

# Role of Stakeholder in Revenue Mobilization to Alleviate Poverty in Ghana using E-Governance Mechanisms

Jennifer Ellah Adalety, Valliappan Raju, Siew Poh Phung

**Abstract:** *The purpose of this paper is to investigate the role of the stakeholder in revenue mobilization at the MMDAs in Ghana as a roadmap to further identifying ways of achieving revenue improvements and poverty reduction by adopting e-governance mechanisms. This study also identifies three main roles of the stakeholders in the MMDAs to be: Compliance, Motivation to comply, Enforcement; and a moderating role to be monitoring and supervisory. It was conducted in selected MMDAs in Ghana and the findings may not apply to all other MMDAs. There is also literature limitation. The practical implication should help understand the importance of adopting e-governance in Ghana's revenue generation system which will help avoid problems like evasion and improve revenue as a dimension to poverty reduction. The paper identified role of the stakeholder at the local level. Previous studies focused on stakeholder management and regulations that help prevent evasion and other problems, thus this study delves into e-governance integration into Ghana's revenue system which is an area that has not received much attention in several literature.*

**Key Words:** Stakeholder, MMDAs, Metropolitan, Municipal or District Assemblies, Revenue mobilization, Revenue improvements, Poverty alleviation, E-governance.

## I. INTRODUCTION

The stakeholders are the ultimate beneficiaries of development that arises when the nation achieves financial independence and their role will be examined to determine what improvements can be made by adopting modern and innovative mechanism of e-governance to reduce poverty.

The local government system is made up of the Regional Co-ordinating Council, a four-tier Metropolitan and a three-tier Municipal/District Assemblies Structure. The District assemblies are either Metropolitan (population over 250,000), Municipal (population over 95,000) or District (population 75,000 and over). This system in Ghana is established on the assumption that government must develop the nation as a direct solution to the problems faced by the people which results from a shared responsibility of stakeholders; central government, local governments, parastatals, non-governmental organizations (NGOs) and the people (Adu-Gyamfi, 2014).

This study intends to facilitate that taxation and revenue mobilization powers be given to the MMDAs to authorize local assemblies to generate more revenue through e-governance adoption in order to reduce the necessity for the

transfer of funds from development partners and central government. This study will also examine the current mechanisms in place and come out with the loopholes or challenges faced with the ultimate objective of suggesting innovative and current practice in countries with successful revenue mobilization to complement existing practice in Ghana.

The existing context in which e-governance is used in Ghana is limited to the use of Computers and other technology aided equipment in the public system. The context of full integration and the linkage of electronic governance mechanisms between systems are extremely limited. It is hoped that the findings of this study will help MMDAs in Ghana identify innovative and effective ways of mobilizing and improving revenue to achieve financial independence and reduce poverty.

### The Problem

The problem is that developing countries just like Ghana have history of unstable political and legal systems which influences the formulation of laws (Geremek, 1997; Kessey, 2006; Alupungu, et al., 2014). The net public debt for 2015 was above the threshold after the recovery from being the top most indebted countries in the middle group in Sub Saharan Africa (Gaspar, et al., 2015). Government of Ghana like other developing countries formulates fiscal policies in terms of taxation and spending with the objective of achieving economic growth (Terkper, 2015).

The main duty of the district is stipulated in the Articles 245 and 252 of the 1992 Constitution and the Local Government Act (vii – x) which requires responsibility for the development and good government practices for their respective jurisdictions. This necessitates availability of adequate funding. The fiscal decentralization concept was to facilitate that the district assemblies are able to mobilize their own funds to finance their own projects (Terkper, 2015). This indicates the availability of regulation and yet the systems fails in delivering the roles prescribed in the regulation.

Most initiatives have failed due to the failure of the MMDA to mobilize revenue, in addition to the misappropriation of funds by the local authorities which ultimately results in over dependence on the statutory grant and other financial assistance from the central government (Appiah-Agyekum, et al., 2013). These challenges also result from lack of explicit roles of the various stakeholders in revenue mobilization and non-compliance of the existing rules by the stakeholders.

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Again, Kessey (2006), mentioned the lack of efficacy in the functions and duties performed in the MMDAs in Ghana due to the rife in interpersonal and inter-agency conflict which hinders the intended objective of ensuring cooperation and harmony among the key actors in local government which are the District Chief Executives (DCEs) and the Presiding Members (PMs). This was further emphasized in the literature of Musah-Surugu and Yeboah-Assiamah (2015).

This current research will attempt to narrow the research gap and come up with findings on the stakeholder role in revenue mobilization at the MMDAs in Ghana as a mechanism to improve revenue, strengthen the financial independence of the MMDAs, and eradicate poverty by adopting innovative ways in revenue generation to ultimately achieve economic growth.

## II. OBJECTIVE

To determine the role of the stakeholder in revenue mobilization at the MMDAs in Ghana with the objective of achieving financial independence and reducing poverty by adopting e-governance mechanisms.

### Research Question

What is the role of the stakeholder in revenue mobilization at the MMDAs in Ghana and does it help achieve revenue improvements and reduce poverty through adopting e-governance mechanisms?

## III. LITERATURE REVIEW

### Theoretical concept

According to the World Bank, "E-Government refers to the use by government agencies of information technologies (such as Wide Area Networks, the Internet, and mobile computing) that have the ability to transform relations with citizens, businesses, and other arms of government. These technologies can serve a variety of different ends: better delivery of government services to citizens, improved interactions with business and industry, citizen empowerment through access to information, or more efficient government management.

The resulting benefits can be less corruption, increased transparency, greater convenience, revenue growth, and/or cost reductions."

In the context of this study, the purpose of E-Governance adoption is to improve the relationship between stakeholders by using electronic government mechanisms to share information, encourage compliance and increase revenue mobilization.

Also, Freeman (1984), defined stakeholder as "any group or individual who can affect or is affected by the achievement of the organization's objectives". Bryson (1995) elaborated this definition by adding: "A stakeholder is defined as any person, group, or organization that can place a claim on an organization's attention, resources, or output or is affected by that output".

In the context of this study, a stakeholder will be all members of local governments who can affect and be affected by any decisions made, control resources, technical skill and body of knowledge in terms of using authority,

parastatals, non-governmental organizations (NGOs), and the people in terms of participation (Gomes, 2004).

## IV. STAKEHOLDER COMPLIANCE

The role of compliance by stakeholders in local government is unilateral in most countries as it is the most important role which seeks to ensure the highest order of transparency and integrity of the local government (Adu-Gyamfi, 2014). The question this variable hopes to answer is whether the stakeholder's obligation to comply with the laws will enable the MMDAs generate revenue which can result in poverty alleviation?

The District Assemblies Common Fund (DACF) stipulates in Article 252 that 7% of all central government internally generated revenue be distributed to all the 216 MMDAs to undertake development projects, however these revenues are insufficient for these projects thereby creating the need to generate more funds by the MMDAs. These can only be done by the MMDAs if all the participants comply with the policies on revenue mobilization.

The MMDAs in Ghana have a number of sources to generate revenue for their operations which includes rates, lands, fees and fines, licenses, rent, investments and grants as stated in the Local Government Act (Yeboah & Johansson, 2010; Adu-Gyamfi, 2014). These are the primary sources of generating revenue in addition to the central government relays. The basic way stakeholders can comply to contributing to revenue is by fulfilling tax obligations to their respective MMDAs.

In Ameyaw, et al (2012), the results of a study conducted indicated that 82% of the citizens demonstrated awareness of their obligations to the MMDAs, however a greater portion of that percentage do not translate that awareness into compliance of their civic responsibility of paying their tax revenue to the MMDAs which constitutes a greater percentage of non-compliance.

The difficulty in the revenue mobilization was also elaborated in related literature indicating that most stakeholders that fulfil their tax obligations are "chased" by the tax collectors indicating a high sense of reluctance in fulfilling tax obligations to the respective MMDAs despite the high level of awareness (Akorsu, 2015).

According to Cottarelli (2015), developing countries can raise revenue by building administrations that do not have incentives for personal gain and are capable of implementing the voluntary compliance needed to increase the tax base. The IMF has suggested ensuring strong control of large taxpayers in a dedicated office as a way of ensuring revenue is generated for developing countries (Gaspar, et al., 2015).

The IMF has emphasized the importance of revenue mobilization in local government as a poverty reduction mechanism in developing countries as it strengthens the financial independence of local authorities, facilitates the implementation of projects and releases the pressure of Central government resources (Gaspar, et al., 2015; Atta-Mills, et al., 2004; Akorsu, 2015).



### Stakeholder Motivation

For Quality assurance purposes, personnel in charge of monitory and supervisory of the multidimensional approach to revenue mobilization must determine what motivates the stakeholder's compliance to their roles. This will facilitate the determination of the best approaches to improve stakeholder motivation thereby resulting to increased compliance.

A study by Brooks, et al. (2015) mentioned in their study that stakeholders such as large firms derive their motivation in whether their contributions are used for projects that benefits them or promote their image and public trust. This was emphasized as being a reactive approach by these type of stakeholders. In the same study, consumer bodies, on the contrary expect companies and large companies with high capacities to be proactive in fulfilling their tax obligations rather than being reactive (Brooks, et al., 2015).

Furthermore, the recent debate around the issue on whether compliance and appropriate tax payment may not be only a question of law or of business but also one of morality indicating the need to ensure stakeholders are motivated or morally induced by ensuring the resources or tax revenue are put to good use (Dyrenge & Lindsey, 2016).

#### Enforcement of regulations on Revenue Mobilization.

The local government regulations on tax also stipulates the penalties for; tax avoidance which is not strictly punishable as it involves way stakeholders adopt to minimize the amount of tax paid to government; and tax evasion which includes extreme punishment of jail term (Fisher, 2014; Adu-Gyamfi, 2014).

In a study by Fisher (2014), developed countries had upgraded and integrated systems that connects all operations of individuals, agencies and companies through adoption of e-governance and business processing reengineering systems which enables the central government to ensure quality assurance by monitoring and supervising all activities as a form of control against any potential defaults.

This study intends to adapt these processes and perform some comparative analysis to identify the loopholes within the Ghanaian system and suggest innovative approaches which can be productive and help achieve poverty reduction (Dyrenge & Lindsey, 2016).

#### E-Governance mechanisms

The e-governance concept is a new concept introduced as a result of the growing computerization and internet connectivity (World Bank, 2017). The concept was engineered to adopt business process re-engineering in governmental activities. The purpose is to achieve higher level of accountability and utilization of resources by enhancing access to information and transparency government dealings (Bhatnagar, 2004).

In Melitski&Calista (2016), e-governance can be applied to all functions of government including revenue mobilization. This will enhance more clarity in the roles performed by the various authorities in Central and local governments. The concept is applicable where there is data collection and information sharing. The role of stakeholders in revenue collection and filling of tax obligations involves data and information sharing which can be improved by incorporating e-governance.

The models of e-governance involves government to citizens (G2C), government to employees (G2E), government to businesses (G2B), government to government (G2G) (Bhatnagar, 2004). The main problems facing the local governments in Ghana is as a result of lack of information awareness and difficulty in relaying information to stakeholders (Antwi, 2013).

Adopting e-governance in revenue mobilization at the MMDAs in Ghana will facilitate expanded reach of revenue information to stakeholders who involve citizens, employees, businesses and other governmental agencies with such information need.

In Okoye and Ezejiofor (2014), a study was conducted to ascertain the impact of E-taxation in generating revenue in Nigeria. This purpose was to utilize e-taxation mechanisms and prevent corrupt tax authorities from using stakeholders tax revenue for their personal objectives. The researcher incorporated e-taxation measures to generate internal funds and prevent tax evasion.

The findings indicated that the e-tax system can adequately prevent tax evasion and ensure adequate accountability of tax returns which will ultimately increase the revenue mobilized through tax revenue (Okafor, 2012).

Also, the challenge of the e-tax mechanism is that the concept is new in Nigeria and other parts of the world. The mechanism is crippled as most of the tax authorities in local government deliberately prevent the use of e-taxation or other technological approaches that will reveal all corrupt activities, tax evasion and prevent transparency (Adedeji & Oboh, 2012; Okafor, 2012).

In the literature of Goel, et al, (2015), the authorities in government must pay attention to implementation of e-governance mechanisms. The approach involves high level of process alignments, availability of right skill and managing change. In Ghana, there is a high challenge of the right skill and personnel who can utilize ICT with efficacy therefore, in order to implement e-governance in the local government and MMDAs, there must be training of existing employees.

Oduro (2015), in his paper, examined Ghana's integration of ICT into its system. This approach to improvement and introduction of ICT started in the 1980s. In recent times, there has been minor improvements where information of certain government activities can be easily assessed on government websites while others cannot, indicating the need for further improvements (Akorsu, 2015).

In view of the review of literature above, this research proposed the following hypotheses:

- H1 There exists a direct significant relationship between stakeholder compliance role in revenue mobilization at the MMDAs and revenue improvements and poverty reduction in Ghana.
- H2 There exists a direct significant relationship between stakeholder motivation to comply with revenue mobilization regulation at the MMDAs and poverty reduction in Ghana.

- H3 There exists a direct significant relationship between enforcement of stakeholder roles and poverty reduction in Ghana.
- H4 There exists a direct significant effect of adopting e-governance mechanisms in stakeholder role of revenue mobilization at the MMDAs poverty reduction in Ghana.

## V. METHODOLOGY

This chapter discusses the methodology adopted in the study.

### Research Design

This research adopts the survey approach for data gathering. The researcher plans to adopt quantitative and qualitative research designs for this (Creswell, 1999).

### Research Instrument/Measurement

This research will adapt and adopt a questionnaire which is the best instrument to be utilized for the purpose of data gathering in this study (Saunders, et al., 2009).

#### Validity Test and Reliability of the Instrument

The previous research for similar studies adopted and adapted Cronbach's alphas scales. The current research shall adopt and adapt scales from previous studies using a five point Likert scale (Hair, 2003). The validity will be tested by employing experts to go through the instrument before a pilot study is undertaken.

### Sampling technique size

The population for this study is the authorities in the local governments such as DCEs, public administrators, and members of the district assemblies with an understanding of what happens in the MMDAs. Stratified random sampling technique is a probability sampling where all respondents have equal chances of being selected in each stratum to participate in the research and this will be adopted due to large number of the population.

### Data collection and Analysis

The primary data will be collected from a survey through a questionnaire adopted and adapted from previous studies. The secondary data will be collected from secondary sources such as government websites and archives, books, reports and prior research studies by previous researchers (Sekaran & Bougie, 2010).

This quantitative study will be analyzed using SPSS and SEM- Smart PLS3. Accordingly, this section explains the procedure of SEM as well as data analyses about the constructs and their relationships. In this study, descriptive and inferential analyses will be applied to analyze the data. The descriptive analyses include means, standard deviations, frequency, percentage, reliability, and ranges using the SPSS 17.0 (SPSS Inc., 2009).

## VI. EXPECTED OUTCOMES

This study intends to achieve the following objectives;

- ✓ To examine the effect of stakeholder compliance role with revenue mobilization rules at the MMDAs on revenue improvements and poverty alleviation through adoption of innovation.
- ✓ To identify the effect of stakeholder motivation to comply with revenue mobilization rules at the

MMDAs on revenue improvements and poverty alleviation through adoption of innovation.

- ✓ To investigate the effect of enforcing stakeholders role of revenue mobilization at the MMDAs on revenue improvements and poverty alleviation through adoption of innovation.
- ✓ To examine the mediating effect of adopting e-governance mechanisms between stakeholder role in revenue mobilization at the MMDAs and revenue improvements and poverty reduction in Ghana.
- ✓ To investigate the moderating effect of stakeholder monitoring and supervisory role in revenue mobilization at the MMDAs by adopting e-governance mechanism to achieve revenue improvements and eradicating poverty in Ghana.

## VII. STUDY LIMITATION

This research is conducted in the area of macroeconomics and public administration management, and previous studies in these areas used comparative analysis in the research design making access to literature relatively limited; and the variables identified are relatively new phenomenon and will require more time to explore and justify them.

Adding on, there is cost limitation, Ghana has about 216 MMDAs across the country and the study hopes to explore most of these districts to acquire data and information on the subject matter. Also there is no defined and adequate electronic monitoring system in place in most of these districts assemblies hence most data collected are paper based making it difficult to acquire the information.

## VIII. CONCLUSION

The paper's contribution to literature has both practical and theoretical implications. First, this research work has contributed to the growing body of knowledge related to stakeholder roles at the MMDAs in Ghana and e-governance concept and its relevance to poverty reduction. The results should clarify which e-governance mechanism must be adopted to improve revenue.

In terms of practical application, local government research could be conducted regularly to compare performance of the current revenue system with countries practicing the e-tax system as a performance enhancement strategy for local governance in Ghana. Further research could be conducted in specific areas of the e-governance approach to expand the findings of this study.

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