

Effect of Revenue Collection Strategies on Service Delivery in Zanzibar Urban Municipality

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Abstract

The main idea of this study is to examine the Effect of Revenue Collection strategies on service delivery in Zanzibar Urban Municipality. A total of 235 sample size was used in the study. A survey questionnaire was used as a method of data collection and multiple regression analysis was used to analyze the collected data. The result indicated that the Source of Revenue variable is statistically significant at the 0.05 significance level, as the t-value exceeds the critical value of 2.0 (assuming a two-tailed test). The coefficient for Reforms and Modernization is 0.294. This suggests that for a one-unit increase in Reforms and Modernization, the "service delivery is expected to increase by 0.294 units, holding other variables constant. The t-value of 2.096 is greater than the critical value of 2.0, indicating that the variable Reforms and Modernization is statistically significant. The study offers actionable recommendations for municipal administrators to enhance service delivery for the urban populace. Zanzibar Urban Municipality should strive to diversify its sources of revenue beyond rent, fees and fines. Zanzibar Urban Municipality continues investing in comprehensive digitalization efforts for revenue collection operations and Zanzibar Urban Municipality should ensure that the revenue enhancement plan is closely aligned with the municipality's service delivery priorities.

Keywords: Reforms and Modernization, Source of Revenue, Revenue Enhancement Plan, Service Delivery

Introduction

Zanzibar is a semi-autonomous part of the United Republic of Tanzania. There are two big Islands, namely Unguja and Pemba in Zanzibar. Specifically, the study focused on Unguja Island whereby it is divided into two sections known as Stone Town and Ngambo. The Stone Town is the Historical city, while Ngambo is a larger and more modern area that features the business. In Zanzibar town, there are three municipalities (urban municipality, west A municipality and west B municipality). The study was conducted in urban municipality whereby, the total population of the Zanzibar municipality is about 893,169 (World Population Review, 2022). This is the highest populated area with a high level of business activities, services, Government offices, banking activities and a high level of mobile Banking services (ZBS, 2022). Since, almost all of the strong economic activities are being run at this municipality, the possibility of having revenue collection is really important.

So, the claim against this Authority is justifiable since it is the key area in which the Central Government generated revenues and with almost about 70% of the business infrastructures but Urban Municipality faced intense challenges in delivering services to the people. In that sense; it should have significantly faced the extreme challenges in terms of service delivering, managerial success, revenue collected from sources such as trading licenses, market dues, fines, and fees was also declining tremendously to be effectively utilized to provide the required services to the public (Lamaon, Julius, and Omwenga, 2017). This can be evidenced from the various deficit financial budgets of the District for the past three years. It was upon such state affairs that the researcher investigated the revenue collection on service delivery Urban Municipality Zanzibar.

Zanzibar Urban Municipality, like many other local government entities, faces significant challenges in delivering essential public services to its residents (UNDP, 2019). The municipality relies heavily on revenue collection as a primary source of funding to support these services. Many targets have been set by the municipal in order to improve their operations.

One among the major target that Urban Municipal of Zanzibar is to improving on therevenue collection to be more effectively and efficiency for the sake of delivering ofservices to the communities (Act No. 2014, Article 23 part 1). However, actual and therealistic of the situation there is various deficit financial budgets of the state for the pastfive years which means that estimated expenditures are more than estimated incomesence hindrance to effective services delivery which lead at the end of the financial year to have burden of the debts from different suppliers (Municipal Annual Financial Report, 2021).

Moreover, Government of Zanzibar has under take different efforts to ensure that there are increasing the revenue collection positively changes services delivery quality by reform and use modern ways of the revenue collection but the citizens are not aware, unwilling to pay and familiar to electronic system of the revenue collection instead of the various advertisement provided. There is of the huge amount of revenue source not paid that hinder Urban Municipal to reach the target.

In that sense, the state of revenue collection in Urban Municipally in Zanzibar leaves much to be desired. Revenue collection from different sources such as trading licenses,market dues, fines and fees are declined tremendously and affect utilized to provide the required quality services delivered to the communities. It is upon such a state affair thatthe researcher investigated of revenue collection strategies on quality services delivered in Zanzibar Urban Municipality

Theoretical Literature Review

Benefit Theory of taxation: This Theory developed by Erik Robert in 1960 Revenue can is the total amount ofmoney received by any business entity or organization for the goods sold or servicesprovided during a certain period. For the Government, public revenue means those amounts it receives from different sources. In other words, the income of the Government is public revenue. This revenue is from taxes, licenses, and fees. In this Study the theory was used to influence of sources of revenue on service delivery, tax should promote society's microeconomic goals of allocation efficiently and equitably distributed.

Optimal Theory of Taxation: Optimal Theory of Taxation was developed by Ramsey in 1927. The theory was among the first to focus on revenue collection and growth from an economic standpoint. Optimal taxation theory is concerned with the designing and implementation of a tax system that reduces inefficiency and market distortion. In this study the assessment framework in the optimal theory of tax collection can be related to the reforms and modernization of operations that aid in revenue collection andinfluences service delivery.

Public Finance Theory: The Theory of Public Finance was postulated by Musgrave (1969). According to Musgrave, public finance ought to be used as a tool for accomplishment of given monetary and social targets. This can be related to the revenue enhancement plan that helps in increasing revenue collection that improves service delivery to the citizens. These various aspects of revenue enhancement plan include increase tax coverage; maximize collection and the accounting system. Before Musgrave, the idea of public account was to raise adequate incomes for gathering open consumption. This well-matched tax structure in the public finance theory can be related to the revenue enhancement plan that include various aspects like increase tax

coverage, maximize collection and the accounting system that helps in increasing revenue collection that improves service delivery to the citizens.

Empirical Literature Review

Kindole (2020), conducted research base on evaluation of revenue collection performance in local Government Authorities in Dar es Salaam City. The study was guided by three specific objectives, thus were to identify the sources of Dar es Salaam Council revenues, to assess revenue variable between projected revenue and actual revenue collected and lastly to identify the challenges facing Government revenue collection at Dar es Salaam City. The study designed was used both qualitative and quantitative methods have been used. The data were collected through questionnaires and documentary review. The respondent responses were analyses using software package for social science (SPSS) in which frequencies and percentage distribution were utilized as indicated in tables. The findings showed that there were several sources of revenue, which included rental of asset fees, Ubungo bus terminal fees, and construction license fee and services tax.

Haraba (2021), in his study assessed the performance of revenue collection system in local Government Authorities. The study used qualitative research approach. Instructed interview and documentary review were also used as research instruments. A sample of 50 respondents for data collection. The findings demonstrate that the payment of sources of the revenues should be fair that everyone should be charged in relation to what he/she gain, political influence has affected the collection of revenues in local Government, it shows the local municipal department responsible for collection lack set of procedure for prompt deposit of revenue as result it fail to maximize earnings. Generally, findings indicated that revenue officers lack internal control as a situation, which has result into revenue losses due to theft and fraud committed by employer.

Karimi et al., (2017). Effect of technology and information systems on revenue collection by the county government of Embu, Kenya. The purpose of this study was to establish the effect of technology and information systems on revenue collection by County governments in Kenya. The study was guided by technology acceptance theory. The study employed a descriptive survey research design. The target population of the study comprises all county government employees in Kenya. Purposive sampling and simple random sampling was used to select 102 respondents for the study. Content Validity was used as a validity test while Cronbach alpha coefficient was used for reliability test where a reliability coefficient of 0.7 was obtained and accepted. Data was collected using self-administered semi-structured questionnaires. Overall; it was found that technology and information systems had the effect on revenue collection. The study recommends a revision of the County's Act and the integration of information systems in the management activities of Embu County. The findings of this study shall be beneficial to county governments as they were in a position to establish corrective measures and formulate policies to harness revenue collection.

Ezekiel (2014), the study explores the efficacy of revenue collection strategies in local Government, as public sector management tool for services provision in Yie River Country Sudan. The study main intended to find out extent to which revenue collection strategies can be an effective tool for public sector management and services provision. The study uses both quantitative data (obtained through questionnaires survey) and qualitative data (through in-depth respondents from country staff). The findings of the study seem to indicate that in effective revenue collection the local Government officials are utilizing strategies. Some members of the communities and traders were still ignorant as to why they should be paying taxes, which makes

many of them to evade paying taxes. The study also reveals some challenges such as corrupt practices, poverty and illiteracy as some of the hindrances to effective revenue collection.

Edwin (2019), conducted study base on the impact of revenue collection in local Government Authorities in Tanzania on improving of social services. The study examines the influence of revenue collection in local government on improving education services and water services. The time series analyses research design was used to measure units repeatedly at regular intervals for revenue spend on social services. The study population was all revenues and expenditures on social services of the Dodoma City for the financial years 2007/2008 to 2017/2018(annual Data). The sample size was revenue spend on social services as health, education and provision of water services in Dodoma city for seven years, of the starting annual data from 2007/2008 to 2017/2018. The findings showed that revenue collection keep on increasing while the real expenditures percentages on social services tend to declined depending the proportionate used in health, education and water services.

All Mohamed (2018), In his study of revenue collection and services delivered conducted at Gorowe local Government in Somalia, has discussed the objectives and examine the challenges facing by Authorities in collection of revenue, the study examine how services delivery could be improved and established the relationship between the revenue collection and services delivered in Gorowe local Government. The researcher used descriptive and explanatory survey research. Design base on result from questionnaires, interview and observation. Both qualitative and quantitative research design used in this study. A sample of 100 was from Gorowe Local Government. The raw data that were collected from the field were scrutinized and analyses by editing, coding, and employing descriptive statistics in order to give more meaning to the data. Findings of the study showed that there was low local revenue collection in Gorowe local Government. This has been due to harshness of tax collectors, high administrative expenses corruption practiced by revenue officers, inadequate sources of revenue, political intervention like tender defaulters who supported politicians during campaigns are being protected by tax Authorities, poor enforcement of rules and procedures of collecting revenue.

Methodology

A quantitative research approach was used in this study. The target population was 19,815 which included the staff of the Urban Zanzibar Municipal and societies who get service from urban municipal council (Urban Municipality Council, 2023). This considered as satisfactory because it involves different categories who considered directly those who get services. So that the researcher expects to get relevant information for the purpose of the study. A sample of 235 respondents using Yamane (1967) was used to represent the total population of 19,815 and sample random sampling techniques was used to select a sample size for this study. The research questionnaires were used to collect information for the top management of Urban Municipality, staffs, taxpayer situated at Urban Municipality and society at all. The questionnaires were in English language; the questionnaires consisted of closed ended questions only in order the respondents to get the opportunity of giving short answers. The data that collected in this study was analyzed by making use of regression analysis techniques using a statistical package of social sciences (SPSS) software version 23 for data imputation.

Data Presentation and findings of the study

Demographic Characteristics of the Respondents

Understanding the characteristics of the respondents is much important, as the respondents helped the researchers to know the quality of the data achieved from the field. This part provides basic information about the respondents' characteristics; such information includes their gender,

age and the level of education. All these characteristics have been examined and presented in the table 1 below.

Variables	Categories	Frequency	Percentage
Age	18-30	36	15.3
	31-40	83	35.3
	41-50	54	23.0
	51 and above	62	26.3
Gender	Male	78	33.2
	Female	157	66.8
Level of education	Degree	92	39.1
	Diploma	94	40.0
	Certificate	48	20.5
	Others	1	0.4

Source: Researchers' Computation, 2023

From the table 1 the analyzed data majority of the respondents are between age brackets of 31-40 years. This category formed 35.3% while those who were aged 51 years and above formed 26.3%, this implies that in the urban municipality, the management are recruiting younger employees, this is in agreement with career development curve. This age group comprises individuals who are motivated and aggressive at work place given the best work environment. Also, the table 1 shows the majority of the respondents are female who formed 66.8% while male formed 33.2%. This finding implies that majority of employees in the urban municipality are female which goes parallel with SDGs to empower women and reduce poverty.

Furthermore, from the analysis most staff members were diploma holders who formed 40.2%. It can be noted that there is a small margin between diploma holders and degree holders. Degree holders formed 39.3% while certificate holders formed 20.5%. From this analysis it can be concluded that most employees in urban Municipality are diploma holders. Level of education positively influences employee performance. Most organizations are currently contracting more degree holders in higher positions because it is perceived they are capable of making more rational decisions. Most certificate and diploma holders offer technical skills. These results are consistent with other scholar's work conducted previously

Multiple regression analysis results

Multiple regression is a technique that can be used to explore the relationship between one continuous dependent variable and a number of independent variables or predictors (usually continuous). There are a number of different types of multiple regression analyses that a researcher can use, depending on the nature of the question a researcher wishes to address. The three main types of multiple regression analyses are: standard or simultaneous, hierarchical or sequential and stepwise. For the purpose of this study standard multiple regression was used. In this method, all the independent (or predictor) variables are entered into the equation simultaneously. Each independent variable is evaluated in terms of its predictive power, over and above that offered by all the other independent variables. Therefore, the findings of the study through standard multiple regression analyses were first preceded by the model summary which showed the overall influence of the study objective. Therefore, the findings were illustrated in table

Table 2 Model Summary

R	R Square	Adjusted R Square	R Square Change	F Change	Sig. F Change
.544 ^a	.405	.369	.453	40.115	0.000

Source: Survey data, (2023)

- a. Predictors (Constant): Source of revenue, Reforms, Revenue plan
- b. Dependent Variable: Services delivery

The results of standard multiple regression as displayed in Table 2 above indicated that the independent variables Source of revenue, Reforms and modernization, Revenue enhancement plan for 41% of the variability in Services delivery in Zanzibar ($R^2 = 0.405$). The adjusted R square value was 0.369. Therefore, these findings substantiate that only 41% of variability in Services delivery could be explained by factors like Source of revenue, Reforms and modernization, Revenue enhancement plan. The remaining 59% of variability depends on other unexplained factors. Apart from the table 2 above, the following Table 3 below displays the coefficients' columns for the standard multiple regression conducted.

Table 3 Coefficients

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.322	.076		3.087	.000
Source of revenue	.550	.236	.337	2.331	.004
Reforms & Modernization	0.32	.021	.294	2.096	0.01
Revenue enhancement plan	.513	.225	.388	2.080	.016

- a. Dependent Variable: Services delivery

Source: Research Field, 2023

Interpretation of Coefficients:

Constant

The constant term in the model is 0.322. This is the expected value of the dependent variable (services delivery) when all predictor variables are held at zero. The associated t-value (3.087) indicates the statistical significance of the constant term. The p-value (Sig. = 0.000) suggests that the constant term is statistically significant.

Source of Revenue

The coefficient for the source of revenue predictor is 0.550 (unstandardized). This means that for a one-unit increase in the source of revenue, the dependent variable (services delivery) is expected to increase by 0.550 units, holding other predictors constant. The standardized coefficient (Beta = 0.337) represents the effect size in standard deviation units. The t-value (2.331) is associated with a p-value of 0.004, indicating that the source of revenue has a statistically significant impact on service delivery. The finding goes in line with the finding of Isaac, (2015) that there is a significant influence of revenue collection on service delivery ($F=33.39$, $\beta=0.350$, $p<0.01$).

Reforms and Modernization

The coefficient for the reforms and modernization predictor is 0.320 (unstandardized). This suggests that for a one-unit increase in reforms and modernization, the dependent variable is

expected to increase by 0.320 units, assuming other predictors are constant. The standardized coefficient (Beta = 0.294) indicates the effect size in standard deviation units. The t-value (2.096) has a corresponding p-value of 0.010, indicating statistical significance. The finding goes in line with the finding of Veronica and Gerry(2022) who found that revenue collection has a positive and significant effect towards service delivery.

Revenue Enhancement Plan

The coefficient for the revenue enhancement plan predictor is 0.513 (unstandardized). This implies that a one-unit increase in the revenue enhancement plan leads to an expected increase of 0.513 units in the dependent variable, while keeping other predictors constant. The standardized coefficient (Beta = 0.388) shows the effect size in standard deviation units. The t-value (2.080) is associated with a p-value of 0.016, suggesting statistical significance. This finding goes in line with the finding by Ali and Muqadas (2015) that the revenue collection has an effect on service delivery which has significance level of $p < 0.001$.

Discussion of the Findings

Starting with the findings of the objective one, hereby the researcher was interested to determine the sources of revenue of the Zanzibar Urban Municipality. How the source of revenue helps to improve service delivery to the Urban Municipality community Zanzibar? The findings of this objective were inconsistent with the findings of Kelvin(2020) which conducted study on evaluation of revenue collection performance in local Government Authorities in Dar es Salaam City. The study findings showed that there were several sources of revenue, which included rental of asset fees, Ubungu bus terminal fees, construction license fee and services tax which improve the performance of local Government Authorities. On the side of objective two, the researcher was interested to examine the effects of reforms and modernization of operations in revenue collection on service delivery in Zanzibar Urban Municipality. The finding of this objective was related to the findings of Haraba (2021) where the researcher conducted study on assessment of the performance of revenue collection system in local Government Authorities. The study found that revenue officers lack internal control as a situation, which has resulted in revenue losses due to theft and fraud committed by employees. So, the new innovation on strategies possibly was to improve the revenue collection performance for the local government authority.

Finally, the third objective was dealing with the effect of revenue enhancement plan on service delivery in Zanzibar Urban Municipality. The findings of this objective were related to the findings of Mbilinyi, Kaswamila, & Assenga (2022) who conducted study on the Land Regularization and Its Impact on Household Livelihoods in Dar es Salaam and Mwanza Cities, Tanzania. Their results indicated that levels of livelihood outcome before and after land regularization portrayed spatial differences. In Buhongwa Ward, the level of livelihood outcomes before and after land regularization showed a significant result ($P < 0.05$), while at Kimara Ward it was insignificant ($P > 0.05$). Besides, it was observed that the improvement in the two cities was not the same in all households.

Conclusion

In conclusion, the study delved into the intricate relationship between revenue collection and service delivery within the context of Zanzibar Urban Municipality. Through an in-depth analysis of various variables and their interplay, it became evident that revenue collection plays a pivotal role in shaping the quality and efficiency of public service delivery. The findings concluded that all three independent variables, "Source of revenue," "Reforms & Modernization," and "Revenue enhancement plan," are statistically significant predictors of the

dependent variable "Services delivery." The coefficients and standardized coefficients provide insights into the strength and direction of these relationships.

Recommendations

Based on the findings of the study regarding the Effect of Revenue Collection strategies on service delivery for the Zanzibar Urban Municipality, several recommendations can be made to optimize revenue generation and ensure sustainable funding for effective service delivery. Zanzibar Urban Municipality should strive to diversify its sources of revenue beyond rent, fees and fines. Exploring new avenues such as user fees for specific services, advertising opportunities on municipal properties, and exploring partnerships with private sector entities can help create a more resilient and balanced revenue base.

Zanzibar Urban Municipality continues investing in comprehensive digitalization efforts for revenue collection operations. This includes implementing user-friendly online platforms for payment, digital recordkeeping, and automated processes. Such modernization not only increases efficiency but also enhances transparency and reduces the potential for errors or corruption. Zanzibar Urban Municipality should ensure that the revenue enhancement plan is closely aligned with the municipality's service delivery priorities. Direct additional revenue towards essential services such as healthcare, education, waste management, and infrastructure projects to address critical needs within the community.

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