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An Analysis of Revenue Management Efficiency at Lusaka City Council in Zambia

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ABSTRACT

Efficient revenue management is universally recognized as a fundamental pillar for the functioning of any local governments across the globe. This study empirically investigates the efficiency of revenue management at Lusaka City Council, The methodology used was a mixed research and primary data was collected through individual questionnaires and in-depth interviews with Lusaka City Council employees. Employing the Survey Monk formula, the sample size comprised 70 council workers selected through purposive and simple random sampling methods. The study revealed that bank deposits were identified as the most effective revenue collection practice at LCC, Further the study highlighted Fraud, Administrative inefficiencies and limited enforcement as challenges faced by Lusaka City Council. Interviewees expressed belief in the appropriateness of existing revenue collection strategies; however, the study found the overall extent of these strategies to be poor. The study recommends a harmonization or review of the legal framework supporting revenue collection to enable Lusaka City Council realize its full potential.

Keywords: Lusaka City Council, Revenue collection, Efficiency, Bank Deposits, Revenue Management, Strategies.

INTRODUCTION

Local government authorities play a critical role in providing essential public services, such as infrastructure development, health services, and education (Kiaze 2014). To fund these services, local government authorities rely on revenue generated from various sources, including taxes, fees, and grants. However, the efficiency and effectiveness of revenue management in local government authorities are often called into question, with many authorities facing significant challenges in collecting and managing revenue (Malata 2010). Despite the critical importance of revenue management for the financial sustainability of local government authorities and the provision of essential public services, many authorities struggle with low revenue collection rates, inadequate technology, limited staff capacity, and corruption.

STATEMENT OF THE PROBLEM

Lusaka City Council faces significant revenue management challenges, as highlighted by the Auditor General's report 2022 which underscores substantial shortfalls in market fee collections (K1,350,673), uncollected business levies from financial institutions, and unclaimed government grants on properties with a substantial rateable value. Compounded by the failure to meet statutory obligations, Staff obligations-terminal benefits, longservice bonus and Pay As You Earn (PAYE), these issues reflect broader challenges in fiscal management, governance, and regulatory adherence that mirror global difficulties in local government revenue optimization. Addressing these multifaceted problems is crucial for enhancing the

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council's financial health and ensuring the continued provision of essential public services.

LITERATURE REVIEW

The concept of local government encompasses a diverse array of administrative entities, including cities, counties, and municipalities, tasked with the governance and management of specific geographic areas and the provision of essential public services. This section elaborates on this multifaceted concept.

Local authorities play a pivotal role in the administration of public services crucial to the well-being of residents. These services often include waste management, road maintenance, public transportation, public health services, planning and development control, and social services. The breadth of responsibilities may differ based on the jurisdiction and the legal framework in place.

In Zambia, the Local Government Act, specifically the Local Government Act No. 22 of 1995, Cap. 281 of the Laws of Zambia, serves as the foundational legal instrument regulating and establishing Local Government Authorities (LGAs). This Act outlines the powers, functions, and responsibilities of LGAs within the country.

Revenue management within the purview of Local Government Authorities (LGAs) is a strategic and ongoing process aimed at maximizing the financial resources available to these entities. The fundamental goal is to achieve this optimization through efficient financial resource management. This comprehensive approach involves identifying, evaluating, and optimizing diverse revenue sources available to LGAs. By strategically managing these resources, LGAs can ensure a stable financial foundation, which is crucial for providing quality public services while maintaining fiscal stability. Revenue management strategies encompass careful financial planning, resource allocation, and continuous evaluation to sustainably meet the needs of the community (Khamis, 2013).

In the realm of local authorities, revenue is defined as the economic benefits that accrue from activities mandated by regulations. These activities encompass a spectrum, including the issuance of permits, licensing procedures, and oversight of public control measures. Essentially, it represents the financial gains derived from the various regulatory functions undertaken by local government bodies.

The term efficiency, when applied to revenue collection, takes on a multifaceted meaning contingent on the specific field of study. In the context of this research, efficiency pertains to the ability of Local Government Authorities (LGAs) to achieve their revenue collection objectives with optimal resource utilization. This may involve generating maximum output from fixed inputs, ensuring that the processes employed by LGAs are streamlined and effective in yielding the desired financial outcomes (Chitembo, 2009).

The global perspective on revenue management in local government authorities unveils a diverse array of challenges and potential solutions, as explored in various empirical studies. One notable model is the Revenue Authority model, which offers a framework for reforming tax administration, particularly beneficial in areas with low pay rates and rigid civil service systems. This model, as suggested by Devas, Delay, & Hubbard (2001), has the potential to enhance institutional efficiency in revenue collection, providing valuable insights for areas facing similar circumstances.

Strategic management of municipal finances is a focal point discussed by Farvacque-Vitkovic & Kopanyi (2014). This comprehensive handbook for local governments emphasizes the importance of controlling expenditures, strengthening revenues, and achieving creditworthiness. The insights provided serve as a guide for municipalities aiming to enhance their financial management practices.

Local revenue mobilization in African local government authorities is deemed crucial by Fjeldstad &

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Heggstad (2012). However, it is often insufficient to meet the demands of the rapidly growing population. This emphasizes the need for innovative strategies to boost local revenue streams and enhance service delivery.

The challenges in revenue management across different countries are underscored by various studies (Shanty et al., 2020; Alcantara et al., 2018; Teremetskyi et al., 2021; Franzsen, 2014). These challenges, ranging from inadequate financial management to corruption and technological limitations, necessitate policy reforms, staff training, and technology investments as recommended solutions.

Challenges in effective local governance in Africa are outlined by Wunsch (2001), who notes the difficulties in translating general reform initiatives into specific working arrangements at the local level. These challenges, particularly in planning, budgeting, and fiscal management, pose hurdles to achieving effective governance in African local government authorities.

In Nigeria, poor revenue generation by local governments has implications for the overall development of the country, as highlighted by Agbe, Terzungwe, &Igbabee (2017). Effective measures are deemed necessary to generate revenue for local development, emphasizing the crucial link between revenue generation and broader development goals.

PURPOSE OF THE STUDY

To analyze the efficiency of revenue management at the Lusaka City Council in Zambia

RESEARCH OBJECTIVES

1. To explore the efficiency of revenue collection practices at Lusaka City Council.
2. To identify challenges in revenue management at Lusaka City Council.
3. To investigate the relationship between revenue management factors and effective revenue collection strategies at Lusaka city council

RESEARCH QUESTIONS

1. How efficient are the current revenue collection practices at Lusaka City Council?
2. What specific challenges does Lusaka City Council face in revenue management?
3. What is the relationship between various revenue management factors and the effectiveness of revenue collection strategies at Lusaka City Council?

METHODOLOGY

The research methodology employed is a multiple method, incorporating researcher administered questionnaires alongside interviews. The employment of a multiple approach methodology is consistent with research on local government financing carried out in Tanzania by Kiaze (2014) and Zambia by Chibiliti (2010). Additional research by Haq, M. (2014) and Cronholm and Hjalmarsson (2011) demonstrated that the employment of multiple approach methodology in research yields more accurate, rigorous results and insights that may be overlooked when relying just on one method. Research design, according to Kothari (2014), is the framework for the methodologies and procedures used in the study. A descriptive study plan was used by the researcher and was appropriate since it offered a way to describe a specific phenomenon at specific time. The sample size determination table created by Krejcie& Morgan (1970) and the monk survey formula were used to calculate the sample size of 70 employees of Lusaka

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city council for the study.

DATA ANALYSIS, PRESENTATION AND DISCUSSION

The regression analysis results offer valuable insights into the factors influencing revenue management at Lusaka City Council. The positive coefficient (B = 0.297) indicates that an increase in the utilization of various revenue collection methods positively impacts the dependent variable. The statistically significant t-value (2.344, $p < 0.05$) reinforces the reliability of this relationship. The relatively low VIF (1.570) suggests minimal multicollinearity concerns.

With a positive coefficient (B = 0.236), the Effective Method of Revenue Collection also seems to influence the dependent variable positively. However, the non-significant t-value (1.381, $p > 0.05$) raises questions about the statistical reliability of this relationship. The VIF (1.366) is within an acceptable range.

The positive coefficient (B = 0.210) suggests a positive association between employing effective monitoring methods and revenue management. However, the non-significant t-value (1.015, $p > 0.05$) implies caution in interpreting the significance of this relationship. The moderate VIF (2.486) indicates some level of multicollinearity.

A significant positive coefficient (B = 0.544) implies that encountering challenges in revenue management is associated with a positive impact on the dependent variable. The statistically significant t-value (2.343, $p < 0.05$) strengthens the credibility of this finding. The moderate VIF (3.297) suggests a degree of multicollinearity, but it remains within acceptable limits.

The negative coefficient (B = -0.183) suggests that employing tactics to reduce revenue loss may have a negative impact on the dependent variable. However, the non-significant t-value (-1.108, $p > 0.05$) questions the statistical significance of this relationship. The VIF (2.339) indicates a moderate level of multicollinearity.

The positive coefficient (B = 0.269) implies a positive relationship between external factors and revenue management, but the non-significant t-value (1.920, $p > 0.05$) suggests caution in drawing definitive conclusions. The low VIF (1.656) indicates minimal multicollinearity.

A negative coefficient (B = -0.196) suggests a potential negative impact of internal factors on revenue management. However, the non-significant t-value (-1.621, $p > 0.05$) questions the statistical reliability of this relationship. The VIF (2.119) indicates a moderate level of multicollinearity.

Regression Analysis Results

Variable	**Coefficient (B)**	**Std. Error**	**t**	**Sig**	**Vif**
Methods of Revenue Collection	0.297	0.127	2.344	2.344	1.570
Effective Method of Revenue Collection	0.236	0.171	1.381	1.381	1.366
Methods of Monitoring and Evaluating the Effectiveness	0.210	0.207	1.015	1.015	2.486
Challenges Faced in Revenue Management	0.544	0.232	2.343	2.343	3.297
Tactics and Strategies used to Reduce Loss	-0.183	0.165	- 1.108	- 1.108	2.339
External Factors Influencing Revenue Management	0.269	0.140	1.920	1.920	1.656
Internal Factors Influencing Revenue Management	-0.196	0.121	- 1.621	- 1.621	2.119

The analysis of variance (ANOVA) table provides valuable insights into the overall performance and significance of the regression model, which aims to predict the "Source of Funds" based on various predictors. The model summary provides crucial information about the goodness-of-fit and overall performance of the regression model.

The sum of squares attributed to the regression model (SSR) is 2.585, indicating the explained variability in the dependent variable by the included predictors. The degrees of freedom for regression (df1) and residuals (df2) are 7 and 67, respectively. The mean square values for regression (MSR) and residuals (MSE) are 0.369 and 0.065, respectively, providing an average measure of the contribution of predictors and the average squared difference between observed and predicted values.

The F-statistic, calculated as the ratio of MSR to MSE, is 5.699. This F-ratio is associated with a p-value of 0.000 (b), significantly below the conventional threshold of 0.05. The low p-value indicates that the regression model is statistically significant, suggesting that at least one of the predictors contributes significantly to explaining the variance in the "Source of Funds." In summary, the ANOVA results support the model's effectiveness in capturing meaningful relationships between the selected predictors and the dependent variable, with statistical significance in predicting the funding sources for Lusaka City Council.

The coefficient of determination (R-squared) is 0.373, indicating that approximately 37.3% of the variability in the dependent variable, "Source of Funds," is explained by the included predictors. The adjusted R-squared, which accounts for the number of predictors and sample size, is 0.308.

The standard error of the estimate is 0.25455, representing the average distance between observed and predicted values. The R-squared change is 0.373, signifying the improvement in explained variance brought about by the predictors. The F-statistic is 5.699, with associated degrees of freedom (df1 = 7, df2 = 67), and a p-value of 0.000. This low p-value suggests that the model is statistically significant, and the predictors collectively contribute to explaining the variation in the "Source of Funds."

Anova Table

	Sum of Squares	df	Mean Square	F	Sig.
Regression	2.585	7	.369	5.699	.000b
Residual	4.341	67	.065		
Total	6.926	74			

DISCUSSION OF FINDINGS WITH OBJECTIVES

1. To Explore the Efficiency of Revenue Collection Practices at Lusaka City Council.

The study found that the primary sources of revenue include Property Rates, Business Licences, and Market Fees, with Property Rates being the most significant contributor. The methods of revenue collection commonly employed are Manual (Cash), Online Payments, Bank Deposits, and Point of Sale. These findings are supported by various studies: Adeoye, and Adeyeye (2018) emphasize the effectiveness of proper collection methods by tax authorities in ensuring optimal tax revenue collection in rural communities. This aligns with the preference for Bank Deposits in Lusaka City Council as a more effective and efficient method compared to manual cash handling. The challenges faced in revenue management at Lusaka City Council, such as political influence and administrative inefficiencies, resonate with findings by Mbedzi and Gondo (2010), who identified similar issues in Dangila Municipality, Ethiopia. The emphasis on improved data management, automation, and technology as strategies to enhance revenue collection is supported by the study of Henry (2018), who found that automation in revenue collection enhances

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efficiency and transparency in the Nakuru County Government, Kenya. Karpyshyn and Nipialidi (2019) highlight the underutilization of personal income tax as a potential revenue source, which could be relevant for Lusaka City Council in exploring additional revenue streams. Kipilimba (2018) noted that effective tax administration is crucial for enhancing government revenue, which is pertinent for Lusaka City Council's efforts in improving revenue collection strategies. The study by Mgonja and Poncian (2018) on outsourcing revenue collection in Tanzania's local government authorities could provide insights for Lusaka City Council in exploring alternative revenue collection methods.

2. To Identify the Challenges in Revenue Management at Lusaka City Council.

The assessment of challenges in revenue management at Lusaka City Council revealed major issues such as Political Influence, Limited Enforcement, Corruption & Fraud, and Administrative Inefficiencies. These challenges are not unique to Lusaka and resonate with findings from various studies on local government revenue management worldwide: Takwa, Babila, and Teno (2020) identified challenges in revenue generation for local councils, including central government infringement on internal revenue generation and lack of power to make finance laws, which can be related to the political influence and limited enforcement issues faced by Lusaka City Council. Sharma (2021) discussed the challenges local authorities in developing countries face in managing fiscal imbalances due to rapid urban population growth and dependency on central government transfers. This aligns with the fiscal management challenges, including administrative inefficiencies, experienced by the Lusaka City Council. Kuusaana (2015) highlighted major hurdles in property rating in Ghana, such as poor property data systems, political interference, and insufficient staffing, which are similar to the challenges in revenue collection methods like Property Rates in Lusaka. Turley and McNena (2019) outlined various revenue issues faced by local governments in Ireland, including fiscal autonomy and income differences between urban and rural councils, which reflect the diverse challenges, including corruption and fraud, faced by Lusaka City Council. Mbedzi and Gondo (2010) pointed out factors leading to inefficiency in revenue collection in Dangila Municipality, Ethiopia, such as poor organizational structure and inadequate accounting systems, which are akin to the administrative inefficiencies identified in Lusaka. Madhovi (2020) emphasized the positive impact of implementing social accountability tools on fiscal management challenges faced by local governments. This suggests potential solutions for challenges like corruption and limited enforcement faced by Lusaka City Council.

3. To Investigate the Relationship Between Revenue Management Factors and Effective Revenue Collection Strategies at Lusaka City Council.

Additionally, the study assessed whether there is a relationship between factors influencing revenue management and effective revenue collection strategy at Lusaka City Council. It found that Bank Deposits are perceived as the most effective and efficient method. The use of improved data management, automation, and technology, and the emphasis on enforcement and compliance are seen as effective strategies to reduce revenue loss. The regression analysis showed a statistically significant relationship between various factors (Internal Factors, Methods of Revenue Collection, External Factors, etc.) and the dependent variable (Source of Funds). This finding is in line with, Otieno et al. (2013) found that information systems have a strong positive relationship with revenue collection in Kenyan Local Authorities, emphasizing the importance of technological integration in revenue management systems. Okidi, Akello, and Opio (2021) demonstrated that control activities significantly affect revenue collection in local governments, highlighting the importance of internal factors in influencing revenue management efficiency.

CONCLUSIONS

The study provides an analysis of Lusaka City Council's revenue collection and management, highlighting the importance of various revenue streams and the adoption of efficient collection methods like Bank Deposits and setting up various collection points like Zambia Revenue Authority (ZRA). It underscores the challenges such as political influence, corruption, and administrative inefficiencies, common within local governments, especially in Africa. The need for strategic adaptation to improve financial stability and operational efficiency is emphasized. Key strategies include leveraging technology, enhancing enforcement, and ensuring internal and external factors like compliance and economic conditions are managed effectively. The study's insights are valuable for policy-making and strategic planning, offering a blueprint for enhancing revenue systems in similar contexts globally.

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