

**THE EFFECT OF LOCAL REVENUE COLLECTION ON SERVICE DELIVERY IN
LOCAL GOVERNMENT**

A CASE OF MPIGI DISTRICT

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DECLARATION

I Linda Ruth hereby declare that this research report is a result of my efforts and has never been presented to any institution of higher learning for any award.

Signature

.....

Date

.....

APPROVAL

This is to certify that this research report entitled “*The effect of local revenue collection on service delivery, a case of Mpigi District*” was under my supervision and it is ready for submission.

SUPERVISOR: MR. OBOTH ALEX

Signature

.....

Date:

.....

DEDICATION

I dedicate this research report to my Aunt, uncles and sisters for the financial support and advice as well as working tirelessly to the completion of my studies in all spheres, May the Good Lord reward them countless.

ACKNOWLEDGEMENT

I acknowledge the work of my Supervisor for her tireless supervision towards the successful completion of this study. In particular for his recommendations and suggestions that has been valuable for the completion of this Research. May the almighty GOD bless you

In the same spirit, I acknowledge the good works of my lectures how have taken me through this course and other teachers who natured me from Nursery through primary and secondary education. May the good Lord reward you abundantly.

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CHAPTER ONE

1.0 Introduction

Under this chapter the researcher presents the background of the study, statement of the problem, purpose of the study, objectives of the study, research questions, scope of the study and significances of the study.

1.1. Background of the study

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, (Langseth, 1996). According to Local Government Act 1997, defines local revenue 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 councils) 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. They are governed by the Constitution of 1995 of the republic of Uganda and local government Act of 1997.

According to schedule 2 of the Local Government Act 1997 gives mandate to local governments to collect local revenues 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 local revenue collection.

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 local revenue collection forces which Ms. Cotilda Mbabazi secretary for Finance on June 12th, 2009 said that they contribute 0.9% funding their budget (New Vision June 12, 2009)

Local revenue collection helps to achieve service delivery in the local government by co-funding development projects for example the child and early nutrition project in the health sector, local government development programmes and plan for modernization of agriculture grants for both higher and lower local government though sometimes local revenue collections are used to fund stand-alone projects for the local population. Service delivery is defined as the process of extending basic services like education, health care, water, transport and communication where the end users are the public or the local people within the country. In other words, the locals are the beneficiaries (Ray Tomkinson 2007 page 211) Mpigi district local government budget is said to be dominated by health, education, and road sector according to the secretary of finance Ms Cotilda Mbabazi on June 12 2009, she said that 95% funding were expected from government transfers, 4.1% from donors and NGOs co-sponsorship while only 0.9% was expected from local revenue collection because tax collectors face external political interventions to make them deviate from the laid down local revenue collection procedures and regulations leading to tax evasion and tax avoidance hence poor revenue collection.

Secretary for finance Ms. Cotilda, however said local revenue collections are the leading causes of poor performance in Mpigi District which can be measured by poor service delivery in Mpigi District. Performance of most local governments' revenue collection is at 50-60% and some less than (Mpigi District Final Accounts 2001/2002-2005/2006) which calls for attention to study the relationship between local revenue collection and service delivery in Mpigi district.

1.2 Problem statement of the study

Despite the fact that Mpigi district collect revenue from various sources such as market dues, fines and penalties, parking fees, property taxes, license and permits and others in order to carry out service delivery for its residents, expenditure on service delivery for its local population both at district and lower local government remains very low (Auditor General's Report 1998/1999, 2001/2002, 2003/2004). The problem if not addressed may undermine the autonomy of the local government under the decentralization process since reliance will only be on Donations and the central government transfers (Oriaro et al 1998, Abigaba 1998, Mc lure, 1998) or service provision may be left to market forces which may not be afforded by low

income earners in the district (Abayade 1981) Thus this has instigated this research to find out how local revenue collection is affecting service delivery in local government.

1.3 Purpose of the study

The purpose of the study was to examine the effect of local revenue collection on service delivery in local government a case study of Mpigi District.

1.4 Objectives of the study

The researcher was guided by the following objectives

- To examine different local revenue collection sources in Mpigi District.
- To find out the effect of revenue collection on service delivery in Mpigi district.
- To examine the limitations of local revenue collection in the district.

1.5 Research Questions

- What are the different sources of local revenue collection in Mpigi District?
- How does local collection affect service delivery in Mpigi District?
- What are the limitations of local revenue collection in Mpigi District?

1.6.0 Scope of the study.

1.6.1 Geographical scope. The research was carried out in Mpigi district, justification for the choice of Mpigi district was easy access to information, geographical spread and availability of Audited final and accounts for the most of its lower local government for the period under review.

1.6.2 Time scope. The research covered a period of three years ranging from financial years of 2001/2002 to 2003/2004 and was conducted from February-June 2011

1.6.3 Subject/content scope. The study sought to establish the effects of local revenue collection on service delivery in Mpigi district. Revenue collections included amounts collected from property tax, market dues, fines and penalties, licenses and permits. Service

delivery in terms of expenditure on health, education, road sector, and community development services and production services.

1.7 Significance of the study

- The study helped to establish the causes of fluctuations in the local revenue collection in Mpigi District.
- The study was beneficial to policy makers of Mpigi district council and other local government in finding a solution to the problems of fluctuations in the local revenue collections and appraises their performance.
- The research was beneficial to other academicians as they will use it for literature review while carrying out research in the similar area.
- The study was of use to other stakeholders for example donors and the central government to analyze linkages between local revenue collection administration and performance.

CHAPTER TWO

Literature Review

2.0 Introduction:

Several studies have been there in relation to local revenue collection and service delivery in developing countries, Uganda inclusive and little has been found about local governments.

2.3 Local Revenue Collection.

According to the Local Government Finance Commission Act of 2004, local revenue is important to local governments for a number of reasons like promoting the autonomy of local governments, maintaining and sustaining investment and savings, meeting the co-funding and borrowing obligations, financial council operations and funding other locally prioritized services and projects. (Surrey, 1974) contends that the basic collection administrative procedures include identifying and locating tax payers, checking on tax payers' compliance and collection of taxes. (Vehorn, C, Ahmad E, 1997) also shares on this on this view while commenting on sub-national administration generally and (Silivan C, Albert,H, 1992) concluded that revenue collection will result specifically from taxpayer registration, training data processing, tax payers relations and simplification forms.

In Uganda local revenue collection has been facing a declining trend over the years which need attention to focus on the underlying causes of this declining trend. Local government revenue sources have faced a drastic decline and therefore have to depend on the central government funding which accounts for 95-98% of their budgets. Transfers to local governments as a percentage of public expenditure has fallen from around 47% in 2001/2002 to about 22% in 2008/2009. Thus meaning more resources are being retained at the centre (Kadiresan, 2009). In this view, a number of studies have been conducted to reverse this trend among which is the inventory of best practices by local authorities inspection department (Ministry of Local Government, 2004) and other factors given for this trend include; over reliance on graduated tax, ignorance and existence of obsolete tax laws like Property Tax (Rating decree) 1997, Town and County Planning 1964, Public Health Act 1969, Liquor Licensing Act 1967, Markets Act 1942 and others.

In local government, revenue collection can be improved through sensitization of tax payers (Lubega, 2000) as means of shaping their attitudes and ensure compliance to tax payers.

Regulations 28 and 34 of the Local Government Financial and Accounting regulations 1998 highlights duties of revenue collector, guides revenue collectors on accountability of revenue collected.

In some instances where low revenues are collected, so as to enable delivery of services, it is attributed to uneven tax administration, (Silivan C, Albert H, 1992).

Local revenue collection has to comply with certain general principles of raising revenue and how these principles should be fair, convenient and certain. The collection and administration of revenue must be economical to the collectors and administrators (Katarikawe, 2016)

However, Stella, 1993 is against decentralization that if local authorities are left to make decisions for themselves, govern themselves, they will be less competent and more corrupt , abuse their powers and be unable to collect revenues due to public pressure since few modern sates have granted private collection a permanent stature in their revenue generating process.

(Miksell,1986) observes that the resources used in revenue collection provide limited or net service and that is why (Musgrave, 1969) stressed that in pursuit of fiscal policy and achievement of optimum tax revenue levels, minimum administration costs have to be incurred in the tax revenue collection process.

(Mukasa, 200) explains that instances where tax administration is lacking, tax payers are less sensitised about the benefits of paying taxes. During their pilot study carried out in Tororo District, (Bitarabeho, 2003)noted that factors hampering revenue potentials included, law and outdated reserve prices for tendered utilities, absence and or marginal monitoring and supervision of privatized utilities by local governments, viability of utilities and volume of business transactions, some revenue collectors print their own receipts/tickets, mushrooming of unofficial taxi parks and markets operating outside gazetted areas, exorbitant/high rents, lack of systematic process to guide determination of reserve prices, distortion in local revenue collection due to political interferences and or patronage and over reliance on chief finance officers and sub-county chiefs to advise on reserve price of utilities.

According to schedule 2 of the Local Government Act 1997 gives mandate to local governments to collect local revenues 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 local revenue collection.

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 local revenue collection forces which Ms. Cotilda Mbabazi secretary for Finance on June 12th, 2009 said that they contribute 0.9% funding their budget (New Vision June 12, 2009)

2.2 Service delivery in Local Government.

Uganda's decentralization policy provided for the transfer of powers and functions from the central government ministries and departments to local governments. This mandate is embedded in the 1995 constitution of the republic of Uganda. The provision of basic services such as water and sanitation, healthcare, primary education, feeder roads and agriculture extension services is left to the local governments. However, the recent policy changes in fiscal decentralization have brought questions about the capacity of local governments to effectively deliver services and ensure value for money in public expenditure. Some government policies which have had alarming impacts include the creation of new districts and the abolition of graduated tax. The creation of new districts has put more expenditure pressures on the local governments, reducing and in some cases taking away completely resources that would have been used in increasing and improving service delivery (Kadiresan, 2009). This therefore calls for placing "a high priority on delivery of personalized efficient customer services" (Mourney 1991). Attitudes exhibited by service providers, employees and managers must be aimed at developing good working relations and ensuring that customers are handled well while being served, (Musgrave, 1991), Defined public sector as "those industries and services in a country that are owned and run by the state, such as "the education and railways (in many countries) in comparison with private sector. Thus delivery entails public sector delivery mechanism to the local residents of the local government.

(Nangobi, 1987) defined service delivery as an "attitude or dispositional sense, referring to the internalization of even service values and norms" (Nangobi, 2000) said that service delivery is concerned with supplying "superior products" based on the opinion of the

customer. Whereas (Kitimbo 1995) asserts that service delivery should be designed in such a way to provide maximum levels of location and time (Cousell, 1994) confirms it by saying that location of service delivery and their accessibility contribute to customer needs and preferences satisfaction.

According to the National Service Delivery Survey (NSDS) 2000, it was noted that, effectiveness of service delivery in local governments can be gauged by the expenditure amounts allocated to various service items in regard to the National Programmes Priority Areas (NPPA). This report included some other attributes like the perception of perception of service delivery and level of achievement of value for money by the locals, to determine the level of achievement of local governments in attaining reasonable levels of service delivery to its residents/taxpayers.

In contrast, (Fitz W Bingle, 1997) requires that service delivery should take into consideration the completion rate and recovery rate by service providers and (Minnesota, 2008) found out that since technocrats undertake service delivery on behalf of governments, thus there is need for “a bottom-up “prioritizing to have effective spending public funds.

If prioritizing is not taken into consideration, only those governments that take the decision to provide an effective service delivery, architecture will be able to cost effectively meet citizens continually rising expectations of government services (Stevens James, 2005). (Weng Yeu Lai, 2005,) argues that since service delivery remains agency-centered such that government forced citizens to interact with them the way they are organized instead of the way that best makes sense from citizens’ perspective, some of the services provided remain unattended to.

According to the Uganda Particulars Assessment process Wakiso District report (2001), it was indicated that people are unhappy with the service provision. The locals are much concerned about the quality of the services yet most of the poor are scared of inaccessible services, the quality of health service delivery for example are mentioned to the poor and consultants attribute the poor service delivery to mismanagement of public funds, lack of transparency, accountability and consultation from the poor people who never get to know of the services provided and participate little or not in planning for their funds.

Thus from that above discussion, there is need for local governments to provide enough information concerning service delivery to the residents. In a budget, service delivery can be strengthened through a number of ways;

- Improved service delivery
- Strengthened governance and accountability

However, (Zola, 1997) notes that despite the governments' determination and commitment, some of their expectations will take long time to be realized because we have to live in the resources that our country can afford. Tax evasion and avoidance is also explained by (Snaveley, 1998) that compliance for locals to pay taxes to finance service delivery requires sending messages in the media tracing the benefits of compliance.

According to (Abigaba, 1996) the decentralization of local authorities had a loophole in the revenue collection and efficiency of service delivery. This was due to the fact that laws were not clear at times at who should collect revenues and to whom to offer the services, the poor accounting system, untrained personnel and politicians all affected the performance of local authorities. This is in agreement with (Babiiha, 2002) who noted that the sub-counties in Mpigi district give water programmes a less priority thus giving minimal funding hindering construction of new and rehabilitation of old safe and communal water sources.

2.2 Decentralization.

Decentralization means the transfer of responsibility from the central authorities to local units for planning, management, resource raising and allocation of resources (Bagchi, 1991). Decentralization as a concept is about the "transfer of legal administrative and political authority to make decisions and manage public functions central authorities to field organizations of those agencies, like subordinate units of government, semi-autonomous corporations, functional authorities, local government or non-governmental organizations".

According to Mutahaba, 1989 page 69, Rondinelli, 1984, decentralization is defined as the "spatial relocation of decision making that is transfer of some responsibility or authority from higher to lower levels within the central government ministries or agencies. We have four types of decentralization and they include, deconcentration, financial decentralization, devolution and delegation. Decentralization which includes new systems for inter governmental transfers, financial regulations and accounting and budgeting procedures (Villaden, 1996). The local Government Finance Commission Report no1 of February 1995-December 1996 states that the mission of financial decentralization as to "assist local

governments to achieve sound financial autonomy through efficient and effective mobilization of own resources and practicing accounting, transparency, accountability and responsible spending of public resources. Financial decentralization is backed by a legal framework both in the 1995 constitution of Uganda (article 152,191(1) and 196), Financial and accounting regulation of 1998.

Decentralized local governments possess authority to levy taxes not levied by the central authorities and collect income from the local sources and decide how to spend it. When badly done, decentralization, however may increase regional imbalances, jeopardize macro-economic stability and lead to economic inefficiency. Fiscal decentralization with little or no adequate institutions like a strong system at all levels of government, clear rules governing revenues and expenditure assignments and a well designed system of transfers between different government levels reduces fiscal accountability and leads to macro-economic and allocation problems that may lead to severe economic crises (Richardo Lopez Murphy, 1995)

2.4 Tax administration,

A survey by (Satich C Wadhawan and Clive Gray, 2001) reveals that uneven tax administration in Africa is a major contribution to revenue shortfalls that augment inflationary pressure while depriving governments' resources with which to provide public goods. Uneven tax administration also stimulates resort to more easily collected taxes on foreign trade with associated efficiency losses (Wadhawan and Gray, 2001) noted that theoretical and empirical research on why persons subject to tax comply or fail to comply with their legal liabilities has been pursued by social scientists from various disciplines. The direct benefit of successful tax evasion is obvious, it is the value of the payments evaded, comprising their resources thereby saved. Drawing from reference group theory (Grasmick and Scott, 1982, Thurman, 1986, Dickens, 1986) attribute tax evasion to a norm neutralization process that is tax evaders justifying their cheating by the belief that everyone else does the same thing and or the benefit they receive from government fall below their share of the tax burden.

2.5. Revenue collection and management.

(Cheasty, A, 1996) gave the factors for the decline of revenue collection as politics, declining tax bases that are a sharper decline in taxed activities, retailers failing to pay taxes

because of minority policies, unemployment and deficiencies in governance that is tax administrator service delivery in the local government finds it difficult to deal with criminal elements (Yankelovick, 1984) stated that sizeable share of the population regard the tax laws as unfair. Empirical studies on tax compliance are handicapped by data scarcity. Revenue authorities do not reveal their audit strategy and official respect for tax payers' privacy further limits a researcher's access to data.

Types of Local Revenue existing in Local Governments

Revenue Sources Intergovernmental Transfers

Aiko & Logan, (2014) assert that 36 percent of local government general revenue are mainly intergovernmental transfers from other levels of government, 32 percent came from state governments (including indirect local government funds), and 4 percent came directly from the local government. Local governments include county governments, municipalities, townships, special districts (such as water and sewage authorities), and school districts. Aid to school districts account for more than half of all state government transfers to localities. Housing programs make up 40 percent of federal transfers to local governments.

Own-Source Revenue

Local revenues also have their own sources of revenues such as taxes from garbage collection, markets and parking which facilitate them in the financing of local activities. Other sources of own-source revenues for the local government may include charges and miscellaneous fees, such as water, sewerage, and parking meter fees collected by municipal or county governments (Sihag, 2009).

Taxes on real property (land and improvements)

Local governments also gain local revenues from the taxes of properties and this include property value taxes and parcel taxes, as well as grants in lieu of taxes (neither the federal or provincial governments pay property taxes directly, but each pays grants in lieu of taxes on some of their properties) (Sabaini & Jimenez, 2012).

Fees and charges for services:

The fees and other charges levied from the services of the local government to the local and foreign people also serves as another source of local government revenues. Petrovsky (2014)

assert that local government coerces entrepreneur to pay market fees since it is attached to their daily income activities. This include things such as fees for use of local government facilities, fees for services such as water or sewer, and fees in relation to various regulatory activities, such as inspection and permitting (Avellaneda, 2013).

Development services

Another source of local revenues for the local government are the charges obtained from development services. There are charges to support the cost of infrastructure needed to service future development and include development cost charges, latecomer agreements, development works agreements, and parkland acquisition charges (Odd-Heldge Fieldstad, 2004).

Transfers or grants from other governments, which include both conditional and unconditional grants. Conditional transfers are payments to local governments that are restricted in some way, generally with respect to the use of the funding (e.g., funding must be used towards a specific project or program). Maina (2013) conjure that the over dependence of local government on central government transfers delays immediate financing of activities and always conditional, however, there are unconditional transfers which do not have such restrictions, and local governments may choose where the funding will be used.

Utility charges (Local Government Regulation 2012, sections 99 to 102)

Local governments may make and levy utility charges to cover the costs of providing the following services: waste management, gas, water, sewerage. A local government may also levy a utility charge on any land it provides a service to, whether or not the land is ratable. However, the amount of a utility charge must relate to the costs of providing the service by the local government. In particular, a utility charge for a water service must be charged by either measuring consumption through a water meter or by estimating the water consumption (Carroll and Johnson, 2010).

Charges for services or facilities (Local Government Act 2009, section 262(3)(c))

A local government may charge for a service or a facility it provides. This is a broad power, and a local government may wish to use this to generate own source revenue to fund council operations or the provision of services. The local government may charge for the facilities

and services it provides to anyone wishing to purchase them on a purely contractual basis. In doing so the council will reduce the level of revenue required to be generated from ratepayers. An example would be the hiring of a council hall or an item of plant and equipment to a community resident (Keen, 2012).

Fees

Cost-recovery fees for statutory services (Local Government Act 2009, sections 97 to 98) A local government has the power to fix a cost-recovery fee by resolution of council or under a local law. The fees are for particular statutory 'services' including: application fees for the issue or renewal of a license permit, registration or approval under a 'Local Government Act' (defined in schedule 4 of the Local Government Act 2009) seizing property or animals under a 'Local Government Act' performance of another responsibility imposed on a local government under the Building Act 1975 or the Plumbing and Drainage Act 2002. A cost-recovery fee must not be more than the cost of providing the service or taking the action for which the fee is charged, with the exception of those matters identified in section 97(5) of the Local Government Act 2009. Each local government must keep a register of its cost-recovery fees (Local Government Act 2009, section 98). The register must state the paragraph of section 97(2) of the Local Government Act 2009 under which the cost-recovery fee is fixed and the provision of a 'Local Government Act' or the Building Act 1975 or the Plumbing and Drainage Act 2002, for the various fees. These fees are usually adopted by the council as a part of its annual budget meeting; they can, however, be amended during the year by resolution if the council so decides. A local government must keep a register of these fees and the register must be open to inspection as defined in section 98 of the Local Government Act 2009.

Commercial revenue from business activities

Local governments may derive revenue from various business activities such as property development, caravan parks and pastoral operations. In general, the conduct of these enterprises is governed by the local government principles outlined in section 4(2) of the Local Government Act 2009 and the financial sustainability criteria (in particular the sound contracting principles) outlined in section 104 of the Local Government Act 2009. A robust business case is essential when considering new business activities. Under section 41 of the

Local Government Act 2009, a local government's annual report must contain a list of all the beneficial enterprises conducted by the local government during the financial year.

2.6 Relationship between revenue collection and service delivery in local government.

The local authorities' inspection department (Ministry of Local Governments, 2004) noted that the tax payers continue to feel that politicians and technocrats are looking for money for personal enrichment. Although some local governments spend part of the locally collected revenue on service delivery, many of them use the revenues principally for administrative expenses, unless tax payers perceive a linkage between local revenue collection and service delivery they will not be willing to pay.

In his recommendations, (Kajumbula, 2004), in Masaka district, noted that if taxes collected are to be realized by the tax payers, proper percentage entitled to the sub counties 60% and villages 30% should actually be delivered and put to proper use. Revenue collection determines the level of service delivery as was noted by (Kabwegyere, 2004) He noted that low local revenue is a challenge to decentralization model of governance if they are to be able to achieve service delivery objectives.

According to (Kiyega, 1996), in Masaka district, benefits from local revenue collection included, smooth payment of salaries and wages throughout the year, timely planning and implementation. Efficient revenue collection through privatization meant that the revenue collection from the market is even throughout the year. Efficient revenue collection had various benefits ranging from the reduction of the collection costs to improvement in services delivered like construction of schools, public toilets and renovations of centres' (Katarikawe, 1996). It is quiet hard to measure the benefits of revenue collected with the public service performance. This is so due to the fact that where the quality of service is seen as having improved, it is difficult to determine whether this is a result of efficient revenue collected itself or of the fact that attention has been given to the operation of the services that may previously have received little management consideration (Musgrave, 1989).

Efficient revenue collection improve the serve in terms of roads, schools, this was so because of the improved revenue collection process that meant more funds thus the councils ability to contract out this service to people who were experts in road renovation. Earlier the council employees who were handling this service, were taking a slow pace after all they were earning their salary at the end of the Month. (Katarikawe, 1996) from the above observations,

service delivery levels still at low price in Uganda; though (Davey, 1974) observed that taxation is primarily a substance for economic development.

During the regional workshops on local revenue enhancement (2004) the local government finance commission gave a weak relationship between local revenue collection and service delivery in the local government and they recommended the local governments should adopt massive sensitization and mobilization of communities to promote understanding as to why they are paying taxes and what taxes do and these training should reach local council one(s) while the local authorities inspection department (ministry of local government, 2004) argues that effective local revenue mobilization requires good management, accountability and service delivery while (Namanya, 2003) recommended that in order to enhance local government revenue, there is need to improve and strengthen accountability to enable tax payer appropriately relate tax paid to service delivery coupled with the strengthening enforcement of laws governing the administration and collection of taxes.

2.7 Conclusion

Thus there is need to carry out the study with an attention of tracing the loopholes in revenue collections in relation to service delivery in the local government especially in Mpigi District. So the local people should be satisfied on the importance of paying taxes so that it becomes easy to collect the revenues from them without resistance. It has also helped the researcher to define terms like local revenue, service delivery, revenue collection which all surface in literature review. For instance according to the (Local Government Act, 1997) it defines local revenues as the subtotal of all categories collected from a number of sources like market dues, fines and penalties and parking fees. Service delivery is defined as the process of extending basic services like education, healthcare, water, transport and communication where the end users are the public or local people within the country (Ray Tomkinson, 2007 pg 211). Tax administration refers to the process of administering taxes like identifying the tax payers, assessing them and then levying reasonable taxes they are capable of paying.

The factors affecting local revenue collection in Local Governments

Revenue collection rates and bylaws

As per Local Government Finance Act, powers local authorities to establish administrative and financial bylaws. Financial bylaws set local taxes to be charged and collected from own sources of revenue, fees, charges and fines from misconduct of local authority bylaws. The

low rate of taxes results in low revenue collection whereas a review of those bylaws to increase rate at least after five years will strengthen revenue collection (Carroll and Johnson, 2010).

Weather condition

It is observed that either good or bad climatic condition has a direct effect on revenue collection because main revenue source like produce (cash or food crop) depends on climatic conditions. As for example high revenue collection result from high harvesting of cash and food crops where rates are charged on crops ferried outside the local authority boundaries. This variable tested the relationship with outcome variable (Atan, Abdul Raman, Sawiran, Mohamed and Mail, 2010).

Revenue outsourcing

The Government of Uganda is committed to increase the participation of the private and third sector in the delivery of public services. In line with this, and as part of Public Private Partnerships (PPPs), the Councils outsourced their revenue sources to the private collecting agents. Notwithstanding the fact that most of the revenue contracts are benefiting collecting agents more than the Councils (CAG, 2011), majority of the collecting agents normally fail to remit the collected amounts to the Councils.

Revenue Performance

This factor observed to determine the effect of independent variables explained above. The four independent variables, that is, low revenue collection rates, effects of weather condition, ineffective implementation of bylaws and revenue outsourcing were tested for relationship with a dependent variable revenue performance. The local government authorities main own sources are Local taxes, fees and fines, business license and permits and revenue exchange transactions. Further, Okello (2011) assert that shop operators, market vendors and general business are the most compliant category of tax payers since they businesses are the sole source of income for survival and tax compliance strengthen their reputation.

Fare levels

The fare levels or structure influence the average fare collected per passenger and, in turn, the overall fare revenue collected. By increasing the fares (or reducing the discounts) set for each of the rider categories, fare revenue can be increased. Similarly, reductions in fares resulted in a net loss of revenues. Changes in the fare structure also impact riders, with increased fares reducing ridership and reduced fares increasing ridership. Given this, fare adjustments should be made with consideration to transit customers affected (Maina, 2013).

Productivity

The productivity of transit service is typically measured in terms of ridership per mile or hour of service. Transit systems like Votran typically attempt to balance the obligation to maximize route productivity with service policies aimed at developing new markets, serving remote communities or accommodating disadvantaged populations. Decisions regarding route productivity should be made with consideration to social needs of the community and the transit customers affected (Carroll and Johnson, 2010).

Efficiency

Operational costs (fuel, labor, scheduling) are partly within control of Votran and partly a result of prevailing economic conditions. Cost efficiencies are achieved through careful budgeting, monitoring and controlling of expenditures. Cost efficiencies can be measured by operating cost per hour. Adam Smith (1776) recommend that equity, certainty, convenience and efficiency as the mechanism to influence tax payments.

Identifying Source of Revenue

All governments face political, legal and economic realities which constrain their efforts to draw resource from their communities. The extent to which the economic base can be tapped by a government within these constraints is the organization's revenue capacity, often referred to as fiscal capacity (Finkler, 2005,). Revenue management is a process of identifying and analyzing sources and amounts of government revenues such as taxes, income from natural resources, loans and grants, and Assessing the fairness and efficiency of revenue generation. According to Tanzi (2000) people's tax payment should be in line with their income and they are required to pay a tax in proportion to their level of income on the other part of tax collectors, collection of revenue should be time conscious and convenient and the cost of

collecting the taxes should not be high to discourage business. Furthermore, Finkler (2005) argues that absence of fair assessment as applicable in the law leads to non-compliance to tax payments which adversely affect the performance of sectors in local government. Such as for example, the systems of taxation and the management of natural resources. Together with public revenue reporting, monitoring of public revenue acts complementary to monitoring public budgets, and tracking what the government does with that revenue. It allows citizens and civil society to question how governments mobilize financial resources and how those resources are utilized.

Collection Methods

Collection method affects collecting monies owed in a variety of forms, such as coin and local currency, paper checks, credit card charges, an automated clearing house. Each form of the collection has its own merits. For example, if we take, receiving revenue in the form of coin and currency, it allows government to use the revenue immediately in order to meet its financial needs without any additional cost (Shah, 2007). The other form of collection methods incurs costs as compared with coin and currency. For example, receiving revenue in the form of paper checks the most common means of paying obligations of local government typically accepts checks over the counter and by mail. Checks should be deposited in the bank the same day they are received. Depositing checks the day they are received helps to expedite the availability of funds by getting the checkers into the Federal Reserve payment system as quickly as possible. Carroll and Johnson (2010) conjure that poor revenue management adversely affect tax payers' compliance to payment of local taxes in local government.

Accuracy and Time Lines of Reporting

One of the most important components of any revenue collection system is accurate and timely reporting. Local governments need revenue management software that allows revenue collection staff to update records frequently. According to ERCA(2008) as cited by Mukhtar (2014) revenue accounting involves timely recording of collection, recording payments to individual tax payer's files to appropriate accounts, reports and review the accuracy of regulatory information. Revenue accounting facilitates refunds, bank reconciliation, and revenue sharing between regional and federal government (Keen, 2012).

Tax Base

Tax revenue can be increased by increasing the tax base which means including or redefining previously exempted tax. A different choice of assessment methods can increase the assessed value to collect more taxes (Wong, 2006). This is done when the increase in tax rate is not enough to cover the budget gap.

Tax Rate

Tax rate also affects revenue collection. The increase in tax rate has positive impact on revenue collection, as a result, local property tax rates changes often. Nevertheless, if there is a large revenue shortage, and small incremental adjustment of the tax rate may not be enough. As a result, developing new taxes is need (Wong, 2006). According to Giugle and Webb (2000), sub national governments must have adequate revenue to cover their spending not only changing tax rates but also imposing new taxes. All of the listed are major factors that affect revenue collection either positively or negatively. Effective revenue management will capitalize positive factors and mitigate negative factors.

Types of tax

Revenue is affected by types of bases and its administration nature (Mikesell, 2003). Some taxes can easily be collected, some are difficult or require high effort.

Procedures

if revenue enforcement procedure not properly implemented and revenue evaders are not strictly controlled to pay their tax as per the schedule, this is accompanied with due to lack of clear guidelines and inadequate management system (Atan, *et al*, 2010).

Attitude

Revenue collection is also impeded by public attitudes towards public revenue (Yousuf, 2012). if public attitude towards public revenue is positive it will have positive impact on revenue collection. If attitudes towards public revenue are negative the impact on revenue collection will be negative from.

Compliance Handling

An effective and efficient program of taxpayer service activities is a critical objective of all revenue bodies. It helps for saving cost of revenue collection and will help reducing the gap between what taxes should be collected and what is actually collected (Carroll and Johnson, 2010). Schedol (2011) argues that incompetent revenue assessors leads to taxpayers' non-compliance in local government.

Mechanisms for identification and registration of taxpayers;

taxpayer's recognition and registration is a foundation for other tax administration for tasks, according to (Bird and Zolt, 2004), it should establish a system to register non voluntarily taxpayers" registration function of tax administration organization absorbs finding out potential taxpayers for tax objectives and registering them as taxpayers in a central data base. A good tax administration identifies and registers all traders who are liable to register for the tax, according to article 43 of the income tax proclamation," Every person having a taxpayer identification number ("TIN", but in no case may a person obtain more than one "TIN".

2.6 The possible ways of improving generation of local revenues by Local Governments.

Widening the town's revenue sources base

Budget scarcity of the town administration is due to low level of revenue collection. This low level of revenue collection is also the result of weakness in assessing the revenue bases, finding new base and exploiting them exhaustively. Therefore, the town administration should carefully assess and find new revenue sources and exhaustively exploit the existing revenue sources by implementing revenue rules, regulations and procedures (Maina, 2013). Bird and Zolt (2004) assert that training of revenue collectors and assessors widen tax bases which increase revenue collections.

Improve planning and implementing capacity

Poor planning has an adverse effect on the town's achievement of development activities like assessment and collection of allowable town revenue. Hence, planning system should be improved in a way that can forecast future actions properly. Moreover, the implementing

capacity must be developed through provision of appropriate and sustained training to the staff of the town administration to increase their commitment and fill skill gap (Carroll and Johnson, 2010).

Establishing adequate data base systems

As data obtained in the field work revealed, the town administration has not exercised an organized data base management. As a result, revenue planned and actually collected had shown large deviation from year to year. Therefore, by improving the data base management, the town administration should smooth the progress of its revenue collection hence promote revenue management (Atan, *et al*, 2010).

Raising Continuous awareness for taxpayers

To reduce the number of illegal traders and non-registered taxpayers and increase revenue, one of the important tasks to be done is providing organized information to the taxpayers as to why the payer is charged. This enables the taxpayers to link the relationship between tax obligations and town service delivery. Taking this fact in to consideration, the town administration should design and implement awareness creation program for the residents of the town in general, taxpayers in particular (Carroll and Johnson, 2010). Furthermore Atan (2010) assert that failure to raise awareness to pay taxes contribute to delayed tax payments in local government.

Institutionalizing standard accounting system that produces timely and reliable information.

One of the tools in Public Finance Management to manage revenue is performance reporting in a timely and reliable manner. The accounting systems used by the town are not fully computerized that it could provide up to date and clear financial information. Hence, improved accounting system should be designed and implemented so that comprehensive financial reports can be produced and used for decision making (Keen, 2012). Furthermore, Yousuf (2012) argues that benchmarking of international successful tax system facilitates compliance to revenue collections.

Encouraging community participation in planning and resource collection

There should be active participation of the residents in needs identification, planning and implementation process. This could help in promoting transparent and participatory decision making. In Contrast, other town administration encourages the participation of community in development activities of the town. Therefore, the town such as planning and increasing revenue collection plan administration should promote community participation during planning and implementation process through the use of full council meetings (Atan, et al, 2010).

A need for designing the reward system

There should be an implementation of integrated performance management system in order to reward employees according to their performance in order to boost their commitment. This helps town administration capable of retaining competent staff as well as attracting new ones to fill vacant positions (Keen, 2012).

2.7 Comparative Studies

Cash budget is an indication for the revenue to be received, but if they are not collected the budget remained to be a dream. In any organization there must be the revenue collectors. In the case of Local governments they have special systems of revenues collection. According to Fjelstad, (2004) local government tax collection is the responsibility of the council staff and is completely separated from revenue collectors to the central government.

Fjelstad, (2004) goes on by saying in practice; the organization of tax collection varies between councils. In addition Fjelstad, (2004) argued that identification of more revenue sources, sensitization of taxpayers, acquisition of motorcycles for revenue collection, training, quarterly performance review on revenue collection, establishing revenue enhancement committee for the town council, ensure regular meetings for the revenue enhancement committee, establishing revenue information management system, embark on vigorous tax education campaign to create awareness are viable strategies to effectively collect local revenues. For instance, in some council the village level has been excluded from collection, and the task is taken over by the ward level. This is due to incentive problems connected with tax collection at the village level. In most cases councils have introduced new methods to increase revenues from existing sources by outsourcing some of the revenue collection to private collectors to increase revenues from existing sources.

In accordance with numbers prior empirical studies of local public finance, Zafra et al., (2009) and Guilaamon, et al., (2011), to examine, exclusively Muleba District Council with relatively a population of 280 people. In order for the local government to plan and collect exact reasonable revenue in its area of jurisdiction it must seek and compile information of all income generating entities including the business operators as it is insisted by Glautier (1991) that to a greater or lesser degree, all Western governments intervene in the activities of business organization in the process of managing what is known as a 'mixed economy', that is, an economic system consisting of both state - controlled and privately controlled business organizations. Government's agencies, such as central statistical services, ministries of commerce, industry and employment, collect information about the various aspects of the activities of business organizations. Much of this information is a direct output of the accounting system, for example, levels of sales, proportion of profits, investments, stocks, liquidity, dividends levels, proportion of profits absorbed by taxation. This information is very important in evolving policies in managing economy.

TGNP, (2006) comments that in spite of the increased contribution made by excise taxes, income tax and VAT remained the top sources of revenue. The government to adopt a more progressive income tax structure, one which taxes the wealth, reduces the relative on the salaried middle-class including teachers, health worker and the like, and does not tax the poor. VAT tax regimes also need to be reviewed to ensure that they are calling for a removal of all taxes on kerosene, and arguing that the abolition of taxes for airplane fuel benefited the government leaders and the wealthy, not the poor.

The government's plans to enhance financial accountability, including the tracking of expenditure at local government level, and the call for district councils to report revenue and expenditures to the public on a monthly basis. This was fruitful if there is an increase in the number of civil society organizations that are involved in budget analysis and expenditure tracking at the community, district, and national level, and they are welcomed in their endeavors, including the media themselves, the government needs to institutionalize CSO involvement more systematically at all levels, beginning at the village and district level (TGNP, 2006).

REPOA (2006) comments that, the recent rationalization of local government taxes and, in particular, the abolishment of the development levy, imply that many district councils, in the short run, lost 40 -59 percent of their own generated revenue. This has raised concern among

stakeholders at both the local and central levels that the financial autonomy of local authorities is undermined and that some councils are moving towards bankruptcy. There are reasons to be concerned about the short-term impacts of the tax rationalization. However, the reform also represents an opportunity for local governments to implement much needed reforms of their revenue system and to look at new approaches for revenue enhancement and cost saving. Before the rationalization in June 2003 it was clear that the local tax system was overdue for reform. It was complicated, costly to administer and exacerbated inequity. Tax evasion was widespread, often reflected in persistent public resistance to pay.

Moreover, the linkages between the central and local government tax systems were in general weak leading to double taxation and inconsistencies between tax policies implemented at various levels of government. Already in 1993, the Association of Local Authorities in Tanzania (ALAT) advised the government to abolish development levy. This advice was partly based on considerations of revenue generation, administrative costs, income distribution and economic efficiency. Furthermore, Okello (2011) assert that the widespread tax resistance threatened to undermine the legitimacy of local authorities. Although there are reasons to question the speed at which the recent rationalization of local taxes took place and the limited consultation with local authorities, similar. Considerations as those taken by ALAT ten year ago seem to have been the foundation for the recent reform.

From Policy Forum (2006) booklet represents the aggregate data on government revenue and expenditure. It shows domestic revenue projected to increase significantly, donors were footing a larger share of the total budget. The expenditure data show that the Government expects to spend a significantly lower proportion of the budget on servicing debt. There is also a larger relative allocation to local governments the allocations according to Mkukuta show increased allocations to growth and governance, and to social services.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the methods that will be used in the study to collect data and analyze it. They include Research Design, Survey Population, Sampling Data source and data collection methods, Data processing, Analysis presentation.

3.1 Research design.

The researcher will employ descriptive research design to describe the phenomenon as it exists, comparative research design to compare local revenue collection and service delivery in Mpigi District, associational research design to get the causal effect and the relationship between local revenue collection and service delivery in Mpigi District.

3.2 Survey Population

The population that will be surveyed to achieve the research objectives included Mpigi District revenue officer, senior finance secretary, and secretary for finance sub- country chiefs, members of the tender board, sub accountants and tax payers in the area.

3.3 Sample size and sampling procedure

A sample of 40 respondents was identified to fill the questionnaires. These will be comprised of Mpigi Town council, 10 Sub–countries and Mpigi District headquarters as the services delivery provider. The 12 Local Governments were selected using proportionate stratified sampling and simple random sampling, whilst Mpigi District and Town council will be purposively selected.

Table 1: Showing sample size

Category of respondents	Frequency
Revenue officer	01
Senior finance secretary	01
Secretary for finance	01
Members of tender board	07
Sub-country chiefs	09
Sub-accountants	10
Tax payers	11
Total	40

Source: Primary data.

3.4 Data sources

These included both primary and secondary data sources

3.4.1 Primary data Primary data refers to data observed or collected from first-hand experience original data collected at the source and compiled for the purposes of this research study. This will be collected from the self-administered questionnaires.

3.4.2 Secondary data

This is data that will be extracted from existing literature for example internal accounting reports, monthly financial reports, annual reports, audited reports, district/sub country final accounts manuals, annual budget proposal and the background to the budget.

3.5 Data collection instrument.

The researcher will use questionnaires to collect data structured and short forms of questions will be extended to respondents which needed short and precise answers. Questionnaires will be in short form of questions designed and distributed to respondents requiring them to fill short and precise answers about the subject under study short and for the case of the researcher it will be local revenue collection and service delivery in the local government, a case study of Mpigi district.

3.5.1 Data Collection Methods

Survey method: This is where data will be collected from the entire population or large sample. This method will be used due to its wider coverage and in addition it will permit the comparison and generalization of findings in a cross section of the study area.

Interviews: Face to face in depth interviews will be conducted to collect data from Mpigi district officials and other respondents. This will involve designing schedules on which respondents will be met in the local government in Mpigi district. This will help to close down the gap left by the survey method.

3.6 Data processing, analysis and presentation

3.6.1. Data processing

This will be done using editing and tabulation.

Editing will be done to detect and eliminate errors and identifying vital information that will be relevant in coding and tabulation.

Tabulation will involve the use of statistical techniques like use of percentages and tables to test significance of the data from which meaningful interpretation will be drawn.

3.6.2 Data analysis

Data that will be collected, will be analyzed using statistical computer package called SPSS, to examine and determine degree of relationship between Local Revenue Collection and service delivery in Local Government case study of Mpigi district.

3.7. Limitations to the study.

The researcher might face the problem of inadequate funds as there will be need to move from one place to another and this to some extent might limit the collection of data.

Also the researcher might face the problem of fatigue as the research study will involve moving from place to place looking for the respondents for example the sub-county chiefs.

The researcher might face another limitation of some of the respondents giving information unwillingly and there is a belief that some of them could have given wrong information which may not match with the purpose of the research.

CHAPTER FOUR

PRESENTATION, ANALYSIS AND DISCUSSION OF FINDINGS

4.0 Introduction

This chapter presents the critical analysis of data collected from the field. The data was based on the questionnaires which were derived from the study objectives. The findings were presented and analyzed using frequency tables and percentages. The researcher used a computer package called SPSS to establish the relationship between local revenue collection and service delivery in the local government.

4.1 General Information about Respondents

The demographic characteristics of respondents are characterized by age, sex, gender, positions held and others.

Table: 2 Showing the gender of respondents

Gender	Number of respondents	Percentage (%)
Male	29	72.5
Female	11	27.5
Total	40	100

Source: Primary Data

From table 2, the male respondents account for 72.5% whereas the female respondents account for 27.5%. This means that male respondents were more willing to give information as compared to their counter parts the females.

Table 3: Showing positions held by respondents

Category	Frequency	Percentage (%)
Revenue officer	01	2.5
Finance secretary	01	2.5
Senior finance secretary	01	2.5
Members of tender board	07	17.5
Sub-accountants	10	25
Taxpayers	11	27.5
Sub-county chiefs	09	22.5
Total	40	100

Source: primary data

From table 3 above, the revenue officer accounts for only 2.5%, the same applies to the finance secretary who also accounts for 2.5%, the senior finance secretary accounts for 2.5%, members of the tender board account for 17.5%, the sub-accountants account for 25%, the tax payers account for 27.5% and finally the sub-county chiefs account for 22.5% and this means that the percentage of tax payers was more as compared to other respondents. The respondents generally reacted positively while giving information.

4.3 Age of the respondents**Table 4: Showing age of the respondents**

Age	Frequency	Percentage (%)
18-30	09	22.5
31-50	18	45
51-59	09	22.5
60 and above	04	10
Total	40	100

Source: Primary data

From table 4, those with age ranging 18-30 account for 22.5%, those with 31-50 account for 45%, 51-59 years account for 22.5% while those with 60 years and above account for 10%. This means that those between 31-40 years were more participative in giving required information.

Table 5: Showing marital status of respondents

Marital status	Frequency	Percentage (%)
Single	15	37.5

Married	25	62.5
Total	40	100

Source: Primary data

From table 5 above, 37.5% of the respondents were single where as the married respondents account for 62.5% and this means that the married people have more time for giving information as compared to the single respondents.

Table 6: Showing the Level of experience of respondents

Experience level	frequency	Percentage (%)
Less than 2 years	12	30
2-5 years	18	45
5-7 years	8	20
Above 8 years	2	5
Total	40	100

Source: Primary data.

From table 6, 30% of the respondents have been employed for less than 2 years, 45% have been employed for 2-5 years, 20% have been employed for 5-7 years and only 5% of the respondents have been employed for 8 years and above. This implies that those who have been in the field for less time were more willing to give information as compared to those with more time in the field.

Table 7: Showing Education level of respondents

Education level	Frequency	Percentage (%)
O level	5	12.5
A level	6	15
Diploma	14	35
Degree	15	37.5
Total	40	100

Source: Primary data.

From table 7 above, 12.5% of the respondents were O level certificate holders, 15% of them were A level holders, 35% were diploma holders and 37.5% were degree holders. This means

that diploma and degree holders had enough information to give due to the experience they have as compared to their O and A level counterpart

4.2. Sources of Revenue collection in Mpigi district

Table 8: Showing whether rent and rates are sources of local revenue collection in Mpigi district

Response	Frequency	Percentage (%)
Strongly Agree	5	12.5
Agree	30	75
Not Sure	2	5
Disagree	3	7.5
Strongly Disagree	0	00
Total	40	100

Source: Primary data

From table 8 above, 87.5% of the respondents agreed that rent and rates are a source of local revenue collection, those who are not sure account for 5% and those who disagreed account for 7.5%. and this implies that rent and rates are a source of local revenue collection in Mpigi District. .

Table 9: Showing whether parking fees are a source of revenue collection in Mpigi district

Response	Frequency	Percentage (%)
Strongly Agree	1	2.5
Agree	16	40
Not Sure	10	25
Disagree	10	25
Strongly Disagree	3	7.5
Total	40	100

Source: Primary

From table 9 above 42.5% of the respondents agree that parking fees is a source of local revenue collection, 32.5% of the respondents disagreed that parking fees is a source of local revenue collection ,those who are not sure account for 25% of the total respondents

and. So this means that parking fees is a source of revenue collection since majority percentage respondents of 42.5% agree with the statement.

Table 10: Showing whether licenses and permits are a source of local revenue collection

Response	Frequency	Percentage (%)
Strongly Agree	13	32.5
Agree	19	47.5
Not Sure	5	12.5
Disagree	3	7.5
Strongly Disagree	00	00
Total	40	100

Source : Primary data

From table 10 above, 80% of the respondents agree that licenses and permits are a source of local revenue collection, those who are not sure account for 12.5%, and those who disagree account for 7.5% and so this means that licenses and permits are a source of local revenue collection in Mpigi district since majority respondents are in for it.

Table 11: Showing whether fines and penalties act as source of local revenue collection In Mpigi district

Response	Frequency	Percentage (%)
Strongly Agree	4	10
Agree	18	45
Not Sure	11	27.5
Disagree	6	15
Strongly Disagree	1	2.5
Total	40	100

Source: Primary data

From table 11 above, 55% of the respondents agree that fines and penalties are a source of local revenue collection in Mpigi district, those who are not sure account for 27.5%, and lastly those who disagree take 17.5% and this means that fines and penalties are a source of local revenue collection in Mpigi district.

Table 12: Showing whether market dues and tenders are a source of local revenue collection inn Mpigi district

Response	Frequency	Percentage (%)
Strongly Agree	21	52.5

Agree	17	42.5
Not Sure	00	00
Disagree	1	2.5
Strongly Disagree	1	2.5
Total	40	100

Source: Primary data

From table 12 above 95% of the respondents agree that market dues and tenders are a source of local revenue collection in Mpigi district, those who are not sure account for 00%, those who disagree take the percentage of 5% and this means that market dues and tenders are a source of local revenue collection in Mpigi district.

Table 13: Showing Responses on percentage of local revenue from licenses and permits.

Response	frequency	Percentage (%)
Less than 10	03	7.5
11-20	03	7.5
21-39	11	27.5
40 and above	23	57.5
Total	40	100

Source: Primary data.

From table 13 above 7.5%, of the respondents say that the percentage of local revenue from licenses and permits is less than 10%, 7.5% of the respondents also believe that the percentage is 11-20%, 27.5% of the respondents said that the percentage is 21-39% and lastly 57.5% of the respondents said that the percentage is 40% and above and this means that licenses and permits contribute a big portion to local revenue collections in Mpigi .

Table 14: Showing Responses on percentages of local revenue from other sources.

Response	Frequency	Percentage (%)
Less than 20%	06	15
21-40%	20	50
41-59%	07	17.5
60 % and above	07	17.5
Total	40	100

Source: Primary data

From table 14 above, 15% of them said that the percentage is less than 20%, 50% of the respondents said that the percentage from other sources is 21-40% 17.5% of the respondents said that percentage is 41-59%, and lastly 17.5% of the respondents said that the percentage is 60% and above and so this means that the percentage from other sources is 31-59% since it has a bigger percentage of respondents.

Table 15: Showing whether fees from local courts could also act as a source of local revenue collection

Response	Frequency	Percentage (%)
Yes	18	45
No	22	55
Total	40	100

Source: Primary data

From table 15 above, 45% of these respondents said that fees from local courts could act as source of local revenue in Mpigi, 55% of these respondents said no to the statement which means that this source of local revenue is not applicable to Mpigi district.

4.3. Impacts of local revenue collection in Mpigi district.

Table: 16. Showing whether local revenue collected leads to provision of water and sanitation services.

Response	Frequency	Percentage (%)
Strongly agree	17	42.5
Agree	18	45
Not sure	01	2.5
Disagree	03	7.5
Strongly agree	01	2.5
Total	40	100

Source: Primary data.

From table 16 above, 87.5% of them agree with the view that local revenue leads to provision of water and sanitation services, those who are not sure account for 2.5% and lastly those who disagree account for only 10% thus local revenue collected leads to provision of water and sanitation services since the bigger percentage of 87.5% agree with it.

Table 17: Showing whether local revenue collected leads to construction of feeder roads in Mpigi District.

Response	Frequency	Percentage (%)
Strongly agree	03	7.5
Agree	33	82.5
Not sure	03	7.5
Disagree	01	2.5
Strongly disagree	00	00
Total	40	100

Source: Primary data

From table 17, 90% of the respondents agreed that the local revenue collected is used to construct feeder roads those who are not sure account for 7.5% of the respondents and 2.5% of the respondents disagreed with the statement thus according to the percentage of

response, it is clear that local; revenue leads to construction of feeder roads since a bigger percentage agree with it..

Table 18: Showing whether local revenue collected helps in boosting primary education in Mpigi District.

Response	Frequency	Percentage (%)
Strongly agree	05	12.5
Agree	15	37.5
Not sure	16	40
Disagree	02	05
Strongly disagree	02	05
Total	40	100

Source: Primary data

From table 18 above, 50% of the respondents agree that local revenue collected helps in boosting primary education in Mpigi District, 40% of the respondents aren't sure , and 10% of the respondents disagreed with it, So this also means that local revenue collected helps in boosting primary education since the percentage of response is high compared to other options.

Table 19: Showing whether local revenue collected helps in extension of agricultural services in Mpigi District.

Response	Frequency	Percentage (%)
Strongly agree	05	12.5
Agree	27	67.5
Not sure	01	2.5
Disagree	05	12.5
Strongly disagree	02	05
Total	40	100

Source: Primary data

From table 19 above, 80% of the respondents agree with the view that local revenues collected help in extending Agricultural services in Mpigi district, 2.5% of the respondent are not sure and 17.5% of the respondents disagreed with the view that local revenue collected helps in extending agricultural services, thus in conclusion local revenue collected helps in extension of Agricultural services in Mpigi District.

Table 20: Showing Responses on the percentage of local revenue collected from rent and rates that contributes to construction of feeder roads.

Response (%)	Frequency	Percentage (%)
5-19	16	40
20-34	17	42.5
35-59	07	17.5
60 and above	00	00
Total	40	100

Source: Primary data

From table 20 above 40% Of the respondents say that 5-19% of the local revenue from rent and rates is spent on construction of feeder roads, 42.5% of the respondents say that 20-34% of revenue is spent on feeder roads, 17.5% of the respondents say that 35-59% is spent on construction feeder roads and none of the respondents is in for 60% and above. Thus 20-30% of revenue from rent and rates is spent on construction of feeder roads since it has the bigger percentage of the respondents.

Table 21: Showing Responses on the percentage of local revenue from parking fees that contributes to boosting primary education.

Response (%)	Frequency	Percentage (%)
5-14	18	45
15-29	16	40
30-49	06	15
50 and above	00	00
Total	40	100

Source: Primary data

From table 21 above, 45% of the respondents say that 5-14% of local revenue from parking fees is spent on boosting primary education, 40% of the respondents say that 15-29% of local revenue helps in boosting primary education and 15% of the respondents say that the percentage is 30-49% which. 00% of the respondents say that the percentage of local revenue from parking fees that contributes to boosting primary education is 50% and above. This means that 5-14% is the percentage spent on boosting primary education since it takes majority percentage respondents.

4.4: Responses on the limitations of local revenue collection in Mpigi district.

Table 22: Showing whether failure to educate and sensitize taxpayers about benefits of paying taxes leads to low local revenue collected.

Response	Frequency	Percentage (%)
Strongly agree	14	35
Agree	19	47.5
Not sure	02	05
Disagree	05	12.5
Strongly agree	00	00
Total	40	100

Source: Primary data

From table 22 above, 82.5% of the respondents agreed that failure to educate and sensitize tax payers about the benefits of paying taxes leads to low local revenue collected, 05% of the respondents are not sure and 12.5% of the respondents disagreed with the statement that failure to educate and sensitize tax payers about benefits of paying taxes is a limiting factor to local revenue collection in Mpigi District.

Table 23: Showing whether lack of sufficient supervision during revenue collection leads to low local revenue collected

Response	Frequency	Percentage (%)
Strongly agree	08	20
Agree	23	57.5
Not sure	08	20
Disagree	01	2.5
Strongly agree	00	00
Total	40	100

Source: Primary data

From table 23 , 77.5% of the respondents agree that lack of sufficient supervision leads to low local revenue collected , 20% of the respondents are not sure about the statement, 2.5% of the respondent disagrees that lack of sufficient supervision leads to low local revenue collected, but all in all the majority of the respondents agree with it. So this means that lack of sufficient supervision leads to low local revenue collected.

Table 24: Showing whether failure to follow rules and regulations of collecting revenues leads to low local revenue collected.

Response	Frequency	Percentage (%)
Strongly agree	10	25
Agree	20	50
Not sure	07	17.5
Disagree	02	05
Strongly agree	01	2.5
Total	40	100

Source: Primary data

From table 24 above, 75% of the respondents agreed that failure to follow rules and regulations of collecting revenues leads to low revenues collected. , 17.5% of the respondents were not sure whether this factor limits local revenue collection, Where as 7.5% of the respondents disagreed with this view that failure to follow rules and regulations of collecting revenues leads to low revenues collected, thus failure to follow rules and regulations leads to low local revenue collected.

Table 25: Showing whether fraud and embezzlement of revenues collected leads to low local revenues collected.

Response	Frequency	Percentage (%)
Strongly agree	22	55
Agree	14	35
Not sure	02	05
Disagree	01	2.5
Strongly agree	01	2.5
Total	40	100

Source: Primary data.

From table 25 above, 90% of the respondents agreed that fraud and embezzlement leads to low revenues collected, 5% of the respondents are not sure about the statement which and also 5% of the respondents disagreed with this factor. This means that fraud and embezzlement of revenue collected leads to low local revenue collected since taxpayers perceive that their money is going to be embezzled.

Table 26: Showing the percentage of tax defaulters due failure of being sensitized and educated about the importance of paying taxes.

Response (%)	Frequency	Percentage
Less than 25	18	45
26-40	16	40
41-59	06	15
60 and above	00	00
Total	40	100

Source: Primary data

From table 26 above, 45% of the respondents say that less than 25% of the tax payers default on their taxes due to failure of being sensitised and educated about the importance of paying taxes, 40% of the respondents say that the percentage is between 26-40%, then 15% of the respondents say that the percentage is between 40-59% and 00% of the of the respondents believe that the percentage of tax defaulters is 60% and above.

Table 27: Showing the percentage of total tax defaulters in Mpigi district

Response (%)	Frequency	Percentage (%)
Less than 25	12	30
26-40	23	57.5
41-59	05	12.5
60 and above	00	00
Total	40	100

Source: Primary data

From table 27 above, 30% of the respondents say that less than 25% of total tax payers default, 57.5% of the respondents say that it is 26-40% who default on paying their taxes, 12.5% of the respondents say that 41-59% default on paying taxes and 00% of the respondents has a comment for 60% and above, thus 26-40% is the correct percentage, since it has the highest percentage of the respondents.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION, RECOMMENDATIONS AND AREAS OF FURTHER STUDY

5.0 Introduction.

This chapter presents the summary of findings, conclusion and recommendations of the findings arising out of the objectives of the study.

5.1. Summary of the findings.

5.1.1 Findings on the sources of local revenue collection.

Findings from the research study show that Mpigi district 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.

5.1.2 Findings on the impacts of local revenue collection on service delivery.

In Mpigi district 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 centres', 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 Mpigi district.

5.1.3 Findings on the limitations of local revenue collection in Mpigi district.

There has been low local revenue collection in Mpigi district and this has been due to the harshness of tax collectors, high administrative expenses corruption practiced by revenue officers ,inadequate sources of revenue, political intervention for example tender defaulters who supported politicians during campaigns are being protected by tax authorities, poor enforcement of rules and procedures of collecting revenues, tribalism, low incomes and wealth which reduces the tax base thus leading to low local revenue collection and thus low service delivery in Mpigi district.

5.2. Conclusion.

The findings of the study show that although part of the local revenue collected is channeled towards delivery of services, some percentage of the local revenues collected is misused by some of the administrators involved in planning for the revenues collected and thus strong measures have to be put in place to reduce the misuse as will be seen in the recommendations.

5.3. Recommendations.

In light of the findings and the need for local revenue to provide services in Mpigi district since transfers from the central government are only to support the budget of Mpigi district 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 Mpigi district local government to fully provide quality service to the people. Mpigi district needs to simplify the licensing process in order to reduce noncompliance of businessmen to pay taxes.

License registers should be computerized to reduce tax evasion and tax avoidance.

Markets and other rental places should be fenced off for the case of locating operations. So in this case those found operating outside the fenced off places should be punished accordingly.

Mpigi district should regularly conduct field surveys for taxis, buses and other vehicles operating in gazetted areas so as to set realistic reserve prices.

Revenue collection in Mpigi district should be privatized by giving out tenders to individuals or companies to collect revenues on behalf of Mpigi district local government to reduce the increasing rate of tax defaulters.

Enforcement teams should check businesses that have failed to pay taxes and penalize them accordingly.

Sensitization, mobilization and publicity to the community about the importance of paying taxes. This can be done through rallies, village meetings, newspapers, radio programmes, commissioning of projects and use of local revenues collected for activities that have immediate and visible impact.

Mpigi district should try to implore other sources of local revenue collection for example fines and fees imposed by local council courts, annual bicycle license user charges, fees and property rates (after enactment of the Property Act,2004).

5.4. Areas for further study.

This study covered sources of local revenue collection, impacts of local revenue collection on service delivery, and limitations of local revenue collection, but there is need to study, Local Government expenditure and efficiency levels of administrators.

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Appendix 1

QUESTIONNAIRE

Dear respondent I am Linda Ruth a student of Muteesa I Royal University carrying out a research on a topic, the effect of Local Revenue collection on Service delivery in Mpigi district and am requesting you to spare for me some time and respond to my questionnaire. All the response given to me will be treated with utmost confidentiality and only used for academic purposes. Thanks.

Part A .Demographic characteristics of the respondents. (Tick appropriately).

1. What is your age bracket?

a) 18-30

c) 51-60

b) 31-40

d) 60 and above

3 What is your sex?

(a) Male

(b) Female

4 What is your marital status?

(a) Single

(b) Married.

5. For how long have you been in the field of employment?

(a) Less than 2 years.

(b) 2-5 years.

(c) 5-7 years

(d) over 8 years.

6. What is your education level?

a) O level

b) A level.

c) Diploma

d) Degree.

7 . What position do you hold in Mpigi district local Government? (Circle appropriately).

- a) Revenue officer. b) Senior finance secretary.
- c) Secretary for finance d) Member of tender board.
- e) Sub –county chief f) sub-accountant.
- g) Tax payer

PART B. Local Revenue Collection Source.

The following are sources of local revenue in Mpigi district. Tick appropriately to show whether you, strongly Agree (SA), Agree (AG), Not sure (NS), Disagree (D), Strongly Disagree (SD). Scale: SA=5, AG=4, NS=3, D=2, SD=1.

(a)

Sources	SA	AG	NS	D	SD
Rent and rates					
Parking fees					
Licenses and permits					
Fines and penalties					
Market dues and tenders	<input type="checkbox"/>				
	<input type="checkbox"/>				

b) What percentage of local revenue collection sources is got from licenses and permits? (circle appropriately)

- a) less than 10% c)21-39%
- b) 11-20% d) 40 and above.

c) What percentage of the local revenue collection is got from other sources?

- a) less than 20% b)21-40%
- c) 41-59% d) 60 and above

d) Do you think fees from local courts could also act as source of local revenue collection in Mpigi district?

a) Yes

b) No.

If yes give evidence

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