

## **Effects of Tax Review on Mobile Money Agency in Moshi Municipality, Tanzania**

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### **Abstract**

The study aimed to assess the effects of tax review on mobile money agency in Moshi Municipality, Tanzania. It was guided by Adolph Wagner's Ability to Pay theory. The study used a concurrent research design with a mixed research approach, targeting 426 Mobile Money agents with a sample of 206. Validity was ensured through expert discussions, and reliability was tested using Cronbach's alpha coefficient (0.858). Data was collected through self-administered questionnaire to mobile money agents and key informant interview guides were used to collect in depth information from the branch managers of mobile network operators (MNO) in Moshi Municipality. Descriptive statistics analysis was done and results were presented in tables. Content analysis was done on qualitative data through triangulation based on the opinion of the respondents. Findings revealed that tax review hinders business growth of mobile money agents; reduce working capital, lowered a number of branches, increase costs, and discourage external financing for mobile money agents. It is argued that maintenance of reasonable tax rates is important for private sector development and business formalization. The study recommended that policy makers should support the growth of mobile money agency by reducing barriers and costs associated with taxation. Provision of tax incentives or exemptions to mobile money agents can help to alleviate financial burdens and encourage business expansion.

**Keywords:** Tax review, Mobile Money Agency, Growth, Agent

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## 1. Introduction

Mobile money transactions have grown exponentially across the African continent over the past decade. Mobile money has enabled “leapfrog” in financial infrastructure by passing antiquated payment systems and putting financial services into the hands of those previously excluded in developing countries (GSMA, 2021)). Mobile money is a technology that allows people to transfer funds between banks or accounts, deposit or withdraw funds, or pay bills by using a mobile phone (ben Romdhane *et al.*, 2019). The key actor of mobile money services is the use of retail stores and kiosks, known as agents, to capture customers' cash transactions (Batista & Vicente, 2020) and provision of day-to-day financial and payment services, including local remittances, payment of utility bills, etc. Globally, the digital economy is expanding rapidly, the Fourth Industrial Revolution (4IR) and ongoing technological advances are responsible for this enormous increase. (Mhlanga & Mpofu, 2023). Taxation of mobile money is more critical than ever after the COVID-19 pandemic because of the heightened dependence on digital services and mobile money (Mayala & Tesha, 2022).

Tanzania introduced a new tax on mobile money transfer, deposit and withdrawal transactions, excluding merchant, business and government payment transactions in July 2021 (URT, 2021). Moshi Municipal Council is one of the fastest-growing municipalities in Tanzania and is home to a diverse population of both native Tanzanians and immigrants.

The Municipality economy is sustained by wide range of activities such small and large scale agriculture, mining, commerce, tourism and industries dealing with coffee curing, beverages and foodstuffs (Masuki, 2010). Moshi Municipality has been experiencing a significant increase in mobile money usage, with mobile money agents playing a crucial role in the local mobile money ecosystem (Mrindoko, 2022).

Various factors have been exposed regarding effects of tax review on mobile money. The study done by Silue (2021), argued that the introduction of the tax leads to an increase in user fees, which has a positive impact on demand for cash contrary to the attainment that Mobile Money reduces the demand for cash. The mobile money levy has sharply affected business growth as it has reduced revenue per month in mobile money sector between June and August 2021 (GSMA, 2021). However in relation to Government revenue Apeti & Edoh (2022), in their study on tax revenue and mobile money in developing countries found that, mobile money significantly boosts tax revenue in countries with mobile money services compared to those without. Mpofu (2022), found that Mobile Money greatly increases the

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visibility of the government on money circulation and the monitoring of transactions against money laundering and terrorist financing.

### **1.1 Statement of the problem**

The introduction of new levies and tax reviews on mobile money in Tanzania has become an ongoing issue, giving rise to significant concerns among society and stakeholders (URT, 2021). Some of the studies have delved into the advantages of mobile money transactions, mobile telecom networks have emerged as major providers of financial services, by passing the sparse retail networks of traditional banks in developing countries, Jeziorski, (2017). Firms which use mobile money are more likely to obtain loans or lines of credit and are more productive than other firms in the region. Gosavi, (2018). In his study Mpofo (2022), argued that mobile money taxes were instrumental in improving revenue generation, reducing tax administration and compliance costs. Critics have voiced apprehension over the escalated transaction fees, rendering mobile money services unaffordable for certain customers and potentially compelling them to seek alternative options.

Despite mobile money service providers' efforts to reduce the impact on the consumer by lowering their fee tariffs, consumers have shown an aversion to the use of mobile money (GSMA, 2021). This tax however has been condemned as distortionary of the industry, regressive in its incidence and part of the general discriminatory nature of the taxes against the telecommunications industry in Africa (Rukundo, 2018). Regardless of governments efforts to adjust levy in September 2021 mobile money revenue started to recover and grew at a lower growth line up than before the tax was introduced compared to pre-tax levels, (GSMA, 2021). The pointed unfavorable externalities of mobile money tax were reduced financial inclusion, affordability challenges, reduction in usage of mobile money platforms, increased poverty and inequality, and ultimately the non-achievement of SDGs. (Mpofo, 2022). This state of affairs has generated considerable confusion within the Tanzanian citizenry, particularly in Moshi Municipality, where many individuals heavily rely on mobile transactions for their day-to-day financial activities. Hence, this study intended to assess the Effects of Tax Review on Mobile Money Agency in Moshi Municipality, Tanzania

### **1.2 Objective of the study**

The objective of the study was to assess the Effects of Tax Review on Mobile Money Agency in Moshi Municipality, Tanzania

### **1.3 Research Questions**

What are the effects of Tax Review on Mobile Money Agency in Moshi Municipality?

## **2. Theoretical Framework**

### **Ability to Pay Theory**

This study was guided by the ability-to-pay theory proposed by (Wagner, 1988). The theory assumes that taxes are a sacrifice and raises questions about what the sacrifice of each taxpayer should be and how it should be measured. The ability-to-pay theory offers three interpretations of sacrifice: equal sacrifice, equal proportional sacrifice, and equal marginal sacrifice. Equal sacrifice implies that the rich should be taxed more heavily than the poor, while equal proportional sacrifice entails a proportional tax burden and equal marginal sacrifice means a uniform tax rate for all taxpayers. Despite this, progressive taxation may still be justified on other grounds, such as its economic and social consequences.

### **Strength of the theory**

The ability-to-pay theory has several strengths, and one of them is promoting greater economic equality by redistributing income from the upper class to the lower and middle class, the theory helps prevent the income gap from widening and ensures a basic standard of living for everyone. This, in turn, leads to greater social cohesion and stability. Additionally, the theory stimulates economic activity by giving the poor more money to spend on everyday goods, spurring economic growth and creating jobs that benefit the overall economy. Furthermore, the theory ensures fair distribution of the tax burden by basing taxes on a person's ability to pay, preventing the poor from bearing a disproportionate share of the burden. This promotes tax fairness and equity, making the tax system more just and perceived as such.

### **Weakness of the theory**

One of the weaknesses of the ability-to-pay theory is discrimination. Despite paying higher taxes, the rich receive the same benefits as those who pay lower taxes, which can be seen as unfair. Furthermore, a progressive tax system can create incentives for individuals to reduce their taxable income, particularly those who are wealthier. This can lead to tax avoidance and evasion, as some may divert their wealth to low tax countries or engage in other forms of tax planning to minimize their tax liability. This can undermine the effectiveness of the tax system and lead to a loss of revenue for the government.

### **Relevancy of the theory**

The ability-to-pay theory can play a significant role in the context of the Effects of Tax Review on Mobile Money Agency in Moshi Municipality. This theory can be used to accelerate the adoption of the ability-to-pay principle in the tax system, which can lead to

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increased revenue for the government and promote social and economic development in the region.

While the resistance to paying taxes may be a hindrance to the government, it does not necessarily have to stop the innovation of payment systems. Instead, it may slow it down. By applying the ability-to-pay theory in tax collection, the government can ensure that everyone pays their fair share of taxes, regardless of their income level. This can help to increase revenue to the government, which can be used to finance social and economic development projects in Moshi Municipality.

Furthermore, the ability-to-pay theory can help the authority in decision-making on the allocation of collected revenue. By basing taxes on the taxpayers' ability to pay, the government can ensure that the tax burden is distributed fairly across society. This can help to promote social and economic equality, as well as build trust between the government and the citizens. A just and equitable tax system can lead to greater economic growth and development in the region.

### **3. Empirical literature review**

This part reviews the studies conducted by other researchers on Effects of Tax Review on Mobile Money Agency.

Apeti & Edoh (2022), in their study on Tax revenue and mobile money in developing countries, the study found that mobile money significantly boosts tax revenue in countries with mobile money services compared to those without. The main channels through which mobile money adoption improves tax performance in developing countries are a broader tax base (indicated by Gross Domestic Product per capita), better institutional quality, and simplified tax payment processes.

Mpofu (2022), in the study of Mobile Money Taxes, Revenue Mobilization, Financial Inclusion, and the Realization of Sustainable Development Goals (SDGs) in Africa revealed mixed opinions. The positive impacts, such as enhancing revenue generation, improving tax compliance, and reducing administration and compliance costs. The other one is unfavorable consequences such as reduced financial inclusion, affordability challenges, and decreased usage of mobile money platforms, increased poverty and inequality, and ultimately hindering the achievement of the Sustainable Development Goals (SDGs). Balancing of these effects is necessary to align mobile money taxation with sustainable development goals in Africa.

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Quartey & Nyarko (2022), in their study found that the mobile money payment system is the most cost-effective option among various digital payment methods. The study recommended the withdrawal of the electronic levy tax in order to enhance the effectiveness of the mobile money payment system and achieve the goal of a cashless economy, which is the primary purpose of mobile money adoption. They argue that removing the tax would contribute to the success and long-term viability of mobile money services in Ghana.

The study conducted by GSMA (2021), in Tanzania on the impact of the mobile money levy from July to December 2021, found that, the tax review had significant effects on various aspects, including prices, transactions, consumers, the mobile money sector, and Tanzania's overall economic and social growth. The study recommended considering sector and product externalities, maintaining a simple and enforceable tax review process, avoiding discouraging investments, preventing regressive impacts, and safeguarding affordability and access to services. These suggestions aim to balance revenue generation and promote the growth of the mobile money sector while prioritizing consumer welfare and Tanzania's economic development.

Yao *et al.* (2022), study on mobile money, transaction costs, and market participation in Côte d'Ivoire and Tanzania found that policies promoting mobile money can enhance market participation by reducing transaction costs and increasing financial inclusion. However, the study cautioned against detrimental effects of taxation policies targeting digital markets in developing economies. Policymakers should strike a balance and align taxation policies to foster digital market growth while encouraging mobile money adoption and market participation. Careful policy design is crucial to maximize the benefits of mobile money while avoiding hindrances to economic growth.

Based on the provided studies, a potential research gap on the effect of tax review on mobile money agency growth could be: Limited understanding of the specific impact of mobile money taxes on revenue mobilization, financial inclusion, and the achievement of Sustainable Development Goals (SDGs) in African countries.

While Mpofu (2022), highlighted the potential positive and negative externalities of mobile money taxes, such as reduced financial inclusion and non-achievement of SDGs, the study did not thoroughly examine the direct effect of tax review on these outcomes. Additionally, Quartey & Nyarko (2022), recommended the withdrawal of the electronic levy tax to enhance the effectiveness of mobile money payments without providing a comprehensive analysis of the specific impact. Therefore, a research gap exists in understanding the effects tax review

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on mobile money agency growth and its implications on revenue mobilization, financial inclusion, and the realization of SDGs in African countries. Further research could explore the nuanced effects of taxation policies on mobile money adoption, usage, affordability, and their overall impact on the achievement of broader development goals.

### **3.1 Research gap**

From the foregoing literature review, it is indicated that tax review has garnered criticism. This issue becomes even more complex in developing economies, where mobile money services were introduced to address the problem of financial exclusion among the population that lacks access to financial services. The research indicates that tax review on mobile money has generally enhanced financial inclusion, leading to a significant increase in tax revenue generated through mobile money transactions (Apeti & Mpofu). On the other hand, the literature also highlights the negative impact of mobile money, emphasizing that the mobile money payment system is the most cost-effective option (Mpofu, Quartey & Nyarko, Yao *et al.*, GSMA). While the implementation of taxes on mobile money aims to generate revenue for the government, it remains unclear how these taxes affect mobile money agent's growth in the specific context of Moshi Municipality in Tanzania. Therefore, this study aims to evaluate the effects of tax review on mobile money agency in Moshi Municipality, Tanzania.

## **4. Research Methodology**

This study adopted a concurrent research design with a mixed research approach. Concurrent design provides accurate means of assessing information and help in collecting uniform and comparable data that captures respondents' similarities and differences across the sampled organizations to enrich the study findings. The mixed research approach allows other researchers to verify the relevance of findings obtained. Moshi Municipality in Tanzania is selected as the research area because it is among the top municipalities in tax contribution, but also with mixed taxpayers including mobile money transfer. The target population that forms the units of analysis for this study comprised of all the mobile money agents in Moshi Municipality who were 426 in number by end of financial year 2020/2021 according to Moshi Municipality, (MMC Annual Report, 2021). The study used the formula of Yamane, (1967) to calculate and determine the sample size which was approximated at 206 respondents. The study used stratified random sampling technique in selecting study participants in the selected wards. The study used primary data in responding to the research



questions. Data was collected through self-administered questionnaire to mobile money agents and key informant interview guides were used to collect in depth information from the branch managers of mobile network operators, also known as mobile service providers. Descriptive statistics analysis was done on quantitative data and results were presented in tables. Content analysis was done to ensure reliability of qualitative data through data triangulation. To verify content validity, related literature was reviewed and the questionnaire was tested through discussions with experts at the University. Their proposed changes were considered in adjusting the questionnaire to enhance its validity. Reliability was tested using a duly completed questionnaire by ten (10) randomly selected respondents. These respondents are not included in the final study sample in order to avoid response biasness. In this study quantitative and qualitative data was verified, compiled, coded and summarized before carrying out quantitative analysis using SPSS version 22.0, based on stated objective. Ethical considerations were adhered to as required in academic researches. The researcher inserted a brief introduction at the beginning of questionnaire to build a rapport. Similarly, the permission to conduct research was obtained from the Directorate of Postgraduate Studies of the Mwenge Catholic University and also from the Regional Administrative Secretary (RAS) before the relevant Wards authorities were informed of the study to be conducted in the Moshi Municipality.

## 5. Findings and Discussions

This part, deals with results, findings and discussion of the data obtained from the study that was conducted to assess the Effects of Tax Review on Mobile Money Agency in Moshi Municipality.

### 5.1 Descriptive statistics of the respondents

Table 1 describes the demographic information, regarding the study objective. It is concerned with respondent's general characteristics according to their Age class, Education level, Gender, Working experience and position as an Agents.

**Table 1** *Respondent Demographics information (n=192).*

Variables	Respondents	Frequency (n)	Percent (%)
Age class	18 -25 years	40	20.8
	26 – 35 years	96	50.0
	36 – 45 yeas	50	26.0
	46 and above	6	3.1



Educational level	Primary	2	1.0
	Secondary	44	22.9
	Diploma	80	41.7
	Degree	63	32.8
	Masters	3	1.6
Gender	Male	111	57.8
	Female	81	42.2
Working experience	0-5 yeas	68	35.4
	6-10 years	92	47.9
	11-15 years	30	15.6
	16-20 years	2	1.0
Position	M-Pesa	81	42.2
	TigoPesa	57	29.7
	Airtel Money	54	28.1

**Source: Field Data (2023).**

Table 1 indicates that, out 192 respondents 50.0% aged between 26 to 35 years, 26.0% aged between 36 to 45 years, 20.8% were aged between 18 to 25 years while 3.1% were aged from 46 and above. This shows that, most of the mobile money agents are youth and adults who are employed or self employed in mobile money business. Youth and adults are mature aged and would possibly respond positively to the business for a better performance. Mobile, they also provide clear information concerning the research questions. According to Koomson *et al.* (2023), mobile money significantly enhances entrepreneurship among the youth and adults but not the elderly. Digital savings and access to digital credit serve as important channels through which financial technologies (FinTech) adoption influences entrepreneurship.

Data from Table 1 shows that, majority of the respondent with 41.7% holds diploma, 32.8% holds bachelor degree, 22.9% holds secondary education, 1.6% with masters degree while 1.0% with primary education level. This is shows that, most of the respondents are educated since most of them have Diploma, Degree and Masters in various cadres while few of them have primary and secondary education. Beliasar *et al.* (2020), suggest that, education plays an important part in impacting the intellectual skills of the individual and is connected with multicultural dimensions that help in wide thinking and reasoning ability. A well educated mobile money agent is able to practice effectively and efficiently by producing quality services and can be able to predict an expected outcome and make positive decision for the growth of the business.

In relation to gender, data from Table 1 shows that, male were 57.8% and 42.2% were a female, this shows gender consideration because mobile money business involves both male and females, it also indicate that ,women are awake and are engaging in seeking for income to meet personnel and family basic needs.

Additionally, Table 1 shows that, 47.9% have 6 to 10 years of working experience, 35.4% have 0 to 5 years of experience, 15.6% have 11 years to 15 years of working experience, 1.0% have 16 years to 20 years of working experience. This shows that most of the mobile money agents who participated in this study have sufficient working experience for above five years which is the important part for collection of reliable data. According to Gronmo (2020), working experiences give greater self awareness, maturity, independence and self assurance.

Data from Table 1 also indicates that, position of M-Pesa agents were 42.2%, 29.7% were Tigo Pesa agents and 28.1% were Airtel Money agents .This shows that M-pesa through Vodacom Tanzania Limited have business contract with a large number of mobile money agents, it also covers a big share in the money markert, followed by Tigo Pesa which represent Tigo Tanzania (MIC Tanzania Public Limited Company) and Airtel Money representing Airtel Money Tanzania.(Reseach Market,2023)

## 5.2. Effects of Tax Review on Mobile Money Agency in Moshi Municipality

The the respondent where asked to indicate their level of agreement in relation to: Strongly Disagree (SD), Disagree (D), Neutral (N), Agree (A), Strongly Agree (SA). Regarding their responses on the statements, the results are presented on Table 2.

**Table 2** *Effects of Tax reviews on Mobile money Agency in Moshi Municipality*

		SA		A		N		D		SD		M
		F	%	F	%	F	%	F	%	F	%	
1.	Tax review help to maintain tax compliance	62	32.3	70	36.5	16	8.3	34	17.7	10	5.2	3.9
2.	Tax review lowered monthly commission	79	41.1	82	42.7	0	0.0	19	9.9	12	6.3	4.2
3.	Tax review prevent hiring of new employees	56	29.2	74	38.4	12	6.3	35	18.2	15	7.8	3.8
4.	Tax review hinders business growth	75	39.1	83	43.2	0	0.0	18	9.4	16	8.3	4.2
5.	Tax review prevents working capital accumulation	76	40.0	82	42.7	0	0.0	19	9.9	15	7.8	4.3

6.	Tax review decrease revenue	70	36.5	99	51.6	0	0.0	17	8.9	6	3.1	4.4
7.	Tax review decrease profit	75	39.1	90	46.9	0	0.0	18	9.4	9	4.7	4.5
8.	Tax review lowered a number of branches	71	37.0	84	43.4	0	0.0	20	10.4	17	8.9	4.1
9.	Tax review increase cost to the business	78	40.6	78	40.6	0	0.0	20	10.4	16	8.3	4.3
10.	Tax review prevent access to external finances	55	28.6	78	40.6	18	9.4	31	16.1	10	5.2	3.0

**Source: Field Data (2023).**

The data presented in Table 2 indicates that a majority of respondents (88.1%) agreed that tax reviews decreased the revenue of mobile money business in Moshi Municipality, with a mean rating of 4.4. On the other hand, a minority of respondents (12%) disagreed with this notion. This data suggests that most mobile money agents in Moshi Municipality perceive tax reviews as a significant factor contributing to a decrease in revenue for mobile money businesses. The high percentage of mobile money agents agreeing with the impact of tax reviews on revenue aligns with previous studies that have explored the effects of taxation on businesses. The study conducted by Smith *et al.* (2019), found that tax increases can lead to reduced profitability and revenue for businesses. This supports the interpretation that tax reviews have a negative impact on mobile money businesses in terms of their revenue generation. The findings also align with the GSMA (2021), provided an evidence of a sharp reduction in mobile money revenue in Tanzania from July to December 2021, mobile money revenue decreased between June and August.

In Table 2, the data shows that 86% of the respondents, with a mean rating of 4.5, agreed that tax reviews decrease profit for mobile money businesses in Moshi Municipality. On the other hand, a minority of respondents (14.1%) disagreed with this notion. These data suggest that a significant majority of mobile money agents perceive tax reviews as having a negative impact on profitability. These findings contradict the study conducted by Abanyie (2019), which found that the use of mobile money services by operators of small and medium-sized enterprises (SMEs) increased profitability, saved time, and offered cost advantages compared to traditional banking transactions. Furthermore, studies by Smith & Brown (2018), have also highlighted the potential adverse effects of taxation on the profitability and financial performance of businesses. During the interview the researcher solicits to determine the effects of tax review on mobile money agency growth, one of the branch managers said:

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*"The increased taxes have directly affected our business in multiple ways. First and foremost, many customers, especially those who conduct small transactions, have reduced their mobile money usage due to the higher costs. This has resulted in a decline in transaction volumes and ultimately reduced revenue for mobile money agents".*" (Branch Manager, personal communication, June 28, 2023)

According to the data, it is implied that, there has been a significant decrease in transaction volumes, leading to a decline in revenue for mobile money agents. Hence, the increased taxes have resulted in reduced customer engagement and financial losses for the mobile money operator.

The data from table 2 shows that, majority of the respondent at 82.7% with mean 4.3 agreed that tax prevents accumulation of working capital while 17.7% disagreed that tax prevents accumulation of working capital. Data shows that most of the respondents agreed that tax review prevents accumulation of working capital. These data is supported by GSMA (2021), which found that the new levy on mobile money threatens to reverse the commendable financial inclusion gains as Tanzanians revert to cash.

Again, data from table 2 shows that majority of the respondent at 80.4% with mean 4.1 agreed that tax review lowered a number of branches while 19.3% disagreed that tax lowered a number of branches. Data shows that, most of the respondents agreed that tax review lowered a number of branches; The findings correspond with the study by Kenny & Palacio (2020), which emphasized that the amount of tax as an expense for businesses significantly impacts investment and growth. Higher tax rates leads businesses to opt out of the formal sector, resulting in fewer formal businesses and lower private investment. During the interview the researcher thought to determine the effects of tax review on trend of new branches of the mobile money agency, one of the branch managers said:

*"The tax burden has also affected our agency's ability to expand our services and reach underserved areas. The increased costs make it challenging to invest in mobile money agency network expansion and development".*

According to the data, it is implied that, there has been a reasonable decrease in number of branches, due to increased costs. This made it challenging to invest in mobile money agency network expansion and development.

Data from table 2 show that, majority of the respondents at 69.2% mean of 3.0 agreed that tax prevent access to external finances while 21.3%. These data shows that most of the

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respondents agreed that tax review makes mobile money agents to hesitate in seeking for external finances from financial institutions to support their business due to uncertain business environment. These data are against the study done by Demirgüç-Kunt *et al.*, (2018); Peprah & Koomson (2015), who found that deposits and interests accrued in mobile money accounts can be used to start businesses. Shortage of funds hinders smooth operation of daily business activities.

The data from Table 2 reveals that majority of the respondents, amounting to 82.3%, agreed that tax reviews hinder business growth. The mean rating of 4.2 further supports this finding. On the other hand, a minority of respondents, comprising 17.7%, disagreed with the notion that tax reviews hinder business growth. The data corresponds with the study done by Clifford (2020), in Uganda which found that if businesses were less likely to use mobile because of a new tax, it is often thought that access to capital, business performance and growth, and business formalization would be negatively affected.

Additionally, data from Table 2 shows that majority of the respondents at 81.2% with a mean of 4.3 agreed that tax review increase cost to the business 18.7% disagreed that tax increase cost to the business. Data shows that most of the respondents agreed that imposing high tax increases costs on mobile money. These findings are suggested by Hibbs & Piculescu (2010), who found that, to foster the development of the private sector and encourage business formalization, it is important to maintain tax rates at reasonable levels.

The data from Table 2 shows that the majority of respondents, comprising 83.8% with a mean rating of 4.2, agreed that tax reviews have resulted in a decrease in monthly commissions for mobile money businesses. Conversely, 16.2% of respondents disagreed with the notion that tax reviews have lowered the commission of MoMo businesses. These data implies that, a significant number of agents conducting their business in Moshi Municipal have experienced a decline in their monthly commissions. These findings align with a previous study conducted by Mpofu (2022), which identified several negative externalities of taxes on mobile money, including affordability challenges, decreased usage of mobile money platforms, increased poverty and inequality.

Moreover, the data from Table 2 shows that 67.6% of respondents agreed that taxes prevent businesses from hiring new employees, with a mean rating of 3.8, while 26% disagreed with this notion. The data indicates that the majority of agents agree that employment opportunities within the MoMo sector have declined. These data contrast with a study conducted by Kalei *et al.* (2016), which found that the acceptance of M-PESA had a positive

and significant impact on the performance of small and micro-enterprises, including mobile money transfer agents. However, Mpofu (2022), suggests that mobile money taxes could lead to job losses and layoffs, resulting in reduced income tax revenue.

Furthermore, the data from Table 4.3 reveals that 68.8% of respondents, with a mean rating of 3.9, agreed that tax reviews contributed to maintenance of tax compliance, while 22.9% disagreed with this notion. These data imply that the respondents agree that the absence of relevant laws and order can increase the difficulty of tax collection and administration. These data are consistent with the study conducted by Kenny & Palacio (2020), which found that overly complex tax systems are associated with higher levels of tax evasion. High tax compliance costs are also linked to larger informal sectors, increased corruption, and reduced investment.

According to Ability to Pay theory it is suggested that, if the tax burden becomes too high, businesses may face challenges in generating sufficient revenue and performing well. The findings mentioned, can be related with the theory as it is indicated that, tax reviews negatively impact business growth and the overall performance of mobile money agency. The increased costs associated with taxes can restrict the ability to invest in growth initiatives, innovate, and expand their operations, thus impeding their overall performance.

## **6. Conclusions and Recommendations**

### **6.1 Conclusions**

The study examined the effects of tax reviews on mobile money agency in Moshi Municipality, Tanzania, and concluded that tax reviews hinders mobile money agency growth; hence reducing working capital and lowered a number of branches, increased costs, and discouraging external financing. The study concludes that the importance of maintaining reasonable tax rates to support private sector development and business formalization. While some concluded that tax reviews the decrease in monthly commissions and the need for tax compliance were emphasized.

### **6.2 Recommendations**

The study recommends that policy makers should support the growth of mobile money agency by reducing barriers and costs associated with taxation. Provision of tax incentives or exemptions for mobile money agents can help alleviate financial burdens and encourage business expansion.

Also, money mobile agency or business should address customer concerns regarding the cost of mobile money services, and communicating them with the regulatory authorities so as promote money mobile agency or business as well as increasing economic development of the country.

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