



## The moderating effect of government policy on the relationship between revenue collection practices and financial accountability of Rorya District Council in Tanzania

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### Abstract

The study aimed to determine the effect of fees collection on financial accountability in Districts Council in Tanzania. The study used cross-sectional survey research design. The target population of 760 Rorya District council members was used. Stratified sampling technique was used to determine the sample size of 288 respondents. Closed ended questionnaire was used. The result was presented by tables and figures. The study found that cess collection was well achieved from fishing (Sangara). The study found that there was a negative relationship between fees collection and financial accountability which was statistically significant. The study recommended that fee collection should be improved by the set target compatible with all customer fees. Further research can be done on the impact of others revenue collections aspects in rural and urban local authorities in developing countries.

**Keywords:** moderating, financial accountability, revenue, government policy

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### 1. Introduction

The modern World has increased building market infrastructure with up to date facilities of financial, economic, social that attract higher fees collection and public financial accountability. Need for better performance and greater Accountability in public financial Management System in most Government has become mandatory for retaining government in power and civil servants in tenure of their employment. Many Countries are working hard to crack down on corruption by reducing the Incentives to commit corrupt acts and increasing the likelihood of detection (Thomas *et al*, 2014).

Fees collection from Commercial sector is part of enforcement of laws to comply with rules and regulations stipulate from various laws, one of the major reason for doing that is that costs of compliance are higher adhered than cost other enforcement plus penalty mean to avoid payment (Razwan, 2010). Fees collection are imposed to recuperate the cost of services provided by the council are obligatory character if the utilization of the service or public infrastructure is mandatory for by regulation example parking fees at bus stand, fishing vessel packing fees at beaches, school fees at schools, user fees at renting premises and entrapment fees from disco houses, clubs etcetera. The services provision can be statutory and non – statutory services and are used both on voluntary and non-voluntary basis (Kiwale 2013). Fees collection on the basis of equivalence principle is highly accepted politically because it avoids classes in fees charges and hence creates equality in payments of equal service for entire society.

Percent or rates of fees collection structure review can be done by conducting a review of current charges related to trade situations, political situation and economic situations, categorize the services and policy intention by government at that particular time, like abolition of tuition fees from primary to secondary schools students aiming at free education for all students that create future educated personal in the country. In diverting from the strictly cost recovery charges a line of demarcation can be set above or below cost recovery line on that basis for traders it may lead them to profit if in below cost recovery and loss for above cost recovery, but because of sustaining demand and supply the government can introduce subsidies or taxes for regulations (Ochupe, 2017).

The revenue collection costs of each service offered is analyzed if the current collection is appropriate and justifiable while creation of no destructions of future direction of society and country at large, consolidate the possible fees changes and their increasing efficiency of administration and collections (Hassan, 2014).

According to Zhang (2013) effective fees collection had a significant effect on financial growth of firms in terms of profitability of the business. The total returns raised have more positive effect on tax rates in the firm. The influence of revenue by tax is positively or negatively related to performance; however, tax imposed by the government affects the rate of tax charged on tax deductions which lead to more taxation than earnings (Yitzhaki, 2018). But the issues relating to fee collection as a tool for individual economic growth and enterprise sustainability have not been considered (Enahoro, 2012).

### 1.1 Statement of the Problem

Fee collection can improve financial accountability at district councils in Tanzania. The sustainable achievement of internal balanced budget of Local Government Authorities, financial accountability of Rorya district council in the previous years has not improved. These can be witnessed by loss of funds, delays in legal actions on victims of loss at all levels, no action taken to civil servant and politicians who involve on that scandals, misappropriations reports, poor management of policies and extremes' level of negligence from various authorities. There is loss of funds in revenue collected from fishing vessels landing fees was Tshs 40,176,000 in the year 2012, Tshs 49,776,012 in the year 2013 (Auditor report, 2011/2012). Fee collection which was not banked over the years and budgeted funds might not be accounted for development activities. Pieters (2015) evaluated the challenges facing revenue collection on resource allocation accountability in Ndlambe local Municipality in Eastern Cape Province. The study sought to evaluate tax challenges, poor revenue collection, strategies and allocation of revenue on service delivery of Ndlambe local municipality in South Africa. Thus, the study aimed to analyze the effect of fees revenue collection on financial accountability in Rorya District Council, Tanzania by this research.

## 2. Literature Review

### 2.1 Theoretical Review

#### 2.1.1 Cost of service theory of taxation

The theory was developed in 1902 by Devereux M which argues that fees structures have to be selected based on service rendered subject to the taxpayers. This theory implies that the Government should tax the citizens according to the cost of service rendered by it. The Government renders certain services to citizens and the cost of such services should be collectively met by the citizens the tax, an individual should bear, must be equal to the cost of benefit he receives. The optimal revenue usually regards social welfare capacity of people income to meet revenue expenditure. In its most broad inquiry, tax is equivalent to circulations of revenue service. The theory tries to get details on how revenue collection is maximized on taxable individuals (Njogogo, 2014).

The assumptions of the need for optimal taxation which turn out to be too simple: the optimal revenue is just a singular amount tax liability. All factors are considered if the economy is given by a representative tax payers, that buyer is

going to pay the whole tax bill of the administration in some structure. Misplaced funds creates business defect, for example, a prior externality, it is best not to misshape the decisions of that purchaser by any stretch of the imagination. The external tax premium takes place due to a symmetric order between tax payers with revenue collectors. The financial accelerator occurs in several taxes with other expenditures. In the particular, domestic tax used to finance all revenue collection (Griffith, 2014).

Theory is criticized by the difficulty in finding out total cost of services rendered by the Government is very difficult and therefore, the question of distribution of total cost among citizens is not so easy to solve revenue amounts collected by the governments help in provision of social welfare benefits. Consequently, households capacity with or conditions beneath are able to pay revenue, for this revenue expenditure are discriminatory given via their incomes. A large amount is collected from real tax policy influencing financial accountability (Aoki, 2014).

The relevance of this theory provides an ideal explanation on how revenue collections deal with financial accountability. If the tax payer pays out revenue then pull towards keeping away to convene their reimbursement. The condition of revenue base on the firm offer maximum security which would give an opportunity to understand revenue collection.

### 2.2 Empirical Literature Review

#### 2.2.1 Fees Collection and Financial Accountability

Armendariz (2015) studied the effect of fees collection on financial accountability of Philippines schools. The study aim was to establish the relationship between fees collections and revenue collections in banks. The study used 76 banks with a cross section survey study by correlations analysis. Data was collected by primary data using questionnaires. The study found out that revenue from fees affect financial accountability. The study further showed that fees collection from livestock auction, lending fishing vessels affect financial accountability of revenue collection.

A number of studies have been conducted on the effect of fees collection on financial accountability among taxpayers and how it influences revenue collection. While most of these studies were conducted in the developed countries, fees collection was negated financial accountability. Aoki (2014) studied the relationship between tax fees collection and revenue collection efficiency in Mexico. The aim of the study was to examine the effect of taxpayer fee collection information on financial accountability. A Survey design was used to describe fees collection on financial accountability. Correlation analysis was employed which indicated that fees collection was negative towards financial accountability. For budget of fees collection to improve efficiency must be confer with the help of revenue collections. With high rates of fees collections save more money to earn and vice versa due to high tax rate.

Abolari (2016) examined the effect of fees revenue collection on financial accountability of Nigeria government. The study aimed to examine the effect of fees revenue collection on financial accountability in Nigeria. The objectives were to examine the effect of fees revenue collection, income tax, and property tax on financial accountability in Nigeria. The study failed to evaluate the fee collection which is an important component of analyzing financial accountability in Nigeria. Bhattacharya (2011) studied the influence of fees collections on financial accountability cycles. The sample of 460

respondents was used with correlation analysis which found that there are no correlations of inadequate fees collected from entrepreneurs and financial accountability. The study found that fees collections affects domestic savings in financial market. The study findings show that there are no statistical significant intervals between fees collections and financial accountability. According to market conditions of demand and supply are influenced by credit. There are reforms that enable the economy to withstand fee tax collection due to tax instability which has no relationship between fees collection and financial accountability. Parking or bus stands, social economic process and market premises fees have no statistical influence on financial accountability. SenHadji (2012) examined the relationship between financial accountability and fees revenue collection. The study aim was to examine the effect of financial accountability on reforms crises in East Asian countries. The objective of the study was to examine the influence of information and financial accountability. The study used secondary data. The study used regression analysis and correlation analysis of asset tax prices and fees savings. The study found out that there was no fee tax information relationship between and financial accountability. They also established that lack of fee tax information affect tax compliance, but heavily on financial accountability of resources deductions, inadequate corporate governance, and dependence on intermediation by under-regulated rates to rapid economic growth. The study conditioned that the fees collection affect tax price, the money supply is more rigid, and imperfect. Through a variance of analysis concluded that rate of fee collections affect prices cyclically contributes to inflation of prices prior to financial crisis period. The study also found out those fees collections was inversely correlated to falling of fee prices. The main implication of fee collection reform is to ensure revenue is collected with reducing cost.

Al-Timid (2011) conducted a study of fees collection on financial accountability. The study objective was to determine the influence of fees collection on financial accountability. The study targeted 32057 European firms. Descriptive statistics found out that most firms have inflexible fee collection policies which affect revenue collection. However, the study argued that higher financing fee collection have no impact on financial accountability, because a higher financing is a greater than saving with income effect mixed and it is negative for the net profit, because it reduced saving to achieve a given amount in the future targets while positive for a net profit to financing tax

liability. Aware of the consequences of failing to meet tax obligations in time, the financing of fees in the government expenditure and maintenance is raising, despite this study there is no clear findings used to explain the effect of fees collection on financial accountability which may be explained by this study.

Vermeulen (2006) evaluated the response of fees revenue collection on financial accountability. The objective of the study was to analyze the determinants of fee revenue collection and debt revenue collection on financial accountability. The study found that tax the understanding of tax information enhances revenue collection efficiency. The tax fees collection is acceptable that fees collection of taxpayers is significantly related to financial accountability. The study further argued that the decrease in fees collection had a positive statistical significant effect on financial accountability. The study added that decrease in tax incentive leads to an increase in wealth because some of the extra wealth tax is consumed; Tax reduces savings from a given current income. The study reveals that increase of prices no significant effect on financial accountability. The increase of expected tax had statistical significant impact on savings target. Thus the study leaves a knowledge gap of fee collections and financial accountability which calls for a study.

### 3. Research Methodology

The study used cross-sectional survey research design. According to Mugenda and Mugenda (2009) <sup>[29]</sup>, cross-sectional design is a process of taking only respondents with the applicable responses in the knowledge of the study.

The target population consisted of 760 Rorya District council members and community dealing with revenue collection payment matters. The sample size of 288 respondents was used in Rorya District in Tanzania.

Closed ended questionnaire was used to collect primary data. Research questions were arranged using 5 point likert scale.

### 4. Data Analysis and Presentation

#### 4.1 Fee collection

The study sought to determine the effect of fees collection on financial accountability in Rorya District Council in Tanzania. Table 1 showed the results.

The results in table 4.1 showed that fees collected from social facilities contributes to revenue sources had the highest mean of 1 with a standard deviation of .755.

**Table 1:** Fees collection

	N	Minimum	Maximum	Mean	Std. Deviation
The set targets is compatible with all custom fees	269	1	5	3.11	1.382
Parking fees are collected through parking vehicles	269	1	5	4.00	.801
Market premises fees is collected with sales of goods	269	1	5	3.77	1.100
Livestock auction fees is one of the source of government collected revenue	269	1	5	4.20	.726
Fees collected from social facilities contributes to revenue sources	269	1	5	4.21	.755
Valid N (listwise)	269				

**Source:** Research data (2020)

Livestock auction fees was one of the source of government collected revenue which had a mean of 4.20 with a standard deviation of .726, Parking fees were collected through parking vehicles had a mean of 4.00 with a standard deviation of .801, market premises fees was collected with sales of goods had a mean of 3.77 with a standard deviation of 1.100

and the set targets was compatible with all custom fees had a mean of 3.11 with a standard deviation of 1.385.

From the results in table 4.7 showed that fees collected from social facilities contributed to revenue sources with the highest mean of 4.21 with a standard deviation of .755. The mean of 4.21 was very close to maximum value of 5

represented the respondents agreed that fees collected from social facilities were of the revenue sources to the government. However, the mean of 3.11 was very close to 3 in the scale that the respondents were moderate or not able to tell whether the set target was compatible with all customers fees collected.

### 5. Conclusion and Recommendation

The study concluded that fee collection was collected from social facilities contributed to revenue sources. The Fees collection had a positive relationship on financial accountability which was statistically insignificant. Therefore fee collection had no significant effect on financial accountability in Rorya district council in Tanzania.

The study recommended that fee collection should be improved by the set target compatible with all customer fees. This will improve revenue collection within the council scheme where every tax payers would be required to contribute enough for development. Lack of updated boat database is one of evidence that boat parking fees are not clearly collected per target and existence of informal landing sites that contribute divergence of revenue collections.

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