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Assessing the Impact of Business Environments on Local Authorities Revenue Perfomance.

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ABSTRACT
This study main objective was to assess the impact of business environments on local authority revenue collection and performance in Phalombe District Council. The study aimed at finding out whether local authorities can raise enough local revenues that can sustain their activities without relying on central government transfers a case study of Phalombe District council. The research used a sample of 79 respondents from the council and the business community. Both secondary and primary data Qualitative data was obtained through questionnaires and focus group discussions with relevant stakeholders.
Data analysis was done using SSPS and excel package where descriptive analysis, tables and graphs were generated to enhance the study analysis and reporting.
The findings indicated that the majority of the respondents were male at 82% against female at 18%. The study further indicates that majority were within the age of 39 to 45 with the majority attaining MSCE as the entry qualification at 85% with the lest with either diploma or Degree certificate.
The study highlighted many source of revenue to Phalombe district council which among them includes miscellaneous fees and charges, market fees, business licenses and commercial undertakings. The study showed that Phalombe District Council experienced a number of drawbacks in connection with revenue collection ranging from political, legal, social, demographic and economic factors. This have a significant impact to the revenue performance of the district council as some operations are negatively affected rendering inadequate service delivery of the communities.
The study is relevant as it is an eye opener to those involved in planning for locally generated revenues to consider business environments seriously. This implies that various business environmental factors should be taken into account as the planners draw the budgets.
Key words: business environment, local authorities, revenue performance.

I. INTRODUCTION

Local Authorities are empowered to mobilise revenue from local sources. Further, part12 (1) of Second schedule of the Local Government Act 1998 allows local Authorities to establish, maintain and manage trading undertakings. Section 44(1) of the Local Government Act 1998 empowers Local Authorities to collect locally generated revenues in order to discharge their statutory mandate. Locally generated revenues are revenues that are generated by Local Authorities from their own sources other than from Central Government and Development Partners. Examples of locally generated revenues for Local Authorities include:
(a) Property rates
(b) Ground rates
(c) Fees and licences, e.g. market fees, bus departure fees, beer fees, trade licences, etc
(d) Income from commercial undertakings, e.g. rest houses, bars and bottle inventory, etc
(e) Service charges, e.g. sewerage emptying charges, tree felling charges, etc
Commercial undertakings are services of trading nature which are financed from appropriates from the Local Authority General Rate Fund. The principal aim of establishing commercial undertakings is to supplement the revenue base of the Local Authority. Local Authorities are expected to run commercial undertakings that register annual net profits which are then reinvested or transferred to the General Rate Fund.
The Business Licensing Act is Act that provide for licensing of the Sale of goods and services by way of businesses to provide for establishment of business licensing centres and to make provision for matters connected therewith or incidental there to.

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Thus, the Business Licensing Act plays the role of regulating businesses.
Similar businesses are grouped so that each business should be taxed according to estimated level of business capital to ensure that businesses that are making more money should pay more while those that relatively make less money pay reasonably smaller amounts.

II. LITERATURE REVIEW

Operational Determinants and Revenue Collection Efficiency

Jepkoech (2021) in her research on operational determinants and revenue collection efficiency in county government of Nandi found out that staff competence is key in revenue collection. In this regard the officers responsible for collection of revenue need to boost the levels of revenue collection .Further, she noted that computerisation of all processes would provide an overall advantage towards task of revenue collection. In analysing the role of internal controls, (Jepkoech, 2021) noted that internal controls are crucial in a bid that targets huge revenue collection performance.

Bahl, et al. (2008) in the study they conducted observed that administrative cost is a hindrance towards revenue collection because upon comparing with the proceeds the values for money is seen to be on the lower side. Secondly, the study revealed that lack of enforcement is also another factor that is negatively affecting revenue collection. Lack of political will and the fact that default leaders are the people who were supposed to be exemplary, makes it difficult for enforcement to yield desired results.

Ndiaye (2019), in the study entitled effect of reforms on tax revenue performance in Senegal studied the impact that reforms brought on mobilisation of tax revenue. The results showed that reforms in tax administration and similar reforms were ingredients to improved performance of tax revenue in Senegal.

Investigating the Factors Affecting Revenue Collection.

Mbaya(2022), conducted a study on factors affecting revenue collection at Phalombe District Council. Case study research design was used in assessing the factors affecting locally generated revenue collection at Phalombe District Council.

It was established that lower tax rates was the main contributing factor to lower revenue collections. It also revealed that low revenue base was responsible for the dwindling revenues collected at Phalombe District Council. Other factors which had a bearing on local revenues as indicated by the study were government policies, corruption, and dishonesty of revenue officers.

The study concluded by indicating that low revenue collections at Phalombe District Council could be improved through public awareness on locally generated revenues, effective planning and supervision of revenue collectors, enforcement of bye laws and exploring new revenue sources(Mbaya,2022).

Nghifikwa (2019) noted that technical and administrative faults contribute to obstructing revenue collection. In her study it was revealed that theft is another obstacle to realising adequate revenues. A further insight from her study is the fact that errors in invoicing have had an impact towards the levels of revenue collection. In addition to the above factors the study revealed that client's education and unsatisfaction in service delivery impacts to a great extent on revenue collection.

Petersen (1977) investigated on the influence that procedures and controls in managing locally generated revenues yield to in boosting revenue collection. His arguments alluded to the fact that the revenue collectors are encouraged to work extra hard when their collections are accounted for clearly. Further, he argued that in the absence of procedures and controls, it will bring suspicions on whether the funds are prudently used. The revenue collection team will be left frustrated if they realise that the funds collected are not being put into the intended use. The end result of this cost of low spirit in the revenue collectors is minimal effort which will eventually result in dismal performance. The perception put across by the study is that once the laid down procedures are followed to the letter, the probability is high that an improvement in the levels of revenue collected can be registered. The principles highlighted above provide a good case study to the investigation.

According to (Miiro, 2015) in the study which he conducted on the relationship between local revenue performance and service delivery observed that informal revenue administration affected the revenue performance. The study also revealed that unsatisfactory accountability of locally generated funds was a drawback to the revenue performance because tax payers were not encouraged to pay their taxes. Further to this, the study faulted budget management by responsible officials as another factor that had an impact in preparing the tax payers to accept their responsibility of paying taxes.

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Chilima (2019) stated that there are two channels through which tax revenues can grow or change. The first way is that it can respond to changes in base and the second is response to discretionary changes. He however, said it is possible for both factors to cause the change at the same time. The increase in revenue caused by growth in tax base was described as automatic. A change due to discretionary factors is when revenue changes due to changes in income tax rates.

2.4 Relationship between Revenue Collection and Service Delivery

Kaongo (2015) was of the view that service delivery is achieving maximum productivity with minimum wasted effort and promptly to reach the targeted beneficiary. The citizens look forward to the local authorities for outstanding service delivery. According to (Crompton, 1991) efficient tax revenue collection combined with major revenue source can help achieve excellent service delivery.

According to (Ali, 2018) one of the factors that affect revenue collection is the harshness of tax collectors. Secondly, he pointed out high administrative expenses inform of corruption which is done by the revenue officers as another contributing factor to low revenue collection. He further pointed at inadequate sources of revenue as another challenge. In the study that he conducted, Ali also noted that political environment also impacts to a greater extent on influencing the levels of revenue collected. The study that Ali conducted also revealed poor enforcement of rules and procedures of collecting revenues. All the factors mentioned reduces the taxi base hence leading to low local revenue collection which eventually result into low service delivery in local governments.

According to (Mbufu, 2013) there is a relationship between revenue collection and service delivery. The study he conducted revealed that declining revenue collection led to poor service delivery.

Tiebout (1956) was of the view that local authorities revenue performance can be directly proportional to the level of public services that are offered to the community. In his argument the community will be more willing to take part in various forms of taxes issued by the local authorities if they see the corresponding services from the local authorities. This school of thought is relevant as it highlights the relationship between service delivery and the levels of local authorities' revenue performance.

III. METHODOLOGY

According to Best and Khan (2004), a research design is an outline, strategy or plan used in the research to seek a solution to the research problem. Kothari (2004) defined a research design as a systematic plan of executing the study. This study adopted a quantitative and a retrospective approach.

According to (Krishnaswami, 2002) study population refers to total collection of elements from where to gather information. Copper and Schindler (2014) defined population as the total collection of elements from where the researcher would make inferences. For the purpose of this study the population was 99.

According to Kamuzora and Adam (2008), sample size is the number of respondents out of the total population who will actually be involved in the study. This study's sample size was 79. The sample was derived by using the formula according to Saunders et al., (2003) as:

n=N/ {1 +N (e*e)} where:

n= Sample size

N=Population of Study

e=Margin of Error

e=0.05

Krishnaswami (2002) also notes that sampling helps to bring quality work and the results are quick. Kothari (2004) stated that sampling helps to get the target respondents whose ideas are a representation of the whole population. The study further used judgemental sampling which was based on researchers' reasonable judgement that the selected sample would give reliable information and helpful for this research.

Primary data was collected using the questionnaire from respondents who were selected to be part of the study. This data was obtained directly from the respondents by the researcher.

Various documents were reviewed to obtain this data. This includes various books, journals, different thesis and other relevant materials obtained from Ministry of Local Government and Ministry of Industry and Trade.

The objectives of the study guided the analysis of the data which was collected and processed. The analysis used the Statistical Package for Social Scientists (SPSS) and excel package. Editing, coding, tabulation were the activities done in processing. These processes make the research to be presentable and easy to understand. Responses from the respondents were edited to correct the errors and where appropriate to seek clarification from the respondents. Coding helps to determine

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whether each response is properly classified. Tabulation assembles the data in clear and good order. The study was qualitatively analysed where words were used to explain the findings. Quantitative analysis involved computation of totals and percentages obtained from respondent's data.

IV. RESULTS

A total of 79 questionnaires were administered and all questionnaires were fully completed and returned. The response rate was 100% of the total sample of 79

Impact of Political Factors on Revenue Collection

Political factor has been one of the instruments which bring checks and balance within the district councils; however it has an impact to revenue collection over time. The table below indicates the extents to impact of political factors towards revenue collection and performance.

Table 1: *Responses on political influence on revenue performance*

Responses	Frequency	Percentage (%)
Strongly agree	45	57
Agree	30	38
Disagree	4	5
Strongly disagree	0	0
Total	**79**	**100**

Source: Researchers findings, 2023.

The results indicates that political environment has significant impact on revenue collection and performance where 57% of the respondents strongly agreed, 38% of the respondents agreed against 5% who disagreed while none of the respondents strongly disagreed to the fact that political environment affects the performance of revenue in Phalombe District Council.

Impact of demographic factors on revenue performance.

Demographics include any statistical factors that influence population growth or decline, but several parameters are particularly important. Phalombe district has a population of 21 990(NSO, 2018) which is segregated based on sex, youth, business etc. The table below indicates the extent to which demographic factors affects revenue performance.

Table 2: *Responses on the impact of demographic factors on revenue performance*

Responses	Frequency	Percentage (%)
Strongly agree	40	51
Agree	20	25
Disagree	15	19
Strongly disagree	4	5
Total	**79**	**100**

Source: Research findings, 2023.

The findings indicate significant extent of impact of demographic factors on revenue performance were and collection. It further highlights that 51% of the respondents strongly agreed, 25% agreed, 19% disagreed while 5% strongly disagreed to the view that demographic factors affect revenue performance in view of this an aggregate of 76% are in agreement that demographic factors affect revenue performance.

Impact of legal factors on revenue performance.

Legal factors are among the factors that affects revenue performance. The table below indicates the extent to which these legal factors affect revenue performance of the Phalombe district council.

Table 3: *Impact of legal factors on revenue performance*

Responses	Frequency	Percentage (%)
Strongly agree	71	90
Agree	8	10
Disagree	0	0

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Strongly disagree	0	0
Total	**79**	**100**

Source: Researchers findings, 2023.

The outcome of the survey indicated that 90% of the respondents strongly agreed to the fact that legal factors can influence revenue performance. 10 % of the respondents agreed that legal factors influence revenue performance. This implies that there is a significant impact of legal factors to revenue performance and collection as indicated in the figure below

4.17 Impact of Social Factors on Revenue Performance

The social aspect focuses on the forces within society. Family, friends, colleagues, neighbours, and the media are social factors. These factors can affect our attitudes, opinions, and interests. So, it can impact the sales of products and collection revenues which in the long run affects revenue performance of the district councils. The social factors shape who we are as people. Population changes are also directly affecting district councils. The supply and demand of goods and services in an economy can change with the structure of the population. A decline in birth rates means demand will decrease. It also indicates greater competition as the total consumers fall hence an increase in taxation collection.

Table 4: *Impact of social factors on revenue performance.*

Responses	Frequency	Percentage (%)
Strongly agree	25	32
Agree	15	19
Disagree	20	25
Strongly disagree	19	24
Total	**79**	**100**

Source: Researchers findings, 2023.

The results of the survey indicated that 32% of the respondents strongly agree that social factors influence revenue performance while those who agreed are 25% of the respondents. 20% of the respondents disagreed while 19% of the respondents strongly disagreed. These findings express a minimal significancy of social factors to revenue performance. The results are depicted in figure below.

Impact of economic factors on revenue performance

The findings indicate that there is a significant impact of economic factors to revenue collection at Phalombe district council. Among the factors include taxation, monitory value, fluctuation etc. The table below express the extent to which this economic factor affects revenue performance.

Table 5: *Impact of economic factors on revenue performance.*

Responses	Frequency	Percentage (%)
Strongly agree	55	70
Agree	21	26
Disagree	3	4
Strongly disagree	0	0
Total	**79**	**100**

Source: Research findings, 2023.

The results indicated that 70% (55) of the respondents strongly agree that economic factors have an impact on revenue performance of which 26% (21) of the respondents agreed that economic factors have an impact on revenue performance while 4% (3) of the respondents disagreed against none who strongly disagrees.

V. FINDINGS

Considering the principal study objective of this study, which was assessing the impact of business environments on local revenue collection performance in Phalombe District Council, it was established that business environments in local

authorities has a direct relationship with local revenue collection performance.

It should be highlighted that local revenue collection performance could be improved through engagement with various stakeholders who are involved in the process of collection and are part of the environment of the Local Authority.

The study showed that Phalombe District Council experienced a number of drawbacks in connection with revenue collection ranging from political, social, demographic as well as economic factors. The study has pointed out that the obstacles were inherent in the political set up of the Local Authority and were deep rooted in all the social and economic structures of Phalombe District Council.

The study findings revealed that although most challenges were inherent in the structures of the Local Authority, it could be managed. It was apparent that low or poor revenue collection performance in the district could be improved by implementing various policies such as sensitising communities; check on political interference, motivating the revenue collection team.

Importantly, the study revealed that the revenue estimates are an important management and financial tool as regards revenue collection performance.

The study depicted that the estimates along with proper feedback are important tools in the whole system of tax collection. The results showed that revenue collection performance would greatly improve with consented efforts from all stakeholders in Phalombe District Council as regards to revenue collection.

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