model coefficients show that human resources, political instability, information technology, and support system positive effect on the revenue collection success.

The model thus developed was;

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Revenue collection success = 1.329 + .680 (human resources) + .476 (political instability) + .269 (Information technology) + .317 (support system) + ε

Where; Y is revenue collection success, X1 is the amount of human resources effect on revenue collection success, X2 is political instability effect on the revenue collection performance, X3 is information technology effect on revenue collection performance.

Table 4. *Coefficients*

Model	Unstandardized Coefficients		Standardized Coefficients	Sig.
	B	Std. Error	Beta	
(Constant)	1.329	.146		.000
Human resources	.680	.034	.843	.000
political instability	.476	.042	.495	.000
Information technology	.269	.065	.286	.000
Support system	.317	.069	.324	.000

a. Dependent Variable: Revenue collection performance

From this study it was evident that at 95% confidence level, the variables produce statistically significant values for this study

(high t-values, $p < 0.05$). A positive effect is reported for all the variables under study hence affecting revenue collection success in Assosa town positively. The results of the regression equation above shows that for a 1- point increase in the human resources, collection of revenue performance in Assosa town is predicted to increase by 68 percent, given that all the other factors are held constant.

4.2 Test of Hypotheses

Ha1: political instability positively affects the revenue collection success

To test this hypothesis, the derived p-value = .000 at a significance level (α) of 0.05 was used to determine the strength of the influence of political instability on performance revenue collection in Benishangul Gumzu region Assosa town. The null hypothesis was rejected by accepting the alternative hypothesis since the computed p-value was less than the significance level (α) of 0.05 (p-value of 0.05), and the beta value is positive, indicating a positive association between political instability and revenue collection performance.

Ha2: Information technology positively affects revenue collection success

To test this hypothesis, the strength of the effect of information technology on success of revenue collection in Benishangul Gumzu region at Assosa town was measured by the calculated p-value = .000 at a significance level (α) of 0.05. Since the computed p-value is less than the significance level (α) of 0.05 (p-value .000 < 0.05), the null hypothesis was rejected and alternative hypothesis is accepted. It is therefore concluded that information technology has significant effect on the performance of revenue collection.

Ha3. Support system has significant effect on revenue collection success

The regression result shown in the table above, on the other hand, the individual test statistics of the support system, as represented by Beta = .317, p - value = .000, show that the support system has an effect on revenue collection performance, as disclosed by p value (0.000), which is less than the significance level of 0.05. The Ha3 support system had a substantial effect on revenue collection performance at Benishangul regional Assosa town, which was

accepted at the 0.05 significant levels as an alternate hypothesis. The findings reveal that support in terms of providing resources, providing trainings, introducing new technologies, and providing adequate facilities supports the presence of budget control with pledges to market and communicate their additional value, as the null hypothesis is rejected.

Ha4.information technology positively affects revenue collection success

Additionally, the result of regression as shown in above table above also support that

existence of a positive significant effect on relationship on revenue collection performance as revealed by $p = .000$, $(\beta) = .269$. Furthermore, because the p value (0.000) is smaller than the significance level 0.05, information technology is important in determining the outcome. This clearly demonstrated that information technology has a substantial impact on the revenue collection performance of the BGRS in Assosa. The null hypothesis was then rejected, allowing the alternative to be accepted. This study's findings are consistent with those of (Guy et al. 1999), who stated that effective information technology systems enable organizations to achieve revenue success through information flowing down to tax payers, across, and up the organization, which led management to ensure there are adequate means of communicating with, and obtaining information (reports) from, external societies that may have a significant impact on achieving organizational goals.

5. Conclusions

Based on the study findings, the study concludes that there exists a strong positive relationship between the variables with a coefficient of correlation of .829. This is also supported by majority of the respondents (82.9%) also being in line with there a positive effect. Additionally, the study also makes the conclusion that each variables impacts differently, with all variables having positive impacts.

According to the findings, revenue authority in Assosa town benefit from information technology, support services, human resources. Similarly, the study concludes that human

resources are positively associated with revenue collection success. Furthermore, the study concludes that each explanatory variables has a different impact on revenue collection performance. This means that, in order to maintain their service impact on revenue performance, accessibility of training, size of yearly revenue collection, amounts offered to revenue authority in order to improve the enterprises' performance and financial sustainability. The study's recommendations included allocating additional human and financial resources to increase the organization's revenue collection capacity; and having the ability to communicate clearly and use automated revenue collection methods to determine revenue performance in BGRS, Assosa town.

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