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ASSESSMENT OF FACTORS AFFECTING TAX COLLECTION: THE CASE OF MINISTRY OF REVENUES OF ETHIOPIA FEDERAL LARGE TAXPAYERS BRANCH

BY: ABIY AYENACHEW

A THESIS SUBMITTED TO ADDIS ABABA UNIVERSITY IN PARTIAL FULFILLMENT OF THE REQUIREMENTS OF THE DEGREE OF MASTER OF SCIENCE IN INTERNATIONAL BUSINESS

JUNE, 2023

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Advisor: Habtamu Endris (PhD)

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ADDIS ABABA

DECLARATION

I, the undersigned, declare that this research thesis is my novel work, organized under the supervision of Habtamu Endris. All sources of materials used for this proposal thesis have been dually acknowledged. I further confirm that the proposal has not been submitted either in part or in full to any other higher learning institutions for the purpose of any degree.

Declared by

Name_________________________________

Signature______________________________

Department____________________________

Date__________________________________

ADVISOR’S APPROVAL

This is to certify that the work contained in Abiy Ayenachew’s (GSE/7665/13) thesis, " Assessment Of Factors Affecting Tax Collection: The Case Of Ministry Of Revenues Of Ethiopia Large Taxpayers Branch" submitted for the award of a Master’s of Science in International Business to the College of Business and Economics at Addis Ababa University. His study was conducted under my direct supervision and guidance, and his thesis was submitted for examination to Addis Ababa University's College of Business and Economics' School of Graduate Studies with my consent as a university advisor.

Advisor’s Name	Signature	Date

STATEMENT OF CERTIFICATE

This is to confirm that the thesis organized by ABIY AYENACHEW, entitled "Assessment of Factors affecting Revenue Collection: The Case of Ministry of Revenues of Ethiopia Large Taxpayers Branch" submitted in partial fulfilment of the necessities for the degree of Master of accounting and encounters the recognized standards with respect to originality and quality.

Approved By

Approved by board of examiners

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Dean Graduate Studies	**Signature**
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Advisor	**Signature**
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External Examiner	**Signature**
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Internal Examiner	**Signature**

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My stimulating gratefulness goes to **Habtamu Endris (Ph.D)** my thesis advisor, who has given to me the essential academic guidance and constructive comments in all stages of the study with honesty. I would like to thank my family and friends they were extremely essential in this journey I would also like to thank the staff and management of all Ministry of Revenue and organizations that participate on providing data for the research. Finally, I would like to extend my gratitude to those who provided direct and indirect support to help me complete my research.

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ACCRONYMS

MoR	Ministry of Revenues
E-Tax	Electronic taxation
ICT	Information Communication Technology
CEE	Community Engagement Exchange
ERCA	Ethiopia Revenue and Custom Authority
GDP	Gross Domestic Product
GMM	Generalized Method of moments
ICT	Information Communication Technology
LTO	Large Tax Payer
MOFED	Ministry of Finance and Economic Development
TASS	Tax Administration Support Systems
OECD	Organization for Economic Co-operation and Development
RARMP	Revenue Administration Reforms and Modernization Program
RPIM	Real Property Information Model
SPSS	Statistical Packages for Social Science
TRA	Tanzania Revenue Authority
SSA	Sub-Saharan Africa
IRS	Internal Revenue Service
EFDs	Electronic Fiscal Devices
VAT	Value Added Tax
LMICs	low- and middle-income countries

ABSTRACT

The goal of this study was to look at the elements that influenced favorably and adversely tax collection in Ministry of revenues of Ethiopia, Federal large taxpayers. Particularly, it investigated the effects of the prevailing political situation on revenue collection, the implications of tax policies implemented by incumbent politicians, and the effects of ICT infrastructure and qualified workforce on revenue collection. A descriptive research design has been selected due to the way it addressed the study areas empirically through numerical measurement and statistical analysis. The target population consisted of federal taxpayers who were classified as 'large taxpayers'. Despite there were 794 taxpayers who fit this description, a sample of these was chosen for the study. A sample of 266 taxpayers was chosen using a simple random sampling technique. A total sample of 240 was obtained after 266 questionnaires were distributed, with 26 of them—or 10%—not being returned and as secondary data five years revenue collection of the federal large taxpayer's branch data was taken. SPSS, a statistical tool for social scientists, was used to analyze the data. The associations between the independent and dependent variables were investigated using descriptive statistics. The analysis results demonstrated that the prevailing political climate actually, have an impact on business operations, people's security, resource availability and distribution, and, as a result, tax collection and tax compliance have been hindered. It also indicated that the rule and regulations that were in effect at that particular point had an impact on tax collection and, was difficult to understand and analyze. The study claims that the MoR support system, which included, among other things, information technology systems like Electronic taxation (E-tax), the workforce, and major stakeholders, all played an important part in the Revenue Collection process in MoR. The study suggests additional investigation to figure out the level of independence or interdependence of the political situation and revenue collection. It also suggests more research into existing tax laws and regulations, as well as how appropriate those who they rule. Additionally the study suggests more research on taxpayers as MoR's stakeholders in order to devise methods of assuring adherence to rules and contentment for stakeholders

Keywords: - Revenue, Taxpayers, MoR, Tax, ICT, politics

CHAPTER ONE

1. INTRODUCTION

1.1 Background of the Study

For both developed and developing economies, generating revenue is a crucial source of survival and a problem. Because it is a factor in economic development, every nation in the globe is interested in the quantity of revenue that will be earned today and in the future. Taxation, which includes personal income tax, value added tax, and corporation income tax, has historically been one of the primary means by which governments around the world generate revenue as they attempt to address the problem of revenue creation (OECD, 2017). Tax revenue has made a significant contribution to the development and prosperity of numerous nations worldwide (Coccia, 2018).

In order to boost tax revenue to fund public spending, the majority of African nations, including Ethiopia, have undertaken reforms and transformations (Guliya et al., 2018). The Ethiopian government has been enacting tax reforms to raise tax revenue, which is essential to satisfy the residents' rising needs for basic services. The potential benefits of taxation for nations like Ethiopia on nation building, long-term independence from overseas assistance, trade facilitation and cover up the continued severe financial requirements to deliver infrastructures and public facilities are massive. Hence, with the aim of financing these doings, government gathers revenue from various sources of finance such as; internal and external source of funding. Amongst internal sources of financing, the tax system had contributed a lion share. A way to mobilize one's nation's domestic revenue resources is to develop an efficient tax policy (Wawire, 2017). Ethiopia's budget, like those of the majority of developing nations, is highly dependent on tax collection. Raising enough money to pay for the country's budget and promote economic growth is becoming challenging. The majority of empirical work has, up to this point, concentrated on the key global drivers of the tax-to-GDP ratio. For instance, Chaudhry & Munir (2010) examined the elements that affect revenue from taxes and discovered that inflation, the service sector, political stability, manufacturing, and agriculture all have a positive impact on the tax-to-GDP proportion. The impact of the exchange rate, literacy rate, and urbanization negatively affect tax revenues. Many governments in Sub-Saharan Africa (SSA) have been great problems in collecting tax revenue for public purposes. Furthermore, institutional quality, with some taxes being more affected than others, is the main cause of the low tax revenue collection as a percentage of GDP in these nations (Imam & Jacobs, 2014). The economic structure, institutional capability, political setup, and underdeveloped economies continue to be the most challenging problems in these nations, despite efforts to construct an efficient tax system to raise fiscal income (Dioda, 2012).

The tax law, in contrast to the criminal law, is characterized by ambiguity and uncertainty (Graetz and Wilde, 1985). A 1988 survey of taxpayers reports that a significant portion of noncompliance can be attributed to tax code complexity and ambiguity (Krause, 2000). Uncertainty about the eligibility of a deduction or a credit may force uninformed taxpayers to underpay or overpay taxes. Alternatively, taxpayers may seek professional advice to resolve uncertainty about their tax liabilities. Kaplow (1998) estimates that taxpayers spend US$75 billion per year on tax advice. Although both tax complexity and tax ambiguity can create taxpayer uncertainty, they can be differentiated between the two based on whether competent experts can eliminate the uncertainty after a thorough analysis. If related tax rules are ambiguous, however, then experts may reach different conclusions about the tax consequence of a transaction. Krause (2000) notes that the distinction between compliance and noncompliance is not always clear; the Internal Revenue Service (IRS) and taxpayers will genuinely disagree in many instances.

Following the end of the 'Socialist' regime in Ethiopia in 1983, the EPRDF government took several policy measures following the country's transition from central planning to market-based, with declining export earnings, rising debt, and declining economic growth. Among them is a comprehensive overhaul of the tax system, including exchange rates, interest rates, the trading system, and domestic production and distribution. Since 2008, the government has undergone various tax policies and administrative reforms to enhance revenue performance, rationalize the legal system, expand tax bases and improve fairness and consistency in administration and tax laws.

1.2 Statement of the Problem

The revenue from taxes is a crucial source of funding for public services such as judicial systems, schools, infrastructure, and education. Strong, long-term inclusive economic growth demands an effective revenue-generating system (Carnahan, 2015). Various empirical studies have looked at the crucial role that revenue from taxes plays in funding development, particularly in developing nations. However, these nations face significant difficulties in establishing effective tax structures and collecting tax revenues. Building an effective tax administration requires personnel that are well-educated and trained. In developing countries, inadequate tax collection is attributed to both instable political environment and institutional quality (Lien, 2015). According to Rocha Menocal & Sharma (2009), one of the most significant elements affecting the prospects of poor countries is the quality of governance. Any economy with improved governance will have stable governments, order and security, and little internal and external conflict. Higher levels of governance may be a sign of successful economic activity and tax revenue collection (Hassan et al., 2021).

The level of efficiency in revenue collection is impacted by a number of factors, including the following: low levels of information penetration and communication barriers, high levels of illiteracy, and lack of sufficient workforce to improve compliance of the entire taxable population. These obstacles to revenue collection lead to: taxpayer debt, high costs of collection, including taxpayer education, occasionally high risks for tax collectors, and deficits in meeting treasury target amounts, which over time prevents money from being available to pay off the nation's debts or finance the national budget (Waweru, 2005). Technology may increase tax collection in three ways: by identifying the tax base, keeping track of compliance, and making compliance easier. However, without a foundational infrastructure and a reliable internet connection, even the most user-friendly technology cannot function. Any authority will find it difficult to obtain an accurate picture of how enterprises and individuals are complying with tax laws. Technology can enhance the ability to identify the tax base through extensive databases of taxable individuals and legal companies, as well as their activities and assets, by utilizing third-party information and digitizing the registration of taxpayers. Through automated cross-checks of self-reported tax liabilities against other data sources, modern analytic techniques can assist tax authorities in monitoring and enforcing compliance. By enhancing interaction with taxpayers, technology like EFD (Electronic Fiscal devices), e-filing, and e-payment can enhance the taxpayer experience and lower compliance costs (World Bank).

Huselid (1995) made the case that high performance work practices, such as accurate and thorough employee selection and recruitment procedures, practical and incentive compensation, performance monitoring and management systems, and extensive employee involvement in decision-making and training, can enhance the knowledge, skills, and abilities of a firm's current and potential workforce, increase their motivation, and decrease employee turnover while at the same time improving the firm's knowledge, skills, and abilities. The Taxpayer program was also created to enhance information penetration, ensure strict adherence to the Taxpayer Charter's provisions, and modernize customer service desks and call center programs. It also aimed to deliver targeted education outreach and alternative services. A key factor in improving revenue collection would be having a motivated and productive workforce (Waweru, 2005).

According to empirical evidence, there hasn't been much research on the factors that affect tax revenue collection in Ethiopia. Previous studies have concentrated on structural factors, like those by Gobachew et al. (2017) and Ayenew (2016). Additionally, (Daniel, 2021) tried to include some institutional quality factors, like control of corruption and government effectiveness, but found an insignificant correlation with tax revenue. Thus, by merging several factors (government policies, political stability, ICT, and qualified workforce), the researcher was inspired to carry out this study. Therefore, the purpose of this study is to provide an Assessment of factors affecting tax revenue collection.

1.3 Research Questions

The purpose of this investigation was to address the study's subsequent questions:

1. What is the effect of political instability on tax collection of MoR?
2. What is the effect of government tax policies on tax collection of MoR?
3. What is the effect of ICT advancement on tax collection of MoR?
4. What is the effect of qualified workforces of MoR on tax collection?

1.4 Objective of the Study

The goal of this investigation is to assess the factors that affect tax collection at the Ethiopian Ministry of Revenues.

1.4.1 Specific Objective of the Study

The investigation has the subsequent specific aims

1. To examine to what extent the prevailing political conditions affect tax collection?
2. To detect how government policies (rules and regulations) implemented affect the tax collection?
3. To detect the effects of ICT advancement and qualified workforce have on tax collection?
4. To examine how the availability of qualified workforces affect the revenue collection?

1.5 Significance of the Study

The study is essential for a number of stakeholders. The study may serve the government by giving information on the factors influencing the on tax revenue collection, in addition to being a learning experience to complete the requirement of the post-graduate study program in International business. The study will also help the government of Ethiopia in the creation of suitable legislation and regulations that would close the gaps that obstruct effective and efficient tax collection. Additionally, it helps taxpayers to promote information penetration among tax payers and increase literacy in areas relating to taxes and tax obligations. Additionally, it would lessen the impact of any penalties imposed on them, resulting in the development of a culture of tax compliance.

1.6 Scope of the Study

The focus of the investigation is on the Ethiopian Ministry of Revenues Federal large taxpayers' branch office (LTO). This was due to the fact that large taxpayers account for roughly 70% of all the money the Ministry of Revenues collects. Due to their huge revenue turnover and the fact that they recruit a lot of people, they are also acknowledged to be powerful members of society.

1.7 Limitations of the Study

The elements described and reported in this article are not the only independent variables that have influenced tax income. Other areas were not covered by this study due to budget and time constraints, as well as a lack of data for a given setting. It would be ideal if it were feasible to undertake a research on the impact of several factors on tax revenues from all various taxpayers. However, due to a lack of data, the study was confined to large taxpayers. Furthermore, because the study is a case study, the findings were not the outcome of a generalized conclusion. To be sure, the study encountered difficulties in gathering sufficient background knowledge regarding the topic matter that may be so useful for the job.

1.8 Operational Definition of Terms

Taxes

A compulsory payment required by a government (OECD). Taxes are mandatory contributions levied on individuals or corporations by a government entity—whether local, regional, or national. Tax revenues finance government activities, including public works and services such as roads and schools, or programs such as Social Security and Medicare (Investopedia).

Tax Revenue

Tax revenue is defined as the revenues collected from taxes on income and profits, social security contributions, taxes levied on goods and services, payroll taxes, taxes on the ownership and transfer of property, and other taxes. Total tax revenue as a percentage of GDP indicates the share of a country's output that is collected by the government through taxes. It can be regarded as one measure of the degree to which the government controls the economy's resources (OECD).

Political Instability

The standard definition of political instability is the propensity of a government collapse either because of conflicts or rampant competition between various political parties. Also, the occurrence of a government change increases the likelihood of subsequent changes. Political instability tends to be persistent (World Bank 2014). It is a crisis situation within the country that can be caused by a variety of reasons: government incompetence, economic problems, high crime rates, and so on. Political instability can also be caused by conflict or, conversely, to become the basis of the conflict itself (Burak (2021).

Tax Policies

Tax policy refers to the guidelines and principles established by a government for the imposition and collection of taxes. It encompasses both microeconomic and macroeconomic aspects, with the former focusing on issues of fairness and efficiency in tax collection, and the latter focusing on the overall quantity of taxes to be collected and its impact on economic activity.

1.9 Organization of the Paper

The paper is organized in such a manner that the first chapter expressed the foundation of the investigation, declaration of the problem, purposes of the investigation, investigation questions, implication of the study, scope of the investigation, and definition of terms. The second chapter presents the assessment of related works and the third section is about the investigation method. Discussion and analysis of the statistics gathered are offered in chapter four and finally the latter chapter (chapter five) delivers the conclusion and recommendations.

CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

2.1 Introduction

This chapter reviewed the research on the elements that affect tax revenue collection. The scholarly precondition for any research that is being conducted must include a literature review

(Kabiru & Njenga, 2009). Three elements that underwrote the effectiveness of tax collection in Ethiopia were to be narrowed down in the literature review for this study. These three factors include the country's prevailing political climate, tax laws and regulation, and MoR support systems like ICT and qualified workforce. In this part assessment of all the research collected works that were relevant for the study's goals as well as for the actual research topic included. It went into great depth about how each of these elements affected Ethiopia's ability to collect revenue, either favorably or unfavorably. The review has been prearranged based on the considerations stated and a summarized section decided.

2.2 Prevailing political Conditions Impact on the tax collecting process

Estrada et al. (2012) examined the link between GDP, government performance, and corruption as well as the relationship between tax rates and political stability using a number of economic control variables. The results show that tax revenue and political stability are positively correlated. When the government is stable, tax revenue is collected more effectively; yet, when the government is unstable, tax revenue collection is constrained. There is no question that any modification to the political system will have a considerable impact on the socioeconomic system.

Elbahnasawy (2020) provides empirical data on the connections between the political climate and governmental tax initiatives and revenues in hydrocarbon-dependent nations. The results demonstrate a relationship between growing tax effort and non-hydrocarbon revenue, democratic power systems, and political stability. When democracy is well-established, it has the greatest long-term beneficial effect. Furthermore, the non-hydrocarbon tax offset resulting from hydrocarbon revenue is less than previously stated in the literature when political structural considerations are taken into account. Political unrest has an impact on the relationship between hydrocarbon and non-hydrocarbon revenue streams.

Some studies find a substantial relationship between political issues and taxation levels. For instance, Melo (2011) lists a number of factors that affect taxation, including political regimes, tax handles, tax morale, and levels of economic growth and GDP per capita. Instability in politics can be classified normally the following dual extents, these are:

I. Unrest caused by social discontent in politics, such as Politics-related murders, uprisings, and revolutions, as well as widespread ferocity. Those types of in secureness are linked to disputes among ideas or brought on by racial or religious divisions.

II. The alternative dimension comprises unavoidable circumstances, such that, the downfall a regime, voting-related issues, and failures (Mutascu, Estrada, and Tiwari, 2011).

Both of these factors create uncertainty regarding the future direction of tax rates, the provision/availability of products and services, exchange rate policies, inflation policies, financial aid, and other defining economic laws and policies. The political environment reflects a country's level of stability or instability in its political situation, and any change in a region's political environment has significant ramifications for its socioeconomic systems (Mutascu, Estrada, and Tiwari, 2011). Hendry (2001) noticed that unanticipated modifications of the economic policy and dangerous political distress caused tremors/disruptions in the economy and unreachability of public properties and thus, inadequacy in providing of government facilities and effort in collecting taxes.

Cukierman et al. (1992) stated that Countries with more volatile and polarized political systems have inefficient tax structures. Furthermore, political instability is positively related to seigniorage. Aizenmana and Jinjarak (2008) in their study, they focused on the efficiency of tax collection and discovered that increased polarization and political instability affect the efficiency of tax collection. More specifically, low political stability determines low tax collecting efficiency. Azzimonti (2010) investigated the impact of political volatility. The author emphasized that an increase in the degree of political instability reduces the level of resources (i.e., taxes) available to the next period's policymaker, hence limiting the spending of local public goods. Jonathan and et, al (2020) stated that elections also can be a source of economic uncertainty since they can create major shocks to policy and the investment climate. This is especially true for elections held in a politically polarized environment. Uncertainties relating to elections may or may not be resolved promptly after the election. Legal challenges, recounts, lingering doubts about party control of legislatures and parliaments, and issues about crucial appointments in a new administration can all prolong uncertainty for weeks or months.

2.3 Political instability and Tax non-compliance

Political instability in the country is caused by frequent changes in the government. As a result, governments' political, social, and economic policies endure rapid change. Political instability in the country is caused by frequent changes in the government. As a result, governments' political, social, and economic policies endure rapid change. There is evidence that changes in economic policy have an influence on company decision makers. According to Grossman (1994), each taxpayer is obliged to make economic decisions based on the knowledge of which government will be formed or changes in existing government policy. To compensate for the uncertainty, a taxpayer must decide whether to keep certain cash out of the reach of the tax authorities. A taxpayer need certain facts in order to decide whether or not to conceal cash from taxes and how much to conceal. Furthermore, political stability may help to increase taxpayers' faith in government strengthens the relationship with the government. A taxpayer must understand, among other things, the likelihood that each government will exist and what each government will do if it does exist. Knowing these facts, each taxpayer takes economic decisions, which collectively result in both tax income for the subsequent government and the extent of tax noncompliance behavior. In this setting, the role of uncertainty becomes especially crucial for taxpayers in transition economies. The ambiguity surrounding the government's numerous probable future policy options influenced not just taxpayers' economic decisions, but also produced political pressures in support of various regimes. During this period, and as a result of taxpayers' economic decisions, the economies in transition saw typically increased, albeit diverse, levels of tax evasion and capital flight. Because of policy uncertainty during this period, taxpayers were forced to make decisions without knowing whether the next government would be more or less benevolent, more or less democratic, more or less corrupt, or more or less able and willing to pursue economic growth and infrastructure development (Katz and Owen, 2009). Furthermore, Kirchler et al. (2008) highlighted in the Slippery Slope Framework that a synergistic atmosphere is believed to be an ideal condition in which the tax authority and taxpayer have a good connection and the taxpayer is eager to pay tax because he has faith in the government.

Taxpayers who have a high degree of trust are more likely to comply with the law. Political instability, on the other hand, might reduce faith in tax authorities since it suggests a quick shift in policy topics, including tax regulations. D'Attoma (2018) stated that people' relationships with their states impact these behavioral variations in tax compliance, and that if this relationship is strong, tax payers are more inclined to avoid tax noncompliance. Furthermore, political instability is likely to impair the ability of governmental institutions to function properly, causing tax payers to avoid paying taxes. There is a mountain of research proving that the quality of institutions matters, and taxpayers will be more eager to pay their taxes if they believe their institutions are efficient and effective (Filippin et al., 2013).

2.4 The Relationship between Steadiness in Politics and Exchange-Rate System

Many researches demonstrate that the static conversation rate government permits administrations to conduct a monetary strategy that evades the tricky of time discrepancy, upsurges trustworthiness, and upholds a low or reasonable rate of rise (Giavazzi and Pagano, 1988). In this circumstance, the fixed conversation rate government can be considered as a gorgeous result for nations with frail institutional dimensions or categorized by low political steadiness and looking for to preserve little inflation rates. In other words, the reception of a static administration in the occasion of political randomness reductions investor uncertainty advances the investment environment of the state concerned and is a subject inspirational economic growth.

Drazen (2002) and Frieden (2002) invited that the safe conversation system licenses managements in states with frail institutional backgrounds to be less susceptible to burden from interested clusters. This permits decision-makers to be more mobile with regard to attaining developing objectives and development of the economy instead of allotting civic incomes in non-profitable commerce in the form of rent. Thus, in terms of credibility, a secure conversation rate administration is an easy commitment to audit and the government would not be able to deal with the problem of limited public trust. The drawback for this type of administration is, it restricts the adaptability of financial policy and, therefore, in this situation, adaptability and trustworthiness are being bargained off. This contrast would be confronted by the state of affairs that might be tough for the governing body categorized by recognized breakability to assist a permanent system. Consequently, better authority, by dropping bribery and endorsing steadiness in politics and authorization of those in politics, could reinforce the dimensions of community establishments to preserve static exchange-rates. As an outcome, authority (political constancy) decreases the likelihood of hypothetical outbreaks on the local currency, which can lead to continued and enhanced economic development.

Rising prices and economic strategies must affect the excellence and constancy of the conversation rate regime (Tornell and Velasco, 2000). Both recommended that the secure conversation rate regime could protect nations against taxation shockwaves that necessitate augmented expenses. On the opposing, they propose that the elastic conversation level system levies better fiscal persuasion, quarreling that secure conversation rate regimes suspend the cost of shortfalls and prime to fiscal and political rashness. Thus, we trust that political steadiness can decrease the opposing properties related with a fixed government leading to further fast economic development. So, political constancy can arouse economic development in the circumstance of a secure exchange rate rule by imposing more limitations on public expenditure and dropping budget shortfalls. On the other way, in the case of a pliable regime, the delinquent of political uncertainty can be resolved (replaced) by greater connected budgetary correction.

Rodriguez (2017) investigated 20 Latin American nations in the period dated 1985-2010 by a well-ordered probity model. He settles that the secure government is further extensively approved by slight liberal economy whereby trading and economical movements are soundly managed in steady and well-built organizational and controlling surroundings. In the situation of a secure conversation rate administration, the upright excellence of the political organizations and the trustworthiness of the subsequent monetary authority inspire economic action by encouraging the reserves and self-assurance of the agents, which has a beneficial encouragement on the volume investment. It additionally demonstrated self-governing organizations help to safeguard enduring steadiness in politics, hopeful the acceptance of a movable exchange-rate administration for motives of longstanding economic development.

2.5 Political Instability and Efficiency of Taxation

Regarding context of the politics and the capacity of competence of collecting taxes, there are numerous schools of thought: According to Barro (1991), existences of socio-politic turbulence, like, incidence of unrests and takeovers in count to the quantity of assassinations mainly distract the economic development of a nation and consequently, it creels collecting taxes and so that, growth of government facilities and providing of unrestricted services is halting. Alesina et al., (1996) showed, for nations by higher tendency of régime failures, how quickly they are developing economically and competence of régime rules is implicitly lower compare to with better constant administrations. They initiate, regular incidence of administration failures caused in additional letdowns inside the economic environment; a wrinkle consequence. Cukierman, Edwards and Tabellini, in investigation they made in 1992 summarized, nations which contained a supplementary differentiated socio- politics scheme were higher probable to have an unproductive taxation organization and advanced leverage of seignorage, which is, gains acquired through the administration by printing of notes at a greater fee that of the fee of acquisition. Alesina et al (1996) noticed that, a greater tendency in regime downfall, could direct to a different regime which probably to levy taxation on goods and other services, meaning, replace local financial inflows with spending and investment fleeing, thus foremost to reduced degree of local manufacture. Volerink and De-Haan (1999) relied statistics 1965 to 1995 to examine the association among the socio-politics sanity and revenue collection. The investigation displayed that an indecisive political management caused in an increased taxation load.

According to Bohn (2002), socio-political unsteadiness consequences in lower tax collecting capability levels in régime because of narrow view in an effort to amend disasters. It's outcome is sky-rocketed public credits together with increased disobedience of fiscal rules implemented. Carmignani (2003) stated it, socio-politics unpredictability adversely relates to socio-economic development and competence in collecting taxes, and delivery of unrestricted services. Aizenman and Jinjarak (2005) stated Political stability was a byproduct of tax collection expertise. . In other words, decrease in political unsteadiness and divisiveness lead to lower levels of revenue collecting efficiency. Aizenman and Jinjarak(2005) carried out an investigation which had results that; a single deviation upsurges in the strength of the political regime augmented tax collecting competence by 3.1%, though a single deviation upsurges in the effortlessness of contribution of the community in political activities amplified tax collecting competency by 3.6 %.

Azzimonti (2010) stated an upsurge in unpredictability of the politics condensed the wealth obtainable, in relation to income and societal benefits. Which in turn directed to limitations and dissimilarity in the way decision-makers allocate wealth. Elgin (2010) initiated it, states with significant shift in politics had low taxation load. This was by means of a significance of periodic but smooth alterations in government supervision, so that strategies continually confronted as well as reviewed. Mello (2011) again inspected the association with the taxation levels and political steadiness in Argentina. He Summarized, unsteadiness in politics was an influence to tax behaviors of the government. Rieth (2011) confirmed thirteen affiliate states of the OECD for the period 1964-1983 for a premise that, progressive unpredictability in politics brings about in rising of taxation levels on earnings. The conclusions stated, socio-politic unpredictability actually upsurge the level of revenue from taxation.

Devereux and Wen, (1998) conducted a study focused on the relationship across sociopolitical unpredictability; development of the economy and how big is the government. Some of their conclusions suggested that greater levels of capital taxation were related to greater amounts of turmoil in politics. Carmignani (2003) assessed issues those exaggerated unpredictability in politics. It involved: development in the economy, creation of spending plans, and hyperinflation, financial administration and levying taxes issues. The discoveries shows, an upsurge taxes on capitalized items led to less capital investment, plus unpredictability in politics and ambiguity are consequence of designation of quick-term strategies. Palan (2002) initiate that successful taxation systems have a better socio-economic constancy; which suggests, advantageous taxation regulations improve steadiness of the regime. Ghura and Mercereau (2004) inspected the connotation among commerce with tax system, and socio-political situation. The discoveries tell us disorder in the stage of trade and small amount of taxes convey about socio-political volatility. This suggests that, socio-politics unpredictability is activated by, including several factors, lower levels of income from taxes.

2.6 Government Policies' Impact on Tax Collection

The increased sophistication of business dealings and the globalization of markets have given rise to more complex and refined mechanisms of tax evasion. Furthermore, tax authorities have passed more complex anti-abuse regulations. However, tax complexity, which was intended to serve as a deterrent to tax fraud, evasion, and other methods of reducing or completely avoiding one's commitment to pay taxes, frequently serves as a springboard for the realization of the same schemes of tax noncompliance, by exploiting the ambiguities and loopholes that tax complexity provides. The implementation of the self-assessment system in several nations has also increased the sense of tax complexity (Loo,McKerchar,& Hansford,2009). This method delegated tax compliance obligations to taxpayers rather than tax administrations. In general, this development develops without the taxpayers' prior preparation, indicating an increasing impression of tax complexity and its repercussions in terms of tax compliance (Evans & Tran-Nam, 2010; McKerchar, Meyer, & Karlinsky, 2008).
According to the worldwide literature, despite the fact that tax complexity has been studied in various researches, a consensus definition is still required. According to Tran Nam (2004),

there is no specific theoretical basis for tax complexity. There is also no agreement on the best approach to measure it and its perception.

Tax complexity, which was intended to serve as a deterrent to tax fraud, evasion, and other methods of reducing or completely avoiding one's obligation to pay taxes, frequently serves as a springboard for the realization of these same schemes of tax noncompliance, by exploiting the ambiguities and loopholes that tax complexity provides. This is a vicious spiral in which tax noncompliance and tax complexity usually seem as cause and effect. The tax issues most studied in international tax literature have been the complexity of tax systems and their perception of it, the use of tax knowledge, the burden and effect of penalties on their activity, and the consequences of tax complexity for their tax compliance tasks (Ayres et al., 1989).

The table below shows the main areas of tax complexity perceived by those tax professionals in the US, UK and Australia.

Table 1 Areas of tax complexity in tax professionals' context.

Areas of tax complexity	Long and Swingen (1987)/US	Green (1994)/UK	McKerchar (2005)/Australia
Ambiguity of income tax rulings			X
Ambiguity of income tax cases			X
Ambiguity and uncertainties of tax laws	X	X	X
Tax laws are frequently changed	X	X	X
Numerous rules	X	X	X
Too many exceptions to rules			X
Complex rules of non-resident taxation		X	
Record keeping too detailed	X		
Record keeping too onerous			X
Confusing tax forms	X	X	X
Confusing tax forms instructions			X
Too many computations	X		X
Computations too difficult			X
Reduced help provided by tax administration staff		X	

Source: Borrego, A. C., & Cruz, M. M. (2016)

According to Borrego, A. C., & Cruz, M. M. (2016) the Portuguese tax system is perceived as difficult by tax experts (89.1%). The main determinants of tax complexity identified by Portuguese tax professionals are: (i) "volatility" of tax laws (88%); (ii) tax laws dispersion (86%); (iii) preparation of accounting information for fiscal purposes (83%); (iv) many exceptions to the rules and transitional arrangements (82%); and (v) ambiguous language (80%). Using the principal component analysis (PCA) approach the study split tax complexity into distinct dimensions by grouping the 14 drivers of tax complexity. The three aspects (indices) are (i) the "Legislative tax complexity index"; (ii) the "Compliance tax complexity index in the context of tax professionals"; and (iii) the "Compliance tax complexity index in the context of tax administration".

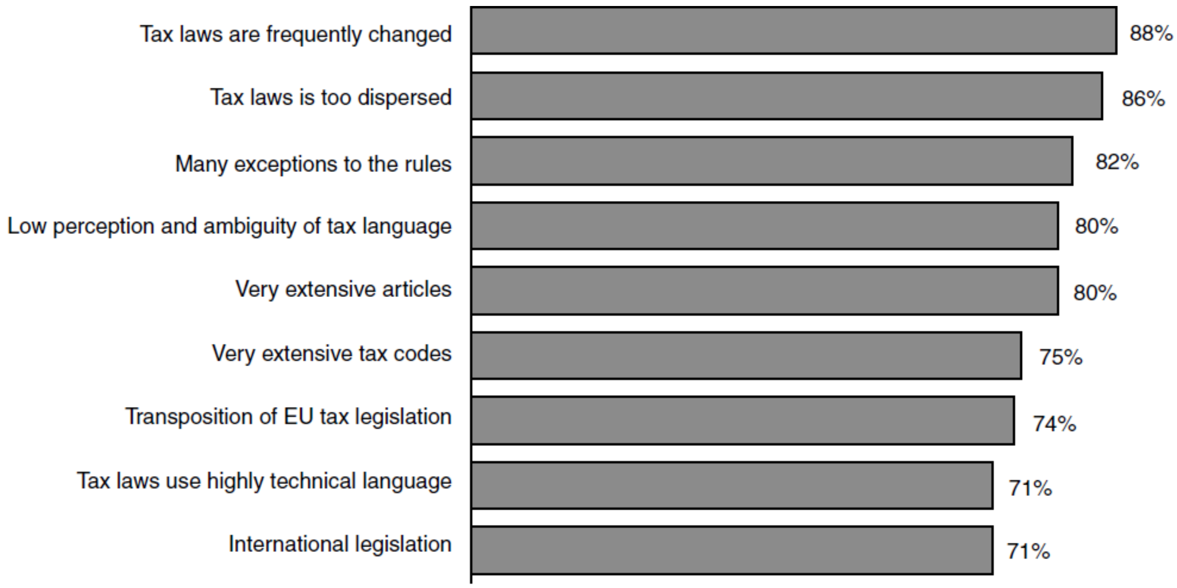

Figure areas of tax laws complexity in portugal

Source: Borrego, A. C., & Cruz, M. M. (2016)

In terms of the impact of tax complexity, particularly in its legislative dimension, on tax professionals' unintentional tax noncompliance and tax aggressiveness, tax system complexity appears to be a critical issue, increasing tax professionals' propensity to involuntary tax noncompliance and aggressive tax behaviors. This merits policymakers', the tax authority's, the regulating authority of tax professionals', and academia's attention in order to coordinate efforts to reduce the negative consequences on tax professionals' compliance activities, behaviors, choices, and recommendations (Borrego, A. C., & Cruz, M. M. (2016).

The period of colonialism, people in Britain applied an implicit mechanism of regulation, by which, they artfully implement tax rules to achievement with overpower the native citizens and guarantee that they were needy and couldn’t produce beyond themselves poorness (Afolabi, 2010). Oliver Wendell, a US citizen specified that tax was the cost that the public had to reward in order to have a respectable social order. Cobham (2005) argues, in the context of democracy, taxation strategies are the institutional instruments used by the government and its agencies to levy, regulate, and collect revenues. As Cobham witnessed, for strategies and programs to be expressed, the decision-makers needed to establish the determination of tax policies, which is, in order to precisely specify whatever, the strategy is intended to do to realize and then prepare the ways of operation of the told strategy. Cobham outline objectives of the strategies going to be:

2.6.1 Revenue

This conferring to Cobham (2005) is the principal and utmost straight aim of taxation. The necessity for income is to accommodate to:

- Crucial requirements, such as resolving catastrophes and addressing sudden issues including conflicts, starvation, drought, flooding along with being poor and alternative health facilities;
- Instant wants: these comprise instantaneous requirements which not yet disasters, however, are requirements might lead to an emergency unless adequately and resourcefully lectured, for example, poverty eradication, provision of education and preventative medicine and healthcare;
- Long-standing essentials: they comprise the necessity to enhance public infrastructure and services, and establish favorable economic settings

2.6.2 Redistribution

Cobham (2005) labelled it as necessity for attain benefit of growth in humanity for community by freeing fellows over a position of destitution caused by unequal resource allocation. The government strives to achieve resource allocation by levying greater tax charges on individuals who can afford it, along with on corporations and business, and using the income generated to develop societal and civic facilities.

2.6.3 Representation

It's essential to residents to sensation pretending they possess a position in authority and construction of the self-governing state (Cobham, 2005). It is significant for tax-payers to recognize that the construction, upgrading and renewal of health facilities, educational institutions, transportation infrastructure and other community services are made likely primarily through the income composed from tax-payers. To mean, the entire tax-payers back the progress and provisions of the state as well as their society.

2.6.4 Re-pricing Economic Alternatives

Cobham (2005) distinguished that re-pricing of cost-effective replacements occurred when the public administration employed strategies for the encouragement of its national's conduct, such as, by generating encouragements of saving or by cumulative the cost of discarding so as to defend the atmosphere and curb the badness. Once the objective of the strategy recognized, the decision-makers are able to move and sort suitable strategies to achieve the planned objective. This leads to reliable strategies that improve gathering for the proposed goal.

Afterwards 1992/93, the Ethiopian regime completed key economic strategies change from Dominant Organization to market centered with financial scheme. With regard to this alteration, a consecutive of price and taxation improvement actions were occupied. Their explanations for these were: old-fashioned tariffs and taxation rules; frail levies and taxation management; disappointment of the tariff and tax administration to appeal financial inflow, to simplify commerce as well as to create tolerable income to shelter existing and money spending, and hence funding growth and dropping destitution programs.

A number of charges and taxation improvement projects aided to upsurge the central authority and regional state income. According to the publications of the Ethiopian Ministry of Revenues, the Federal tax Income has enlarged to Birr 6.7 billion in 2002/2003 from Birr 2.54 billion in 1993/94 as the consequence of which federal tax as share of the GDP amplified from 8.97% in 1993/94 to 11.87% in 2002/03 (RPIM, 2004).

The upsurge in tax income largely features to the modest rise in mutually direct and indirect taxations, mostly the foreign trade taxes. As well, nationwide tax revenue as fraction of GDP has enlarged to 15.1% in 2002/03 from10.9 in 1993/94. Contempt, the succession of improvements and upsurge in income, the general budget discrepancy with and deprived of funding was growing. To mention some, the general budget shortfall deprived of contributions as share of GDP has enlarged from -5.2% in 1996/97 to -14.5%in 2002/03(NBE, 2003). It indicated the tax collecting works in Ethiopia has been low in contrary to the rest of Sub-Saharan African nations which is over 23% of the GDP.

Therefore, combined by a sequence of deterioration in the overview tariff, excise due and income duty and delivery of the budgetary shortage, announcing a neutral and actual tax, i.e., the VAT with extensive levy base was well-thought-out. Value Added Tax (VAT) earnings developed a major levy tool in global. The international inclination to announce VAT in more nations is persistent. VAT has also become vital constituent of tax improvements in emerging nations (Goode, Richard 1993). Ethiopia's tax improvement program has announced VAT meanwhile January, 2003.

VAT income potential and the issue impartiality and effectiveness are as well the motives for preeminence of this levy in dissimilarity to other shared tax tools for instance the sales tax (turn over tax). The developing conservative wisdom, grounded principally on practice and several nation case studies, suggests that a single rate VAT (with the rate between 10 and 20%),with very few liberties and, hence, a complete base is higher to a VAT with numerous rates and many releases which reduction its base and complicate managements. Ethiopia's ordinary VAT rate of 15% and turn over tax 10% for services and 2% for goods have to be investigated in the medium term whether or not they could extend the tax base and register high income efficiency (Zeliko Bogetic and Fareed Hassan ,1995).

2.7 Structural Support Systems Role on Tax Collection

Structural supporting systems are as an arrangement of independent components combined interdependently to simplify the seamless productivity of a whole system (Fjeldstad and Rakner, 2003). The income gathering agent in Tanzania, TRA had subsequently 2004 been performing the Revenue Administration Reforms and Modernization Program (RARMP). This program was proclaimed for the reason for handling the jobs that held in reserve fulfilment of whole combination, and a contemporary and unified taxation management. Support arrangements comprise the people, that is, the human resources elaborate, besides stakeholders who consist of the administration, investors, the board of executives, creditors between others who have conferred interests in the organization; the procedures; the technology used in addition the equipment that facilitate proper function of the whole business.

2.7.1 ICT Infrastructure

Increasing tax revenue is an important policy goal in many low- and middle-income countries (LMICs). On average, low-income countries collect 11 percent of GDP as taxes compared to 22 percent in high-income countries (UNU-WIDER Government Revenue Dataset, 2021). Beyond funding public investments such as infrastructure, health and education, taxation is also important for providing redistribution, and reducing reliance on foreign aid and natural resource revenues. However, with high levels of informality and limited state capacity in LMICs (Besley and Persson, 2009), many tax authorities have difficulty determining the true tax base and collecting taxes efficiently and equitably.

Over the last several decades, tax systems throughout the world have progressively used innovative technology to streamline administrative operations, lower taxpayer compliance costs, and increase overall revenue collection effectiveness. These advances are taking place in the context of digital transformation in all aspects of life: from government to business to interpersonal relationships and much more, a growing number of contacts are taking place virtually due to the fast development and spread of digital infrastructure. For example, by 2020, 51% of the world population would be linked to the internet. Only 20 years ago, this proportion was at 7% (World Bank). Tax authorities can use proper technological systems to gather information on taxpayer obligations that taxpayers may otherwise conceal or distort. Technology can facilitate the efficient submission of huge volumes of data from a reporting institution (such as an employer or financial business) for third-party information. Technology may also enable the connection of databases that offer information on a taxpayer's many sources of taxable income or assets.

Governments and organizations throughout the world are increasingly recognizing the need to improve access to community services through information sharing via ICT. In the twenty-first century, the role of ICT in social and economic life has grown. It is now a reality, as evidenced by developments in many nations, that ICT contributes significantly to a country's GDP and that ICT has improved the market competitiveness of a country's products, production, and services (Uvaneswaran & Mellese, 2016). ICT drive can be viewed in a variety of ways, which includes reduced workforce needs, reduced tax compliance costs, reduced collection and administrative costs; saved time for taxpayers due to transparency in assessment, fast processing, collection, and related processes; reduced communication costs; and prompt contact with information, which ultimately leads to improved revenue collections and efficiency, including revenue loss blockage. The growing globalization of ICT has led businesses, people, business groups, and government parastatals to shift from manual to automated communication methods. Tax administrators have taken use of the opportunities presented by the advent of ICT to improve tax administration.

Worldwide, tax authorities are using e-tax administration systems to interact with taxpayers in compliance settings, administration, and tax collection in order to improve efficiency and effectiveness in tax administration (Dowe, 2008). For many years, tax administration has failed due to a lack of certainty, poor motivation and enthusiasm of tax personnel, equity, convenience in Nigeria, and other factors such as ineffective monitoring, improper planning, fraudulent practices, weak control, ill equipped and unqualified manpower, and public dissuasion due to government misappropriation of tax revenue (Ogbonna & Appah, 2012). ICT improves revenue collection and administration performance by lowering processing times and human error, making data more accessible to tax staff, increasing voluntary compliance, which invariably reduces tax evasion and avoidance, and facilitating strong decision making.

ICT allows business to significantly increase its efficiency and efficacy while lowering production costs and improving process transparency, efficacy, and productivity. Although, this could be hampered by users' resistance to adapt to change and use existing systems, as well as by their lack of adequate training and the lack of financing for instructional materials on both fresh and existing technologies. (Davis,1989). As globe becomes more "technologized" and smaller, it is crucial to accept change and cope alongside the technology development for the sake of increasing effectiveness of collecting taxes. (Miyahira, 2008). Additionally, he emphasized, as a result of new business-enhancing capabilities made possible by modern technologies, enterprises now pay higher taxes. Therefore, in order to take advantage of the new opportunities produced in order to boost revenue collecting, the revenue gathering agency must continue with the technical developments.

2.8 Electronic Taxation Facilitates Tax Compliance

A major application of technology in taxes is making it easier for taxpayers to get information and perform their tax responsibilities. Many tax authorities are increasingly emphasizing customer service to taxpayers (OECD, 2021). One initial step done by tax authorities is to publish full instructions, forms, and information on the compliance stages and requirements for each sort of tax on their website. A next step would be to enable taxpayers to execute transactions online, such as filing and paying taxes. Individual taxpayer accounts including the taxpayer's transaction history with the tax authority may then be maintained by tax authorities. The tax authorities may also communicate with taxpayers via technological means such as SMS and email reminders, payment confirmation, and notifications. One significant effect of these technologically driven tools is that they enable taxpayers to deal with the tax system in an impersonal manner. In their absence, taxpayers would most likely be at the mercy of tax authorities in charge of supplying information, performing transactions, and monitoring them in person. And there are three specific technologies: e-filing and e-payment, electronic billing machines, and online communication. Electronic filing and payment refers to digital services that allow taxpayers to (i) file their taxes electronically - along with a variety of other tax-related activities (attach annexures, claim refunds, make appeals, update their personal details, get assistance online, check their filing history, etc.), usually through a web portal to which they have access or through similar phone applications, and (ii) pay tax liabilities online, through digital platforms (mobile money, credit card or similar electronic transfers) which efficiently connect the revenue authority, private banks or digital financial service providers, and the central bank. The basic promise of e-filing and e-payment is that they allow taxpayers to execute such tasks in a less cumbersome and more transparent manner, saving money on travel and queue, avoiding error-prone manual entering, and avoiding direct confrontations with tax officers who may want bribes.

Electronic Tax System in Ethiopia

The electronic tax system is one in which the appropriate authorities collect taxes from taxpayers electronically via the internet. It is an online policy that allows taxpayers to access service porters over the internet and view all of the tax administration's services, such as registration for creating a personal identification number, filing returns, and applying for a compliance certificate. One of the the devices that are used to enhance tax collection and administration is Electronic fiscal devices (EFDs). They are gadgets that automatically record transactions as they occur and transmit this data to the tax administration through a mobile network or the internet. These devices can also print receipts in some circumstances. This enormous flood of data has the potential to help the tax administration learn more about the taxpayer population. Ali et al. (2021) use the phased introduction of EFDs throughout VAT-registered enterprises in Ethiopia over a 12-year period to assess the impact of such technology on both VAT tax payments and tax base proxies. They demonstrate that EFDs considerably enhance reported sales and tax payments while also having a beneficial influence on real production - as measured by employment rates. Importantly, the tax base does not appear to be harmed, since the report finds no significant association between EFD adoption and firm net entry rate.

Mascagni, Mengistu, and Woldeyes (2021) present more evidence from Ethiopia's adoption of EFDs. The paper considers the fact that EFDs may have compliance effects across other tax types other than VAT using a difference-in-differences approach, following the recent shift toward studying compliance spillovers across taxes for a complete evaluation of any policy intervention (L'opez-Luzuriaga and Scartascini, 2019). The report, like Ali et al. (2021), reveals a large rise in both VAT and income tax payments. Furthermore, the article shows that EFDs considerably increase company reporting accuracy, as evaluated by disparities in reported sales between VAT and income tax returns. From 2010 to 2014, 60 percent of enterprises reported turnover irregularities in their filings. As a result of enhanced record-keeping processes and higher sense of identification of misreporting, such inconsistencies more than halved after the implementation of EFDs. Ethiopia's computerized tax system is still in its infancy and is very young.

2.8.1 Tax Collection and Manpower (Workforce) of the Tax Authorities

As tax administration gets more complicated and the demand for a variety of taxpayer services grows, tax authorities are constantly confronted with the responsibility of maintaining a workforce with diversified, sophisticated skill sets. Long-term success depends on properly executing succession planning and deploying knowledge management solutions, as well as recruiting and keeping the next generation of tax authority personnel. Achieving effective tax compliance requires a number of things, including the tax administration's image, the trustworthiness of its workers, their eagerness to assist, and so on. Tax administration necessitates a significant number of people with strong academic credentials, and much effort is expended in training them. However, the problems in managing these human resources result in a continual movement of brilliant people to the private sector, where they may raise the value and level of their talents. These considerations explain the meager outcomes of initiatives aimed at attracting and developing young professionals. These programs must be based on genuine opportunities for inspiring work, and applicants must be put in jobs that match their existing and projected talents. Schlemenson, A. (1992)

According to Afuberoh and Emmanuel (2014), factors that impede effective tax administration in Nigeria include inadequate staffing, inadequate salary payment for tax officials, insufficient training of tax officials, and tax officials' inability to discharge their assigned duties and responsibilities. Inadequate revenue generation from taxpayers by the government is due to insufficient motivational incentives provided to tax personnel to perform their expected tasks, insufficient training programs offered to tax personnel, poor tax audit, low tax compliance from taxpayers, and an ineffective tax administration system in internal revenue service firms across the country. Taxpayers have filed various complaints alleging that taxes paid to the government are not utilized to develop adequate infrastructure to meet the demands of Nigerian residents. The high level of corruption and other social vices prevalent in Nigerian civil service prevents the government from using the funds generated by tax payments to serve the actual purpose of collecting such taxes from Nigerian workers (Abata, 2014; Afuberoh & Emmanuel, 2014; Guruma & Mansor, 2015; Oyedokun, 2016; Soetan, 2017; Eja, Idaka, & Ogar-Abang, 2018).

Huselid (1995) arguing the using highly efficient workplace techniques such as accurate and proper and exhaustive personnel attraction and hiring process, practical and incentive based benefit packages, and productivity tracking and control mechanisms, and substantial participation by workers in managerial decisions and development can boost an organizations present and prospective personnel's expertise, competencies and capacities, motivate them, and lower layoff rates whilst improving preservation of competent staff.

The Taxpayer package was also recognized so as to promote facility options to provide fixated education outreach and replace services besides improve information dissemination and secure strict devotion to the distribution of the Taxpayer Charter and revamp the client care bureaus and call center programs owning a fruitful and enthusiastic staff members could contribute an important part on improvement in collecting taxes (Waweru, 2005).

2.9 Empirical Literature Review

Generally, there are few studies have been undertaken on factors affecting tax collection in Ethiopia to the best of the knowledge of the researcher. However, there are few researches on the each factors that affect the tax collection of MoR, Large Tax Payers Office in Ethiopia discussed in the section hereunder.

According to the MoR 2022 report, because of the civil war in northern Ethiopia, the MoR two federal branches which are located at Mekelle and Kombolcha, have been out of operations for the third consecutive years. Both branches were capable of collecting annual taxes around 4.2 billion. This is a clear evidence of how political instability affects the tax collection performance of the government. Additionally, the ministry lifted penalties and interest for taxpayers who were unable to obeyed their operations timely because they were affected by political instability of the area they are operating.

Branches	2019/2020 G.C collection
MOR-LARGE TAX PAYERS OFFICE (LTO)	87,276,573,444.51
MOR-MEDIUM TAXPAYER BRANCH OFFICE	16,097,788,769.79
AA BRANCH EAST	7,314,276,793.15
AA BRANCH WEST	6,009,904,434.07
ADAMA BRANCH	2,866,404,091.13
BAHIR DAR BRANCH	2,569,935,711.19
MEKELLE BRANCH	**2,472,785,400.26**
HAWASSA BRANCH	1,209,920,357.30
DIRE DAWA BRANCH	712,826,483.50
KOMBOLCHA BRANCH	***1,702,453,831.91***
JIMMA BRANCH	613,489,884.62
MOR- NORTH WEST SMALL TAX PAYERS OFFICE (STO)	440,015,543.72

Picture: MoR collection report of 2019/20 fiscal year

Hassan et al., (2021) investigated the impact of governance on tax revenue in Pakistan by employing the Autoregressive Distributed Lag (ARDL) co-integration technique from 1976 to 2019. Their findings show that government stability, law and order, and internal and external conflicts have positive and significant long-term and short-term impacts on tax revenue. Using the panel autoregressive distributed lag, (Rehema et al., 2019) examine the impact of governance quality on tax revenue in East African countries from 1996 to 2016.

According to their results, improved governance has a positive long-run impact on tax revenue but has a negative short-run impact.

Using time-series data from 1980 to 2010, Amin et al. (2014) empirically reveal numerous factors involved in direct and indirect tax collection in Pakistan. They examined the relationship between the tax-to-GDP ratio, corruption, political instability, trade openness, real per capita income, and inflation using empirical data. According to their findings, tax collection decreases as corruption, inflation, and political instability increases, while trade openness and real per capita income increase tax revenue.

Johnson and Omodero (2021) investigate the impact of political (political stability), institutional (corruption), and bad governance on tax revenue mobilization in Nigeria. According to their findings, corruption and political insecurity have a positive and significant impact on tax revenue mobilization. Surprisingly, the impacts of institutional quality are quite heterogeneous, with corruption control and the rule of law having a significant negative impact in the short run, and political stability having a significant negative impact in the long-run (Canh et al., 2021). Furthermore, Arora and Chong (2018) found that a greater level of institutional quality increases positive perceptions of the quality of public services while moderating the view of taxes as a barrier to growth.

Nazarawit (2022) investigated the effect of e-tax system on tax revenue collection by collecting secondary data from MoR, the results show that the introduction and use of an e-tax system had a considerable and favorable influence on the collection of tax income from large tax payers in Ethiopia. The study's findings confirm that the use of the e-tax system has an impact on tax revenue collection.

Olaoye and Kehinde (2017) investigated the influence of information technology on tax administration in Nigeria's south west. It thoroughly examined the impact of IT on tax productivity as well as the interaction between IT and tax strategy and execution. To collect data, descriptive research was done, and a questionnaire was used as a tool. To analyze the data obtained by the questionnaire, Pearson product moment correlation (PPMC) and multiple regressions were used. The findings revealed that IT, namely Online Tax Registration, Online Tax Remittance, and Online Tax Filing, had an impact on tax collection.

Tahir (2022) analyzed the impacts of institutional quality (political stability, corruption, government effectiveness, rule of law, voice and accountability, and regulatory quality) on the collection of tax revenue in Ethiopia, using a time-series data set from 1996 through 2020. All estimates are based on the autoregressive distributed lag (ARDL) bound test approach. This study employed an ex post facto research design to investigate the effects of institutional quality on tax revenue collection in Ethiopia.

In their analysis, Meles and Tesfahun (2016) highlighted the main instances of poor revenue collection and recommended that the tax authority be strengthened and given the necessary resources to effectively and efficiently administer the tax code. According to Tiwari, P. (2017) cited in Gondo T et al *(2010),* studies on fiscal management conducted in Ethiopia in the case of Dangila Municipality revealed that Municipality revenue collection is affected by inadequate assessment of taxable sources, lack of awareness of taxpayers, inadequate accounting system, and lack of skilled manpower are identified as factors affecting revenue collection.

2.10 Conceptual Framework of the Study

Conceptual framework is a group of concepts that are broadly defined and systematically organized to provide a focus, a rationale, and a tool for the integration and interpretation of information, usually expressed abstractly through word models Kothari (2004). Conceptual framework of this study also explains the relationship between independent variables and dependent variable. Independent variables in this study are political instability, information technology, human resources and support systems. Dependent variable of this study is Revenue Collections performance.

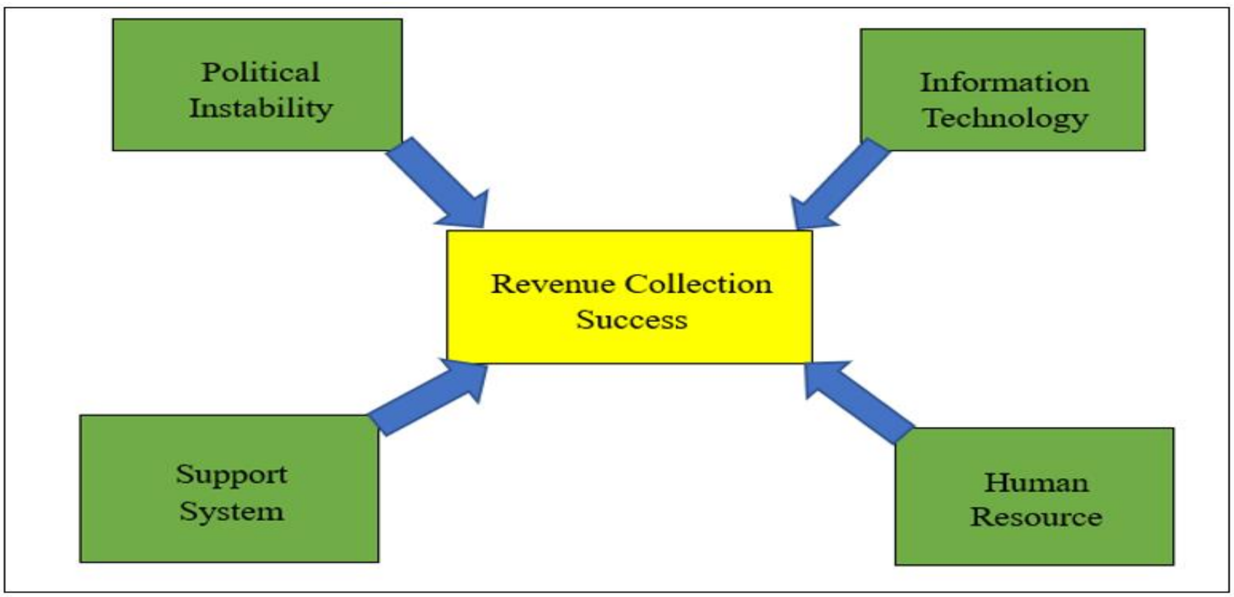

Figure 2.1: - Conceptual framework of the Study

Source: - Own formulation

CHAPTER THREE

3 RESEARCH METHODOLOGY

3.1 Introduction

The investigation tries to determine the degree to which shifts in the prevailing political conditions, government tax policies, ICT infrastructure and qualified workforce of the organization affect collecting taxes competently. The section surely depicts the method that was selected to carry out the intended investigation. It contains the research approach (design), the intended audience, electing sample strategy, data gathering tools and techniques, the statistical scrutiny techniques used, research integrity of the research, and moral principles that were taken into account.

3.2 Research Design

Bryman and Bell (2007) define research design as "a master plan that specifies the methods and procedures framework for collecting and analyzing the required data." This means that it explains how to collect the knowledge required addressing the research questions. There are various sorts of research designs that can be used to explore business problems (Hair et al., 2011). The research design for this was descriptive and involved statistical (quantitative) analysis.

3.3 Target Population and Sampling Strategy

3.3.1 Target Population

A target population, according to Louise Barnsbee (2018), is a group of people who have been investigated as part of the intervention and from whom findings drawn. Taxpayers from Ethiopia made up the research's target population. These tax payers were those that Ethiopia's ministry of revenue had classified as heavy taxpayers. These huge tax payers made a significant contribution to the nation's GDP. Despite making up only around 2% of all taxpayers and the MoR's tax base, they account for roughly 70% of the country of Ethiopia's annual tax revenue. The database presently lists 794 individuals who are important taxpayers in Ethiopia.

3.3.2 Sampling Design

For the purpose of this investigation, probabilistic sampling method (randomly select the organization name list obtained from MoR) has to be used to create the desired sample. As a result, sampling imperfections and mistakes were minimized, and the sample served as an accurate representation of the population as whole.

3.3.3 Sample Frame

It is where the candidates for the survey were chosen from the list. For the purpose of this research, a sample of taxpayers from MoR large taxpayers branch served as the sampling frame.

3.3.4 Sampling Method

Simple random sampling selection method was utilized to create the group of participants because everyone in a population has an equal chance of being selected into a sample. It is considered a fair and unbiased sample selection method.. (Mugenda & Mugenda, 1999). This ensured less sampling bias and errors.

3.3.5 Sample Size

According to the organization data, in 2023 there are around 794 large taxpayers currently doing commercial activities; By using (Yamane, 1967) formula the sample size designated as:

Sample Size (n) = $\frac{N}{1+N(e)2}$ where: n = the sample size,

N = the population size

e = the degree of precision (0.05)

Sample Size (n) = $\frac{794}{1+794(0.05)2}$ = 266

Therefore, the total numbers of samples of this study are 266.

3.4 Method of Data Collection

According to Mugenda & Mugenda (2003), data sources are categorized into two types: primary and secondary sources. Primary data is all of the information obtained throughout the study that is directly relevant to the study's objective, including personally gathered information and information gathered from a third party with the same objective. Secondary data, on the other hand, includes pertinent data that was obtained for a different reason but whose conclusion is useful for the goal.

Data were primarily gathered from original sources. It was accomplished by utilizing an organized questionnaire A brief outline, straightforward directions for the participants and queries geared at answering every single one of the study’s requests were all included in the survey. Data was gathered from principal sources. First-hand data were utilized to fulfill the required research inquiries. Because they are simple to compose and manage, questionnaires were employed. The questions included as well five-point Likert scales. The variables are measured by ratio analysis. Data other than primary sources were collected from secondary sources basically from MoR data warehouse for the revenues collected throughout various time periods.

3.5 Method of Data Analysis

After data had been gathered, it had been examined and put into an easily readable, interpretable format. It is the method of systematically using rational and/or empirical methods to explain and demonstrate, summarize and assess, and analyze facts. To meet the objective of the study, the researcher used descriptive analysis. Descriptive analysis was used to create general awareness about the variables in the study. For this purpose, statistical software package called SPSS (for descriptive part) were employed.

3.6 Validity and Reliability

Reliability is steps of internal consistency that is disturbed with item replies reliable across concepts and designates scores are steady over time when the device is managed (Creswell, 2009). In order to ration the steadiness of the instrument, the investigator used a 0.70 Cronbach's coefficient alpha to quantify the constancy of the tool. And the nearer Cronbach's alpha figure is to 1.0, the greater the internal reliability of the items in the measure.

N.B the detailed reliability tests of each variable is presented in Appendix 2.

Table 3.1: -Reliability

Cronbach's Alpha	N of Items
.969	15

Source: - Survey result, 2023

For the purpose of testing the internal reliability of variables in this research tool Cronbach's alpha coefficient has been determined. A questionnaire modified and erected from s studies tested by Cronbach's alpha coefficient through SPSS v.25 was found to be 0.969. This designates the data is recognized or reliable for more analysis.

Variables	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
Impact of Political instability on Revenue Collection	7.76	11.92	0.81	0.91
Effects of Policies on Revenue Collection	7.67	14.32	0.91	0.96
Impact of Information Technology and Human Resources on Revenue Collection.	7.31	12.19	0.90	0.96

Table 3.2.Reliability Statistics

3.7 Ethical Considerations

In the process of conducting the study, there are various ethical considerations that were considered by the researcher. The first element considered was originality of the data collected. Secondly, the researcher ensured that the findings and conclusions of different authors were correctly cited and referenced accordingly using APA referencing system. This helped the researcher to eliminate any plagiarism which is a major academic offence. The researcher assured the originality of the study and ensures views of other scholars are separated from those of the researcher’s in the study.

CHAPTER FOUR

4 DATA PRESENTATIONS DISCUSSION AND ANALYSIS

4.1 Introduction

This section covers the results and analysis of the research investigation based on explanation of the data composed. The researcher disseminated questionnaires to large taxpayers' companies; 266 questionnaires were circulated to participants and 240 (90%) of them properly filled and refunded. In this chapter, both descriptive and implications on the data analysis and events are presented.

4.2 General Information

Participants had asked to offer a little universal personal facts including detailed sector belonging to them, a spectrum of their length of service in the company, and their position within the company. This statistic was important since it provided a description of the desired participants collection and which could make it easier to collect data for the purpose of the research.

4.2.1 Main Industry area of Businesses

Out of the respondents, 56 of them are whole-sellers, 49 were in the construction Industry, 47 are manufacturers whereas those who are in agriculture were 31 etc. Companies that conducted operations in numerous sectors were also taken into account.

Item	Category	Frequency	Percent
Core Business of the Organization	Food manufacturers	17	7.1%
	Government	30	12.5%
	Agriculture	31	12.9%
	Wholesalers	56	23.3%
	Construction	49	20.4%
	Oil Mining and exploration Services	4	1.7%
	Banking	6	2.5%
	Manufacturers	47	19.6%
How long your organization stay in this business	Over 20 Years	62	25.8%
	16-20 years	102	42.5%
	11-15 years	54	22.5%
	6-10 years	15	6.3%
	5 and below 5 years	7	2.9%
Level of Employment	Senior Management	13	5.4%
	Management	104	43.3%
	Supervisory	106	44.2%
	Employee	17	7.1%

Table: -4.1 General Information Source: - Own Survey result, 2023

4.2.2 Operational Duration within the Company

The length of time that a person has worked for the company determines how knowledgeable they are with the companies' activities with regard to financial situation, and also its tax responsibilities and tax rules, as a result, 42.5% of the organization has an age of 16-20 years of foundation and the second largest year of formation is over 20 years of establishment it includes 25.8% years.

4.2.3 Position in the Company

The participant's level of position in the company provides a measure of validity of the details that were provided. For instance, some details, particularly which related to organizational management, cannot be accessible to employees at less senior positions. Out of the entire replies gathered, 44.2% were of supervisory level, 43.3% management level and above,7.1% were employees and 5.4% were senior management. This suggests a high stage of honesty as most respondents are conscious of managerial facts that may be supposed private to the organization. The discoveries are as shown in the above table 4.1.

4.3 Political Stability Impact on Tax Collection

Participants were invited to share their opinions on the effects of political situations on the collection of taxes. In order to respond to the study demands as outlined in part 1.4 of this investigation. It is also explained on section 2.2 of the literature about the impact of political unpredictability on collecting taxes.

Participants have been inquired about their opinion on the nation's unpredictability of politics had an impact on the process of collecting taxes. The responses were summarized on a scale that was from 'strongly disagree' to 'strongly agree'.

Graph 4.1 displays the replies underneath.

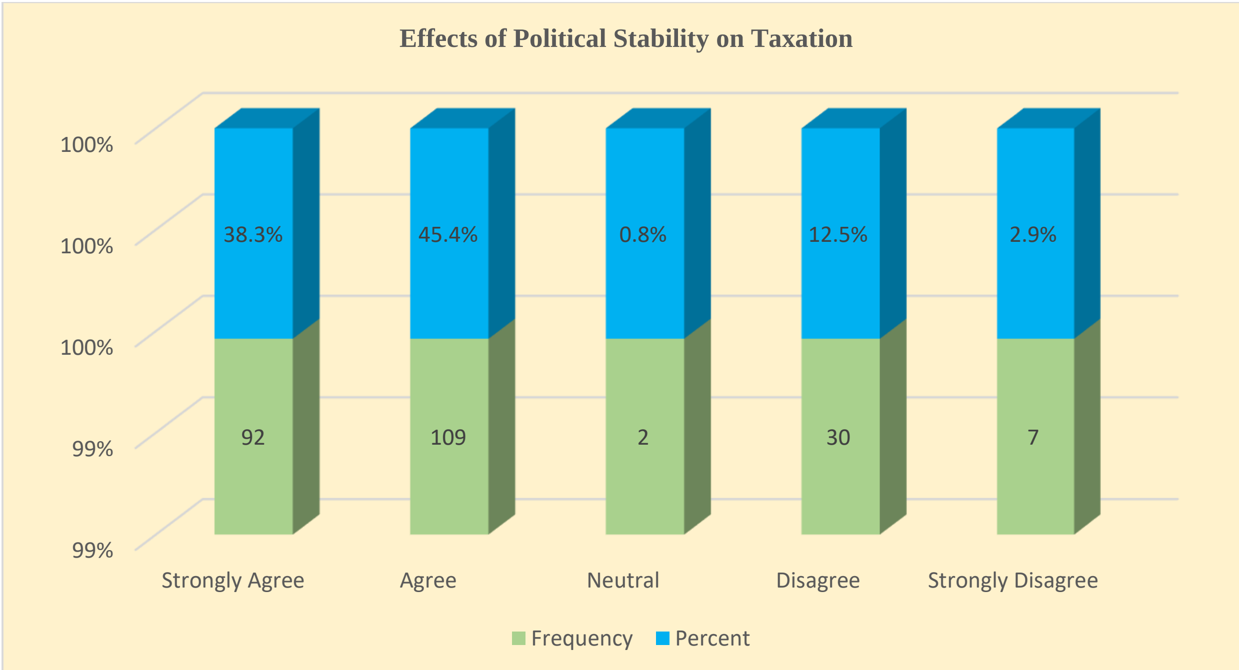

Figure 4.1: - Effects of political steadiness on taxation
Source: - survey result, 2023

From figure 4.1 above, more than 83% of participants were of their view that steady political environment have positive outcome on collecting taxes. Roughly less than 15% of the participants view that political stability had no effect on business actions or have no impact on collecting taxes. This show that because of political instability government may be enforced to relief tax debt of taxpayers that affected by the instability which in normal circumstances should be paid. This in turn affects the tax collection performance of the ministry.

The respondents were inquired about their degree of agreement on the country's prevailing political climate has any impact on their company's regular activities. The replies are shown in tableau 4.4 below.

Table 4.1: - Effect of political situation on business

	Frequency	Percent
Strongly Agree	88	36.7%
Agree	111	46.3%
Neutral	19	7.9%
Disagree	15	6.3%
Strongly Disagree	7	2.9%

Source: - Survey result,2023

From the above table 4.1, 36.7% of participants were strongly agree and 46.3% were agree about of the opinion that the predominant political situation at a specific time in the country have an impact on their business operations and their processes for that and even for successive periods. About 9.2 % of the participants were reply as the political state did not affect business actions. From the results we learned the prevailing political condition of the country has impact on businesses operations which in turn has effect on the performance of collecting taxes.

There was a nationwide election held in the country in between the previous five years tax collection periods. Participants were asked if the impending general elections particularly the June, 2021, general elections, had any effect on the business as usual. Results ranged from "completely disagree" to "completely agree" on a rating system.

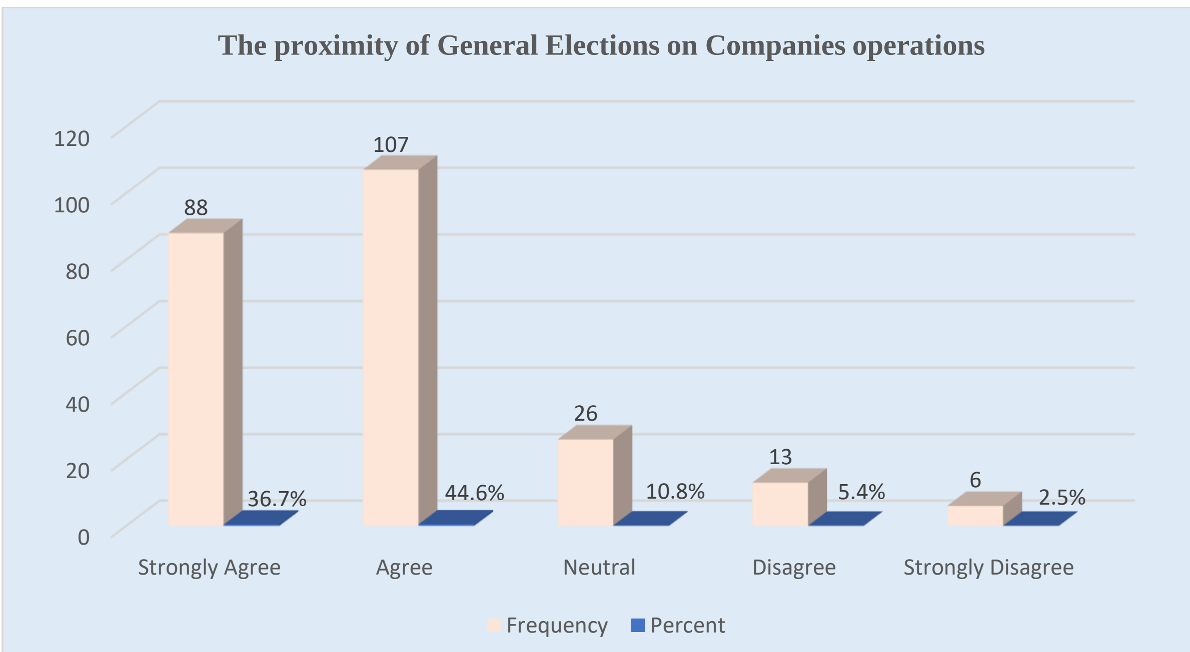

Figure 4.1: - Effects of closeness of general elections on organization
Source: - survey result, 2023

The results are shown in the graph 4.1 above. Less than 10% of those were disagreed with the findings that general elections had an impact on company practices. More than 80% of participants were proven to be in agreement with this statement. Which shows, when elections are approached, held and even after the event businesses are affected by the unrest, protests, demonstrations and turmoil following the election which make business unable to operate smoothly, which in turn halts their revenue. As the result, the tax collection process will be affected.

4.4 The Impact of government rules and regulations on collecting taxes

The question of whether the tax regulations were complicated and difficult to grasp was put to the participants. Results ranged from "completely disagree" to "completely agree" on a rating system. The results are presented in the Figure 4.3 that follows.

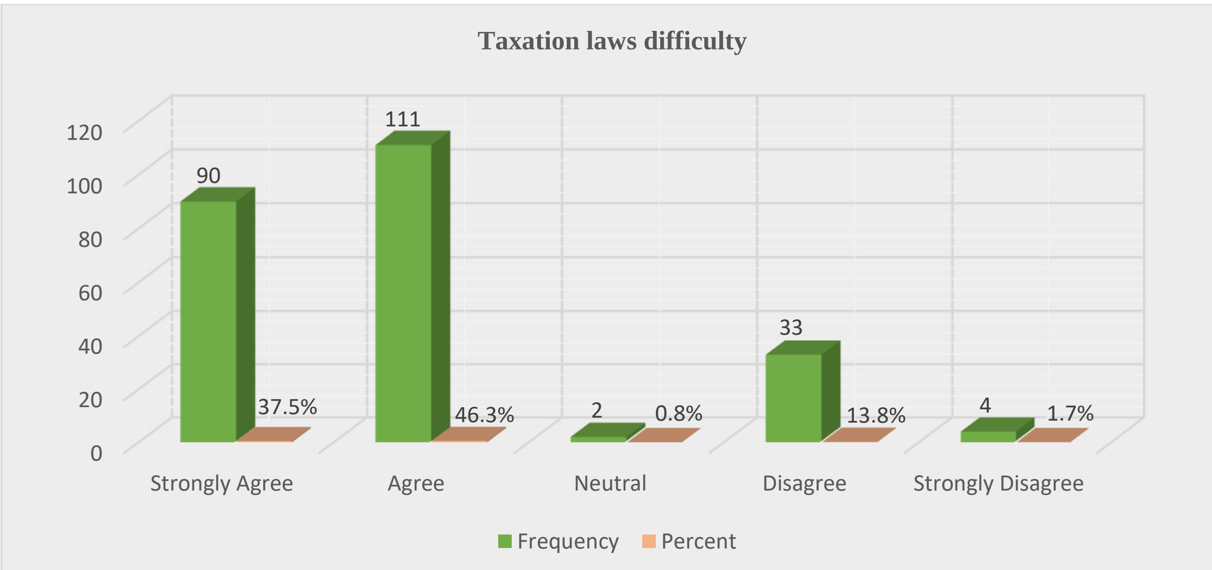

Figure 4.3: - Taxation laws difficulty
Source: - survey result, 2023

From the above figure 4.3, above 83% of participants felt that it was difficult to figure out or comprehend the existing tax legislation. About 15% of participants have the view that the legal framework of taxes are simple to comprehend as well as to infer while this may be lack of delivering suitable training for their customers. Results show that, as taxpayers easily understand the rules and regulations they will obey their tax duties accordingly so that contribute to the collection performance of the authority.

When questioned about whether taxes rules aided to simplify managing a company, A rating system ranging from "completely disapprove" to "completely approve" was used to rate the replies. The results are presented in table 4.5 below.

Table 4.5: - Tax rules facilitate more efficient management of companies

	Frequency	Percent
Strongly Agree	30	12.5 %
Agree	6	2.5%
Neutral	111	46.3%
Disagree	90	37.5%
Strongly Disagree	3	1.3%

Source: - survey result, 2023

According to tableau 4.5 beforehand, 15% of respondents said the tax laws in place made administration of the organization easier. This meant that these respondents found that the laws gave direction to the organization, in terms of making declarations in the form of returns and other related matters. About half of the participants were not definite about the opinion that taxation laws resulted on efficient management of the companies.

When asked if they believed that the goal of wealth allocation had been attained by effective tax legislation. A rating system ranging from "strongly agree" to "strongly disagree" were used to rate the replies. The outcomes appear in the illustration 4.6 below.

Table 4.6: - Tax regulations as a tool of equitable Reallocation of resources

	Frequency	Percent
Strongly Agree	90	37.5%
Agree	110	45.8%
Neutral	8	3.3%
Disagree	30	12.5%
Strongly Disagree	2	0.8%

Source: - survey result, 2023

According to the data shown aforementioned, 83.3% of those surveyed said that revenues collected in the form of tax, contribute to building or improving public facilities including educational and health care institutions, achieving the goal of equitable allocation of income. Around 13% of respondents were allocation of wealth not affected by the taxation laws.

Participants had been invited if they believed the taxation laws put in force by MoR as an administration agency improve safety of the environment for example Anti-dumping legislation and rules governing the environment. A rating system ranging from "completely agree" to "completely agree" was used to rate the replies. The outcomes appear in the tableau 4.7 below.

Table 4.7: - The Legal Framework of the Taxation helps in Enhancing Environmental Protection

	Frequency	Percent
Strongly Agree	90	37.5%
Agree	113	47.1%
Neutral	7	2.9%
Disagree	27	11.3%
Strongly Disagree	3	1.3%

Source: - survey result, 2023

From table 4.7, 15% of participants did not believe the regulations imposed safeguard of the surroundings, while 85 percent of respondents said that stricter rules have impact to protect the environment.

Participants asked if they experienced a feeling of satisfaction and success in contributing to the development of their country when they obeyed taxation duties. Results included "yes," "no," or "not sure." The results are displayed in figure 4.4 down beneath.

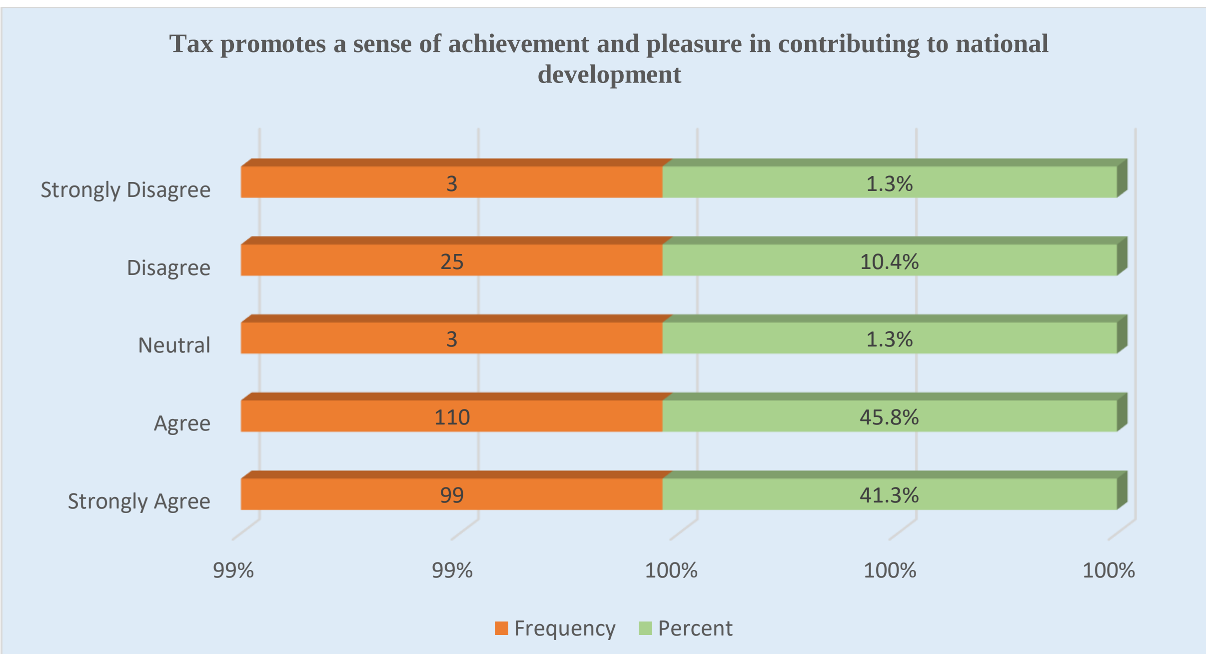

Figure 4.4: - Tax promotes a sense of achievement and pleasure in contributing to national development
Source: - survey result, 2023

According to the graph 4.4 aforementioned, 86% of respondents felt proud and accomplished for contributing to the development of their country by paying taxes, whereas fewer than 12% felt the opposite way.

4.5 Impact of ICT infrastructure and Manpower on Tax Collection

Table 4.8(a): - Effects ICT infrastructure and Manpower on collecting taxes

		Frequency	Percent
ICT has enhanced prospects for Growth and Profitability	Strongly Agree	96	40.0%
	Agree	112	46.7%
	Neutral	6	2.5%
	Disagree	23	9.6%
	Strongly Disagree	3	1.3%
Technologies makes enforcing regulations simpler.	Strongly Agree	101	42.1%
	Agree	108	45.0%
	Neutral	7	2.9%
	Disagree	21	8.8%
	Strongly Disagree	3	1.3%
MoR online and portal service has enhanced convenience of compliance	Strongly Agree	99	41.3%
	Agree	112	46.7%
	Neutral	4	1.7%
	Disagree	23	9.6%
	Strongly Disagree	2	0.8%
Personnel that are educated and have been properly skilled improve adherence to taxation legislations	Strongly Agree	3	1.3%
	Agree	110	45.8%
	Neutral	102	42.5%
	Disagree	24	10.0%
	Strongly Disagree	1	0.4%
Level of excellence in customer services accessible by MoR staff is a determinant in collecting taxes	Strongly Agree	6	2.5%
	Agree	94	39.2%
	Neutral	116	48.3%
	Disagree	23	9.6%
	Strongly Disagree	1	0.4%

Source: - Survey result,2023

Table :4.8(b) Effects ICT infrastructure and Manpower on collecting taxes

	N	Mean	Std. Deviation
ICT has enhanced prospects for Growth and Profitability	240	1.85	.950
Technologies makes enforcing regulations simpler.	240	1.82	.940
MoR online and portal service has enhanced convenience of compliance	240	1.82	.927
Personnel that are educated and have been properly skilled improve adherence to taxation legislations	240	1.80	.928
Level of excellence in customer services accessible by MoR staff is a determinant in collecting taxes	240	1.84	.902
Overall Average of Effects ICT infrastructure and Manpower on collecting taxes	**240**	**1.83**	**0.930**

Scale: < 1.80 Strongly Agree, Between 1.81 and 2.60 Agree, Between 2.61 to 3.40 Neutral, Between 3.41 to 4.20 Disagree and > 4.21 Strongly Disagree

Source: - Survey result,2023

The respondents were asked if they thought technological advancement had provided their company the potential to boost production and efficiency while subsequently cutting production costs. In accordance with the information shown in the aforementioned table 4.8(a), over 86% of respondents agreed that technology innovation and development had boosted production and efficiency in their organizations, with only 10% disagreeing. The mean result and standard deviation are 1.85 and 0.950, respectively, as shown in table 4.8(b), and this result suggests that the when taxpayers productivity and efficiency increased because of the development of ICT subsequently it has a positive impact on government tax collection performance.

When asked if they thought ICT platforms of MoR had made it easier for the businesses to follow current taxation requirements and processes. In accordance with the information shown in table 4.8(a) above, over 87% of participants thought ICT platforms had made it easier for their company to follow existing taxation requirements and processes, while only about 10% did not agree. According to table 4.8(b), the mean result and standard deviation are 1.82 and 0.940, respectively. This result indicates that the ICT platforms provided by MoR has significant impact on the tax collection process.

I asked respondents if they thought that the development of the MoR Tax administration support systems (TASS) and E-Tax facilities had made it easier for taxpayers to abide by the tax laws from the comfort of their homes or places of employment.

Results using a scoring system varied from "completely disagree" to "completely agree." The results are shown in the aforementioned tableau 4.8(a). According to table 4.8, almost 88% of those polled thinks that the creation of the MoR Tax administration support systems (TASS) and E-Tax facilities has increased taxpayers' capacity to adhere to the law. 10.4% of respondents disagree that the creation of the MoR's Tax Administration Support Systems (TASS) and E-Tax facilities has increased taxpayers' ability to comply with the law. Table 4.8(b) shows the mean result and standard deviation to be 1.82 and 0.927, respectively. This result demonstrates that the online services provided by MoR have helped them in adhering to tax rules and regulations.

Participants were asked if they thought MoR staff members were knowledgeable, well-trained, and capable of responding to any questions concerning taxes and making compliance with the tax laws straightforward. Results using a scoring system varied from "completely disagree" to "completely agree." The results are shown in the aforementioned table 4.8(a). The finding suggests that nearly 47% of respondents think that knowledgeable, trained staff increases adherence by explaining and addressing any questions that clients may have about the taxation regulations. The apathy rate is about 42.5%, and the remaining 10% don't think the workforce's skill or education levels influence how strictly they follow tax laws. The mean score and standard deviation are 1.80 and 0.928, respectively, according to Table 4.8(b). This outcome shows that MoR’s skilled and well equipped staff have a positive impact on the collection of taxes.

Participants had been asked if they thought that the MoR staff's level of good service had a substantial impact on tax collection. Results using a scoring system varied from "completely disagree" to "completely agree." The results are shown in the aforementioned tableau 4.8(a). The majority of respondents (41.7%) believed that the level of quality service rendered by the MoR staff's had a substantial impact on tax collection. About 48.3% of respondents are neutral, while the remaining 10% do not share the belief that the MoR staff's great service has an impact on tax collection. The mean score and standard deviation are 1.84 and 0.902, respectively, according to table 4.8(b). This outcome shows that, although MoR has a qualified personnel, it is not enough without rendering an excellent service, which increases taxpayers customer satisfaction which in turn positively affects the tax collection process.

4.6 Discussions

4.6.1 Effects of Political Situation on Revenue Collection

The findings from the 240 respondents show that the prevailing political situations have an impact on the general operations of a business. Be it from heightened insecurity for its workforce, to shortage or lack of resources, business operations highly depend on a stable government and stable political environment. This was shown by 83 percent of the responses being that the political situation does affect business operations. 36.7% of participants were strongly agreed and 46.3% were agreed about of the opinion that the prevailing political situation at a certain time in the country affected business functionality and their operations for that and even consecutive periods which led to businesses halt operations that in turn negatively affect the tax collections performance of the authority.

More than 80% of the respondents were shown their agreement about the influence of general election in their normal operations of the business and less than 10% of the respondents were disagree about the influence of election on normal operation of business. Which shows, if business unable to operate freely, in this case, because of tensions, protests and unrest which affected their revenue. Since tax collection is appreciated when taxpayers productivity increased, decreased in their productivity also affects the tax collection performance of the Ministry.

The finding of the research shows that political stability has an impact on government tax collection; as indicated in the empirical literature review two federal branches of MoR were out of operations for three years because of the civil war in northern part of the country which approximately lost annual tax revenue of 4.2 billion from two branches. Additionally, governments may be forced give tax relief packages to taxpayers which are affected by turmoil, unrest and civil war. This significantly hinders the performance of the tax collection process. As the results show, more than 83% of participants were of their opinion that political stability had an effect on taxation of individuals and organizations. About less than 15% of the participants opinion that political stability had no effect on business operations or had an effect on taxation of individuals and organizations.

4.6.2 Tax policies effect on tax collection

The legal frameworks of the tax authorities have a big part in smoothing of tax collection process. It is described by easily understandability, free from ambiguity, free from bias and one-sidedness. As per the findings of this study, 83% of respondents were of the opinion that the tax laws in place were hard to understand or interpret which negatively affects obedience of taxpayers to their tax duties. Nearly15% of respondents were of the opinion that taxation laws were easy to understand and interpret while This may be lack of providing appropriate awareness for their customers. Generally, the more tax laws are free from ambiguity, bias and complexity, the more taxpayers able to obey their tax duties which in turn impact the tax collection of the ministry.

One of the purposes of taxes is fair distribution of resources. This can be achieved by enforcing strong and fair rules and regulations. The fair distribution of resources can be implemented by in the form of providing basic infrastructural facilities to societies. The respondents believe strict tax laws and regulations have concrete contribution for the fair distribution of resources. The research shows that above 37.5% of respondents were strongly agree, 45.8% were agree about taxes collected helped in creation/development of social amenities like hospitals and schools and thus accomplished the intent of wealth distribution. About 13% of respondents were redistribution of wealth not impacted by the laws on taxation.

The finding illustrated more than 86% of the respondents were sense of pride and accomplishment that they are part of nation building when they pay taxes, while less than 12% were of the opposing feelings.

4.6.3 Impact of Organizational Support systems on Tax Collection

Organizational support systems like ICT and human resources have their say in the process of collecting taxes. As the tax authorities more advanced in ICT, it enables the taxpayers easily obeyed the tax duties. The MoR have platforms like E-tax, TASS, to facilitate the smooth collection of tax revenue. Likewise, a skilled, knowledgeable and well educated staff facilitates the tax collection process by providing quality service for taxpayers and also by fulfilling the taxpayers' needs and queries. In general respondents' response about the effects of information technology and human resources results have positive contribution to revenue collection.

CHAPTER FIVE

5 SUMMARY, CONSLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter highpoints the conclusions and recommendations based on the findings of this study. More specifically, the chapter explains the summary of the research questions that guided the research, the methodology that was used to study those objectives and the findings resulting from the study. Finally, based on the research finding this section highlighted implication and recommendation.

5.2 Summary

This research has contributed to the conceptual and empirical understanding of the factors that affect tax collection in MoR of Ethiopia. This research precisely sought to analyze the factors that affect revenue collection in the context of the Federal large taxpayers in Ethiopia.

Descriptive research designs were applied and primary data was obtained by use of questionnaires. Questionnaires were directed mainly to representatives of 240 federal large taxpayers in Addis Ababa. Questions asked were closed ended and were mainly of a five-point Likert-type scale. Data obtained was analyzed by use of descriptive statistics and accessible in frequency tables and bar graphs.

5.3 Conclusion

5.3.1 Effects of Political Situation on Revenue Collection

The research revealed that political stability has a significant impact on the tax collection performance. When the country's political environment is steady, it allows businesses run smoothly and can their productivity level. This in turn positively affects governments' tax collection performance. In contrary, in unstable, volatile political environment, businesses operations are halted which directly affects their revenue and in turn affects the amount of tax they would pay to government. On the other hand the tax authorities obligated to give tax reliefs for taxpayers who are their operations affected by unrest, protests and civil wars, which could have been collected if those political instability indicators were not happened. The characteristics of political conditions that can impact on tax collection are enhanced investments due to investor confidence, expansion of the economy, security for employees and the general population, lower levels of inflation and confidence in the government and the policies it puts in place. Whereas political instability is characterized by pulling out of investors and high inflation levels, reduced confidence in the government and its policies, high levels of insecurity for the whole society, reduced capital in the economy. The study also revealed that when the nation's general election taking place, business operations will be affected by the tensions and protests as well as demonstrations. As the result it will negatively impact tax collection performance. This confirms the studies stated previously in related literature part by different scholars who all defined political stability and gave different impacts of the political environment on revenue collection.

5.3.2 Impact of rules and regulations on Tax Collection

Tax laws are the major tools to enable the effective collection of tax revenue. They should be easily understandable free from ambiguity, free from bias. Further, the research exposed that the tax laws in place supported their businesses administration helping them by filing the tax returns accordingly, by paying their tax duties on time and in avoiding unnecessary penalties. In contrary, significant part of the respondents felt that the policies in place were not very easy to understand or interpret. It has also revealed that the laws can enhance protection of the environment by imposing penalties, as a result of non-compliance with the set of laws. This affirms to the stand of Moyi and Ronge (2006); Muriithi & Moyi., (2003); Institute of Economic Affairs., (2012) who elaborated on the importance of laws, regulations and policies to revenue collection. The study also revealed that strict implementation of rules and regulations can contribute to the fair distribution of the nation's resources

5.3.3 Impacts of organizational Support Systems on Tax Collection

This research showed that ICT had created chances for organizations to intensify their productivity and efficiency while cultivating quality and cutting costs of production in the long run, which in turn contribute to tax collection emanates from businesses profitability. The study also revealed that information technology had made it easier for organizations to obey their tax duties. The introduction of e-tax, e-payment and TASS (Tax Administration Support Systems) services had helped taxpayers to easily declare pay and upload documents online. In general, ICT advancement has significant impact on tax collection process of MoR. Additionally, the research revealed that the levels of quality of services provided by MoR staff as well as their level of knowledge and information are significant factors to revenue collection.

5.4 Recommendations

Based on the findings of this study, tax collection processes and performance in federal large taxpayers branch in Ethiopia is affected by political stability, implemented policies and better organizational support systems. Given the finding of this study, it is imperative to design and implement appropriate interventions to enhance and smooth revenue collection. The interventions may focus on the following areas:

- Politicians, executive bodies and policy makers should work on to widen the political sphere of the country, which can accommodate people with different political views. The government should make arrangements which helps to resolve political indifferences by dialogues and national consensus. The ruling party should guarantee the citizens fair and free elections. Which all lead to smooth operations businesses as the result the tax collection performance will be enhanced.
- Since tax laws are the major components of the taxation process, they should be easily understandable by taxpayers. Hence, MoR and MoFED should issue clarifications on the existing tax laws that are ambiguous and hard to understand. MoR should provide sequential trainings to taxpayers on new and existing tax laws.
- The findings stated that organizational support systems like ICT platforms and qualified, skilled workforce have impact on the taxation process and performance. Hence, MoR should continue train, educate its staffs in order to make them capable to handle taxpayers queries and to provide qualified services. Additionally, online platforms should be implemented intensively to facilitate taxpayers' compliance to tax duties.

5.5 Recommendations for future Researches

This study adds on the body of knowledge by examining factors affecting tax collection. However, there is a need for further researches as well. The present study examined the factors affecting tax revenue collection by focusing on federal large taxpayers in Addis

Ababa. There are several factors that could affect tax revenue, the researcher select only three factors namely, political condition, tax policies and organizational support systems, hence future researchers should investigate more factors that affect the tax collection process. Additionally, the study applied on federal taxpayers, so that it lacks insight on the general tax revenue process of the country, future researchers can study by taking account also the regional taxpayers to give more realistic picture on the topic.

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APPENDIX 1: QUESTIONNAIRE

Introduction

This questionnaire aims at collecting primary data on the factors that affect revenue collection in MoR, federal large taxpayers branch office. The respondents are requested to answer the questions as honestly as possible in-order to have a true representation for the purpose of decision making and drawing of conclusions.

PART A: BACKGROUND INFORMATION

1.Please indicate your Organization's Primary Industry affiliation (multiple selections allowed)

1. Food manufacturers
2. Government
3. Agriculture
4. Wholesalers
5. Insurance
6. Construction
7. Oil Mining and exploration Services
8. Banking
9. Manufacturers

2. How long have you worked in your organization?

[a] Over 20 years [b] 16– 20 years [c]11 – 15 years

[d] 5 – 10 years [e] below 5 years

3. Level of employment?

[a] Senior Management [b] Management [c] Supervisory [d] Employee

PART B: FACTORS AFFECTING REVENUE COLLECTION

I: Effect of Political Stability on Revenue Collection

1. The political situation of the country affects normal business operations

1. Strongly Agree 2. Agree 3. Neutral 4. Disagree 5. Strongly Disagree

2. Closeness to general elections affect normal business operations
    1. Strongly Agree 2. Agree 3. Neutral 4. Disagree 5. Strongly Disagree
3. In your opinion, the political stability of a country affects taxation of individuals and organizations
    1. Strongly Agree 2. Agree 3. Neutral 4. Disagree 5. Strongly Disagree

II. Effect of Tax Policies on Revenue Collection

4. In your opinion, the laws on taxation hard to understand and interpret
    1. Strongly Agree 2. Agree 3. Neutral 4. Disagree 5. Strongly Disagree

5. In your opinion, the laws on taxation make administration of the organization easier
    1. Strongly Agree 2. Agree 3. Neutral 4. Disagree 5. Strongly Disagree

6. In your opinion, the laws set accomplish redistribution of revenue, that is, from the businesses' profits and individuals' incomes to social development amenities (development of public resources)?
    1. Strongly Agree 2. Agree 3. Neutral 4. Disagree 5. Strongly Disagree

7. In your opinion, the laws set to enhance protection of the environment e.g. antidumping laws and the environmental protection regulations?
    1. Strongly Agree 2. Agree 3. Neutral 4. Disagree 5. Strongly Disagree

8. When you pay taxes, you achieve the feeling of accomplishment as you are part of nation building
    1. Strongly Agree 2. Agree 3. Neutral 4. Disagree 5. Strongly Disagree

6.1 II: Impact of Information Technology and Human Resources on Revenue Collection.

11. Information Technology has created opportunities for the organization to amplify its productivity and effectiveness while cutting costs of production in the long run.
    1. Strongly Agree 2. Agree 3. Neutral 4. Disagree 5. Strongly Disagree

12. Information technology systems have made it easier for the organization to comply with the tax laws and policies in place
    1. Strongly Agree 2. Agree 3. Neutral 4. Disagree 5. Strongly Disagree

13. The introduction of the MoR Online Portal and do-it-yourself services has made it easier for taxpayers to comply with the tax laws at the comfort of their offices or homes

    1. Strongly Agree 2. Agree 3. Neutral 4. Disagree 5. Strongly Disagree

14. Trained and well informed and knowledgeable MoR personnel clarify all questions regarding taxation and make compliance with the tax laws easier

    1. Strongly Agree 2. Agree 3. Neutral 4. Disagree 5. Strongly Disagree

15. The level of quality of service offered by MoR personnel is an important factor to revenue collection

    1. Strongly Agree 2. Agree 3. Neutral 4. Disagree 5. Strongly Disagree

Appendix-2: Reliability Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
In your opinion, the political stability of a country affect taxation of individuals and organizations	18.73	77.646	.839	.978
In your opinion, the laws on taxation hard to understand and interpret	18.73	77.535	.876	.977
In your opinion, the laws on taxation make administration of the organization easier	18.75	77.651	.905	.976
In your opinion, the laws set accomplish redistribution of revenue, that is, from the businesses? profits and individuals? incomes to social development amenities (development of public resources)?	18.76	77.858	.907	.976
In your opinion, the laws set to enhance protection of the environment e.g. antidumping laws and regulations?	18.78	77.690	.928	.975
When you pay taxes, you achieve the feeling of accomplishment as you are part of nation building	18.85	77.863	.933	.975
Information Technology has created opportunities for the organization to amplify its productivity and effectiveness while cutting costs of production in the long run.	18.84	78.220	.927	.975
Information technology systems have made it easier for the organization to comply with the tax laws and policies in place	18.87	78.297	.933	.975
The introduction of the MoE Online Portal and do-it-yourself services has made it easier for taxpayers to comply with the tax laws at the comfort of their offices or homes	18.87	79.803	.848	.977
Trained and well informed and knowledgeable MoR personnel clarify all questions regarding taxation and make compliance with the tax laws easier	18.89	79.958	.837	.978
The level of quality of service offered by MoE personnel is an important factor to revenue collection	18.85	80.309	.840	.978