

*Full Length Research Paper*

# **Factors affecting revenue collection at Tanzania official seed certification institute (TOSCI)**

**Avodi Kyoma<sup>1\*</sup>, Lazaro Athanas Mwonge<sup>2</sup> and Emmanuel J. Matiku<sup>3</sup>**

<sup>1</sup>Department of Business Studies, Faculty of Commerce, Jordan University College (JUCo), P. O. Box 1878 Morogoro, Tanzania.

<sup>2</sup>Department of Economics, Mathematics and Statistics, Jordan University College (JUCo), P. O. Box 1878 Morogoro, Tanzania.

<sup>3</sup>Department of Business Studies, Faculty of Commerce, Jordan University College (JUCo), P. O. Box 1878 Morogoro, Tanzania.

Received 1 August, 2021; Accepted 17 September, 2021

Revenue in the form of taxation, fees, service levy, licenses, customs, and excise duties is very important in ensuring efficient running of government operations. Taxation is a major source of revenue to governments all over the world. The study examined the factors affecting revenue collection at Tanzania Official Seed Certification Institute (TOSCI). The study adopted a descriptive research design based on mixed research approach. The study used a sample size of 70 respondents who were randomly selected while purposive sampling technique was used in selecting departments and directors. Both primary and secondary data were used, that is, primary data were collected using questionnaire and interview method while secondary data were obtained through documentary review. The study findings revealed that in the financial year 2015/2016 the institute's revenue target was not achieved due to lack of experienced and skilled revenue officers, lack of effective systems and procedures in revenue collection and low volume of service offered. It was further revealed that this ineffective revenue collection led to low working capital to facilitate daily operations, low liquidity level and hence a go-slow in progress towards achieving overall organizational strategic plan. Based on the study findings researchers came out with the measures to solve the problem of low revenue collection such as conducting training to revenue collection officers and reformulate revenue collection procedures.

**Key words:** Revenue collection, staff competency, volume of services, effective procedures.

## **INTRODUCTION**

Revenue collection is an important activity for all organizations (Edem, 2017). Revenue denotes the inflows

that make the achievement of organization objectives possible. The need to meet revenue collection targets is

\*Corresponding author. E-mail: [avodikyoma88@gmail.com](mailto:avodikyoma88@gmail.com). Tel: +255 689 573 872,

Author(s) agree that this article remain permanently open access under the terms of the [Creative Commons Attribution License 4.0 International License](https://creativecommons.org/licenses/by/4.0/)

therefore an important preoccupation of private enterprises, government and non-Governmental organizations (NGOs). The inability to meet revenue collection targets may lead to liquidity problems (Liquidity Preference Theory) and financial distress (Financial Distress Theory), a situation where organizations are unable to meet their current and future obligations (Song'e, 2015).

According to Allen and Highfield (2013), the primary goal of a revenue body is to achieve the highest possible level of compliance with the prevailing laws or so it is generally described. In this way, the total revenue collected which can be made available for government programs is maximized. Developing effective revenue management strategies involves the guidance of revenue managers (Beck et al., 2012). Also, they investigated critical revenue management activities in the wake of a growing need for skilled staff in managing revenue collection. Moreover, they found that managers needed to embrace revenue management for effective revenue performance.

According to Susanto (2019), a company must have systems and processes in place to capture, record, summarize, and report the results of revenue related transactions. The processes are the policies and procedures that employees follow in completing sale, sales return, or cash collection, and then capturing customer data and sales quantities, and routing the resulting documents to the right departments within the company. Susanto (2019) stipulates that revenue processes are divided into the following groups: sales processes, including ordering, delivery, and billing, sales returns processes, and cash collection processes. Also, Maxwell (2012) argued that there is a need of controlling revenue collection requirements in order to enhance revenue collection process by considering optimum rate structure, appropriate rules and regulations and human capacity increasing control to reduce leakage by performing surprise audits to compliment self-assessment procedure, improving the control processes, put efforts to enforce a strict and heavy penalty for noncompliance, instill financial discipline to staffs that have contributed to leakage in revenues.

Tanzania Official Seed Certification Institute (TOSCI) was established by the Seed Act No. 18 of 2003 as a semi-autonomous regulatory authority mainly concentrated in the seed and planting material. As a seed and planting material regulatory authority, TOSCI's great commission is to link the gap between quality seeds and farming community by ensuring availability of quality seeds based on the established seeds certification standards and quality operation manual. The responsibility of controlling the quality of agricultural seeds covers the seeds produced in the country and those imported from other countries in order to curb or completely eliminate the presence of substandard

agricultural seeds in the market. Being considered as the backbone of the economy, agricultural sector solely depends on, among other things, the quality of the farming inputs which include quality seeds.

Growth of seed industry depends on the continuous monitoring and control of seed quality by TOSCI which requires a huge investment in technological laboratory equipment for seed testing. This investment depends on the amount of revenue collection from services that are offered by the institute. As pointed on report of Controller and Auditor General for the financial Year 2015/2016 shows that TOSCI has accounts receivable with less than 12 months' worth TZS 213,150,881/= and more than 12-month worth TZS 351,540,257 which make a total of TZS 564,691,138/=. Therefore, this indicates an insistent non-optimal revenue collection which necessitated the need for researchers to identify factors affecting revenue collection at Tanzania Official Seed Certification Institute.

## **THEORETICAL AND ANALYTICAL FRAMEWORK**

Researchers employed Liquidity Preference Theory which was first developed by John Maynard Keynes in his book (*The General Theory of Employment, Interest and Money*, 1936) to clarify assurance of the loan cost by the free market activity for cash (Davidson, 1978).

The theory suggests that everyone in this world likes to have money with him for a number of purposes. These purposes include transactional purposes, precautionary purposes, and speculative purposes. The theory was important in showing the rationale for enhancing revenue collection. The department of Immigration needs to enhance its revenue collection because it needs money for transactional purposes.

Organizations have to maintain liquidity at a level that enables them to settle their obligations in time. A relationship exists between liquidity and profitability (Kesenmwa et al., 2013). Rao and Apparao (2014) agreed with Kesenmwa et al. (2013) but noted that adequate revenue ensures liquidity, which determines the profitability of an organization. Therefore, organizations survive when their leaders display good financial performance. By implication, an organization's leader can go wrong to maintain adequate liquidity and fails to survive when he fails to maximize revenue collection from service offered. Revenue officers should spur revenue collection and management strategies to ensure the organizations operate in liquidity positions that would guarantee future investment.

The theory was appropriate for this study as it reflects a financial institution's ability to fund assets and meet financial obligations. Funds management involves estimating liquidity requirements and meeting those needs in a cost-effective way (Kesenmwa et al., 2013). Effective funds management requires organization to

estimate and plan for liquidity demands over various periods and to consider how funding requirements may evolve under various scenarios, including adverse conditions.

## RESEARCH METHODS AND METHODOLOGY

### Description of the study area

The study was conducted at TOSCI which is an institute under the Ministry of Agriculture. TOSCI is located at Tiba Road, street within Morogoro Municipal Council which is bordered to the south and east by Morogoro rural district, to the North and West by Mvomero district. It is situated between latitude 6 °S - 7 °S just South of the Equator and between longitudes 37° - 38° East. The place lies at an altitude of 509 meters above the sea level.

The area was chosen because the report of the Controller and Auditor General for the financial Year 2015/2016 had revealed that TOSCI was not able to collect TZS 212,323,183/= as fees on the service offered by the institute as planned in the particular financial year, a feature that had affected its operation and capital expenditure. Based on the aforementioned facts, the researchers utilized ample time and efforts to collect relevant information from different departments to examine the factors affecting revenue collection.

### Research design

The study adopted descriptive research design based on mixed research approach as it is concerned with describing the characteristics of a particular individual, or of a group, whereas diagnostic research studies determine the frequency with which something occurs or its association with something else (Kothari, 2004).

### Sample size and sampling techniques

The sample size of this study stood at 70 respondents who were randomly selected. Also, researchers used purposive sampling technique to select Head of Departments (HODs) in respective department.

### Data type and collection

Both primary and secondary data were used. Primary data were collected from 70 respondents using structured questionnaires and interview method while secondary data were obtained through documentary review, that is, TOSCI annual report, CAG report, journals and newspapers.

### Data analysis

The collected data were coded, cleaned (omitting outliers), processed and statistically analyzed using the Statistical Product and Service Solutions software, SPSS version 20, an IBM product since 2009 (Hejase and Hejase, 2013). Also, for accuracy and completeness, data were presented using descriptive statistics where frequencies and percentages are presented in table and figure to enable researchers to interpret the data and finally make necessary recommendations basing on the study findings.

## RESULTS AND DISCUSSION

### Factors affecting effective revenue collection

The study sought to identify the factors that hinder effective revenue collection at Tanzania Official Seed Certification Institute (TOSCI). Considering the significance of the study results identifying the areas of weakness in revenue collection would help TOSCI address them in order to be in a position to achieve effectiveness in revenue collection. The study asked the question on what are the hindering factors in reaching revenue collection targets at TOSCI. The respondents were required to indicate the degree of improvement they know about the hindering factors for effective revenue collection. Table 1 presents the study results.

As indicated in Table 1, 60% (42 out of 70) of the respondents strongly agreed that lack of experience and skills of officers was the hindering factor affecting revenue collection followed by 30% (21/70) of the respondents who indicated that lack of effective procedures in revenue collection was the reason while 10% (7/70) of the respondents indicated that the volume of service offered in particular period affected revenue collection. Figure 1 provides a visual representation of the results.

**Lack of experience and skills of officers;** it was found that 60% (42/70) of the respondents indicated that revenue collection at TOSCI is highly affected by staff competency, that is, lack of experience and skills. The study result implies that the low revenue collection has influenced by staff competency since professional revenue collection techniques have been imparted onto TOSCI staff to ensure efficiency and effectiveness in revenue collection. The study result is in line with the findings of various related studies (Beck et al., 2012; Harrison, 2007; Bird and Slack, 2002a, b; Adenya and Muturi, 2017; Mohammed and Muturi, 2018) who argued that weaknesses in revenue collections skills led to inadequate collections. They further stipulated that developing effective revenue management to achieve revenue targets involves the guidance of experienced revenue managers.

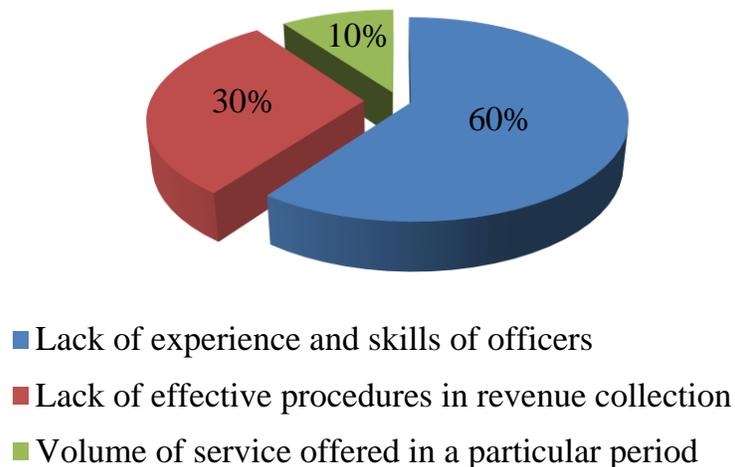
Also, during interview with the Director of Seed Certification, he said,

*...that 15 out of 20 officers who were involved in revenue collection functions were employed in May, 2015 to replace the officers who had either shifted to other organizations or retired from public service. Thus, they lacked experience and skills as they were still adapting to the new working environment. For example, during preparation of preliminary bills for inspection services, they skipped some of the crucial information such as signature of the client to approve acceptance of the service delivered to him.*

**Table 1.** Factors affecting effective revenue collection (n=70).

Factor(s)	Frequency	Percentage
Lack of experience and skills of officers	42	60
Lack of effective procedures in revenue collection	21	30
Volume of service offered in a particular period	7	10
Total	70	100

Source: Field Research, 2021.



**Figure 1.** Factors affecting effective revenue collection. Source: Field Research, 2021.

Also, researchers found that lack of experienced and skilled officer, results into improper calculation of seed fields that determine amount of fees to be paid by the client. This negatively affected revenue collection as bills were not properly prepared in line with supporting documents. The situation has contributed in the increase of accounts receivable by 32.6% in financial year 2016/2017, creating a deficit in revenue collection. Therefore, basing on the study findings researchers concluded that experienced and skilled revenue collectors influence the amount of revenue to be collected. It was further recommended that in order to reach revenue collection targets TOSCI has to conduct training to the officers on revenue collection in order to update their knowledge and enhance their efficiency in executing the task.

**Lack of Effective Procedures in Revenue Collection;** the study findings revealed that 30% (21/70) of the respondents indicated that low revenue collection is highly influenced by lack of effective procedures in revenue collection. According to Joulfaian (2000), the most important aspect of revenue administration and its goal is revenue collection procedures. Collection

procedures involve collecting money from customers. Procedures include rules and regulations that guide in revenue collection functions. The study result implies that low revenue collection at TOSCI is influenced by lack of effective revenue collection procedures i.e., complex procedures in revenue collection. The study result is in line with the findings of various studies (Adenya and Muturi, 2017; Mohammed and Muturi, 2018) who found that fundamental to the system of self-assessment is that taxpayers must have sufficient knowledge in the tax laws and procedures and confidence from taxpayers on tax administration. It was recommended that the revenue collection procedures should be simple and clear that will act fairly and treat taxpayers according to their individual circumstances. Moreover, Susanto (2019) argued that a company must have systems and processes in place to capture, record, summarize, and report the results of revenue related transactions. The processes are the policies and procedures that employees follow in completing sale, sales return, or cash collection, and then capturing customer data and sales quantities, and routing the resulting documents to the right departments within the company.

Also, during the interview with the Director of Research

and Promotion, he mentions,

*“...the institute lacks clear laid down procedures on revenue collection.”*

Moreover, the director revealed that the institute delivers its service on postpaid manner and the client only signs a form to acknowledge receipt of the service without commitment on specific number of days for payment. This form is forwarded to accounts department for writing a bill which is later issued to client to facilitate payment. Then there is no mechanism to make follow up on the concerned client to pay the debts. This had led to difficulties in collecting accounts receivable worth TZS 34,723,183/= in financial year 2015/2016.

The study concluded that lack of effective revenue collection procedures leads to low revenue collection. Therefore, there is a need to strengthen revenue administration through improving revenue collection procedures so as to get better revenue collection performance.

**Volume of service offered in a particular period;** service is an intangible item, which arises from the output of one or more individuals (Nasution, 2016). It was found that seven (7) respondents accounted to 10% indicated that revenue collection depends on the volume of service that is offered to the customers. This implies that the organization collects low revenue since the volume of service offered is moderate, therefore there is a need to increase the number of customers in order to increase the amount of revenue collected. Also, researchers found out that the institute did not offer the number of services as planned. In the financial year 2015/2016 the institute had planned to collect 2,000 seed samples for laboratory testing but only 1,556 Seed Samples were collected due to lack of resources. The institute charges TZS 400,000/= for each sample collected, therefore, due to its inability to meet the planned services, the institute lost a total revenue of TZS 177,600,000/=

Also, during the interview with the Director of Research and Promotion, he said,

*“revenue collection has a direct positive relationship with volume of service offered, therefore, if low volume of service will continue to be offered then revenue will be low. Also, the volume of service depends on the financial resource and capacity of the firm to reach out the available market by utilizing its potential. The major roles and functions of TOSCI includes; to conduct seed field inspection, to effect seed sampling, to train seeds producers, to carry out variety performance tests, to carry out pre- and post-control tests and to enforce Seed Act 2003 and promoted self-compliance by stakeholders.”*

The study result is consistent with the findings of Nasution (2016) who found that revenue collection depends on the

volume of service that are offered to the customers. The organization will collect high revenue if the volume of service offered is high. Therefore, there is a need to increase the number of customers in order to increase the amount of revenue collected. Besides, the institute has to find additional resources from different donors and government in order to purchase enough vehicles, pay inspectors and expand volume of service offered to the clients. Basing on the study findings researchers concluded that low volume of service offered below the targeted volume in the financial 2015/2016 at TOSCI led to low revenue collection below the budgeted amount.

## CONCLUSION AND RECOMMENDATIONS

The study aimed to enable readers to understand the factors affecting effective revenue collection at TOSCI. It was found out that lack of experience and skills of officers, that is, staff competency, lack of effective procedures in revenue collection and volume of service offered in a particular period were the major factors affecting revenue collection at TOSCI. However, the study also, points out the impacts associated with low revenue collection such as low liquidity level to execute capital expenditure. Based on the study findings researchers came out with the measures to solve the problem of low revenue collection such as conducting training to revenue collection officers and reformulate revenue collection procedures.

## CONFLICT OF INTERESTS

The authors have not declared any conflict of interests.

## REFERENCES

- Adenya PK, Muturi W (2017). Factors affecting revenue collection efficiency by County Governments in Kenya: A case of Kiambu County. *International Journal of Social Sciences and Information Technology* 3(8):2371-2384.
- Allen R, Highfield R (2013). *The international handbook of public financial management*. London: Palgrave Macmillan.
- Beck J, Knutson B, Cha T, Kim S (2012) Developing Revenue Managers for the Lodging Industry. *Journal of Human Resources in Hospitality and Tourism* 10(2):182-194.
- Bird R, Slack E (2002a). *Land and Property Taxation: A Review* Mimeo, University of Toronto.
- Bird RM, Slack E (2002b). Land and property taxation: A review. In *Workshop on Land Issues in Latin American and the Caribbean*. Available at: <https://citeseerx.ist.psu.edu/viewdoc/download?doi=10.1.1.203.2450&rep=rep1&type=pdf>
- Davidson P (1978). Why Money Matters: Lessons from a Half-Century of Monetary Theory. *Journal of Post Keynesian Economics* 1(1):46-70.
- Edem DB (2017) Liquidity Management and Performance of Deposit Money Banks in Nigeria (1986-2011): An investigation. *International Journal of Economics, Finance and Management Sciences* 5(3):146-161.

- Harrison K (2007). Corruption and tax compliance: challenges to tax policy and Administration. Sofia, Bulgaria: Centre for the Study of Democracy.
- Hejase AJ, Hejase HJ (2013). Research Methods: A Practical Approach for Business Students. 2<sup>nd</sup> Ed, Philadelphia, PA, USA: Massadir Inc.
- Joulfaian D (2000). A quarter century of estate tax reforms. National Tax Journal 53(3):343-360.
- Kesenmwa A, Oima DO, Ogida M (2013). Effects of strategic decision making on firm's performance: A case study of Safaricom Limited, Nairobi, Kenya. Available at: <http://edocs.maseno.ac.ke/handle/123456789/2903>
- Kothari CR (2004). Research Methodology; Methods and Techniques (second revised edition) (Second Rev). New Delhi, India: New Age International (P) Limited, Publishers.
- Maxwell A (2012). The Development Practitioners Handbook. London, Pluto Publishing Press.
- Mohammed DN, Muturi W (2018). Factors Affecting Revenue Collection Efficiency in County Governments: A Case of Kisii County, Kenya. International Journal of Social Sciences and Information Technology 4(9):196-205.
- Nasution A (2016). Government decentralization program in Indonesia, ADBI Working Paper Series, No. 601, Asian Development Bank Institute, Tokyo. Available at: <https://www.adb.org/sites/default/files/publication/201116/adbi-wp601.pdf>
- Rao CHG, Apparao N (2014). Liquidity and profitability analysis of housing financial companies (HFCS) in India. Asian Journal of Research in Business Economics and Management 4(6):111-121.
- Song'e HK (2015). The effect of liquidity management on the financial performance of deposit taking Saccos in Nairobi county. Doctoral dissertation, University of Nairobi.
- Susanto A (2019). Revenue Cycle in Accounting Information Systems. International Journal of Scientific and Technology Research 8(6):335-339.