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AN ANALYSIS OF THE EFFECTIVENESS OF REVENUE COLLECTION STRATEGIES ON ENHANCING THE FINANCIAL POSITION OF ZIMBABWE

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ABSTRACT

Developing effective ways in revenue collection has been an important matter in tax and revenue collection. The study explored the strategies and the advent of new instruments that had been put in place by ZIMRA to help revenue collection to be effective. This was to significantly enhance revenue collection in all Departments. Implementation of innovative revenue collection strategies was supposed to improve its organization structures, training, manpower planning, developing teamwork among management and staff, new approaches to reward management and adaptation of total quality management. The influences of various revenue collection strategies on revenue collection have not been investigated. The purpose of this study is to examine the effectiveness of revenue collection strategies at ZIMRA in Zimbabwe. A combination of qualitative and quantitative techniques was used on the characteristics and status of revenue collection strategies at ZIMRA with regard to enhancements of revenue collection. Semi-structured Interviews were conducted with key informants and the researcher targeted senior officials at ZIMRA. Thirty five questionnaires were distributed among the taxpayers who were selected using stratified random sampling. Data presentation of research findings was done using Microsoft Excel and qualitative data analysis was hinged on thematic and content analyses. The research findings established that adoption of effective revenue strategies is the crucial component to enhance a sound fiscal position in Zimbabwe. The ministry of Finance had called for penalisation of tax evaders and curbing out all the sources of revenue collection as a way to mobilise revenue. the research findings established that revenue collection strategies used in Zimbabwe in enhancing the financial position are effective as evidenced by ZIMRA surpassing its revenue targets. The study concluded by recommending an efficient system at ZIMRA so as to enhance effective revenue collection. It was noted that the revenue body should be given its full autonomy so that it cannot face challenges in mobilising revenue. Further research should be done in other revenue collection bodies so as to enhance revenue collection and increase's the government's income.

DEDICATION

I do dedicate this work through the support of my mother Mrs. B Muhone and my grandmother Mrs. Muhone. I also dedicate this work to the Higher Life Foundation.

ACKNOWLEDGEMENTS

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ACRONYMS

GDP-Gross Domestic Product

IMF-   International Monetary Fund

MoF-   Ministry of Finance

PAYE -Pay As You Earn

TIZ - Transparency International Zimbabwe

VAT - Value Added Tax

ZIMRA - Zimbabwe Revenue Authority

CHAPTER 1: **INRTODUCTION**

1.0Introduction

The Zimbabwe government over the years had been coming up with feasible revenue collection strategies to maintain the financial position which can be able to sustain the country. After gaining independence the economy was self sufficient because it had access to the world market and would get loans and funding from International monetary organisations. After a series of policies that were not favourable to the west Zimbabwe's economy started to deteriorate. Due to sour relations between Zimbabwe and the West Zimbabwe had to come with strategies to enhance revenue collection so as to be able to keep the economy running.

1.1Background of Problem

When Zimbabwe got its independence in 1980 it had a sound economy, and its Gross Domestic Product was not directly derived from revenue collection. After gaining independence the country had a rapid economic recovery up to 1981. In 1982 there was a decrease in demands for minerals and the situation was worsened by drought which stretched up to 1984 which saw a slight decline in the Gross Domestic Product. However in 1985 the GDP rose due to an increase in production from agriculture and it remained constant into the year 1986. In 1987 the economy shrunk due to foreign exchange crisis and drought. Between the years 1980 to 1990 the GDP grew approximately by 4.5%.

The last decade of the 20th century saw the government adopting policies which led to the dilapidation of the economy. In the early 1990s the World Bank and IMF introduced the Structural Adjustment Programmes which were adopted as Economic Structural Adjustment Programme in Zimbabwe in 1992. Instead of boosting the economy it led to the economic crisis and left most people unemployed. The economy continued shrinking and when the government

introduced the programme of compensating the war veterans from the government kouffers which bankrupted the economy. Having a negative growth on the GDP did not stop the government to get involved in the Second war of Congo in 1998. By the end of the 20th Century the Zimbabwean economy had shrunk and this led to closure of industries and a lot of mines leaving most people unemployed.

At the turn of the century the economy had sunk mainly due to the policies that were adopted in the 20th century hence the economy's revenue was directly driven from taxes base. In 2000 Zimbabwe embarked on the Land Reform Programme and the net effect was the imposition of International financial restrictions on Zimbabwe by the International Community. The imposition of sanctions on Zimbabwe closed the doors for International funders and hence there was over reliance on tax policy. During this period the economy shifted from a formal to an informal one as employment rates were falling and most people were retrenched hence they had to resort to informal activities to sustain their lives. Processed food import rose rapidly to ail in the gap of food processing companies that were being incompetent. Therefore indirect taxes rose through the growth in trade taxes against the declining direct tax due to the economic dilapidation.

From the onset of the operation of the new government after independence corruption became very clear in its definition but due to high inflation rates corruption has not been a dominant issue up to 2005. Corruption became more visible and concrete when the government begun to compensate the gradual loss from inflation and economical disputes. In 2005 Zimbabwe took a stride by introducing a number of taxes, because of the high inflation rates which characterised

the period 2005-2010 they were further enforced in 2011 when multi currency was introduced. The deteriorating economic situation led the government to come up with revenue collection strategies and also the need to broaden the tax base. The tax included different revenue collection strategies namely fines, licensing operations, tollgates, taxes as well as customer duties. Zimbabwe Revenue Authority (ZIMRA) was given the mandate to regulate revenue collection and it became the dominant revenue agent. . ZIMRA has since decentralized its tax collection points by establishing offices around the country- developments that are poised to increase revenue inflows as offices become more accessible to taxpayers. These developments also place ZIMRA in better steady to effectively monitor tax revenue collection points. Since its establishment in 2001, ZIMRA has established an unbroken record of "surpassing revenue targets" (Government of Zimbabwe Budget Statements, 2010, 2011 and 2012) with Value Added Tax, Customs Duty and Individuals Income Tax among its high performing revenue heads. However, this performance record may not reflect the entirety of the story, especially given that. This was in a bid to curb ineffectiveness which characterised the revenue collection agencies as well as the government itself due to the monopolisation of the agents mainly by the top officials. More so this has proved to be of no meaning when talking of resources of the country like gold and diamonds at most which are being witnessed of being siphoned by the key gurus of politics as well to the benefit of the state and political actors.

1.2Statement of the Problem
The research seeks to analyse and examine the revenue collection and administration in Zimbabwe. The problems that are encounter in revenue mobilization and the sources of revenue leakages in Zimbabwe. The loose ends that have led to tax evasion and tax avoidance by tax payers. The problems that is associated with high tax rate that are being paid by citizens in

Zimbabwe and the corrupt tendencies that are being displayed by the revenue officers. The study is intends to assess the effectiveness of the revenue strategies that are used in Zimbabwe.

1.3 Justification of the Study

The research seeks to evaluate the actions of the government in revenue collection as well as the outcomes thereby. The researcher hopes to gain an insight on the factors that can make revenue collection in Zimbabwe effective and reasons why despite the adoption of technology in revenue there are still sources of revenue leakages. The research also seeks to uncover and explore the root causes of inefficiencies in revenue collections and the reasons why tax evasion and avoidance is still rampant. ZIMRA have to sensitise people on the importance of paying taxes which will help in maximising revenue collection. The revenue had to be equipped with adequate resources to enhance effectiveness in revenue collection

1.4Research Objectives

This research seeks to:

- Analyse the revenue strategies that are used in Zimbabwe.

- Evaluate the ways in which revenue is administered in Zimbabwe.

- Evaluate the effectiveness revenue collection strategies used in Zimbabwe.

- Assess the effectiveness of revenue authorities in mobilising revenue in Zimbabwe

- Examine challenges that are faced in mobilising revenue in Zimbabwe.

- Proffer recommendations on ways that can enhance revenue collection in Zimbabwe.

1.5Research Questions

This study s animated by the following research questions:

1. What are the revenue strategies that are used in Zimbabwe?

2. How is revenue administered in Zimbabwe?

3. How effective are revenue collecting strategies used n Zimbabwe?

4. How effective are revenue institutions in mobilising revenue in Zimbabwe?

5. What are challenges that are faced in mobilising revenue in Zimbabwe?

6. What interventions that can be suggested to enhance revenue collection in Zimbabwe?

1.6 Significance of the Study

The findings of the dissertation would be vital to the revenue authorities, Ministry of Finance, taxpayers and the general public because the above mentioned are both directly and indirectly affected with tax revenue collection. The results will also add knowledge to the student through the findings that the student will do during the course of the research. The research will help the student to understand the sources of revenue leakage and how revenue is administered in Zimbabwe. The research may also help the current and future students who will want to endeavor their researches in the same field.

The study also intends to make the major revenue authority bodies in Zimbabwe to fill in the loopholes that are in their revenue administration. The findings from this study will help in coming up with ways to mobilize revenue and solutions to problems that are encountered in revenue collection.

1.7 Delimitation of the study

This research will be done in Zimbabwe because it is looking at the revenue collection strategies used in Zimbabwe. the study population comprised of ZIMRA officials working in any offices of the organization in Zimbabwe and taxpayers since almost is a taxpayer it is easy

to access data. People who are acquainted with knowledge on how revenue is administered will also be part of the study.

1.8Limitations

In pursing this research, the researcher encountered a lot of challenges and limitations in conducting the research. The first limitation was the researcher had limited resources in terms of time and finance to conduct an extensive and comprehensive research. Moreover the confidential nature of the ZIMRA employees was a drawback to the research finding because they were reluctant to give information. This was a limitation to the scope of the sample size because the research findings would not approximately represent the targeted population. Another limitation was respondents might have not given accurate information when they answered the questionnaires.

CHAPTER TWO: LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

2.0 Introduction

This chapter gives the literature review of the effectiveness of revenue collection strategies used in Zimbabwe. The chapter seeks to review empirical literature and filling in literature gaps from previous studies in the same area giving a critical evaluation. The chapter will is also anchored on the conceptual framework used which are Principal-Agent Framework and the Congruency model. The literature review will be anchored upon the following subtopics:

a) Reforms and modernisation over time

b) Sources of revenue in Zimbabwe

c) The role of revenue bodies in mobilising revenue

d) Challenges faced in mobilising revenue

e) Measures taken by ZIMRA to increase revenue collection

2.1 Literature Review

2.1.1Reforms and Mordernisation over years
In the 1990s the IMF and World Bank brought about tax reforms to be adopted by governments as a way to increase effectiveness and efficiency in revenue collection and to curb out tax evasion and avoidance. According to the IMF (2011) the initiatives included grouping of taxpayers with their capacity to pay taxes and shifting from income tax returns to final deduction systems for example PAYE which was to be deducted by the employer in a bid to reduce compliance costs. These reform measures sought to revamp and strengthen revenue administration, enhance voluntary compliance increase the tax base and address corruption that had been leading to revenue leakage mainly in developing countries. In Ghana and Uganda units were established to deal with high level individual and institutional payers. According to

Fjeldstad & Moore (2008), the IMF and the World Bank suggested the creation of independent bodies so as to avoid the interference of the central government in revenue collection administration. This had seen the establishment of semi-autonomous revenue authorities which were given the mandate to control over the movement of goods on border posts, manufacturing of goods, storage or use of certain goods in most countries. In the United Kingdom the mandate was given the HM Revenue and Customs (HMRC) in the United States of America to Internal Revenue Service and in Malawi, Malawi Revenue Authority in 1998. Zimbabwe had not been an exception in 2001 ZIMRA was established and it was given the authority to oversee the collection of revenue

Revenue collection is the major principle to domestic resource mobilisation tools at the disposal of developing countries and Zimbabwe has not been an exception. It also plays a pivotal role in shaping the distribution of resources from higher income citizens to the most needy thus there will be equal distribution of resources. In 2000 Zimbabwe established a statutory body to enhance the efficiency and effectiveness in revenue administration ZIMRA under the Revenue Authority Act (23:11). Statutory instruments in Revenue collection included Income Tax Act (23:0), Capital Gains Act (23:01), the Finance Act (23:04), the Value Added Tax (23:12), the Estate Duties (23:03), the customs and exercise duties (23:02). These legal instruments were based on the objectives of the Ministry of Finance (MoF). Under these statutory instruments that is where revenue is driven from and they also help in the administration of revenue.

Most of the literature examines the failure of the government to curb corruption and meet the revenue to its expected destinations. According to Manyukwe (2011), the Zimbabwean environment has been characterised by looting of resources, fraud, and lack of transparency in the circulation of money. The findings of a 2011 survey commissioned by Transparency

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International Zimbabwe (TIZ) found that Zimbabwean citizens regarded the public sector as the most corrupt sector in the country. In this survey respondents pointed out the police as being most corrupt followed by political parties, parliament/legislature, public officials/civil servants and the judiciary. In 2008, the TIZ director announced that Zimbabwe loses US$5 million to corruption every day thus by so doing crippling the actions of revenue collection.

For revenue collecting agents to be effective and avoid corruption they are supposed to abide by certain principles. In a study by Bemani in 2014 he showed whether the revenue body in Zimbabwe was abiding to core principles in revenue collection. The core principles included integrity, fairness and transparency among revenue officials. The study showed that ZIMRA has managed to fulfil its mandate of collecting revenue as evidenced by reports from 2009 which showed that ZIMRA had been surpassing it targets. Bemani (2014) went further to show how ZIMRA had became a tax imposing authority instead of being a revenue collecting body and this in turn had lead to revenue loss through corruption. However the study did not proffer solutions on measures to be put in place to ensure that core principles in revenue collection are followed. The study did not give measures that can be put in place so as to curb corruption. In Zimbabwe there had been the set up of an office of Anti-Corruption which tries to enhance transparency and deals away with issues of corruption in the public sector. The Anti corruption team had been responsible for the dismissal of corrupt officials mostly in the public sector.

In a study carried out in Nigeria by Amadasun and Urhoghide(2011) found out that tax officials do not receive adequate training, badly equipped, poorly remunerated and corrupt, and that tax laws in Nigeria are complex and difficult to understand for both the taxpayer and tax administrator. This study will help the researcher in assessing situation with ZIMRA since both

are developing countries and are practically facing the same problems in revenue administration. This should be compared with the conclusion that was reached by Upadhyay (2010), who observed that the way people behave and their perceptions towards tax payment is determined by attitudes and perceptions about the state and governance. He concurs with Waller when he posits that tax administration in India is more visible in enforcing the procedural compliance, and that inefficiency of tax administration resulted in tax non-compliance. Easonn(2004) postulated that lack of adequate resources had led to inefficiencies in revenue collection hence the need to supply adequate human and physical resources to maintain and aid operation of revenue bodies.

In a similar study on Malawi Taxation System by Malawi College of Accountancy confirms the observations of Torgler (2007), that if taxpayers believe that they live in a state in which corruption is at its peak and do not trust much the authorities, ,the taxpayers rate of compliance to tax laws in place will be limited. The findings of the study showed that tax payers in Malawi did not comply with tax laws because of ignorance and lack of information dissemination by the responsible authorities. The study suggested that the use of civic groups in educating citizens that they should pay taxes and reasons why they are being taxed. Zimbabwe is supposed to copy this and set up civic groups that can do awareness campaigns on tax payment because in some instances citizens do not deliberately avoid paying tax but rather they are not aware that they have to pay tax. The campaigns on tax education would assist in enhancing tax compliance from the general populace in Zimbabwe. This will in turn foster effectiveness in the strategies that have been put in place for revenue collection.

2.1.2Revenue sources in Zimbabwe

In a research on revenue collection and administration by Zhou and Madhekeni (2013), they noted major revenue sources in Zimbabwe. They however concluded that tax revenue net in Zimbabwe has not yet extend to what IMF (2011) referred to as that "hard-to-tax "areas such as

small businesses, small scale farmers and state owned enterprises. Revenue collection and administration also suffer from governance problems relating to transparency in the remittance of tax revenue in some sectors of the economy. While the discovery of diamonds in the Chiadzwa area of Marange in Manicaland province was expected to be the national cash cow, revenue remittance processes remained shrouded in secrecy. Despite sustained efforts at strengthening revenue collection and administration through the establishment of ZIMRA, revenue leakage is arising from smuggling, under-invoicing and lack of will to declare at Zimbabwe's main border posts such as Beitbridge, Chirundu and Plumtree has remained a major problem. In their study they also identified measures that have been put in place to curb sources of revenue leakage however their study failed to notify other tax revenue that are is in collecting revenue, collected by ZIMRA and their contribution to the economy. The study did not show how effective are the revenue agency body it only to tax revenue collection and administration and reforms that has been in place to increase the competency of the body. Though they mentioned that there are revenue leakages it did not mention into detail the sources of revenue leakages.

2.1.3 The role of revenue bodies in mobilising revenue
Most developing countries have been facing challenges in revenue collection because of their poor economies that are less formal. They had to come up with strategies so as to widen their revenue base since revenue collection is the main source where governments draw their funds. This had led to most developing countries to introduce the presumptive tax and Zimbabwe had not been exception because its economy has shifted from a formal to a more informal economic sector. According to Elshner et al (2011) presumptive tax are found in most developing countries when desired tax base is difficult to measure, verify and monitor. Due to economic hardships that had been faced by the Zimbabwe since the turn of the 21st century the economy have shifted

to a more informal business sector and the economic situation worsened when economic sanctions were imposed on Zimbabwe. So as to broaden the tax revenue base presumptive tax was introduced in Zimbabwe in 2005. In a research by Utaumire et al (2013) they came up with findings on effectiveness of presumptive tax in Zimbabwe and how it has helped in widening the tax revenue base in Zimbabwe. They noted the shortcomings that had been associated with presumptive tax which are that it is not accurate and lack of records or registers of most people who are in the informal business sector may result in problematic administrative ways. The net effect being that presumptive tax will not be collected in all corners and people in the informal sector will not comply because there are no formal records.

In a related study by Nyamwanza et al showed that most people in the informal sector were not complying with tax laws that are in existence. The reasons being that most people are ignorant while some evade tax payment. According to Rusi and Sadiray (2003) stipulated that 59% of small to medium enterprises are found in locations that did not coincide with addresses found at tax offices. Thus it is difficult for revenue authorities to track down tax payers resulting in tax evasion. The revenue authority body has to come up with ways on how to make the people in the informal sector pay taxes. The revenue body should prepare registers and a database that will be constantly updated so as ensure effective revenue collection and this will make the people in the informal sector not to evade or avoid paying tax,

In the Zimbabwean Financial Gazette of 27 March 2009 the Ministry of Finance planned on imposing drastic ways so as to reduce people who evade tax payment. The ministry gave an order to revenue collecting agencies to enforce tax laws and going as far as seizing and auctioning properties of people who do not comply with the tax laws that are in place. Tax evasion is deliberate violation of tax law through tax underpayment while tax avoidance is

reducing tax liability within the confines of law, for instance, by simply moving from the formal to the informal sector (AFRODAD, 2011). Chiumya (2006) defined tax evasion as concealing or not properly representing the nature of the transaction while tax avoidance occurs when facts of transaction are admitted yet they have been arranged in a way that resulting tax treatment differently from the way it was supposed to be treated. According to Houston and Tran (2000) for the revenue authority to be effective in its operations and being able to put a halt to tax evasion. Hence in Zimbabwe they have to come up with measures that can put to a stop tax evasion for the revenue body to be able to operate effectively.

In a study by Hove (2012) he gave reasons why taxpayers evade tax payment and do not comply to tax laws. These included high tax rates that have been put forth by the government that result in a tax burden to the citizens. He proffered a solution that there is need for heavy penalties to ensure compliance from the tax payers and as a way to deter from tax evasion. Hove in his findings also alluded that high rates of taxes may lead to corruption by tax officers will ask for bribes from tax payers for them to underpay tax. The people in whom revenue collection have been entrusted are also playing a part in helping tax payers to evade tax payment leading to inefficiency of revenue administration. Hence it is not easy to control levels of tax evasion in an environment which is characterised by corrupt tendencies.

According to Wan (2009) governments should give subsidy to private bodies that are competitive because there will be unlikiliness of revenue leakages and it also reduces the auditing expenses. This is the model that is used in most countries for example in America and even in Zimbabwe the autonomy had been given to ZIMRA. Hove also noted that there is no communication and information dissemination from ZIMRA to taxpayers so some citizens are ignorant to the fact that they should pay taxes. Chiumya (2006) also concurs to this, public

relations with tax payers is the solution to tax evasion. There is need of transparency and professionalism within the revenue body itself for revenue collection to be effective.

Both developed and developing countries have been at loggerhead in trying to come up with ways to mobilize domestic revenue due to the global financial. Monkan (2010) did a study on ways in which Francophone African countries are mobilising domestic tax revenue to foster development. The countries have adopted property tax as a way of broadening the tax by, Monkan took note of a challenge that has been faced by most African countries in enhancing effective revenue collection tax laws that will be in place. Everest-Phillips postulated that social and political factors posses additional challenges in devising tax laws that will be in place. This is the failure of central governments to give full autonomy to revenue authorities because of political reasons of fear of opposition and possibilities of losing power due to mismanagement or revenues. In Zimbabwe as a way of mobilizing revenue in 2009 toll gates were introduced. In a paper by Zhou and Chilunjika (2013) they noted sources of revenue leakage at tolls as toll evasion, avoidance, congestion and ticket swapping. In their study they did not acknowledge the emergency of computerised toll gates. In 2014 computerised tollgates were introduced as a way to curb revenue leakage in the tolling systems.

2.1.4 Challenges faced in mobilising revenue
In the IMF working paper (2011) they noted challenges that countries with low Gross Domestic Products are facing in mobilising revenue. They purported that for revenue collection to be effective, taxation systems have to be in a position to coordinate and cooperate between revenue bodies and other organisations that have an influence on the revenue administration. They further noted the interference of the central government as a stumbling block to revenue bodies in raising more revenue. This is so because revenue bodies usually engage in rent taking and

handing over money to political masters and this in turn will lead to disruption in revenue administration and overall decrease in compliance to tax payment by the public. The paper also noted the ability or the powers that the government have to grant tax exemptions to certain companies, industries or even individuals as a challenge in revenue mobilisation. There is also under taxation of land and properties and this can be evidenced in Zimbabwe where some people with a lot of properties pay little or no tax at all.

2.1.5 Measures taken by ZIMRA to increase revenue collection

Since its inception ZIMRA had been trying to come up with viable initiatives in order to improve the effectiveness of their revenue collection strategies. In a study by Matunhu and Matunhu they showed the reforms by ZIMRA throughout its life that it had done in a bid to ensure its effectiveness in its operations. The reforms included the introduction and adaptation of computerised financial packages and it has benefited the revenue authority because of reduction in manual labour. Matunhu and Matunhu (2011) in their research did not give problems that can be posed by computerised computer packages and whether the package that is being used in Zimbabwe is compatible. Computerised financial packages though they are efficient they are expensive to maintain because they need regular updates with soft wares which are costly which might cause a strain on the revenue which already is limited. Jones and Basu (2002) the introduction of e-commerce has created a quandary of loss of revenue emanating from the adoption of e-commerce by businesses. For efficient results to be realized through the use of computer packages the revenue body should have or use compatible packages.

2.2 Conceptual Framework

2.2.1 The Principal-Agent theory

The Principal-Agent theory was developed by Danninger. The main idea behind the Principal-Agent model being that the Principal is too busy to do a given job so contracts the Agent to perform some services on his behalf. According to Jensen and Meckling (1976) the Principal will delegate some decision making powers to the agent hired to do the job. They goes on to say the performance of the agent can be measured and incentivized for the agent to act with the principal's interest in mind that but being too busy also means that the Principal cannot entirely monitor the Agent. As mentioned above, the model makes use of two different utility functions which are the Principal and the Agent. In this case the utility functions are designed to depict the representative behaviour of the main fiscal authority (Ministry of Finance) as the Principal on one hand and the revenue collecting body (ZIMRA) as the agent on the other hand. However the principal is not able to entirely monitor and supervise the agent because they are too busy and this will lead the agent to work at self interest that is maximising the utility function of the Agent at the expense of the benefits of the agent. The differences in utility functions will at the end produce the ineffectiveness results of duties performed by the agency

As noted above, relation between the Ministry of Finance and ZIMRA is very similar to that of the principal and the agent one. The Ministry of Finance provides public services (with funds being drawn from public revenues) under condition of inadequate control over its revenue collecting body. Inadequate control by the MoF is due to the fact that direct control of the agent will incur a lot of cost hence straining the public finances which are already limited. However it should note that ineffectiveness in revenue collection is not only caused by the revenue body, there are also some external variables ranging from macroeconomic, microeconomic to social and demographic variables that can have an effect on revenue collection.

2.2.2The Congruence Model

The congruency model was developed by Nadler and Tushman in 1997. The model suggests that for an organization's performance to be understood there is need to understand the organization as a system with basic components which are inputs, outputs and feedback. With the central idea being that for an organization to achieve its objectives effectively is determined by the congruence between the various parts that makes up the components of the organization in the transformation process. The model regards an organization as an open system, consisting of an inter-related set of components that are interdependent to each other that interact with the - environment. The components include inputs, outputs, strategy, transformational process and outputs. This model can be taken like any other systems in that changes in one variable will directly have an effect on the other components because they inter dependent. The variables of the congruency model make it easy to analyse how the organisation is performing.

In this case the model will be used to analyse the performance of ZIMRA as a revenue body and its effectiveness in collecting revenue. Due to the fact that the revenue authority have got inadequate resources of both human and physical it implies that the strategy will not be easily implement and at the same time there will be a negative feedback in terms of ineffective revenue collection because of limited resources to foster revenue collection. From the model it can be noted that effectiveness is at peak when the strategy used fits well the economic condition prevailing at that given time which Nadler and Tushman referred to as congruency fit. In Zimbabwe raising of taxes as a strategy to mobilise revenue collection had proven to be congruency unfit because it had led tax evasion and avoidance to be rampant

For ZIMRA to improve the effectiveness of the way it operates, it needs to identify areas which are unfit and then propose remedies to improve the fitness of the organisation. This will help in determining areas of congruence unfit and coming up with reform options. In this case ZIMRA needs to curb corruption, provide adequate resources and have an efficient system so as to be congruent fit. However the Nadler and Tushman model pts much emphasis on the transformational processes and do not take into account other elements that can make the performance management complete that will enhance effectiveness in revenue collection. Moreover there need to include more specific methods to define fit and unfit congruence among revenue administration components.

2.3Summary

The chapter explained the revenue collection strategies used in Zimbabwe and the challenges that are being faced in mobilising revenue. Revenue leakage is rampant in Zimbabwe and it is lost through tax evasion and smuggling mainly at boarder post. Corruption had also led to revenue losses .the chapter also showed that even though the body have been given the authority to be an independent body there are also external factors like politics which affect its operation. The study adopted the Principal-Agent framework and the Congruency model to analyse the performance of ZIMRA in enhancing effectiveness of revenue collection in Zimbabwe. all this is aimed to have a sound fiscal policy in Zimbabwe which is currently facing financial problems.

CHAPTER 3: RESEARCH METHODOLOGY

3.0 Introduction

This chapter seeks to describe the research methodology used in the study. Research methodology is recast to collect relevant data from the field that helps in analysis. The chapter presents research methodology, research design, study population, sample population samplings techniques and procedures that will be used in the research**.** The researcher will collect information through interview with relevant informants and questionnaires. Thus the study will use both qualitative and qualitative research techniques in a bid to show the effectiveness of the revenue collection strategies used in Zimbabwe.

3.1 Research methodology

According to Bell (2001) research methodology are various methods that are used in the collection and analysis of data in a bid to show the work plan of the research and how one will achieve meeting the objectives of the study. In this research both qualitative and quantitative methods will be used. Parahoo (1997) suggests that qualitative research focuses on the experiences of people as well as stressing uniqueness of the individual. Parkinson and Drislane define qualitative research as a participatory observation which can result in a descriptive explanation of a certain set up or practice which is unique to a certain group of people. While qualitative research presents the findings of a research in form of words, the findings of quantitative are presented in the form of numbers. Quantitative research methods use the use of systematic procedures in testing and verifying hypotheses that would have been implored in qualitative methods.

3.2Research design

In the view of Burns and Grove (2003) a research design is a blueprint for carrying out a study with utmost control over factors that might have an influence on the validity of the findings. Ghauri et al (1995), defined research design as is the whole plan that is used for connecting the theoretical research problems to the actual empirical research. They further commented that since empirical research is done so as to give answers to the research questions, the suitable a research design has to be efficient and effective in yielding the expected answers within the obligations to be followed by the researcher. The choice of research design will influence research activities, for example, what and how, data collection methods to be used. It is of paramount importance to fully understand the research problem because this will help in choosing the relevant research design. In simple terms it can be viewed as the master plan that gives specifications on instruments and techniques used in collection and analysis of data that is required to answer the research questions. The researcher chose the descriptive research design as it is the most appropriate concept.

3.3 Study population

Study population includes the population that will be encompassed or that will be used in carrying out the study. Parahoo (199) defines population as the total number of units from which data can be collected, such as individuals, artefacts, events or organizations. Burns and Grove (2003) describe population as all the elements that meet the criteria for inclusion in a study. Dale (2006) suggested the way in which population for a study can be defined, that is such population must provide a clear understanding to the readers and how the study applies to them and how it will help them. Dale goes further and identifies two types of study population, the target population and the available population. Target population refers to the whole group of people or

items that the researcher has an interest in and that will help in coming up with a comprehensive conclusion. However, the target population frequently possesses different characteristics and can also be identified as the hypothetical population. The available population is the population in research which is easily accessible which the researchers can use to come up with a conclusion. Researchers usually draw their samples from the available population. The researcher used ZIMRA officials and taxpayers in her study because these groups are both directly and indirectly affected by the way in which revenue is collected in and the population was easily accessible to the researcher

3.4 Study sample and sampling procedure
A sample is a subset of observations that will be drawn from a given population. According Webster (1985) a sample is a limited part of a given population whose characteristics are studied to gain relevant information about the whole. It is the part of the population chosen by a researcher to represent the whole population. They further said that it is not possible for the researcher to study each person of interest in relation to the study because it is time consuming and expensive hence a study sample. Due to limited resources the researcher selected a limited number to represent the population. ZIMRA is a big organization; the researcher wouldu88 face some challenges in interviewing each and every individual who works for the revenue body hence choosing a sample. Trochim (2004) describes the selection of components of the sample that will give a representative view of the whole is known as sampling technique. Therefore, stratified random sampling will be used by the researcher as a sampling procedure in order to have a good representation of all the relevant groups.

3.5 Stratified Random Sampling

It is a form of probability sampling. To stratify entails dividing or putting people into groups based on a certain criterion for example rank, level of education, sex and income. For stratified random sampling the population will be divided into groups or strata known as subsets or subgroups. A random sample will be selected each available stratum based on the fraction that each subset represents in the population. According to Ary et al stratified sampling is more accurate and more representative of the population that would have been put in the subsets than a simple random sampling. In this research stratified random sampling is the most appropriate because the study population will be categorized.

3.6 Data collection

Data collection is the process of gathering and measuring information on variables of interest, in an established systematic fashion that enables one to answer stated research questions, test hypotheses, and evaluate outcomes(Pierce 2009) .Questionnaires will be personally distributed by the researcher to the study population to complete. The researcher is going to translate some of the questionnaires to Shona for those who do not understand English. The researcher chose questionnaire because it provides more accurate and reliable data for respondents.

3.6.1 Questionnaire

The researcher chose a questionnaire as a data collection instrument because it is easy to fill and can be handed out to a lot of people. It is usually in a written or printed form designed in such a way that it gathers data used on some subject or subjects consisting of a list of questions to be given to an individual or individuals. According to Babbie (2001) a questionnaire is a means of eliciting the feelings, way of life, experiences, perceptions, or attitudes of a certain sample of

people. Babbie (2001) elucidated on different types of questionnaires which include close-ended, open-ended and a combination of both. The following study will use the combination of both open and closed-ended questionnaires which will be administered to the study population and the participants will be identified through the use of probability sampling. A questionnaire is normally a very succinct and planned beforehand set of questions premeditated to give up precise information to meet a certain requirement for research information in relation to a relevant matter. The information from the research is attained from respondents generally from a closely linked area of interest. The main objective of the questionnaires was to assemble information pertaining to effectiveness of revenue collection strategies used in Zimbabwe.

Advantages of questionnaires

- Considering the size of the sample it will be cheaper and less time consuming to collect information with the use of questionnaires.

- There is uniformity of questions – the employees of ZIMRA will each respond to the questionnaire with the same set of questions phrased in the similar manner as well as the taxpayers. Hence with the questionnaire the researcher will be able to collect more data and varying perspectives from the respondents as compared to an interview.

- Due to the fact that the study population will encompass literate people the researcher considered the use of questionnaires because they are easy and most people are familiar in filling in questionnaires

Disadvantages questionnaires

- It is difficult to motivate the respondents and this will affect the way in which they will respond.

- The results obtained present a biased data sample because the organization is too secretive hence they will not disclose some of the required information

3.6.2 Interviews

The researchers will also make the use interviews in her study. Key informants will be drawn from bodies relevant to the research in a bid to learn the effectiveness of revenue collection strategies used in Zimbabwe. Foddy (1993) proposed that an interview is whereby information is gathered through the use of verbal communication that involves asking questions and receiving responses, taking down information by the researcher. Thus there will be a structural relationship created between the researcher and the respondent due to the way the interview will be conducted. Wengaf (2001) concluded that there is insignificant delay between question and answer when conducting an interview. An interview can give the researcher an opportunity to observe how the response that will be given by the respondent will be influenced by non verbal communication.

The researcher is going to use semi structured interviews, as pointed out by Patton (1990) semi structured interviews are characterized by questioning which is flexible and the way to questions are asked may not be sequential and certain questions can be excluded. Flick (2006) pointed out that semi structured interviews involves open ended questions on the basis of the topic that is under investigation. This open ended nature of semi structured interviews is an advantage because it gives a chance to both the interviewer and the person being interviewed to discuss the topic under investigation into further detail. This will enable the researcher to draw conclusion from answers given by the respondent.

3.7 Data Analysis

After the data has been collected it is going to be organized and analyzed. For analysis of closed-ended questions, the researcher will make use of Microsoft Excel, responses to closed questions would be captured physically by the researcher into the computer. Data is going to be analyzed and interpreted with the use of descriptive statistics. Responds from the interview will be presented and analysed with other responds directly quoted.

3.8 Summary

The chapter encompassed the research methodology, outlining how data is going to be collected and analyzed. The method employed was discussed together with its advantages and its disadvantages, questioners and interviews were identified as data collection methods. The questionnaires will be administered by the researcher herself and the researcher will also conduct interviews in a bid to collect the data from stratified sample. The questionnaires had both closed and open-ended questions. The selections of the sample as well as data analysis were also presented.

CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

4.0 Introduction

The objective of this research is to investigate the effectiveness of revenue collection strategies used in Zimbabwe. The findings are presented in the form of pie charts, frequency distributions and tables and through data analysis and interpretation, the researcher tries to answer each of the research questions in chapter one, executed with the help of questionnaires, observations and interviews conducted in the research. From these findings, the researcher draws conclusions and recommendations.

4.1 Response rate

Response rate entails the percentage of the response gotten from the field.

Table 4.1 Response rate and gender analysis

Table 1: Response Rate

Respondents	Questionnaires distributed		Actual response rate	
	frequency	Percentage (%)	Frequency	Percentage (%)
	35	100	29	82.9%

The table shows that 82.9% took part in the study of the expected sample of 35 respondents. Having more than 70% of respondents implies that there is an improved reliability of the data that was collected.

4.2 Knowledge of revenue collection strategies used in Zimbabwe

The respondents were asked to highlight how many revenue collection strategies they knew that were being used in Zimbabwe because for the purpose of achieving the research objectives the respondents have to know and understand the strategies so as for them to ascertain their effectiveness. The findings of the question are presented below
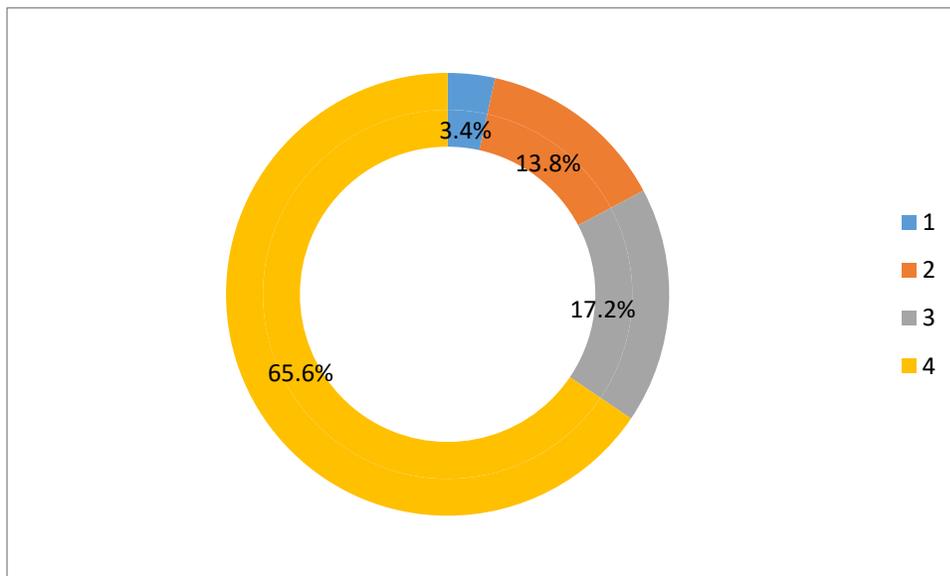

Figure 1: knowledge of revenue collection strategies

From the findings above it shows that 19 out of the 29 respondents which translates to 65% know more than four revenue collection strategies being utilized in Zimbabwe. This shows that the majority of the respondents are aware of more than four revenue collection strategies making the data collected from the field reliable. 17.2% are aware of three revenue collection strategies with 13.8% and 3.4 % knowing two and one revenue collection strategy respectively. There is need to continue on using taxpayer education to sensitise people on the revenue collection strategies used in Zimbabwe. However the findings of the study are reliable because to the

majority of the respondents know more revenue collection strategies implying they answered all the questions truthfully and honestly.

4.3 Administration of the collected revenues

The research sought to ascertain whether the respondents felt that there was proper administration of revenues and the collection process. The results of the statement are detailed in the figure below

Adminstartion of revenue collection

(Bar chart with categories: strongly disagree, disagree, moderate extent, agree, strongly agree; x-axis from 0 to 80; legend: percentage, frequency)
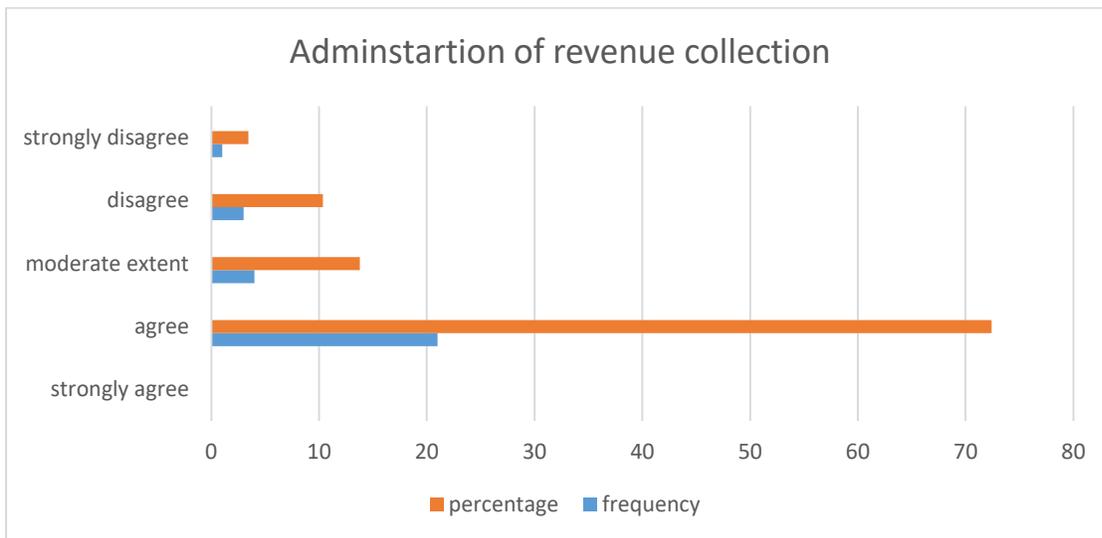
Figure 2: administration of revenue

The researcher found out that 21 out of the 29 respondents which is 72.4% agreed that there was proper administration of revenue and the collection processes while only 13.9% agreed to a moderate extent and 10.3% of the respondents disagree with the statement and 3.4% strongly disagreeing with the same statement . These findings mean that there are mechanisms that have been put in place for the administration of revenue that is why 72% of the respondents concur with this statement.

4.4 Effectiveness of revenue collection strategies

The study sought to assess the effectiveness of revenue collection strategies. To this effect the researcher observed that
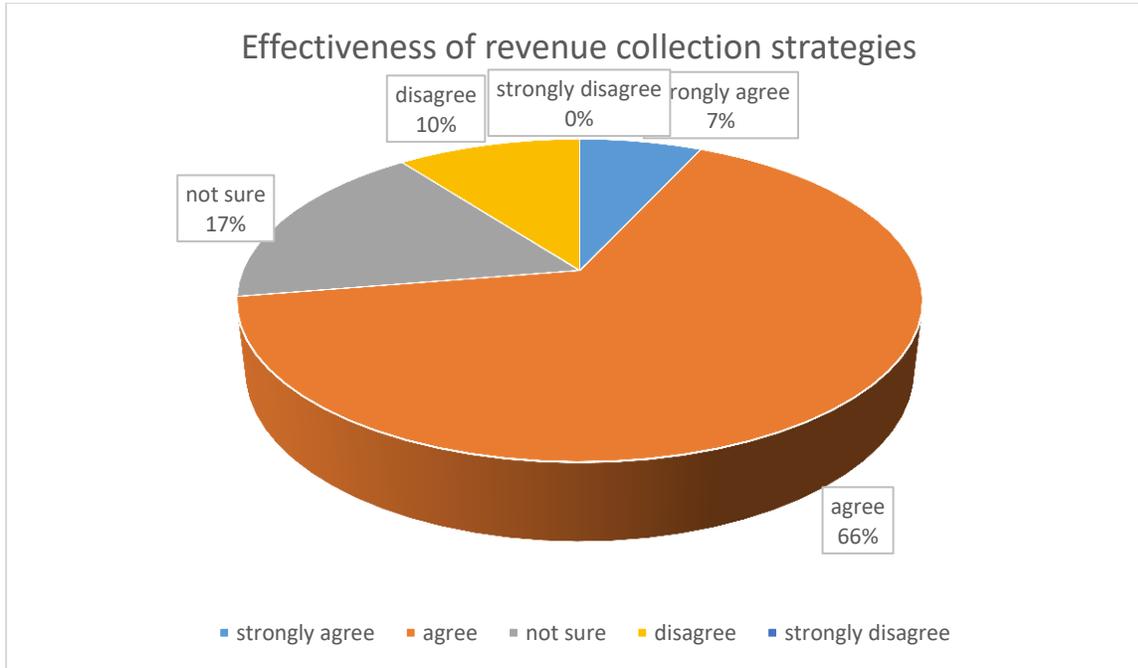

Figure 3:effectiveness of revenue collection

The findings of the question show that 66% of the respondents agree that the revenue collection strategies are effective with 7% strongly agreeing to the same notion 17% not sure if the revenue collection strategies in Zimbabwe. However 10% of the respondents disagree with the statement that revenue collection strategies used in Zimbabwe are effective. The majority agree with this statement because they cite that revenue collection has been enhanced by having these strategies in place like tax audits, tax education, workshops and an active ZIMRA website.

4.5 Effectiveness of revenue authorities in mobilizing revenue in Zimbabwe

In this regard the researcher sought to ascertain whether the revenue authorities are managing to collect monies that they would have budgeted and that they are going to get. To assess the effectiveness of the revenue body in mobilizing revenue the researcher will compare the budgeted collections against the actual collections using 2014 statistics from the ZIMRA website. The findings of this variable are shown below:
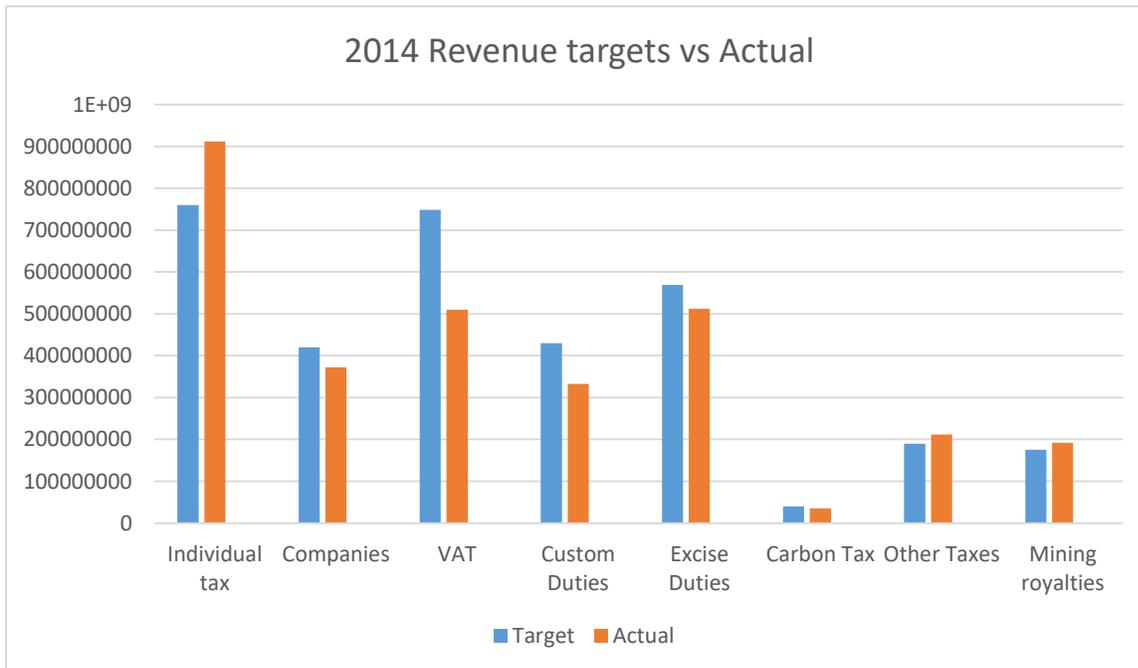
Figure 4:targets vs actual

Source: Zimra website

From the diagram above it can be seen that from the 8 revenue collection votes , 3 only managed to surpass the targets while 5 failed to surpass the budgeted targets but of the 5 that failed to meet the targets it can be seen that they were all above 70% as far as meeting the targets which can be considered ideal. This can safely prove that revenue collection authorities are being effective in their mandate of revenue collection.

4.6 Challenges faced in revenue collection

The study highlighted that they are a myriad of challenges that are faced in the revenue collection efforts by ZIMRA in Zimbabwe. The following challenges were highlighted:

A poor financial management system in the revenue authorities results in poor revenue collection, expenditure documentation and tracking. With these challenges the level of tax evasion is high. Some causes of tax evasion maybe lack of transparency as to how the revenues are used. Tax evasion is characterized by smuggling and non-registration of companies that should be paying taxes.

The state of the economy is another factor because as much as customers might want to pay their taxes the economic activity may not allow because it is hard to transact enough to cover taxes. This is also coupled by the fact that the tax authority expects you to pay what is due to them even when you have not been paid what is also due to you.

High tax rates may result as a tax burden to the citizens. The probability of being detected after evading taxes also influences the decision of a tax payer whether to evader not. This is directly linked to the level how strict tax laws are being enforced. Directly related to the level of tax law enforcement is the level of penalties incurred as a result of detected evasions. Higher levels of penalties usually act as a deterrent to tax evasion. The tax officers may collude with tax payers to underpay tax in return for kick-backs. Citizens who generally are poor see tax as a burden; they try and cut tax bills using whatever means are at their disposal. Failure by the State to provide public goods and other social amenities may aggravate tax evasion.

Some tax evaders believe that they have uncovered new interpretations of the law that show that they are not subject to being taxed (not liable): these individuals and groups are sometimes called

tax protesters. Many protesters continue posing the same arguments that the Federal courts have rejected time and time again, ruling the arguments to be legally frivolous.

4.7 Results from interviews

The researcher also used qualitative research through the use of interviews to gather information. From the study the respondents anonymously agreed that the revenue collection strategies as sources of taxes which include VAT, PAYE, tax net, ZIMRA Customs, tax audits and Levy from tourism and mining. The study showed that ZIMRA have launched education of taxpayer through workshops, breakfast meetings and pamphlets as a way to mobilize revenue collection. Respondent P1 responded that as a way of mobilizing revenue ZIMRA had been advertising in form of print and electronic media to sensitize people on the importance of tax payment. p3 noted that ZIMRA had been awarding outstanding taxpayers at annual taxpayers award so as to motivate other taxpayers to adhere to tax laws in place. The respondents noted the attending of exhibitions like Zimbabwe International Trade Fair (ZITF) and Harare Agricultural show as a way of mobilising revenue since it is attended by a lot of people, organizations and companies and ZIMRA always take the opportunity to sensitise people on tax payment. From the study the respondents showed that penalistion of tax evaders has been used as a way to mobilize tax payment because of high fines taxpayers will choose to comply to tax laws.

The question on challenges faced in Zimbabwe in mobilising revenue the respondents gave the following answers. P1 said that the current situation of the economy of Zimbabwe makes it hard to mobilise revenue because the economy is underperforming as evidenced by the Gross Domestic product (GDP). P4 noted tendency of revenue evasion and under dealings by mining companies as a challenge in mobilising revenue in Zimbabwe. The study showed that systems inefficiency is another challenging in mobilising revenue. For example there had been placement

of technological advanced machines at boarders but they are not being used. The study also showed that revenue officials are incompetent and corrupt because they are underpaid hence this is posing challenges in mobilising revenue because they do not do their duties with commitment.

In respond to the question on the sources of revenue leakages the interviewees gave the below responses. P1 responded with a situational example whereby ZIMRA officials give confidential information to taxpayers that will help them in tax evasion hence revenue officers are a source of revenue leakage. P2 noted brain drain as a source of revenue leakage because migration of economically active population who are economically active leading to the loss of revenue base to other countries. The findings from the interviews high rates of duties are a source of revenue leakage because it encourages smuggling of goods instead of paying taxes. P3 noted lack of resources as to carry out tax and post clearance audits as a source of revenue leakages. He further went on to say that ZIMRA is short staffed and has fewer vehicles to carry out inspections and clients visits for audit purpose leading to revenue leakages.

The interviewees recommended intensification of taxpayer education to sensitize clients in the benefits of paying taxes and customs duty. They also recommended making the system efficient by providing enough resources to ZIMRA staff and more vehicles. P2 recommended an increase in salaries to ZIMRA staff to curb corruption. P3 recommended on business incentives that will create an environment which can make people comply with tax laws.

4.8Summary
The chapter dwelt with presentation and analysis of the research findings. Respondents gave relevant answers on their perceptions on the effectiveness of revenue collection in Zimbabwe.

The research findings showed that the strategies used in Zimbabwe are effective, however there is need for improvement in revenue collection so that ZIMRA can meet all the targeted taxes to be collected. The researcher conducted interviews with revenue officials which gave her an insight on how revenue is administered.

CHAPTER FIVE: CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter gives a short summary of the main points discussed in the previous chapters. It also gives the conclusions of the study on the basis of the research findings and the conclusions will be complemented by recommendations which will be used for research findings. The objective of the study was to find out the effectiveness of revenue collection strategies used in Zimbabwe.

5.1 Summary

The study revealed that the citizens are aware of the taxes that are paid in Zimbabwe. This is clear indication that taxpayer education that had been put in place had helped in sensitising people on tax payment. However there is need for creation of civic groups to intensify taxpayer education so that every citizen will know of the taxes paid in Zimbabwe. This will help in voluntary compliance rather than having citizens paying taxes because they feel that they are compelled to do so.

The study also revealed that administration of revenue collected is done properly. Revenue collected is meant to meet government expenditure and public service delivery to the citizens. The findings from the study imply that there is good public service delivery in Zimbabwe as evidenced by the respondents who agreed to the statement that there is proper administration of revenue.

The study showed that revenue collection strategies used in Zimbabwe are effective as agreed by the majority of the respondents. This shows that the strategies that had been put in place are closely monitored so as to bring intended results which are revenue mobilization and increasing revenue collection.

The study revealed that the revenue bodies that had been given the autonomy to mobilise revenue had been effective in carrying out their duties, this is evidenced by the capacity of ZIMRA to surpass it targets in revenue collection. For the revenue body to continue to be competent there is need to supply it with adequate resources.

The objective of the study was to determine the effectiveness of revenue collection strategies used in Zimbabwe. The study adopted descriptive research design and the population that was targeted was taxpayers and ZIMRA officials. A stratified random sampling technique was used. Both quantitative and qualitative data collection tools were used with the use of questionnaires and interviews. Microsoft excel was used in data presentation and descriptive statistics were also used in explaining the data. The research findings were presented as frequency tables and charts.

5.2 Conclusions
The purpose of the study was to determine the effectiveness of revenue collection strstegies used in Zimbabwe. From the research findings the following conclusions were reached at. It can be concluded that people are aware of the revenue collection strategies used in Zimbabwe as evidenced by the majority of the respondents who indicated that they know more than four revenue collection strategies used in Zimbabwe. Knowledge of revenue collection strategies in place had been enhanced by taxpayer education and sensitization on the importance of paying taxes by ZIMRA.

It was also found out that in Zimbabwe there is proper administration of revenue. This had been achieved through the employment and recruitment of qualified personnel at ZIMRA. The organization also does in-house training of its employees to enhance their skills and knowledge on revenue administration.

From the research findings it can be concluded that despite a few anomalies the revenue collection strategies used in Zimbabwe are effective. The revenue body had tried to register and created a database of taxpayers who are both in the formal and informal sector. This helps in making follow ups to companies and individual who are not willing to pay their taxes. However the challenge is faced because the revenue body does not have enough resources do the follow ups.

Another conclusion was reached from the ZIMRA statistics which showed that the body had been able to mobilise revenue. This is evidenced by ZIMRA's capability to surpass its targets and in areas where it did not meet the targets it collected more than 75% which an still help sustain the economy. Where targets were not met the reasons might have been tax evasion and corrupt tendencies of revenue officials who pocketed the main for their own benefits.

5.3 Recommendations
In Zimbabwe those who are well acquainted with tax laws in place are reluctant to share with taxpayers because some people do not pay taxes because they are ignorant. The researcher would like to recommend the intensification of taxpayer education because this will increase the compliance level of people. ZIMRA should copy from revenue bodies like the one in America were taxpayers are made to sign forms which explains in detail taxes they are supposed to pay.

The researcher would also like to recommend close monitoring of ZIMRA officials to enhance effectiveness of revenue collection. This can be done through performance management and awarding of outstanding revenue officers to motivate others to improve their performance. Moreover the revenue body should allocate enough resources and recruit adequate staff for

revenue administration to be done properly. Furthermore the researcher recommends reform and modernisation of the systems within ZIMRA to enhance systems efficiency which will help in revenue administration.

The researcher would like to recommend the use of a compatible package to help in updating registers of taxpayers and make regular follow-ups to taxpayers who delay in paying taxes especially the ones in the informal taxes. In addition to this there is need to update the register of taxpayers on a regular basis so that there will not be any revenue leakages.

Even though there had been penalties on people who evade tax payment and smuggle good, it seems tax evasion is still rampant. Thus the researcher recommends tougher penalties on people who smuggle and evade tax payment. The researcher also recommends reasonable rate of taxes which are affordable because high tax rates has led to leakage of tax. An increase in salaries of revenue officers will help in mobilising revenue because it will curb out corruption tendencies of ZIMRA staff.

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