WHAT MATTERS FOR THE EFFICIENCY OF MICRO BUSINESS TAX COLLECTION? EVIDENCE FROM THE EASTERN PART OF ETHIOPIA

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Abstract

The purpose of this study is to determine the variables affecting the microbusiness tax collection efficiency in Ethiopia. An ordered logistic regression model were used to analyze the efficiency of micro business tax collection as dependent variable and taxpayer tax knowledge, tax law enforcement, corruption, tax compliance resolution, and fairness of tax as independent variables, through a questionnaire by expending the stratified sampling technique. The study results show that efficiency of micro business tax collection in the eastern part of Ethiopia are significantly influenced by the (1) taxpayer tax knowledge, (2) tax law enforcement, (3) corruption control, and the (4) tax compliance resolution capacity of the tax authority. The study provides various insights to improve the efficiency of microbusiness tax collection in Ethiopia from the perspective of microbusiness taxpayers. The final results of this study are distinctive because they demonstrate how taxpayer awareness of taxes, the effectiveness of tax laws enforcement, the control of corruption, and the tax authority's ability to resolve noncompliance issues all impact the efficiency of microbusiness tax collection in Ethiopia.

Anahtar Kelimeler: Micro Businesses, Ordered Logit Model, Effectiveness, Ethiopia.
JEL Sınıflandırması: H10, H20, H21

MİKRO İŞLETMELERİN VERGİ TAHSİLATININ ETKİNLİĞİNDE ÖNEMLİ OLAN FAKTÖRLER: ETİYOPYA'NIN DOĞU BÖLGESİNDEN KANITLAR

Öz

Bu çalışmanın amacı Etiyopya'daki mikro işletmelerden vergi tahsilatını etkileyen değişkenleri tespit etmektedir. Mikro işletmelerden vergi tahsilatının etkinliği, sıralı lojistik regresyon modeli kullanılarak analiz edilmiştir. Çalışmada bağımlı değişken olarak mikro işletme vergi tahsilatı etkinliği, bağımsız değişkenler olarak vergi mükelleflerinin vergi bilgisi, vergi kanunlarının uygulanma durumu, yolsuzluk, vergi uyumu çözümleri ve vergi adaleti kullanılmıştır. Çalışmanın verileri tabakalı örnekleme tekniği kullanılarak anket aracılığıyla elde edilmiştir. Çalışma sonuçları, Etiyopya'nın doğu kesimindeki mikro işletme vergi tahsilatının etkinliğinin (1) mükelleflerin vergi bilgisi, (2) vergi kanunların uygulanma durumu, (3) yolsuzluk kontrolü ve (4) vergi dairesinin vergi uyumu çözümleme kapasitesinden önemli ölçüde etkilendiğini göstermektedir. Çalışma, vergi mükellefi olan mikro işletmelerin bakış açısından Etiyopya'daki vergi tahsilatının etkinliğini artırmak için çeşitli bilgiler sunmaktadır. Bu çalışmanın nihai sonuçları, vergi mükelleflerinin vergiler konusundaki farkındalığının, vergi kanunlarının uygulanmasındaki etkinliğin yolsuzluğun kontrolünün ve vergi otoritesinin uyumsuzluk sorunlarını çözme kabiliyetinin Etiyopya'daki mikro işletme vergi tahsilatını nasıl etkilediğini göstermesi bakımından önemlidir.

Keywords: Mikro İşletmeler, Sıralı Logit modeli, Verimlilik, Etiyopya
JEL Classification: H10, H20, H21

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1. INTRODUCTION

The very expansion of the microbusinesses in any developing countries has created a hope for the government to increase their income. Its is so Because of the scarcity in the books of account, the microbusinesses are subjected to tax as presumptive schemes. Resulting to introduce a presumptive tax which plays a good role in cutting back the tax hole particularly in emerging nations (Wei and Wen, 2023; Logue and Vettori, 2010).

The present study under exploration as Ethiopia, a country in Sub-Saharan African nations that is earning less revenue as against the average in the continent. To be more precise, the average tax income to gross domestic product ratio across 31 African countries in 2020 was 16.0%. In the same year, the tax-to-GDP ratio in Ethiopia was 6.2%, which is below the average of African countries (World Bank, 2020). The low tax to GDP ratio in Ethiopia implies that there is due scope of unaddressed taxes that should be paid by firms but are not collected by the concern tax authorities of the government. Like wise a lot of other emerging nations, microbusinesses in Ethiopia are subjected to a presumptive tax scheme to help the economy grow by making the tax base bigger and bringing in more money for the government (Benjamin and Mbaye, 2012).

Even though presumptive taxation remains the best alternative to taxing microbusinesses in Ethiopia, failing to have financial records. But its application faces different problems like it becomes very hard to get accurate information from microbusinesses about their income, expenses, and everything else that is needed. This subsequently forces them to collect taxes based on estimates, which would be more subjective in nature for tax authorities. Because of this misunderstanding, microbusiness taxpayers and the tax authorities frequently wrangle (Biniyam, 2017). According to Ethiopia's income tax regulation 410/2017, its is imperative far presumptive tax assessments for microbusinesses must be adjusted every three years. However, the next assessment was not completed until 2017 after the 2011 assessment. Microbusinesses using the presumptive taxation method caused a great deal of public outcry and protest when the tax authority announced the revised assessment results. There was also a lot of activity at tax authorities across the nation, with the highest number of microbusiness taxpayer complaints. (Workneh, Bayleyegn and Stewart, 2019). Actually, the revised tax assessment was unexpected for microbusinesses because what was estimated six years ago changed dramatically, which contributed to taxpayer confusion about the revised amount of tax liability (Getachew, 2019). The year 2022 microbusiness tax collection announcement also faced the aforementioned issues (World Bank, 2023).

A low tax to gross domestic product ratio in Ethiopia implies that there is a good proportion of taxes that should be paid by firms but same is not collected by the tax administration of the government. Much of the empirical study focused on microbusiness tax design, practice, and its implementation challenges (Asmare, 2019; Gebrie, 2020). But The majority of the related studies' methodology is descriptive or mearly an assessment. However, far this study the objective was to distinguish the determinants of microbusiness tax collection efficiency by incorporating some factors, such as the resolution of taxpayer complaints. Methodologically, inferential statistics were further employed in this study to reach out accurately . Additionally, this study was carried out during a period of multiple socioeconomic problems like political instability. Plenty of studies were conducted on small and medium groups of taxpayers. However, this study will fill a gap in the literature on microbusiness taxation concepts in general and Ethiopia in particular. On top of the above facts, the largest contraband corridor is the eastern corridor, particularly the Ethio-Somali corridor of Togo-Wuchale city. In this corridor area, the center of the smuggling trade takes place, followed later by the cities of Jigjiga and Harar, and items are dumped out at Dire Dawa city. Therefore, the main aim of this study is to identify factors that influence efficiency of micro Business tax collection in the Easter part of Ethiopia

2. LITERATURE REVIEW

This section presents different theoretical and empirical literature and hypothesis formulations related to microbusiness taxation under the presumptive system and its determinants for microbusiness tax collection.

2.1. Theoretical review

A microbusiness is a small business that employs a few individuals or family-run business and is administered by the proprietors (Santos and Neumeyer, 2021; Engelschalk and Loeprick, 2015). For taxation purposes, microbusinesses in Ethiopia are termed Category "C" taxpayers, whose revenue is under Birr 500,000 and who shall pay under Income Tax Regulation 410/2017 based on turnover or a presumptive indicator assessment (Getachew, 2019; GFDRE, 2011). The method of presumptive tax scheme is used as an alternative to conventional tax laws that base the obligation of tax on indirect methods or another indicator of economic activity used to determine taxable profits rather than the taxable earnings themselves (Thuronyi, 2004). In other words, the tax administration rejects indirect taxation under self-assessment of reports like sales or income by the taxpayer, especially when administrative resources are constrained (Bird and Wallace, 2004). Microbusiness taxation employs a presumptive tax system due to the characteristics of those taxpayers in microbusiness (Pashev, 2005).

The presumptive tax income tax method can be further classified into two; (1) standard and estimated assessment. The standard assessment method for taxing microbusinesses is a lump sum or fixed amount after determining taxable income based on a taxpayer's specific occupation or business. This method determines taxable income and tax liability objectively (Mengesha and Ashebir, 2013). On the other hand, (2) using indicators to estimate taxable income is the central characteristic of the estimated technique. The taxpayer's tax liability is assessed based on wealth-specific indicators or economic activity. This method uses a variety of ways to figure out a taxpayer's income, including simple methods based on a single factor like total assets of the taxpayers, business wealth value, business gross earnings, and visible indicators of wealth, as well as sophisticated methods based on at least two of the aforementioned indicators (Makedonskiy, 2005). The Ethiopian Revenue and Customs Authority used a microbusiness tax liability based on criteria stated in Regulation 410/2017.

Different studies were conducted in the area of microbusiness taxation, with different determining factors. Fairness is the major problem while determining tax liability, confirmed by (Gezahegn, Desta and Adage, 2016). According to Asmare (2019), lack of participation of taxpayers in the estimation process also affects the collection system. Furthermore, the lack of input from significant critical groups in the decision-making process for tax rates has led to strong opposition among taxpayers (Utaumire, Mashiri and Mazhidu, 2013). The study also demonstrates that the main obstacle to Zimbabwe's presumed tax system's effectiveness was inadequate awareness. Asmare's (2019) findings also show that taxpayer's tax knowledge highly influences Ethiopia's tax collection system. Kipilimba (2017) also conform this result that local taxpayers' lack of tax knowledge is the challenge facing Tanzania's tax administration. On the other hand, being unfair to other taxpayers in the same business, overestimating daily sales at the time of assessment, refusing to give the assessment committee accurate information, and running a business without a license, which is typical for Sunday market vendors (Gebrie, 2020).

According to Abera (2019) among the major challenges, an inequitable tax estimation, the low tax evasion impression among taxpayers, the intricate nature of tax laws, dishonest as well as unethical actions by tax officers, a taxpayer's unfavorable sentiment towards the government, and inadequate social standards between the tax authorities and taxpayers remains foremost. While as statistical results showed on regression result shows that the participatory tax system, tax knowledge, corruption, and attitude significantly affect presumptive tax collection. However, the mode of payment, social norms, and taxpayer impression of tax evasion were found insignificant effects on the presumptive tax

collection. In a similar way, the legal system is so complex and unfair that it motives tax officers to treat taxpayers unfairly. A lack of taxpayer knowledge about tax rules and regulations, a lack of taxpayer participation in the estimation, a lack of assessor experience, and problem with taxpayers saving money, nepotism, high rates, illegal businesses, and political influence were all named as significant problems (Asmare,2019).

A study by Gezahegn, Desta and Adage (2016) revales, that the hypothesis test showed that service provision, awareness raising, assessment fairness on the liability assessment, and tax law enforcement were significant; however, gender of taxpayers, honesty of tax collectors, assessment and collection trust, and taxpayer season convenience were found insignificant. Taxpayers were not given services that were designed to be efficient, and most of the tax authority's enforcement efforts were often ineffective. Most of the time, notice creation sessions were ineffective, which hurt the efficiency of collection, and most assessments were unfair.

In this connection, consequently, our study aims to identify determinants of microbusiness tax collection efficiency in the eastern part of Ethiopia and their implications as a way to improve government tax collection in general and to serve as an empirical reference for future studies in the area.

2.2. Hypothesis formulation

Taxpayer's tax knowledge measures taxpayers' understanding of the microbusiness tax laws in Ethiopia. One of the fundamental issues in achieving efficient tax collection in a given country is the degree of taxpayer knowledge about the tax system. The fewer people know about taxes, the more unlikely they are ready to voluntire in paying tax. This makes tax collection less efficient. Besides, Most small and micro businesses find the tax rule complex to understand; thus, the complex assessment may lead to unintentional non-compliance. Understanding tax rules and regulations can be complex, which can have an adverse effect on revenue collection efficiency (Andreoni, Erard and Feinstein, 1998; Torgler, 2011; Abera, 2019; Kirchler, 2007).

H1: Good taxpayer's tax knowledge have a positive effect on microbusinesses tax collection efficiency.

Condition of tax fairness taxpayers' evaluation of presumptive tax liability, which is determined by the tax authority, as fair or not. Because microbusiness taxpayers do not keep accounts, their tax liability is computed based on administrative assessments. A poor tax assessment capacity scheme and a presumptive tax system may result in an overestimation or underestimation of tax liability, both of which are undesirable. The existence of a sustainable and fair tax assessment is one indicator of an efficient tax collection system. In order to maintain fairness, taxes must be levied equally on all taxpayers with the same income while also taking into account their financial situation. Additionally, fairness is reflected in capturing a capable trader who is not paying tax. Since fairness is a cornerstone of the tax system, an unfair tax system leads honest taxpayers to evade taxes, which leads to inefficient collection (Brooks, 2001; Mehari and Pasha, 2017; Gezahegn, Desta and Adage, 2014; Abera, 2019).

H2: Unfair tax estimation have a negative influence on microbusinesses tax collection efficiency.

Tax law enforcement assesses taxpayer view the way tax authorities apply and implement the law. Tax law enforcement should be put into practice to control those who are actively operating businesses but do not pay taxes, as well as those who repeatedly break tax laws and regulations. Some studies claim that the enforcement of tax laws is always problematic because the microbusiness tax system is primarily designed to lower compliance costs and provide incentives for the functioning of the informal economy. However, no tax will work efficiently without a combative attitude towards the legitimacy of the taxpayer's wrongdoing (Bird and Oldman, 2000; Thuronyi, 2004; Gezahegn, Desta and Adage, 2014).

H3: Strong tax law enforcement have a positive influence on microbusinesses tax collection efficiency.

Tax official corruption measures of taxpayers' trust in tax officials during presumptive tax liability estimation and payment. One of the greatest challenges with the presumptive tax system in most developing nations is the corruption of tax-collecting authorities. It is the most significant impediment to the tax administration's ability to collect adequate tax revenue. Some of the studies show that taxpayers in microbusinesses evade tax due to corrupt practices of the tax assessors, which in turn affects their tax income (Fjeldstad, 2003; Kasimbazi, 2004; Mtasiwa, 2013; Enahoro and Olabsisi, 2012;).

H4: Corruption control of tax authority have a positive influence on microbusinesses tax collection efficiency.

Taxpayer's complaint resolution measures taxpayers' evaluation of tax authority complaint resolution mechanisms. When taxpayers believe their tax, liabilities have been unfairly estimated, the tax authority in every tax system allows them to confront the assessed tax obligations. Due to the estimating process employed to determine taxable earnings, the tax authority receives several complaints. Proper complaint resolution requires that the tax authority examine the root cause of the complaint and make a decision based on it. While flaws in the tax authorities' complaint resolution process result in inefficient tax collection (Asmare, 2019; Ketema, 2016; Zeleke, 2013; Imam and Jacobs, 2007).

H5: Proper taxpayer's complaints resolution have a positive influence on microbusinesses tax collection efficiency.

After reviewing different empirical literature that shows factors that affect microbusiness tax collection, the conceptual framework model is created as follows:

Figure 1. Conceptual framework
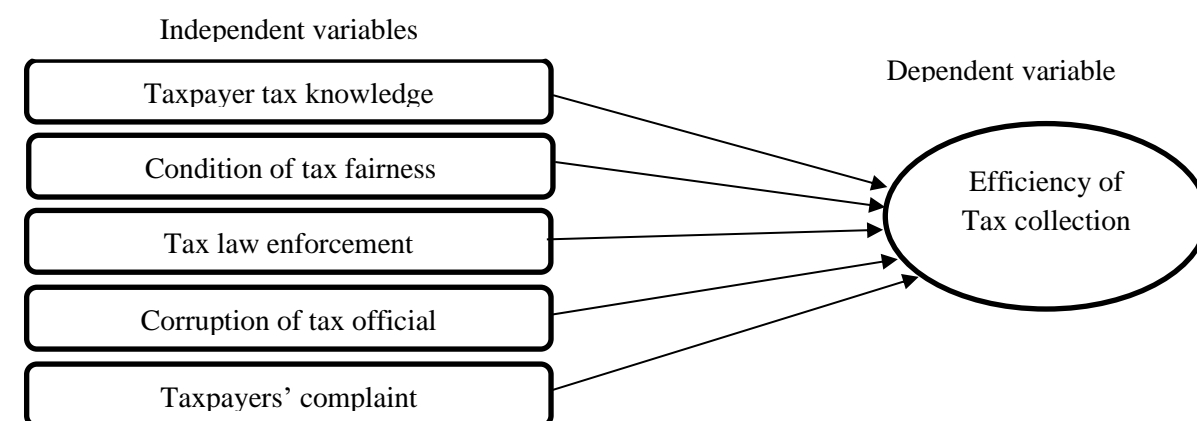
Source: Researchers compilations

3. RESEARCH METHOD AND MATERIAL

3.1. Data

Using the information from the Dire Dawa, Harari, and Jigjiga tax authorities in February 2024 , there are a total of 82,675 micro businesses taxpayers who are paying tax estimated liability based on their daily income. For the researcher this remained (82,675) as a target population (Universe) . while appling below formula , the Sample size determined based on the following Yamane's (1967) formula is

$$n = \frac{N}{1+N(e)^2} = \frac{82.675}{1+82.675(0.05)^2} = 398$$

Where N= target population, n= sample size, e= error term

A stratified sampling strategy was employed to choose a representative sample for this study due to the characteristics of the respondents. Among clusters of the eastern Ethiopia, three (Dire Dawa, Harari, and Jigjiga) was selected based on geographical location and diverse business activity. Then, the sample size was assigned proportionally to selected cities based on their populations. Finally, from each cluster, a sample of respondents was chosen randomly using the lottery technique.

Table 1. Distribution of sample from the target population.

Region	Total number of micro businesses taxpayer	Sample size
Dire Dawa	44,305	213
Harari	16,537	80
Jigjiga	21,833	105
Total	82,675	398

During the survey, a total of 398 questionnaires were distributed to microbusiness tax payers, of which 370 were returned and nine were removed due to incomplete responses. Thus, the analysis was made based on the 368 (92.4%) valid returned questionnaires.

3.2. Variables and measurement

The dependent variable in this study is the microbusinesses' tax collection efficiency. It is measured against their tax burden, which means how much of their proper tax liability is paid by taxpayers to the tax authority. Based on different questions that measured the tax collection efficiency, the respondent's response was categorized as "0 = low efficiency; 1 = medium efficiency; 2 = high efficiency" (Gezahegn, Desta and Adage, 2014; Abera, 2019).

The explanatory variables are knowledge of taxpayers, condition of tax fairness, tax law enforcement, corruption control, and taxpayers' complaints.

Taxpayer' tax knowledge: it measures taxpayers' understanding and implementation of tax rules and regulations on the microbusiness tax system in Ethiopia. This variable was adopted from the study by (Abera, 2019; Simiyu,2010) and later modified in given study .

Condition of tax fairness: This measures taxpayers' evaluation of the estimated tax liability of microbusinesses by the tax authority as fair or not. This variable was adopted from the study by Abera (2019) and has been modified as per given requirements.

Tax law enforcement: it assesses taxpayers' perceptions of how tax authorities applied and implemented tax law. This variable was adopted from Abera (2019; Tegegn and Kebede, 2016) but has been modified as per given requirements

Corruption control: measures of taxpayers' trust in tax officials at the time of estimating and paying presumptive tax liability**.** Simply put, it assesses the taxpayer's perception of the tax authority's ability to combat corruption. This variable was adopted from Abera (2019 and Gezahegn, Desta and Adage (2014) has been modified as per given requirements

Taxpayers' complaint: measures taxpayers' evaluation of tax authority complaint resolution mechanisms. When taxpayers believe their tax liabilities have been unfairly estimated, the tax authority in every tax system allows them to confront the assessed tax liability. This variable was adopted from Abera (2019 has been modified as per given requirements.

3.3. Analytical method

The ordinal logistic regression model employed for this research. The logit transformation of Pi given as follows:

$$Logit\ [Pi] = log\frac{pi}{1-pi} = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_r X_r$$

$$Logit\ [TAXCOEFF]$$
$$= log\frac{pi}{1-pi} = \beta_0 + \beta_1 KNOW + \beta_2 COFAIR + \beta_3 LAWEN + \beta_4\ CORRUP + \beta_5 COMPRES$$

Where

Pi = the probability of microbusiness tax collection determinants on the efficiency of tax collection, β_0 is unknown coefficients, β_1 , β_2, β_3, β_4, β_5 are coefficients to be estimated for ordinal logistic regression model. KNOW is knowledge of taxpayer, FAIR is taxpayer tax fairness, LAWENF is tax law enforcement, CORR is corruption control, COMPRES is taxpayer compliance resolution.

3.4. Reliability and Validity

Nunnaly (1978) stated that reliability is the consistency of a test, survey, observation, or other measuring device. The level of reliability of the instrument indicates the consistency of the variables. Cronbach's alpha is an index used to measure reliability. Accordingly, 0.5 is a sufficient value, while 0.7 is a more reasonable value. The reliability of the questionnaire is analyzed using Cronbach's alpha statistics.

Table 2. Test of reliability

Variables	No of items	Cronbach's alpha	Decision
KNOW	4	0.876	More reasonable value
FAIR	4	0.900	More reasonable value
LAWENF	4	0.743	More reasonable value
CORR	3	0.873	More reasonable value
COMPRES	3	0.858	More reasonable value

Overall Reliability	18	0.959	More reasonable value

The precision of an instrument obtains the data it intends to collect determine its validity (Mugenda and Mugenda 2003). Validity describes how closely an instrument measures what it is intended to measure (Kothari, 2004). To ensure the precision, relevance, and content validity of the instrument, critical evaluation of questionnaire by the researcher was conducted. The questionnaire was standardized and adopted from previous literature with a few modifications.

4. RESULTS AND DISCUSSION

4.1. Descriptive Analysis

Table 3. Descriptive statistics

Variables	N	Mean	Std. Deviation
KNOW	368	1.77	1.010
FAIR	368	1.73	1.025
LAWENF	368	1.75	.916
CORR	368	1.78	1.144
COMPRES	368	1.75	1.080

The mean and group mean statistical values approaching 3.00 and less indicate poor perception, while 3.00 and above indicate the good perception of respondents on that particular variable. The standard deviation shows how different respondents' answers are for a given construct: whether data are likely to be widespread (high deviation) or whether respondents have similar opinions (low deviation).

The group means of taxpayer knowledge are 1.77, as shown in Table 3. This show that the overall perception of the respondents on this particular dimension is low. Knowledge of taxpayer dimensions has a score of 1.77 grand mean and 1.010 standard deviation. The overall mean shows that most of the respondents have no knowledge about microbusiness tax assessment, calculation, or collection.

The group mean of microbusiness condition tax fairness is 1.73; according to Table3, the group mean value indicates that respondents' overall perception of tax fairness is low. Tax fairness items have a grand mean of 1.73 and a standard deviation of 1.025. The overall mean shows the perception of respondents about the microbusiness condition of tax fairness is low. This shows that most respondents believe that the microbusiness tax liability payment is unfair.

As presented on the above table, the group mean of tax law enforcement is 1.75. The group mean value demonstrates that the respondents' general perceptions on this particular dimension are low. Tax law enforcement dimensions have a 1.75 grand mean and a 0.916 standard deviation. According to the respondents, this result indicates that the eastern Ethiopian tax authority lacks a strong tax law enforcement condition. The majority of respondents believe that strong tax law enforcement is required to improve the efficiency of tax collection by the tax authority.

The group means for official corruption are 1.78, which are the overall perceptions of the respondents on the dimension, which is low. Corruption of officials' dimensions has scored a 1.78 grand mean and a 1.144 standard deviation. The above result indicates that most of the respondents believe that the microbusiness tax assessment and collection process is not free from corruption and nepotism.

For tax complaint resolution, the group mean indicates that 1.75 is indicated on the above table. The overall mean value of the variable shows that the overall perception of the respondents on this particular dimension is low. The tax complaint resolution dimensions have a 1.75 grand mean and a 1.080 standard deviation. The mean results indicate that most of the people who answered the survey think that the tax authority does not deal with their microbusiness tax complaints in a timely and correct way.

Lastly, the group mean of microbusiness tax collection efficiency is 0.27. The group mean value shows that the overall perception of the respondents on this particular dimension is low. Microbusiness tax collection efficiency dimensions have a score of 0.27 grand mean and 0.558 standard deviation. The overall mean shows that most of the respondents believe that microbusiness tax collection efficiency is not good enough.

4.2. Result

Table 4 presents the ordinal logistic regression analysis examining the factors influencing the effectiveness of micro-business tax collection among respondents.

Table 4. Regression result

Parameter Estimates											
Parameter		B	Std. Error	95% Wald Confidence Interval		Hypothesis Test			Exp(B)	95% Wald Confidence Intervalfor Exp(B)	
				Lower	Upper	Wald Chi-Square	df	Sig.		Lower	Upper
Threshold	[TAXCOEFF= 0]	9.882	1.0297	7.863	11.900	92.096	1	.000	19565.714	2600.309	147219.882
	[TAXCOEFF= 1]	16.285	1.7658	12.824	19.746	85.051	1	.000	11815296.16	371003.543	376280027.2
KNOWLDEGE		1.248	.4647	.337	2.159	7.210	1	.007	3.483	1.401	8.659
FAIRNESS		-.810	.5364	-1.861	.242	2.278	1	.131	.445	.156	1.273
LAWENFORCEMENET		.667	.2634	.150	1.183	6.407	1	.011	1.948	1.162	3.264
CORRUPTION		.932	.4026	.043	1.721	5.355	1	.021	2.539	1.153	5.590
COMPLIANCE		2.029	.4213	1.203	2.855	23.198	1	.000	7.608	3.332	17.374

Dependent Variable: TAXCOEFF
Model: (Threshold), Knowldege, Fairness, Lawenforcemenet, Corruption, Compliance

The above ordinal regression coefficient indicates that good knowledge of taxpayers has positively influenced microbusiness tax collection efficiency with a P value of 0.007. Therefore, the revealed hypothesis (H1)on this variable is not rejected. The beta of this variable is 1.248; this result indicates that, as microbusiness taxpayer knowledge increases, there is a greater likelihood of greater microbusiness tax collection efficiency. The odds ratio indicates that the odds of being at a higher level of tax collection efficiency increase by a factor of 3.483 for every point increase in the knowledge of microbusiness taxpayers. Next to the knowledge of taxpayers, the above ordinal regression coefficient

indicates that the condition of tax fairness has an insignificant effect on microbusiness tax collection efficiency, with a P = 0.131. This result rejects the hypothesis (H2) of the study. Thus, the results of this research do not statistically confirm the effect of the condition of tax fairness on the efficiency of microbusiness tax collection.

Tax law enforcement has a positive influence on microbusiness tax collection efficiency (p = 0.011). Therefore, the revealed hypothesis (H3) on this variable is not rejected. The beta of this variable is 0.667, which indicates that as the microbusiness tax authority's tax law enforcement ability increases, it is more likely to indicate higher microbusiness tax collection efficiency. The odds ratio indicates that the odds of being at a higher level of efficiency increase by a factor of 1.948 for every scale increase in the tax authority's tax law enforcement ability. Given that the odds ratio is >1, this indicates an increasing probability of being at a higher level of tax collection efficiency as scores increase on tax authority tax law enforcement. Additionally, the above ordinal regression coefficient indicates that corruption control influences microbusiness tax collection efficiency positively. The P value is 0.021, which is consistent with the research hypotheses (H4). The beta of this variable is 0.932, which indicates that as tax authority corruption control abilities increase, there is a greater likelihood of greater microbusiness tax collection efficiency. The odds ratio indicates that the odds of being at a higher level of efficiency increase by a factor of 2.539 for every scale increase in the control of corruption by the tax authority.

The final ordinal regression coefficient indicates that complaint resolution has a positive influence on microbusiness tax collection efficiency at p = 0.000. Therefore, the revealed hypothesis (H5)on this variable is not rejected. This variable's coefficient is 2.029, indicating that as the tax authority's efficiency in resolving microbusiness tax complaints increases, so does the likelihood of greater microbusiness tax collection efficiency. The odds ratio indicates that the odds of being at a higher level of tax collection efficiency increase by a factor of 7.608 for every scale increase in tax authority microbusiness tax complaint resolution efficiency.

4.2. DISCUSSION

Knowledge of taxpayer measures taxpayers' understanding and implementation of tax rules and regulations under the microbusiness tax system in Ethiopia. Most microbusiness taxpayers believe that the microbusiness tax rules, regulations, and computations are complex and hard to understand, and that complex assessment may lead to unintentional non-compliance. Studies have shown that a strong link exists between a taxpayers' tax knowledge and their ability to understand and follow tax laws and rules during the tax collection process (Asrinanda, 2018). A significant aspect of taxpayers' understanding of taxation depends particularly on the level of training they have received in relation to the tax laws and regulations (Oktaviani et al.,2020). Another variable discussed in the study was tax law enforcement, which evaluates taxpayer perceptions of how tax authorities apply and implement tax law. The regression result shows that a high level of microbusiness tax law enforcement increases the efficiency of tax collection. In the absence of legal enforcement, there is a chance that businesses may not pay tax on time. Rabiyah, Suryani and Karim (2021) argue that no tax will function well unless its administrators continue to be vigorous in their assessment of the legitimacy of taxpayers' acts. Some taxpayers will make mistakes through ignorance, neglecting to file returns, or even purposefully cheating.

Corruption control measures taxpayers' evaluation of tax authority corruption control and to what extent tax officials have trust at the time of presumptive tax liability estimation and payment. As the regression results indicate, the implementation of corruption control in the presumptive tax system increases microbusiness tax collection efficiency because the tax assessor will underestimate the tax liability if the tax authority's corruption control mechanism is weak. Studies have shown that existence of corruption is a significant impediment to the efficiency of microbusiness tax collection. The study result is consistent with the studies of (Tjen and Evans, 2019; Vadde and Gundarapu, 2012). The final variable discussed under the study was tax complaint resolution, which measures taxpayers' evaluation of tax authority complaint resolution mechanisms. The regression result shows that as the microbusiness

tax complaint resolution capacity increases, microbusiness tax collection efficiency will be quite high. This result is similar to the findings of (Ligomeka, 2019; Asmare, 2019; Ketema, 2016; Zeleke, 2013).

5. CONCLUSION

This study aims was identifying the determinants of microbusiness tax collection efficiency in the eastern part of Ethiopia. The ordinal regression result indicates that taxpayers' knowledge influences microbusiness tax collection efficiency positively. The majority of microbusiness taxpayers perceive that microbusiness tax proclamations, regulations, and computations are complex and hard to comprehend, and therefore complex assessments may result in unintentional tax noncompliance. The result implies that in order to increase taxpayers' tax knowledge, tax authorities should prioritize continuous tax law education and training and computations applicable to the microbusiness tax system. This may enhance the efficiency of tax collection from microbusinesses in the country. Another variable discussed under the topic was microbusiness tax law enforcement, and the findings have positively influenced microbusiness tax collection efficiency. Therefore, it is clear that the government should have to work hard to create strong tax law enforcement institutions to increase the tax collection efficiency of tax authorities. This is due to the fact that if there is solid legal enforcement, there is a possibility that taxpayers will fulfill their obligations on time. The corruption control positively influences microbusiness tax collection efficiency in the ordinal regression result. This indicates that, in order to increase trust among tax administrators and taxpayers, the government should place a strong emphasis on combating corruption by bolstering the legal system. Therefore, to establish a stable and lawful environment, the Ethiopian government should prioritize anti-corruption efforts, such as institution building by specialized anti-corruption agencies, strengthening the judicial institutions, and preparing an anti-corruption action plan, code, and standard of conduct. Finally, tax authority microbusiness tax complaint resolution capacity on microbusiness tax collection efficiency was found to be a positive influence. This indicates that the respective tax authority complaint resolution committees should try to solve all complaints presented by taxpayers fairly, timely, and in a fair manner for all microbusiness taxpayers. This will all create a smooth relationship and agreement between taxpayers and tax authorities on tax liability and further improve tax collection efficiency.

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Extended Abstract
What matters for the efficiency of Micro Business Tax Collection? Evidence from the Eastern Part of Ethiopia

Aim

The ability of the state to raise the resources necessary to finance its functions determines its effectiveness. Taxation effort is one performance indication of such capacity. Every country entrusts the state with the responsibility of serving the community's interests by providing public infrastructure after collecting taxes. Microbusiness taxpayers, who must generate domestic revenue to fill the budget deficits in each country, fall into this category. This study aims to identify factors that influence the efficiency of microbusiness tax collection in the eastern part of Ethiopia.

Method

Primary data for this study was collected using a structured five-point Likert scale questionnaire. Based on the geographical location and diverse business activity, the researchers employed a stratified sampling strategy to select the cities, and then randomly selected a sample respondent using the lottery technique. We distributed a total of 398 questionnaires to microbusiness taxpayers, of which 368 (92.4%) returned. Therefore, we conducted the analysis using the 368 valid questionnaires that we received back. We used an ordered logistic regression model to analyze the efficiency of microbusiness tax collection and taxpayer tax estimation in terms of fairness, tax knowledge, tax law enforcement, corruption, tax compliance resolution, and tax fairness, using a closed questionnaire and stratified sampling techniques.

Findings

The regression result indicates that estimation fairness has an insignificant influence on efficiency. The tax authority determines the presumptive tax liability, and the taxpayers use the variable to evaluate it as fair or not. The tax authority computes the tax liability of microbusiness taxpayers, who do not maintain accounts, using administrative assessments (estimations). According to the regression results, taxpayers' good knowledge of the microbusiness tax system influences collection efficiency positively. Microbusiness taxpayers' understanding and implementation of tax rules and regulations under Ethiopia's microbusiness tax system have a significant impact on the tax system's efficiency. The regression result shows that a high level of microbusiness tax law enforcement increases the efficiency of tax collection. Strong legal enforcement against microbusiness taxpayers who breach rules and regulations enhances the efficiency of tax collection for this group of taxpayers. Some taxpayers will make mistakes through ignorance, neglecting to file returns, or even purposefully cheating. Another variable was the perception of corruption by tax officials during the estimation and payment of presumptive tax liabilities. Corruption control positively influences microbusiness tax collection efficiency, according to the ordinal regression result. This indicates that, to increase trust among tax administrators and taxpayers, the government should place a strong emphasis on combating corruption by bolstering the legal system. Finally, the capacity of the tax authority to resolve microbusiness tax complaints positively influences the efficiency of microbusiness tax collection. Tax compliance measures: A proper complaint resolution necessitates that the tax authority examines the complaint's root cause and decide based on it.

Conclusion

Based on the above findings, this study suggests the government should work hard to create strong tax law enforcement institutions to increase the tax collection efficiency of tax authorities. Establishing a stable and lawful environment, the Ethiopian government should prioritise anti-corruption efforts, such as institution building by specialised anti-corruption agencies, strengthening the judicial institutions, and preparing an anti-corruption action plan, code, and standard of conduct. The respective tax authority complaint resolution committees should try to solve all complaints presented by taxpayers fairly, timely, and in a fair manner for all microbusiness taxpayers. This will all help to establish a smooth relationship and agreement between taxpayers and tax authorities on tax liability, as well as improve tax collection efficiency. The study's results are noteworthy as they demonstrate the impact of taxpayers' tax knowledge, the enforcement of tax laws, the control of corruption, and the tax authority's ability to resolve tax compliance issues on the efficiency of microbusiness tax collection in Ethiopia.