

SOKOINE UNIVERSITY OF AGRICULTURE



MBA Dissertation

**Attitude of Traders towards the use of
EFD Machines: A Case of Tanzania's
Eastern Zone**

Rachel Ernest Mwalongo

April, 2024

**Attitude of Traders towards the Use of EFD Machines:
A Case of Tanzania's Eastern Zone**

**A Dissertation Submitted in Partial Fulfillment of the Requirements
for the Degree of Master of Business Administration (Finance And
Accounting) of Sokoine University of Agriculture. Morogoro,
Tanzania.**

By

Rachel Ernest Mwalongo

Supervisors

Dr. Joseph A. Longo

**College of Economics and Business Studies,
Department of Agricultural Economics and Agribusiness
Sokoine University of Agriculture, Morogoro, Tanzania.**

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EXTENDED ABSTRACT

This study assessed the attitude of the traders toward the use of Electronic Fiscal Devices (EFDs) in Tanzania's Eastern Zone. The main objective of this research was to examine the attitude of traders towards the use of EFD machines, and the willingness of buyers to demand EFD receipts when purchasing items. Specifically, the study addressed the following specific objectives (i) To gauge the attitude of traders towards the use of EFD machines. (ii) To assess the willingness of buyers to demand EFD receipts from traders. (iii) To identify factors that influence the attitude towards the use of EFD machines. (iv) To identify factors that influence the willingness of buyers to demand EFD receipts. (v) To identify challenges facing traders when using EFD machines in Tanzania's Eastern Zone. The study used a descriptive cross-sectional approach. The study employed 120 respondents being taxpayers. Respondents were selected through simple random sampling and purposive sampling techniques. Both qualitative and quantitative data were collected through structured questionnaires and interview guide. Quantitative data were analyzed using the Statistical Package for Social Sciences (SPSS 20.0) and Excel software program, and qualitative data were analyzed using content analysis. Research shows that taxpayers are reluctant to use EFD machines and consumers are reluctant to ask for EFD receipts when purchasing goods or services. Every effort is made to inform customers of the importance of requesting an EFD receipt for each transaction. The main challenges facing the full use of EFDs are the high cost of purchasing equipment and, most importantly, the lack of taxpayer training in the use of EFDs. This study concluded that it is necessary to review the purchase price and maintenance cost, improve the system or the lack of network, properly check the taxpayer's ability to pay taxes, continue to study, know, etc., and accurately determine the amount of tax that the taxpayer must pay, Fairness of the tax system and incentives for its use. Once the above mentioned issues are resolved, tax revenue collection can be further improved through the use of EFD.

Keywords: Electronic Fiscal Devices, Attitude of traders and Taxation

IKISIRI KUU

Utafiti huu ulitathmini mtazamo wa wafanyabiashara kuhusu matumizi ya Vifaa vya Kieletroniki (EFDs) katika Kanda ya Mashariki ya Tanzania. Lengo kuu la utafiti huu lilikuwa kuchunguza mtazamo wa wafanyabiashara kuhusu matumizi ya mashine za EFD, na utayari wa wanunuzi kudai risiti za EFD wanaponunua bidhaa. Hasa, utafiti ulishughulikia malengo mahususi yafuatayo; kupima mtazamo wa wafanyabiashara kuhusu matumizi ya mashine za EFD, kutathmini utayari wa wanunuzi kudai risiti za EFD kutoka kwa wafanyabiashara, kubaini mambo yanayoathiri mtazamo wa matumizi ya mashine za EFD, kubaini mambo yanayoathiri utayari wa wanunuzi kudai risiti za EFD na kubaini changamoto zinazowakabili wafanyabiashara wanapotumia mashine za EFD Kanda ya Mashariki mwa Tanzania. Utafiti ulitumia mkabala wa kimaelezo wa sehemu mbalimbali. Utafiti uliwaajiri wahojiwa 120; Wajibu walichaguliwa kupitia sampuli nasibu rahisi na mbinu madhubuti za sampuli. Data zote mbili za ubora na kiasi zilikusanywa kupitia dodoso zilizopangwa na mwongozo wa usaili. Data ya kiasi ilichanganuliwa kwa kutumia Kifurushi cha Kitakwimu cha Sayansi ya Jamii (SPSS 20.0) na programu ya kompyuta ya Excel, huku data ya ubora ilichanganuliwa kwa uchanganuzi wa maudhui.

Wahojiwa waliulizwa kutaja kama kanuni ya kulipa kodi ni ya haki na ya haki. Inaonyesha kuwa wastani wa mtazamo huo ulikuwa 4.2833 na mkengeuko wa kawaida ulikuwa 0.76897 ikimaanisha kuwa kulikuwa na kutokubaliana na maoni kwamba kanuni ya kulipa kodi ilikuwa ya haki na ya haki. Mhojiwa alinukuu akisema; "kulipa kodi haikuwa sawa kwa sababu gharama ni kubwa ikilinganishwa na jinsi biashara inavyopata faida. Kweli tunafanya kazi TRA." Hata hivyo, wahojiwa waliohojiwa waliamini kuwa ubadhirifu na ufiisadi serikalini ulikuwa mkubwa jambo ambalo lilipunguza matumizi sahihi ya kodi zinazokusanywa. Matokeo haya, katika kesi hii, yanaonyesha kuwa hoja ya kubadilishana fedha nyuma ya kufuata kwa walipa kodi ina uwezo mdogo wa kueleza katika kesi hii kwa sababu watu walijibu kwamba waliona kanuni ya kulipa kodi si ya haki na ya haki, kwa sababu marejesho ya kodi yao yalikosekana kutokana na maskini.

utoaji wa huduma kwa umma. Hii inaweza kuonyesha matarajio ya kubadilishana fedha kati ya watu: watu wako tayari kulipa kodi, lakini wanaona kuwa wanapata malipo kidogo, kwa sehemu kutokana na upotevu na rushwa.

Waliojibu walitakiwa kueleza iwapo waliridhishwa na mfumo wa kodi kwa kuwa kodi ni ya lazima. Pia matokeo yanaonyesha kwamba wastani wa 4.2667 na mkengeuko wa kawaida wa .65764. Matokeo haya yanadokeza kuwa waliohojiwa hawakukubaliana na taarifa kwamba walipa kodi hawakuridhika na mfumo wa ushuru ingawa kodi ilikuwa ya lazima. Hii inaweza kuhusishwa na capitulation ambayo ina maana kwamba, walipa kodi wanaweza kufurahishwa na mfumo wa ushuru au ofisi ya ushuru, lakini wanakubali kwamba ni sehemu ya maisha na kwamba ushuru unahitaji kulipwa.

Wengi wa waliohojiwa, (71.6%) walikubali au walikubali kwa dhati kwamba EFD ilipunguza ukwepaji wa kodi, wakati (28.4%) ama walikataa au walikataa vikali. Aidha, (71.6%) ama walikubali au walikubali kwa dhati kwamba EFDs zilisaidia wafanyabiashara kutunza kumbukumbu za miamala ya mauzo yao, wakati (45%) walipinga au walipinga vikali kuwa EFDs zilisaidia kuondoa madai ya ushuru feki kwa wafanyabiashara wachache. wafanyabiashara wasio waaminifu. Mwisho, wafanyabiashara wengi 86 (70%) walikubali au walikubali kwa dhati kwamba EFDs zilisaidia kupunguza rushwa katika ukusanyaji wa kodi, wakati 36 (30%) walikataa au walikataa vikali. Pia wengi wa wahojiwa wanaona vyema kwamba haileti tofauti kama wanapaswa kudai risiti za EFD au la. Aidha hawakubaliani ni wajibu wa kisheria kudai risiti za EFD. Kwa hali hiyo ndiyo maana wakati fulani wanaona hakuna haja ya kudai risiti wakati wa kununua vitu hivyo matokeo yanaonyesha kuwa watu binafsi hawako tayari kudai risiti za EFD wanaponunua bidhaa. Changamoto kuu zinazokabili matumizi kamili ya EFDs ni gharama kubwa ya ununuzi wa vifaa hivyo na ukosefu wa elimu kwa walipakodi kuhusu matumizi ya EFDs miongoni mwa mengine. Utafiti huu unahitimisha na kupendekeza mapitio ya gharama za ununuzi na matengenezo, uboreshaji wa uvunjaji wa mfumo au

mtandao, kuongeza elimu endelevu, uelewa na motisha juu ya matumizi ya EFDs.

Ingawa wanunuzi wanafahamu kuwepo kwa risiti za EFD, ni muhimu kudai risiti za EFD baada ya kununua chochote. Stakabadhi za EFD ni dhamana kwao na lakini wanaelewa kuwa, ni wajibu wa kisheria kudai risiti za EFD hata hivyo hawaoni kama wanatakiwa kudai risiti au la. Mtu binafsi hayuko tayari kudai risiti za EFD wakati wa kununua vitu kwa vile walikuwa wanasema kwa kutodai risiti za EFD muuzaji anatoa punguzo ambalo ni faida kwa mnunuzi ndiyo maana wakati fulani wanaona hakuna haja ya kudai risiti wakati wa kununua vitu. Ilielezwa zaidi kuwa kwa kudai risiti ya EFD baadhi ya wafanyabiashara hawawezi kutoa huduma au kusambaza bidhaa. Ndivyo ilivyo hata mnunuzi ana mtazamo hasi kuhusu risiti za EFD.

Maneno muhimu: Vifaa vya Kielektroniki vya Kifedha, Mwinuko wa wafanyabiashara na Ushuru

DECLARATION

I, Rachael Ernest Mwalongo, do hereby declare to the Senate of Sokoine University of Agriculture that this dissertation is my own original work, done within the period of registration and that it has neither been submitted nor being concurrently submitted for a higher degree award in any other institution.

Rachael Ernest Mwalongo
(MBA Finance and Accounting Candidate)

Date

The above declaration was confirmed by:

Dr Joseph A. Longo
(Supervisor)

Date

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TABLE OF CONTENTS

EXTENDED ABSTRACT.....	ii
IKISIRI KUU.....	iii
DECLARATION.....	vi
COPYRIGHT.....	vii
ACKNOWLEDGEMENTS.....	viii
TABLE OF CONTENTS.....	ix
LIST OF TABLES.....	xii
LIST OF FIGURES.....	xiii
LIST OF APPENDICES.....	xiv
LIST OF ABBREVIATIONS.....	xv
CHAPTER ONE.....	1
1.0 INTRODUCTION.....	1
1.1 Overview.....	1
1.2 Background of the Study.....	1
1.3 Statement of the Problem.....	3
1.4 Objective of the Study.....	4
1.4.1 General Objective.....	4
1.4.2 Specific Objectives.....	4
1.4.3 Research Questions.....	5
1.5 Research Hypotheses.....	5
1.6 Significance of the Study.....	5
1.7 Limitation of Study.....	6
1.8 Organization of the Study.....	6
CHAPTER TWO.....	7
2.0 LITERATURE REVIEW.....	7
2.1 Introduction.....	7
2.2 Definition of the key terms.....	7
2.2.1 Electronic Fiscal Devices (EFD).....	7
2.2.2 Taxation.....	7
2.2.3 Attitude and Perception of Tanzanian Taxpayers on EFD.....	8
2.3 Theoretical Framework of the Study.....	8

2.3.1	Diffusion of innovation theory.....	8
2.3.2	Technology Acceptance Model (TAM).....	9
2.3.3	Fiscal exchange theory.....	9
2.4	Empirical literature review.....	9
2.5	Research gap.....	11
2.6	Conceptual framework.....	12
CHAPTER THREE.....		13
3.0	METHODOLOGY.....	13
3.1	Description of the Study Area.....	13
3.2	Research Design.....	13
3.3	Target population.....	14
3.3.1	Sample Procedure.....	14
3.3.2	Sample Selection.....	14
3.3.3	Sample size.....	15
3.3.4	Non-probability Sampling Technique.....	15
3.3.5	Probability sampling.....	15
3.4	Methods of Data Collection.....	16
3.4.1	Primary Data.....	16
3.4.1.1	Questionnaire.....	16
3.4.1.2	Interview.....	16
3.4.2	Secondary data.....	17
3.5	Methods of Data Analysis.....	17
3.5.1	Qualitative data analysis.....	17
3.5.2	Quantitative data analysis.....	18
3.6	Validity and Reliability.....	18
3.6.1	Validity.....	18
3.6.2	Reliability.....	19
CHAPTER FOUR.....		20
4.0	RESULTS AND DISCUSSION.....	20
4.1	Questionnaire Response Rate.....	20
4.2	Socio-demographic Characteristics of Respondents.....	21
4.2.1	Gender of respondents.....	21

4.2.2	Age of respondents.....	21
4.2.3	Academic qualification of respondents.....	22
4.2.4	Business experience.....	22
4.2.5	Turnover size per year.....	23
4.3	Attitude of Traders towards the Use of EFD.....	24
4.4	Factors influencing the Attitude towards the Use of EFD.....	27
4.5	Willingness of Buyers to Demand EFD Receipts from Traders.....	29
4.6	Factors that Influence the Buyers to Demand EFD Receipts.....	32
4.7	Challenges of using Electronic Fiscal Devices (EFDs).....	33
4.7.1	Lack of Education on the use of EFDs.....	34
4.7.2	Breakdown of the system.....	35
4.6.3	High cost of purchasing the devices.....	35
4.6.4	Lack of trust.....	36
4.7.5	Lack of Motivation.....	36
4.7.6	Personal Attitudes.....	37
CHAPTER FIVE.....		38
5.0 CONCLUSION AND RECOMMENDATIONS.....		38
5.1	Conclusion.....	38
5.2	Recommendation.....	39
5.3	Areas for further research.....	40
REFERENCES.....		40
APPENDICES.....		44

LIST OF TABLES

Table 4.1	Response Rate.....	20
Table 4.2	Gender of respondents.....	21
Table 4.3	Age of respondents.....	22
Table 4.4	Academic qualifications.....	22
Table 4.5	Respondent working experience.....	23
Table 4.6	Turnover size per year.....	23
Table 4.7:	Attitude of Traders towards Use of EFDS	24
Table 4.8:	Factors influencing the attitude towards the use of EFD.....	28
Table 4.9:	Willingness of buyers to demand EFD receipts from traders	31
Table 4.10:	Challenges of using EFDs.....	34

LIST OF FIGURES

Figure 1: Conceptual Framework.....12

LIST OF APPENDICES

Appendix 1: Questionnaire.....44

LIST OF ABBREVIATIONS

ECR	Electronic Cash Register
EFDs	Electronic Fiscal Devices
EFP	Electronic fiscal Printer
ETR	Electronic Cash Register
IT	Information Technology
KRA	Kenya Revenue Authority
MRA	Malawi Revenue Authority
SME	Small and Medium Enterprises
SPSS	Scientific Package for Social Sciences
TRA	Tanzania Revenue Authority
TSH	Tanzania Shilling
TTA	Tanzania Trade Association
VAT	Value Added Tax

CHAPTER ONE

1.0 INTRODUCTION

1.1 Overview

This chapter presents a background information on Attitude of Traders towards the use of EFD Machines in Tanzania's Eastern Zone. This chapter is further divided into sections namely; the background of the study, statement of the problem, research questions, objectives, scope and limitations of the study and its significance to the relevant stakeholders.

1.2 Background of the Study

Charges are one of the foremost reliable sources of government pay that engage the course of action of social organizations to its citizens (World Bank, 2022). Other sources consolidate progresses, blessings and pay gotten from government wanders. Consequently, governments around the world have made charges a required commitment for each individual. In show disdain toward of the truth that never completely welcome, collecting charges with most noteworthy support from citizens and slightest unsettling influence or bother yields gigantic comes approximately (Chiwambo, 2020).

Traders acknowledged that the EFD machines were sold at high, which would lead to higher costs of running the business. The restrictions were undoubtedly more unfortunate for non-VAT enlistments as they showed up to see that they would cause higher costs given them for the most part exchange pay (Mboma, 2017). Evaluate pros in middle-income countries checking Brazil, Bulgaria, Chile, Mexico and Romania have as well gone up against various challenges in executing EFD. Sellers have responded to the determination of EFDs, with most of complains roughly the additional costs caused by organizations as a result of utilizing EFDs; costs related to machine foundation, EFD bolster costs, EFD director installments, purchase of stationary equipment and annually machine appraisal costs (Mmanda, 2017).

Electronic Fiscal Devices (EFDs) were introduced in Tanzania in 2010 under the Value Added Tax ordinance for VAT registered entities.

Despite initial resistance, information campaigns by authorities like the TRA have increased taxpayer awareness about EFDs. The government has made it mandatory for sellers to issue EFD receipts for every transaction, leading to more compliance, especially after a campaign by the president. Today, many sellers now provide receipts as required.

The implementation and use of Electronic Fiscal Devices (EFD) in Tanzania has been a challenge for the Tanzania Revenue Authority (TRA). VAT collection did not meet expectations, with both vendors and buyers resisting the use of EFD receipts. Customers are reluctant to request receipts, leading to stacks of unclaimed EFD receipts at various businesses. The TRA has tried to enforce the Finance Act of 2016 by penalizing individuals found without EFD receipts, but this has not fully addressed the issue. Many customers still do not collect receipts, leading to increased resentment towards the tax system and government. Sellers argue that it is not their fault if customers do not take receipts. The investigation aims to understand why buyers are reluctant to ask for receipts and how customers play a crucial role in ensuring accurate sales reporting to the TRA.

Technology has made it easier for receipts to be automatically issued with buyer and item details, reducing waiting time. However, despite this advancement, abandoned EFD receipts can still be found in shopping locations. Various factors such as education, culture, beliefs, and control may influence why customers choose not to receive receipts after transactions in Tanzanian context. Critics argue that EFDs will not be effective unless the reasons for their non-use are recognized and resolved.

The ongoing debate surrounding consumer claims about post-purchase Electronic Fiscal Device (EFD) accounts lacks a clear and conclusive explanation. The theory of planned behavior (TPB) suggests that

consumer attitudes play a role in decision-making, but critics argue that attitudes may not always be a determining factor. Factors like perceived social pressure, behavioral control, and emotional responses also impact consumer decisions. Some studies show that many consumers do not see the value in EFD receipts due to concerns about validity, difficulty in distinguishing between genuine and counterfeit receipts, and a declining number of receipts. Additionally, the role of facilitating conditions, such as policy and resources, in influencing consumer behavior is also discussed in the literature. However, these factors are often studied separately, limiting the overall understanding of the issue.

This research was sought to fill the gap in the existing body of knowledge by carrying out a study to investigate factors, in their totality that hinder customers to claim receipts after transactions. The study's key research question is: Why do some customers not claim EFD receipts or sellers issue EFD receipts readily after transactions, despite several reminders to do so? The study specifically explores the influence of facilitating conditions, individual attitude, subjective norms, behavioural control and perceived receipts validity on taking of EFD sales receipts after purchase transactions.

1.3 Statement of the Problem

The Tanzania Revenue Authority (TRA) implemented the Electronic Fiscal Device (EFD) to improve revenue collection from VAT-registered traders. The introduction of EFD Machines aimed to enhance VAT compliance in Tanzania and address non-compliance issues. This initiative resulted in an increase in VAT collections, showcasing its effectiveness in boosting government revenue. (Ikasu, 2018).

Although Electronic Fiscal Devices (EFDs) have boosted revenue collection by closing tax evasion loopholes used by dishonest taxpayers, some of them are protesting the use of EFD machines. The main arguments include battery problems, lack of a Swahili version of the EFD,

insufficient training of business owners or runners on how to use them, network and printer failures, issuing inferior receipts and slow EFD repairs (TCCIA & PAMOMA, 2019; Weru et al., 2018; Similarly, immediately after their introduction in 2011, most EFDs had problems with the network, which limited the sending of important messages to the TRA (TCCIA & PAMOMA, 2019). made incorrect entries, resulting in higher income being reported than intended, and in which case the additional tax paid was not corrected by the TRA. These problems affected taxpayers' perceptions and attitudes and made them reluctant to comply with tax obligations. In this study, this study aimed to assess the attitudes and perceptions of eligible taxpayers towards the use of EFDs in Tanzania. Furthermore, the extent to which individual purchasers require EFD receipts is not clear. It is from this context that this study aims to assess the attitude of merchants towards the use of EFD machines and the willingness of buyers to require EFD receipts.

1.4 Objective of the Study

1.4.1 General Objective

To examine the attitude of traders towards the use of EFD machines, and the willingness of buyers to demand EFD receipts when purchasing items.

1.4.2 Specific Objectives

- i. To gauge the attitude of traders towards the use of EFD machines.
- ii. To assess the willingness of buyers to demand EFD receipts from traders.
- iii. To identify factors that influence the attitude towards the use of EFD machines.
- iv. To identify factors that influence the willingness of buyers to demand EFD receipts.
- v. To identify challenges facing traders when using EFD machines.

1.4.3 Research Questions

- i. What are the trader's attitude of traders towards the use of EFD machines?
- ii. What are the willingness of buyers to demand EFD receipts from traders?

- iii. What are the factors that influence the attitude towards the use of EFD machines?
- iv. What are the factors that influence the willingness of buyers to demand EFD receipts?
- v. What are the challenges facing traders when using EFD machines?

1.5 Research Hypotheses

H0: Associated attitude of traders and buyers have no influence towards the use of EFD machines.

Hi: Associated attitude of traders and buyers have influence towards the use of EFD machines.

1.6 Significance of the Study

The study examines traders' attitudes towards using EFDs, the impact on revenue collection, and challenges faced. It also contributes to innovation theory by exploring attitudes towards adopting new technologies.

Little attention has been paid to generating information on the challenges facing the implementation of the use of EFD in revenue collection in Tanzania. Therefore, this study is expected to force the TRA to consider those issues. In addition, the results of this study may be used to develop better service delivery in EFD machines that can increase revenue collection in Tanzania. This study may also provide feedback to the TRA in furthering its track record in building institutional capacity, thereby helping developing countries around the world by emulating tax collection mechanisms. In addition, this study will contribute to the dialogue between policy makers and TRA stakeholders on the role of EFD machines in strengthening the empowerment and sustainability of TRAs, which play an important role in increasing income in Tanzania.

1.7 Limitation of Study

The problem the researchers faced was the reluctance of the respondents, with some traders responding some of the questionnaire by saying that, they have no time to respond to the questions they only have time do business and not responding to questionnaire.

1.8 Organization of the Study

This research consists of five chapters. Chapter 1 presents the introduction and background of the research, problem statement, research objectives and research questions. We also discussed the

importance of research, the scope of research and finally the organization of research. Chapter 2 introduced the literature review related to the study. This study provided definitions of key terms used in this study, a theoretical overview, an empirical review, and a conceptual framework for the study. In the third chapter, the research method used in the research was introduced. We presented the research design, sampling methods, data collection methods, data analysis, data validity, reliability and finally issues of ethical considerations. Chapter 4 presents the data. Analyze and discuss the results according to the objectives of the study. Chapter 5 summarizes the findings, conclusions and recommendations based on the findings. It also paved the way for further research.

CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

This chapter looks at distinctive definitions of key words from diverse sources to supply a hypothetical system and a premise for distinguishing information crevices and investigate questions, as well as how a few of the issues we inspected to what degree this has been considered. is, talks about. The creators base this on a hypothetical writing audit and an experimental writing audit.

2.2 Definition of the key terms

2.2.1 Electronic Fiscal Devices (EFD)

Naibei Siringi, Siringi and Musonera (2018) depict EFDs as commonly utilized by charge specialists to screen intra- and inter-company exchanges that result in bookkeeping commitments for utilization charge (more often than not characterized as deals charge or extract charge be). Extra assess (VAT). The key component of these gadgets is the nearness of "money related memory". This memory is ordinarily certified by the pertinent government organization. Martin *et al.* (2010) characterize an electronic bookkeeping gadget (EFD) as a machine utilized in commerce for viable administration control within the field of deals investigation and stock administration frameworks. One of the key components of these gadgets is the nearness of money related memory (tamper-proof memory, which is more often than not affirmed by the significant government organization).

2.2.2 Taxation

Taxation, as defined in the song "Songbird" (2002), involves the mandatory transfer of money from individuals to the government. Its main purposes include generating public revenue, redistributing income and wealth fairly, improving market inefficiencies in resource allocation, and stabilizing the economy through controlling money circulation. Taxes are essential for the government's functioning and form part of the social contract with citizens.

2.2.3 Attitude and Perception of Tanzanian Taxpayers on EFD

The Tanzanian government prioritizes increasing domestic revenue through various strategies in revenue collection. Revenue mobilization is essential to reduce dependence on single sources, provide public services, and lessen reliance on foreign aid. The Tanzania Revenue Authority (TRA) has implemented initiatives to broaden the tax base, improve compliance and enhance tax revenue management. Tax reforms aim to address taxpayer attitudes, perceptions, and introduce new technologies for more efficient revenue collection practices, drawing insights from global best practices. Overall the attitude of traders on the utilization of the EFD machine are expected to be determined by a number of factors, including legal requirements, device usability and functionality and the perceived influence on business operation.

2.3 Theoretical Framework of the Study

A theory can be referred to as a set of views a person or a group of people has, which tend to explain the situation that exists and predict about the future. According to Kenneth (2005) theories tend to present a systematic view of a certain phenomenon by specifying the relations about empirical reality among variables using a set of interrelated variables, definitions and propositions. The theories which were used in addressing the study were as follows:

2.3.1 Diffusion of innovation theory

The Diffusion of Innovation theory, developed by Rogers in 1962, explains how new ideas and technology spread over time as individuals gain experience. It defines innovation as a new idea, practice, or object. The theory focuses on the adoption of innovations among individuals and organizations, driven by the need to reduce uncertainty in a social network. The theory emphasizes seeking information to reduce uncertainty and identifies four main elements: the innovation itself, communication channels, time and the social system.

Research by Scott *et al.*, 2008 supports the theory, suggesting that new innovations must demonstrate advantages over current resources and be visible. Factors influencing adoption include relative advantages, compatibility, complexity, trainability, and observability. The theory is frequently cited in technology innovation research.

The study concludes that the Diffusion of Innovation theory is relevant in understanding the adoption of new technology, such as the EFD system, which is expected to promote revenue collection. The benefits of using the EFD system are highlighted as it supersedes previous revenue collection methods.

2.3.2 Technology Acceptance Model (TAM)

The Technology Acceptance Model (TAM) was developed by Davis in 1989 to explain how new technology is received and used by end users. It focuses on behavioral intention as a key factor in using technology, with ease of use and perceived usefulness being the main influences on decisions regarding technology use. Perceived ease of use refers to the effortlessness of using a system, while perceived usefulness relates to how a system enhances job performance. The model suggests that perceived usefulness of a system predicts belief in its ability to improve performance, such as in collecting revenue more efficiently. TAM is a significant theory in understanding technology adoption and usage.

2.3.3 Fiscal exchange theory

The theory suggests that government spending can increase tax compliance by providing public goods and services that are perceived as beneficial by taxpayers. Tax compliance is believed to rise when citizens see a direct connection between the taxes they pay and the services they receive. The theory emphasizes that taxes are necessary for funding government services and that taxpayers are more likely to comply when they feel they are receiving value for their payments. This approach is seen as more effective than relying solely on enforcement measures to ensure tax compliance. The theory also highlights the importance of the quality of public services in influencing taxpayers' willingness to pay taxes, indicating that the success of tax collection efforts depends on the level of services provided by the government.

2.4 Empirical literature review

Chiwambo (2014) conducted a study on the impact of EFDs machines on tax collection in Zimbabwe and South Africa. The study used questionnaires for data collection and analyzed the data qualitatively and quantitatively. Findings showed that EFDs machines aimed to improve sales information accuracy, reduce tax collection costs, and promote compliance with VAT regulations. EFDs simplified tax collection and payment processes, saving time and costs for both tax collectors and

payers. The study recommended the government provide education on EFDs to avoid conflicts between the government and business owners. Nyasha *et al.* (2013) conducted a study on the attitudes of employees towards the use of fiscal electronic devices in the motor industry in Zimbabwe. They found that these devices had a positive impact on the industry by improving tax collection, saving time and reducing corruption. However, employees with low educational levels struggled to use the devices, and some were resistant to the change.

Naibei *et al.* (2011) studied the impact of Electronic Tax Registers (ETRs) on Value Added Tax (VAT) compliance in private business firms in Kisumu city, Kenya. They found that regular use of ETRs significantly improved VAT compliance. The study recommended that the government address challenges faced by ETR users.

Yalemtesfa (2011) conducted a study on the importance of using Electronic Fiscal Devices (EFDs) to increase revenue collection in Ethiopia. The findings showed that EFDs reduced government operational costs and improved tax revenue for businesses. The study concluded that creating awareness, regular audits and effective strategies were needed to fully benefit from using EFDs in tax collection and avoidance.

Esther (2014) conducted a study on the challenges facing the implementation and use of Electronic Fiscal Devices (EFDs) in tax collection in Tanzania. The study found that the EFD system faced issues such as system breakdowns, lack of knowledge on using the devices and high costs of purchasing and maintenance. Stakeholders were recommended to increase awareness and create a more user-friendly environment for EFD usage. Ikasu (2014) also examined challenges in implementing EFDs in tax revenue collection in Tanzania, including system breakdowns, unfair tax estimation, and lack of skills in using the devices. Chenya (2012) evaluated the impact of EFDs on Value Added Tax (VAT) collection in Tanzania, identifying problems such as taxpayer reluctance to pay taxes due to lack of knowledge and understanding of the system, as well as delays in acquiring EFD machines. This highlights the need for increased education and support for taxpayers to improve EFD implementation and tax collection processes.

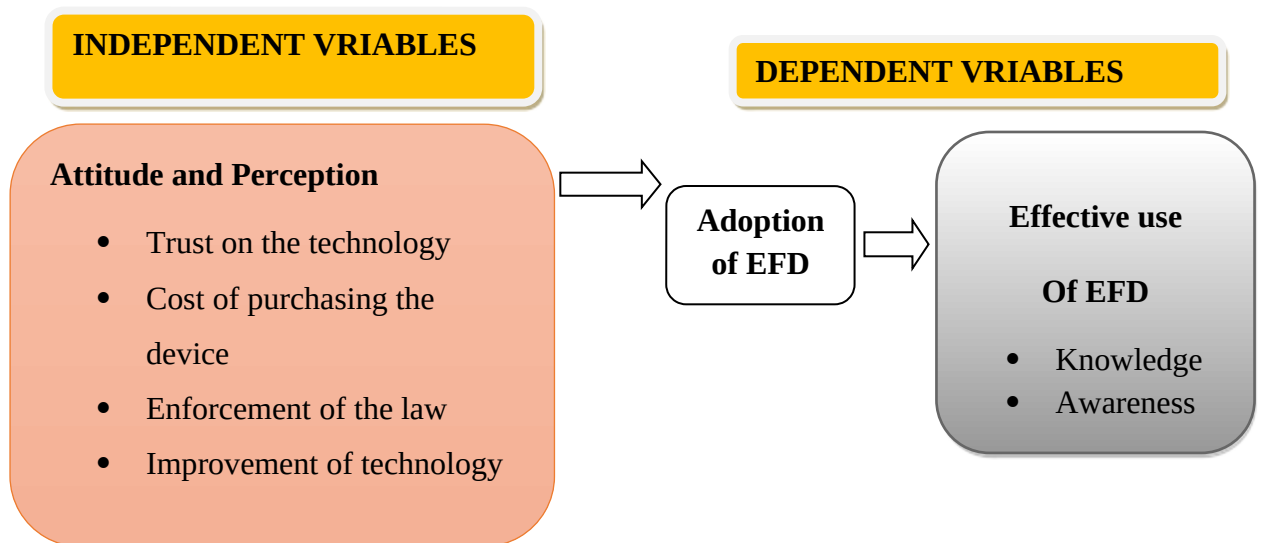
Based on the same context Mmanda (2014) reported that in September 2013, Mbeya traders protested the use of EFD by stopping the opening of their shops and small businesses followed by similar demonstrations in Morogoro and Dar es Salaam. According to Mutalemwa (ibid) these challenges arose because the government failed to provide adequate education to the traders who needed to purchase these EFD machines and the large amount of capital required to acquire the machines. The study recommended that mass education was very important when the government wanted to introduce a new system of tax collection that could affect traders so as to avoid conflict between the government and traders.

2.5 Research gap

Drawing from the theoretical and empirical literature reviewed in this study, it is clear that many studies have been conducted to assess the factors associated with traders' attitudes towards the use of EFD machines. Scholars conducting research in this field include; Chiwambo (2020), Nyasha *et al.* (2019), Duke (2013), Clive, (2017), Mamanda (2017), Chenya (2019), Yalemtesfa (2018) and Horne (2017). Their study attempted to describe the challenges, principles, benefits, advantages and disadvantages as well as strategies for implementing the use of EFDs machines. However, the study under investigation only discussed the challenges, principles, advantages, advantages and disadvantages as well as strategies, but it was to focus on the attitude and perception of taxpayers and willingness of buyers towards the use of EFD machines in tax collection. To request EFD receipts. A clear understanding of these behavioral aspects is likely to drive greater adoption of the devices in the future.

2.6 Conceptual Framework

The independent variables for this study were taxpayers' perceptions of the use of EFDs, such as increased education and motivation, trust in technology, cost of purchasing the device, improved technology and stronger network systems. These assumptions have implications for the effective use of EFDs in terms of knowledge and awareness which are viewed as dependent variables. But both the attitude and perception of taxpayers were affected by the adoption of EFD use and effective use of EFD was considered as a mediating variable.



CHAPTER THREE

3.0 METHODOLOGY

3.1 Description of the Study Area

The study was conducted in the Eastern zone of Tanzania (Morogoro, Coastal region and Dar es salaam). The study was conducted in these regions because Tanzania's Eastern Zone is one of the business region of Tanzania and therefore there are many traders in this area compared to other zones. Moreover, a pilot survey conducted by the researcher in this area showed that traders were complaining about the EFDs and showing resistance in using them with a lot of grievances regarding the matter. The area was selected because of its popularity in accommodating many business centers.

3.2 Research Design

Research design refers to the plan on how the researcher systematically collects and analyzes data needed to answer research questions. It is a framework or roadmap through which a research process is conducted to explain the social phenomena under investigation (Kothari, 2006). A cross sectional research design was used in the study. Data were collected from the field at a single point in time. This design according to Babbie (1990) Bailey, (1998) is useful for descriptive purposes as well as for determination of relationship between and among variables at a particular point in time. Data collection was undertaken for about two months, in the months of June to July 2023. This research design was found to be suitable for this study basing on how much knowledge the researcher had about the problem before starting the investigation and the type of information that was needed in order to deal with the purpose of this study at a single point in time. In addition, this design was chosen on grounds of minimizing bias and maximizing the reliability of the data collected.

3.3 Target population

Michael (2019) defines a target population as an entire group of people, things or events that have at least one characteristic in common and must be precisely and unambiguously defined. Also, this is supported by Msabila and Nalaila (2013) as a complete set of elements (individuals or objectives) having some common characteristics defined by sampling criteria established by the researcher. The problem of the study required to assess the attitude of taxpayers on the use of EFD thus the population of the study consists of taxpayers/traders in the Eastern Zone of Tanzania. The taxpayers were interviewed at their workplaces/offices within the study area.

3.3.1 Sample Procedure

Concurring to Kothari (2006), the method of sampling is characterized as the method of selecting a few portion of the total of the complete on the basis of which a judgment or deduction is made around the entire or the full. The method of selecting a bunch of individuals, occasions, behavior or other components with which to conduct a ponder is additionally included within the choice of the procedure utilized within the choice handle. The choice of inspecting method depends on the circumstance whether a inspecting outline is accessible, i.e. a list of units comprising the consider populace. There are two sorts of inspecting methods specifically likelihood inspecting and non-probability testing.

3.3.2 Sample Selection

The study was used a certain sample size and sampling techniques in order to fulfill the purpose of this study. The following are the explanations on the sample size and sampling techniques.

3.3.3 Sample size

According to Kothari (2006), sample can be defined as a collection of some parts of the population on the bases of which judgment is made. A

sample should be small enough to make data collection convenient and should be large enough to be true representative of the population which is selected. A total of 120 respondents were chosen for this study. The decision to use 120 respondents was guided by Yamane (1967), sample size determination as shown below. And it is important that the sample size which is simple and manageable was selected and limited to the small size which represented the whole community targeted. The calculation of Sample Size was elaborated by Yamane (1967), formula for sample size;

$$n = \frac{N}{\left[1 + N(e)^2\right]}$$

Whereby n=no of sample, N=targeted population, e=marginal error

N=600, e= 10%, n=?

=600/ (1+600(0.01)

=120

The sample size of the study is 120 respondents

3.3.4 Non-probability Sampling Technique

Non-probability sampling strategy is a sampling methods in which participants are selected on the basis that they are considered to know more about the topic under investigation in the wide population. Also this technique was used due to the nature of study, which demanded collection of data from units with involvement, expertise or experience and knowledge of tax. The non probability sampling technique was used to collect data from 600 customers were used to obtain the representative of the study. The selection of these techniques also based on the merits that these types of probability sampling techniques are simple and cheap to use.

3.3.5 Probability sampling

Saunders (2009) defined a probability sample as that type of sample that includes all types of elements of the population. In probability sampling, each element has an equal and independent chance of being selected into the sample.

3.4 Methods of Data Collection

Based on the work of Yin (1994), data collection method is described as the specific approach used to collect data, and the choice of method depends on the research objectives and the questions being addressed.

The data collected for the study includes both primary and secondary data.

3.4.1 Primary Data

This is defined as gathering data that does not actually exist until it is generated through the research process (Lancaster, 2005). The primary data for this study were collected using structured questionnaire, and interview approaches.

3.4.1.1 Questionnaire

Concurring to Kothari (2006), a questionnaire may be a set of questions which are usually sent to the chosen respondents to reply at their own convenient time and return back the field survey to the analyst. Surveys were utilized within the think about to get information from 120 respondents concerning on their discernments for receiving EFDs as well as qualities and shortcomings of these gadgets. Near finished questions were utilized in this consider since they were simpler and helpful to fill by respondents. All respondents were given closed finished surveys to fill.

3.4.1.2 Interview

Agreeing to Kothari (2006) Interview can be seen as a set of questions managed through verbal or verbal communication or it can be a confront to confront discourse between the analyst and the respondent. In this ponder, meet was utilized to supplement information after collection of filled surveys. Interview was utilized to gather subjective information from 20 chosen respondents who were found to have more information concerning the challenges confronting trade individuals in utilizing EFDs in tax assessment and these were clients. Interview was conducted after collection of filled in surveys.

3.4.2 Secondary data

Concurring to Saunders (2007) secondary data can best be portrayed as the information which were created and analyzed within the handle of fulfilling other inquire about targets. Secondary data are considered sound and free from mistake or any inclination. The reasonable source of secondary data for this ponder within the field of assess collection framework to pick up more understanding of the viability of assess collection was from different reports of TRA such as their yearly reports. After the collection of auxiliary information, the data gotten were subjected to information preparing which included altering with the see of checking for completeness and precision to guarantee that information is precise and steady and coding of information which was done physically and by the utilize of computer through word preparing and exceed expectations.

3.5 Methods of Data Analysis

According to Zikmund (2003) data analysis is the application of reasoning to understand and interpret data that have been collected. From this study, the process of data analysis depended on the nature of the data whether it is qualitative or quantitative.

3.5.1 Qualitative data analysis

The researcher demonstrated strength of arguments and art of analyzing qualitative data obtained from primary sources. Qualitative data were obtained from respondents' experiences, feelings and assumptions and some from documents. Qualitative data were analyzed by this method, verified more inputs were added to the quantitative data. The researcher selected this method as the nature of the study and kind of data obtained from the study demanded it.

From the field notes, themes were formulated that were relevant to the data collected and sub-divided into sub-themes depending on the differences in data found across respondents. The researcher developed codes that were applied in the text depending on the meaning of the text. For consistency purposes, texts were organized and coded in small sets of data that were again compared with the notes to find if the description of the codes were clear and specific.

3.5.2 Quantitative data analysis

Quantitative data were analyzed by this method using descriptive statistics. Quantitative data from the questionnaires were analyzed using the Statistical Package for Social Science (SPSS 20.0) software and Microsoft excel to determine the descriptive statistics such as percentages and frequencies of study variables, which then were used to compare the two groups, and hence recommendations, and conclusion made for the studied problem.

The responses that were received from the questionnaires were organized, tabulated and analyzed using simple frequencies and percentages. Data to be presented in descriptive form and supported by mean, tables, frequency distributions and percentages. In case of open ended questions, responses were organized and analyzed according to the objectives.

3.6 Validity and Reliability

3.6.1 Validity

Polit and Hungler (1995) clarified that legitimacy is the degree to which the investigate information and strategies utilized create particular, genuine and precise conclusions. The definition moreover reflects on questions of how well the discoveries reflect the truth and reality of the most questions. As famous by Yin (1994) there are three sorts of conviction which are develop, inside and outside conviction. Construct validation alludes to the method of setting up suitable operational measures for the considered concepts. The analyst guaranteed develop legitimacy in this consider by reexamining the information. Inside legitimacy alludes to the degree to which the analyst can demonstrate that as it were the free variable causes the subordinate variable; It looks at the inexact truth around the speculation of a cause-effect or causal relationship. Inner legitimacy is guaranteed through theory testing. Since no speculation was tried in this consider, hence, inside legitimacy was not connected. The objective of outside approval was to decide whether it was conceivable to generalize the consider discoveries past the quick case ponder. The consider was conducted in Dar es Salaam, Pawani and Morogoro where the number of citizens within the nation is tall, in this manner, the information gotten in these ranges are agent of the rest of the citizens in other parts of the country.

3.6.2 Reliability

This alludes to the truth that the estimations are reproducible with comparative comes about and thus the variety within the comes about depends completely on the variety within the region measured and not within the measuring instrument. Unwavering quality could be a estimation instrument, it gives reliable comes about. It alludes to the consistency of estimations. A test is considered solid in the event that we get the same result repeatedly. Cronbach alpha unwavering quality coefficients run from to 1 (George and Mallery, 2003), so the closer the alpha coefficient is to 1.0, the higher the inside consistency of the things within the scale. Concurring to George and Mallery (2003), a Cronbach alpha coefficient of 0.70 or higher is considered perfect. Other considers, be that as it may, consider a Cronbach alpha coefficient of 0.50 satisfactory for essential investigate (Therenou, 1993). A Cronbach's alpha of 0.70 implies that 70 percent of the change in watched scores (genuine scores gotten on the measure) is due to fluctuation in genuine scores (the genuine sum of the characteristic had by the respondent). In other words, the score gotten from a measuring instrument could be a 70 percent genuine reflection of the basic characteristic being measured. Hence, measures of the factors were conducted as clarified below.

n.Benefits for EFD machines in tax collection: The variables used here were reduction in cost of tax collection, integration and standardization, computerization of tax collection, automation, innovation and influence of media. The instruments (variables) had a 5-point Likert-scale and a reliability check of the instruments revealed a Cronbach alpha of 0.733, indicating that the measure was reliable.

Benefits of EFDs machines in tax collection: The variables used were availability of tax services, accessibility of tax services, reliability of tax services, consistency of tax services, assurance of tax services and responsiveness of tax collectors. Also, the instruments had a 5-point Likert-scale and a reliability check of the instruments revealed a Cronbach alpha of 0.562, indicating that the measure was reliable.

CHAPTER FOUR

4.0 RESULTS AND DISCUSSION

This chapter presents the arises about and discoveries of a study conducted to survey traders' states of mind towards the utilize of EFD machines and buyers' readiness to request EFD receipts. Essential information was collected through surveys and interviews such as; The information collected through the survey was analyzed and displayed based on the five inquire about questions that replied the study purposes. Insights and recurrence tables were utilized to display statistic information and reactions to surveys, respectively.

4.1 Questionnaire Response Rate

It is the rate at which the chosen (tested) population/respondents replied and uncovered the important data required within the investigate survey that was disseminated to them by the analyst to fulfill the common and particular destinations of the consider. An add up to of 125 surveys were managed to the respondents; Out of 125 surveys, 120 surveys were filled and returned speaking to a reaction rate of 96 percent. Remaining 5 surveys may not be filled as a few respondents lost the survey whereas moving from one put to another. Agreeing to Mugenda (1999) a reaction rate of 50% and over could be a great reaction rate and makes it a palatable rate for factual announcing. Hence, 96% is tangibly noteworthy to speak to the whole populace. Table 4.1 appears the reaction rate of the test population.

Table 4.1 Response Rate

Response to questionnaires	Frequency	Percentage (%)
Filled in Questionnaires	120	96%
Unfilled/Unreturned Questionnaires	005	04%
Total	125	100%

4.2 Socio-demographic Characteristics of Respondents

Socio-demographic characteristics of the respondents were identified based on their age, gender, education level, occupation status and marital status. In this subsection, the characteristics of the respondents were analyzed. However, it should be noted that the demographic information of the respondent taxpayers (traders) was presented. These were the persons who gave their views on the study problem through interviews. Therefore, demographic information of traders is given in this section.

4.2.1 Gender of respondents

The results show that with regard to the gender of the respondents, Table 4.2 shows that 76 (63.3%) were male and 44 (36.7%) were female respondents in the study. This shows that there was almost equal representation and this reduced gender bias.

Table 4.2: Gender of respondents

Category of respondents	Tax Payers
Male	76 (63.3%)
Female	44 (36.7%)
Total	120 (100%)

4.2.2 Age of respondents

Concerning the age of the respondents, the majority of the respondents 46 (38.3%) were within the age group of 41-50 years old, followed by 35 (29.17%) who were within the age group of 31-40 years old, the other group were within the age group of 61 years and above. Others were within the age group of 24 (20%) and the last group of age were 9 (7.5%) who were within the age group of below 20-30 years. These results imply that majority of respondents were knowledgeable of the taxation system before and after the introduction of EFDs.

Table 4.3: Age of respondents

Category of respondents	Tax Payers
Age of the respondent	
20-30 years	9 (7.5%)
31-40 years	35(29.17%)
41-50 years	46(38.33%)
51-60 years	24 (20%)
61+	6(5%)
Total	120 (100%)

4.2.3 Academic qualification of respondents

Moreover, it was shown that more than half 67 (55.9 %) of the respondents had secondary level qualifications while 37 (30.8%) had tertiary level qualifications. Also 11 (9.1%) had a primary qualification and 5 (4.2%) had post graduate level. This shows that the results were from educated people who were able to give objective answers and therefore the result could be assumed to be reliable.

Table 4.4: Academic qualifications

Category of respondents	Tax Payers
Education qualifications	
Primary	11 (9.1%)
Secondary	67 (55.9%)
Tertiary	37(30.8%)
Post graduate	5 (4.2%)
Total	120 (100%)

4.2.4 Business experience

Also, 78 (65%) ta respondents had worked on business from the period of between 2-5 years while 42 (35%) had worked between 6-10 years. It can be said that the respondents had worked in business for enough period to be able to understand clearly the operating system of this institution. They had enough knowledge on the usefulness of EFDs and the conventional method of tax collection obtained from the experience.

Table 4.5: Respondent working experience

Category of respondents		Tax Payers
Business experience		
2-5 years	-	78 (65.0%)
6-10 years	-	42 (35.0%)
11 years and above		0
Total	-	120 (100%)

4.2.5 Turnover size per year

The study targeted businesses with annual turnover of at least Tshs.14Mil which is equivalent to an average of about Tshs.1.17Mil on monthly bases. Majority of Tax payers 42(35%) have the turnover 50million -100million per year, followed by 28(23%) 14million -50million per year. This indicates that businesses with less than annual turnover of Tshs.14mil were excluded in the study. This implies that businesses that were included in the study were those required by the law to have acquired and used the EFD machines.

Table 4.6: Turnover size per year

Category of respondents	Tax Payers
Turnover size per year	
Below 14million	12(10%)
14million -50million	28(23%)
50million -100million	42(35%)
100million -500million	26(22%)
Above 500million	12(10%)
Total	120(100)

Source: Research Findings, 2023.

4.3 Attitude of Traders towards the Use of EFD

The first objective of the study focused on to gauge the attitude of traders toward the use of EFDs in Tanzania's Eastern Zone. The descriptive analyze was used to analysis data.

Table 4.7: Attitude of Traders towards Use of EFDS (N=120)

Perceptions	N	Minimum	Maximum	Mean	Std. Deviation
It is important to pay tax as a source of government revenue	120	1.00	4.00	2.0417	.58548
The principle of paying taxes is fair and just	120	1.00	5.00	4.2833	.76897
Time to prepare sales report after the introduction of EFDs has been reduced	120	1.00	3.00	1.9500	.42703
I am aware of all obligations and rights under the EFDs governing laws	120	1.00	5.00	4.2250	.99124
I am comfortable with the tax system	120	1.00	5.00	4.2667	.65764
EFDs ensure accurate tax rate to be paid by the tax payers	120	1.00	5.00	3.6333	1.09953
There is a routine EFD check up programe after sale services of EFDs approved to ensure the devices are in good conditions and used per operation is manual	120	1.00	3.00	1.9417	.39526
EFD machine has been helping me to keep records of sale transaction.	120	1.00	5.00	3.6333	1.09953
EFDs have been helping TRA with easy tax collections.	120	1.00	3.00	1.9500	.42703
EFDs helping to reduce corruption in revenue collection.	120	1.00	5.00	1.9667	.65764
EFD is less expensive device in use.	120	1.00	5.00	4.2250	.99124
EFD is a simple device to use.	120	1.00	5.00	3.9500	1.42703

Source: Research Findings, 2023.

The means and standard deviations were used meaning that a score of less than 1.5 means the respondents strongly agreed with the statement given. A score of 1.5 and above but less than 2.5 meant the respondents agreed with the statement given. A score of 2.5 and above but less than 3.5 meant the respondents were neutral. A score of 3.5 and above, but less than 4.5 indicated that the respondents disagreed. A score of 4.5 and above indicated strong disagreement with the statement given. The Table also gives interpretations of the computed mean. This interpretation was based on the Guilford (1976) whereby the range Likert scale of the five points used in the questionnaire was divided into five equally intervals/ratios and the meaning was assigned to each interval according to the order of the objective.

The study established the level of understanding on the importance of paying tax as a source of government revenue This was noted from the mean calculated of 2.0417, which indicated that most respondents agreed to the statement and the standard deviation calculated of less than 1.5 indicates that there was little variance from the mean value. Therefore, the study reports that the majority of respondents perceive positively that there was importance of paying tax as a source of government revenue. These study results comply with Oberholzer (2017) on the perceptions of taxation amongst different groups of South African taxpayers where only individual taxpayers were included while corporate taxpayers were excluded.

The respondents were asked whether they were aware of all obligations and rights under the EFDs governing laws. The result show in Table 4 that the mean was 4.2250 and the standard deviation was 0.99124. These results imply that there were not aware of the obligations and rights under the EFDs governing laws because they disagreed. Therefore, this study argues that majority of tax payers were not aware of the obligations and rights under the EFDs governing laws something which resulted to inefficiencies in EFDs uses in revenue collection.

The study also looking out on whether the principle of paying taxes is fair and just. This was noted from the mean calculated of 4.2833, which indicated that most respondents disagreed to the statement and the standard deviation calculated of less than 1.5 indicates that there was little variance from the mean value, implying that there was a disagreement with the view that the principle of paying taxes was fair and just. An interviewed respondent quoted so saying; "paying tax was not fair because the cost is high compared to how the business makes profit. Actually we are working for TRA." These findings, in this case, indicate that the fiscal exchange argument behind taxpayer's compliance has limited explanatory power in this case because people responded that they found the principle of paying taxes not fair and just, because the return on their taxes was lacking due to poor public service delivery. This may reflect fiscal exchange expectations among the populace: people are willing to pay taxes, but perceive that they get little in return, partly due to wastage and corruption.

Respondents were required to state if they were comfortable with the tax system since tax is compulsory. This was supported by the mean value calculated of 4.2667 the standard deviation of .65764 indicated little variation in the responses of the respondents. These findings suggest that respondents disagreed with the statement that the taxpayer was comfortable with the tax system even though tax was part compulsory.

According to the Table 4.7, the results show that majority of the respondents disagreed that the EFD machines ensure accurate tax rate to be paid by the tax payers to TRA because the mean was 3.6333 and the standard deviation was 1.09953. During interview traders complained that the TRA officers use sales or turnover per EFD machines as the base to calculate tax to be paid which sometimes is not correct since wrong punching of receipts might apper.

The respondents were asked whether there was a routine EFD check up programme after the sale services of EFDs by approved suppliers to ensure the devices were in good conditions. Majority of the respondents indicated that there were no routine EFD check-up programme including after sale services of EFD by approved supplier to ensure the devices were in good condition because the mean was 1.9417 and the standard deviation was .39526. EFD regulation of 2010 (Government Notice No 192 Published on 28/05 2010) requires approved supplier to supply, sell and distribute the EFDs to various users in Mainland Tanzania, install, configure and activate them at user's premises. The results show that EFD quality as well as the quality of after sale services by EFDs approved supplier was good and was done as it was required. The modality of providing after sale services that ensured smooth operation was almost okay where by users presumed all charges had been incorporated in the purchase price of the devices, the supplier claimed that the only incorporated services charge was initial installation, configuration and training and not any subsequent charges. In practice, all technical problems needed to be attended to by suppliers. Another challenge that emerged was to what extent was the price of the devices covered after sale services. It was revealed that reluctance of users to pay extra money for maintenance of the devices discouraged the approved supplier from providing efficient and effective maintenance after the sale of the EFDs to customers something that resulted into ineffective administration.

4.4 Factors influencing the Attitude towards the Use of EFD

Furthermore, the results from questionnaire in Table 4.8. Confirmed the interview results that EFDs influenced the increase of revenue collection in Tanzania's Eastern Zone. Majority of respondents, 86 (71.6%) either agreed or strongly agreed that EFD reduced tax evasion, while 34(28.4%) either disagreed or strongly disagreed. In addition, 86(71.6%) either agreed or strongly agreed that EFDs increased efficiency in processing business transactions compared to manual system, while

34(28.4%) either disagreed or strongly disagreed that EFDs increased efficiency in processing business transactions compared to manual system. Furthermore, 66 (55%) of traders either agreed or strongly agreed that EFDs eliminated submission of fake claims, while 54 (45%) either disagreed or strongly disagreed. Lastly, majority of traders 86 (70%) either agreed or strongly agreed that EFDs helped to reduce corruption in tax collection, while 36 (30%) either disagreed or strongly disagreed.

Table 4.8: Factors influencing the attitude towards the use of EFD

S/N	Statement	Strongly Agree	Agree	Disagree	Strongly disagree
1	EFD machine increases efficiency in processing business transactions compared to manual system.	(40.8%)	(30.8%)	(13.4%)	(15%)
2	Eliminating submission of fake claims by traders	(21.7%)	(33.3%)	(25%)	(20%)
3	Reduce tax avoidance and evasion	(28.3%)	(43.3%)	(15%)	(13.3%)
4	Reduced corruption	(39.2%)	(30.8%)	(20.8%)	(9.2%)
5	EFDs influenced the increase of revenue collection in Tanzania's Eastern Zone	(40.8%)	(30.8%)	(13.4%)	(15%)

Source: Research Findings, 2023.

The consider uncovered that the EFDs machine had decreased misfortune of charge that was spilling through debasement, assess avoidance and accommodation of fake charge claim by untrustworthy dealers, too record of deal exchange and arrangement precise data to businesses has expanded straightforwardness between TRA and traders for trader to pay the proper charge, hence avoided charge over assessment. The same discoveries were uncovered by Weru *et al.*(2019) on the

affect of key modify on presentation of ETR for improvement of charge collection at Kenya Income Specialist, it was found that ETR framework had upgraded charge collection in business premises in Nairobi which the framework had to a huge degree helped in fixing escape clauses of assess avoidance in Nairobi. Furthermore, traders have been utilizing EFDs for performing budgetary examination. One of the respondents had the taking after to say:

“The EFDs have made the government to increase collection of revenue.... Because there is no longer submission of fake claims by traders on the amount of tax they have to pay and for VAT registered no fake claim for input tax, and there is no longer biasness on assessing amount of tax particular traders have to pay, since every transaction done in registered business that use EFD, the information is direct sent to TRA.

Moreover, the findings conclude that there has been appropriate utilize of EFDs by the traders that given favorable and precise charge data to businesses. This shows that without a doubt the utilize of EFDs has made steps deals review on beat of favorable filling of month to month returns making assess collection prepare or maybe basic than it was some time recently.

Hence hypothesis of Innovation Acknowledgment Demonstrate applies that, the seen convenience of EFD framework is basically anticipating the conviction of the government that the innovation makes a difference to gather income speedier, more effectively, and more effectively.

4.5 Willingness of Buyers to Demand EFD Receipts from Traders

The third objective of the study focused on examining the willingness of buyers to demand EFD receipts from traders in Tanzania’s Eastern Zone. According to the reasearcher’s sample it comprises taxpayers who have business meaning that sellers are also buyyers who purchases goods or services for resale. The descriptive analyze was used to analysis data.

The variables used to find out Willingness of buyers to demand EFD receipts from traders; the respondents were given questionnaires with 5

Likert points ranging from 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, 5=strongly agree and told to rate their views concerning the way they are willingness of buyers to demand EFD receipts from traders. The results from questionnaire in Table 4.9. Confirmed the interview results that Willingness of buyers to demand EFD receipts from traders in Tanzania's Eastern Zone. Majority of respondents, 86 (71.6%) either agreed or strongly agreed that they have awareness of the existence of EFD receipt, while 34(28.4%) either disagreed or strongly disagreed. In addition, 56(46.7%) either agreed or strongly agreed the importance of demanding EFD receipt after purchasing something, while 64(53.3%) either disagreed or strongly disagreed. Either, 76 (63.3%) of traders either agreed or strongly agreed that The EFD receipts are security to me as a buyer, while 44 (36.7%) either disagreed or strongly disagreed. Majority of respondents, 74 (61.6%) either disagreed or strongly disagreed that I understand that, it is a legal obligation to demand EFD receipts. while 46(38.4%) either agreed or strongly agreed. Moreover 67 (55.84%) of traders either agreed or strongly agreed that I have benefited from Tanzania tax system in one way or another, while 53 (44.16%) either disagreed or strongly disagreed. Lastly, majority of traders 66 (55%) either agreed or strongly agreed that It makes no difference whether I should demand a receipt or not, while 54 (45%) either disagreed or strongly disagreed.

Table 4.9: Willingness of buyers to demand EFD receipts from traders

S/N	Statement	Strongly Agree	Agree	Disagree	Strongly disagree
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1	I am aware of the existence of EFD receipts	50(40.8%)	39(30.8%)	18(13.4%)	20(15%)
2	It is important to demand EFD receipts after purchasing anything.	26(21.7%)	30(25%)	40(33.3%)	24 (20%)
3	The EFD receipts are security to me as a buyer.	34(28.3%)	42(35%)	28(23.3%)	16(13.3%)
4	I understand that, it is a legal obligation to demand EFD receipts.	19(15.8%)	27(22.5%)	43(35.8%)	31(25.8%)
5	I have benefited from Tanzania tax system in one way or another	26(21.67%)	41(34.17%)	29(24.16%)	24 (20%)
6	It makes no difference whether I should demand a receipt or not	34(28.3%)	32(26.7%)	28(23.3%)	26(21.7%)

Source: Research Findings, 2023.

The findings indicate that individuals are not willing to claim EFD receipts when buying items. In the course of interview, buyers were complaining that,

“There are some of the seller who are not trustworthy since they offer discount so you are not required to demand EFD receipt. So

other they do not provide service or deliver goods if you demand a receipt. By not demanding a receipt as a seller I purchase goods for resale I choose not to demand receipts even though I know the impact of not demanding the same. Furthermore, if I don't demand a receipt I will also not issue a receipt which will help me to conceal some sales to TRA consequently even my tax payable will be small."

Therefore, the study reports that the majority of respondents perceive positively that it makes no difference whether they should demand EFD receipts or not. Either they disagree it is a legal obligation to demand EFD receipts. As that being the case that's why some time they feel there is no need to demand a receipt when buying things hence findings indicate that individuals are not willing to claim EFD receipts when buying items.

4.6 Factors that Influence the Buyers to Demand EFD Receipts

While customers are expected to claim for EFD receipts after transactions, as references to purchased items and tax conveyed to TRA, evidences indicate that the majority of consumers in Tanzania choose not to do so. Guided by the theory of planned behaviour (TPB), this study sought to answer the main research question: Respondents were conveniently selected on interview. Findings indicate that facilitating conditions, individual attitudes, subjective norms, perceived behavioural controls and perceived receipt validity have a positive effect on the intention to claim EFD sales receipt after transactions. Efforts to sensitize on the importance of customers' claiming EFD receipts for each transaction made need being emphasized. The respondents had the following to say:

"Being a responsible citizen, having a receipt as a way of keeping record on expenditure and security on ownership of commodity which define behaviour belief, positively affect the attitude of asking for receipts. Thus promoting the virtue of record keeping, while returning to the public what they have assisted in tax collection as third-party tax enforcers motivating them to be responsible citizens will eventually affect the behavioural intention" (Buyer 1).

"My relatives and friends have a significant effect on individual behaviour of asking for a receipt, this implies that if the community positively agrees with the culture of asking for sales receipts, then individual behaviour is likely to change in the direction of social norms, and thus reducing

moral and ethical cost when customer act as a third-party tax enforcer (Buyer 2)

A third-party tax enforcer examines the underlying factors that determine consumer behavior by asking for sales receipts after the transaction. An analysis conducted on consumers shows that attitudes and subjective norms positively affect intention to ask for a sales receipt, thus determining consumer behavior in asking for a sales receipt. Meanwhile; Perceived behavioral control has no effect on a customer's intention to ask for a sales receipt. The positive effect of consumer attitude on intention to ask for a sales receipt comes from consumer acceptance of the goodness, desirability, and importance of asking for a sales receipt, which is argued to affect the efficiency of the tax collection exercise. Moreover, subjective norms that focus on the social pressures a consumer faces to perform or not perform a target behavior, suggest that; Relatives and friends positively influence individual intentions so does receipt-seeking behavior. Therefore, there exists a habit in the community of asking for a sales receipt.

4.7 Challenges of using Electronic Fiscal Devices (EFDs)

The last objective of this study was to analyze challenges of using EFD machines in tax collection system. The variables used to analyze the challenges of using these devices in tax collection were the following six variables: personal attitudes, high cost of purchasing the devices, lack of education on the use of EFDs machines, breakdown of the system, lack of motivation and lack of trust. The respondents were given questionnaires with five Likert points ranging from 1=strongly disagree 2=disagree 3=neutral, 4=agree and 5=strongly agree to rate their opinions on the extent to which the variables had become challenging factors to them in the course of using EFDs.

Table 4.10: Challenges of using EFDs

Challenges	Responses	Frequency	Percent
Lack of education on the use of EFDs	Strongly Agree	10	8.3
	Agree	80	66.7
	Neutral	23	19.2
	Disagree	7	5.8
	Total	120	100

Breakdown of the system	Strongly Agree	22	18.3
	Agree	90	75
	Neutral	8	6.7
	Total	120	100
High cost of purchasing the devices	Strongly Agree	17	14.2
	Agree	96	80
	Neutral	7	5.8
	Total	120	100
Lack of trust	Strongly Agree	20	16.7
	Agree	96	80
	Neutral	4	3.3
	Total	120	100
Lack of motivations	Strongly Agree	17	14.2
	Agree	95	79.2
	Neutral	8	6.7
	Total	120	100
Personal attitudes	Strongly Agree	17	14.2
	Agree	95	79.2
	Neutral	8	6.7
	Total	120	100

Source: Research Findings, 2023.

4.7.1 Lack of Education on the use of EFDs

The results in Table 4.10 show that there was a lack of education on the use of EFD by the professional people as the findings showed that 80 (66.7%) respondents agreed and 10 (8.3%) strongly agreed. While 23 (19.2%) respondents were neutral, 7 (5.8%) disagreed on the statement that there was a lack of education for business owners on the use of EFDs.

In many cases, when a new system is introduced that may affect the public in one way or another, regular comprehensive education will be very important, especially considering the direct users of the established system. Mutalemwa (2020) also supported this factor by stating that government through TRA should tend to provide adequate education to the business people so that they are aware of what will be presented and its importance to them.

4.7.2 Breakdown of the system

According to the findings shown in Table 4.10, 90 (75%) respondents agreed that there was a breakdown in the system in devices, 22 (18.3%) strongly agreed with the statement and 8 (6.3%) were neutral. Further, it was acknowledged by taxpayers that breakdown in the network system was also a challenge to the use of EFD in the country. However, a study conducted by the Research on Poverty Alleviation (REPOA, 2021) in Tanzania's Eastern Zone, Iringa, Njombe and Dar es Salaam found that the use of EFD in the business sector was good but the system was associated with networking problems. Other problems that undermine the performance of revenue collection. According to REPOA's survey, most of the traders were not happy with the implementation of EFD as it involved many hurdles. Among the suggestions and recommendations, REPOA advised the TRA to procure modern support machines that can handle a large number of users simultaneously. This will help reduce or eliminate the problem of frequent network crashes.

4.6.3 High cost of purchasing the devices

Table 4.10 shows the attitude of business people towards the cost of purchasing EFD devices. The findings showed that 96 (80%) respondents agreed and 17 (14.2%) respondents strongly agreed that the cost of EFD devices was too high for the taxpayer and that is why most of the taxpayers were resisting the use of these devices. On the other hand, 7 (5.8%) were neutral on the statement that the device was expensive. These results suggest that accepting to use EFD machines means accepting to buy devices that are sold at higher prices that are affordable to most registered VAT payers.

In interviews with the respondents of this study, it was noted that the high cost of EFD devices was a major barrier to electronic tax collection. Also, in a study conducted by Andreoni (2017) in Zimbabwe, it was revealed that a large number of respondents especially taxpayers cited the high cost of purchasing EFDs machines as the reason they refused to purchase the devices. As high cost of maintenance of equipment. Clive (2019) supported this argument by stating that the high cost of purchasing equipment discouraged traders from buying those EFD machines because the purchase price reduced their capital.

4.6.4 Lack of trust

On this particular issue most of business respondents indicated that they did not trust. EFDs due to findings shown in Table 4.10 which indicated that 96 (80%) agreed, 20 (16.7%) strongly disagreed and only 4 (3.3%) were neutral. These findings show that they lacked trust with these machines. They had their opinion that EFDs could be one way of exposing all their financial status to the malicious people who track peoples' financial information for their illegal acts.

Anyanfo (2019) in his study on challenges of the implementation of EFDs machines in Nigeria revealed that tax payers resisted the use of computerized machines due to insecurity of their financial position to the competitors the fact which was judged as the lack of trust in using EFDs. Hence the government through TRA and other non-government organizations in the business sector technology in payment of tax should educate the tax payers on the use of EFDs that they are safe and that no information regards their business may leak out.

4.7.5 Lack of Motivation

Some of the respondents, especially taxpayers, reported that there was no motivation from the government which convinces them to purchase these machines. Table 4.10 indicates that 95 (79.2%) respondents agreed, 17 (14.2%) strongly agreed and 8 (6.7%) were neutral on the view that there was lack of motivation while using the EFDs.

4.7.6 Personal Attitudes

Table 4.10 shows that 95 (79.2%) respondents agreed, 17 (14.2%) strongly agreed and 8 (6.7%) were neutral. It was argued that people

differed in the way they interpreted issues due to different levels of understanding, where some understood easily, some took time to understand and others understood easily but pretended not to understand. Indeed, the researcher noted that there were some traders who were reluctant to accept the use of EFD machines; They were only using it because they were forced to use it by the TRA. They reported many negative perceptions and complaints regarding the implementation and use of this electronic tax filing system. One says that she does not like EFDs at all, as she believes that the purpose of introducing them is only for the benefit of the government.

CHAPTER FIVE

5.0 CONCLUSION AND RECOMMENDATIONS

5.1 Conclusion

The study concluded that traders in Tanzania's Eastern Zone have negative attitude toward the use of EFDs, because of EFDs are sold at high cost for some traders to afford (the devices are sold at 600,000-1,400, 000) Tanzania shillings, Other respondents argued that, even though the cost of purchasing EFD machine is high but the cost is allowable deduction for those who prepare financial statements, It was further explained that ,for presumptive (those who do not prepare financial statements) the cost will be netted off with the estimated provisional tax payable.The big challenge by the time taxpayers are required to buy machine especially those with small capital they can not afford the lump sum amount of EFD machine to be paid to the supplier unlike they can pay estimated provisional tax since it is paid in four installments.

Encourage the reacts are not mindful of the commitments and rights beneath the EFDs overseeing laws, respondents oppose this idea with the see that the guideline of paying charges is reasonable and fair and they oppose this idea with the articulation that on the off chance that they are comfortable with the charge framework. However, the traders claimed that EFD machines have been making a difference them to keep appropriately their deal records and diminished debasement in income collection.

The appropriation of EFDs had moreover expanded income collection in eastern zone, the EFDs machine had decreased misfortune of assess that was spilling through debasement, assess avoidance and accommodation of fake charge claim by unscrupulous traders, besides record of deal exchange and arrangement exact data to businesses has expanded straightforwardness between TRA and traders for trader to pay the correct assess, in this way maintained a strategic distance from

assess over evaluation. Finally, need of instruction on the utilize of EFDs machines, breakdown of the framework, need of inspiration and need of believe were the challenges that have been confronting traders on the utilize of EFDs in Tanzania's Eastern Zone.

Although buyers are aware of the existence of EFD receipts, its important to demand EFD receipts after purchasing anything. EFD receipts are security to them and but they understand that, it is a legal obligation to demand EFD receipts however they don't feel if they should demand a receipt or not. Individual are not willing to claim EFD receipts when buying items since they were saying by not demanding the EFD receipts the seller offers a discount which is advantegious to the buyer that is why some time they feel there is no need to demand receipt when buying things. It was further explained that by demanding EFD receipt some traders can not provide services or supply goods. That being the case even buyer have a negative altitude toward the EFD receipts.

5.2 Recommendation

From the findings of the study, the following recommendations are put forward and addressed to TRA officials, government and tax payers. There ought to be appropriate examination of the citizen capacity to pay assess along side appropriate estimation of tax to be paid by citizens in arrange to bring reasonableness required in tax system for the creation of assess compliance among citizens. Usually on the ground that a steadfast assess compliant will not contradict developments within the charge framework.

Continuos Instruction on the utilize of EFDs ought to be given to the citizens in arrange to construct believe on their utilization. TRA ought to guarantee opportune conveyance of the administrations; guarantee honesty in keeping guarantees to citizens when announcing issues relating to the utilize of EFDs such as organize breakdown, mechanical issues of the gadget to merchants of the machines and so on. Being reliable and steady in benefit conveyance in understanding taxpayers' complaints, will make strides the execution of the full assess installment framework.

Taxpayers should change with the change of the technology. All businesses should adopt technological improvement to attain efficiency and effectiveness therefore making them competitive.

5.3 Areas for further research

According to the findings from this study, the following areas need further researches. In order to generalize the results of this study, there is a need of conducting the same kind of study in other areas of the country apart from Tanzania's Eastern Zone where this study was conducted. Further studies are recommended especially on willingness of taxpayers to use EFDs, how to combat tax avoidance or evasion through the use of EFDs, Effective use of EFDs, EFDs administration costs versus benefits accrued.

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APPENDICES

Appendix 1: Questionnaire

Title: attitude of Traders Towards the use of EFD Machines; the case study of Tanzania's Eastern Zone.

My name is **Rachel Ernest Mwalongo**, a student at Sokoine University of agriculture pursuing Master degree in Businesses Administration (MBA). I am conducting this study as one of the basic requirements for an award of Master's Degree in Businesses Administration (MBA). Below is a list of questions intended to collect information only for academic purposes on the study entitled, "**attitude of Traders Towards the use of EFD Machines; the case study of Tanzania's Eastern Zone.**". You are kindly requested to take your time to fill this questionnaire according to the level of your experience and skills. I guarantee maximum privacy of the data you provide and I would like to acknowledge and appreciate your involvement on this regard towards the success of this study.

Instructions:

- Please complete the attached questionnaire and return it accordingly.
- Do not write your name anywhere in this paper.
- For multiple-choice questions tick only the chosen item(s) and for explanations questions, the space to fill in is given below where you are required to write.
- Tick (✓) the appropriate answer in the box opposite to the correct answer OR explain briefly as per instruction of the respective question.

Thank you in advance for your cooperation.

SECTION A: Respondent's Profile

1. Gender: M _____ F _____
2. Category of Respondent

TRA's Staff (Tax collector)	TRA's Customer (tax payer)

3. Age group of respondent

21-30 years	31-40 years	41-50 years	51-60 years	Above 60 years

4. Level of education

Primary	Secondary	Tertiary	Post graduate

5. Years of experience in business.

>1 year	2-5 years	6-10 years	11 years and above

6. Your years of experience in working at TRA (for officers only)

2-5 years	6-10 years	11 years and above

7. Turnover size per year

Below 14million	14million - 50million	50million - 100million	100million - 500million	Above 500million

SECTION B: Study Questions

1. The study wants to understand your attitude and perception on the use of EFD machines. Therefore, you have been given variables with

the aim of understanding your attitudes towards the use of **EFD** Machines; Therefore, you are requested to rate your opinions on the Likert scale on how you think each of the variable as given in the table below. The response point are (1) Strongly disagree (2) disagree (3) neither disagree nor agree (4) agree and (5) strongly agree.

S/N	Variables	1	2	3	4	5
i	It is important to pay tax					
ii	The principle of paying taxes is fair and just					
iii	Time to prepare sales report after the introduction of EFDs has reduced					
iv	I am comfortable with the tax system					
v	EFDs ensures accurate tax rate to be paid by the tax					
vi	There is a routine EFD checkup programs after sale services of EFDs by approved to ensure the devices are in good conditions and used per operation is manual					
vii	EFD machine has been helping me to keep records of sale transaction.					
viii	EFDs have been helping TRA with easy tax collections.					
ix	EFDs helping to reduce corruption in revenue collection.					
x	EFD is less expensive device in use.					
xi	EFD is a simple device to use.					

- It is believed that there some factors which confront proper implementation of EFDs in taxation system. The study wants to establish the root cause of challenges which hinder implementation of EFDs in Tanzania. Now you have been given some variables inform

of short sentences with the aim of understanding thereof. Please rate in the Likert scale given the how you accept that the variables cause challenges in implementation of EFD machines. The response point are (1) Strongly disagree (2) disagree (3) neither disagree nor agree (4) agree and (5) strongly agree.

s/n	Variables	1	2	3	4	5
i	High cost of purchasing the devices.					
ii	Lack of education on the use of EFD machines.					
iii	Breakdown of the system operating EFD machine.					
iv	Lack of motivations from TRA.					
v	Unfaithfulness of the issuers (inflating cost).					
vi	I am aware of all obligations and rights under the EFDs governing laws.					

3. Below are the statements indicating the challenges facing traders on the use of EFDs (Please tick where is appropriate) . The response point are (1) Strongly disagree (2) disagree (3) neither disagree nor agree (4) agree and (5) strongly agree.

S/ N	Challenges faced on using EFD	Agree	Strongly agree	Disagree	Strongly disagree
i	Lack of knowledge				
ii	Lack of trust on EFD				
iii	Maintenance cost				
iv	Power outage				
v	Network problem				

4. (Please tick where is appropriate) The response point are (1) Strongly disagree (2) disagree (3) neither disagree nor agree (4) agree and (5) strongly agree.

s/n	Variables	1	2	3	4	5
i	I am aware of the existence of EFD receipts					
ii	It is important to demand EFD receipts after purchasing anything.					
iii	The EFD receipts are security to me as a buyer.					
iv	It makes no difference whether I should demand a receipt or not.					
v	I understand that, it is a legal obligation to demand EFD receipts.					
vi	I have benefited from Tanzania tax system in one way or another.					
vii	I understand the importance of tax in the development of the country.					

5. (Please tick where is appropriate). The response point are (1) Strongly disagree (2) disagree (3) neither disagree nor agree (4) agree and (5) strongly agree.

s/n	Variables	1	2	3	4	5
i	EFD machine					

	increases efficiency in processing business transactions compared to manual system.					
ii	Eliminating submission of fake claims by traders.					
iii	Reduce tax avoidance and evasion					
iv	Reduced corruption.					

6. What challenges do you face on adopting the use of EFDs?

.....

7. According to your own opinion, why do some traders resist to use EFDs machines?

.....

8. Mention other factors which you think do undermine EFDs performance in Tanzania?

.....

9. Lastly, what do you think should be done in order to improve usability of EFDs in Tanzania revenue collection?

.....
.....

10. What are the importance of requesting EFD receipts?

.....
.....

11. Do you have an awareness about EFD receipts? at what extent?

.....
.....

Thank for your time and consideration



Kuhusu Tasnifu Hii

Utafiti huu ulitathmini mtazamo wa wafanyabiashara kuhusu matumizi ya Vifaa vya Kieletroniki (EFDs) katika Kanda ya Mashariki ya Tanzania. Lengo kuu la utafiti huu lilikuwa kuchunguza mtazamo wa wafanyabiashara kuhusu matumizi ya mashine za EFD, na utayari wa wanunuzi kudai risiti za EFD wanaponunua bidhaa. Hasa, utafiti ulishughulikia malengo mahususi yafuatayo; kupima mtazamo wa wafanyabiashara kuhusu matumizi ya mashine za EFD, kutathmini utayari wa wanunuzi kudai risiti za EFD kutoka kwa wafanyabiashara, kubaini mambo yanayoathiri mtazamo wa matumizi ya mashine za EFD, kubaini mambo yanayoathiri utayari wa wanunuzi kudai risiti za EFD na kubaini changamoto zinazowakabili wafanyabiashara wanapotumia mashine za EFD Kanda ya Mashariki mwa Tanzania. Utafiti ulitumia mkabala wa kimaelezo wa sehemu mbalimbali. Utafiti uliwaajiri wahojiwa 120 wakiwa ni walipakodi. Wajibu walichaguliwa kupitia sampuli nasibu rahisi na mbinu madhubuti za sampuli. Data zote mbili za ubora na kiasi zilikusanywa kupitia dodoso zilizopangwa na mwongozo wa usaili. Data ya kiasi ilichanganuliwa kwa kutumia Kifurushi cha Kitakwimu cha Sayansi ya Jamii (SPSS 20.0 huku takwimu ya ubora ilichanganuliwa kwa uchanganuzi wa maudhui. Utafiti uligundua kuwa kabla ya kuanzishwa kwa EFDs nchini Tanzania, mapato yaliyopatikana kutoka kwa walipakodi waliosajiliwa na VAT yalikuwa yanaongezeka, ingawa kwa kasi ndogo. Iliripotiwa wakati wa utafiti kuwa EFDs zimesaidia kufanya huduma za ushuru kupatikana na kupatikana kwa walipa kodi wengi. Kuna uwezekano wa kuwa na uboreshaji mkubwa katika ukusanyaji wa mapato ya kodi kwa kutumia EFDs iwapo changamoto zilizotajwa zingetatuliwa.