

**BINDURA UNIVERSITY OF SCIENCE EDUCATION**  
**FACULTY OF COMMERCE**  
**DEPARTMENT OF INTELLIGENCE AND SECURITY**  
**STUDIES**



**AN ANALYSIS OF THE IMPACT OF CORRUPTION ON REVENUES  
COLLECTED BY REVENUE AUTHORITIES: A CASE STUDY OF  
ZIMBABWE REVENUE AUTHORITY (ZIMRA) 2019 TO 2021.**

**BY**

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**A DISSERTATION SUBMITTED IN PARTIAL FULFILLMENT OF  
THE REQUIREMENTS OF BACHELOR OF COMMERCE (HONOURS)  
IN FINANCIAL INTELLIGENCE DEGREE.**

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## APPROVAL FORM

The undersigned certify that they read and recommend to the **Bindura University of Science Education** for acceptance, a dissertation entitled, **An analysis of the impacts of corruption on Revenues collected by Revenue Authorities: A Case study of Zimbabwe Revenue Authority (ZIMRA) 2019 TO 2021.**

This research was submitted by Mudimu Tawanda Edwin in partial fulfillment of the requirements of the Bachelor of Commerce (Honors) In Financial Intelligence Degree.

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## **DEDICATION**

I dedicate this piece of work to the Lord almighty who gave me strength and wisdom to finish this and my parents who supported me financially and everyone who supported to make this achievement.

## **ABSTRACT**

The research seeks to highlight the outcome of corruption on tax revenue in Zimbabwe. Despite the various strategies being implemented by ZIMRA to increase revenue collected, the gap between revenue due and revenue collected continue to widen year in and out. The country is facing widening deficit as the Revenue Authority fails to curtail pilferage of revenues. As a results of this match, this study sought to investigate why this status quo persist. The study also sought to identify strategies being used to collect revenue by ZIMRA, explore causes of corruption during revenue collection at ZIMRA and to establish improvements on the strategies currently in use to eliminate corruption during revenue collection at ZIMRA. A descriptive survey was used in this analysis. The questionnaire and skype focus groups was used as research instruments; 82 respondents were asked to participate using a judgmental sampling techniques. Using Microsoft excel and SPSS, the data was analyzed and presented in form of tables, pie charts and bar graphs. Corruption has been identified to be a major cause of inefficient revenue collection in Zimbabwe. As a result, the variable tax revenue was used as the depended variable whilst the variable corruption was included amongst explanatory variables. The results from the empirical findings revealed that an inverse relationship exists between tax revenue and corruption. An increase in corruption in Zimbabwe adversely affects tax revenues. The study concluded by recommending ZIMRA to reduce corruption through modernization and simplification of the entire tax system. The study also encouraged the government to impose harder punishments to the criminal of corruption and to arrest every public official engaging in corrupt activities despite one's political strength.

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Table of Contents	
APPROVAL FORM .....	ii
RELEASE FORM.....	iii
DEDICATION.....	iv
ABSTRACT.....	v
AKNOWLEDGEMENTS.....	vi
LIST OF TABLES .....	x
CHAPTER I.....	1
INTRODUCTION .....	1
1.0 Introduction .....	1
1.1 Background .....	1
1.2 Statement of the Problem .....	4
1.3 Research Objectives .....	5
1.4 Research Questions .....	5
1.5 Significance of the study .....	6
1.5.1 To the researcher .....	6
1.5.2. To ZIMRA.....	6
1.5.3. To University.....	6
1.7 Delimitations .....	7
1.8 Limitations .....	7
1.9 Definition of key terms .....	7
1.10 Summary .....	8
CHAPTER II.....	8
LITERATURE REVIEW .....	9
2.0 Introduction .....	9
2.1 Theoretical Review .....	9
2.1.1 Agency Theory .....	9
2.1.2 Collective action theory .....	10
2.1.3 Grease in the wheels’ theory .....	11
2.1.4 Sand the Wheels Hypothesis .....	12
2.1.5 Fraud triangle theory .....	13
2.1.6 Revenue enhancement theory .....	14
2.2 Conceptual Framework .....	14
2.2.1 Challenges faced by Revenue authorities in collecting revenue .....	15
2.2.2 Causes of revenue collection corruption .....	17

1. Political commitment.....	17
2. Economic factors .....	17
3. Social factors .....	18
2.3 Empirical Literature .....	19
2.3.1 International.....	19
2.3.2 Regional.....	20
2.3.3 National .....	20
2.4 Research Gap.....	21
2.5 Summary .....	21
CHAPTER III .....	22
RESEARCH METHODOLOGY.....	22
3.0 Introduction .....	22
3.1 Research Design.....	22
3.2 Population.....	22
3.3 Sample Size.....	22
3.4 Stratified sampling .....	23
3.5 Sources of Data .....	23
3.5.1 Secondary sources .....	23
3.5.2 Primary sources .....	24
3.6 Data Collection Instruments.....	24
3.6.1 Questionnaire.....	24
3.6.2 Skype focus group discussion.....	24
3.7 Pilot Study .....	25
3.8 Data Collection Procedure and Administration .....	25
3.9 Reliability and Validity .....	25
3.9.1 Reliability .....	25
3.9.2 Validity .....	26
3.10 Data Presentation and Analysis Procedures .....	26
3.11 Ethical Considerations.....	26
3.12 Chapter Summary.....	26
CHAPTER IV .....	26
DATA PRESENTATION, ANALYSIS AND DISCUSSION.....	27
4.1 Introduction .....	<b>Error! Bookmark not defined.</b>
4.2 Response rate.....	<b>Error! Bookmark not defined.</b>
4.2.1 Response Rate for Questionnaire .....	<b>Error! Bookmark not defined.</b>



4.3.1 Gender Distribution .....	<b>Error! Bookmark not defined.</b>
4.3.2 Age Distribution of the respondents .....	<b>Error! Bookmark not defined.</b>
4.3.3 Level of education .....	<b>Error! Bookmark not defined.</b>
4.2.2 Experience attained.....	<b>Error! Bookmark not defined.</b>
Section B: fulfilling objectives.....	<b>Error! Bookmark not defined.</b>
4.3.1 Source of revenue.....	<b>Error! Bookmark not defined.</b>
4.3.2 Corruption in revenue collection processes.....	<b>Error! Bookmark not defined.</b>
4.3.3 Major effects of corruption in revenue collection process at ZIMRA .....	<b>Error! Bookmark not defined.</b>
4.3.4 Declaration of conflicts of interest at ZIMRA.....	<b>Error! Bookmark not defined.</b>
4.3.5 The effects of revenue decline in the company as a whole ....	<b>Error! Bookmark not defined.</b>
Section C: Discussion of findings .....	<b>Error! Bookmark not defined.</b>
4.4 Summary .....	<b>Error! Bookmark not defined.</b>
CHAPTER V .....	35
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	36
5.0 Introduction .....	36
5.1 Summary of the study .....	<b>Error! Bookmark not defined.</b>
5.2 Summary of research findings.....	<b>Error! Bookmark not defined.</b>
5.3 Conclusion.....	<b>Error! Bookmark not defined.</b>
5.4 Recommendations .....	<b>Error! Bookmark not defined.</b>
5.5 Areas for future research .....	<b>Error! Bookmark not defined.</b>
5.6 Chapter Summary.....	<b>Error! Bookmark not defined.</b>
REFERENCES .....	39
Appendix 1: Questionnaire .....	41

## LIST OF TABLES

- Table 4. 1: Response rate.....* **Error! Bookmark not defined.**
- Table 4. 3: Descriptive statics on sources of revenue at ZIMRA.....* **Error! Bookmark not defined.**
- Table 4. 4: Statistics.....* **Error! Bookmark not defined.**
- Table 4. 5: Pressures (financial, personally or professional) ...* **Error! Bookmark not defined.**
- Table 4. 6: Opportunities (weak controls that provide an chance).....* **Error! Bookmark not defined.**
- Table 4. 7: Rationalisation ( means of justifying a fraud that has occurred).***Error! Bookmark not defined.**

## LIST OF FIGURES

<i>Figure 2. 3: Fraud triangle theory</i> .....	13
<i>Figure 4. 1: Causes of corruption</i> .....	29

# CHAPTER I

## INTRODUCTION

### 1.0 Introduction

Revenue collection is one of the essential sources of income in modern nations including Zimbabwe (Moyo, 2012). Many studies were carried out to investigate the effects of corruption on revenue collection including this one. Globally, corruption does not only decrease the collection of tax revenue from the current economy but also affects economic growth, thereby impacting on future revenue collection which gave the researcher the need to carry out this research. Developing nations are usually incapable of generating an enough amount of revenue from taxation due to institutional difficulties in the revenue generation process. The major problem in the process of revenue generation is corruption in the tax administration system. Amongst some bad consequences, corruption existed among human beings for so long and it remains a major challenge facing developing nations. Corruption has been one of the biggest problems in the world of revenue collection and a lot of studies have been carried out including this one. In this thesis, the chapter covers the background of the study, the statement of the problem, the significance of the study, and assumptions. Limitations, delimitations, and definitions of key terms and abbreviations are also looked at.

### 1.1 Background

No country has been spared from the costs of corruption, it is a serious issue mostly in developing and transitional economies where they are shortage in public resources (Vian, 2002). It can reduce a country's revenue collection structure. (Gupta et al, 2020). The challenge kept going from centuries to the present day. It has manifested like a disease in both developed and non-developed countries. Variety elements of economic, political, administrative, social, and cultural factors enable and cause corruption. The offense is collective rather than simply involving an individual and going beyond private gain to encompass broader interests and benefits within political systems. This crime is a symptom of wider governance

dynamics and is likely to thrive in conditions where accountability is weak and people have too much discretion.

A survey conducted in 2002 indicate that revenue collection accounted for over 18% of the World's GDP representing USD 5.8 trillion (Auriol, 2005), and an estimated USD 400 billion was perceived to be exchanging hands through corruption in public sector revenue collection (Mawenya, 2008). Other reports also indicate that corruption in Sub-Saharan Africa has been estimated to be around 70 percent among Revenue Authorities and thereby inflating contracts cost by about 20-30 percent (Mawenya, 2008). Another survey reports that the cost of corruption is estimated at USD 148 billion per annum in Africa (World Bank, 2003).

A report by the World Bank in 2003 called 'Quiet corruption' has reveals that 95% of resources allocated to the Revenue Authority in Ghana were allocated into the pockets of individuals instead of its actual location. When it comes to managing resources Ghana is number one followed by Chad in Africa. An African Development Indicators Report shows that the crime of corruption in the Revenue collection system goes beyond bribes and grafts and it affects everything on African countries. Revenue collection and corruption work hand in hand as the two are complementary.

In revenue authority agencies, it is caused by factors like bad governance, poor systems, weak communication, inadequate incentives and the revenue collected in countries like Zimbabwe will be used for personal benefits rather than the economic gain. This has been problematic and it brought the author's attention to study the impacts of corruption on revenue authorities. The Zimbabwe Revenue Authority (ZIMRA) is the body responsible for collecting taxes and other revenue streams for the government in Zimbabwe. It derives its mandate from the Revenue Authority Act, passed by the parliament of Zimbabwe in 2002, and other related legislation. After the formation of the Zimbabwe Revenue Authority, the parliament of Zimbabwe has designed the Anti-Corruption Act (chapter 9:22) to provide for the establishment of anti-corruption commissions for example the Zimbabwe Anti-Corruption Commission (ZACC) to combat corruption and provide for matters connected with or incidental to the foregoing.

The Ministry of Finance, (2020) asserts that the government of Zimbabwe obtained successive budget deficits between 1998 and the year 2018 serving for 2009, 2010, and 2011 fiscal years, where gains were recorded. Adverse budget reveals that government revenue which is largely collected from taxes is under government expenditure, showing inefficiencies in tax revenue collection. Government revenues which are not enough have characterized the economic landscape of Zimbabwe have been hugely attributed to corruption in revenue collection (Ngwenya and Siziba, 2016). The effects of corruption on tax revenues in Zimbabwe require serious attention as opposed by this background.

Transparent International designs a Corruption Perception Index (CPI) which positions countries according to the perceived level of corruption in their respective public sectors. The index ranks 180 countries on a scale between 0 and 100 with numbers very near to zero indicates high levels of corruption and those close to one hundred revealing low levels of corruption. Zimbabwe had a record low level of corruption of 43 in the year 1998 and its level of corruption has been on the rise in subsequent years. In 2008, corruption levels in Zimbabwe reached a high record level of 166 out of 180 countries (Trading Economics, 2018). Corruption levels in Zimbabwe maintained a high position during the period under the study such that in 2012, the country was ranked number 163. During the years 2016, 2017, and 2018, the country's rankings stood at 154, 157, and 160 in that order (Trading Economics, 2018).

In the context of tax administration, corruption manifests in three main forms which are evasion by taxpayers, collusion between the tax official and the taxpayer, and lastly, corruption by tax officers themselves (Zimbabwe Coalition on Debt and Development, 2014). In Zimbabwe, the known forms of corruption happen when the taxpayers consciously evade taxes and when the taxpayers offer bribes to the tax officers. During the period under review, ZIMRA has been affected by revenue losses in the form of smuggling, inducement, under-invoicing, and under-declarations at ports of entry (Zhou, 2012). In this regard, ZIMRA missed revenue collection targets on various times. These forms of corruption have brought evidence to this study and further analysis will be done to highlight the impacts of this crime on revenue authorities.

Revenue collection and corruption have an essential relationship which gave the researcher power and confidence to carry out this research. The offense does not only decline tax revenue from the researched revenue authority, but it also hinders economic growth, thereby impacting future tax revenue collection. The tax morality is affected heavily by corruption and investigations are taking place under the works of anti-corruption Acts. Certain cases have been recorded of such acts and measures have been taken by ZACC in collaboration with the Zimbabwe Republic Police (ZRP). The Zimbabwe Revenue Authority has been playing a pivotal role in handling the revenue collection in the period 2019 to 2023. The fourth quarter of 2019 saw the Zimbabwe Revenue Authority increasing focus and accelerating the implementation of five-year new strategies (2019-2023). The government of Zimbabwe implemented the Transitional Stabilisation Programme (TSP) (New Zimbabwe, 2020).

The Restoration of fiscal balance program pillar helped in the statistics of the fourth quarter in 2019 of the net revenue to Gross Domestic Product (GDP) ratio for the year 2019 stood at 18 percent against a regional average ratio of 15 percent (ZIMRA, 2013). The revenue authority will continue to design voluntary and enforcement compliance techniques to boost this ratio, adding revenue leakages which the authority is intensifying efforts to plug revenue leakages through the close of smuggling loopholes. The second is fighting and preventing corruption by ZIMRA staff members and the clients. The partnerships between ZIMRA and the Zimbabwe Anti-Corruption Commission is being fruitful in yielding positive results in terms of the avoiding and detection of corruption. Another important pillar is the Ease of carrying out business which ZIMRA sought to contribute to the improvement of Zimbabwe's ease of doing Business Index by enabling smooth movement of goods and people at the national ports of entry and exit and designing simplified tax and customs processes. ZIMRA has started the process of acquiring a modern Tax Administration System (TaRMS) (ZIMRA Strategic plan, 2019-2023), in order to improve the ease of carrying out business.

## **1.2 Statement of the Problem**

Adverse budgets dominated the economic environment of Zimbabwe between 2019 and 2021. However, for three continuous years 2019, 2020, and 2021 the revenue

collections depicted a favorable trajectory and recorded a crucial growth. Budget deficits are usually shown by imbalances between government revenue and government expenditure (Ministry of Finance, 2020). ZIMRA missed revenue collection on many occasions as a result of the inefficiencies in revenue collection which had also adverse effects on the fiscal space. The (Zimbabwe Independent, 2020) argues that corruption has been fingered as one of the main inefficiencies contributing to low revenue collections in Zimbabwe. Over the years, Zimbabwe has been ranked worldwide as poor in the corruption perception index at the same time dominated by biased revenue collection records. The parliament of Zimbabwe has enacted strategies to address corruption on revenue collected. ZIMRA has recommended these legislations and policies dealing with corruption to attain coordination, this involved alignment of policies dealing with economic crimes in Zimbabwe such as the Prevention of corruption act, chapter 9:16; Serious Offences Act, Chapter 9:17; and Criminal Procedures and Evidence Act, Chapter 9:07 (The constitution of Zimbabwe, 2014). Despite the number of strategies being designed by the parliament to boost revenue collected, the gap between revenue due and revenue collected continue to grow year in and out. The country is facing an increased deficit as the Revenue Authority fails to effectively manage the revenues obtained during collections. As a result of this match, this study sought to investigate why there was a need to investigate the impacts of corruption on revenue authorities on revenue collected. These strategies are greatly failing due to poor governance, weak internal and external control systems and even corruption as the topic which also gave the researcher the need to investigate on this interesting phenomenon.

### **1.3 Research Objectives**

- To identify strategies being used to collect revenue by ZIMRA.
- To explore causes of corruption during revenue collection at ZIMRA.
- To establish improvements on the strategies currently in use to eliminate corruption during revenue collection at ZIMRA.

### **1.4 Research Questions**

- What are the strategies being used to collect revenue by ZIMRA?
- What are the causes of corruption during revenue collection at ZIMRA?



- How can the strategies currently in use be improved to eliminate corruption during revenue collection at ZIMRA?

## **1.5 Significance of the study**

### **1.5.1 To the researcher**

The research is done in partial fulfilment of the requirements of the Bachelor of Commerce in Financial Intelligence (Honours) degree. This study will equip the researcher who is an aspiring Financial Intelligence Officer with important information on revenue collection patterns and how to curb corruption.

### **1.5.2. To ZIMRA**

This study enriches ZIMRA with strategies to curb corruption and maintain favourable revenue status.

### **1.5.3. To University**

In Zimbabwe, the area of corruption on revenue collection is under researched. This research will contribute to the literature currently in place on the impact of corruption on the revenue collected by ZIMRA as well as open research gaps for further study. It will also add to the Bindura University of Science Education library material and will be used as referral material by future researchers.

## **-1.6 Assumptions**

This study was based on the following assumptions:

- This study assumed that respondents will give honest responses for the validity and reliability of the information.
- It assumes that ZIMRA will remain a going concern for the future of the study to enable completion.
- The study assumed that all the records obtained from the study contains sufficient details.
- Finally, the present setup at the ZIMRA does not change during the research study. This also assumes that the study is not overtaken by events.

## **1.7 Delimitations**

The study restricted itself to ZIMRA head office employees in Harare and only covered a period from 2021 to 2022 because the researcher believes this period is long enough to establish trends and short enough to avoid unnecessary discrepancies. Also, the research did not focus on other issues like tax evasion and corrupt law enforcement agents on revenue collections.

## **1.8 Limitations**

Confidentiality was a limitation as getting some organizational information that is considered confidential was difficult to access since ZIMRA staff treats information concerning corruption confidential, as corruption is a sensitive topic to them and some respondents thought that the researcher was a detective. Cooperation was another constraint as some respondents were too busy to attend to the researcher. However, the effort was made to try and reduce the impact of these limitations on the overall research project for instance the researcher used his Bindura University identity card and a letter from Bindura University as a way to show that he was truly a Bindura university student carrying research. Moreover, some respondents failed to return the questionnaires hence giving a low response rate. The researcher went back to ZIMRA to remind those respondents which have not yet submitted their questionnaires during the day of collection of questionnaires. The researcher also used an interview to improve the quality of data collected.

## **1.9 Definition of key terms**

**Corruption** is one of the unholy trinity of dirty money, together with criminal and illegal commercial activities (Baker 2005). Simply conceptualized, corruption is the wrongful use of public or private-corporate office for individual benefit, monetary or otherwise.

**Tax morale** is defined as the intrinsic motivation to pay taxes (Frey 2007). Tax morale is linked to what has been viewed as the taxpayer's ethics, norms of behavior governing citizens as taxpayers in their relationship with the government.

**Tax compliance** is explained as the degree to which citizens honor their lawful tax obligations. Alabede and Zainal Affrin (2011) describe tax compliance as the adherence to tax laws by reporting the tax base truthfully, correctly computing tax

liability, timeously filing returns, and settling tax obligations. Any action deviating from the above was viewed as non-compliance. Tax non-compliance is a problematic phenomenon across the world for both developed and developing countries.

**Revenue:** according to Trading Economics (2014), tax revenue refers to compulsory transfers to the central government for public purposes.

**Due process:** is the process of ensuring that decisions made are informed (Alan, 2008)

### **1.10 Summary**

This chapter gave an introduction to the background of the problem, the statement of the problem, the objectives, the delimitations, and the definition of key terms were all covered in this chapter.

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **2.0 Introduction**

This chapter will highlight on the definitions and theories behind the nature, causes and remedies to corruption. Secondly, it will analyze anti-corruption strategies as applied in the revenue collection context. As corruption has become a growing developmental concern, scholars and practitioners alike have devoted a great deal of time to understanding the complexities of corruption and exploring the different mechanisms for combating the scourge. Literature review is defined as a text of a scholarly paper that involves the available knowledge which includes substantive findings, and theoretical as well as methodological contributions to a given topic (Bell and Bryman, 2003). This chapter will concentrate on authorial and published proofs and opinions related to the study. It will also highlight other researchers' views and opinions showing how the study fits into the body of prevailing knowledge. The chapter is divided into theoretical, conceptual framework and empirical reviews giving visions of research questions and objectives.

#### **2.1 Theoretical Review**

##### **2.1.1 Agency Theory**

The desire for private benefit is often understood as the pre cause of public sector corruption, but this is an over-simplification of the hard relationships between individuals and the State. variety theories help to explain these relationships. Two of the most popular theories on corruption in the economic literature are the principal-agent model and the related agency problem (Shleifer and Vishny, 1993). The principal-agent model assumes that agents (public officials) should protect the interests of the principal (whether the public, parliament or supervisors). However, in real situation, the interests of the agents often change from the interests of the principal, and while the former can prescribe the pay-off rules in the principal-agent relationship, there is an informational barrier to the advantage of the agent, which could be used by him or her for individual gain (Groenendijk, 1997). In this context,

an agency problem occurs where the agents abuse their entrusted power and choose to engage in a corrupt transaction, in furtherance of their selfish interests. In reduction of the the agency problem, the principal can implement incentives and schemes for example monitoring, bonding, and oversight to avoid the agent's potential abuses.

According to this theory, manager's act as 'Agents' of the organisation, but in this study, the Zimbabwe Revenue Authority is the agent for the government of Zimbabwe. The owners or directors set the central objectives of the corporation. Managers are responsible for achievement of these objectives in the day-to-day work of the company. In agency theory, the owners are the principals. But principals may not have the knowledge for getting the objectives executed (Galtung, 1998). The principal appoints the managers to act as 'Agents' and a contract between principal and agent is made. Under the contract of the agency, the agent should act in good faith. He should protect the interest of the principal and should remain faithful to the goals. The agent must also show arrangements that have good values for both the principal and the agent when doing jobs within the principal-agent relationship, according to the theory. Serra (2006) analyzed the abuse of authority, pushed either by the desire to be re-elected or by self-interest, as the subject of principal-agent models of corruption. Klitgaard (1991) provided that the issue occurs when the agent acts to meet personal needs at the expense of the principal's desires.

In this study, this theory is relevant to revenue authorities in cases where the government delegates a board, which would act as an agent, to run the corporation on its behalf. The presence of independent directors would then lead to a reduction in agency costs through the monitoring role of the Board. The independent directors strive to develop good reputations in decision control and their presence would therefore result in high revenues collected.

### **2.1.2 Collective action theory**

This theory emerged as an alternative explanation for why systemic corruption persists despite laws making it illegal, and why corruption resists various other anti-corruption efforts in some countries. The collective action theory goes beyond traditional principal and agent relationships and clarifies the necessity of factors

such as trust and how individuals copy the behavior of others. Persson, Rothstein, and Teorell (2013) regard systemic corruption as a collective problem because people choose their behavior based on the perceptions of what others will do in the same situation. When corruption becomes a social norm, everyone starts seeing it simply as the way to get things done. People are aware of the misleading consequences of widespread corruption, but they still remain corrupt actions because they believe that it is no use to be the only honest person in a corrupt system (Marquette and Peiffer, 2015). In such an environment, anti-corruption measures based on the principal-agent model will not be effective, as there are no "principled principals" who will enforce anti-corruption norms (Klitgaard, 2004; Persson, Rothstein, and Teorell, 2013). An institutional or organizational culture of corruption leads to the normalization of corrupt practices at a societal as well as individual level, and impunity for violating or ignoring formal anti-corruption rules (Appolloni and Nshombo, 2014). To combat corruption in these circumstances, there is a need for collective and coordinated approaches, such as reform coalitions or proactive alliances of like-minded organizations.

### **2.1.3 Grease in the wheels' theory**

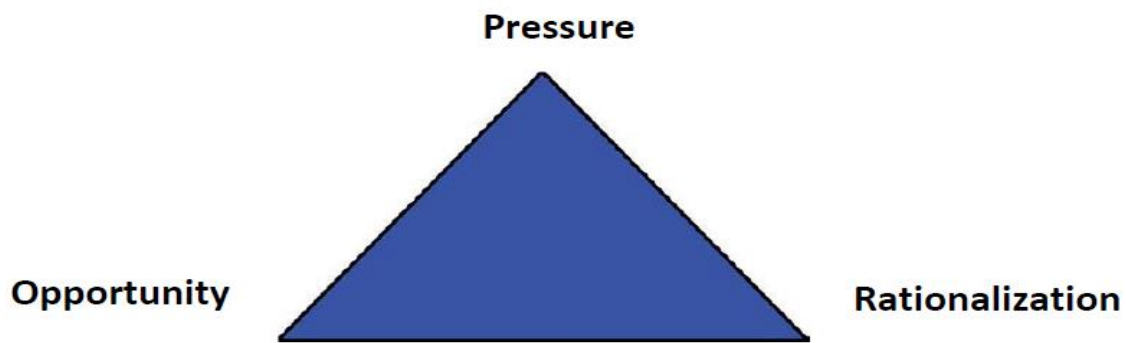
This theory asserts that corruption is linked with bad governance. The poor functioning of the structure of government is well thought-out to be the most outstanding incompetence that corruption could occur. Lui (1985) argues that corruption reduces unnecessary slowness in government departments by efficiently reducing the time that people spend in queues. A bribe acts as an incentive to public officials to speed up the course of action, in an otherwise slow government department. Furthermore, Huntington (1968) contends that corruption has a positive relationship with economic growth because it overcomes tedious government regulations. Another result of a poorly functioning government administration has to do with the quality of life of the public sector workers. According to Leys (1964) and Bailey (1966), corruption reconstructs the system of government by improving public sector workers' quality of life. With poor public sector wages, incentives from corruption motivate civil servants to remain employed in the public sector suppressing any zeal to supply labor in the private sector. Lef (2018) asserts that corruption has a positive relationship with investment because it hedges against the risk that originates from political systems. These risks include expropriation and

aggression, as a result, corruption alleviates risks thereby making investment less uncertain. Economic growth and development by compensating a malfunctioning government establishment and awful policies is driven by corruption. Growth in GDP reveals an improvement in the liquidity of the entire economy, other things being equal, and more revenue will be collected. In this honor, corruption is viewed as a catalyst that enhances revenue collection within an economy.

#### **2.1.4 Sand the Wheels Hypothesis**

The theory postulates that corrupt public sector workers create an opportunity to get a bribe by influencing unnecessary slowdowns when conducting official duties (Myrdal, 1968). With successive decision centers in government, civil servants have the power and opportunity to slow down work processes. This means that government officials have the strength and ability to slow down a project. Government workers are pushed to preserve their illegal source of income through the creation of unnecessary sabotages (Kurer, 2014). Poor allocation of resources in an economy by diverting resources for public investments into less efficient allocations can be influenced by corruption (Mauro, 1998). This means that public investments will occur in less productive sectors resulting in inefficiency and subdued economic growth. When an economy distributes resources to unproductive sectors, it means the profitability in those sectors will be lowered thereby reducing the overall liquidity in the economy. Once this occurs, it means that tax revenue that will be collected will be largely reduced, *ceteris paribus*. In the context of revenue collection, sand the wheels' hypothesis is quite evident. To evade tax and or to pay less duty, economic agents offer bribes to revenue collecting officers. Dong and Torgler (2010) assert that economic agents perceive taxes to be too high, hence they find other ways to evade tax. The evident result is that revenue will leak and in most cases, it will never be recovered.

### 2.1.5 Fraud triangle theory



**Figure 2. 1: Fraud triangle theory**

**Source: (Sutherland & Cressey, 1978)**

The Fraud Triangle Theory was discovered by Edwin Sutherland and Donald Cressey in 1978 and it states that employees are motivated to commit fraud when three components are added: a perceived pressure, a perceived opportunity, and a means to rationalize the fraud as not being incongruous with one's values. Pressure results in a person committing fraud. Pressure is likely to be caused by a financial challenge or necessity, but it can also be influenced by things like sexual harassment, an overbearing supervisor, or a job overload. Medical bills, expensive preferences, addiction issues, and other financial stressors are all examples of financial strain. According to the fraudster, this problem is frequently non-shareable. That is, the person believes that their problem must be solved hidden for whatever reason. The flaws and doors that allow an employee to conduct fraud are known as opportunities. Weak management oversight, poor internal controls, or the abuse of power and position make it possible. Whilst Paldam (2000) says that fraudsters operate with the assumption that they will not be caught. Failure to set effective procedures for detecting fraudulent conduct increases the chances of fraud occurring.

Rationalization is the process of a person reconciling his or her actions (theft) with widely held concepts of decency and trust. Knack and Azfahar (2003) found out that some typical rationalizations for committing fraud include, believing that committing fraud is appropriate to save a family member or loved one; believing that they will lose all they own, including their family, home, automobile, and so on. If they don't take the money; the person believes that no outside help is accessible; the person identifies the theft as borrowing, with the full intention of repaying the stolen funds at some point; the individual believes that something is



owed to them as a result of job unhappiness (salaries, work environment, treatment by management, etc). Ali and Isse (2003) suggest that the person is unable to grasp or cares about the consequences of their actions or accepted concepts of decency and trust.

In this study, this theory is significant as it highlights how individuals will be capable of carrying out corrupt activities in revenue authorities if the above elements are present in their course of duty.

### **2.1.6 Revenue enhancement theory**

Sambora and Therkildsen (1992) cited that this model focuses on maximizing revenue collection, reducing inefficiency, and costs, and reducing uncollectable debt. A sound communication strategy is a critical element to building government long-term sustainability. The communication process should facilitate alignment between revenue enhancement goals and customer expectations. Capacity building and training are essential if authorities are to reap the benefits from the implementation of the revenue enhancement model. Revenue authorities should be well equipped technically to provide quality service delivery and accurate billing. Moreover, the residents' socio-economic environment has to be taken into consideration when crafting budgets so that the revenue collections could be correctly forecasted. A holistic approach to Revenue government sustainability is crucial to ensuring that all the above-mentioned critical elements are altogether addressed. Neglecting one of the above elements hurts the successful designing of a Revenue Enhancement Project.

## **2.2 Conceptual Framework**

The conceptual framework shows a linked set of ideas about how a particular idea functions or is related to other parts (Svinicki, 2010). It is a system of concepts, assumptions, expectations, beliefs, and theories' that one bases their research on (Sitko, 2013). It can be designed in narrative form or graphically where the key factors or variables are indicated together with their relationships. It, therefore, shows relationships amongst the different variables involved. In this case, the independent variable is corruption whilst the dependent variable is revenue collected.

### **2.2.1 Challenges faced by Revenue authorities in collecting revenue**

The Zimbabwe Institute (2005) stated legal sources of revenue as being not enough to finance the Revenue authority's operations. Moreover, in some cases, governments on improving financial obligations they give subsidies to Revenue authorities. This is mostly common to African countries. To add more on the issue, in Zimbabwe no standing tool governs the allocation of national revenue among Revenue authorities according to need and there is no formula for sharing the fiscal between the central government and the Revenue Authorities. Despite the enshrinement of Revenue authorities in the new 2013 Zimbabwe constitution Revenue Authorities are still to the not less than 5 % of the national cake (Newsday, 2019).

Mandiyani (2013), in his assessment of parastatals and Revenue authorities, asserted that the major challenge facing Revenue authorities has been lax corporate governance practices characterized by shortage of transparency, lack of meaningful capital investment, weak financial controls and systems, weak policy guidance, poor policy implementation, weak business culture, unable to produce audited financial statements and less staffing levels. All these challenges will lead to reduced revenue collections and hence revenue deficits. Gono (2006) summarises the following reasons as contributing to liquidity challenges in most Revenue authorities:

- High staff turnover, mostly more important professionals such as the technical staff and financial experts;
- Members remaining in positions for longer periods;
- Lack of incentives to attract and gain back qualified staff;
- Shrinking revenue base as traditional sources of revenue including property taxes, charges, grants, fees, rates, tariffs, and loans from central government has shrunk steadily;
- Fear of political protest has made it difficult to levy economic rates;
- Inadequate communication mostly between the Revenue authorities and stakeholders which stalls progress in most cases;
- Weak debt management is evidenced by large differences between creditors and debtors.

The Zimbabwe Institute (2005) disclosed that Revenue Authorities have limited revenue-raising powers as the government takes the large yielding sectors. Most of the internal revenue-raising powers are subject to government controls and direction. The powers to change the rate of taxation between different types of residences are subject to ministerial approval, ministerial consent is required to borrow from external sources, and the evaluation of a property is subject to the scrutiny of valuation boards which are appointed by the minister. Besides the ministerial powers, Ndlovu et al, (2005) cited other challenges leading to the inadequacy of revenue raised by Revenue authorities which includes lack of tax paying culture thus tax resistance, weak tax structures or devices and tax evasion. Revenue Authorities have been mostly affected by the adverse macro-economic conditions for example the high inflation rate experienced between 2003 and 2008 and high interests have made borrowing from the commercial sector prohibitively expensive (Jongwe, 2008).

In addition to this, many Revenue, Authorities do not produce realistic budgets and lack the political will to collect budgeted revenues. Furthermore, they often do not use budgeted revenue collected in line with budgeted purposes.

USAID (2006) in its document titled, 'A Guide to Enhancing of Revenue' disclosed reasons contributing to poor debt collection in South African Revenue authorities as follow:

- Lack of political will to enforce credit control measures due to the lack of accurate data on which credit control can be taken, credit control measures being taken on indigent households, and councillors influencing the operations of officials;
  - Lack of skills and capacity to manage the collection of outstanding debt;
  - Lack of integration and coordination among the financial management, credit control, and debt collection systems within the Revenue authority;
- and

The researcher wants to explore further and find out the challenges and limitations facing Zimbabwean Revenue authorities and come up with realistic remedial solutions ideal for the Zimbabwean scenario. Moreover, the researcher would want

to explore further and find out why Revenue authorities despite having such a wide pool of revenue sources are haunted by revenue deficit.

### **2.2.2 Causes of revenue collection corruption**

A review of the literature proposes the use of many variables to clarify corruption in general and in revenue collection. Serra (2006) analyzed the determinants of corruption which involve 16 variables. Of the 16 variables in that study, five were socio-economic, seven were political and four were economic. Knack and Azfahar (2003) found out that in some conditions, corruption increases as the population increases. Whilst Paldam (2000) articulates that, skew in income distribution that discriminates against the majority may increase the temptation to make illicit gains. Ali and Isse (2003) suggest that economies with high human capital have low levels of corruption. The population hates corruption as reported by Shlefer et al (1998). Literature available explains corruption in developing countries as follow

#### **1. Political commitment**

Politics have a contribution to the cause of corruption in a country with political leaders being the drivers of the cause of corruption (Shlefer et al, 1998). The research suggests that since political leaders take the responsibility for complex political structures they play a critical role in increasing corruption. Shlefer et al (1998) examined the factor loadings for the three components which provide information on the most political determinants of corruption in revenue collection in Uganda. The determinants are as follows based on the political factor: 1. Political leaders who win elections through bribery increase the cases of corruption in the revenue collection process; 2. More political space in most nations has increased levels of corruption in revenue collection as most politicians go away with corruption allegations since they will hide behind their parties; 3. Lack of freedom of the press in exposing revenue collection corruption.

#### **2. Economic factors**

According to Treisman (2007), socio-political variables clarify corruption better than economic variables because the latter are non-economic variables in the short

run and long run. Bassheka (2011) compared economic and political determinants in an analysis of corruption in the revenue collection process in Uganda and found that political factors explained revenue collection corruption less than economic factors. This can be because economists had been traditionally studying corruption on various occasions and its measurements have been seen over time. On the hand, corruption economically, cause unfair income distribution, discourages investments and economic growth is distorted.

This means that, over a long period, efficiency will be affected in revenue collection and undermine fair and free trade. Palmier (2010) in his study in India and Hong Kong on bureaucratic corruption control identified the following interdependent factors as being the critical causes of corruption namely opportunities, salaries, and policing. Logically, the argument is that, at one extreme, with good and effective policies and good salaries, corruption will be minimal but on the other, with bad policies, many opportunities, and poor salaries corruption will be rampant. Structural and cultural factors are also associated with corrupt practices (Rose-Ackerman, 1999). However, structural factors received major attention in empirical evidence. Another cause of corruption is the environment in which public workers operate (Farida and Ahmadi-Esfahani, 2006). Complex restrictive regulations and inadequate controls are the characteristics of developing countries and this offers a breeding ground for corruption.

### **3. Social factors**

Gender is also a contributing factor to the causes of corruption, females are believed to cause less corruption as compared to men, a study by Swamy et al (2001) suggests so. His four arguments to support his findings provided that: 1. Women may be brought up, to be honest than men or feel a greater probability to be caught; 2. Women, since they are involved in raising children, may find out they have to practice honesty to teach their children good values; 3. Women may feel more than men that the laws are there to protect them and therefore more willing to follow the laws.

Hassan (2004) points out that developing countries are increasingly influenced by corruption, which undermines their capacity to make the right policy choices and to provide overall good governance. Kaufmann (2000) states that developing countries

are more prone to be affected by corruption for a variety of reasons, which include: the widespread poverty and low level of public sector salaries, lack of risk spreading mechanisms such as insurance and well-developed market, opportunities presented by complex, poorly defined, constantly changing and inadequate rules and regulations, lack of properly established laws and principles or code of conduct applicable to officials and lack of institutions to enforce them and lack of watchdog agencies.

Hope and Chiculo (2000) present social-cultural norms as an issue motivating corruption. In Africa, the presence of personalism results in important loyalties towards one family, tribe, and friends. Such loyalties are advanced at the expense of the state regulations. Apter (2013), the author of *Ghana in transition* argues that nepotism is considered a grave offense in western countries of Africa. Any successful civil servant or politician is expected to provide gainful employment for relatives and neglecting one's family is a much worse offense (Kupendeh, 1995).

## **2.3 Empirical Literature**

Countries all over the world are making efforts to reduce corruption in revenue collection by Revenue authorities. The researcher compiled works done by other researchers which relate to the topic under investigation. The researcher wishes to relate the theoretical literature review with the finding of other researchers.

### **2.3.1 International**

A Malaysian (Junli, 2008) performed research on the Malaysian Revenue Authority. The researcher used a structured cross-section survey, the research instruments used to gather data were questionnaires and focus group discussions on a sample size of 300. The research established that there is a positive relationship between corruption and revenue decline. Tracey (2008) disagreed, claiming that the relationship was negative in the UK. They both suggested that to improve revenue collection schemes, strict monitoring should be in place. In Bangladesh, ethical practices within organizations were discovered to be opaque, resulting in a negative impact on Revenue collection (Hossan and Islam, 2011). He went on to say that pressure, opportunity, and rationalization are the three key reasons that lead to corruption, supporting the triangle fraud theory. The primary elements, according to (Konstantin, 2009) from Bulgaria, are legal, economic, cultural, and political. They

agreed that company administrations should be accepted and improved ethically to promote open and independent processes.

### **2.3.2 Regional**

According to a study conducted, *Progress in Taxing the Informal Sector. Case of Tanzania*: by Mbilinyi, (2012). The research was aimed at investigating the effectiveness of taxing the informal sector to widen the Tanzanian tax base. The research analysed the effectiveness of strategies being used by the Tanzania Revenue Authority (TRA) in mobilizing the informal sector to comply with their tax obligation. The study assessed measures being taken such as taxation schemes simplification, providing a permanent structure for informal traders, and tax education for the informal traders. In conducting research, a sample of one hundred and twenty informal traders among vendors, retailers, suppliers, and transporters was used. Tables, percentages, bar charts, and pie charts were used to analyze the data collected. The study revealed that measures taken improved the business environments and formalization process. It concluded that there is still a need for continuous effort in dealing with the hard-to-tax nature of the sector and to curb non-compliance and evasion.

It was recommended that Tanzania Revenue Authority should implement close monitoring and rigorous enforcement of tax compliance, tax amnesties to traders, and identifying, registering, training, and guiding SMEs on business management such as bookkeeping and obtaining loan facilities. It also advocates for the introduction of a presumptive tax system to reduce corruption.

(Owusu, 2013) used a sample size of 72 specialists from Ghana's Revenue Authority. To corroborate the same results as the quota sampling technique, a ratio of 3:2:1 was employed to represent the extent of engagement of officials in the Revenue Authority. It was commended that firms dedicate resources to identifying employee reward systems that encourage employees to stay and enhance their ethical behaviors (Sarkar and Mohapatra, 2006).

### **2.3.3 National**

In the Revenue collection process, equal opportunity and fairness for all will provide an all-encompassing and transparent system. A transparent Revenue collection system will promote competition in paying taxes (OECD, 2016). Corruption can be

combated at all levels of government, including professional groups, the commercial sector, trade unions, religious institutions, and other civil society organizations. The scientists (Magaya and Chidhawu, 2016) said in their journal that there was a flourishing and widespread misuse of business ethics in the Zimbabwe Revenue collection process due to a variety of factors including radical predation, low wage and salary levels, and a lack of awareness. (Sivhukile, 2016) used descriptive statistics such as frequencies and percentages to clinch that the Revenue collection process is improperly done. There is a serious lack of transparency. The researcher used a purposive sampling strategy to arrive at a sample size of 40. To improve the ethical standards in the public Revenue collection system, the researcher recommended agreeing with (Chedondo, 2017) that independent Revenue collection audits and rigorous monitoring improve the Revenue collection process, eliminate politics in the public Revenue collection process, and properly document public Revenue collection process.

#### **2.4 Research Gap**

Corruption globally seems to be a big issue in most public firms, especially where revenue is collected. As a result, reducing corruption's impact will remove a significant burden on most businesses. Many academics have proved the occurrence of Corruption where revenue is collected. However, the outcomes are insufficient or even conflicting. The literature also shows that there has never been any research done in Zimbabwe on this topic or a case study. As a result, many experts have concluded that additional research is required in this field.

#### **2.5 Summary**

This chapter defined the study's conceptual, theoretical, and empirical framework. This part also addressed the challenges and causes of corruption in revenue collection.



## **CHAPTER III**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

The previous chapter was on literature review. This chapter presents the research design, research instruments, population, sample size calculations, and sampling techniques. Furthermore, data processing, analysis and presentation procedures, and ethical considerations are also covered.

#### **3.1 Research Design**

Burns and Bush (2010) suggest that descriptive research design is the most structured and formal form of research that is undertaken to gain background information about the general nature of the research problem. A descriptive research design was used to guarantee that the gap is filled. Furthermore, a case study design was also used to define how, when, and where facts are collected and how consideration was made in a hands-on setting. According to (Borg and Gall, 1993.) the reason for the case study approach is to allow the researcher to nominate issues, cases, or events in-depth and in detail.

#### **3.2 Population**

McDaniel and Gates, (2002) propose population to be the aggregate quantity of elements under examination. In this study, the targeted population is all employees who collected revenue at ZIMRA (104) Head Offices officials in Harare and 15 taxpayers in Harare. ZIMRA departments that were under study are Finance, public services inspections, internal affairs, Service delivery operations, Statistics, and quantity surveying. Therefore, the total target population is 104.

#### **3.3 Sample Size**

According to Braun and Clarke, (2006) typical sample size is the quantity of investigation in a subset of the population under study. Yamane equation was used to create the sample size.

**Below is the Yamane equation;**

The Yamane equation is 
$$n = \frac{N}{1+Ne^2}$$
 . Where n = Sample size  
N= Population size  
e = Margin of error

*Source: Yamane, (1967)*

Using the formula  $N / (1+Ne^2)$  the sample size equals  $104 / [1+104 \times (0.05)^2] = 82$  respondents. These respondents determined by the sample size formula were selected from the targeted population using sampling procedures.

**3.4 Stratified sampling**

The researcher used stratified random sampling as the target population under study contains well-defined strata. Malhotra (2010) defined stratified sampling as a probability sampling technique that uses a two-step process to partition the population into subpopulations or strata. The researcher put respondents into 2 strata, the one with the taxpayers and the other with employees of the ZIMRA. Employees were randomly picked while the Tax players were taken as a census as shown by the table below;

**Table 3. 1: Sample Population**

Details	Targeted population	Sample Population
Employees	89	67
Tax players	15	15
Total	104	82

**Source: primary data, (2022)**

**3.5 Sources of Data**

**3.5.1 Secondary sources**

According to Wimmie and Dominic (2013) secondary data is the records that have previously existed and that were collected for other purposes other than what the researcher is planning to use them for. To confirm the presence of the problem, secondary information was acquired from various journal articles, textbooks, and thesis.

### **3.5.2 Primary sources**

Primary data for this research was gathered by the use of Emailed questionnaire and Skype focus group discussion due to Covid 19 regulation of social distance.

## **3.6 Data Collection Instruments**

Both the use of an emailed questionnaire and a Skype focus group discussion were also used to collect qualitative information.

### **3.6.1 Questionnaire**

A questionnaire is defined as an in-print and inscribed set of questions with definite choices of answers for a statistical study (Zohrabi, 2013). Two questionnaires were made, one for the committee members and the other for the employees. Six-point Likert Scale to the questionnaire emailed to the respondents was used when collecting data, scaling responses in survey research. The Likert Scale of this research used by the researcher is as follows key; never (1), rarely (2), sometimes (3), Often (4), mostly (5), and always (6). A well-built questionnaire had many advantages and a few disadvantages to be mentioned.

#### **Advantages**

The mailed questionnaire allowed the participants to answer and participate at their own convenient time. It was easy to link data gathered using this method.

#### **Disadvantages**

However, the questionnaires lacked validity because some participants exaggerated or lied. To improve the quality of confirmation given by the questionnaire other means like use secondary information were engaged.

### **3.6.2 Skype focus group discussion**

The researcher had an opportunity to facilitate a focus discussion on the Skype platform, adhering to Covid 19 social distance regulations.

#### **Advantage**

This had the advantage of seeing body language as the discussion was in progress and they were virtual face-to-face conversions. It saved the researcher's transport costs and at the same time protected the researcher from the risk of contracting Covid 19 along the way.

### **Disadvantage**

The network was a bit hazed and delayed but the process was successful.

### **3.7 Pilot Study**

Pilot testing is when the researcher uses instruments to pre-test an insignificant number of the respondents, to review, identify and correct the flaws and limitations in the questionnaire or interviews (Taylor, 2013). The researcher dispersed 10 questionnaires to authenticate the study instruments by giving colleagues.

### **Advantages**

The pilot study pointed out that the respondents had difficulties in understanding Bankrupt law. To rectify this issue, the researcher used simple words and expressions.

### **Disadvantage**

It does not give the Actual challenges which might occur in the studied setting.

### **3.8 Data Collection Procedure and Administration**

How primary and secondary data were collected is what is called data collection procedure and administration. The researcher used email to distribute questionnaires to the respondents. The researcher was authorized by the Human Resource Manager and the Finance Manager to get data from participants before administering the questionnaires via emails. The researcher had to book a time to conduct the Focus Group Discussions.

### **3.9 Reliability and Validity**

#### **3.9.1 Reliability**

Reliability is the magnitude at which information errors are free (Joppe, 2015). It is lively correlated to the number of questions used to quantify the variable importance. The researcher made use of interviews and questionnaires to guarantee the reliability of the data. The reliability of the research questionnaire was also inspected using Cronbach's alpha in the SPSS software.

The alpha coefficients from Cronbach's alpha follow the following interpretation guidelines;

Less than 0.9 represents a very highly reliable

0.80 to 0.9 represent highly reliable

0.70 to 0.79 represent reliable

0.6 to 0.69 represent marginal/minimally reliable

Greater than 0.6 represents unacceptably low reliability

In addition, interviews assisted the researcher to have an insight into the data collected using questionnaires. The researcher also used the triangulation method.

### **3.9.2 Validity**

Questionnaire validity was scanned using Product Movement Pearson Correlations done with the total score through the use of SPSS. The significantly correlated questionnaire is found with a total value which designates that the instrument is valid.

Product Movement Pearson Correlations follows the following guideline;

- 1) The instrument is invalid if the significant value  $<0.05$ ,
- 2) The instrument is invalid if the significant value  $>0.05$

### **3.10 Data Presentation and Analysis Procedures**

Raw data is usually enormous and difficult to understand so, it needs to be summarized and simplified for easy analysis. Data gathered for this research was codified and categorized matching similar subjects using Microsoft excel and SPSS to view their patterns. After data summaries were constructed using the above-mentioned processes, the researcher presented the data using summaries, graphs, pie charts, and tables. This allowed data to be managed, analyzed, interpreted and discussed easily on the data collected.

### **3.11 Ethical Considerations**

Respondents were shown respect, fairness, and dignity. Anonymity, confidentiality, and privacy were guaranteed to all respondents. The questionnaire and the interview guide were designed with the exclusion of personal identification data.

### **3.12 Chapter Summary**

This chapter covered the methodologies used in this research including the instruments, processes, and designs that were used for the data collection. The next chapter is about data presentation and analysis.

## CHAPTER IV

### DATA PRESENTATION, ANALYSIS AND DISCUSSION

#### 4.1 Introduction

The chapter presents data analysis and discussion using SPSS and Microsoft excel.

#### 4.2 Response rate

Response rate is determined by the formula suggested by (Zohrabi, 1978) below;

$$\text{Response rate} = \frac{\text{total number of the respondents}}{\text{total number of questionnaires administered}} \times 100$$

##### 4.2.1 Response Rate for Questionnaire

**Table 4. 1: Response rate**

	<b>Distributed</b>	<b>Returned</b>	<b>Response Rate</b>
Questionnaire	82	80	97.6%
Interviews	10	10	100%

**Source: Primary data, (2022)**

On the questionnaires and interviews distributed and done 97.6% and 100% respectively. This indication is good since according to Zohrabi, (2013) a response rate of 50% is sufficient to make necessary decisions.

#### 4.3 Demographic information

The respondents were asked to answer personal question related to the study.

*Source: Primary data, (2022)*

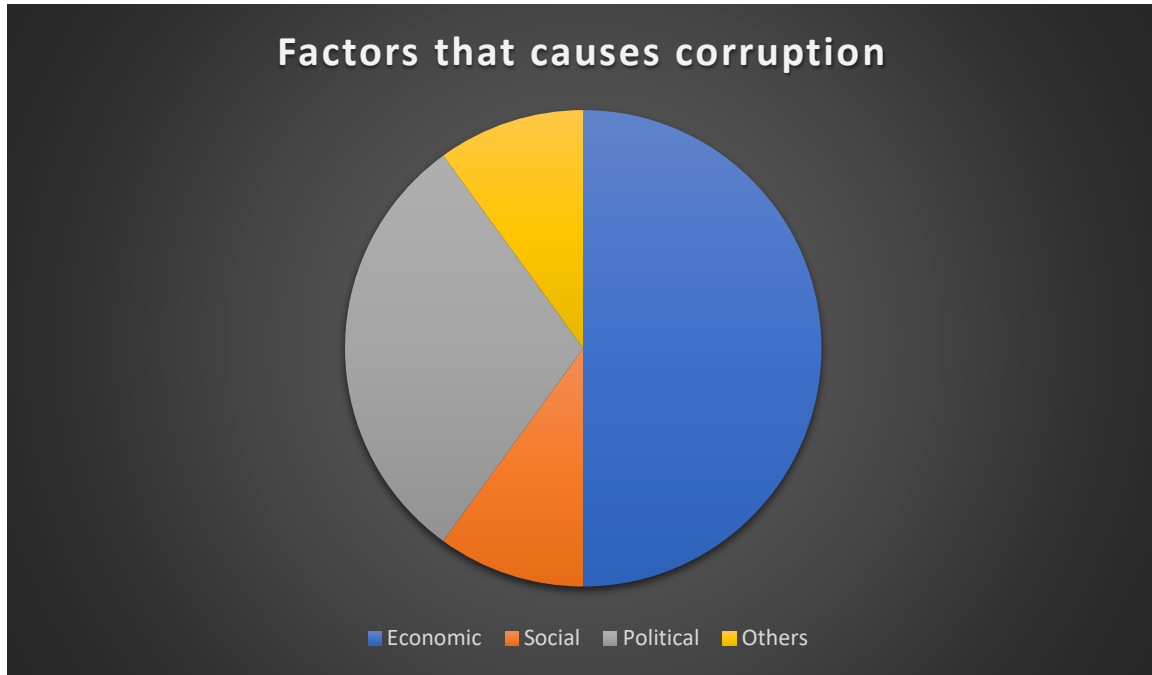
Table 4.2 above shows the demographic information obtained by the researcher during the study. The respondents used in this work constituted both females and males. 68% were males and 22% were female respondent percentage. As shown by these figures it is crystal clear that

VARIABLES	DESCRIPTION	FREQUENCY	PERCENTAGE %
GENDER	Male	53	65
	Female	29	35
Total		82	100
AGE GROUP	21-30	27	36
	31-40	36	41
	41-50	16	19
	51-60	3	4
Total		82	100
EDUCATION LEVEL	Secondary	3	4
	Diploma	58	68
	Degree	12	16
	Masters	6	8
	Others	3	4
Total		82	100
EXPIRIENCE ATTAINED	0-4	3	4
	5-9	5	6
	10-14	24	29
	15-20	37	45
	20 and above	13	16
Total		82	100

the researcher was gender diverse and was not selective during his research. This information is shown below graphically in the table above. The age distribution highlights that the respondents were all mature with the highest age range being 51 to 60 years and the lowest age being 21 to 30. Thirty-six percent of the age distribution ranged from 21-30, forty-one ranged from 31 to 40, nine-teen percent ranges from 41 to 50 and four percent ranged from 51 to 60. This information will be illustrated buy a table above. The highest percentages showed that ZIMRA has actively flexible workers who still have strength to the tasks who they will be performing and at most that is the age were most people will not be satisfied over what they earn so they likely to be corrupt. The above figure show level of education attained by respondents from the ZIMRA. The results as shown above all respondents were literate and the research therefore, proves to be valid since respondents has capacity to give relevant

information. As shown by the above shows that majority which is 45% had 15-19years working at ZIMRA. This is evidence that the respondents know more about the researched setting and can be relevant source of information since they know more about the organisation.

#### 4.3.1 Causes of corruption in ZIMRA



*Source: Raw data, (2022)*

Above Figure 4.1 show how the researcher finds factors that contribute to corruption in revenue collections. The highest percent being economic factors with 50% and second of 30% being political factors and social and other sharing the same percentage.

- **Section B: fulfilling objectives**

Section B of both questionnaires was to fulfil objective of the study which reads; to identify strategies being used to collect revenue by ZIMRA; to explore causes of corruption during revenue collection at ZIMRA; and to establish strategies to eliminate corruption during revenue collection at ZIMRA.

#### 4.3.2 Source of revenue

##### Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation



Property tax	65	4.00	6.00	5.2000	.83666
User charges	65	4.00	5.00	4.4000	.54772
License fees	65	3.00	5.00	3.6000	.89443
Development levies	65	2.00	6.00	3.6000	1.81659
Income generation projects	65	4.00	6.00	4.8000	.83666
Borrowing	65	4.00	5.00	4.6000	.54772
Valid N (list wise)	65				

**Table 4.3: Descriptive statistics on sources of revenue at ZIMRA**

**Source: SPSS Output, (2022)**

The above table shows descriptive statistics on sources of revenue at ZIMRA. The higher the mean illustrates the respondents who strongly agree that always or mostly certain the source of revenue. Property tax is the most common sources of revenue at ZIMRA, while Development levies are the least with a result of (mini=2, max=6, mean=3.6, SD=1.81659). These findings tallies with Coutinho (2010) suggested that property tax if properly managed can be the main source of funding for council activities.

### 4.3.3 Corruption in revenue collection processes

**Table 4. 2: Statistics**

	Pressures (financial, personally or professional)	Opportunities (weak controls that provide an chance)	Rationalisation ( means of justifying a fraud that has occurred)
N Valid	80	80	80
N Missing	0	0	0
Mode	1.0	1.0	2.0
Std. Deviation	.2193	.4691	.7920
Variance	.048	.220	.627

**Source: SPSS Output, (2022)**

The above table 4.3 shows statistics on what respondents respond. The above indicates that respondents feel that corruption was mainly caused by pressure and opportunities. Rationalisation, most participants were indifferent about the extent at which it was causing corruption at ZIMRA.

**Table 4. 3: Pressures (financial, personally or professional)**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Agree	76	95.0	95.0	95.0
Valid Indifferent	4	5.0	5.0	100.0
Total	80	100.0	100.0	

Source: SPSS Output, (2022)

**Table 4. 4: Opportunities (weak controls that provide an chance)**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	65	81.3	81.3
	Indifferent	13	16.3	97.5
	Disagree	2	2.5	100.0
	Total	80	100.0	100.0

Source: SPSS Output, (2022)

**Table 4. 5: Rationalisation ( means of justifying a fraud that has occurred)**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Agree	28	35.0	35.0
	Indifferent	30	37.5	72.5
	Disagree	22	27.5	100.0
	Total	80	100.0	100.0

Source: SPSS Output, (2022)

The tables in the previous table 4.4; table 4.5; and table 4.6 shows that pressure was the major cause of corruption at ZIMRA with 95% agree at the same time opportunity was another prevailing cause of corruption.

#### **4.3.4 Major effects of corruption in revenue collection process at ZIMRA**

Respondents were asked to indicate the major effects of corruption in revenue collection process at ZIMRA. Most respondents felt that corruptions delays and reduces the revenue to be collected at ZIMRA. According to Respondent 8, (12 March, 2022) *“corruption creates bottlenecks in the revenue collection process of ZIMRA. Tax payer will try to comprise the process to gain favors to delay their payments or to even avoid paying the actual amount.”*

#### **4.3.5 Declaration of conflicts of interest at ZIMRA**

Respondents were asked to illustrate how ZIMRA declare conflicts of interests. All respondents showed indications that they declared interest at ZIMRA. All respondents also indicated that all ZIMRA employee declare conflict of interests before signing the contract of employment. Respondent 78, (12 March, 2022) *“We declare conflict of interests annually as a company and also as and when necessary ZIMRA employees are being asked to declare interests. Especially when collecting revenues from relations or close friends are being advised to declare any interests and excuse ourselves.”*

#### **4.3.6 The effects of revenue decline in the company as a whole**

Respondents were asked to indicate the effects of revenue decline to the company as a whole. The participants' states that revenue collected by ZIMRA is used to do a lot of things like financing policy impletions, paying civil servants, and to reduce or stop bad activities. So the decline would mean all these cannot be done. Respondent 65, (13 March, 2022) *“they are many sources of revenue that is individual Tax are collect in form of Income Tax, Pay As You Earn (PAYE), Value Added Tax (VAT), Withholding taxes, Road tolls, Carbon tax, Surtax, Stamp duty, Customs duty, Presumptive taxes, Excise duty, Special excise duty and Capital gains tax. These are done for a certain purpose so decline of these can either be good for ZIMRA or bad. Since some of them are penalties to stop or reduce an activity their reduction mean the company is performing well at the same time it means the public governments who were benefiting from those funds might suffer financially. But it is lost through corruption it is bad as fund which were to be used for public activities and services will no longer be available and the available government will be seen as inept while the corrupt individuals are living a luxurious live on the expense of the public.”*

### **Section C: Discussion of findings**

In this distinct section the researcher will discuss the findings obtained during the study and also highlight how other authors on the same research finds by checking for similarities and differences in the studies through the findings of the researchers.

***Objective 1: To identify the strategies used to collect revenue by ZIMRA.***

On this objective the researcher finds that ZIMRA uses many strategies to collect revenue identified in table 4.2. These strategies are also used by most countries as suggested by Coutinho (2010) that property tax can be a main source of revenue if properly managed. His research and this one are similar in the sense that both researches saw how often strategies like property tax can be used for revenue collections. Coutinho's study and this one disagrees on the fact that, Coutinho (2010), finds that if they increased property tax as a source of revenue collection revenue status would increase as well unlike this study which finds that to increase revenue collections corruption must be dealt with in the revenue authority company. A similar study by Junli (2008) and Tracey (2008) both finds that to improve revenue collection schemes, strict monitoring should be in place, just like this study the author find it as essential as well in the revenue collection processes. However, the studies did not match because those two authors emphasized on strict monitoring to employees carrying revenue procedures but this study wanted strict monitoring on the revenue authorities as a whole including top officials and those who makes the laws regards revenues. The difference exists because this study focuses more on corrupt officials unlike that one which focuses on rules regarding employees at revenue authorities. Another prominent study is by Mbilinyi (2012). The research was aimed at investigating the effectiveness of taxing the informal sector to widen the Tanzanian tax base. The research analyzed the effectiveness of strategies being used by the Tanzania Revenue Authority (TRA) in mobilizing the informal sector to comply with their tax obligation. It makes it similar with this study since both looked at the effectiveness of strategies used to deal with tax obligations. The study focused on informal sector to comply which differs from this study which looks at people who are directly linked with revenue collections especially their behavioral structures which causes corruption in the organization that will reduce revenue. There is this difference because the Mbilinyi, (2010) study looked at factors outside the system that reduced taxes unlike this study which is directly involved with hired personnel of the company. That study and this one also recommends revenue authorities should enforce rigorous close monitoring and training. Also as highlighted by the agency principal theory and grease in the wheels' theory indicated that no matter how ZIMRA tries to implement strategies to improve the revenue structure corruption always exists.

***Objective 2: To explore the causes of corruption during revenue collection at ZIMRA.***

The researcher finds that corruption is influenced by many political, economic and social factors. With distributive percentages the researcher found that economic factors have a higher percentage rate of 50% influencing corruption followed by political factors with 35% then with the least is social factors of 15%. These causes of corruption are popular in many nations not Zimbabwe only as supported by Rose-Ackerman (1999) who states that they are social, economic, political and cultural elements which cause corruption. Konstantin in 2009 proposed that corruption in revenue authorities is caused by factors which are legal, economic, cultural and political. He really emphasized on these causes and elaborated how these elements cause corruption making it similar to this study. That previous study and this current one differs from the fact that this study focuses more on the effects of corruption it does not concentrate on major causes and it also shows how corruption can be combated unlike the compared study. Also differ because the previous study rates legal and economic factors as major causes unlike this one which major economic and political studies as main players to influence corruption. These studies also recommended that company administrations should be accepted and improved ethically so that it reduces the corrupt activities so as to promote open and independent processes making the studies similar. Hossan and Islam, (2011) argues similarly as they found that, if ethical practices within organisations are not clear it has the negative impacts on revenue collections. This study and these are quite different in the sense that the studies did not specify the current problem at hand they just focused on behavioural traits unlike this one which states that corruption and the effects on revenues collected by authorities. The studies are different because in this study the author is anxious to know the impacts of corrupt activities on revenue status and those studies were more interested in elements that causes corrupt activities in revenue authorities. Treisman (2007), states that socio-political clarifies corruption better than economic which differ from this current study which base on economic factors more similar to Palmier (2010) who supported that economic factors influences more to corrupt activities. Similarities of that previous study and this one is the fact that both looked at the same group of factors as causative agents to corruption. Empirical evidence supports that this study was necessary for investigation of the impacts of corruption on revenue collected by revenue authorities.

***Objective 3: To establish improvements on the strategies currently in use to eliminate corruption during revenue collection at ZIMRA.***

The researcher finds many improvements to be implemented to dilute corruption during revenue collections at ZIMRA. The findings include encouraging whistle blowing, create specialised courts, stiff punishments to offenders, use of electronic devices and many others outlined in this study. The researcher found that some of the strategies to improve revenue collection to eliminate corruption has been successful to a lesser role, this is because of high costs involved in setting up control measures to improve the strategies. Many studies are evidence of these findings including a study by a Working group (2011) on the support of the development of more effective tax systems. With the findings on this study the it makes similar results by that of the working group. Both the studies found that it is essential to implement effective tax systems so as to improve revenue statuses of countries globally. However, the studies differ as this study is focused more on the effects of corruption on revenue collections and this study found that when corruption is reduced it will have a positive result on the revenue structure of countries for this case Zimbabwe. The working group focused on implementing good tax systems so as to improve revenue structures making it different to this study. The findings were different because then working group study was more like an operational study to enhance the taxing law structure and this one is more like an investigation study of how corruption hinders revenue collections. Another study which supports this study by similar findings on the improvements of strategies is the study in Malaysia in 2008 by Junli Tracey of United Kingdom. These studies suggested that to improve revenue collection schemes harder monitoring should be in place, it makes these studies similar as this study found that it is a necessary procedure which supports this objective of this study as well. Despite the similar finding the studies differ also. They differ because this study looked far much more to ways that can be done in the improvement of tax structure specialising on a specific element of corruption unlike those researchers who had ambitions of improving performances at revenue authorities. Findings on this objective by different researchers makes this research valid.

#### **4.4 Summary**

This chapter showed how the researcher presented the data collected from the field through graphs, tables and pie charts. The data presented in this chapter was gathered from questionnaires administered to the members. The following chapter provides a summary for the previous chapters and recommendations, and conclusions

## **CHAPTER V**

## **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

### **5.0 Introduction**

Data presentation, interpretation and analysis were covered in the last chapter. This chapter sums up and summarizes the major findings of the study. It will also look at conclusions drawn from the findings and suggest possible and workable recommendations that may be implemented to improve the impacts of corruption on revenues collected by the revenue authorities.

### **5.1 Summary of the study**

The research sought to achieve objectives of the study as follows; to identify strategies being used to collect revenue by ZIMRA; to explore causes of corruption during revenue collection at ZIMRA; and to establish strategies to eliminate corruption during revenue collection at ZIMRA.

### **5.2 Summary of research findings**

The research used descriptive research design to the impact of corruption on revenues collected by revenue authorities. As highlighted in the findings of the study, it is a true fact that corruption is affecting revenue collection at ZIMRA and the main cause for corruption is pressures. Despite the various strategies being implemented by ZIMRA to increase revenue collected, the gap between revenue due and revenue collected continue to widen year in and out. The country is facing widening deficit as the Revenue Authority fails to curtail pilferage of revenues. As a results of this match, this study sought to investigate why this status quo persist.

Questionnaire was distributed to the respondents and the responds rate was 97.6%. All respondents were literate and also majority had worked with or in the ZIMRA for long period, enough to at least give relevant and valid responds. Property tax is the most common sources of revenue at ZIMRA, while Development levies are the least. The major effects of corruption in revenue collection process at ZIMRA are delays and reduces the revenue to be collected at ZIMRA. Tax payer will try to comprise the process to gain favors to delay their payments or to even avoid paying the actual amount. More so, ZIMRA employees declare interests when

collecting revenues from relations or close friends, before signing the contract of employment and annually.

There are many sources of revenue that is individual Tax are collect in form of Income Tax, Pay As You Earn (PAYE), Value Added Tax (VAT), Withholding taxes, Road tolls, Carbon tax, Surtax, Stamp duty, Customs duty, Presumptive taxes, Excise duty, Special excise duty and Capital gains tax. These are done for a certain purpose so decline of these can either be good for ZIMRA or bad. Since some of them are penalties to stop or reduce an activity their reduction mean the company is performing well at the same time it means the public governments who were benefiting from those funds might suffer financially. But it is lost through corruption it is bad as fund which were to be used for public activities and services will no longer be available and the available government will be seen as inept while the corrupt individual is living a luxurious live on the expense of the public.

### **5.3 Findings**

From the study it is found that;

- Corruption causes reduction and delays in revenues collections affecting revenue structures.
- Corruption creates bottlenecks in the revenue collection processes.
- Decline in revenues can affect development of the economy through underpayments of civil servants, unable to finance policy implementations and also unable to improve infrastructures.
- Public government are disadvantaged when the funds they attain from revenues are distributed only to the few officials who are corrupt.

### **5.4 Conclusion**

From the findings it can be concluded that;

- Corruption can reduce and delay revenue collections;
- The crime creates bottlenecks in revenue collection processes;
- Declines in revenues affects economic developments and improvements;
- Improvements and also public government are disadvantaged by corruption in revenues.



The research sought to achieve objectives of the study as follows; to identify strategies being used to collect revenue by ZIMRA; to explore causes of corruption during revenue collection at ZIMRA; and to establish strategies to eliminate corruption during revenue collection at ZIMRA. The research found that the strategies used by ZIMRA are weak and they need to be improved especially on tax systems.

Also the study found that corruption is caused by many forces which are economic, political and social factors. Lastly the researcher obtained that some strategies currently used by ZIMRA are not effective enough to deal with the crime of corruption. Based on the research findings and analysis made in the previous chapter it can be concluded that if ZIMRA reduces corruption it will have better revenue collection systems and its revenue will increase.

## **5.5 Recommendations**

From the conclusion it can be recommended that;

- ZIMRA should put in place measures to prevent occurrence of corruption through; implementing harsh disciplinary measures against corrupt activities; making and publishing code of ethics to the employees; devising whistle blowing channels; and also putting of the job rotation strategy in place.
- ZIMRA should also modernize tax administration. This sets up important conditions for corruption reduction at the same time influencing efficiency in revenue collection. They should be reduction between tax payer and tax officer relationships, it can be done by improving mail and telephone communication. Modernizing the tax system also mean enhancing control systems in areas with greater potential of being affected by corruption. Use of computers when auditing helps to detect and prevent manipulation of files and systems. Tax compliance certificates should be issued electronically.
- Simplification of the entire tax system enables reduction of chances to be corrupt by officials. Setting out clear cut tax rules through reducing the number of tax exemptions, tax rates and adopting tax liabilities which are easy to calculate can make this procedure occur. The results of these measures is that tax officials will have limited domain over tax administration. This then reduces the costs of complying with taxes resulting in a reduction in corruption.

## **5.5 Areas for future research**

More studies should be carried on impact of stakeholder interest mapping on revenue collection.

## **5.6 Chapter Summary**

This chapter looked on the summary, conclusions, recommendations and areas for further research.

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## **Appendix 1: Questionnaire**

### **Introduction**

I am Tawanda Edwin Mudimu a 4<sup>th</sup> year student studying the Bachelor of Financial Intelligence Degree with Bindura University of Science Education (BUSE). In partial fulfillment of the requirements of the Bachelors' Degree in which am currently studying, it is mandatory to carry out a research project and my research project is entitled: **An analysis of the impact of corruption on revenues collected by revenue authorities: A case study of Zimbabwe revenue authority (ZIMRA 2020 to 2021)**. To complete this research project I'm kindly requesting you to respond by filling in the questionnaire below. All the responses provided will be used only for academic purposes.

Your cooperation will be appreciated greatly.

### **Instructions**

- Do not write your name on the questionnaire.
- For each and every question please follow instructions.
- If you do not understand anything you can ask for further clarification.
- Please fill or tick in responses in appropriate space or box provided for you for each and every question asked.

**For more information, contact 0777204275/tawamudimu98@mail.com**

### **Demographic information**

#### **Section A: Demographic Information**

1. Gender distribution

Male [ ] Female [ ]

2. Age distribution

21-30 [ ] 31-40 [ ] 41-50 [ ] 51-60 [ ]

3. Level of education or qualification

Secondary [ ] Certificate [ ] Diploma [ ] Degree [ ] Masters [ ] Doctorate [ ]

4. Number of years worked for the organization

0- 4yrs [ ] 5- 9yrs [ ] 10- 14yrs [ ] 15- 19yrs [ ] 20 and above [ ]

#### **Section B**

5. What are ZIMRA main sources of revenue, rate them?

Use a tick to rate using the following key; never (1), rarely (2), sometimes (3), Often (4), mostly (5), and always (6)

		1	2	3	4	5	6
1	Property tax						
2	User charges						
3	License fees						
4	Income generation projects						
5	Development levies						
6	Borrowing						
9	Penalties						
	Other.....						

6. What are the contributing factor(s) to corruption in revenue collection processes at the ZIMRA?

Please tick on the relevant number in table below, where by

1- Agree, 2- Indifferent 3- Disagree

Factors	1	2	3
Pressures (financial, personally or professional)			
Opportunities (weak controls that provide an chance)			
Rationalisation ( means of justifying a fraud that has occurred)			
Other specify.....			

7. In your own view, what do you think are the major effects of corruption to revenue at ZIMRA?

.....  
 .....  
 .....

8. How do you declare conflicts of interest at ZIMRA?

.....  
 .....  
 .....

9. How is revenue decline affecting your company as a whole?

.....  
.....

10. What strategies do you think can be implemented to improve revenue deficit?

.....  
.....  
.....

**Thank you**