

BINDURA UNIVERSITY OF SCIENCE EDUCATION

FACULTY OF COMMERCE



DEPARTMENT OF ACCOUNTANCY

TOPIC

**LOCAL AUTHORITIES HURDLES IN COLLECTING REVENUE FROM SMEs:
CASE OF CITY OF HARARE.**

BY

B1953901

**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE
REQUIREMENTS FOR THE BACHELOR OF ACCOUNTANCY HONOURS
DEGREE OF BINDURA UNIVERSITY OF SCIENCE. FACULTY OF COMMERCE.**

JUNE 2023

APPOVAL FORM

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CASE OF CITY OF HARARE**

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**LOCAL AUTHORITIES HURDLES IN COLLECTING REVENUE FROM SMEs:
CASE OF CITY OF HARARE.**

Degree Title: Bachelor of Accountancy (Honours Degree)

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DEDICATION

I dedicated this dissertation to my parents, Mr E and Mrs M Nekati who have been a huge help throughout my life. They have been a wonderful source of inspiration in many aspects of my life.

ABSTRACT

The study seeks to establish Local Authorities Hurdles in Collecting Revenue from SMEs: Case of City of Harare. The viability and sustainability of local authorities as well as the kind of services they offer to the community depend heavily on adequate local income. The financial problem seems to be a result of the failure of City of Harare to effectively collect revenue from SMEs, failure to identify new strategies as well as non-compliance by SMEs. This hampers the council's activities. The objectives of the study were the following: To establish the factors affecting revenue collection from SMEs by City of Harare and to identify potential issues faced by SMEs preventing them from paying rentals. In addition, the research seeks to suggest solutions meant to improve revenue collection. The researcher utilized a descriptive study design. This was utilized because the researcher was really interested in the current situation of the subject. All Municipalities and Local Boards were included in the study's population. The researcher utilized the example of Harare City to illustrate that it was possible to include each company in the study. A standard questionnaire was utilized in the study to gather information from participants who were involved in the problems being investigated. To gather the respondents, the stratified sampling and purposive sampling approaches were used, 23 people that responded made up the sample. Both qualitative and quantitative methods were used to collect the data. The data gathered was analyzed descriptively using SPSS software. The researcher concludes that political meddling, bylaws and reluctance of SMEs are some of the factors that hinder revenue collection. According to the research, some SMEs are unaware of their duty to pay their rentals. The findings indicate that instances of corruption at City of Harare are high, so collected revenue is not submitted to the proper office. The researcher recommends that there is a need to raise public understanding of property rates at the district, municipal, and city levels. The researcher also established that COH should improve the infrastructure in which these SMEs operate in, launch awareness campaigns, considering enforcement as well as improve its service delivery standards in order to boost income from SMEs. It was determined that City of Harare is failing to collect much of its revenue and therefore it must promptly evaluate and implement the offered measures in order to increase its revenue collection.

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LIST OF ABBREVIATIONS

COH	City of Harare
ICTs	Information Computer Technologies
LGA	Local government authority
SMEs	Small to Medium Enterprises
ZIMRA	Zimbabwe Revenue Authority

CHAPTER 1

INTRODUCTION

1.0 Introduction

The research is a case study of City of Harare aiming to evaluate hurdles faced by local authorities in collecting revenue from SMEs. The chapter presents the background of the study, problem statement, objectives, research questions, scope of the study, research assumptions, definition of terms, and summary of the study.

1.1 Background of the Study

The significance of SMEs in economic development is becoming more widely acknowledged. SMEs are praised for their crucial role in the sustainable economic growth of many countries (G Myslimi and Kacani 2016). Particularly in Africa, there are referred to as the "roadmap to industrialization" Olusayo and Jonny (2021). According to Boex and Martinez-Vazquez, the existing method of collecting local government revenue in Tanzania clearly has flaws, revenue sources are frequently criticized in Tanzania as low yielding, impeding local economic progress as well as inefficiently handled. Mabenge et al. (2020) propounded that Zimbabwe's economy is becoming more and more of a SME economy, emphasized their importance to the Zimbabwean economy. The viability and sustainability of local authorities as well as the kind of services they offer to the community depend heavily on adequate local income. Governments created local authorities to offer a range of services to people living in particular regions of a nation. Local governments are required by their governments to offer a range of services, including the construction of roads, water and sewer reticulation, parking, street lighting, fire services, graveyards and burial grounds, social amenities, housing provision, health services, drainage system, water provision, provision of operating space for Small to Medium Enterprises (SMEs), and many other things that benefit the population as a whole.

There is significant need to expand local revenue collections in Zimbabwe in such a way that it becomes pro-poor business friendly (New Ziana, 2022). In general, local taxes should reflect taxpayers' ability to pay. This means tax payer with higher incomes or greater assets should

bear a greater share of the tax burden (Fuest, 2015). In order for the local authorities to provide these services, they need to generate revenue. Different ways are used by different local authorities to generate revenue.

The majority of governments in these industrialized nations give general and explicit grants to local authorities to improve service delivery (Nallathiga, 2012). United Kingdom (England, Wales, Scotland and Northern Ireland), raise their revenue through business property taxes and domestic property taxes, same as Denmark's source of revenue which is property taxes, income taxes and user fees (Schuster & Vallier 2010). Most governments in these developed countries provide general purpose grants and specific grants to local authorities to enhance service delivery (Nallathiga, 2012). Their tax policies are advanced, effective and successful and simple revenue collection is made.

However, Local governments in developing nations, like regional and local municipalities, are a different story. In Zimbabwe local authorities account form a significant share of government spending, and therefore are expected to play a crucial role in the implementation of national growth and poverty reduction strategies, although they make up more than 70% of ZIMRA database of registered taxpayers (Chanakira & Masunda ,2019 but contribute only 20% (Financial tribute,2018).

According to Ndunda, Ngahu, and Wanyoike (2015), ineffective tax structures in developing nations make it difficult for local governments to collect revenue. The authors pointed out that political and administrative restriction make it difficult for Kenya to collect taxes. Among other problems including staff ineptitude and a lack of ICTs, Douglas, Douglas, Muturi and Ochieng (2017) cited corruption as the primary barrier to tax collection in Kenya. Poor service delivery is the end result as some of South Africa's municipalities struggle to collect enough revenue. For instance, the Ndhlambe Local Municipality in South Africa's Western Cape Province struggles to collect money since residents are unable to pay as weak administration of debts (Pieters, 2015).

Local authorities in Zimbabwe are finding it difficult to collect enough revenue needed to provide satisfactory service delivery. According to New Ziana (2022), City of Harare in particular, is failing to collect even 50% of the current bill or 10% of cumulative arrears, as evidenced by the published variances of 56.57% between the potential of ZWL 112 321 331 061 and the actual collected of ZWL48.784 billion, and this shows that Council is not able to efficiently collect what they are billing. This has dismally affected its capacity to provide basic

services like regular supply of clean water, constant refuse collection, proper roads without potholes and many other services. One of the areas that the city is failing to collect revenue from is the informal market where most of the SMEs operate from (Maseko, 2014) The local authority provides operating space as well as infrastructure for SMEs in order for them to do their entrepreneurship and they are supposed to pay rentals for use of these facilities. The facilities can be in the form of halls, home industry stalls, structured market stalls, and open spaces to operate from. These facilities are supposed to be maintained by the COH so that they remain in a habitable state. However, due to lack of resources the actual situation is not favourable. The issue of SMEs not owning up to their bills is a very serious issue that needs to be resolved if the City of Harare is to continue its operations.

COH lack resources to refurbish and maintain the structures. This however did not materialize since the city council was unable to collect the necessary revenue from those using the facilities. Local authority receives its revenue from its domestic customers and commercial consumers and for it to meet its 2023 revenue budget of ZWL171.758 billion to be able to fund service delivery, it should employ aggressive debt recovery strategies (New Ziana 2022). In the particular case of City of Harare, there are numerous sites that are spread around the city designated for SMEs. The study will determine why the City of Harare is failing to collect revenue from SMEs operating on their facilities.

1.2 Problem Statement

City of Harare is facing financial and liquidity problems as it is unable to collect revenue from its debtors and SMEs. “Harare fails to meet monthly revenue collection target,” a story reads in the *Newsday* (*Newsday*, 2017). Cllr T Mhetu, stated that, a lot of revenue is floating in arrears owed by both corporates and residents hence there is a situation whereby expenses outweigh income making it difficult for council to deliver (*Sunshine News*, 2020). The financial problem seems to be a result of the failure of City of Harare to effectively collect revenue from SMEs, failure to identify new strategies as well as non-compliant by SMEs. This hampers the council’s activities. Failure to address this problem might have a detrimental impact on City Council's ability to deliver world-class services and maintain strong infrastructure. This researcher has noted with concern that a study needs to be undertaken on local authorities’ hurdles to collect revenue from SMEs by City of Harare. In light of this, the research seeks to establish the following objectives.

1.3 Research Objectives.

- i. To establish the factors affecting revenue collection from SMEs by City of Harare.
- ii. To identify potential issues faced by SMEs preventing them from paying rentals.
- iii. To suggest solutions meant to improve revenue collection.

1.4 Research Questions

- i. What are the variables affecting revenue collection by from SMEs by City of Harare?
- ii. What are the potential challenges faced by SMEs in Harare that prevent them from paying rentals?
- iii. How can revenue collection from SMEs be improved?

1.5 Significance of the Study

1.5.1 To the Researcher

The study will aid in the Researcher's completion of her requirements for her Bachelor of Accountancy Honours Degree at Bindura University of Science Education. The researcher will also acquire communication skills from the interaction with different people, among them include, City of Harare Council staff, small business owners, councillors, residents and other stakeholders. The researcher's research abilities will improve as a result of this study, as well as acquiring knowledge on how SMEs are operating their businesses.

1.5.2 To Bindura University of Science Education

The completed research will be added to the library's literature and filed in the Bindura University of Science Education library. It is hoped that the literature will add value to the university as it will be used by other researcher who may wish to carry out the same study or other related studies as reference in their future researches.

1.5.3 To City of Harare

This research will be useful to the City of Harare as it may help to explain why the majority of SMEs operating on Council facilities in urban areas fail to remit revenue to responsible local authorities. Large tracts of land and infrastructure are made available by the City of Harare for SMEs to use as the base for their operations. The management will also benefit from the suggested solutions to the problems with collection of revenue uncovered by the study. As a result of the research, there will be creation of local governments which are able to function profitably and deliver services that are up to standard. This research also intended to help

entrepreneurs themselves to comprehend the importance and advantages of paying rentals to Council. These benefits include enhanced infrastructure, improved service delivery, prospective growth of the SMEs among many others.

1.5.4 To other stakeholders

The study could contribute to the establishment of Local governments which are able to operate profitably and deliver services that are up to standard. The living standards for general public, the economy, and country's progress are all significantly influenced by how successfully local governments provide services. As a result, it is critical for local governments to be capable of raising adequate revenue to enable satisfactory service delivery and, as a result a development on the economy, and the country's standard of living. In terms of LGA development and revenue collection it is hoped that this research will provide insights and contributions to the stakeholders such as the government. Thus, identifying areas that need assistance in terms of terms of funds, grants, training and development. In addition, the study will help various council workers involved in revenue in any form to get the insights of accountability and transparency in revenue collection for them to be accepted by the community and to provide better services.

1.6 RESEARCH ASSUMPTIONS

- i. The researcher will be given access to all required information.
- ii. Selected entrepreneurs will give unbiased and accurate information.
- iii. The researcher will assume that questionnaires and interviews are data gathering techniques that are adequate and efficient to extract desired results.

1.7 Scope of the Study

The scope of the study was limited to local government authorities in Zimbabwe. The research focused on City of Harare, focusing on the period 2018 to 2022. Therefore the research was time bound representing events within a specified time period. Data was gathered from City of Harare employees

1.8 Limitations of the Study

The research was confined to Harare and the findings are not necessarily generalizable. Due to geographical restrictions, this research could only be empirically applied in Harare, City of Harare. The results might not apply to other categories of local government. Additionally,

because this research was conducted on local government authority, its conclusions might not apply to other tax collection organizations. In addition to the aforementioned, the convenient sampling used in the research makes it difficult to generalize the results, even though the sample size for the current study is appropriate. The current research also had limited access to information, in that instance, the researcher was unable to collect all of the data from all of the respondents in the relevant area and offices; as a result, a sample was taken.

1.9 Definition of Terms

1.9.1 Local government authorities

According to Nuvula (2015) local government is a decentralized level of government that is democratically established, imposed with a service delivery mandate, consisted of legal entities with distinct abilities, charged with authority over a specific area within the limits set by national legislation and largely self-financing. Local government authorities refer to district councils, town councils, as well as city councils or any successors which are responsible for providing services for residence, refuse collection facilities, health services, housing and accommodation and providing clean water among other duties.

1.9.2 SMEs

Small and Medium –size Enterprises (SMEs) are defined differently around the world. In some countries the criteria for the classification is capital and in others is based on the number of employees. In Zimbabwe SME is defined as business organisation that employs less than seventy-five employees (Njanike 2019).

1.9.3 Revenue

Revenue refers to all income generated from various sources. Revenue from local government authorities includes all of the money received by the government from both tax- and non-tax-related sources, including property, sales, levies, and fees. Local authority collection systems vary depending on the size of jurisdiction, the payment methods allowed and the nature of revenues received (Larson 2004).

1.10 Organisation of the Study

The research project is structured in five chapters beginning with chapter one which introduces the topic of the study and explains about background of the study, problem statement, research objectives, research questions, research hypothesis, significance of the study, scope of the study as well as research assumptions, followed by chapter two which presents literature review.

Chapter three explains about research methodology followed by chapter four which gives results and discussion. Chapter five is the final chapter which gives summary of the study, conclusion as well as recommendations.

1.11 Chapter Summary

Using an example of City of Harare, this chapter introduced the research topic which is Local authorities' hurdles in collecting revenue from SMEs. The background of the study brought into light the critical fundamentals of the research problem. The research objectives and the significance of the study have been discussed in this chapter as well. In the following chapter the researcher will concentrate on reviewing literature from other authors that is pertinent to the research problem.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

After establishing the problem of the study, research objectives and research questions in chapter one, the researcher will evaluate literature from other scholars that is related to the research objectives. According to McNabb (2013), a literature review is a systematic, clear and reproducible approach of locating, analysing and understanding the existing body of documented work generated by other researchers, scholars and practitioners. It provides theoretical and empirical study on the definitions of SMEs, the problems they encounter and the strategic method to address those challenges. It will also look at the variables influencing optimal revenue collection as well as the value of SMEs to the economy, relying on previous research and using them as a reference, providing clearly defined parameters. According to Mugedi and Mugedi (2003), a literature review relies on information that was previously researched by other scholars. Saunders, Lewis & Thornhill (2012) noted that reviewing literature analytically provides the basis on which one's research is built.

2.2 Definition of Key Concepts

2.2.1 SMEs

There is no uniform definition of Small and Medium Enterprises (SMEs), and multiple definitions are used across the world. Munro (2013) claimed that there is no one, universally recognized definition of a small business, since enterprises differ in terms of capitalization, revenue and employees, hence multiple definitions exist. The geographical location of SMEs as well as country specific laws, impact the various SME definitions (Leopoulos, 2006). A number of scholars have proposed several definitions for SMEs, focusing primarily on characteristics such as number of workers, turnover levels, total net assets and capital base (Hisrich, Peters & Shepherd ,2004). Other scholars such as Berisha & Pula (2015) and Stokes

(2000) have incorporated legal framework and degree of formalization in their SMEs definitions.

The Zimbabwean Ministry of Small and Medium Enterprise Development (2002) defines an SME as a recognized enterprise with employment levels ranging from 30 to 70 employees and would be referred to as a small to medium based on the kind of industry. An SME is defined as “a company which is not subject to accountability to the public and consequently prepares general purpose financial reports for external users” by the IASCF (2007, p. 15). The South African National Small Business Amendment Acts of 2003 and 2004 (NSB Act) of South Africa define an SME as: “... distinct and independent business entity, including co-operative enterprises and non-governmental organisations, managed by one owner or more owners, including its branches or subsidiaries, is predominantly carried on in any sector or sub sector of the economy”. According to the Zimbabwe Revenue Authority (ZIMRA), it has its own definition based on tax purposes and it defines SMEs in terms of employment, turnover and asset base. Taking all the above into consideration, the researcher defines SMEs as businesses that are owner- managed and that employ a small number of employees.

2.2.2 Local Authorities

Local government, according to Chakaipa (2010), is “an autonomously form of municipalities democratically established, mandated in service delivery, consisting of statutory bodies with defined powers, imposed with authority over a specific area underneath the parameters set by national legislation and largely self-financing”. Musingafi (2012) agreed with Chakaipa (2010) in determining local government as the concept of collaborative and freely selected structures which are compatible with the demands of the people at grassroots level and ensure an ongoing supply as well as upkeep of vital amenities and infrastructure. This signify that local authorities are legal bodies tasked with providing various sorts of facilities to their communities.

2.2.3 Revenue

The term revenue refers to any money earned through taxes, fees (charges), penalties, loans collected by municipal governments from sources other than their own. Local government collection systems differ based on the size of the legal authority, the payment methods permitted, and the nature of revenues collected (Larson, 2004). According to Muller and Berger (2009), the International Public Sector Accounting Standard (IPSAS) defines revenue as “gross inflows of economic advantages or service potential received and receivable by the reporting entity, which represent an increase in net assets /equity other than increase relating to

contributions from owners”. Fjeldstad & Heggstad (2012), revenue is income that an organisation obtains through its normal business operations, often from the sale of goods and services offered to customers.

2.2.4 Entrepreneur

According to Drucker (2011), an entrepreneur is an individual that is able to take any idea and turn it into a product or service. Willingness and fortitude to take severe risk in order to make that notion a reality and, not only to deliver it to market but also produce a viable product and / or service that people desire or need. The Schumpeterian entrepreneurship theory, defines an entrepreneur as someone who is willing and able to change a new idea to a successful innovation (Mehmood, Alzoubi, and Ahmed, 2019).

2.2.5 Literature Review

Literature reviews, according to Mahembe (2011), are “a systematic, explicit including systematic method for identifying, evaluating as well as interpreting the existing collection on completed and recorded work developed by researchers, scholars and practitioners”. According to Plowright (2011), a literature review provides the researcher a theoretical perspective to help guide her thinking about what is being investigated. The following review contains both theoretical and empirical examination of the government’s revenue collecting methods and issues. The theoretical review describes the ideas and models that guide the collection of revenue.

2.3 Theoretical Framework

2.3.1 The Agency Theory

Berle and Maens proposed the Agency Theory in 1932 (Panda & Leepsa 2017). It highlights a contractual connection entered into by two people, the principal and the agent in order to execute a service. This principle delegates some decision-making authority to the agent (Tate, Ellram, Balls, Hartman, & Valk, 2010). An agent is an individual hired to get the principal into a contractual relationship with another party. Insurance agents and insurance firms have agency arrangements in which the insurance company delegates obligations to the insurance agent for an assured fee (Venables, 2010). The concept of agency is relevant to this study since City of Harare can hire others to collect revenue from the SMEs on its behalf. (Leictich, 2012). As a

result of the agency's theory inapplicability to this research, the author will review other concepts.

2.3.2 Ability-to-pay Theory

John Stuart Mill developed the principle of ability-to-pay taxes in 1840 (Musgrave, 1974). This refers to a progressive taxation concept that states: taxes should be charged based on the ability of the person to pay. Individuals, businesses, partnerships, trusts, as well as certain estates with greater incomes have a larger tax burden under this progressive taxation strategy. According to the ability-to-pay taxation principle, those who receive more money have the ability to pay more taxes. Ability-to-pay taxation compels higher-income persons to pay a greater portion of their income in taxes than lower-income ones. The ability to pay hypothesis is based on the premise that persons with wealth or income ought to give towards the support of public activities in proportion to their income or wealth. (Ebimobowei, 2012). Traders must be able to pay in order for income to be collected. The use of ability to pay taxes provides the potential to boost the income of a local government. However, because there is no predictable revenue in the informal sector, the idea is difficult to implement. Subsequently this is also an unjust idea for people who work hard because they ought to contribute more than those who work less. As a result, it appears to be a punishment for hard labour. For these reasons the author will not use the ability-to-pay hypothesis in this research and will instead consider another theory.

2.3.3 The Benefits Received Theory

Wicksell first proposed this hypothesis in 1896 (Neumark & McLure, 2013). According to the benefits received hypothesis if in return they gain from it. Consumers benefit from the benefits received taxation system because they have the option of paying the tax or receiving the service. Thus, the local government must ensure that the service is beneficial or it will go unutilized. According to the principle, the tax burden for a company should be directly equal to the amount of benefits it obtains from using government provided public goods or services. Consumers and firms should pay the amount worth of the service and products they receive as if they had purchased them from the government. Consumers are inspired to pay tax when they believe that the amount, they pay to government is being utilized to benefit them. As a result, advantages obtained result in decreased tax avoidance. It additionally represents a fair kind of taxation given that it does not end in one individual enjoying the advantages at the cost of another. However, in some cases, benefit theory is the appropriate taxation theory to be used by the City of Harare in trying to improve the revenue collection from SMEs. Hence City of

Harare in order to increase the collection of revenue from SMEs. As a result, City of Harare must enhance service such as running booths, sanitary facilities and infrastructure.

2.3.4 Revenue Enhancement model

Revenue Enhancement model according to USAID (2006), improved revenue sustainability has essential components such as effective communication approach, supply of superior quality services, accurate billing as well as credit and debt management. To clarify on these elements, USAID developed a revenue enhancement model, centred on maximising revenue collection while reducing inefficiency and costs. According to USAID (2006), a solid communication strategy is critical to the long-term viability of local governments. The communication strategy should make it easier to connect municipal revenue increase targets with consumer expectations. The concept emphasizes training and building capacity as critical aspects for the local government in increasing revenue collection. The model also implies that technical abilities are essential for providing effective customers services. Furthermore, while developing budgets, the socioeconomic situation of the clients must be considered so that revenue collections may be accurately projected. All components of the revenue enhancement model are equally required for its effective execution. As stated by USAID (2006), failing to address any of the aforementioned components will have a detrimental impact on its company.

2.4 Factors affecting revenue collection from SMEs by local authorities

2.4.1 Poor service delivery

Poor delivery of services in general is one the key factors for certain consumers failing to pay their rentals. Tamrakar (2010) observed that if firm fail to give appropriate service, revenue collection suffers because consumers fail to pay. Aminuzzaman (2010) had similar comments when he stated that local government must shares the same sentiments when he described how local authorities must “give the customers what they want rather than what local government can give”. Local governments fail to offer appropriate service delivery owing to a lack of accountability and transparency, inadequate stakeholder involvement, lack of personnel capability, bad planning, and poor monitoring and evaluation, (Makanyeza, Kwandayi & Ikobe 2013). Mabika (2015) agreed with other writers in that there is a decline in the in services provided by local government.

2.4.2 Political interference

Councillors, according to Gwayi (2010), are the major perpetrators with regards to SMEs failing to fulfil their dues. According to Gwayi (2010), there exists too much councillor meddling in collection of tax from SMEs. Gono (2006) backed this claim by stating that the majority of Zimbabwean councillors join councils to further their own personal goals that may not necessarily contribute value to the operation of local governments. Kasozi (2016), another author, proved through his study that political interference has a detrimental impact on collection of revenue.

2.4.3 Poor Administration and Staff Competences

According to Chirisa & Muchini (2011), it is the obligation or prerogative of local governments to collect income from all revenue sources, including small companies. However, due to inadequate some municipalities fail to do so. Poor administration, according to Jooste (2008), can have an impact on revenue collection if left unsolved. Fjelstad & Semboja (2000) expressed similar concerns regarding inadequate administration as a factor in local government's failure to collect income owed to them. According to Kopanyi (2015), bad administration is caused by untrained employees. Andema and Has (2017) stated in their study that ongoing employee training as well as refresher courses are crucial to improve tax administration in local governments.

Ngugi (2016) conducted a study on factors that impact revenue collection and determined that one of the criteria that determine optimal revenue collection is personnel competences. Ngugi emphasized that employee competences may be considered by skills and capabilities they possess. Okiro (2016) agreed with previous writers when he stated that staff competences had a direct impact on revenue collection. Bird (2010) proposed that taxpayers be considered as clients in need of good services in order to accomplish efficient collection of revenues in local government. According to Kopanyi (2015), a shortage of resources hinders local governments from carrying out their purpose. As a result, if local government are to succeed in tax collection, they must improve their administration.

2.4.4 Lack of Knowledge

It may be absurd, but several SMEs are unaware that they are required to pay rent to the local council for the premises in which they operate. Nkwabi and Mboya (2019) conducted a study in Tanzania and observed that many individuals were unaware of this fact, which has a detrimental impact on revenue collection, hence local governments should launch education programs to educate their clientele about the need of paying rent.

2.4.5 Lack of Accountability and Transparency

Some SMEs neglect to pay their rentals because of lack of accountability by local authorities. If local authorities fail to account for previously collected revenue, then most taxpayers also withhold their payments for a simple reason that it is not accounted for. Joseph (2002) supported this notion that lack of accountability affects revenue collection in local authorities. Gono (2006), in his quarterly financial review of the Reserve Bank of Zimbabwe, said that the major challenges facing Zimbabwean local authorities were lack of transparency, bad corporate governance practices and poor policy implementation. He asserted that these challenges lead to diminishing revenue collections budget deficits.

2.4.6 Staff Motivation

When it relates to revenue collection, employee motivation is critical. Employees who are motivated outperform those who are not. If people are motivated, the company's objectives and goals may be readily met. Bennell (2004) stated that an individual is an economic person who is driven by substance rewards. The efforts will be determined by the degree of remuneration received, thus employers should compensate their employees according to a certain degree of efforts. It is widely accepted that the performance of any employee, whether in the public or private sector, is influenced to some extent by how or she is rewarded. According to such argument, local governments should prioritize the use of compensation to urge employees to work.

2.5 Revenue Collection Strategies

Fjelstad (2008), discovered in his project that certain local governments have already begun to investigate techniques of minimizing the economic disparity by getting private collectors, presenting the revenue manager with decision over their income sources, and other measures such as reviewing By-laws, imposing penalties on council employees and elected officials convicted of inadequate management, transparency in council operation and improving the development of infrastructure.

2.5.1 Rental Fees Reduction

Previous studies have reviewed and proven that most traders would consider paying but are unable to do so owing to a variety of circumstances, including expensive. It is recommended that the City of Harare cut its fees to more reasonable levels. According to Ngugi (2016), the majority of persons who work in the informal sector are either jobless or have poor financial position, making it difficult to pay these rentals. Rosengard (2012) established a connection between high taxes and low revenue collection. As a result, if rents are cut, all traders will pay, and the City of Harare would collect more income from a larger number of individuals. Awitta (2010) agreed with the preceding author when he stated that SMEs are overtaxed.

2.5.2 Improve infrastructure

Revenue collection is frequently inadequate, and many invoices go unpaid because taxpayers refuse to pay owing to poor fundamental services and infrastructure (Fjelstad, Chambas & Brun, 2014). Many locations have poor road network, and some are nearly inaccessible. This is problematic for business, especially for customer's ability to easily reach SMEs. If the City of Harare among other things, improves the road network, SMEs would enjoy operating their businesses, allowing them to pay their rents without difficulties. Fjelstad et al. (2014) also proposed that local governments offer clean water and ablution facilities at all their market areas. The provision of these amenities may result in the improvement of collection of revenue and benefit both the council and the entrepreneurs (Karedza, Sikwila, Mpofo & Makurumidze, 2014). Due to lack of adequate buildings, the majority of SMEs operate in open spaces. This notion was reinforced by Karedza et al (2014), who said that SMEs have issues due to insufficient operational space. Most SMEs have such bad working environments such that they are unwilling to pay taxes to the government.

2.5.3 Assist SMEs to get Funding

In view of the fact that most SMEs are unable to obtain credit from the majority of financial institutions due to absence of collateral security, local governments and national government can get help by fostering discussion between SMEs and finance entities (Honohan & Beck, 2007). If the SMEs receive finance, they will be able to expand their operations, and the council would receive more income from these SMEs. According to Nguyen (2023), local government policy has a significant impact on the digital evolution of business and may also assist SMEs get greater understanding about how to conduct their operations effectively. This may be accomplished by offering short courses for entrepreneurs. The training can then help businesses improve their company and income, allowing them to pay rent to the City of Harare. According to Cant (2012), training and educational assistance to an entrepreneur and small firms would aid in the establishment of a solid basis for small company growth. Training in marketing, entrepreneurship, bookkeeping, human resources, company management, business ethics, and other related courses is required for the informal sector.

2.5.4 Other Promotions

Except for SMEs, the City of Harare frequently offers deals for its clients. It would be beneficial to the council to provide incentives and run campaigns in order to encourage entrepreneurs to make payments for their rentals. They can provide discounts to tenants who pay their bills on time. Karedza et al (2014), agreed, stating that rate rebates or reductions of land and services might be a great incentive for SMEs. Additionally, local government should also have ways to carry out its decisions and resolutions and to enforce any applicable laws and bylaws (Dagiliene, Varaniute and Bruneckien 2021).

2.6 Challenges of SMEs

Most SMEs encounter several hurdles that limit their potential to develop, despite the vital part that they play in the economy. These difficulties constitute extensively as they are the primary causes of SMEs' inability to comply with legislation, particularly in terms of paying taxes to local governments. The difficulties range from inferior infrastructure development to lack of capabilities. According to Fatoki & Smit (2011), 70% of SMEs fail after three years of formation owing to a variety of obstacles.

2.6.1 Inadequate Infrastructure Development

The lack of infrastructural development by the City of Harare affects the majority of SMEs in the city. Flea market vendors operate in the open air, while some exploit derelict bus terminals. Other sections, including Complex B in Glen view, lack utilities such as water, sanitation and storm water drains. Other places lack decent roads and industries are difficult to access, making it tough for their market to get their products. According to Chundu (2022), the absence of infrastructure development is a major constraint that impacts most enterprises, particularly SMEs. Dube (2019), concurred to the previous author in that he complained about decrepit infrastructures in the SME business. According to Ocloo, Akaba & Worwui-Brown (2014), infrastructure for communication in SMEs in most countries that are developing is deteriorating, and accountable authorities are not available. According to Ocloo et al (2014), SMEs are lagging in terms of communication technology including telephones and fax machines, which affects their market access.

2.6.2 Lack of Funding

SMEs work in similar surrounding as others, but without the benefits of larger business, such as ample cash and expanded human resources. According to Nkwabi and Mboya (2019), SMEs are vulnerable to significant external shocks. SMEs frequently rely on unstructured sources of funding, such as friends, family, that is they rely strongly on debt based sources of finance (Eggers, 2020). As a result, SMEs continue to struggle with limited capital. In Zimbabwe, the only source of financing is microfinance, which is quite costly (Chinyemba, 2018). According to Kurokava, Tembo & Velde (2008) observed numerous SMEs lack collateral to gain access financial institutions.

2.6.3 Failure to Manage Risk

SMEs must gain the competence to cope with the ever-increasing obstacles, or risks the organization encounter (Leopoulos, 2016). According to Njaya (2015) also noted that SME owner-managers must emphasize the significance for risk identification and mitigation in their enterprises, or they may face devastating repercussions if they are unprepared for the conclusion of a potential risk. This means that entrepreneurs in SMEs must be familiar with the identification and evaluation of risk in order to manage risks from a variety of sources (Mahembe, 2011). For example, Glen View 8 Furniture Complex was repeatedly destroyed by fire because of a failure to manage risk. According to Fayad (2008), the majority of today's multi-million dollar begun as SMEs.

2.6.4 Lack of Managerial Skills

The majority of small businesses are threatened by impediments that may exist in the business operations and management activities. In developing nations, Schwartz and Hornyk (2010) concur to Baron and Shane (2007) on problems influencing SMEs such as lack of business experience, lack of technical expertise, inadequate managerial abilities, lack of planning skills as well as absence of market research skills. Poor bookkeeping methods frequently render it difficult for SMEs to succeed (Musah, 2017). The majority of these businesses fail to maintain books of accounts, making it impossible to determine the extent to which the firm is profitable. According to Urban and Naidoo (2012), SMEs typically fail due lack of managerial abilities. Other research, according to Okpara (2011), many SMEs confront management competency difficulties. The absence of human resources skills has proven to be a major concern in the SMEs industry.

Some entrepreneurs hire relatives who lack the necessary abilities for the position (Baron and Shane, 2007). Employing untrained staff provides the advantage inexpensive salaries, but it results in bad business practices, which finally leads to business collapse. An entrepreneur is expected to be a multi skilled individual who is proficient in advertising, record keeping, financial and general management abilities to assure the business continuous survival. The functions of planning, organizing, leading and controlling are essential in management of SMEs, Chimucheka and Mandipaka (2015) stated in their journal that lack of adequate managerial skills affect the success of SMEs.

2.6.5 Stiff competition

According to Chimucheka & Mandipa (2015), SMEs are strongly impacted by completion from both locally well-established enterprises and multinational businesses. In order to compete in a globalized market, SMEs must offer products that meet international standards. As a result of restricted access to funding, they are less able to get high quality raw materials, making them not as competitive (Eggers, 2020). Customers often choose to get superior products and services at a lesser price. Established enterprises benefit from economies of scale by purchasing raw materials in and mass production, making their goods less expensive than those produced by SMEs. According to Schwartz & Hornyk (2010), SMEs face severe competition because they lack access to cutting-edge technology. However, according to Ocloo et al (2014), SMEs can still have access to this technology by leasing it or sharing possession with their commercial peers. He did, however mention that the deployment of cutting-edge technology by SMEs is

hampered by shortage of power supply or load shading as well as bad internet network. Technology is critical for SMEs to compete with established firms and large corporations.

2.6.6 Lack of Training

Training and development are critical components of every organization that helps them to remain relevant (Darwin, 2017). Even competent individuals require ongoing training and development to keep their skills and competences fresh. Nkwabi and Mboya (2019) discovered that most SMEs in emerging nations invest far less in development and training than established countries. Due to the majority of SMEs employing workers with limited abilities, they must supplement this by investing in educating their staff so that they may become more competent.

2.6.7 External Environmental Challenges

Environmental issues confront the SMEs sector, like any other firm, have been tremendously impacted by the present economic situation, which has been volatile for many years. The liquidity crisis has strongly impacted them, and their clients are unable to purchase their items. Chinyemba (2018) propounded that unfavourable government policies, such as unfavourable taxation system implemented by both the federal and local governments, have a significant impact on the SMEs sector. According to Baron & Shame (2007), high tax rates have detrimental influence on entrepreneurial activities. According to the president of SMEs in Zimbabwe, the industry lacks government backing. Another problem hurting SMEs is the complexity of forming a company which is expensive the government should unwind the policy for the easy of SMEs to operate formally.

2.7 Empirical Review

2.7.1 Garaiza (2014), Revenue collection difficulties in Zimbabwe local governments: challenges and opportunities with particular reference to Bindura Municipality.

Garaiza (2014) did a research on revenue collection difficulties in Zimbabwe local governments, with a focus on Bindura Municipality. He utilized survey research in which he conducted the survey using questionnaires and interviews. The study's goal was to identify revenue collection potential as well as variables influencing collection of revenue for Municipality of Bindura. Another goal of the study was to identify the municipality's key income collecting difficulties. The research was additionally carried out in order to identify revenue collection improvements for Bindura Municipality. The survey's primary results

revealed that Bindura Municipality has several income collections streams, including water rates, hiring charges, supplemental charges and fines. Garaiza (2014) further revealed that only 18% of residents always pay their bills while 72% sometimes pay and 10% never pay at all. Garaiza (2014) did not dwell much on SMEs' taxes. His study majored mainly on other sources of revenue collected by municipality hence a gap on SMEs exists.

2.7.2 Kiaze (2014) Assessment of revenue collection efficiency in Local Government Authorities (LGA): A case of Tanga Local Government, in Tanzania

Kiaze (2014), in his research, he employed the survey and exploratory methods in the investigation. The research sought to examine revenue collection effectiveness in Tanga LGA and to identify factors influencing revenue collection efficiency. The study also looked at how each component affected revenue generation performance in Tanga LGA. According to the study's results, general income collection from Tanga LGA's nine districts was typically poor in the majority of districts due to strong political intervention and corruption. Many people were unwilling to pay. Kiaze (2014) focused on general revenue streams of local government bodies and did not venture into SMEs.

2.7.3 Zhou and Madhekeni, (2013), Systems, processes and challenges of public revenue collection in Zimbabwe.

Zhou and Madhekeni (2013) in their research mentioned that, a well-functioning national revenue collecting system is the heart of every government administration and the foundation of solid fiscal management. The research examined government revenue collections in Zimbabwe, focusing on significant income sources, revenue collecting tactics, and revenue hotspots. According their research findings, the revenue collection sector has gone through landmark reforms over the decades, including the establishment of a single national revenue authority in 2001, as well as the Toll Gate systems in 2009. They also discovered that, despite these advancements, optimum revenue collection is structurally and operationally hampered by income tax loopholes, a lack of full disclosure in revenue collections and remittance procedures, and corruption within organizations authorized as receivers of revenue. Their study did not dwell much on challenges faced by local authorities in collecting revenue, rather on their sources of income.

2.7.4 Makanyeza et al (2013) “Strategies to improve service delivery in local authorities”, in Kenya.

Makanyeza et al (2013), conducted the investigation using both qualitative and quantitative technique. Their survey’s particular goals were to uncover the reasons of poor services delivery in local governments and recommendations to enhance service delivery. He discovered that poor service delivery was the result of corruption, politics, a failure to manage change, weak human resources (HR) policy, as well as failure of staff to use modern technology. According to the study, optimal revenue collection is a remedy to bad service delivery. As a result, this research will supplement all the previous studies that have been previously conducted.

2.7.5 Maseko, (2014) Determinants of tax compliance by small and medium enterprises in Zimbabwe.

He examined how small-medium enterprises (SMEs) in Harare, Chitungwiza and Bindura felt about taxes by applying a qualitative research design using interviews in the period between 2009 and 2011. The study concentrated on how tax knowledge of SMEs and compliance costs affect SMEs tax compliance, SMEs perception of tax justice, the calibre of tax services and government spending objectives significantly influenced their decisions regarding tax compliance, and it was concluded that ZIMRA’s tax service falls short of tax payers’ expectations. The research centred on the variables influencing SMEs compliance decisions, but it ignores the informal sector and does not address the reasons why SMEs are failing to pay up their bills to local authorities.

2.8 Research Gap

According to literature review, the study reveals that many scholars have done studies that mainly concentrated on factors that affect revenue collection from general revenue sources like water levy, refuse collection charges, property tax, hire charges and others. Those who researched about SMEs concentrated mainly on challenges faced by them but, none of them have touched on whether the SMEs are paying their taxes to local authorities hence a gap exists.

2.9 Chapter Summary

The chapter focused on literature review relevant to the study. The researcher looked at theoretical literature review as well as factors affecting collection of revenue, challenges being

faced by SMEs and revenue collection strategies that were suggested by other scholars. The following chapter will focus on how the research was carried out, including how data was collected.

CHAPTER 3

RESEARCH METHODOLOGY

3.0 Introduction

The methods and techniques used to gather and analyse data are described in this chapter. The mixed methods approach was used in this study to address the research topics. The study therefore blended a qualitative (interviews on a limited sample) and a quantitative technique (using a standard questionnaire). The population and sample of the study are also described in this chapter. The procedures used to guarantee the validity and dependability of the data collected are outlined.

3.1 Research design

The researcher utilized a descriptive study design. This was utilized because the researcher was really interested in the current situation of the subject. Additionally, it made it possible for the researcher to gather, compile, present, and analyse data for any justifications. Creswell (2018) asserts that descriptive surveys also incorporate survey research, developmental designs, correlation research, and observational investigations. These methods assisted in the production of quantitative data that was then analysed statistically. In descriptive research, a situation is examined exactly as it is (Almalki, 2017). It doesn't involve altering or improving the condition under inquiry or trying to prove cause-and-effect connections (Ramso, 2018).

3.2 Research method

The researcher used both quantitative and qualitative data collection methods, as well as analysis procedures, in a mixed methods design. The researcher began one of the ways for gathering data and analyzing it before switching to the other, which was a mixed-method basic design. However, tools for quantitative analysis were utilized to analyze qualitative data quantitatively, and vice versa. The process of gathering qualitative data covered the sources of revenue, difficulties faced during revenue collection, and strategies employed during revenue

collection. A quantitative research approach was used to gather the amount authorized to be collected and the actual amount of revenue actually collected during the study period. The quantitative technique makes it simpler to assess the immeasurable characters. Both qualitative and quantitative approaches were utilized due to cross-pollination.

The researcher was able to benefit from qualitative interviews with respondents 21 and the advantages of statistics (quantitative) by combining both methodologies, creating a mixed method complicated design, as demonstrated by (Cooper and Schindler, 2018).

3.3 Population

The establishment of the Local Authorities Hurdles in Collecting Revenue from SMEs was the study's main topic. All City of Harare top management from the central accounts division and revenue collection department were the study's target population. The researcher utilized the example of City of Harare to illustrate that it was possible to include each company in the study. All personnel who work in the department of accounting and revenue collection, including managers and directors, were purposively selected and included in the study's target group, as they know more are actively involved in the financial performance of the authority.

Table 3.1 Study Population

Category	Number
Directors	6
Management	8
Accounting Officers	10
Total	24

3.4 Sampling method and technique

The study employed the non-probability sampling technique. Non-probability sampling is typically linked to case study research design and qualitative research. Contrarily, case studies frequently concentrate on small samples and are meant to explore a real-life phenomenon rather than draw conclusions from statistics about a wider population (Bryman, 2016). Although a sample of participants or cases need not be random or representative, there must be a justifiable basis for choosing particular situations or people over others (Taherdoost, 2017). The study employed the convenience sampling method. Choosing participants for convenience sampling entails choosing those who are regularly and easily accessible (Saunders et al., 2018).

3.4.1 Study Sample

A sample is a selection of individuals made at random from the population under investigation. Calculating sample size with a computer, with a 95% confidence interval and a 0.1 level of confidence, a sample size of 23 people is needed to represent the target population of 24 people. The research's sample size is shown in the table below. The Directors will be interviewed because they participate in the council's decision-making, and questionnaires will be given to the entire sample.

Table 3.2: Study Sample

Category	Number
COH Directors	6
COH Management	8
Accounting Officers	9
Total	23

Source: Author's Computation (2023)

3.5 Source of data

3.5.1 Primary data

Primary data was gathered from respondents drawn from the City of Harare Council's central accounting division and management. It was acquired through online questions using Google forms in accordance with accepted academic practices. Primary data was critical for this study since the perspectives of respondents were utilized to identify the challenges that the City of Harare has in collecting income from SMEs. Individual interviews were also undertaken to explain replies and other study areas that the questionnaires did not cover. The researcher questioned management to allow for the expression of individual opinions, to increase collaboration with respondents, to provide first-hand knowledge, and to reveal concerns that were not previously thought essential.

3.6 Data collection and instrument

A standard questionnaire was utilized in the study to gather information from participants who were involved in the problems being investigated. To prevent respondents from being interrupted from their regular routines of their operations by physically visiting their offices, questionnaires with closed questions were coded on Google Form to be sent over email. Additionally, the researcher met with interviewees. Human Resources Management was used to identify and interact with interview respondents. The respondents heard the researcher explain the study's goal. The interviewer raised predefined semi-structured questions from the interview guide as part of the interview's mechanics. Tape recording and note-taking were used to record the data (after participants were informed and consented).

3.6.1 Questionnaire

A typical survey containing closed-ended questions that are evaluated on a Likert scale (from 1 to 5) to represent the replies of management. The reliability of the conclusions made from the information provided can be recognized using a variety of methods, and the data provided may be analyzed, compared, and complemented by qualitative data-gathering techniques which include open-ended questionnaires, participant observations, and interviews. Using Likert-scale questions, data may be obtained rapidly from a large number of participants, and responders can produce highly trustworthy individual best estimates.

3.6.2 Interview

The researcher supplemented the data from surveys with telephone interviews. It allowed the researcher to probe further into the initial responses of the respondents in order to elicit a more comprehensive and accurate response to the study questions. Interview questions were modified to fit various scenarios. This was done to enable for the expression of individual opinions, increased cooperation with responders, the supply of first-hand knowledge, and the discovery of previously unknown concerns. The interview was mostly utilized for management who had not been provided questionnaires.

3.7 Data analysis

Data that was gathered using the standard questionnaire was analyzed quantitatively. Strongly Agree (SA) = 5, Agree (A) = 4, Neutral (N) = 3, Disagree (D) = 2, and Strongly Disagree (SD) = 1 were the weighted responses to the questionnaire items. A significant data analysis tool used to turn data into information was used, namely the Statistical Package for Social Sciences (SPSS). Before being entered into the Statistical Package for Social Sciences application, the data was first coded, after being coded, the data was analyzed and put into the appropriate categories using the SPSS and Microsoft Excel programs. Due to the employment of these programs, data might be displayed in graphs, tables, pie charts, bar graphs, and other statistical tables, because graphs and tables are effective for summarising and organizing data, they were employed to provide a visual overview of the data being studied. The results are more reliable since the standard technique of analysis of data can be reproduced, which implies that anybody evaluating similar quantitative data should reach the same conclusions.

Similarly, the researcher employed theme analysis to analyze interview data. As defined by Mishra (2017), thematic analysis comprises detecting, analyzing, and presenting themes or trends underlying data, and the analysis is regarded independent of qualitative analysis due to the freedom it allows. Following data collection, the researcher classified the information into sections based on the study objectives aimed at rendering the data more understandable and useful.

3.8. Validity and reliability

3.8.1 Data Validity

To validate the questionnaire, the researcher conducted a pilot test. Pilot analysis was performed prior to the actual distribution of questionnaires in order to ensure the conciseness, authenticity, and dependability of the instrument used. The pilot study revealed the respondents' misconceptions and the necessity to alter some of the questions for greater transparency and importance.

3.8.1.1 Pilot testing

Before being used, questionnaires were pre-tested to see if they were appropriate and to enhance them in terms of question content, language, sequencing form, and layout, question difficulty, and instructions. The researcher had to alter Section B of the questions because some of them did not display all of the alternatives on the Likert scale. In order to draw the same conclusions from the data, the researcher anticipated that they would hold up even if a different sample of the population were used.

3.8.2 Data Reliability

3.8.2.1 Alpha's Cronbach Test

The Cronbach's alpha test is regarded as a reliable measurement. The outcome demonstrated the validity of the respondents' questions. Reliability in this study demonstrates how likely it is that the measurement and research methods will produce consistent results over time. Due to the study process and methods that produced consistent measurement, the researcher was able to appropriately draw inferences and generalize the research's findings. To evaluate the validity of the questionnaire sections, the researcher applied the Split Half method.

3.9 Ethical consideration

The researcher was guided by the ethical principles on research with employees as participants set out by the Bindura University Science Education. Employees at City of Harare are under the oath of secrecy and revealing some information about the organisation is considered as the most profound ethical implication. For this reason, researcher had to be granted permission by the organisation to conduct interviews with the management, distribute questionnaires and inspect financial and management reports. The respondents had to seek approval to participate

in the interview process. They were also assured confidentiality of their responses, protection of their privacy rights and that they can withdraw from the survey without questions asked. Information was reported as given by respondents on all methodologies and was also assessed by colleagues and academic supervisors to increase public confidence and reliability.

3.10 Chapter Summary

The chapter stated the study's principal goal and discussed the sample and research procedures used to collect, synthesize, present, evaluate, and understand data in order to answer the research questions that is the methodologies utilized. The next chapter discusses data presentation, analysis, and interpretation.

CHAPTER 4

DATA ANALYSIS, PRESENTATION AND DISCUSSION OF RESULTS

4.0 Introduction

The study's findings are evaluated, presented, and discussed in this chapter in light of the techniques mentioned in the preceding chapter. The component analysis, which finds relevant elements that explain a variable, is covered in the chapter along with survey response rates, the Cronbach's alpha reliability test, respondent backgrounds, and component analysis. Correlation analysis, which looks at the connection between variables that explain a variable, is also covered in this chapter. The Likert scale, which was used in the study to enable simple answer scaling, is also described. Scaling the closed-ended questions was really useful and successful. Data analysis is carried out using the Statistical Package for Social Research (SPSS version 26.0). Tables, charts, and graphs were used to visualize data.

4.1 Response Rate

Table 34.1 Response Rate

	Target	Actual	Response rate
Questionnaire	23	20	87%
Total	23	20	87%

Source: Researcher's Findings (2023).

The information in table 4.1 shows how many people responded to the questionnaires that were provided. The following list includes both returned and unreturned questionnaire responses from the survey distribution: Twenty respondents, or 87%, filled out and returned the survey; three respondents, or 13%, did not. The table above displays the findings. High response rates also improved the study's dependability and confirmed the results, which is beneficial for the research.

4.2 Cronbach's Alpha Reliability Test

To determine the dependability of the questionnaire, Cronbach's Alpha was used to the study data. Seven items passed the Cronbach's alpha reliability test with a 0.78 score, indicating a satisfactory level of internal consistency. The research tool passed the reliability test with flying colours, which suggests that the study's conclusions will probably have a high degree of validity. The questionnaire was divided into three sections: sources of revenue, problems with revenue collecting, and solutions for revenue collection.

4.3 Demographics

The information supplied refers to the participants' biographies, that may have an influence on the veracity and trustworthiness of the data they gave using their own thoughts. The respondents' age, experience, education, and work position are listed in this section.

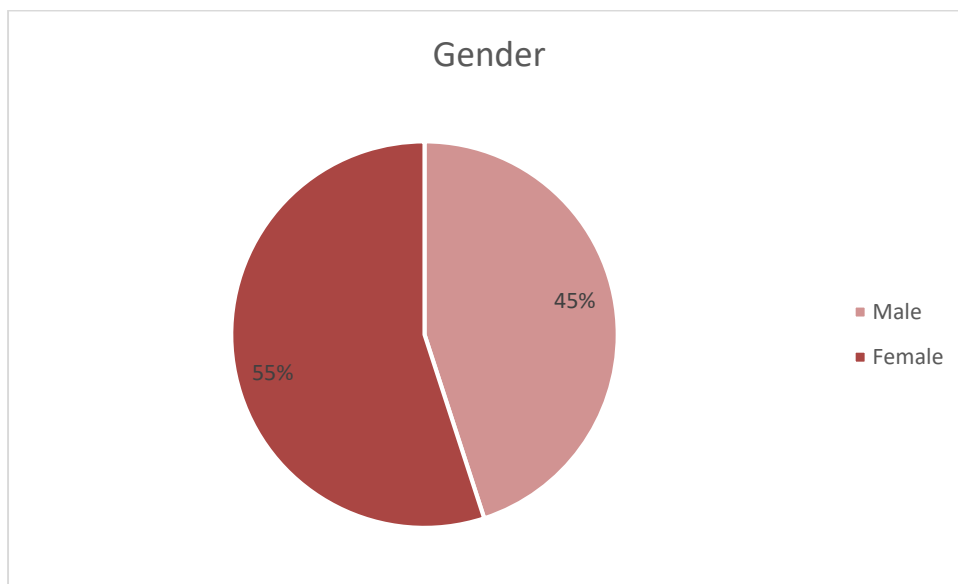
4.3.1 Gender

The goal of this study was to ascertain the gender distribution of the revenue collecting workers and accounting staff at the City of Harare. According to the data, there were more female employees than male employees (55 percent against 45 percent). This shows that women make up the majority of the City of Harare's revenue collecting employees.

Table 4.2 Gender

Gender				
	Frequency	Percent	Valid Percent	Cumulative Percent
Male	9	45.0	45.0	45.0
Female	11	55.0	55.0	100.0
Total	20	100.0	100.0	

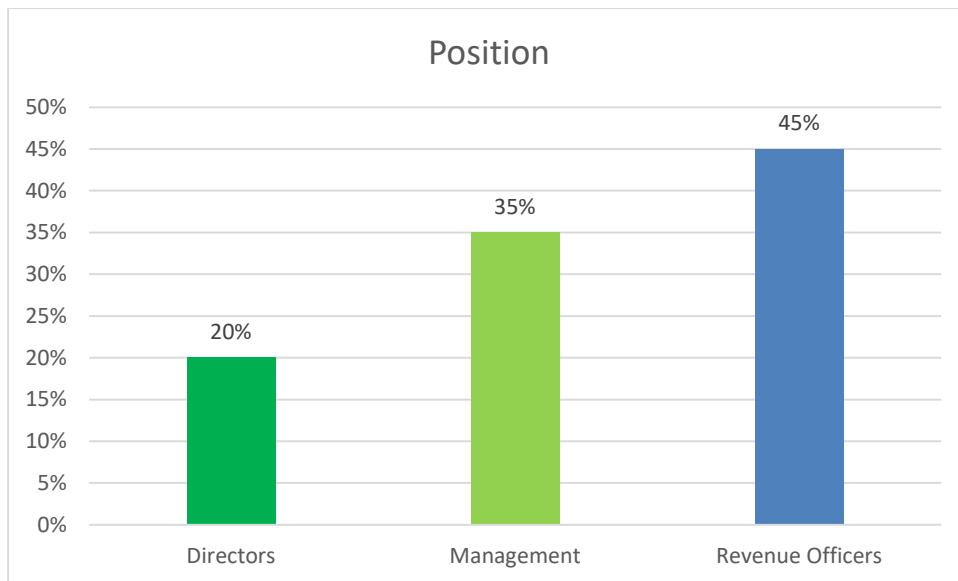
Source: Researcher's Findings



Source: Researcher's Findings (2023).

Figure 4.1 Gender

4.3.2 Position in the Organization



Source: Researcher’s Findings (2023)

Figure 4.2 Position

According to the table above, the majority, or 45%, were revenue officers, followed by 35% of management personnel and 20% of council directors. According to this research, Directors and Management are unduly active in policy development and revenue collection sensitization, making up 55% of the respondents.

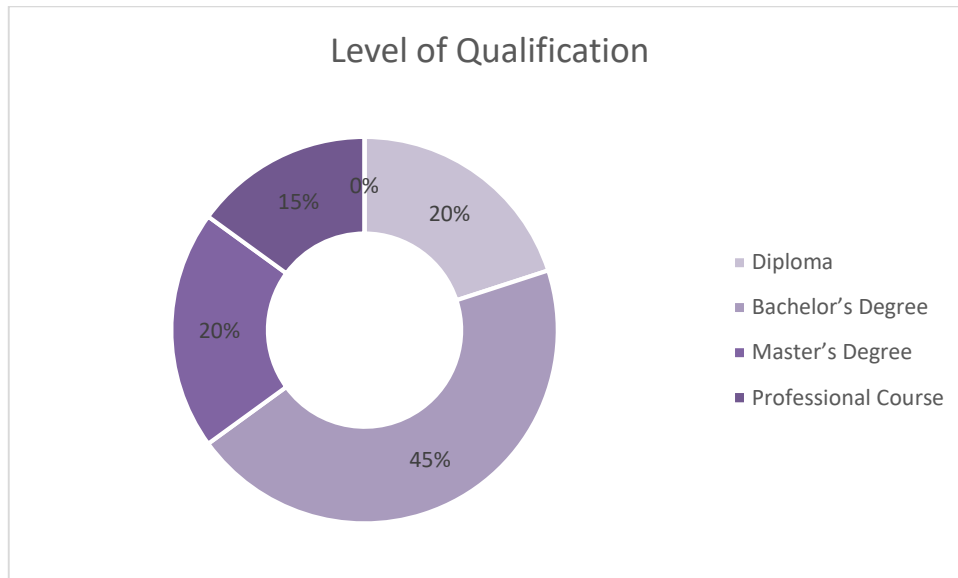
Table 4.3: Position

Position

	Frequency	Percent	Valid Percent	Cumulative Percent
Directors	4	20.0	20.0	20.0
Management	7	35.0	35.0	55.0
Valid Revenue Officers	9	45.0	45.0	100.0
Total	20	100.0	100.0	

Source: Researcher’s Findings (2023).

4.3.3 Education Level of respondents



Source: Researcher's Findings (2023).

Figure 4.3: Level of Qualification

According to the study's findings, those with bachelor's and master's degrees make up 65% of the workforce. In their field of specialization, 20% had a diploma and 15% had a professional certificate. The researcher advised these employees to acquire a certification in their area of specialization because the City of Harare employs people who are competent and has the highest percentage of degree holders.

Table 4.4: Qualification

Qualification

	Frequency	Percent	Valid Percent	Cumulative Percent
Diploma	4	20.0	20.0	20.0
Bachelor's Degree	9	45.0	45.0	65.0
Valid Master's Degree	4	20.0	20.0	85.0
Professional Course	3	15.0	15.0	100.0
Total	20	100.0	100.0	

Source: Researcher’s Findings (2023).

4.3.4 Years of Experience

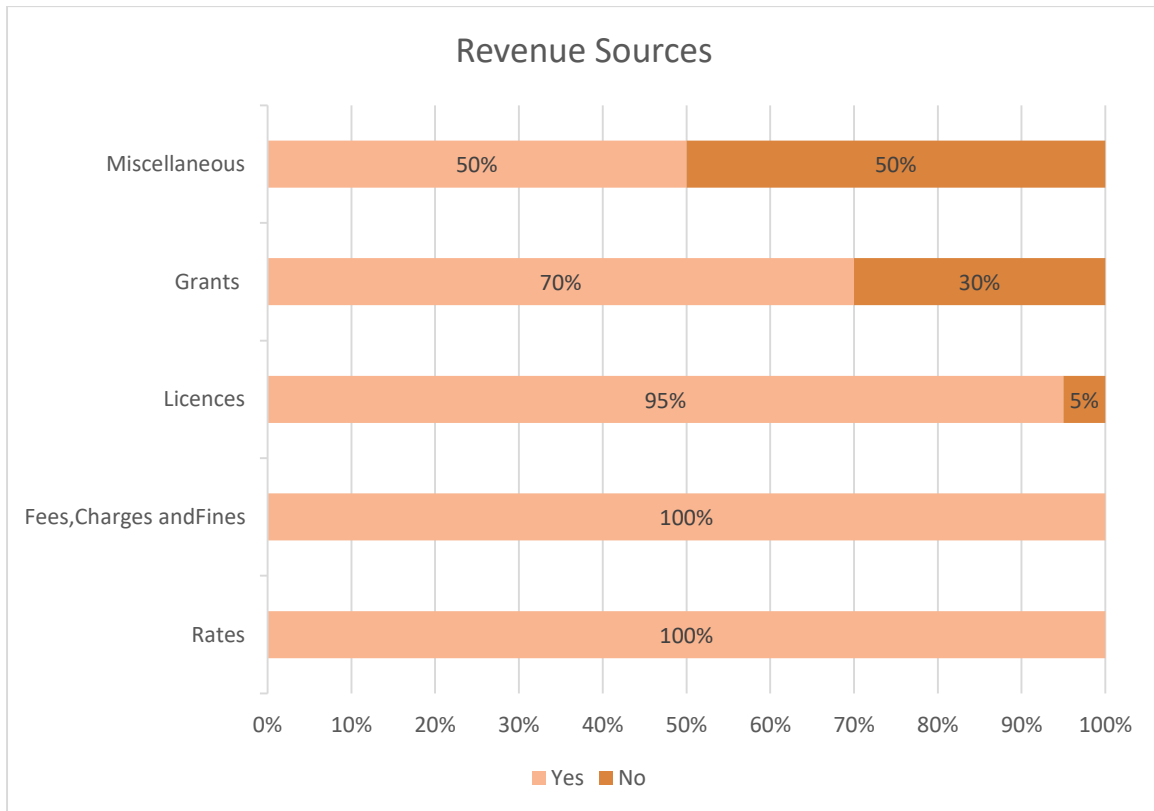
Table 4.5: Years of Experience

Experience				
	Frequency	Percent	Valid Percent	Cumulative Percent
Below 2 years	4	20.0	20.0	20.0
3 to 5 years	6	30.0	30.0	50.0
6 to 10 years	5	25.0	25.0	75.0
Valid 11 to 15years	3	15.0	15.0	90.0
Above 15 years	2	10.0	10.0	100.0
Total	20	100.0	100.0	

Source: Researcher’s Findings (2023)

According to the statistics displayed in the table and graph above, 25% of the 20 respondents who completed the questionnaire had worked for the local authority for six to ten years. The other group, which comprises 30% of the whole workforce, has been employed by the local government for three to five years. The experience levels of the respondents are shown by this data. Twenty-five percent is contributed by those who have worked for 10 years or more, while only twenty percent is added by those with less than two years of experience. Individuals with 3 to 5 years of experience outperformed others by 30%, because these were able to supply data from a long time ago that was useful to the study, it was a substantial addition to the research. This offered more trustworthy historical data and qualified perspectives. Due to the sample's credible replies, it may be inferred that they had sufficient knowledge and expertise of the topics included in the questionnaires.

4.4 Sources of Revenue



Source: Researcher’s Findings (2023)

Figure 4.4: Revenue Sources

Based on the result findings on the revenue sources of City of Harare, it highlights those respondents agreed 100% that both rates and fees, charges and fines are the main sources of revenue at City of Harare from SMEs. The survey revealed that, despite the fact that City of Harare has access to a variety of revenue sources, 95% of respondents agreed that the local authority relies on licenses, and another 70% agreed that the local authority relies on grants from the Ministry of Local Governance, which together contribute to the total revenue of the local authority.

4.5 Revenue Collection Hurdles in SMEs

The findings of revenue collecting strategies using descriptive statistics are highlighted in this part. A Likert scale of 1 to 5 was used to gauge how receptive respondents were to the table below.

Table 4.6: Revenue Collection Hurdles in SMEs

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Political Interference	20	1	5	3.35	1.531
Corruption including embezzlement of revenue	20	1	5	3.70	1.218
Lack of general public awareness on revenue collection	20	2	5	3.15	1.309
Weak implementation of Bylaws and noncompliance	20	1	5	3.30	1.455
High rate of defaulters	20	1	5	3.00	1.338
Reluctance of taxpayers	20	1	5	3.30	1.342
Valid N (list wise)	20				

Source: Researcher's Findings (2023)

According to the research findings, the respondents agreed (Mean = 3.70: std dev = 1.218) that Corruption including embezzlement of revenue is the most common factor that hinders revenue collection at City of Harare. Further the respondents agreed (Mean = 3.35: std dev = 1.531) that Political Interference also hinders revenue collection. On the other hand, with a (Mean

=3.30: std dev 1.455) and (Mean =3.30: std dev 1.342) both weak implementation of bylaws and reluctance of taxpayers are some of the least factors that hinders revenue collection. The findings indicate that instances of corruption at City of Harare are high, so collected revenue is not submitted to the proper office. This supports the conclusions of other academics (Pashev, 2008; Fjeldstad; 2011; and Maxwell, 2018), who claim that the lack of effective monitoring and reporting systems is essential in fostering corruption chances. They claim that tax evasion and corruption prevent government treasuries from accounting for more than half of the taxes collected, with corruption having a statistically significant inverse relationship to individual income taxes (Maxwell, 2018). To support the research findings one of the interviewees highlighted that many SMEs operate on thin profit margins, and high costs which makes it difficult for them to meet their obligations and due to the current economic situations faced by SMEs such as limited access to credit facilities and high interest rates. These challenges make it difficult for SMEs to secure working capital to finance their rentals during times of economic uncertainty.

4.6 Strategies that enhance revenue collection.

According to the table below, the research used the Likert scale as a yardstick to facilitate easy scaling of responses. Respondents were asked, on a Likert scale of 1 to 5, how they felt about various methods for increasing revenue collection at the City of Harare. According to the chart below, the six assertions about techniques for successful revenue collection with diverse means ranged from 3.20 to 4.30. With a Mean=4.30, the most important tactic for the efficient revenue collection was underlined. Legal actions for the recovery of rates and lands were the second element, with a mean score of 3.40. Litigation and debt recovery are components of legal actions for rates and land recovery. The opinions expressed by the respondents about the following tactics to increase revenue collection at the City of Harare appear impartial, as follows: The competence of staff employees, notably revenue officials (Mean =3.20: std dev 1.281), and an improvement in tax administration (Mean =3.25: std dev 1.2.51) Establishing more accessible and transparent payment (Mean =3.20: std dev 1.281) and use of presumptive approach of taxation (Mean =3.25: std dev 1.446)

Table 4.7: Strategies that enhance revenue collection.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Improvement of fiscal legal and regulatory framework.	20	1	5	4.30	1.129
Legal proceedings for recovery of rates and lands.	20	1	5	3.40	1.273
Improvement in revenue administration and infrastructure development.	20	1	5	3.25	1.251
Competence of staff members especially revenue officers.	20	1	5	3.20	1.281
Establishing more accessible and transparent payment.	20	1	5	3.20	1.281
Use of presumptive approach of taxation.	20	1	5	3.25	1.446
Valid N (list wise)	20				

Source: Researcher's Findings (2023)

This finding was supported by Fishlow & Friedman (2018), who noted that for local governments to effectively provide services, improve administration, and improve revenue planning, they must be able to reduce the fee of revenue collection by enhancing the current revenue administration measures through simplifying them. In viewing this case one of the SMEs participants pointed out that COH, should improve it revenue administration by simplifying revenue payment procedures and making them more transparent and accessible to

tax payers and that city council can also leverage technology to improve revenue collection procedures that makes it easier for them to pay their dues. The participant also mentioned that COH should build proper structures to improve its revenue collections, as this would motivate SMEs to pay their rentals. Chauke (2016) also stated that providing appropriate buildings for SMEs creates a healthy environment for business, eventually leads to meeting their rental commitments.

4.7 Correlations

Table 4.8: Correlation between corruption including embezzlement of revenue and grants

Correlation between corruption including embezzlement of revenue and grants

		Grants	Corruption including embezzlement of revenue
Grants	Pearson Correlation	1	-.202
	Sig. (2-tailed)		.393
	N	20	20
Corruption including embezzlement of revenue	Pearson Correlation	-.202	1
	Sig. (2-tailed)	.393	
	N	20	20

Source: Researcher’s Findings (2023)

Table 4.6 illustrates the connection between revenue grants and corruption, especially revenue theft. The correlation between revenue grants and corruption, including misappropriation of revenue, was shown to be negative ($r = -0.202$). Additionally, it was highlighted that the association was statistically insignificant because the p value was larger than 0.005 at 0.393. This might mean that there is a tenuous link between corruption and things like grants and money from embezzlement.

Table 4.9: Correlation between corruption including embezzlement of revenue and grants

Correlation between corruption including embezzlement of revenue and Licenses

		Licenses	Corruption including embezzlement of Revenue
Licenses	Pearson Correlation	1	.058
	Sig. (2-tailed)		.808
	N	20	20
Corruption including embezzlement of revenue	Pearson Correlation	.058	1
	Sig. (2-tailed)	.808	
	N	20	20

Source: Researcher’s Findings (2023).

Revenue collection and governmental rules, laws, and regulations were shown to be positively associated ($r = 0.058$). The link was likewise found to be statistically insignificant, with a p value of 0.809, that was below 0.005. This is consistent with Friedman (2018), who blamed poor policies on inadequate penalty and prosecution of offenders and indicated that this could only be addressed if caught tax fraudsters face harsher penalties.

4.8 Discussions of Results

Several elements contribute to successful revenue collection, according to the findings of this investigation of hurdles encountered by local authorities in revenue collection from SMEs. These include tactics used by local government bodies that is having a thorough policy for revenue collecting, a workforce that is educated in revenue collection, better tax administration, and utilizing technology to enhance revenue collection procedures. One of the main conclusions from this evaluation is that success depends on having a thorough revenue collecting policy. Revenue collection is made more efficient and successful by a policy that offers direction on the many types of revenue sources that may be used, the relevant tax rates, and the right mechanism for revenue collection. A competent revenue collection workforce that comprehends the revenue collecting policy is also essential.

The interviewees also mentioned that City of Harare has used certain subpar debt collecting tactics on SMEs. These included a litigation strategy that needed to be urgently enhanced by assuring effective litigation law recruitment. They advise City of Harare to concentrate its efforts on enhancing its debt collection techniques, such as mailing monthly invoices, persistent reminders, and inquiries as well as improving infrastructure development.

Garaiza (2014) stated that political intervention has a favourable association to organizational effectiveness. COH has also experienced political influence from interested parties. Furthermore, political meddling directly affected the choices that COH made. The majority of interviewees described the difficulties debt collectors have, including being prevented by politicians from entering particular stores and having Chinese buildings locked as a result of political influence. As a result, this may make it more difficult to collect revenue and cause a drop in revenue. This backs up what Kiaze (2014) discovered regarding how political interference hinders the funding of SMEs.

Another important factor that emerged from our assessment is the role that technology plays in revenue collection. Leveraging technology such as online payment systems, electronic invoicing, and tax accounting software can streamline revenue collection processes, reduce errors, and improve the accuracy of tax assessments. This technological advancement analysis revealed that the function technology plays in revenue collecting is another significant aspect. Technology may be used to speed up revenue collection procedures, cut down on mistakes,

and increase the precision of tax assessments. Examples of this technology include online payment systems, electronic invoicing, and tax accounting software. Local governments may now analyze and monitor revenue collection in real-time thanks to technology improvements, which can help them spot income gaps and areas for growth which also allows local governments to track and monitor revenue collection in real-time, which can assist in identifying revenue shortfalls and opportunities for improvement.

According to the findings of recent studies, local government authorities function significantly better when they employ effective revenue collecting tactics. One of the most important results was that local government entities with proactive revenue collection strategies, such as frequent audits and tracking down uncollected funds, performed better and had greater levels of revenue collection.

The studies also found that leveraging technology and automation in revenue collections can lead to increased efficiency, accuracy and better revenue collection rates over traditional methods. Overall, the results suggest that effective revenue collection strategies have a significant and positive impact on the performance of local government authorities this aligns with our research, by optimizing revenue collection, local governments can maximize revenue collection and ensure that resources are allocated efficiently and judiciously in providing essential public services to their constituents. It is, therefore, important that local governments prioritize implementing and continually improving revenue collection strategies to enhance their performance and meet the needs of their communities.

According to a study by Makanyeza (2013), implementing effective revenue collection strategies has a positive impact on the performance of local government authorities. The study analysed several revenue collection strategies, including property taxation, user fees, and income-generating projects, and found that these strategies improved the financial sustainability of local governments and enabled them to provide better services to the public. The study also found that effective revenue collection strategies can help local governments attract investors and increase revenue-earning opportunities, which has a long-term positive impact on the performance of the local government authority.

Respondents from City of Harare council agreed that there is need to put effective revenue collection strategies in place, similarly, Koomson et al. (2020) agreed that the implementation of effective revenue collection strategies had a higher financial performance, which was measured by their ability to meet budgetary targets and provide basic services to the public.

The study recommended the adoption of technology-based revenue collection methods and the training of revenue collectors to improve local government revenue collection.

Overall, the result suggests that implementing effective revenue collection strategies is vital in improving the performance of local government authorities. These strategies enable local governments to finance their operations, provide basic services, and improve their financial sustainability. Therefore, it is essential for local governments to adopt technology-based revenue collection methods, improvement of fiscal legal and regulatory framework, prioritize training for revenue collectors, and explore new revenue sources to enhance their revenue collection effort and the use of presumptive approach of taxation.

4.9 Chapter Summary

This chapter looked at the data gathered from respondents. Interviews and questionnaires were used to collect the information. Tables were created from the data, which was then analysed for discussion. The results and suggestions from the study will be discussed in the subsequent chapter.

CHAPTER 5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The research results are compiled and drawn to a close in this chapter. The following recommendations are based on local authorities' hurdles in collecting revenue from SMEs: a case of City of Harare.

5.2 Summary of Findings

The study assessed the hurdles in collecting revenue from SMEs: a case of City of Harare. The study had three specific objectives which were to establish the factors affecting revenue collection from SMEs by City of Harare, to identify potential issues faced by SMEs preventing them from paying rentals, to suggest strategies that can be enhance on revenue collection in Local Government Authorities. Due to time and budgetary constraints, this study employed a cased study research approach. During data collecting both qualitative and quantitative methods were applied. To gather the respondents, the stratified sampling and purposive sampling approaches were used. 23 people that responded made up the sample. The data was collected using both quantitative and qualitative approaches; accordingly, following information improvement, revised information gathered from questionnaires was categorized into separate categories and exposed to SPSS computer software operations. The data was then summarized using basic statistics such as frequencies and percentages.

5.3 Conclusions

From this study, it can be inferred that revenue collecting strategies and revenue collection in general are related. Depending on how the variables are managed, the relationship may have a negative or beneficial effect.

5.3.1 The variables affecting revenue collection from SMEs by City of Harare.

Based on the research's findings about local authority's hurdles in collecting revenue, it is important to note that the researcher has come to the conclusion that corruption is impacting revenue collection. According to the report, some unscrupulous officials and politicians receive money from traders but neglect to submit it to the local authorities. According to the data most of the staff in charge of the collection of revenue has less experience in terms of time spent on the job, since many of them were recruited from other departments. It was also revealed that the local government lacks resources that would allow it to be more successful in revenue collection, such as transportation and staff. The study also revealed that lack of general public awareness and reluctance of tax payers affect revenue collection of City of Harare. Poor service delivery by COH also affects revenue collection from SMEs. The absence of these resources adds to the lack of essential enforcement to forcibly make SMEs to pay.

5.3.2 How revenue from SMEs can be enhanced.

Based on respondents about their sentiments on strategies that can be used to improve revenue collection at City of Harare. The researcher concludes that the most crucial strategy for the successful revenue collection is the improvement of fiscal legal and regulatory framework. In addition, legal proceedings for recovery of rates and lands involve elements of litigation and debt recovery. The respondents seem neutral on the following sentiments regarding strategies that seek to improve revenue collection at the City of Harare thus include improvement in revenue administration, by classifying its debtors as well as focusing on procedures for recovery based on characteristics of various groups and industries. City of Harare should also improve its infrastructure by constructing appropriate buildings for SMEs as well as enhancing the standard of the services it provides.

5.3.3 Potential challenges faced by SMEs that prevent them from paying rentals.

The researcher concludes that Bylaws and reluctance of SMEs are some of the least factors that hinder revenue collection. The findings indicate that instances of corruption at City of Harare are high, that collected revenue is not submitted to the proper office, which leads to some SMEs being reluctant to pay their rentals. This is in favour to the findings of a number of scholars who assert that the absence of adequate monitoring and reporting tools is crucial in creating corruption opportunities. Other reasons revealed by the investigation were the difficulties that most SMEs encounter, such as financial difficulties as they are unable to obtain financial assistance owing to lack of collateral and this contributes to their noncompliance. It was also

discovered that SMEs earnings had been reduced as result of Zimbabwe's difficult economic climate.

In summarizing the research findings, the researcher comes to the conclusion that the local government was unable to implement tactics for revenue collection because of the economic downturn, the unwillingness of people to pay their rent, and the interference of politics in local affairs. Although residents contributed to some of the poor revenue at City of Harare, council staff who are in charge of revenue collection also made significant contributions because of a greater level of corruption, misappropriation of funds, nepotism, abuse of public funds, and improper billing, City of Harare was unable to implement successful methods effectively. However, the execution of information systems was successful to some extent. Many respondents also made recommendations, which include better service delivery and a decrease in involvement of politicians in administration issues.

5.4 Recommendations of the Study

The researcher recommend that City of Harare possesses to do more to enhance the collection of revenue from SMEs, there is a need to raise public understanding of property rates at the district, municipal, and city levels. According to the research, some SMEs are unaware of their duty to pay taxes, hence the researcher recommends widespread education and awareness campaigns should be done through the use of radio and television to inform the public as well as SMEs about the importance of paying taxes and rates to the growth of our society and their contribution to the country as a whole. City of Harare is recommended to create and refurbish working buildings for all SMEs. In an effort to improve the operational circumstances of SMEs, the local government must also offer necessary amenities at these structures, which include sanitary amenities and clean running water as well as consistent garbage collection. Taxpayers should comprehend the significance of paying taxes, and the COH ought to show ways in which people may benefit from doing so. This will help COH to prevent SMEs as well as other taxpayers from denying to pay their rates and rentals.

After presenting the findings, the researcher discusses the key issues that led to City of Harare's revenue collection hurdles, including political interference, insufficient support (such as residents who refused to pay their rent), corruption, money-laundering, and inefficient debt collection methods. The following suggestions should be used to overcome

such problems. Personnel must also be educated on how to deal with politicians in the SMEs business. The researcher recommends isolating politicians from the management or administration authority in order to reduce or avoid political meddling. They should be asked to act ethically and professionally in order to ensure the smooth operation of the council's business. They ought to abstain from participating in the council's decision-making. The management of local authorities and council members should have separate responsibilities.

The researcher also recommends using computer systems to prevent evasion by ensuring that they would promptly identify unlicensed operators, those who still owe money, and those who have already paid. To check the length of the outstanding debt, the system can generate a credit worthiness investigation. The enforcement team should inspect firms and sanction defaulters who did not get licenses or pay rates and rents when they become due. The study also advises that new payment alternatives be used such that SMEs can make their payments in the comfort of their businesses. They should also teach their personnel and provide them with revenue-generating techniques. The City of Harare could consider boosting the number of revenue collection staff in the markets division. Finally, following all other considerations, enforcement should be addressed.

The researcher also recommends policies that support accountability and transparency. It lessens corruption, hence enhancing precision, effectiveness, and ease of operations. It is advised that the local government educate the public on the negative effects of corruption on the country and take disciplinary and legal action against council staff members who accept bribes and misuse council funds. To stop corruption, the researcher advises that those involved in such acts be detained and fired from their jobs. In addition, an effective anti-corruption committee must be put in place to monitor such activities.

It is suggested that SMEs contact the government for assistance in formalizing their operations. SMEs are urged to explore product innovation in order to compete with their rivals in the major sectors and match the ever-changing client tastes and preferences. They have to invest in brief educational programs to develop their skills and capacities (such as marketing and accountancy). To extend their consumer base, SMEs must enhance their product quality by sourcing high-quality raw materials, as well as diversify and provide a wide range of goods and services. All of this may help SMEs enhance their operations and increase their earnings.

5.6 Recommendations for further studies

The research made a recommendation for more research on hurdles faced by local authorities in revenue collections as well as tax evasion on economic growth. The study mainly focused on local authority's hurdles in revenue collection; however, it is necessary to perform a study on the influence of taxation's necessity on local government authorities' ability to provide services and the significance of information systems in revenue collection.

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APPENDIX A

SECTION A: Background information.

1. Gender Male
Female

2. Experience: Below 2 years
3 to 5 years
6 to 10 years
11 to 15 years
Above 15 years

3. Qualification: Diploma
Bachelors
Masters
PhD
Professional qualification

Other, specify.....

4. Position: Management
Accountants
Revenue Officers

Kindly state your level of agreement or disagreement with the following statements by putting a tick against that which best describes your position. The scale ranges from Strongly Agree (5), Agree (4), Uncertain (3), Disagree (2) and Strongly Disagree (1)

SECTION B: Sources of Revenue

Kindly indicate your response with a tick pertaining the main sources of revenue at the City of Harare.

Code		YES	NO
B1	Rates		
B2	Fees, Charges and Fines		
B3	Licenses		
B4	Grants		
B5	Miscellaneous		

SECTION C: The challenges that hinders revenue collection

Code	Statement	5	4	3	2	1
C1	Political Interference					
C2	Corruption including embezzlement of revenue					
C3	Lack of general public awareness on revenue collection					
C4	Weak implementation of By-laws and non-compliance					
C5	High rate of defaulters					
C6	Reluctance of taxpayers					

SECTION D: Strategies that enhance revenue collection at the City of Harare.

Code	Statement	5	4	3	2	1
D1	Improvement of fiscal, legal and regulatory framework					
D2	Legal proceedings for recovery of rates and lands: debt collection					
D3	Improvement in tax administration					
D4	Competence of staff members especially revenue officers,					
D5	Establishing more accessible and transparent payment facilities in line with technological improvements					
D6	Use of presumptive approach of taxation					

SECTION E: Recommendations

What can be done to improve revenue collection at City of Harare.

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APPENDIX B

Interview Guide

1. What knowledge do you have on revenue collection and service delivery?
2. Does revenue collection enhance performance at City of Harare?
3. What are the main sources of revenue for local authorities City of Harare?
4. What are the revenue collection strategies employed by City of Harare?
5. What are the challenges faced in revenue collection at City of Harare?
6. Is revenue collection effective as far as service delivery is concerned?

End of the interview Thank you