The effectiveness of revenue collection methods and its impact on the quality of services delivered in Mukono district local government

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APPROVAL

This dissertation has been submitted with the approval of the supervisor.

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DECLARATION

I **SHARON NABAKENI** with registration number **S20B34/019,** declare that this research dissertation is my own result of investigation and it has not been partially or fully submitted for any academic award in any Institution or University. However where other people's work was used, acknowledgement has been fully made.

Signature...SHARON....NABAKENI

Date....21...September..2023...

I dedicate this research work to my beloved family members, guardians and friends especially my brother Sakari Gregory for the moral and financial support he gave me while studying this course. May the almighty God reward them abundantly.

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ABSTRACT

This study delves into the relationship between local revenue collection methods and service delivery within the context of Mukono district local government. A total of 44 questionnaires were distributed to staff members and community members, achieving a commendable response rate of 91.32%. The respondents' background information were analyzed, revealing a predominantly youthful population aged 18-25 years, a majority of females, and a prevalence of individuals with degree-level education. Moreover, a significant portion of the respondents was indirectly engaged in revenue collection. The study focused on the dependent variable, as services delivered conceptualized as the quality of services delivered by Mukono local government. Findings indicated that respondents were dissatisfied with the current state of services and that revenue collection did not significantly contribute to service improvement. In examining revenue collection methods, the study identified cash payments and third-party processors as prevalent approaches. Additionally, the acceptance of credit card payments and online methods for revenue collection was reported. Incentives for prompt payment and tax compliance were also in use. A multiple linear regression analysis was performed to assess the impact of education level, revenue collection methods, and revenue collection challenges on service delivery. The results indicated that only revenue collection methods and revenue collection challenges significantly influenced service delivery, while education level did not have a significant impact. The study further explored the challenges faced by the revenue authority in collecting taxes, revealing inefficiencies in the revenue collection process, challenges related to tax evasion and non-compliance, a lack of transparency, ethical concerns, and a low level of tax compliance.

In conclusion, this study underscores the importance of revenue collection methods and addressing revenue collection challenges to enhance service delivery in Mukono local government. It recommends measures such as expanding the tax base, increased sensitization, timely accountability, transparency, and identifying additional revenue sources. These findings provide valuable insights for policymakers and practitioners in local government administration. For future research, it is suggested to explore revenue generation, collection, and allocation across different local governments, investigate various sources of local revenue in Mukono, and explore strategies for expanding the local revenue base.

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CHAPTER ONE

INTRODUCTION

1.0 Introduction

This study analyzed the effectiveness of revenue collection methods and its impact on the quality of services delivered in Mukono district local government. This chapter presented the background of the study, statement of the problem, purpose of the study, objectives, research questions, justification, significance of the study and conceptual framework.

1.1 Background of the study

In 1992, Uganda adopted the decentralization policy that sought to establish a system of governance underpinned by strong local governments. Although decentralization has been pursued over the last two decades, there is widespread consensus that the service delivery of local governments is less than desirable (Makwaya, G., $ Matovu, G., 2020). Decentralization in Uganda started in 1993-94 with the main objective of building a more democratic government that is responsible and accountable to the public to promote capacity building at the local level and introduce local choice into service delivery fostering a sense of local ownership, (Titeca, K. 2021). According to Local Government Act 1997, defines revenue collection as the sub-total of all categories collected from a number of sources like market dues, fines and penalties, parking fees. In conformity with the local government, resistance council's statue No.15 of section 44 of 1993, the 1995 constitution of the republic of Uganda provided a decentralization system of governance with the districts at the top of the administrative units (Nabuguzi, M., & Nsibambi, A. (2022). They are governed by the Constitution of 1995 of the republic of Uganda and local government Act of 1997. Schedule 2 of the Local Government Act, (1997) gives mandate to local governments to collect revenue collections from their own sources such as property tax, licenses, permits, fines and penalties, market dues, parking fees, and take financial decisions while complying with financial and accounting regulations 1998 guide of the financial operations and specifies decentralization policies, rules and regulations. Local governments were empowered to carry out proper planning decisions at budget level, do complete enumeration and assessment of taxes for financial decentralization to succeed in improving.

Revenue collection (J. Muhangi, 2015). Article 176 (2) of the constitution of the republic of Uganda 1995, schedule 2 of the local government Act (1997) and sections 97 and 98 of local governments were to offer services including and not limited to education, medical and health services, sporting facilities while using their revenue collection forces, and number of revenue collection methods that governments use, including taxes, fees, and fines. The effectiveness of these methods can vary depending on a number of factors, such as the design of the tax system, the level of compliance among taxpayers, and the efficiency of the government bureaucracy. The revenue base of local governments has diminished and they are now heavily dependent on central government disbursements mainly through conditional

grants. The quality of services is less than desirable as key services such as health care, water and sanitation, education and agricultural advisory services remain dismal (Kizito, J., & Titeca, K.,2023) Yet, there is no prove whether the effectiveness of revenue collection methods influence the revenue collected to fund the quality services needed by the community. Many mechanisms from central government and donors are not well adapted to the decentralized framework, resulting in local governments given little power over the allocation of resources and little involvement of lower local governments in decision-making (Mutenyo, 2000). To facilitate the implementation of these revenue enhancement objectives, the Local Government Finance Commission established a Revenue collection Enhancement coordinating Committee (LRECC) in April 2002. The main tasks of the LRECC are to coordinate and support the development of conducive decisions and policies regarding revenue collection and to enhance the capacities of local governments to effectively and efficiently generate and manage sustainable revenue collections (Kizito J., 2023)

1.2 Statement of the problem

Local revenue collected enables local governments to implement their planned budgets and work plans. They use this revenue for co-funding on capital projects, monitoring of all the programs and the general supervision of constructing latrines, classrooms and health centers and opening of community roads to ensure better standards so as to meet the desired services (Mukwaya & Matovu, 2020). But despite of all that, The level of service delivery in Mukono District local government remains poor as evidenced by poor roads that causes too much jam, high poverty levels ,the poor hygiene of the communities ,poor sewerage system, dumping sites, water source, and street lights that all turned out to be below standards (Lilian A., 2019). Revenue collected from sources such as trading licenses, market dues, fines, and fees were also declining tremendously to be effectively utilized to provide the required services to the public has been one of the major problem (Ali M. Hussein, 2018).

This can be evidenced from the various deficit financial budgets of the District for the past three years, for example, According to the Records at Mukono district local government indicate that in the financial year (FY) 2020/21, the district planned to collect 3.4 billion Shillings in local revenue but only realized 1.5 billion Shillings which approximated to 44.12% of the planned (the estimated expenditures being more than estimated incomes), that frustrated the realization of anticipated local revenue targets. It is upon such a state that the researcher analyzed the revenue collection methods and challenges faced in mukono district local government.

1.3 Purpose of the study

The main purpose of this study was to analyze the effectiveness of revenue collection methods and its impact on the quality of services provided in mukono district local government.

1.4 Objectives of the study

i.   To assess the methods used for revenue collection in Mukono district Local government.

ii.   To establish the relationship between revenue collection methods and challenges on the delivery of quality services in Mukono district local government.

iii.   To identify the challenges faced by the revenue authority in collecting taxes in Mukono district local government.

1.5 Research questions

i.   What are the methods used for revenue collection in Mukono local government?

ii.   How revenue collection methods and challenges related to service delivery in Mukono local government?

iii.   What are the challenges faced by the revenue authority in collecting taxes in Mukono local government?

1.6 Research Hypothesis

Whether there was a positive relationship between revenue collection methods and the quality of services delivered in mukono local government.

1.7 Scope of the study

The scope of the study covered three dimensions that was; content, geographical and time and these are explained in detail as below

1.7.1 Content scope

This study specifically focused on; assessing the methods used for revenue collection in local governments establishing the relationship of revenue collection methods and challenges on the quality of services delivered, and identifying challenges faced by revenue authorities in collecting taxes in mukono district local government.

1.7.2 Geographical scope

This study was carried out in Bugujju village in Mukono district local government located in the Central region of Uganda. The revenue collected in Mukono was selected because there have been poor quality of services delivered approximately standing at 50% which could be partly attributed to inadequate tax revenue collected from these areas.

1.7.3 Time scope

The study focused on the scholarly materials written by different authors, and it was carried out for three month from June to September, because the research is limited to this period.

1.8 Justification of the study

The study on effectiveness of revenue collection methods and its impact on the quality service delivery was justified as it can contribute to improving the overall governance and quality of services delivered to citizens. The study help on identifying potential challenges and creating ways to optimize revenue collection for service delivery through devising the solutions to the challenges thus leading to economic development. Investigating this study can shed light on issues related to corruption, mismanagement, and the need for improved governance practices resulting into improved accountability and transparency. This study can provide insights into how revenue collection practices impact citizen satisfaction with the services they receive thus better policy decisions. The findings of the study can inform legislative and policy decisions at both local and national levels to design and implement policies that enhance revenue collection and service delivery. The study can also provide empirical evidence to guide policymakers and local government officials to make informed decisions based on real-world data and analysis.
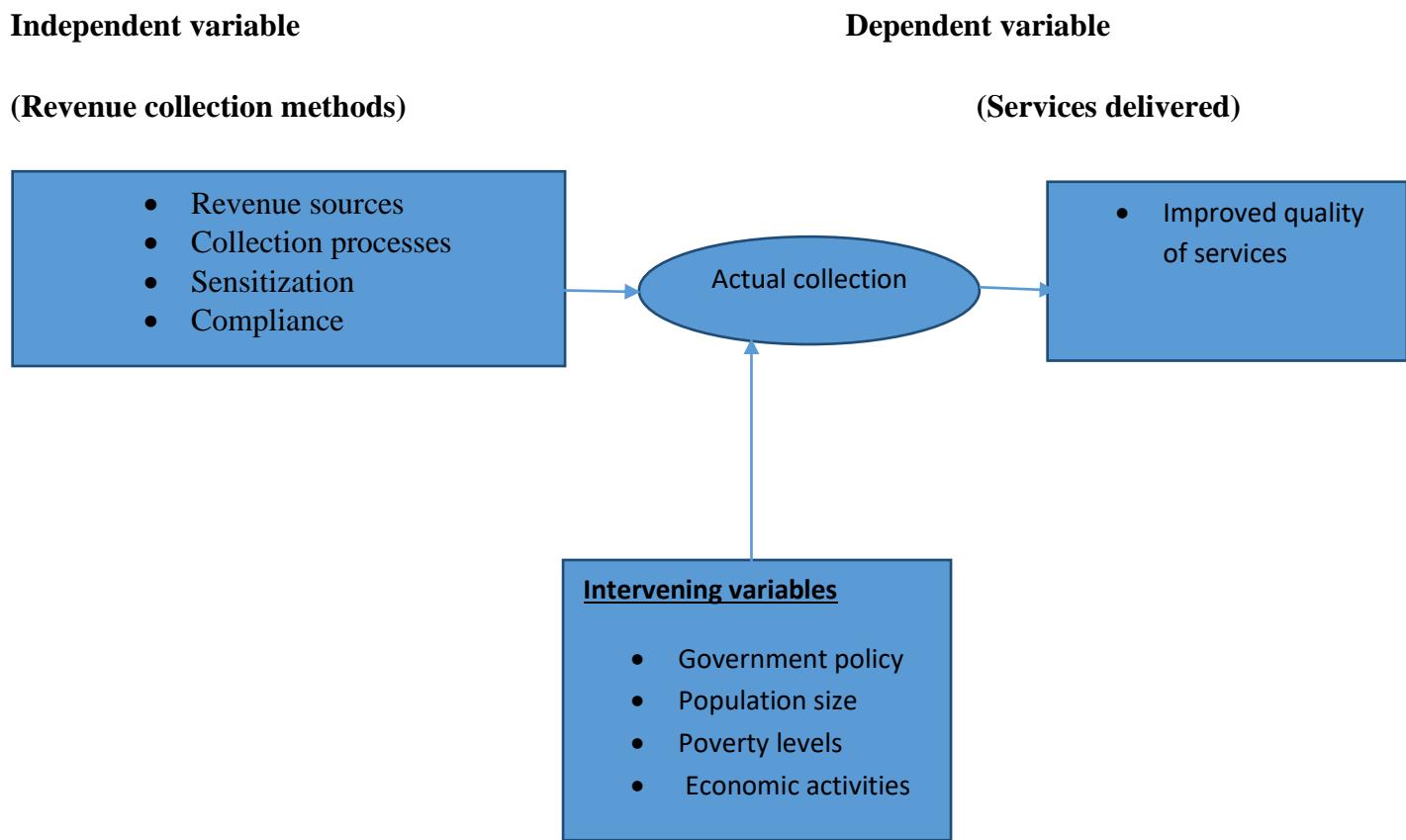
1.9 Significance of the study

The study helped the researcher and other academicians who have the interest in searching into a related field by enabling them get related literature. The study also will help the government in knowing the problems and challenges faced in revenue collection and service delivery. The study established the causes of fluctuations in the revenue collection in Mukono Local government. The study was beneficial to policy makers of Mukono Local government and other Local Governments in finding a solution to the problems of fluctuations in the revenue collections and appraises their quality of services provided to the people. The research was beneficial to other academicians as they might use it for literature review while carrying out research in the similar area. The study will be used to other stakeholders for example Donors like UNICEF and the Central government to analyze linkages between revenue collection administration and service delivery.

1.10 Conceptual framework

Comb and Tomb (2004, p.49) defines "conceptual framework" as a research tool intended to assist a researcher to develop awareness and understanding of the situation under scrutiny and to communicate it.

Figure 1: Conceptual Framework

Independent variable   **Dependent variable**

(Revenue collection methods)   **(Services delivered)**

Source: *Adopted from Abigaba (1998), lga (1999), Shotton (2000) and modified by the researcher (2023).*

1.11 Anticipated constraints.

The main expected constraints to this study was limited time, money, access to data, ethical considerations, participant availability, research bias, publication bias, replication crisis and among

others. The researcher overcame these constraints by planning carefully, being flexible, and network with other researchers, and being patient in certain situations.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

Mukono Local Government, like many other sub-national entities, relies extensively on revenue collection to fund crucial public services, such as education, healthcare, infrastructure, and social welfare programs. This literature review aims to provide a comprehensive analysis of the multifaceted relationship between revenue generation and service delivery in Mukono. Recognizing the pivotal role of sustainable and effective resource mobilization.

Theoretical review

The benefit theory of taxation

This theory was developed by Erik Robert Lindahi in 1960. According to Benefit Theory, the state should levy levies on individuals according to the benefit given to them. The more benefits a person obtains from the accomplishments of the state, the more the duty the person should reimburse to the government. This principle has been condemned because, first, if the state keeps a certain linking between the benefits given and the benefits received, it will be in contradiction of the basic principle of the tax. A tax is principally obligatory contribution done to the public authorities to meet the expenditures of the government and the supplies of general benefit to all citizens (Booker, 2004). Furthermore, most of the expenses suffered by the state is for the overall benefit of its citizens, it is not likely to estimate the benefit received by a particular individual every year for it to be obvious how much duty this individual should be charged. According to this model there should be some advantage to those who pay taxes. The free-rider problem is the primary disapproval given for limiting the scope of the subsidy principle. Each individual can lower his tax cost by under reporting his aids derived from the public good or service (Ellen Meiksins Wood, 2023). It assumes that taxes should be paid by an individual in proportion to benefits conferred by the State on that individual, is quite unrealistic because the benefits derived cannot be correctly measured in terms of money. Benefit is purely a subjective matter and there is no scientific way to measure the magnitude of benefit and its money value.

Ability-to-Pay Principle: According to Arthur Cecil Pigou, 1957. The ability-to-pay principle posits that individuals should contribute to revenue based on their ability to pay, regardless of the benefits they receive from public goods and services. This theory emphasizes fairness and equity in taxation. In relation to service delivery, it suggests that revenue should be collected from all individuals or businesses within a jurisdiction, regardless of their direct benefit from these services. This approach ensures that those with higher incomes or greater wealth contribute more to the funding of services like education, roads and health care.

 Public Goods Theory: With reference to Paul Samuelson, 1954. The public goods theory argues that certain services, have characteristics that make them non-excludable and non-rivalrous in consumption. Non-excludability means that individuals cannot be excluded from using or benefiting from the good once it is provided, while non-rivalry implies that one person's use or enjoyment of the good does not diminish its availability to others. According to this theory, public goods should be funded through tax revenue because it is difficult for private markets to efficiently provide them. Services like infrastructure, education, health care being a public good, fall under this category and should be financed through tax revenue to ensure their provision and maintenance.

Empirical review

The empirical evidence of the revenue collected by the revenue authority can provide valuable insights for its impact on service delivery for local governments.

Top of Form

2.1 The methods used for revenue collection

Revenue collection covers how governments collect revenues in the extractive sector via payments from companies, commodity sales or other sources that facilitate the provision of the necessary financial resources for the delivery of essential public services. Understanding the methods employed for revenue collection is important for assessing its fiscal capacity and effectiveness in service provision. This reviews the various methods used for revenue collection and their implications.

Local governments often employ a combination of traditional and modern revenue collection methods. Property taxes, business permits, and local fees are common traditional sources (United Nations, 2022). State and local government reliance on tax revenues vary between 70-75 percent of the local governments revenues, including those of school districts, are sourced from property taxes and most state tax revenues are sourced from sales and income taxes (U.S. census bureau & Rockefeller institute

of government, 2020) These traditional methods remain prevalent, especially in rural areas where digital infrastructure is limited. With the increasing use of digital technology, many local governments are transitioning to modern methods of revenue collection. Digital payment platforms, such as mobile money and electronic fund transfers, have been implemented to enhance efficiency and reduce revenue leakage (Jain, 2018). This shift towards digitalization is expected to improve transparency and accountability in revenue collection process. Challenges in revenue collection methods are not uncommon. Research has identified issues such as tax evasion, inadequate capacity, and lack of taxpayer education as hindrances to efficient revenue collection (Alm & Martinez-Vazquez, 2007). For optimal revenue collection there should be solutions to the challenges. Studies emphasize the importance of taxpayer compliance and public awareness campaigns in revenue collection (Oluwatosin Olanrewaju and Abdul-Rasheed Adebayo, 2022). Local Governments can benefit from initiatives that educate citizens about their tax obligations and simplify payment procedures. The capacity of local government institutions plays a significant role in revenue collection success (Boex & Martinez-Vazquez, 2013). There must invest in capacity-building to ensure its revenue collection methods are effective and sustainable.

2.2 The relationship between revenue collection methods and challenges on service delivery

The relationship between revenue collection and service delivery can be clearly portrayed by various rules and regulations governing the Local Governments. Published reports as well as some tools for integrated planning such as the Local Government act, 1997, the Local Government financial and accounting regulations, 1998, Compliance with national priorities, The Local Government budget framework paper, Linkage between the Local Government budget framework paper and annual work plans as explained below:

Several studies have shown a strong correlation between revenue collection and service delivery in local governments. Adequate revenue streams enable governments to allocate resources efficiently, resulting in improved service provision (Moses Kijjambu, 2020). The study done by Joha Dunia Kaongo (2015), assessment of local revenue in the Tanzania local, government reveled that there is an immense need for mechanisms to ensure that they substantially increase their local revenues. In this regard, the Government needs to set broader revenue targets for the Councils and refrain from the revenue administrative activities, such as setting and approving of the collection rates. To achieve this, instead of issuing the 'closed list' of allowed local sources, the Government needs to provide a list of abolished local taxes and allows the Councils to charge all other genuine taxes which are within their area of jurisdictions. In light of the findings and the need for local revenue to provide services in Kinondoni Municipal Council since transfers from the central government are only to support the budget of

Kinondoni Municipal Council, Local Government to enable them fulfill their obligations. Therefore a lot of effort should be put in to ensure that local revenue collection and administration is improved in Kinondoni Municipal Council Local Government to fully provide quality service to the people Kinondoni Municipal Council needs to simplify the licensing process in order to reduce non-compliance of businessmen to pay taxes. Kagaha Stephen, (2011) focused on local revenue collection systems and quality of service delivery in local governments and concluded that the tax payers are properly assessed before set any tax; there should be rates of tax to be paid, and monitoring of the systems, enforcement on collection, proper legal action procedures should be instituted on defaulters. Some policies are effective for example revision of administrative reports annually as showed by 62% of the respondents.

In many developing regions, challenges in revenue collection can hinder service delivery. Ochieng et al. (2015) highlight issues such as tax evasion, weak enforcement, and administrative inefficiencies that can limit revenue generation. Identifying and addressing these challenges are essential steps in optimizing service delivery for the revenue authority. It is a legal requirement for Local Governments to comply with national priorities by implementing various national programs to ensure service delivery, the overall planning framework for Uganda is the poverty eradication Action Plan (PEAP) which sets out the central Government's national objectives and strategies for reducing poverty. Studies emphasize the importance of taxpayer compliance and awareness in boosting revenue collection. Enhancing public awareness about revenue obligations and simplifying the payment process may contribute to increased revenue streams, subsequently benefiting service delivery. Transparency and accountability in revenue collection are vital for ensuring that collected funds are channeled toward service delivery. Scholars argue that transparency reduces corruption and enhances public trust (World Bank, 2017). Transparent financial management practices foster confidence in the allocation of resources for public services. Technological advancements have the potential to improve revenue collection and subsequently service delivery (Dupas & Robinson, 2013).

2.3 The challenges faced by the revenue authority in collecting taxes in local governments

Efficient revenue collection acts as the lifeblood of local governments in Uganda, providing the financial resources necessary for public service provision. Understanding the challenges faced by the revenue authority in tax collection for improves revenue collection processes and optimizing resource allocation. This reviews the key challenges encountered by the revenue authority in putting their efforts to collect taxes.

Tax evasion and non-compliance by individuals and businesses are pervasive challenges faced by revenue authorities globally. They are exacerbated by a lack of taxpayer education, complex tax regulations, and informal economic activities (Mwesigye & Matovu, 2018). Administrative inefficiencies in tax collection processes can hinder revenue collection efforts (Almeida, R., & Sequeira, S., 2021). In Mukono, factors such as paperwork bottlenecks, manual record-keeping, and understaffing have been identified as contributing to these inefficiencies (Mukasa & Tumushabe, 2014). Streamlining administrative procedures improves revenue collection. The lack of transparency in revenue collection practices has been cited as a challenge (Kasirye et al., 2012). Promoting transparency and accountability enhance revenue collection and public confidence. The adoption of modern technology can improve tax collection processes (Brookmeyer & Hernandez, 2019). However, challenges related to limited access to digital infrastructure and a lack of expertise in implementing digital solutions (Jain, 2018) requires investing in technology and training in order to overcome them. Excessive compliance costs and the burden on taxpayers discourage voluntary tax compliance (Pomeranz, 2015). Businesses and individuals perceive the tax system as burdensome, deterring compliance (Mwesigye & Matovu, 2018). Efforts to simplify the tax system and reduce compliance costs encourage voluntary compliance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presented methodological approaches that was used to elicit reliable data or information for this study. It presented the research design, study population, sample size, sampling techniques and procedures, data collection methods and instruments, quality control (validity and reliability), procedure for data collection, data analysis, measurement of variables and ethical consideration are discussed in this chapter.

3.1 Research designs

According to Creswell (2012), a research design is the basic plan which guides the data collection and analysis phase of the research project. It summarized the essentials of research design as an activity and a time based plan; always based on the research question; guides the selection of sources and types of information; frame work for specifying the relationship among the study variables and outlines the procedures for every research. (Cooper and Schindler, 20013)

This study adopted a descriptive research design because the study intends to obtain an in depth understanding of the revenue collection methods and challenges on the quality of services provided in Mukono district local government. Descriptive research design is a preferred method for this study because its analysis is primarily concerned with relationships between variables (Cox, Arnold, & Tomas, 2010).

3.2 Population of the study

The population for a research study is defined by Jegede, (1990; 114) as "the totality of all the observations that an investigator is concerned with". The study will be carried out in mukono district local government where the respondents were selected from the community members and its staff that is, senior and junior staff from different departments involved in revenue collection. An accumulative figure of targeted respondents of 50 was used as the population size.

3.3 Sample size

A sample is a subset of the population. By studying the sample, the researcher was able to draw conclusions that would be generalizable to the population of interest (Sekaran, 2003). Yamane formula was used to determine the sample size of the study because Yamane formula assumes a normal distribution and it assumes that the respondents are distributed normally in relation to the parameters under study that is revenue collection. This formula also enabled the selection of a sample that represented the population, with confidence and risk levels.

The Yamane formula is;

$$n = N/\ 1 + N\ (e^2\ )$$

$$=50/1+50(0.05^2) = 50/5=44\text{members}$$

Whereby n represents the sample size for target population, N represents the population size, e represents the error of sampling or precision/error limit at 95% level of confidence and 5% level of precision is required (Yamane, 1967).

3.4 Sampling techniques

The researcher employed a combination of sampling designs like purposive and simple random sampling techniques as detailed below;

3.4.1 Purposive sampling technique

A purposive sample will be used to select respondents who possessed similar characteristics to form a sample. The technique allows the selection of certain units or cases based on a specific purpose rather than randomly (Tashakkori & Teddlie, 20013). Purposive sampling will be used to identify respondents who will provide non-numeric information through interviews. The technique will select town clerk, senior assistant town clerk, physical planner, chief finance officer and community development officers.

3.4.2 Simple random technique

 Simple random sampling is a technique that is used to select respondents where each respondent has equal chance of being selected to form a sample. The technique is unbiased and allows the generalizations of findings. This technique will be used to select the local community members.

3.5 Sources of data

The researcher adopted both primary and secondary data. Primary data was collected through asking open ended questions to the respondents using a questionnaire. Secondary data was obtained from various publications of the central and Local Governments, journals, books, magazines and newspapers, published records and statistics, historical documents and other sources of published information using the documentary review.

3.6 Data collection method

The study used two methods namely questionnaire, and documentary review method to aid data collection. Below are details for each method.

3.6.1 Questionnaire survey method

The questionnaire method assisted the researcher collect quantified data and cover a big area over a short period of time (Michael J. Ryan, 2021). The method was standardized to avoid falsifications of responses. The method intends to capture information from a large group of respondents, it's convenient and cheaper in terms of costs to incur. According to Sarah Cunliffe and colleagues (2021), a self-administered questionnaire is the only way to elicit self-reports on people's opinion, attitudes, beliefs and values.

3.6.2 Documentary review. This included reviewing existing literature, publications of other researchers, text books, journals and other correspondences, revenue collection and service delivery reports, Public health department records and Papers presented in seminars in order to back up primary findings.

3.7 Data collection instruments

The researcher used; questionnaires, and documentary review checklist, as methods of data collection in order to get information from respondents.

3.7.1 Questionnaires

This instrument aided the collection of quantified data from the field of study. This questions designed in this instrument were quantified ones on revenue collection and service delivery. These questions were designed basing on five-point Likert-type scale to measure variables. The five-point Likert-type scale provides less bias in mean, variance, covariance, correlation coefficient and the reliability of scores (Krieg, 1999). This instrument obtained information from the local community members and staffs. In addition, using questionnaires helped to elicit primary information; respondents provided their opinions from alternative answers and also expressed their feelings about the study.

3.7.2 Documentary review checklist

This instrument entailed a list of secondary sources of information that the researcher planned to review. Numerous records were reviewed in order to track or find valuable information on revenue sources, collection processes, and sensitization.

3.8 Validity and reliability of research instruments

3.8.1 Validity of Research Instruments

Validity measures whether the research truly measures that which it is intended to measure or how truthful the research results are. Mark (2002), the validity of the study was tested as per the pilot study

to be done by the researcher. The pre-testing of the both self-administered questionnaires and face-to-face interview questionnaires will be conducted at the selected organization.

3.8.2 Reliability of research Instruments

According to Sekaran, U., & Bougie, R. (2016), "Research methods for business", defines Reliability as the consistency, stability, and dependability of measurements or findings obtained from a research study. It is a crucial aspect of research methodology, ensuring that the results are replicable and trustworthy. Reliable measurements produce consistent results when repeated under similar conditions, and they are free from random error or measurement error.

3.9 Measurement of Variables

To identify the inter-relationship between variables, the researcher made a clear understanding of the objectives and compared them for a conclusion. The researcher determines whether there was a significant relationship between revenue collection and service delivery in Mukono local government.

3.10 Data processing and analysis

The raw data that was collected from the field, scrutinized, organized and entered to excel sheet then employing descriptive statistics in order to give more meaning to the data. The data was edited in order to screen the relevant data from the raw data that is carried in this study. During this process, the researcher translated the data into numerical figures to add meaning and easy understanding of the data. The results then was presented in form of percentages, frequency tables, and graphs for easy comprehension and later deductions will be made from the analysis.

3.11 Limitations of the study

The main limitation to this study was the harshness of respondents, since the researcher really does not know the kind of respondents she was to deal with. However, the researcher overcame this through giving more elaboration on what she was trying mean for the respondent to understand.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION AND FINDINGS

4.0 Introduction

This chapter presents, analyses and interprets the study findings. It specifically presents the response rate, background of the respondents, description of variables and findings of the study objective by objective.

4.1 Response rate

A total of 44 questionnaires were issued and 40 were returned as shown in the table below;

Table 4.1 Response rate

Category	Questionnaires issued	Questionnaires returned	Response rate (%)
Staff members	13	12	92.32
Community members	31	28	90.32
Overall response			91.32

Source: primary data 2023

Table 4.1 above shows an overall response rate of 91.32%, which is very high and suggesting that the survey results were representative. Fincham, (2008) contends that a response rate of 50% is representative enough and acceptable for a survey.

4.2 Background of the respondents

This section reflects the distribution of respondents by age, gender, education level, and direct engagement of the respondents as shown in the table below.

Table 4.2, background information

Item	Details	frequency	Percentage
Age of the respondent	18-25years	16	40
	26-35years	11	27.5
	36-45years	8	20
	46-55years	3	7.5
	Above 55years	2	5.00
	Total	40	100

Gender of the respondent	Male	19	47.5
	Female	21	52.5
	Total	40	100
Education level of the respondent	PHD	4	10
	Masters	9	22.5
	Degree	22	55
	Diploma	4	10
	Certificate	1	2.5
	Others	0	0
	Total	40	100
Engagement of the respondent	No	25	62.5
	Yes	15	37.5
	Total	40	100

Source: primary data 2023

According table 4.2 the category of 18-25years dominated the sample by contributing 40% of the respondents. This was followed by the category of 26-35years that contributed 27.5% of the respondents. This was further followed by the category of 36-45years that contributed 20% of the respondents. This was followed by the category of 46-55years with a contribution of 7.5% of the respondents, yet the category of above 55years had the least contribution of 5%. This suggests that the majority of the community members and staff of Mukono local government were aged between 18-25years.

Table 4.2 also shows that females contributed more to the sample with 52.5% of the respondents compared to males who contributed 47.5% of the respondents. This suggests that majority of the community members and staff of Mukono district local government are female.

According to table 4.2, shows that the category of degree dominated the sample by contributing 55.5% of the respondents. This was followed by the category of masters that contributed 22.5% of the respondents. This was further followed by the categories of PHD and Diploma whose contribution to the study tied at 10% each. This was followed by the category of certificate that contributed 2.5% of the respondents, yet the category of others had had no contribution to the study.

 Table 4.2, also shows that those who were indirectly engaged in the revenue collection dominated the sample by contributing 62.5% of the respondents. This was followed by those directly engaged with the

contribution of 37.5%. This suggests that the majority of the community members and staff of Mukono local government were indirectly engaged.

4.3 Description of the Dependent Variable: Service delivery

The dependent variable, service delivery, was conceptualized as quality of services provided. It comprised 6 quantitative items. These were measured using a five-point Likert scale ranging from 1 – 5. Where (1) = strongly disagree, (2) = disagree, (3) = not sure (4) = agree and (5) = strongly agree as shown in Table 4.3.

Table 4.3: Statistics for Respondents' Self-Rating on the quality of services provided.

| Quality of services | Agree F (%) | | Not sure | Disagree F (%) | | Mean | SDV |
	SA	A		DA	SDA		
You are satisfied with the services provided by Mukono local government.	7 (17.5)	5 (12.5)	5 (12.5)	13 (32.5)	10 (25)	8	3.10
Revenue collection plays a crucial role in funding and improving the quality of services in Mukono local government.	8 (20)	10 (25)	5 (12.5)	13 (32.5)	4 (10)	8	3.29
Mukono local government should diversify its revenue sources to improve service delivery.	10 (25)	12 (30)	5 (12.5)	5 (12.5)	8 (20)	8	2.76
There is a need for better communication between Mukono local government and the community regarding revenue collection and its impact on service delivery.	13 32.5)	9 (22.5)	4 (10)	10 (25)	4 (10)	8	3.52
With transparency and accountability in revenue collection would lead to improved service delivery in Mukono local government.	17 (42.5)	9 (22.5)	1 (2.5)	8 (20)	5 (12.5)	8	5.29
You have noticed some changes in the quality of services provided by Mukono local government in recent years.	11 (27.5)	14 (35)	2 (5)	5 (12.5)	8 (20)	8	4.24

Source: Primary Data 2023

Table 4.3 reveals that, people are not satisfied with the services provides by the revenue authority (Mean = 8; STD = 3.10), and revenue collection does not play a crucial role in funding and improving the services (Mean = 8; STD = 3.29).

Table 4.3 also reveals that the government should diversify its revenue sources to improve on service delivery (Mean = 8; STD = 2.76), and that there is a need for better communication between the local authority and the community regarding revenue collection and its impact on service delivery. (Mean = 8; STD = 3.52).

Table 4.3, reveals that with transparency and accountability in revenue collection would lead to improved service delivery in the local government (Mean = 8; STD = 5.29), and that there has been some changes noticed in the quality of services provided by Mukono local government in recent years (Mean = 8; STD = 4.24). These emerged as the key indicators of the quality of services provided. These scored the highest means and relatively low standard deviation.

4.4 Revenue collection methods

The first objective of the study was to examine the methods used for revenue collection in Mukono district local government. Revenue collection methods construct was measured using 6 items scored on a five-point Likert scale ranging from 5= Strongly Agreed, 4= Agree, 3= Not Sure, 2= Disagree, 1= Strongly Disagree and the findings are presented in Table 4.4.

Table 4.4: Descriptive Results for revenue collection methods.

Revenue collection methods	Agree F (%)		Not sure	Disagree F (%)		Mean	SDV
	SA	A		DA	SDA		
Mukono local government primarily collects revenue through cash payments.	5 (12.5)	9 (22.5)	7 (17.5)	13 (32.5)	6 (15)	8	2.83
Mukono local government uses third-party payment processors or collection agencies for revenue collection.	8 (20)	12	8 (20)	6 (15)	6 (15)	8	2.19
Mukono local government accepts credit card payments for revenue collection.	5 (12.5)	15 (37.5)	9 (22.5)	8 (20)	3 (7.5)	8	4.10
Mukono local government uses online payment methods for revenue collection	5 (12.5)	18 (45)	5 (12.5)	6 (15)	6 (15)	8	5.02
Discounts and incentives are offered to encourage prompt revenue collection.	10 (36.3)	12 (31.5)	3 (7.9)	9 (23.7)	4 (10.5)	7.6	3.49
		26				7.8	2.99

Table 4.4 above reveals that Mukono local government primarily collects revenue through cash payment (Mean = 8; STD = 2.83), and that there is use of third-party payment processors or collection agencies for revenue collection (Mean = 8; STD = 2.19).

Table 4.4 also reveals that Mukono local government accepts credit card payments for revenue collection (Mean = 8; STD = 4.10), and that there is use of online payment methods for revenue collection (Mean = 8; STD = 5.02).

Table 4.4, reveals that Mukono local government uses discounts and incentives to encourage prompt revenue collection (Mean = 7.6; STD = 3.49), and reveals that the tax payers in complies with relevant regulations and tax considerations in revenue collection (Mean = 7.8; STD = 2.99). These emerged as the key methods used for revenue collection. These scored the highest means and relatively low standard deviation.

4.5 Relationship between revenue collection methods and service delivery.

The second objective of the study was to establish the relationship between revenue collection methods and service delivery in Mukono district local government.

Regress C Education level B D

Source	SS	df	MS	Number of obs. = 40
Model	32.1969017	3	10.7323006	$F(3, 36) = 15.1$
Residual	25.5246261	36	.709017391	Prob > F = 0.0000
Total	57.721578	39	1.48003917	R-squared = 0.5578
				Adj R-quared = 0.5209
				Root MSE = .84203

C	Coef.	Std. Err	t	P>|t|	95% conf. interval	
Educ	-.22932445	.1221749	-1.88	0.069	-.4771068	.0184578
B	.5564663	.1690403	3.29	0.002	.2136367	.899296
D	.4417607	.1744965	2.53	0.016	.0878655	.7956559
_cons	.8005973	.5772335	1.39	0.174	-.3700865	1.971281

Where:

C: service delivery

Educ: Education level

B: Revenue collection methods

D: Revenue collection challenges

Table 4.5 shows multiple linear regression analysis that explores the combined impact of education level, revenue collection methods (B), and revenue collection challenges (D) on service delivery (C). (Prob > F = 0.0000), indicates that the model is statistically significant because the p-value of 0.0000 is less than 0.05, and thus there is a very strong relationship between the dependent and independent variables. The R-squared value (0.5578) suggests that approximately 55.78% of the variance in the dependent variable is explained by the independent variables in the model. This shows that service delivery can be explained by the education level, revenue collection methods and revenue collection challenges in Mukono district local government.

$$C = 0.8005973 - 0.22932445Educ + 0.5564663B + 0.4417607D$$

From the equation above, the Intercept **(0.8005973),** shows that service delivery (C) when Education level, revenue collection methods, and revenue collection challenges are equal to zero. It represents the estimated value of service delivery when none of the independent variables have an effect.

Education level (-0.22932445) coefficient represents the effect of the Education level on service while holding other variables constant. The coefficient of -0.22932445 suggests that for every one-unit increase in the Education level, service delivery (C) is estimated to decrease by approximately 0.2293 units, assuming revenue collection methods and revenue collection challenges are held constant.

Revenue collection methods (0.5564663), represents the effectiveness of revenue collection methods on the quality of services delivered while holding other variables constant. The coefficient of 0.5564663 suggests that for every one-unit increase in the effectiveness of revenue collection methods then services delivered were estimated to increase by approximately 0.5565 units, assuming that Education level and revenue collection challenges are held constant.

Revenue collection challenges (0.4417607), represents the effect of revenue collection challenges on service delivery while holding other variables constant. The coefficient of 0.4417607 suggests that for every one-unit increase in the revenue challenges, service delivery is estimated to increase by approximately 0.4418 units, assuming Education level and revenue collection methods are held constant.

4.6 The challenges faced by the revenue authority in collecting taxes

The third objective of the study was to identify potential challenges faced by the revenue authority in collecting taxes in Mukono local government. The revenue collection challenges construct was measured using 5 items scored on a five-point Likert scale ranging from 5= Strongly Agreed, 4= Agree, 3= Not Sure, 2= Disagree, 1= Strongly Disagree and the findings are presented in Table 4.6

Table 4.6: Descriptive Results for Output Factors

Revenue collection challenges	Agree F (%)			Disagree F (%)			
	SA	A	Not sure	DA	SDA	Mean	SDV
The revenue collection process in Mukono Local Government is efficient and streamlined.	3 (7.5)	7 (17.5)	15 (37.5)	7 (17.5)	8 (20)	8	3.56
The revenue authority in Mukono Local Government effectively addresses tax evasion and non-compliance.	5 (12.5)	8 (20)	10 (25)	14 (35)	3 (7.5)	8	3.85
There is transparency in the tax collection process in Mukono Local Government.	4 (10)	9 (22.5)	10 (25)	13 (32.5)	4 (10)	8	3.52
The revenue authority in Mukono Local Government operates with integrity and ethical standards.	6 (15)	11 (27.5)	8 (20)	8 (20)	7 (17.5)	8	1.67
There is a high level of tax compliance among individuals and businesses in Mukono Local Government.	9 (22.5)	5 (12.5)	7 (17.5)	16 (40)	3 (7.5)	8	4.47

Source: Primary Data 2023

Table 4.6 above shows that the revenue collection process in Mukono Local Government is not efficient and streamlined. (Mean = 8; STD = 3.56), there is a challenge of tax evasion and non-compliance (Mean = 8; SDV =3.85), and that there is inadequate transparency in revenue collection (Mean = 8; STD = 3.52).

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Table 4.6, also shows that there is low integrity and ethical standards (Mean = 8; STD = 1.67), and low level of tax compliance among individual and business (Mean = 8; STD = 4.47). Since these score the highest means and relatively low standard deviation, they emerged as the key challenges faced by the revenue authority in collecting taxes in Mukono local government.

4.7 Linear Regression Results and Hypotheses Testing

Multiple regression analysis was carried out to establish the overall causal effect of education level, revenue collection methods, and revenue collection challenges on service delivery in Mukono local government using adjusted R^2 statistics. The linear regression analysis was conducted to establish which among the dimensions of the independent variable was the most significant in contributing to service delivery. The linear regression results were also used to make a decision on the study hypotheses and are presented in Table 4.8.

Table 4.7: Linear Regression Analysis Results

Model Summary				
Model	R	R Squared	Adjusted R Squared	Std. Error of the Estimate
1	.6016[a]	.4534	.4590	.4925

ANOVA[a]						
Model		Sum of squares	Df	Mean Square	F	Sig.
1	Regression	26.1724	1	26.1724	.9112	0.000[b]
	Residual	31.5491	38	0.83024		
	Total	57.5715	39			

Coefficients[a]						
		Un standardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	T	Sig.
1	(Constant)	.60162	.57723	.80059	1.39	.174
	Education level	-.22932	.12217	-.22902	-1.88	.069
	Revenue collection methods	.81444	.14505	.55647	3.29	.002

Revenue collection challenges	.74515	.15960	.44176	2.53	.016	**Source: Primary data 2023**
Dependent variable: service delivery						
Predictors (constant) education level, revenue collection methods, revenue collection challenges						

Table 4.7, shows a coefficient of determination (R-squared) of 0.4534 at a significance level of 0.000 suggesting that service delivery was 45.3% at a standardized error of estimate of 0.4925.

The correlation coefficient (R= 0.6016 or 60%) indicated the strength of the association between education level, revenue collection methods and challenges taking into considerations all interactions among the study variables. The adjusted R^2 of 0.4590 or 46% was the variance in the quality of services that was explained by education level, revenue collection methods and challenges putting into consideration all the variables and the sample size of the study. The remaining variance of 54% is explained by other factors other than education level, revenue collection methods and challenges.

The standardized coefficient statistics revealed that, revenue collection methods ($\beta = 0.55647$, t = 3.29, p = 0.002), and revenue collection challenges ($\beta = 0.44176$, t = 2.53, p = 0.016) are the only two significant factors determining service delivery in Mukono local government among the factors considered in this study. Education level ($\beta = =0.22902$, t =-1.88, p = 0.069) is Statistically insignificant in determining the service delivery in Mukono local government among the factor considered in this study because it's P-values is greater than 0.05 (P> 0.05).

Table 4.7 also presented the analysis of variance (ANOVA). The findings reveal that on average, the mean score on the determinants of service delivery ended to differ significantly. With the computed F-statistic (F=.9112) small enough as its accompanying P-value = 0.000 < 0.05. Thus, since the significance or p-value, 0.000 is less than $\alpha = 0.05$, then at 5% level of significance, it is deduced that the computed or observed F is small enough to infer that the responses differed significantly. This means that even when the services delivery in Mukono local government is in poor state with the revenue collection, and even when there are challenges that discourage adequate revenue collection, this alone is not worse enough to discourage service delivery. The findings reveal that inadequate revenue collection in form transparency, integrity and ethical standards among others as well as failure to allocate and distribute the collected revenue efficiently for improved quality of services provided, largely retard service delivery in Mukono local government. The strategies, vision, goals and Plan of the respective services delivery to be supportive enough to aid effective revenue generation and collection, transparency, integrity and ethical standards for improve quality of services provided. Priority should therefore be given to improve budgetary allocation towards developing appropriate revenue collection methods and reducing on the changes faced in collecting revenue by the authority to increase on the service delivery.

4.9 Testing of hypotheses

The study hypothesis was revenue collection methods and challenges significantly determines the services delivered in Mukono local government" According to Table 4.8, revenue collection methods (β = 0.55647, t = 3.29, p = 0.002), and revenue collection challenges (β = 0.44176, t = 2.53, p = 0.016) are the only two significant factors determining service delivery in Mukono local government among the factors considered in this study. Education level (β = =0.22902, t =-1.88, p = 0.069) is statistically insignificant in determining the service delivery in Mukono local government among the factor considered in this study because it's P-values is greater than 0.05 (P> 0.05). Therefore, accept the null hypothesis since is service delivery is significantly determined by revenue collection but not education level.

CHAPTER FIVE

DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents the discussion of findings, conclusions and recommendations. The study was meant to analyze the impact of local revenue collection in relation to the service delivery in local governments with specific reference to Mukono district local government

5.1 Discussions

5.1.1 To establish the methods of revenue collection in Mukono local government.

Findings from the research study show that Mukono local government collects local revenue from different sources and they include licenses and permits, parking fees, fines and penalties, rent and rates, market dues in order to deliver services to the people by the means of cash payment, third party processors, providing discounts and incentives, and use of tax payers regulations to collect revenue. The study findings are supported by the responses of the key respondents who managed to respond to questionnaires.

5.1.2 To establish the relationship between revenue collection methods and service delivery in mukono district local government.

In Mukono local government local revenue collected has led to improved service delivery and the services that have been delivered include extension of agricultural services, boosting primary education, construction of health centers', construction of feeder roads, maintenance and sustainability of development projects like early and child nutrition, provision of safe drinking water and sanitation services, financing sporting activities, financing the registration of tax payers and training their employees to ensure maximum production in Mukono local government.

5.1.3 To identify the challenges faced in revenue collection in Mukono local government.

The study findings are supported by researchers like Kiser (1994) who in his study observes that there has been low local revenue collection, and this has been due to the harshness of tax collectors, inadequate transparency, inadequate sources of revenue, lack of integrity and ethical standards for officers, political intervention for example poor enforcement of rules and regulations of collecting revenues, which reduces the tax base thus leading to low local revenue collection and thus low service delivery in Mukono local government.

5.2 Conclusion

Based on the study findings, the following conclusions were drawn:

Education level is not very important determinant of quality of service provided to the people in Mukono local government. That is, development of new methods for revenue collection and new revenue sources, and emphasizing transparency, integrity and ethical standards attracts more revenue for provision of quality services like infrastructure in Mukono local government to a significant level. It has managed to attract revenue, majorly with the efforts by the revenue authority.

5.2 Recommendations for Policy and Practice

Basing on the discussion of the study findings, conclusions of this report, the study recommends the following;

There should be increase in service delivery that is establishment of infrastructure like roads, bridges, electricity, schools and hospitals to attract investors and developers in the division in order to expand tax base.

Enough sensitization. People should be sensitized over different medias like radios televisions workshop about the role of local revenue in service delivery and they should also be informed about what they use their money for.

Timely accountability to tax payers should be done in order to avoid wastage of local revenue collected and ensuring proper allocation of services to the community.

Study findings also revealed that there should be transparency, integrity and ethical standards during assessment .This can improve supervision, monitoring and ease local revenue collection.

Identification of other sources of income so as to boost tax base for example some activities which are being carried in the Division should start paying taxes in order to increase on revenue and service delivery as well.

Tax should be paid in installments in order to make it easier for tax payers who cannot afford the whole amount assessed in order to avoid tax avoidance. This was suggested by tax payers who have small businesses and they revealed that when they decide to pay the whole amount, their businesses end up being affected by the amount removed from them.

Suggested areas for further research

The study focused on the impact of local revenue on service delivery in Mukono Local Government, the study recommends further research on;

The revenue collection generation, collection and allocation to different local governments

The sources of local revenue in Mukono Local Government

More research should also be conducted on ways of enhancing local revenue base in local government.

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APPENDIX I

QUESTIONNAIRE

Dear respondent,

Am **SHARON NABAKENI**, carrying out a study on the impact of revenue collection on service delivery in Mukono local government as a partial requirement for the award of Bachelor of Science in Economics and statistics of Uganda Christian University. You have been chosen to participate in this study as a respondent. Kindly provide the appropriate information as indicated in the questionnaire based on your objective experiences. The information provided shall be used for academic purpose and will be kept with outmost confidentiality.

Yours' truly,

Sharon Nabakeni

SECTION A: **BACKGROUND INFORMATION**

Please indicate your age bracket

18-25years	
26-35years	
36-45years	
46-55years	
Above 55years	

Gender of the respondent

Male	
Female	

What is your education level?

PHD	
Masters	
Degree	
Diploma	
Certificate	

Others	

Are you directly engaged in revenue collection?

Yes	
No	

Does the local government provide service delivery to their community members?

Yes	
No	

SECTION B: **THE METHODS USED FOR REVENUE COLLECTION IN MUKONO DISTRICT LOCAL GOVERNENT**

Please note that this section provides questions about revenue collection and service delivery based on a five-item Likert scales as indicated in the mini-table below;

1	2	3	4	5
Strongly disagree(SD)	**Disagree(D)**	**Not sure(NS)**	**Agree(A)**	**Strongly agree(SA)**

For each statement, please indicate your level of agreement using the following scale:

	1	2	3	4	5
The local government primarily collects revenue through cash payments.					
The local government uses third-party payment processors or collection agencies for revenue collection.					
The local government accepts credit card payments for revenue collection.					

The local government uses online payment methods for revenue collection.					
Discounts and incentives are offered to encourage prompt revenue collection.					
The local government complies with relevant regulations and tax considerations in revenue collection.					

SECTION C: **SERVICE DELIVERY**

	1	2	3	4	5
You are satisfied with the services provided by Mukono local government.					
Revenue collection plays a crucial role in funding and improving the quality of services in Mukono local government.					
Mukono local government should diversify its revenue sources to improve service delivery. How satisfied are you with the services provided by Mukono local government.					
There is a need for better communication between Mukono local government and the community regarding revenue collection and its impact on service delivery.					
With transparency and accountability in revenue collection would lead to improved service delivery in Mukono local government.					
You have noticed some changes in the quality of services provided by Mukono local government in recent years.					

SECTION D: **CHALLENGES FACED BY THE REVENUE AUTHORITY IN COLLECTING TAXES**

	1	2	3	4	5
The tax collection process in Mukono Local Government is efficient and streamlined.					
The revenue authority in Mukono Local Government effectively addresses tax evasion and non-compliance.					
There is transparency in the tax collection process in Mukono Local Government.					
The revenue authority in Mukono Local Government operates with integrity and ethical standards.					
There is a high level of tax compliance among individuals and businesses in Mukono Local Government.					

UGANDA CHRISTIAN UNIVERSITY

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SCHOOL OF BUSINESS

1st Aug 2023

TO WHOM IT MAY CONCERN

Name: SHARON NABAKENI   Reg. No. S20B34|019

A bachelor's student who is seeking permission from your office to collect data for his/her dissertation titled

"....THE EFFECTIVENESS OF REVENUE COLLECTION METHODS AND ITS...."
     IMPACT ON THE QUALITY OF SERVICES PROVIDED IN MUKONO DISTRICT
We shall be grateful if you could render assistance to him/her in collecting the LOCAL GOVERN
necessary data for his/her dissertation

The Uganda Christian University School of Business thanks you in advance

Mukisa Simon Peter
Research coordinator