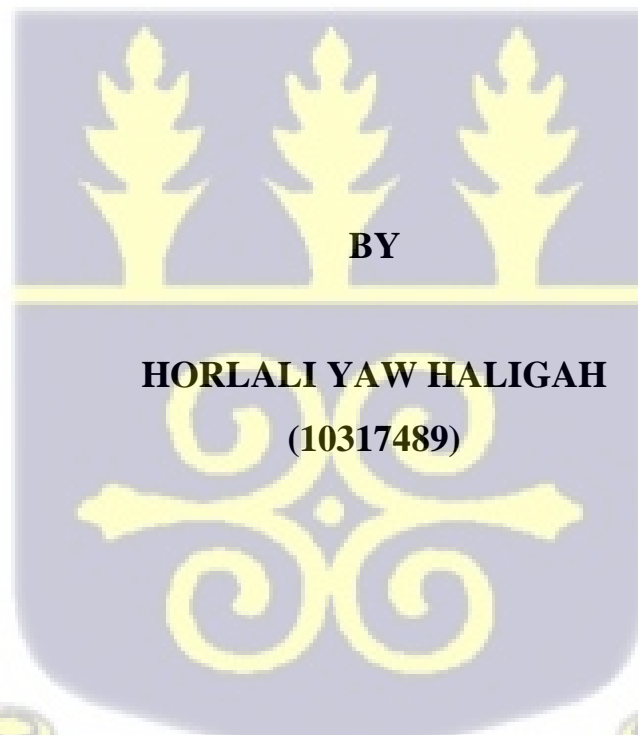


UNIVERSITY OF GHANA

**AN ASSESSMENT OF THE REVENUE COLLECTION
PERFORMANCE OF SALARIED AND COMMISSIONED REVENUE
COLLECTORS IN GA EAST AND LA NKWANTANANG-MADINA
MUNICIPAL ASSEMBLIES IN GHANA**



**THIS DISSERTATION IS SUBMITTED TO THE UNIVERSITY OF
GHANA, LEGON IN PARTIAL FULFILLMENT OF THE
REQUIREMENT FOR THE AWARD OF MA IN DEVELOPMENT
STUDIES DEGREE**

DECEMBER, 2019

DECLARATION

I, Horlali Yaw Haligah, the author of this dissertation, do hereby declare that apart from the references which have been properly cited, the work presented in this dissertation was done fully by me under the supervision of Professor Augustin Fosu in the Institute of Statistical, Social and Economic Research (ISSER), University of Ghana. This work has never been presented in full or in part for any degree at this University or elsewhere. I am solely responsible for all views expressed in this research as well as any shortcomings that may be found in it.

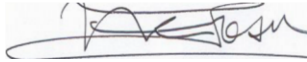


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CERTIFICATION

I certify that the preparation of this dissertation was supervised by me in accordance with the guidelines laid down by the University of Ghana.



.....
Professor Augustin Fosu
(Supervisor)

..15. September.2020.....
Date

DEDICATION

This dissertation is dedicated to the glory of God Almighty for His abundant love, providence, and guidance. The dissertation is especially dedicated to my mother, Madam Adeline Nyagbenu, who sacrificed through life's most difficult moments to support my education. Again, I dedicate this work to my siblings: Mrs. Jenny Williams, Victoria Elorm Haligah, Rita Dzigbordi Haligah, Francis Haligah, Precious Sedinam Haligah and other siblings whose names I have not mentioned. Finally, this work is dedicated to the memory of my late father, Cephas Emenyo Kwaku Haligah.

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ABSTRACT

Local government revenue generation plays an important role in promoting and sustaining economic growth, providing infrastructure development and improving the social welfare of citizens. However, the failure to fully collect local revenue has become one major administrative problem faced by Metropolitan, Municipal and District Assemblies (MMDAs) in Ghana. Low motivation and inadequate capacity of Revenue Collectors have been identified as a challenge in most MMDAs and this contributes to an ineffective and inefficient generation of local revenue. Studies on low revenue collection in Ghana mostly overlook factors affecting the revenue collection performance of personnel engaged in the collection of local revenue.

This thesis adopted a quantitative approach by using regression analysis to examine factors that affect the revenue collection performance of Salaried and Commissioned Revenue Collectors in the Ga East and La Nkwatanang-Madina Municipal Assemblies. In addition the study determined the difference between the revenue collection performance of Salaried and Commissioned Revenue Collectors in these Assemblies.

Results from the study indicate that earnings and experience positively affect revenue collection performance. Revenue Collectors in La Nkwatanang Madina Municipal Assembly on average collect more revenue compared to Revenue Collectors in Ga East Municipal Assembly. The thesis also finds that Commissioned Revenue Collectors on average collect more revenue compared to Salaried Revenue Collectors in both Assemblies.

The study recommends an incentivized-based salary structure for Revenue Collectors. In addition, MMDAs should ensure that they retain Revenue Collectors with years of experience in revenue collection. For effective collection of revenue, it is also recommended that MMDAs engage the services of more Commissioned Revenue Collectors as they may help improve future revenue generation.

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CHAPTER ONE

INTRODUCTION

1.0 Background to the Study

Smoke (1993) argued that the prospects for decentralization have significantly increased as a result of recent global and economic changes. According to him, a major catalyst for local government reform was donor pressure. There have been several efforts over the years in developing countries, to institutionalize decentralization and Ghana has not been left out of this wave (Inanga & Osei-Wusu, 2004). Over two-thirds of Sub-Saharan African countries (SSA) have currently implemented one or more decentralized policy reforms (Awortwi, 2011). In Africa, Uganda and Ghana according to Awortwi (2011) have been identified as countries that have made notable progress in the implementation of decentralization.

The root of the present decentralization policy and practice in Ghana can be traced to the late 1980s where steps were taken to promote participatory democracy during the era of the Provisional National Defense Council (PNDC) Government (Oduro-ofori, 2016). Considered as a strategic policy to restructure the system of governance in developing countries, the purpose of decentralization is to provide efficient and effective services to citizens (Olum, 2014). Oduro-ofori (2016) opined that the benefits of decentralization include its contribution to the deepening of pluralism, enhancing accountability and transparency, and promoting citizen participation and development. Over the years, developing countries including Ghana have adopted decentralization to advance democratic governance and to allow for the participation of people from the local level (Oduro-ofori, 2016). In view of Ghana's noticeable progress in political and administrative decentralization, fiscal decentralization according to Inanga & Osei-Wusu (2004) remains a major challenge in the efforts of deepening decentralization.

According to Fjeldstad & Semboja (2000), the failure to fully collect or increase local revenue is one major administrative problem faced by most local government bodies including those in Ghana, as there is significant variation between reported and projected revenues. Fjeldstad, Chambas, & Brun (2014) suggested that an opportunity to reform the local tax system would help to improve the mobilization of revenue, improve accountability, and provide the efficient delivery of public services.

Devolution is considered an important area in governance especially in developing countries. According to Fjeldstad & Semboja (2000), devolution empowers local government bodies like Metropolitan, Municipal, and District Assemblies (MMDAs) in Ghana to raise and spend their own revenue. Ayee (1992) argues that financial responsibility is at the core of the concept of decentralization. According to Fjeldstad (2006) this financial responsibility given to devolved local government bodies to collect and spend revenue has become an important theme in urban governance. According to Mabe & Kuusaana (2016), the collection of local revenue in developing countries has become important in the promotion of local governance, due to the changing nature of local development needs and the increasing difficulty faced by Central Governments in remitting funds to local governments. In Ghana, MMDAs have been empowered by the local government Act 2016 (Act 936) to raise revenue to support local development needs.

The responsibilities of local government bodies have increased due to the adoption and practice of decentralization (Fjeldstad, Chambas, & Brun, 2014). This increase in the responsibilities of MMDAs in Ghana, for example, is unmatched with their ability to collect enough revenue to enable them to efficiently deliver public goods and services as expected of them. Yeboah-Assiamah (2016) argued that the efforts to provide development by MMDAs in Ghana have been hindered as a result of their inability to generate adequate revenue. This makes the MMDAs rely largely on the District Assemblies Common Fund

(DACF). Dzansi et al. (2018) assert that insufficient local revenue collection has remained a constraint on growth and development in Ghana. The insufficient revenue collection by local councils or local government bodies, in the view of Bahl & Bird (2008), has contributed to their dependence on Central Government transfers to fund their expenditures, as in the case of MMDAs in Ghana (Dzansi, et al. 2018). This financial dependence on Central Government by MMDAs comes with some challenges, including the delay in the disbursement of funds and inadequate funds being transferred (Inanga & Osei-Wusu 2004), thus distorting MMDAs' plans and delaying growth and development. To reform the local revenue system, Fjeldstad (2006) suggested that increased attention should be on the cost-effectiveness of revenue collection.

1.1 **Problem statement**

The tax collection capacity of Ghana is not without challenges. It has been described by Dzansi et al. (2018) as inadequate. Local government bodies have failed to mobilize enough Internally-Generated Funds (IGF) to supplement financial transfers from Central Government. Zakaria (2013), therefore raised the question of whether the economic potential of MMDAs is adequately explored by identifying limited tax opportunities and ineffective revenue collection mechanisms.

Studies on low revenue collection in Ghana mostly fail to look at how the revenue collection performance of personnel engaged in the collection of local revenue can affect the mobilization of IGF. Konlan (2015) noted that low motivation and inadequate capacity of Revenue Collectors is a challenge in most MMDAs and this contributes to an ineffective and inefficient generation of local revenue. Konlan (2015) reported that 90% of Revenue Collectors interviewed expressed dissatisfaction with their work. Low motivation and the

inadequate capacity of Revenue Collectors can affect the ability of urban councils in Africa to fully collect revenue owed them (Fjeldstad, 2006).

Dzansi et al. (2018) reported that MMDAs in Ghana in 2012, for instance, ended up collecting a total revenue of GH¢126,234,107 compared with a target of GH¢146,405,677, leaving a negative variance of 13.78%. This difference or loss in revenue, in the view of Fjeldstad and Semboja (2000), is caused by administrative problems and a poor tax system. Therefore, addressing this challenge may contribute towards the efforts by MMDAs to achieve their revenue targets. Nengeze (2018) argued that the success of tax collection lies on tax administrators and local authorities. MMDAs in Ghana have been encouraged to discover all lawful avenues in order to increase their revenue generation, including the improvement of the revenue collection performance of Revenue Collectors. This study, therefore, seeks to identify and examine factors that affect the revenue collection performance of Salaried and Commissioned Revenue Collectors in the Ga East and La Nkwatanang-Madina Municipal Assemblies.

1.2 Research Questions

1. What factors affect the revenue collection performance of Salaried and Commissioned Revenue Collectors in Ga East and La Nkwatanang-Madina Municipalities?
2. Is there a difference between the revenue collection performance of Salaried and Commissioned Revenue Collectors in Ga East and La Nkwatanang-Madina Municipalities?

1.3 Research Objectives

1. To examine factors affecting the revenue collection performance of Salaried and Commissioned Revenue Collectors in Ga East and La Nkwatanang Madina-Municipal Assemblies.
2. To determine the difference between the revenue collection performance of Salaried and Commissioned Revenue Collectors in Ga East and La Nkwatanang-Madina Municipal Assemblies.

1.4 Significance of the Study

The significance of the study is that identifying factors affecting revenue collection should help improve future revenue collection performance. Determining the difference between the revenue collection performance of Salaried and Commissioned Revenue Collectors in Ga East and La Nkwatanang-Madina Municipal Assemblies should also help identify the better collection modality. There has been a growing concern for the need to improve and deepen local level participation in governance, and to also build a prosperous local economy with the provision of public goods and services. Key to achieving these objectives will be the ability of MMDAs to generate or collect enough local revenue.

This study therefore will be relevant to the Government of Ghana and MMDAs in helping improve the revenue collection performance of Revenue Collectors. It is expected that with this, MMDAs will be able to increase their revenue generation and reduce their over-dependence on Central Government transfers. Further, this study will assist or guide development partners to make informed decisions in helping frame appropriate policies towards improving the revenue generation performance of MMDAs in Ghana. Finally, the study will contribute to available literature on local government revenue collection in Ghana.

1.5 Scope of the Study

There are 260 MMDAs currently in Ghana with 29 in the Greater Accra Region. This dissertation, however focused on only two MMDAs: the Ga East and La Nkwantanang Madina Municipal Assemblies, both in the Greater Accra Region. Factors affecting the revenue collection performance of Salaried and Commissioned Revenue Collectors in these MMDAs were identified and examined. Additionally, the study aimed to identify which group or type of Revenue Collectors is able to collect more revenue.

1.6 Research Limitations

Access to secondary data from the Assemblies was difficult. The Assemblies largely relied on a manual system of recording revenues collected by the Revenue Collectors. This system made it difficult to have detailed and updated records of the revenue collection activities of Revenue Collectors, while available manual records were piecemeal in nature. Much time was also spent in planning the research, finding appropriate literature for the topic, and collecting and analyzing data. The cost in carrying out the study imposed a limitation, especially on the scope of the research. These limitations however did not presumably appreciably affect the reliability of the estimates and, therefore, the quality of the study.

1.7 Research Structure

The study is divided into five chapters, with chapter one focusing on a general introduction to the concept of decentralization and local revenue generation.

This chapter discusses the importance of local government revenue and as well as the problems of inadequate revenue generation. The chapter also presents the problem statement, research questions and objectives of the study. The significance, scope, and limitations of the study are also captured in this chapter

Chapter two of the study focuses on the review of existing literature related to the topic. This chapter briefly provides an explanation of the concept of decentralization and its practice in Ghana. The legal framework, local government revenue collection and its challenges, sources of local government revenue in Ghana and motivation of Revenue Collectors are discussed in the chapter. Finally, the chapter presents the theoretical and conceptual framework underpinning the study.

Chapter three of the study is structured into two sections. The first section focuses on the study area. This section provides an overview of the study areas. The second section focuses on the study methodology, the study design, study population, sampling and data, method of data collection and data analysis technique. Again, the chapter focuses on the model specification, justification of the econometric model and assumptions of OLS.

Chapter four provides the data analysis, findings, and discussions on the data gathered. These are presented in the form of tables. Chapter five, the final chapter, contains a summary of key findings, recommendations and limitations of the study. The chapter presents findings and also makes recommendations on ways to improve the revenue collection performance of Revenue Collectors to help MMDAs to enhance their revenue collection performance.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter provides a review of existing literature related to the topic. A brief explanation of the concept of decentralization and its practice in Ghana is discussed. The legal framework of local government, local revenue collection and its challenges, sources of local government revenue in Ghana and motivation of Revenue Collectors are discussed in this chapter. Finally, the theoretical and conceptual framework underpinning the study are also presented in this chapter.

2.1 The Concept of Decentralization

According to Yeboah-Assiamah (2016) developing countries practice centralization with the aim of mobilizing resources to weaken local units and avoiding a breakaway or defying the state. Centralization allows for the control of all units or levels of government in a country by the Central Government. The powers for planning, resource mobilization, among others, are all the responsibility of the Central Government. Crawford (2009) however, asserts that decentralization on the other hand may also be implemented by Central Governments as a way to deepen control at the local level through mobilizing support for the ruling party in remote areas. In recent years, one of the topics that has been considered key in economic research is decentralization, and this has given rise to intense public debate (Martínez, Arzoz, & Apezteguía, 2018).

Amoako-Asiedu (2016) opines that the concept of decentralization has been used by some people to explain involvement in local-level governance, promotion of good governance, and helping achieve a multiplicity of development outcomes, including meeting poverty targets. Over the last three decades in Africa, decentralization has been adopted and practiced with

the aim of improving governance efficiency and introducing responsive and proactive policies in addressing the needs of people, especially the poor (Cabral, 2011). This efficiency in governance and the introduction of responsive and proactive policies help to eliminate the remoteness of local government areas or units from the Central Government. Uhunmwangbo and Aibieyi (2013) also shared the view that decentralization is considered as a strategic governance policy used to shape the system of governance to enable the efficient provision of public goods and services to citizens.

The concept of decentralization has received various definitions by different scholars. Ekpo (2008) cited by Cabral (2011) defined decentralization as a political power-sharing arrangement across various levels of government with the distribution of competences and responsibilities among these various levels or units of government. This power-sharing arrangement is to charge the various levels of government with some form of responsibilities in providing certain defined services to citizens. The Institute of Local Government Studies and Friedrich Ebert Stiftung, Ghana (2016) defined decentralization as a formal governance system through which some powers are transferred from the Central Government to lower units of government in a political-administrative structure. Rondinelli (1981) cited by Awortwi (2011) also defined decentralization as the transfer of some responsibilities from Central Government to field or lower units of government for the purposes of planning, managing, and mobilizing resources.

Martinez, Arzoz, & Apezteguía (2018) defined decentralization as the means where some form of power and responsibility for managing public affairs is transferred from the Central Government to regional and local governments.

The practice of decentralization is important for several reasons. Martínez et al. (2018) argued that decentralization identifies ways of organizing the public sector and the creation of opportunities to promote and sustain growth to improve the welfare of the people.

Uhunmwuango and Aibieyi (2013) added that in several countries, decentralization is to provide meaningful and desired economic services which help to transform rural areas. Owusu (2018) also adds that an important aspect of decentralization is how it supports the creation of policies, taking into consideration the local context. This helps to address the distinctive needs like issues of culture and development needs of every local area. With this, local people do not only feel part of identifying the challenges that confront them but also they are able to come out with locally-tailored solutions in solving these challenges. This approach enhances participation in governance.

2.2 The Practice of Decentralization in Ghana

Several reasons account for the adoption of decentralization especially by developing countries, but what remains common with the adoption of decentralization are the re-designing of governance structures, creation of territorial units in a country and their responsibilities, as well as the relationship that exists between Central Government and sub-national governments (Awortwi & Helmsing, 2014). Sanyare Nangbeviel (2013) explained that there seems to be a consensus among public administration practitioners and development literature that the 1980s became an era where the goal of public sector reform was to address changing needs, arising out of globalization and the need for good governance. Compared to other African countries, Sanyare Nangbeviel (2013) argued that internal and external factors in the 1980s left Ghana with no option in the adoption of its current system of decentralization, with the prospect that it would help address some challenges of social and economic development especially at the local level. According to Olowu (1999) cited by Sanyare Nangbeviel (2013), Ghana, like other African countries, had obsolete public institutions that were characterized by poor performance and corruption which failed to efficiently deliver desired services to its citizens. According to Sanyare Nangbeviel (2013) the need for public sector reform therefore was aimed at improving the lives of people through

the setting up of efficient and effective government machinery. Establishing and supporting efficient and effective local government system will help promote local development, leading to the improvement of lives of people at the local level. This will also help achieve the aim of public sector reform.

According to Olowu (1999) cited by Sanyare Nangbeviel (2013), Ghana, like other African countries, had obsolete public institutions that were characterized by poor performance and corruption which failed to efficiently deliver desired services to its citizens. To deliver efficient services to its citizens and promote inclusive governance, the Government of Ghana in 1988 adopted and implemented the current system of decentralization and local government. According to the Institute of Local Government Studies and Friedrich Ebert Stiftung (2016), Ghana's decentralization policy transfers not only power and responsibility but also human and financial resources from the Central Government to lower units of government at the district level. However, there seems to be a conflicting account of when decentralization actually started in Ghana, that is, whether it is the period before colonization or during colonization. While the Institute of Local Government Studies & Friedrich Ebert Stiftung (2016) hold the view that Ghana's local government history predates the period of colonialism, Antwi-Boasiako (2010) argued that literature considers the starting point of decentralization in Ghana to be the period of colonial British indirect rule. Amoako-Asiedu (2016) also shared the view that the establishment of the indirect rule system by the British Government in the Gold Coast marked the official practice of decentralization in the Gold Coast, which is said to have lasted until 1951. As a governance system, the indirect rule system allowed the British to rule through the local chiefs. This system of indirect rule was considered as a form of decentralization used to legitimize power and control over the affairs of the people in Gold Coast (Amoako-Asiedu, 2016).

Ghana's current decentralization can be said to have its root from the Provisional National Defense Council (PNDC) Military Government-led initiative in 1988 which aimed at the transfer of functions, powers, means, and competences to lower units of government by the Central Government (Ankamah, 2012). With the country's transition from military regime to democratic governance in 1992, Ghana's 1992 constitution recognized the practice of decentralization. Amoako-Asiedu (2016) argued that the transition to multi-party democracy from the military regime was made possible with the introduction of Ghana's 1992 Republican constitution which additionally legitimized the reforms for local government practice which was adopted in 1988. Article 240 of chapter twenty-four of Ghana's 1992 Republican constitution provides that local government and its administration shall be decentralized with functions, powers, responsibilities, and resources transferred to the local government units, that is, MMDAs from the Central Government. In view of the powers granted to MMDAs by the constitution, Amoako-Asiedu (2016) pointed out that Article 240 (2b) directs that Parliament through laws shall take steps to improve the capacity of MMDAs to plan, initiate, co-ordinate, manage, and execute policies that will help address issues affecting the local people.

As a system of governance at the local level, Ghana has adopted a local governance system which is commonly referred to as a four-tier Metropolitan Assembly and three-tier Municipal and District Assembly system. All these tiers of local government units are mainly differentiated based on the size of the population and settlement characteristics of their respective jurisdiction. A metropolitan area has a minimum population of 250,000 with a municipal area having a minimum population of 95,000 while a district has a minimum population of 75,000 people.

2.2.1 Legal Framework of Decentralization in Ghana

The legal framework for Ghana's current system of decentralization is constitutionally established in Ghana's 1992 Republican constitution (Amoako-Asiedu, 2016). Ghana's constitution provides the legal basis for the practice of local government and decentralization. For example, Article 240 clause 1 of the 1992 constitution of the Republic of Ghana prescribes that "Ghana shall have a system of local government and administration which shall, as far as practicable, be decentralized." This means MMDAs derive their source of authority from the constitution, making them the highest political authority in their local jurisdictions or areas Amoako-Asiedu (2016).

In addition to the above constitutional provision on the practice of decentralization and local government in Ghana, the Local Government Act 1993, Act 462 outlines the composition, powers, and functions of District Assemblies. The following are some main legislative instruments that further provide the legal framework for the practice of decentralization and local government in Ghana: National Development Planning Commission Act 1994, Act 479; Institute of Local Government Studies Act 2004, Act 647; District Assemblies' Common Fund Act 1993, Act 455; Local Government Service Act 2003, Act 656; Civil Service Law 1993, PNDCL 327; National Development Planning System Act 1994, Act 480, among others. Parliament of Ghana under section 2 of Article 240 of Ghana's 1992 constitution for example, has been given the power to make laws that are suitable for ensuring that functions, powers, responsibilities, and resources are transferred from the Central Government to MMDAs in a timely and coordinated manner.

Notwithstanding the constitutional and other legal provisions for the practice of decentralization, adequate authority according to Amoako-Asiedu (2016) has not been given to MMDAs to plan, initiate, and execute development programmes. Amoako-Asiedu (2016)

argues that most of the laws on local government have rather served as obstacles to the transfer of real power and resources to the MMDAs.

2.3 Local Revenue Collection and its challenges

In decentralization, the call for the increase of fiscal autonomy has become part of policy debate due to the growing need to increase IGF collection by local authorities to help provide public services to citizens, especially at the local level (Mogues and Benin, 2012). The willingness of Ghana's Central Government to devolve fiscal decentralization to lower units of government underscores the Government's commitment to the practice of decentralization, according to Owusu Mensah (2015). However, the existing system of fiscal decentralization in Ghana is also seen to be fraught with challenges, making it difficult to achieve optimal fiscal decentralization in the country (Owusu-Mensah, 2015). Mogues and Benin (2012) asserts that grants constitute a large amount of local governments' total revenue. According to Owusu-Mensah (2015), MMDAs have about 69% of their revenue being transferred by the Central Government. For example, Dick-Sagoe and Djimatey (2015) argued that transfers from the Central Government and donor organizations constituted a greater part of the revenue of the Abura-Asebu-Kwamankese District Assembly compared to its generated IGF. Sources of IGF are not only poor but also inadequate, inelastic, and difficult to collect (Owusu-Mensah, 2015). Referring to a World Bank study of Ghana's District Assemblies, Owusu-Mensah (2015) identified that inadequate IGF is a key feature that cuts across all MMDAs, making it impossible for the Assemblies to meet their expenditure needs. In Nigeria, local government bodies or devolved units of government also depend on the transfer of financial resources from Central Government due to their inadequate IGF generation. According to Dada, Adebayo, and Adeduro (2017), local government bodies in Nigeria largely depend on the statutory allocation or transfers of financial resources from the federal government.

Constraints like the scope of revenue collection, revenue assignment, inadequate revenue collection capacity, discretion in the setting of revenue collections rates, and the inadequate enforcement of transparent revenue collection methods affect the potential of MMDAs to increase their IGF collection (Mogues and Benin, 2012). These IGF constraints resulting in low IGF collection remain an obstacle to growth by limiting the capacity of MMDAs to provide needed public goods and services (Dzansi et al., 2018).

2.4 Sources of Local Government Revenue in Ghana

MMDAs in Ghana derive their revenue from two main sources: external and internal. External sources of revenue to local government bodies or units consist of the transfer of financial resources from the Central Government and donors. According to Inanga & Osei-Wusu (2004), there are three intergovernmental fiscal transfers in Ghana: Recurrent Expenditure Transfers, Districts Assemblies Common Fund (DACF), and Ceded Revenues. Financial transfers from the Central Government comprise funds that are transferred to the Assemblies from the consolidated fund. The DACF is an example of this transfer. In addition to Central Government transfers, another external source of revenue to the Assemblies is also funds received from donors. These funds consist of gifts, donations, sponsorships, and project specific transfers from institutions and development partners to the Assemblies. In La Nkwantanang Madina Municipal Assembly (LANMMA), for example, the Assembly receives funding from the European Union (EU) to finance the Sustainable Livelihoods and Transparent Local Accountability (SLATLA) programme which is expected to run till 2020.

The internal source of revenue for MMDAs in Ghana is also known as the internally-generated revenue (IGF). This simply can be considered as the own-sources of revenue available to the MMDAs. IGF can be classified into tax and non-tax sources. According to Inanga & Osei-Wusu (2004), tax revenues are mandatory levies charged against the income of people, businesses, and properties while the non-tax revenues are payments voluntarily

paid to MMDAs. It is important to note that while the DACF is a constitutionally mandated and guaranteed revenue to MMDAs, rates or levies charged by MMDAs must comply with guidelines issued by the Ministry of Local Government and Rural Development. In line with these guidelines, MMDAs pass their fee-fixing resolutions which enable them to collect revenue due them (Inanga & Osei-Wusu, 2004).

2.5 Motivation and Revenue Collection Performance of Revenue Collectors

In addition to poor incentives, limited avenues for career progression affect the performance of civil servants in most developing countries (Kleven, Khan, & Kaul, 2016). This can also be extended to Revenue Collectors who work for the Assemblies - a public institution. Tax or revenue collection performance is affected and collectors are prone to corruption if there is low motivation among local tax administrators (Kleven et al., 2016). Kleven et al. (2016) argued that there is reduced funding for the provision of public services when there is inadequate revenue generation as a result of low motivation among Revenue Collectors. For instance, the unsatisfactory revenue collection as reported by Nengeze (2018) in the City of Harare resulted in the provision of poor services, and this can in turn affect the tax morale of citizens if they are not provided with adequate public services (Kleven et al., 2016). The success of revenue collection largely depends on the motivation of Revenue Collectors. Therefore, the provision of performance-enhancing incentives to Revenue Collectors may lead to an increase in revenue collection (Kleven et al., 2016).

Kleven et al. (2016) reported that motivating Revenue Collectors resulted in a large increase in revenue collection in the Punjab Province in Pakistan. The cost of providing motivation, according to Kleven et al., (2016), was paid for by the increase in revenue. According to Kleven et al. (2016) the provision of motivation is key to improving the performance of Revenue Collectors in developing countries.

2.6 Theoretical Framework

2.6.1 Motivation Theories

Vroom's Expectancy Theory

Victor Vroom in 1964 propounded his work motivation known as the expectancy theory. The expectancy theory explains that through deliberate choices an employee or a worker may gain motivation to improve work productivity. The expectancy theory views motivation as the result of three different expectancies. The first of these expectancies is the belief that one's efforts will affect performance. The second is the belief that one's performance will be rewarded. This belief explains that if an employee's performance meets a desirable organizational goal, then one should be expectant of a reward for achieving performance. The third belief is that reward will satisfy an individual need. This part of the theory or belief explains that reward will become a disincentive if it fails to meet a need. For an employee to see reward as a motivation then it must meet his or her. However, it is not always the case that reward can meet the needs of an employee.

Goal Setting Theory

Propounded by Locke and Latham in 1968, the goal setting theory stresses on the relationship between goals and performance. The premise of the theory is that employee behavior is determined or regulated by values, intentions and goals. The theory explains that the setting of goals plays an important role in motivating people for higher performance. Five principles of goal-setting which includes: clarity, challenge, commitment, feedback, and task complexity were proposed by Locke. According to Locke, people achieve satisfactory performance when they set clear and high goals compared to people who set easy to achieve goals (Colemann & Brewer, 2000).

The High Performance Theory

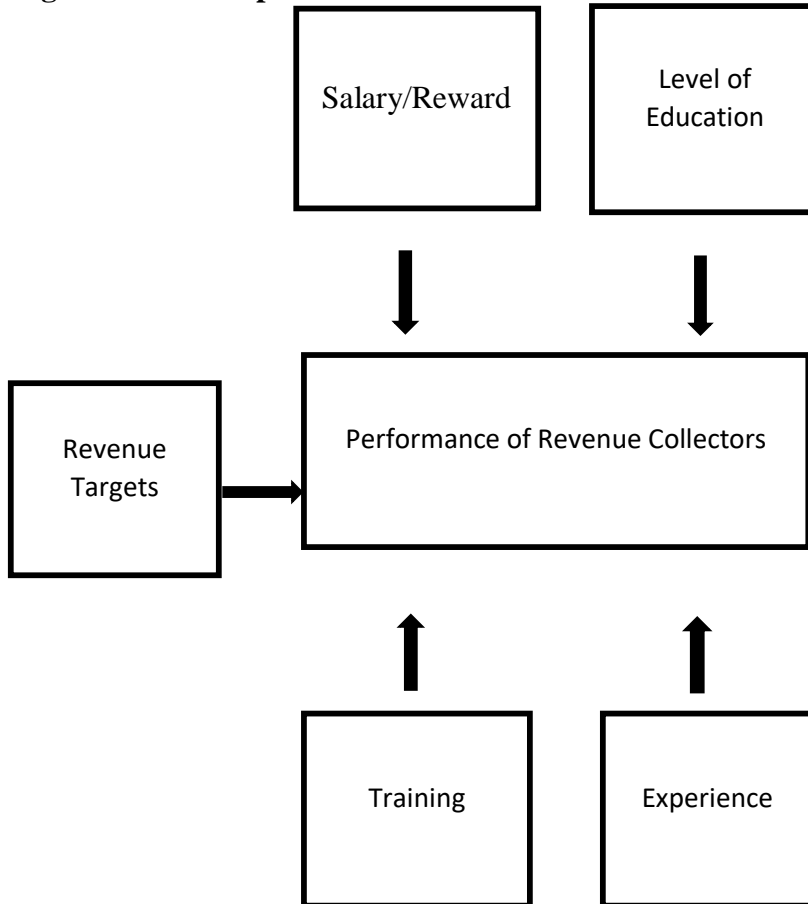
The goal setting theory provides the basis for the development of the high performance theory with a blend of factors that help to create and maintain challenging jobs (Colemann & Brewer, 2000). According to Coleman & Brewer (2000), the high performance theory was developed by Locke and Latham. This theory uses concepts like goals, individual performance, rewards, job satisfaction, organizational commitment, and feedback from previous theories of motivation to explain the performance of employees.

According to Colemann & Brewer (2000), several theories like the goal setting theory and expectancy theory have been fused together to give the high performance theory an advantage over other theories. This makes the high performance theory capable of explaining the link between goals, individual performance, rewards, job satisfaction, and organizational commitment. In summary, the high performance theory explains how organizations can use goals as inducements to create and sustain high performance. According to Colemann & Brewer (2000), the high performance theory is considered to be generally designed to accommodate the differences between individuals and work settings compared to other motivation theories. The theory does not posit a direct connection between job satisfaction and subsequent productivity. However, job satisfaction is related indirectly to subsequent performance by maintaining the employee's commitment to the organization, thus making the process recursive.

2.7 Conceptual Framework

The conceptual framework is developed in line with the high performance theory. The framework establishes the relationship between some selected variables of interest and the revenue collection performance of Salaried and Commissioned Revenue Collectors. The selected variables are of importance in helping explain or assess the performance of Revenue Collectors.

Figure 2.1: Conceptual Framework



Source: Author's construction (2019).

Performance Goals/Targets

Goal or target setting, according to Choon (2016) positively influences employee performance. In a qualitative study conducted in a Hi-Tech semiconductor company in Singapore, Choon (2016) investigated how target or goal setting explained the performance of employees. The outcome of this study was consistent with the goal setting theory that explains that when goals or targets are set for employees, their performance is enhanced. Therefore, findings from the study showed that employee effectiveness which results in organizational effectiveness is due to target setting.

Employee Training

Training, according to Elnaga and Imran (2013), is defined as programmes designed to equip employees with the right and needed skills that will also improve the professional development of employees. In all organizations, employees are considered the most important resource, especially in helping to improve the performance of the organization. This makes training important in improving the performance of employees (Elnaga & Imran, 2013). The absence of well-structured training becomes an issue of concern because employees will not be able to accomplish their goals without the needed skills. Without training, employees will not have a firm understanding and grasp of the changing nature of their roles.

Previous research, according to Elnaga and Imran (2013), reported a positive effect of training on both employee and organizational performance. Kimutai, Simiyu Mulongo, and Omboto (2017) determined the influence of training in revenue mobilization on county socio-economic development in Kenya. The study quantitatively used a regression analysis to establish that training had a positive effect on socio-economic development.

It concluded that training employees is important since it helps to improve their knowledge and job performance.

Rewards/Earning System

In a study that examined the relationship between reward system and employee performance using regression analysis on global banks in Istanbul, Güngör (2011) reported that financial earnings had a positive relationship with employee performance. Similarly, Ojeleye Yinka (2017) employed Pearson correlation and multiple regression model to examine the effects of rewards defined as earnings and wages on the performance of employees in the Abdul Gusau Polytechnic and State College of Education in Zamfara state in Nigeria. Findings from that

study revealed that there was a strong and positive relationship between the performance of employees and the earnings they received.

Employee Experience

Job experience is considered as the duration or length of experience in a particular occupation. This definition however does not take into consideration the assessment of experience based on quality factors. Two predictive moderators, length of experience and cognitive complexity demands of job, were examined in a study to determine the relation between job experience and job performance (McDaniel et al., 1988). Irrespective of employer, the number of months an employee had worked was used as a measure of job experience. Results from the study reported a positive correlation between experience and job performance for all levels of job: very demanding and less demanding jobs. McDaniel et al. (1988) concluded that job experience has a positive effect on job knowledge and job performance for low-complexity jobs compared to high-complexity jobs.

In addition to job experience, the study found further that differences in knowledge as a result of education also explained the differences in performance of low and high-complex jobs.

2.8 Empirical Review

With the use of revenue performance indicators like Revenue Performance Index (RPI), Financial Autonomy Index (FAI) and Local Finance Support Index (LFSI), Ankamah Siebie and Feng (2013) evaluated the effectiveness of local revenue mobilization in the Kumasi Metropolitan Assembly (KMA). They reported that the KMA finances its development through transfers and recommended the need to institute realistic means to increase its IGF.

In a local government tax capacity survey, Dzansi et al. (2018) investigated the cost of revenue collection by Salaried and Commissioned Revenue Collectors.

The cost of revenue collection was calculated as a ratio of the gross monthly salary of the collectors and the mean number of collections of the two best collectors in the district. A lower cost of collection meant that collectors were more productive. Dzansi et al. (2018) reported that the cost of collection was quite substantial among Salaried Revenue Collectors and higher than Commissioned Revenue Collectors. This finding means that Commissioned Revenue Collectors collect more revenue compared to Salaried Revenue Collectors.

CHAPTER THREE

METHODOLOGY

3.0 Introduction

This chapter is divided into two sections, with the first section providing a brief description of the study areas. The section focuses on the profile of the study areas, their location, municipal economy, and revenue mobilization. The second section discusses the research methodology used in the study. This section also discusses the study design, the study population, sampling and data, instrument of data collection, data processing and analysis.

3.1 Profile of Study Areas

3.1.1 Ga East Municipal Assembly (GEMA)

In 2004, through a Legislative Instrument, LI 1589, the Ga East District was created and in 2008, it became a Municipality through a Legislative Instrument, LI 1864. In 2012, however, the La-Nkwantanang Madina Municipality was created out of the Ga East Municipal Assembly. As the highest political authority in the Municipality, GEMA is vested with the power to deliberate, legislate, plan, and develop the municipality through the preparation and effective implementation of development plans and budget. This is in line with the National Development Planning System Act 1994, Act 480 which mandates MMDAs to formulate programmes, strategies, and projects and see to their implementation, monitoring and evaluation using available resources (Ga East Municipal Assembly, 2018)

As contained in the Local Government Act 2016 (Act 936), GEMA performs several functions, including the responsibility of planning for the overall development of the Municipality; submitting to the Regional Coordinating Council development plans of the Municipal Assembly; submitting to the Minister of Finance budget of the Municipal Assembly in line with approved plans; formulating and the execution of plans, programmes and strategies for effective mobilization of the resources in the Municipality; and

responsibility for the development, improvement, and management of human settlements and the environment in the Municipality (Ga East Municipal Assembly, 2018).

3.1.2 La Nkwantanang Madina Municipal Assembly (LANMMA)

The La Nkwantanang-Madina Municipal Assembly (LANMMA) was created by Legislative Instrument (LI) 2131 and inaugurated on 28th June, 2012. It was carved out of the Ga East Municipality. Madina is the administrative capital of the Municipality, and it is a bustling commercial and residential hub. The La Nkwantanang-Madina Municipal Assembly constitutes the highest political and administrative authority in the Municipality. The Municipality has nine electoral areas: Madina West, Oyarifa, Pantang, Tatanaa, Social Welfare, North Legon, La Nkwantanang, Adenta West, and Danfa (La Nkwantanang-Madina Municipal Assembly, 2017).

3.1.3 Location of Study Areas

GEMA

Covering a land area of 96 sq km, the Ga East Municipal Assembly (GEMA) is located in the Greater Accra Region of Ghana and shares boundaries on the West with the Ga West Municipal Assembly (GWMA), on the east with the La - Nkwantanang Madina Municipal Assembly (LANMMA), the south with Accra Metropolitan Assembly (AMA) and the north with the Akwapim South District Assembly. Abokobi serves as the capital of the Municipality. The Municipality is also divided into zones and unit committees (Ga East Municipal Assembly, 2018).

LANMMA

LANMMA is located at the northern part of the Greater Accra Region and covers a total land area of 74.4 square kilometres. It is bordered on the West by the Ga East Municipal Assembly, on the East by the Adentan Municipality. In the southern portion, it shares a boundary with

Ayawaso West Municipal Assembly while the north and north-east are bordered by the Akwapim South District and Kpone Katamanso Municipal Assembly respectively (La Nkwantanang-Madina Municipal Assembly, 2017).

3.1.4 Population of Study Areas

GEMA

With a growth rate of about 2.5%, the Municipality has a population 147,742 per the 2010 National Population and Housing Census. The Municipal Planning Coordinating Unit (MPCU) estimates that currently there is a population of about 208,943 people in the Municipality (Ga East Municipal Assembly, 2018). This figure according to the Ga East Municipal Assembly (2018) is higher than the national density of 79.3 and the regional density of 895.5 persons per sq. km. The population is concentrated mainly along the urban and peri-urban areas of the Municipality. These areas are Dome, Taifa, Kwabenya, and Haatso among others. There is pressure on resources as a result of the population density of the Municipality which is estimated at 1,214 per sq km. Compared to males, there are 49 percent of females constituting the population of the Municipality. The GEMA also have a 70 percent economically active population with 92.1 percent employed and 7.9 percent unemployed (Ga East Municipal Assembly, 2018).

LANMMA

LANMMA had a population of 111,926 per the 2010 Housing and Population Census. However, in 2018, the population of LANMMA was estimated to be about 146,913 with females dominating the population with 51.5 percent (La Nkwantanang-Madina Municipal Assembly, 2017). There is a male to female population ratio of 94:100. LANMMA is predominantly an urban municipality with a large majority of residents of about 84 percent

living in urban areas. The rural part of the Municipality is being rapidly transformed into urban areas due largely to the increases in housing and property development (La Nkwantanang-Madina Municipal Assembly, 2017).

3.1.5 Municipal Economy of GEMA and LAMMA

GEMA

The proximity of GEMA to the national capital, Accra, provides it with several opportunities for private investment. There are four main economic activities in the District, which are commerce, agriculture, service and industry (Ga East Municipal Assembly, 2018).

Markets

According to the Ga East Municipal Assembly (2018), the active and traditional markets in the municipality are located in the areas of Dome, Haatso, and Taifa. There is, however, a market constructed in the Municipal capital of Abokobi, which unfortunately is not in use. The Dome market operates daily with Tuesdays and Saturdays as major market days. The strategic location of this market, coupled with good accessibility, has facilitated its growth, leading to congestion and spillover onto nearby roads. There are, however, some uncompleted market facilities at Haatso main and yam markets. It is expected that a completion of these markets will help decongest the Dome market.

LANMMA

The La Nkwantanang-Madina Municipal Assembly is an economically active area with a vibrant economy. The major classifications of economic activities in this municipality include commerce, agriculture, service, and manufacturing. Trading is the main economic activity in the Municipality which generates the highest employment and revenues for the residents.

There are several stores, ranging from ‘table top’ to kiosks and walk-in shops. Also present are boutiques dealing exclusively in clothes as well as barber and hairdressing saloons (La Nkwantanang-Madina Municipal Assembly, 2017).

Markets

The Madina market is one of the largest and busiest markets in Accra with heavy human and vehicular traffic. Items traded in this market include perishables like foodstuffs and non-perishables such as manufactured commodities, imported goods, and a variety of spare parts. Retail trading is the most widespread economic activity in the Municipality (La Nkwantanang-Madina Municipal Assembly, 2017).

3.1.6 Revenue Mobilization in GEMA and LAMMA

GEMA

The Municipality has been divided into nine areas in order to enhance revenue collection, supervision as well as monitoring of revenue collected. Some private revenue contractors have been engaged by the Assembly as part of efforts to help cover all rate payers. In addition, meetings are held frequently with Revenue Collectors, private revenue contractors, and supervisors as part of strategies to help increase revenue collection. Through collaborations with the Information Services Department (ISD) and the National Commission on Civic Education (NCCE), public education programmes are also held in communities in the Municipality and markets to educate rate payers. To help reduce the large sums of monies paid as commission to private contractors, the Assembly has identified easy collectable areas for revenue collection by the Assembly’s own collectors (Ga East Municipal Assembly, 2018).

As a way of increasing its IGF generation, the Assembly through a collaboration with a private consultant is discovering ways to develop an effective revenue generation system in collaboration with a private consultant. This new revenue generation system will involve the numbering of houses, naming of streets, and capturing socio-economic data on households and houses to be computerized for revenue generation and planning purposes. In addition to the proposed strategy of increasing IGF, the Assembly also intends to update its property rate billing system with a new software. The GEMA is also ensuring that training is provided to Revenue Collectors in order to enhance their revenue collection. Finally, the GEMA has identified the need to ensure the prompt payment of commission entitled to Commissioned Revenue Collectors as a way of increasing the collection of IGF (Ga East Municipal Assembly, 2018).

LANMMA

Internally Generated Funds of the Assembly are raised from fees, rates, licenses, and permits which are mandated to be collected by Revenue Collectors in the Assembly. As part of its IGF, the Assembly also benefits from investment incomes arising out of its strategic investments and assets. The LANMMA holds out great revenue generation potential as a growing commercial centre with several opportunities for commerce. To help increase IGF generation, the Municipality has identified some measures, including the preparation and implementation of a three-year revenue improvement action plan; data collection and building of comprehensive revenue data; introduction of digital technology in the revenue management system to reduce human interface and discretionary powers; introduction of incentive and sanctions regimes for Revenue Collectors; continuous training, retraining and capacity building; track performance of revenue contractors and revise contracts regularly;

and restructuring of revenue mobilization systems (La Nkwantanang-Madina Municipal Assembly, 2017).

3.2 Research Approach

The study adopted a quantitative approach to examine the factors influencing the revenue collection performance of Revenue Collectors in the two areas of study. Compared to the qualitative approach to research, Kaya (2013) explained that quantitative research uses numerical data to give an explanation to a phenomena through the analysis of statistics or mathematically formulated methods or expressions. This method of explaining phenomena provides an empirical basis that helps the understanding of social phenomena through the testing of theories which are made of measurable variables. The utilization of statistical information as an apparatus in quantitative study saves time and resources.

Additionally, the use of quantitative research, according to Conradi and Wang (2003), enables statistical analysis to be conducted between two or more groups. A quantitative approach is suitable when trying to examine the effect of independent variables on an outcome or dependent variable. Furthermore, results from quantitative examination make speculation plausible (Daniel, 2016).

3.3 Study Design

This study mainly used quantitative and explanatory research design to test how selected variables from the high performance theory can explain the revenue collection performance of Revenue Collectors. The quantitative design was used to help determine the factors affecting the revenue collection performance of Revenue Collectors. The entire study follows the positivist ideology which underpins quantitative methodology. Positivists share the view

that reality is objectively given and measurable using properties independent of the researcher (Antwi & Hamza, 2015).

The nature of a research question whether explanatory or descriptive plays an important role in developing a research design and this affects the type of data to be collected for a study (Vaus, 2001). In addition to the analytical research design mainly used in this study, a descriptive design was also employed. The use of descriptive research helps to explain and provide an understanding of the nature and distribution of variables in a study. This approach however does not aim at identifying causal factors (Grimes & Schulz, 2002). Swatzell and Jennings (2007) argued that the purpose of descriptive research is not to predict an outcome but, instead, to answer the questions of who, what, when, where, and how.

Descriptive research provides useful information about a phenomenon or a population under study. This is done through summarized or simplified data which makes it easy to understand (Swatzell & Jennings 2007).

3.4 Study Population

The target population for this study consists of Revenue Collectors both Salaried and Commissioned Collectors within the Ga East and La Nkwantanang Madina Municipal Assemblies. Salaried Revenue Collectors are Revenue Collectors who are directly employed either by the Assembly or by Central Government. They receive a monthly salary for the discharge of their duties which primarily is the mobilization or collection of revenue. Revenue Collectors employed directly by the Assembly are commonly referred to as IGF collectors. This is because their salary is paid out of the Assembly's IGF while Revenue Collectors employed by the Central Government are also commonly referred to as GoG (Government of Ghana) collectors. This is because their salary is paid directly by the Central Government

through the Controller and Accountant Generals Department. For the purpose of this study, these two types of Salaried Collectors will be collectively referred to as Salaried Collectors.

Commissioned collectors are Revenue Collectors who receive agreed commission rates on the amount of revenue they are able to collect for the Assembly. There are two types of Commissioned Revenue Collectors: individual Commissioned collectors and Commissioned collectors employed by private revenue firms that collect revenue for the Assemblies. For the purpose of this study, both the individual Commissioned Revenue Collectors and Commissioned Revenue Collectors employed by private revenue firms will all be referred to as Commissioned Revenue Collectors.

In all, the total population of Revenue Collectors for the study areas as provided by the Revenue Accountants for both Municipalities sum up to 94 collectors.

3.5 Sampling and Data

Due to the small size of the study population, a census instead of a sample was used. According to Saunders, Lewis, & Thornhill (2016), when the total population of a study is of a small size, a census can be conducted but this should not result in the assumption that a census will provide more useful results when compared to a sample. Both primary and secondary data were used for this study. The primary data were collected by the use of a structured questionnaire which was developed into a Computer-Assisted Personal Interviewing (CAPI) program. The CAPI programme is a computer software application and an interviewing technique which enables data to be collected using an electronic device, for example, a mobile phone or a tablet. Secondary data were gathered from records of the two Municipal Assemblies selected for the study.

3.6 Model Specification

In order to estimate the factors affecting revenue collection performance, based on theoretical considerations, the following model is estimated:

$$RC_i = \beta_1 + \beta_2 EARN_i + \beta_3 EXPER_i + \beta_4 LED + \beta_5 TR + \beta_6 RT_i + \varepsilon_i \quad (1)$$

where RC_i represents revenue collected by individual Revenue collector i , measured as the average monthly revenue collected; $EARN_i$ represents earnings of a Revenue collector i , which is measured as the monthly; $EXPER_i$ denotes experience of a Revenue collector i , measured as the number of years worked as a Revenue collector; LED_i denotes the level of education of a Revenue collector i , which is measured as a quantitative variable with different weights assigned to each level of education attainment. An educated population according to the Human Capital Theory makes a productive population (Olaniyan & Okemakinde 2008). According to Olaniyan & Okemakinde (2008) an individual's work output or performance is expected to improve with his level of education. Basic education level is assigned the weight 1, JHS is assigned the weight 2, SHS is assigned the weight 3 and tertiary education is assigned the weight 4. TR_i represents training for a Revenue collector i , measured as a dummy variable with 1 indicating the presence of training and 0 indicating the absence of training. RT_i denotes revenue target given to a Revenue collector i and is measured using a dummy variable. ε_i represents the error term. A variant of equation 1 was estimated to achieve the objectives of this study.

3.7 Justification of the Econometric Model

A linear regression approach involving OLS was chosen because under certain assumptions, it has the best linear unbiased estimator among competing estimators. The OLS estimation can be applied to any model which is linear in parameters, such as the logarithmic, quadratic,

and cross-product. The log transformation of variables with the exception of dummy variables, was carried out and this was to help properly specify the econometric model. Logarithmic transformation provides a convenient means of transforming a highly skewed variable into a more normalized dataset.

3.8 Assumption of OLS

The assumptions of OLS are: the error should be normally distributed, must have equal variance at all levels, and must also be uncorrelated with both the independent variables and with each other (Schumacker, Monahan, & Mount, 2002; Farahani, Rahiminezhad, Same, & immannezhad, 2010).

3.9 Justification of Variables and Their Expected Signs

Based on the High Performance theory, the following are the justification of variables and their priori expected sign: $\beta_2 > 0$, $\beta_3 > 0$, $\beta_4 > 0$, $\beta_5 > 0$, $\beta_6 > 0$. These expected signs are discussed below.

Revenue Collected

The best way to determine the performance of a Revenue Collector is the output produced by the collector. This study therefore measured the performance of both Salaried and Commissioned Revenue Collectors by their monthly revenue collections in Ghana cedis.

Earnings

Based on the High Performance theory by Locke and Latham, reward has a positive influence on an individual's performance in executing a particular task. Earnings was selected for this research since it is both a source of motivation and reward to Revenue Collectors. Both the

Salaried and Commissioned Revenue Collectors are paid for the revenues they collect. For example, Commissioned Revenue Collectors are paid based on the amount of revenue they are able to collect, while Salaried Revenue Collectors receive a monthly payment, irrespective of the amount collected. In the regression equation 1, β_2 measures the effect of a revenue collector's earning on revenue collection and this is expected to show a positive sign as the High Performance theory predicts.

Level of education, Training, and Experience

One primary prediction of the goal setting theory by Locke & Latham is that individuals with more satisfactory skills and abilities will perform better compared to those with less skills and ability. With respect to revenue collection, the Revenue Collectors' level of education, experience, and training are good measures of their skills and ability for the job, respectively. Hence the level of education, training and experience are all expected to have positive impacts on revenue collection.

In the regression equation, β_3 measures the effect of a Revenue collector's experience on revenue collection and this is expected to show a positive sign as the High Performance theory predicts. In addition, β_4 and β_5 measure the effects of education level and training received, respectively, by a Revenue collector and these are also expected to show positive signs as predicted by the High Performance Theory.

Revenue target

According to the goal setting theory, high performance is attained when people are specifically given goals. The authors of this theory, Locke & Latham, argued that high goals influence the choice, effort, and persistence of employees until a goal is attained, hence the decision to include revenue target as one of the explanatory variables. As specified in the

regression equation, β_6 measures the effect of the variable revenue target on revenue collection by a Revenue collector and this is expected to show a positive sign in line with the High Performance theory.

3.10 Data Analysis

The study used mainly quantitative analysis and also descriptive analysis. Tables were employed for the presentation of descriptive results of the variables of interest for the study. Also, parameters were estimated using OLS, but with the standard errors corrected for possible heteroscedasticity. A dummy variable was used to determine the difference between revenue collection performance of Salaried and Commissioned Revenue Collectors. A dummy variable was also used to control for municipality effect on revenue collection.

To determine the influence of the dummy variables on the logged dependent variable, the exponential effect of the dummy variables was calculated (see appendix 1). Robust standard errors were employed to correct for heteroscedasticity.

CHAPTER FOUR

RESULTS AND DISCUSSION

4.0 Introduction

The results of the study are presented and discussed in this chapter. The aim is to empirically determine the factors that affect the revenue collection performance of Revenue Collectors and also to determine the difference between the revenue collection performance of Salaried and Commissioned Revenue Collectors. The results of the descriptive statistics of all variables and the OLS regression, with robust standard errors, are presented and discussed. These results are discussed in relation to the objectives of the study.

4.1 Descriptive Statistics

Below are some descriptions of variables used in the study. In LANMMA, about 52% of Revenue Collectors interviewed were Commissioned Collectors as compared to GEMA where there were 50% each of Salaried and Commissioned Revenue Collectors (Table 4.1).

Table 4. 1: A cross tabulation of type of collector and Assemblies

		Assembly		Total
		GEMA	LANMMA	
Type of Revenue Collector	Salaried Collector	18	22	40
	Commissioned Collector	18	24	42
Total		36	46	82

Source: Author's computation from field data (2019).

Out of a total of 82 Revenue Collectors interviewed, about 55% of them were males. Females constituted about 55% of Salaried Revenue Collectors as against about 36% of Commissioned Revenue Collectors (Table 4.2).

Table 4.2: A cross tabulation of type of Revenue Collectors and their Gender

		Gender of collector		Total
		Male	Female	
Type of Revenue Collector	Salaried Collector	18	22	40
	Commissioned Collector	27	15	42
Total		45	37	82

Source: Author’s computation from field data (2019).

Results from the study show that about 46% of Revenue Collectors have senior secondary school education. This constitutes the level of education with the highest number of Revenue Collectors (Table 4.3).

Table 4.3: A cross tabulation of type of Revenue Collectors and their educational level

		Level of education				Total
		Primary	Middle Sch/JHS	SHS	Tertiary	
Type of Revenue Collector	Salaried Collector	4	17	18	1	40
	Commissioned Collector	1	14	20	7	42
Total		5	31	38	8	82

Source: Author’s computation from field data (2019).

The descriptive statistics under consideration for the factors affecting the revenue collection performance of Revenue Collectors are the mean, standard deviation, minimum and maximum values of the variables. These statistics are shown in Table 4.4

Table 4.4: A tabulation of revenue collected by each type of Revenue Collector and according to their Assembly.

	Mean	Std Dev	Min	Max	Obs
TRCSAL	1373.75	729.96	500.00	4000.00	40
TRCCOM	2040.24	1704.64	660.00	10000.00	42
TRCLANSAL	1350.00	580.64	500.00	2500.00	22
TRCLANCOM	2327.50	1995.45	660.00	10000.00	24
TRCGESAL	1402.78	896.82	600.00	4000.00	18
TRCGECOM	1657.22	1161.51	680.00	5000.00	18

Notes: Std. Dev. denotes Standard deviation; Min denotes Minimum; Max represent Maximum. Source: Author’s estimation (2019).

Definitions of variables:

TRCSAL - Total monthly revenue collected in Ghana cedis per Salaried Revenue Collector in both assemblies (LANMMA and GEMA).

TRCCOM - Total monthly revenue collected in Ghana cedis per Commissioned Revenue Collector in both assemblies (LANMMA and GEMA).

TRCLANSAL - Total monthly revenue collected in Ghana cedis per Salaried Revenue Collector in LANMMA.

TRCLANCOM - Total monthly revenue collected in Ghana cedis per Commissioned Revenue Collectors in LANMMA.

TRCGESAL - Total monthly revenue collected in Ghana cedis per Salaried Revenue Collector in GEMA.

TRCGECOM - Total monthly revenue collected in Ghana cedis per Commissioned Revenue Collector in GEMA.

Table 4.4 presents the descriptive statistics of total monthly revenues collected per Salaried and Commissioned Revenue Collectors in both Assemblies. Again, the table shows the revenues collected by Salaried and Commissioned Revenue Collectors according to their respective Assemblies. The total number of observations for Salaried Revenue Collectors in both Assemblies is 40. In both Assemblies, the total mean monthly revenue collected by a Salaried Revenue Collector is GHC 1,375.75 with a maximum and minimum collections of GHC 4,000.00 and GHC 500.00 respectively. In the two Assemblies, the total number of observations for Commissioned Revenue Collectors is 42. The total monthly mean revenue collected by a Commissioned Revenue Collector is GHC 2,040.24 with a maximum and minimum collections of GHC 10,000.00 and GHC 600.00, respectively. Thus, Commissioned Revenue Collectors collect more revenue than Salaried Revenue Collectors.

With a total of 40 Salaried Revenue Collectors, the LANMMA had 22 observations for Salaried Revenue Collectors and 24 observations for Commissioned Revenue Collectors out of a total of 42 Commissioned Revenue Collectors. In the LANMMA, the mean monthly revenue collection for a Salaried Revenue Collector is GHC 1,350.00 and a maximum and minimum monthly revenue collections of GHC 2,500.00 and GHC 500.00, respectively. In the case of Commissioned Revenue Collector in LANMMA, GHC 2,327.50 monthly mean of revenue is collected and a maximum and minimum monthly revenue collections of GHC 10,000.00 and GHC 660 respectively.

In the GEMA, there were 18 Salaried Revenue Collectors and 18 Commissioned Revenue Collectors. The monthly mean revenue collection for a Salaried Revenue Collector is GHC 1,402.78 and a maximum and minimum revenue collections of GHC 4,000.00 and GHC 600, respectively. The monthly mean revenue collection for a Commissioned Revenue Collector is GHC 1,657.22 with a maximum and minimum revenue collections of GHC 5,000.00 and GHC 680, respectively.

From table 4.4, Salaried Revenue Collectors in the GEMA collect more revenue compared to Salaried Revenue Collectors in the LANMMA. However, Commissioned Revenue Collectors in LANMMA collect more revenue compared to Commissioned Revenue Collectors in GEMA. Finally, within the LANMMA, the monthly mean revenue collection for Salaried Revenue Collectors is GHC 1,350.00 while Commissioned Revenue Collectors collect a monthly mean revenue of GHC 2,327.50. In GEMA, Salaried Revenue Collectors also collect a monthly mean revenue of GHC 1,402.78 while Commissioned Revenue Collectors collect a monthly mean revenue of GHC 1,657.22. In both Assemblies, therefore, Commissioned Revenue Collectors collect more revenue compared to Salaried Revenue Collectors.

Table 4.5: A tabulation of total monthly revenue collected in LANMMA and GEMA by a revenue collector.

	Mean	Std. Dev	Min	Max
TRCLANMMA	1860.00	1560.83	500.00	10000.00
TRCGEMA	1550.00	1030.82	600.00	5000.00

Notes: Std. Dev. denotes Standard deviation; Min denotes Minimum; Max represent Maximum. Source: Author's computation from field data (2019).

Definitions of variables:

TRCLANMMA – Total monthly revenue, in Ghana cedis, collected in La Nkwantanang Madinal Municipal Assembly by a Revenue Collector.

TRCGEMA - Total monthly revenue, in Ghana cedis, collected in Ga EAST Municipal Assembly by a Revenue Collector.

Table 4.5 presents descriptive statistics of total monthly revenue collected by each Revenue Collector in LANMMA and GEMA. In LANMMA, a Revenue Collector collects a monthly mean revenue of GHC 1,860.00 and a minimum and maximum revenue collections of GHC 500.00 and GHC 10,000 with a standard deviation of GHC 1,560.83. A Revenue Collector in GEMA also collects a monthly mean revenue of GHC 1,530.00 and a minimum and maximum revenue collections of GHC 600.00 and 5,000.00 respectively with a standard deviation of GHC 1,030.82. This difference in monthly revenue collection by Revenue Collectors in LANMMA and GEMA may be due to the nature of commercial activities in the respective Assemblies. Again, the revenue collection strategies and the number of Revenue Collectors in each Assembly may also account for this difference in revenue collection by Revenue Collectors.

Table 4. 6: Descriptive statistics of variables explaining revenue collection performance of Revenue Collectors.

	Mean	Std. Dev	Min	Max	Obs.
RC	1715.12	1356.37	500.00	10000.00	82
EARN	383.07	247.15	100.00	2000.00	82
EXPER	7.80	4.06	1.00	24.00	82
TR	0.98	0.16	0.00	1.00	82
LED	2.59	0.75	1.00	4.00	82
RT	0.83	0.38	0.00	1.00	82

Notes: Std. Dev. denotes Standard deviation; Min denotes Minimum; Max represent Maximum. Source: Author's estimation (2019) using STATA.

Definitions of variables:

RC – Revenue Collected

EARN- Earnings

EXPER - Experience

TR - Training

LED – Level of Education

RT – Revenue Target

Table 4.6 presents the descriptive statistics of variables explaining revenue collection performance of Revenue Collectors. The total number of observations used for the estimation was 82 with all the variables having positive means, as expected. The average monthly revenue collected by Revenue Collectors is GHC1,715.12 while the minimum and maximum revenue collected are GHC500.00 and GHC10,000.00, respectively. The standard deviation for revenue collected is GHC1,356.37, suggesting that there is high fluctuation of the variable among sample Revenue Collectors. Similarly, the earnings of Revenue Collectors range from a minimum value of GHC100.00 to a maximum value of GHC2,000.00 with a mean value of GHC383.07, which is less than the mean revenue generated. This is an indication that the Assemblies may be economically efficient as their revenues generated far exceed the cost incurred on collecting revenues.

The mean value of experience is 7.8 years. There is also a wide spread among the years of experience since the minimum value is 1 year and the maximum value is 21years. Furthermore, the mean value of the existence of training for Revenue Collectors is approximately 98%. This means that on the average 98% of Revenue Collectors receive training on the job. The standard deviation of training is 15.52%. In the case of training, minimum and maximum values simply represent absence and existence, respectively.

The average level of education attainment among the Revenue Collectors is SHS. The highest level of education attainment of a Revenue Collector is tertiary and the lowest level of education attainment is primary education. The average level of the presence of revenue target for Revenue Collectors is 0.83; the standard deviation is 0.38.

4.2 Regression Results

Table 4.7: Results of OLS regression with robust standard errors

lnRC	Coef.	Robust Std. Err.	t	p> t	[95%Conf. Int.]	Inter val]
lnEAR			15.9	0.000*		
N	0.912	0.057	0	**	0.798	1.026
lnEXPE						
R	0.125	0.074	1.69	0.094*	-0.022	0.273
lnLED	0.153	0.149	1.03	0.307	-0.144	0.450
TR	0.030	0.082	0.37	0.715	-0.134	0.194
RT	0.148	0.109	1.35	0.18	-0.698	0.366
LANM						
MA	0.150	0.076	1.96	0.054*	-0.003	0.302
COMC				0.000*		
OL	0.330	0.085	3.87	**	0.160	0.500
CONS	1.171	0.394	2.97	0.004	0.386	1.955

Number of obs = 82

F(7,74) = 66.34

Prob > F = 0.0000

R-squared = 0.680

Root MSE = 0.346

Note: *, **, and *** indicate significance at 10 %, 5% and 1% respectively. Ramsey RESET Test: fitted^2 Prob is 0.3250. Source: Author's estimation (2019) using STATA.

Variables apart from dummy variables have been log transformed.

Definitions of variables:

lnRC – Monthly revenue collected

lnEARN – Monthly earnings

lnEXPER – Experience

lnLED – Level of Education

TR - Training

RT – Revenue Target

LANMMA – La Nkwantanang Madina Municipal Assembly

COMCOL – Commissioned Revenue Collector

CONS – Constant

Table 4.7 presents results of the OLS regression with robust standard errors. With the exception of dummy variables, variables including, monthly earnings (EARNNS), experience (EXPER) and level of education (LED) are all in logs. The dependent variable, monthly revenue collected (RC) is also logged. Logarithmic transformation provides a convenient approach of transforming skewed data into a normal dataset.

The use of log-transformed variables means that the effects of the coefficients of the dependent variables are measured as percentage changes on the logged dependent variable. Therefore, the coefficients of the logged independent variables will be interpreted as percentage changes to explain the effects on the dependent variable. The exponential effect of the dummy variables were calculated to determine the influence of the dummy variables on the logged dependent variable (see appendix 1). The variable LANMMA, a dummy variable, is used to determine the municipality or assembly effect on revenue collected by the Revenue Collectors. Similarly, COMCOL, a dummy variable is used to determine the revenue collection performance between Salaried and Commissioned Revenue Collectors.

Objective 1 of the study

Objective 1 of the study is to examine factors affecting the revenue collection performance of Salaried and Commissioned Revenue Collectors in La Nkwatanang Madina Municipal and Ga East Municipal Assemblies. From Table 4.7, consistent with expectation, earnings have a positive and significant relationship with revenue collection. The coefficient indicates that at 1% level of significance, a 1% increase in earnings will increase revenue collection by 0.91%, all other things being equal. This result is consistent with the High Performance Theory which explains that reward, in this case earnings, enhances the performance of employees. Therefore, an increase in the salary of Revenue Collectors has the potential to improve revenue collection.

Again, from Table 4.7, as expected, the coefficient of experience is positive and statistically significant at 10% significance level. This means that, all other things being equal, if experience is increased by 1%, revenue collection will increase by 0.13%. It can, therefore, be concluded that experience has a positive effect on revenue collection.

This empirical finding is consistent with a study conducted by McDaniel et al. (1988), which reported a positive correlation between job experience and job performance for both low- and high-complexity jobs. Though consistent with the High Performance Theory, revenue target, training and level of education are all positive but not significant. In addition, controlling for the effect of Municipality or Assembly on revenue collection, on the average, revenue collected in LANMMA is approximately 16.15% (See Appendix 1) higher than the revenue collected in GEMA. This suggests a variation in the revenue collection performance between the two Assemblies (LANMMA and GEMA), controlling for the effects of the other variables. This difference in revenue collection between LANMMA and GEMA may be as a result of the nature or level of economic activities in both municipalities, their revenue collection strategies, the number of Revenue Collectors in each municipality, among others.

Objective 2

The second objective of this study is to determine the difference between the revenue collection performance of Salaried and Commissioned Revenue Collectors in both Assemblies (La Nkwatanang Madina and Ga East Municipal Assemblies).

From results in Table 4.7, on the average, the revenue collected by Commissioned Revenue Collectors (COMCOL) is approximately 39.1% (See Appendix 1) higher than the revenue collected by Salaried Revenue Collectors controlling for other explanatory variables. This difference in revenue collection between Commissioned and Salaried Revenue Collectors may be due to their revenue collection assignments or the type of the revenue they collect. More importantly, this may also be attributed to the incentivized nature of revenues collected by Commissioned Revenue Collectors.

4.3 Diagnostic tests for the OLS models

Outliers, non-normality, multicollinearity, and missing data may affect the OLS estimation in a multiple regression. Robustness checks may indicate how accurate and stable the estimation method is (Schumacker et al.,2002). This study, therefore, used a robust standard errors to control for heteroscedasticity in order to make the estimation more accurate. In addition, the Ramsey Reset test, a test of mis-specification was run to determine if any important variable was omitted. The Ramsey Reset test suggests that the model is not mis-specified and that no important variables have been omitted.

4.4 Chapter Summary

This chapter examined the factors that affect the revenue collection performance of Revenue Collectors. The revenue collection performance between Salaried and Commissioned collectors was also determined. An OLS regression approach, with robust standard errors,

was used for the estimation. Results were presented and discussed in line with the objectives of the study.

The regression results indicate that the regression coefficients of earnings and experience were positive and statistically significant, while those of the level of education, training and revenue target were positive but not significant. In controlling for the effect of Municipality or Assembly on revenue collected, the study established that Revenue Collectors in LANMMA on average collect more revenue as against Revenue Collectors in Ga East. Finally, the thesis also reported that Commissioned Revenue Collectors on average collect more revenue compared to Salaried Revenue Collectors in both Assemblies.

CHAPTER FIVE

SUMMARY AND RECOMMENDATIONS

5.0 Introduction

This chapter provides a summary of key findings, recommendations and limitations of the study. It presents, in summary, the various findings and also makes recommendations on ways to enhance the revenue collection performance of Revenue Collectors.

5.1 Key Findings

Improving local revenue collection as a key source of IGF is crucial for the economic growth and development of local government areas (MMDAs) in Ghana. The growing needs of MMDAs in Ghana together with their inability to collect enough IGF for local development have become an issue of concern for stakeholders in the area of local government development. While several barriers to the generation of adequate IGF have been identified, one area that has not properly received much attention is the role of Revenue Collectors in the collection of local revenue in Ghana. However, for the collection of revenue to be effective, an understanding of the factors affecting the revenue collection performance of Revenue Collectors is essential.

This thesis, therefore, aimed to examine factors affecting the revenue collection performance of Salaried and Commissioned Revenue Collectors in the Ga East and La Nkwantanang Madina Municipalities. Additionally, the thesis also determined the difference between the revenue collection performance of Salaried and Commissioned Revenue Collectors. The study mainly used an explanatory research design to test how selected variables from the high performance theory can explain the revenue collection performance of Revenue Collectors.

In estimating the factors affecting revenue collection performance, the Ordinary Least Squares (OLS) linear regression was used. Selected variables for the study, apart from dummy

variables, were log transformed. Heteroscedasticity was corrected for by the use of robust standard errors. Descriptive statistics were also used in the study to mainly explain or highlight the characteristics of the variables for the study.

Results from the study indicate that the effects on revenues of earnings and experience were all positive and statistically significant. However, the effects of level of education, training, and revenue target were all statistically insignificant, though positive. In controlling for Municipality effect, the study also finds that, LANMMA averagely collects more monthly revenue compared to GEMA. This difference in revenue collection between LANMMA and GEMA may be attributed to the level of economic activities in both Municipalities, their revenue collection strategies, the number of Revenue Collectors in each municipality, among others.

The difference in revenue collection performance between Salaried and Commissioned Revenue Collectors was also determined by the study. The study found that Commissioned Revenue Collectors collect more revenue on the average compared to Salaried Revenue Collectors, *ceteris paribus*. This difference in revenue collection between these two groups of collectors may be attributed to the greater incentive for the former group. That is, the inability or failure on the part of Commissioned Revenue Collectors to collect enough revenue can affect greatly their income which is commission based. Again, the difference in revenue collection between Commissioned and Salaried Revenue Collectors may be due to their revenue collection assignments or the type of the revenue they collect. Finally, an observation from Table 4.3 (a cross tabulation of type of Revenue Collectors and their educational level) shows that 20 out of 38 Revenue Collectors who have attained senior secondary school education level are Commissioned Revenue Collectors.

Additionally, out of 8 Revenue Collectors who have attained tertiary level education, 7 are Commissioned Revenue Collectors. This high level of education among Commissioned Revenue Collectors may partly explain why Commissioned Revenue Collectors on average

collect more revenue compared to Salaried Revenue Collectors. This supports the view shared by Olaniyan and Okemakinde (2008) that an individual's work output or performance is expected to improve with his level of education

5.2 Recommendations

Based on the findings, the study recommends a performance-based or incentivized-based salary structure for Revenue Collectors. In addition, MMDAs should ensure that Revenue Collectors with years of experience are retained. Finally, it is recommended that, for effective revenue collection, the Assemblies should engage the services of more Commissioned Revenue Collectors to help in the mobilization of revenue. This should help improve future revenue collection performance.

5.3 Limitations to the Study

The largely manual system of recording revenues and the inability to timely update revenues collected in the Assemblies made it difficult to have access to detailed and updated records of revenue collections by collectors. The cost incurred in conducting the study imposed a limitation, especially on the scope of the research. As a limitation, the use of a quantitative research approach may disengage the researcher from the research participants (Daniel, 2016).

Finally, the study was unable to focus on and explain how the type of revenue collected (market tolls, business operating license, property rate etc.) may also explain the differences in revenue collection between Salaried and Commissioned Revenue Collectors. This may be an area for future research. Presumably, these limitations did not appreciably affect the reliability of the estimates and, therefore, the quality of the study.

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APPENDICES

Appendix 1

Estimating the coefficient of a dummy variable on a log transformed dependent variable.

$\text{Log } y = b_0 + b_1x_1$. Where b_1 is the coefficient of the dummy variable x_1 .

$y = e^{b_0 + b_1x} = A_0e^{b_1x_1}$. That is, if x_1 increases by 1 unit, y will increase by $((e^{(b_1)}) - 1) \times 100$.

1. The coefficient for the dummy variable LANMMA = 0.15

$$((e^{(0.15)}) - 1) \times 100 = 16.15\%$$

2. The coefficient for the dummy variable COMCOL = 0.33

$$((e^{(0.33)}) - 1) \times 100 = 39.1\%$$

Appendix 2

UNIVERSITY OF GHANA



INSTITUTE OF STATISTICAL, SOCIAL AND ECONOMIC RESEARCH (ISSER)

**QUESTIONNAIRE: AN ASSESSMENT OF THE REVENUE COLLECTION
PERFORMANCE OF SALARIED AND COMMISSIONED REVENUE
COLLECTORS IN GA EAST AND LA NKWANTANANG MADINA MUNICIPAL
ASSEMBLIES IN GHANA.**

This questionnaire has been developed to assess the revenue collection performance of Revenue Collectors (Salaried and Commissioned) in the Ga-East and La- Nkwantanang Madina Municipal Assemblies. Your response will contribute greatly not only to academia but also towards strengthening the performance of Revenue Collectors in local revenue mobilization. Please read the questions carefully and provide the appropriate responses. Please note that responses to these questions would be used for academic purposes only and your confidentiality is assured. You are however free to decline participating in this study. Thank you.

SECTION A: PERSONAL DATA

A1. Type of collector

[1] Salaried Collector [2] Commissioned Collector

A2. Assembly

[1] GEMA [2] LANMMA

A3. Gender of collector

[1] Male [2] Female

A4. What is your age in year? -----

A5. Do you live within the Assembly? [1] Yes [2] No

A6. If no, where do you stay?

Area/Suburb.....

District:

A7. Are you the head of your household? [1] Yes [2] No

A8. What is the size of your household? -----

A8. Which of the following household assets do you own? (Tick all that apply)

1. Television
2. Radio
3. Fridge
4. Ceiling fan
5. Telephone/Mobile Phone
6. Bicycle/ Motorcycle

SECTION B: TARGETS OR DEMANDS

B1. What source of Revenue do you collect?

[1] Property rate [2] BOP [3] Market toll [4] Other (Specify)

B2. Are you given revenue collection target/s? [1] Yes [2] No

B3. If yes, how often?

[1] Weekly [2] Monthly [3] Quarterly

B4. What is your revenue collection target for the period indicated in B3? -----

	Stro ngly disa gree	Disa gree	Neit her agre e	Agr ee	Stro ngly agre e
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			nor disagree		
	1	2	3	4	5
B. The revenue collection target set for me is high					
B6. I am able to achieve my revenue collection targets					

	Not difficult	Fairly difficult	Somewhat difficult	Difficult	Very difficult
B7. It is difficult achieving my revenue collection target	1	2	3	4	5

	Rarely	Sometimes	Often	Very often
B8. How often do you achieve your revenue collection target?	1	2	3	4

B9. What is your average monthly collection?

SECTION C: ABILITY

C1. What is your level of education? [1] No education [2] Primary/Basic [3] Middle/JHS [5] SSS/GCE O Level [5] Tertiary

C2. Number of years spent schooling/in school?

C3. How many years have you worked as a revenue collector in this Assembly?

C4. How many years have you worked in total as a revenue collector?

	Sometimes	Rarely	Often	Fairly often	Never
C6. How often do you receive training?	1	2	3	4	5

C6. When was the last time you received training?

[1] I can't remember [2] 6 months ago [3] A year ago [4] 2 years ago

SECTION D: COMMITMENT:

D1. How many hours do you usually spend in collecting revenue per day?

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
	1	2	3	4	5
D2. I find satisfaction in my job as a revenue collector					

D3. Do you see yourself working as a revenue collector in the next 5 years? [1] Yes [2] No

SECTION E: FEEDBACK

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
	1	2	3	4	5
E1. I have a clear understanding of my job responsibilities and what is expected of me.					

	Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree
	1	2	3	4	5
E2. My supervisor provides me with frequent feedback on my revenue collection performance.					

SECTION F: SANCTION

F1. As a revenue collector, are you punished for not meeting your revenue targets? [1] Yes
[2] No

	Stron gly disag ree	Disag ree	Neith er agree nor disag ree	Agre e	Stron gly agree
F2. If yes to F1, the fear of being punished enhances my revenue collection performance.	1	2	3	4	5