



**ST. MARYS UNIVERSITY  
SCHOOL OF GRADUATE STUDIES**

**BUSINESS TAXPAYERS' SATISFACTION WITH THE TAX  
ADMINSTRATION SYSTEM IN WESTERN ADDIS  
ABABA MEDIUM TAXPAYER BRANCH OF ETHIOPIAN REVENUE  
AND CUSTOMS AUTHORITY**

**BY: MULUGETA LEGESSE  
ADVISOR: ASMAMAW G. (ASST. PROFESSOR)**

**A THESIS SUBMITTED TO THE SCHOOL OF GRADUATE STUDIES  
OF ST. MARY'S UNIVERSITY IN PARTIAL FULFILLMENT OF THE  
REQUIREMENTS FOR THE DEGREE OF MASTERS IN GENERAL  
MBA.**

**JULY, 2017  
Addis Ababa, Ethiopia**

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## DECLARATION

I, the undersigned, declare that this paper is the original work, prepared under the guidance of Asmamaw g. (asst. professor) and also has not been presented forward to award Degree to this or any other similar University; moreover, I duly acknowledged all the materials used for the literature purpose.

Name: MULUGETA LEGESSE

\_\_\_\_\_  
Signature

St. MARYS UNIVERSITY, ADDIS ABABA

JUNE, 2017

## ABSTRACT

*This thesis examines business taxpayers' satisfaction with the tax system. The study focused on examining the satisfaction of taxpayers toward the tax taxpayers' services. The study adopted a descriptive method research approach to show the ERCA take e-filing and e-payment to improve its tax administration system. The data was collected from western Addis Ababa medium business taxpayers through questionnaire. The collected data was analyzed using descriptive data analysis. The findings of this study shows that business taxpayers are not satisfied with the existing tax systems. The ways tax authority provides tax information to taxpayers, Customer surveys should be introduced to find out the quality of service provided to taxpayers, the branch staff should be trained in customer care to improve their attitude and conduct towards and in dealing with taxpayers. Moreover the finding revealed that the tax system is so complex and unfair, discretionary treatment by officers and existent of lack of monitoring in the tax authority. Finally, the thesis suggests a series of measures which could be taken by the government in general and tax authorities in particular are; improving tax policy and administration issues; step up their duty of promoting tax awareness, Equip all employees with the necessary training and motivation to serve customers better as compared to other countries, tax officers should be given intensive and repetitive training to improve their attitude and promoting code of conduct with emphasis on ethical values and finally, tax refund procedure would be improved.*

**Key Terms: Customer satisfaction, Expectation, Perception, SERVQUAL,**

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# CHAPTER ONE

## 1 INTRODUCTION

### 1.1. Background of the study

One of the major changes in the last decades of the twentieth century occurred in the performance of the measurement is known as one of the elements of customer satisfaction management system the main requirements of an organizations. The frequency of effort toward improving performance management tools today, and expand customer- oriented attitude were being carried out by the researchers, experts and organizations, it shows that customer satisfaction is one of the most important factors in determining the success of an organization is involved in trading and profitability (Zhao et al., 2012).

It is obvious that taxes are important source of government revenue in both developing and developed countries. But the amount of revenue to be generated by a government from taxes for its expenditure program depends among other things, on the willingness of the taxpayers to comply with tax laws of a country. According to Organization for Economic Cooperation and Development, (OECD, 2010) the primary mandate of most tax system is to ensure compliance with tax laws and improve taxpayers' satisfaction.

According to Lawrence (2006) customer satisfaction is defined as the attitude resulting from what customers think should happen interacting with what customers think did happen. Taxpayers' satisfaction towards tax administration system has evoked great attention among many Revenue Authorities in the world especially in developing countries. However, it is debatable on what has been done towards the study of taxpayers' satisfaction towards tax system in developing countries.

Following the increasing cases of tax payer's satisfaction toward tax administration service quality system and its consequences on the capacity of government to raise public revenue, great amount of attentions have been paid to the issue of tax payer's satisfaction globally by public policy makers and researchers for the past few decades.

However, while these studies are based on evidence from developed countries, studies in developing countries are limited. Besides, very limited work has been done with the objective of assessing the taxpayer's satisfaction level in developing countries.

The most recently, study was made by Temetem (2014) on Business Taxpayers' Satisfaction with Tax system in Addis Ababa. According to this study the tax administration is poor due to many factors, particularly incapacity of tax authorities to implement the attributes of the tax to practice.

Perhaps, understanding the taxpayers' behavior and perception in terms of their satisfaction towards tax system and how it influences the tax compliance would be a solution in this study. In this context the broad purpose of this study is to assess taxpayers' satisfaction with the tax administration quality service system in western Addis Ababa medium tax payer's branch office.

## **1.2. Statement of the Problem**

Tax administration quality service systems have assumed the center stage of tax authority and development in the growing competitive environment. Many tax authorities in the world adopt strategies to improve their service quality to ensure the satisfaction of customer. It is perceived that good customer care improves customer satisfaction.

Taxation in developing countries is a challenging topic and has attracted increasing attention in the last two decades. During this period, many problems observed like poor administration, failing to collect sufficient tax revenues, lack of government and economic stability (Vadde, 2012). As stated by (Vadde, 2012) Ethiopia, like any other developing countries, has faced difficulty in raising revenue to the level required for the promotion of economic growth. Hence, the country has been experienced a consistent surplus of expenditure over revenue for sufficiently long period of time.

However, tax payers continued complaining about the lengthy bureaucratic tax administrative procedures such as; deteriorating quality of services provided to customers, the inconsistency of system technologies, the behavior of employees when handling tax payer queries and complaints on tax matters coupled with the nature of physical facilities in keeping, retrieving and processing tax payer information. These affected the tax payer's

satisfaction, delivered by ERCA to the taxpayers such as tax registration, filing documents, submission of tax returns, tax auditing and assessments, payment of taxes and granting clearances consequently affecting the taxpayers'' voluntary compliance and performance of the domestic tax revenue collections administrations.

Even though many reforms have taken by Ethiopian government, these issues are still appearing unresolved.

Tax administration is an important segment of every economy. Customer care and service quality issues are critical in motivating people to honor their tax obligations. Consequently, the tax administration system Service has adopted certain measures in relation with the principles of service quality to gain good corporate image in the public and to improve tax payment and administration.

Although various studies have been conducted in relation to business tax payer's satisfaction in the world, the extent and variety of similar studies undertaken in Ethiopia is extremely negligible. Temetem (2014) were conducted for Master's Degree focusing on Business Taxpayers' Satisfaction with Tax system in Addis Ababa. The research was done by taking 200 customers sample respondents and used questionnaire to collect relevant data. The finding of those researches indicates that customers were not satisfied. But it is not sufficient to give generalization about current tax administration system based on this researcher finding because the studies were conducted before some years when the ERCA did not take e-filing and e-payment to improve its tax administration system (ERCA Archive). There are different evidences that show satisfaction of customers with e- filling. One of the evidence is "Factors affecting user satisfaction in the Malaysian income tax e-Filing system" by Md. Aminul Islam (June 2010). The study attempted to investigate e-Filing users' satisfaction in Malaysia and influence of user satisfaction on users' perceived net benefits using DeLone & McLean Information System Success Model. The researchers see positive relationship to exist between the level of user satisfaction to users' perceived net benefits (convenience) and (efficiency).

Therefore, this study has therefore undertaken to investigate the satisfaction level of taxpayers towards business tax administration service quality system in ERCA western Addis Ababa medium taxpayers'' branch office.

## **Research Questions**

This research attempts to answer the following research questions

1. What are the effects of service quality measures on customer satisfaction at ERCA?
2. How does ERCA achieve improvements in service quality to enhance customer satisfaction?
3. Which dimensions of service quality are customers satisfied or dissatisfied within the service provided by ERCA?
4. How the SERVQUAL questionnaire a capable and reliable instrument for measuring Service Quality in a western Addis Ababa ERCA branch?

### **1.3. General and Specific Objectives**

#### **General Objective:**

The general objective of this research is to examine and measure of service quality of tax administration and customer satisfaction in ERCA, Western Addis Ababa branch and to propose suggestion based on results of the study.

#### **Specific objective includes:**

In assuring that the above general objectives can be achieved, there are few specific objectives that need to be accomplished in the case of ERCA.

These specific objectives are the following:

- 1) To express the influence of service quality dimensions on customer satisfaction.
- 2) To show the problems ERCA facing in giving services to customers.
- 3) Determine the level of satisfaction on core service of ERCA.
- 4) To show the SERVQUAL questionnaire a capable and reliable instrument for measuring Service Quality in a western Addis Ababa ERCA branch.

## **1.4. Scope of the Study**

The research study were focus on the business taxpayers' satisfaction with tax administration quality service system, as one of the factors that affected the level of performance of tax revenue collections and the study were conducted on western Addis Ababa medium taxpayer branch of ERCA, which is located in Addis Ababa. It does not cover all Regions of ERCA and its business payers all over Addis Ababa. The selections of this branch office were based on convenience for the researcher and highest number of taxpayers in the branch at a time. The study also covers and focuses only on business tax payer's satisfaction area of the branch as the branch has wide range of objectives that will be accomplished.

## **1.5. Limitations of the Study**

The limitation with this thesis is the 5s SERVQUAL dimensions are not universal and that the model fails to draw on established economic, statically and psychological theory. Although SERVQUAL face and construct validity are in doubt, it is widely used in published and modified forms to measure customer expectations and perception of service quality. This research also limited to scope of the study because it only focus on medium tax payers.

## **1.6. Significance of the Study**

The issues addressed in this study would bring about immense contributions to different bodies. As a research thesis, the primary merits of the study goes to the university academics. Next, ERCA get some ideas on how to develop and implement an efficient and effective service provision system for its respective tax administrations. This may also motivate ERCA to improve its customer handling and service provision techniques. For the researcher, the study helps to broaden the knowledge on the topic area. Finally, anybody who might be interested to conduct a research in the area may use the study as a reference.

## **1.7. Definition of key terms**

**Customer satisfaction** can be defined as when the customer's expectation of the service provided matches his perception of the actual service received (Parasuraman et al.1985).

**Service quality (SERVQUAL)** can be defined as the difference between customer expectations of service and perceived service performance.

**Expectations** are reference points against which service delivery is compared only at beginning.

**Perceptions** are consumer judgment about the actual service performance by a company.

## **1.8. Organization of the Thesis**

This thesis comprises five chapters. The first chapter provides an introduction to the Study, covering an introductory part with the general background; statement of the problem; objectives of the study; significance of the study, scope of the study, and limitation of the study.

The second chapter deals with the review of related literature, which mainly focused on business tax payer's satisfaction with service quality system overviewed by different scholars.

The third chapter explains the research methodology, which describes the research design, instruments of data collection, sample and sampling techniques, ways of data presentation, interpretation, analysis and ethical consideration. The fourth chapter is devoted to detailed analysis, presentations and interpretation of the collected data. The fifth chapter outlines the findings conclusion and recommendations to improve tax payer's satisfaction in western Addis Ababa taxpayer branch office.

# CHAPTER TWO

## 2 LITERATURE REVIEW

### Theoretical Review

This section reviews the basic theory related to tax administration and taxpayer. Hence, section 2.1 present tax administrations; section 2.2 Efficiency of Tax Administration, 2.3 Procedures for Tax Collection, 2.4 Important of tax administration, 2.5 Service Commitments of Tax Administration, 2.6 Measurements of taxpayer satisfaction, 2.7 Empirical literature reviews, 2.8 Tax payer's knowledge Gap towards the Tax Administration System and 2.9 Conceptual Frame work

### 2.1 Tax administration

Tax administration refers to the identification of tax liability based on the existing tax law, the assessment of this liability, and the collection, prosecution and penalties imposed on recalcitrant taxpayers. Tax administration, therefore, covers a wide area of study, encompassing aspects such as registration of taxpayers, assessments, returns processing, collection, and audits (Kangave2005).

The low revenue yield of taxation can only be attributed to the fact that tax provisions are not properly enforced either on account of the inability of administration to cope with them or on account of straight forward collusion between the tax administration and taxpayers. Since taxes are an involuntary payment for government services (Parameswaran, 2005), taxpayers have a strong incentive to minimize their tax liabilities either through avoidance (legal) or through evasion (illegal). Tax administration, therefore, has to secure compliance with the laws by applying an array of registration, assessment and collection procedures. Based on the discussions so far, the following sub section present the tax administrative issue in detail.

### 2.2 Efficiency of Tax Administration

The key precondition for efficient tax administration is tax structure with minimizing distortions, strictly tax exemptions and elimination of the differences in tax treatment of particular parts of economy. Badly conceived or unnecessarily complicated tax structure



greatly complicates the operating function of the tax administration, while simple and transparent tax structure could affect it in the opposite way. So, the increase of efficiency of the tax administration could be attributed mainly to the simplification of the tax system.

In developing countries, tax administration can be organized respecting the functional principle (collecting, recording, auditing, and enforcement) according to the type of taxpayers; the type of taxes; and type of enterprises in economy. Tax administration should develop around activities (such as recording or auditing) rather than according to the type of tax and taxpayers. More generally, tax payment needs to be assessed, collected and recorded more efficiently.

## **2.3 Procedures for Tax Collection**

It is expected that people's tax payments should be in line with their income and they are required to pay a tax in proportion to their level of income. On the other part of the tax collectors, collection of tax should be time conscious and convenient and the cost of collecting the taxes should not be high to discourage business. Alternatively, this means that the ideal tax system in developing countries should raise essential revenue without excessive government borrowing and should do so without discouraging economic activity and without deviating too much from tax system in other countries. The procedures undertaken by tax authority to ensure compliance are discussed as follows (Baurer, 2005).

### **2.3.1 Identification and registration of taxpayers**

Tax Identification Number (TIN) is used to identify taxpayers. Every taxpayer has a unique TIN, which he or she is supposed to use in all his or her correspondence with the tax authority, and no taxpayer should have more than one TIN. In countries like Uganda, they issue TIN free of charge upon the taxpayer completing a TIN application form.

### **2.3.2 Filing returns**

Taxpayers are required to file returns within specified months of the end of their tax accounting year. The return should be filed in quadruplicate and should contain all the particulars of the taxpayer. All documents respecting taxation should be presented to the tax authority office where the taxpayer has their file (Kangave, 2005).

### **2.3.3 Return processing**

Upon receiving a taxpayer's return, the tax authority officers examine the accuracy of the return by determining whether the return is properly completed, whether tax has been properly computed, and whether there are any penalty payments to be made by the taxpayer. The officer then allocates an assessment number to the return and issues the taxpayer with a Bank Payment Advice Form, stating the tax payable (Kangave, 2005).

### **2.3.4 Payment of taxes**

Taxes are due on the due date of the submission of the self-assessment returns. Tax should be paid to an authorized bank, using the bank payment advice form.

### **2.3.5 Audit and examination**

The role of tax audits and examinations is to check the accuracy of the information that taxpayers provide to tax authorities. The audits range from simple field and desk audits to comprehensive audits.

### **2.3.6 Collection and enforcement**

When the taxpayer has not made payment on the due date, and does not object to the tax assessed, tax authority can enforce payment in a number of ways. The commissioner may bring a suit against the taxpayer or request a person owing or holding money for the taxpayer to pay the money on a specified date or institute distress proceedings against the taxpayer's moveable property. In a wider context, the issue of enforcement includes offences committed by the taxpayer, and the penalties for these offences (Kangave, 2005).

## **2.4 Important of tax administration**

According to Asamnew (2012), dictates tax policy. Indeed, tax administration and compliance issues determine the broad evolution of tax systems. The shift in industrialized countries over a century ago from reliance on excise, customs and property taxes to corporate income and progressive income taxes can be explained, in large part, by the relative decline in the rural sector, the concentration of employment in large corporations and the growing literacy of the population. In recent years, the shift away from these taxes corporate income and progressive individual income tax and toward tax systems that

rely more on broad based consumption taxes such as the value added tax, flatter rate structures, and the adoption n of “dual income taxes,” in which a progressive tax on labor income is accompanied with a low flat rate tax on capital income, as adopted in certain Scandinavian countries, can be explained, in large part, by the forces of globalization and developments in financial innovation and the inability of tax administrators to develop technologies to cope with these forces and developments.

However, as if these traditional forms of tax evasion were not challenge enough, the combined effects of information technology and globalization is now alleged to allow those who have been able to hide in the shadow economy to evade paying their fair share of tax to disappear altogether. Many individuals are no longer tied to one national jurisdiction; those that are increasingly receive payments from work and investment abroad; anyone can have access to an over sea’s bank; anyone with access to a computer can transact business anywhere in the world; property is becoming increasingly fungible and can be shifted relatively easily between jurisdictions. Those and other developments are said to call into question governments’ continued ability to levy taxes in a world in which companies, assets, and people are infinitely mobile (Asian Development Bank, 2001).

## **2.5 Service Commitments of Tax Administration**

The tax administration should provide impartial and professional courteous service and must keep private and confidential information regarding the individual taxpayers. It should also offer clear, understandable and current tax information and will make this information available to tax payer through various media and provide timely, accurate written information that one can rely on to questions and requests for tax information (Mesiku, 2008).

Education and information programs on specific tax issues should be arranged with taxpayers to enhance their awareness and taxpayers should be allowed to voluntarily disclose their tax situation without incurring a penalty or being prosecuted for tax violations under certain conditions. The main service commitments of tax administration to taxpayers are discussed as follows.

### **2.5.1 Taxpayer education**

It is considered that taxpayer education and a better relationship with taxpayers, along with well thought out taxpayer education programs can go a long way in improving voluntary compliance and that most commonwealth countries currently have some form of taxpayer education program built into their system. With respect to better taxpayer relationships, it has now become increasingly evident that an effective and efficient tax system would depend on the consent and willing cooperation of the general body of taxpayers, employers and consultants.

The strategy to improve taxpayer education, information and assistance to enhance tax collections and reduce compliance costs should be based on a commitment to high quality and constructive interaction between taxpayers and the tax administration. The approach should address compliance in the context of correcting system deficiencies; simplifying cumbersome and complex tax laws and rules, forms and instructions; presenting the tax laws as fair in their intent and administration; and assisting complying taxpayers who are trying but are unable to meet their obligations (Khadijah, 2014).

### **2.5.2 Taxpayer information**

Tax administration should ensure that the tax forms are as simple and few in number as possible, the forms should be accompanied by detailed instructions for their completion, written in a clear and simple style. It may prove beneficial to issue leaflets and booklets on various aspects of the tax laws, designed for the general public and for different groups of taxpayers. The public should be informed of the issuance of these publications and of the places where they can be obtained or consulted. The public should likewise be informed about the location of tax offices and other places where tax forms can be filed and tax payments effected; the offices should be strategically located and as numerous as is consistent with available resources and cost-benefit criteria (Richard B, 2010).

For both educational and information activities, the mass media can be used to advantage in reaching large numbers of population at minimum cost. In the specific case of information, newspapers and magazines can be used to remind taxpayers of filing dates and of addresses of tax offices, and to highlight penalties imposed on delinquent taxpayers. However, written materials will not reach taxpayers who are illiterate, either because they have not attended

school or because their education has been inadequate. Radio, on the other hand, can be understood by all and reaches a very wide audience, and should be used to the maximum; during the filing season, short spot announcements and advertisements can be inserted in popular programs. Television too reaches a wide audience and has the advantage of presenting information both visually and aurally. Some countries have also used mobile units, which tour towns and villages disseminating tax information (Richard B, 2010).

### **2.5.3 Taxpayer assistance**

Tax officials should assist taxpayers in an efficient, courteous and considerate manner. Tax offices should also be made as accessible and comfortable as possible. Taxpayer assistance involves personal contacts between tax administration staff and taxpayers, and can do much to enhance the image of the tax administration and promote voluntary compliance. The tax administration can reinforce the idea that its intention is to provide the best possible service to the taxpayers by making tax offices as accessible and comfortable as possible, within the limits imposed by financial constraints.

In general, efforts to improve tax services are generally focused on general tax outreach and education and measures to reduce compliance costs, including taxpayer support services. One of the best-documented examples is that of Peru during the 1990s, where improved tax services and education were a major focus. This included major investment in staff training, the creation of a central information Centre, the development of a free taxpayer bulletin, the hosting of tax fairs in localities throughout the country and the dissemination of important information through newspaper ads and brochures (Wilson, 2010).

## **2.6 Measurements of taxpayer satisfaction**

### **2.6.1 Customer satisfaction**

Those who buy the goods or services provided by companies are customers. In other words, a customer is a stakeholder of an organization who provides payment in exchange for the offer provided to him by the organization with the aim of fulfilling a need and to maximize satisfaction. Sometimes the term customer and consumer are confusing. A customer can be a consumer, but a consumer may not necessarily be a customer. Another author explained this

difference. I.e. a customer is the person who does the buying of the products and the consumer is the person who ultimately consumes the product (Solomon, 2009).

When a consumer/customer is contented with either the product or services it is termed satisfaction. Satisfaction can also be a person's feelings of pleasure or disappointment that results from comparing a product's perceived performance or outcome with their expectations (Kotler & Keller, 2009). As a matter of fact, satisfaction could be the pleasure derived by someone from the consumption of goods or services offered by another person or group of people; or it can be the state of being happy with a situation. Satisfaction varies from one person to another because it is utility. "One man's meal is another man's poison," an old adage stated describing utility; thus, highlighting the fact that it is sometimes very difficult to satisfy everybody or to determine satisfaction among group of individuals. Client happiness, which is a sign of customer satisfaction, is and has always been the most essential thing for any organization.

### **2.6.2 Determinants of Customer Satisfactions**

Customer satisfaction is influenced by specific product or service features, perception of quality, customer's emotional responses, their attributions and their perception.

**Product or Service Features:** Customers satisfaction with a product or service is influenced by customer evaluation of product or service feature.

**Customer Emotion:** Customer's emotion can also affect their perception of satisfaction with products and services. These emotions can be stable preexisting emotion.

**Attribution of Service Success or Failure:** Attribution influence perception of satisfaction when they have been surprised by an outcome, (the service is either much better or much worse than expected), customers tend to look for the reasons their assessments of the reasons can influence their satisfaction.

**Perception of Equity or Fairness:** Customer satisfaction is also influenced by perception of equity and fairness customers ask the service. Have I been treated fairly compared with other customers? Did other customers get better treatment, better prices or better-quality service and the like? Notions of fairness are central to customer's perception of satisfaction with products and services (Valarie, 2003).

Usually, service quality is the important predictor of customer satisfaction, so these determinants of customer satisfactions simultaneously have a great impact with service quality. Accordingly, in my study all determinants are explained in each of SERVQUAL dimensions.

### **2.6.3 Satisfaction Measurement**

According to Smith (2007) Satisfaction measures involve three psychological elements for evaluation of the product or service experience: cognitive (thinking/evaluation), affective (emotional-feeling/like-dislike) and behavioral (current/future actions). Customer satisfaction usually leads to customer loyalty and product repurchase. But measuring satisfaction is not the same as measuring loyalty.

### **2.6.4 Why Organizations Focus on Customer Satisfaction**

Businesses monitor customer satisfactions in order to determine how to increase their customer base, customer loyalty, revenue, profits, market share and survival. Although greater profit is the primary driver, exemplary businesses focus on the customer and his/her experience with the organization. They work to make their customers happy and see customer satisfaction as the key to survival and profit. Customer satisfaction in turn hinges on the quality and effects of their experiences and the goods or services they receive (McGraw, 2004). Thus, the reason that why customer satisfaction is so important is that effective marketing focuses on two activities: retaining existing customers and adding new customers. Customer satisfaction measures are critical to any product or service company because customer satisfaction is a strong predictor of customer retention, customer loyalty and product repurchase.

### **2.6.5 Information quality**

The Measures of information quality obtain from the literature. The information quality involved three factors: accuracy, timeliness, and completeness (R.R. Nelson, 2005). Tax administration are interested in maximizing tax revenue, and thus wish to ensure no taxable income is overlooked, while taxpayers typically wish to ensure no deductible expenditures are missed so as to minimize tax paid. Therefore, information completeness contributes to information quality in determining taxpayer satisfaction with the Information system.

### **2.6.6 System quality**

System quality is a measure of the information processing system itself. Similar to information quality, system quality depends on three factors: accessibility, interactivity, and ease of use. Accessibility refers to access speed and system availability, which are adopted as a measure of system quality. Interactivity is another important aspect of system quality.

### **2.6.7 Service Quality and customer expectation of service quality**

Based on empirical studies and some theoretical arguments service quality is divided in to two dimensions which are the core or outcome aspects(contractual) and the relational or process aspects (Customer employee relationship) of the service. While reliability is largely concerned with the service outcome, tangibles, responsiveness, assurance, and empathy are more concerned with the service process. Whereas customers judge the accuracy and dependability (i.e. reliability) of the delivered service, they judge the other dimensions as the service is being delivered.

Definition of service quality revolves around the idea that it is the result of comparison that customers make between their expectations about a service and their perception of the way the service has been performed. Service quality can thus be defined as the difference between customer expectations of service and perceived service performance. If expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs (Dehghanet, 2006). The notion of service quality involves more than the outcome quality; the methods and manner by which the service is delivered are of great importance. The quest for service quality has been an essential strategic component for firms attempting to succeed or survive in today's competitive environment (Munusamyet al, 2008).

### **2.6.8 Customer Expectation of Service Quality**

Expectations are reference points against which service delivery is compared only at beginning. The level of expectation can vary widely depending on the reference point the customer hold. Customer expectations embrace several elements including desired service, adequate service, predicated services and a zone of tolerance that falls between the desired and adequate service levels (Lovelock and Wirtz, 2004).



### **A. Desired and Adequate Service Levels**

The type of service customers hope to receive is termed desired service. It is a “Wished-for” level; a combination of what customers believe can and should be delivered in the context of their personal needs. However, most customers are realistic and understand that companies can’t always deliver the desired level of service; hence, they also have a threshold level of expectations, termed adequate service, which is defined as the minimum level of service customers will accept without being dissatisfied (Lovelock and Wirtz, 2004).

### **B. Predicted Service Level**

The level of service that customers anticipate receiving is known as predicted service which is directly affected by how they define “adequate service” on that occasion. If good service is predicted, the adequate level will be higher than if poorer service is predicted. Customers’ predictions of service may be situation specific.

### **C. Zone of Tolerance**

The inherent nature of service makes consistent service delivery difficult across employees in the same company and even by the same service employee from one day to another. The extent to which customers are willing to accept this variation is called the zone of tolerance. A performance that falls below the adequate service level will cause frustration and dissatisfaction, whereas one that exceeds the desired service level will both please and surprise customers. Another way of looking at the zone of tolerance is to think of it as the range of service within which customers do not pay explicit attention to service performance. When service falls outside this range, customers will react either positively or negatively.

This proposes that satisfaction will result as long as customer perceptions of service performance fall in the zone and also proposed that adequate service expectations are subject to change, while desired service expectations are relatively enduring. In other words, high involvement of customers generates a narrower zone of tolerance, while low involvement generates a wider zone of tolerance.

Thus, performance within the zone of tolerance may go unnoticed by the customer, performance below the customer's adequate expectations level (below the zone of tolerance) will generate dissatisfaction, and performance above the customer's desired expectations level (above the zone of tolerance) will generate delight.

### **2.6.9 Customer Perceived Service Quality**

Customers' expectations and experience of service can vary of a single organization. The customer perception is their reality. Customer is about perception. Perceptions are consumer judgment about the actual service performance by a company. Perceived value is the customer's overall assessment of the organization service based on the complete experience of the service delivery process and they are subjective. As services are intangible, customers search for evidence of service in very interaction they have with a service firm. The evidences of service as experienced by the customers are: people, process and physical evidence (Venugopal and Raghu, 2001).

**People evidence**– Who may be the contact employees, other customers or the customer himself who participate in the service delivery process? The dimensions of reliability, assurance and empathy and responsiveness are all reflected in the approach ability, efficiency and communicative skills of the front-line employees.

**Process evidence**- The operational flow of the activities the steps involved in the process reflects the reliability and the promptness of the service.

**Physical evidence**- The tangible aspect of service dimensions will be reflected in the physical evidence. It includes the services escape, broacher, the equipment and any other tangible aspect.

### **2.6.10 Measuring Service Quality**

Performing according to the desired level is critical to the entire organization. Monitoring, controlling and improving the quality, the service delivery issue is essential to the firms' market orientation. When evaluating service quality, consumer examines five dimensions; tangibles, reliability, responsiveness, assurance and empathy (Parasuraman et al, 1985).

**Tangibles:** Physical evidence of the service; physical facilities, tools and equipment's; appearance of providers; appearance of other customers in the service facility are the tangibles

**Reliability:** Consistency of performance and dependability; performs service right at the first time; honors its promises; keeps accurate records, corrects billing, and performs services at the designated times are the parameters of reliability.

**Responsiveness:** It is the willingness of the firm's staff to help customers and to provide them with prompt service. Readiness to provide the service; timeliness and setting up appointments promptly are the symptoms of responsiveness.

**Assurance-** Knowledge, competence and courtesy of employees; trust and confidence; required skills and knowledge; politeness, respectfulness, considerate, friendliness; trustworthiness, believability, honesty are signs of assurance.

**Empathy:** Caring; individualized attention, approachability, easiness of contact; effort in understanding the customers' needs are signs of empathy.

For each dimension, the SERVQUAL scale provides a score for customer expectations ( $E$ ) and a score for customer perceptions ( $P$ ) of service quality. The differences between the two scores on each dimension are called gap scores. The key to optimizing service quality is to maximize these gap scores and the associated gap equation ( $Q = P - E$ ).

## 2.7 Empirical literature review

Fjeldstad (2004) conducted the survey on citizens' views on taxation in local authorities of Tanzania, covering 210 households in 6 case councils. The researcher explored a variety of tax related issues such as taxation and tax evasion, compliance motivations, service delivery, tax collection problems as well as possible solutions to improve revenue collection. The result of the survey found that taxpayers would be willing to pay more taxes if public services were improved. However, taxpayers' unwillingness to pay is not perceived to be the main problem in revenue collection. According to the survey data, poor public services to be the most important explanatory factor behind poor tax compliance.

Minnesota Department of Revenue (2005) conducted the survey study on taxpayer Satisfaction with the filing process of individual income tax survey. The survey result found that find or obtains tax forms from department of revenue has high quality. However,

providing taxpayers with information about how their tax money is spent and making the Minnesota tax forms easy to understand is complex. The survey also shows that almost all taxpayers (sample) expressed satisfaction with the availability of the income tax forms. However, a number of respondents expressed displeasure with various aspects of filing a paper return, most notably in the areas of, ease of filling out the forms and schedules, understandability of the forms understandability of the instructions, time it took to fill out the forms and schedules and helpfulness of the instructions. With regarding to tax refund, the survey result shows that nearly all taxpayers were very satisfied or satisfied with the time it took regardless of the refund method they chose.

Oberhlzer (2007) conducted a comparative study on perception of taxation in South Africa. The main purpose of the study was to determine the perception of South Africa taxpayers about various aspects with regard to taxation. The survey was conducted on 260 sampled taxpayers by using face-to-face interview. The survey concluded that tax compliance may depend upon several factors, other than deterrence, and that the perceptions of South African taxpayers are likely to be influenced by these factors. The study also recommended that South African Revenue Service should communicate and educate both taxpayers and potential tax payers.

Oberhlzer (2007) again conducted one plot study in 2008 in South Africa with aimed at investigating taxpayers' perceptions of taxation. The survey was carried out amongst the four different population groups of South Africa by means of personal, face-to-face interviews with a structured and semi-structured questionnaire administered at respondents' homes. The survey finds that although the majority of respondents did not feel it is unfair to pay tax. The survey also found that waste and corruption in government is high. Furthermore, according to the survey result, government does not provide enough information about how they utilize taxpayers' money and in addition, the survey reports that perception of taxpayer that tax rate should be reduced. The study also indicates that the most effective tools for making people more positive is to empower them with knowledge. Finally, the survey suggests that there is no better tool for government to positively influence the taxpayers of a democracy than to provide them with knowledge on how taxpayers' money is utilized.

Recently in 2010 Taxpayers' satisfaction level survey was conducted by a joint project of the Inland Revenue Department (IRD) of Nepal ministry of finance and the German Technical Cooperation (GTZ) in Nepal. The project use questioner and interview to collect necessary data from ground source. The result of the survey shows that people should pay income taxes and deserve to be penalized if they fail to do so. Only few respondents were satisfied with the delivery of public services in the fields of security, electricity supply, drinking water supply and social benefits, whereas about 50 percent of the respondents were satisfied with the services in the telecommunication, transportation and education sectors. According to survey result, tax payers were not satisfied with the quality of the services provide by Nepal inland revenue department. With regarding to tax procedures and administrative mechanisms, the survey found that taxpayer was reasonably satisfied except with tax refunds. As indicated in the survey result, the most important source of information on tax issues is newspapers. The survey also focuses on the availability of information and it found that majority of tax payer were satisfied. With reference to the contents and coverage of the documents, over 83 percent were satisfied. The survey strongly recommended that when taxpayers are not satisfied, the tax authorities have to identify the reasons for their dissatisfaction and take corrective measures.

Most recently, one study was made by Shikhaliyev (2011) on Assessment of Taxpayers' Satisfaction with Tax Administration Reforms in Azerbaijan. The survey was conducted in two stages, first by selected respondent from four geographical locations because satisfaction can be affected by emotional factors (perceptions and expectations). This stage focused on satisfaction within four primary services (e-tax return system, call center, website, and taxpayers service terminals) being provided by the Azerbaijan ministry of tax. In the second stage of survey the answers from small and medium enterprise representatives and individual entrepreneurs by the survey questionnaire. The findings of the study show that the general level of satisfaction with service and awareness provided by ministry of tax is quite high. The general opinion on the e-tax return system is positive and the level of satisfaction is high. The survey also found that telephone information Service, as a source of general information. The ability to receive information at any time and place is another factor that satisfies the taxpayers. The weakness of this survey was unclear objectives as it

was based on tax administration reforms, i.e. the survey didn't specify the specific reform to be studied.

Even though it is not related to taxpayers' satisfaction, recently in Ethiopia, Gebreselassie (2011) conducted survey on tax assessment and collection problems of Category "A" taxpayers in Addis Ababa. The survey uses self-administered semi structured and in-depth interview in the case study of yeka sub city and the survey find that most taxpayers lack sufficient knowledge of tax assessment and collection procedures. As a result, the survey points out that delay in tax payment and evasion are taken by taxpayers as solution to escape from payment of taxes. By the same time Aborat (2011) investigated the fairness perceptions of Addis Ababa City business profit taxpayers and its impacts in their perceptions. The survey used self-developed questioner and in-depth interview to collect both qualitative and quantitative data. The survey found that Addis Ababa City business profit taxpayers did not perceive positively in respect of general, vertical, personal, exchange, and administration fairness except horizontal fairness on the prevailing business profit tax system. With regard to tax knowledge and complexity, the finding of this survey shows that the taxpayers did not have sufficient knowledge and there were no easily understandable and vague procedures of the business profit tax system. Finally, the survey suggests that a series of measures should be taken by government in general, and tax authorities in particular; to improving policy and administration issues, educating the taxpayers and conducting awareness creation, and maintaining the tax system fair and equitable.

From a few studies done on service quality and customer satisfaction in Ethiopia, Asfaw (2014) tried to assess service delivery and customer satisfaction of ESLS enterprise focusing on logistics transport sector by identifying gaps, potentials and constraints for development of effective and efficient transport service. To make this research effective, the researcher used probability-sampling techniques to select from customer employees and management office. Questionnaire and interviews is used to gather relevant information. Statistical tools like percentage, tables and pie charts are used to analyze the data. The findings of this study indicate that most customers were not satisfied based on the feedback of majority level of customer satisfaction and dimensions of service quality.

The other Most recently, study was made by Temetem T (2014) on Business Taxpayers' Satisfaction with Tax system in Addis Ababa. The study was focuses on examining the views of taxpayers toward the tax taxpayers' services, tax policy, tax administrative mechanism, and tax law enforcement. To make this research effective, the study adopted a sequential explanatory mixed method research approach. The data was collected from federal business taxpayers through questionnaire and in-depth interview and descriptive. The collected was analyzed using descriptive data analysis. Statistical tools like percentage, tables and pie charts are used to analyze the data. The findings of this study show that business taxpayers are not satisfied with the existing tax systems. The ways tax authority provides tax information to taxpayers, tax collection and tax refund, administration capability to solving taxpayers' problem and the area of tax audit procedures are found to be the major dissatisfied areas.

## **2.8 Tax payer's knowledge gap toward the tax administration system**

A business tax payer's satisfaction is studied in high concentration in developed countries like, Minnesota (2005), Azerbaijan (Shikhaliyev, 2011), There are a little works done in Africa like South Africa (Oberhlzer, 2007), Tanzania (Fjeldstad (2004). While reviewing Ethiopia's case, the works done by Temetem T (2014) on Business Taxpayers' Satisfaction with Tax system in Addis Ababa. The study was focuses on examining the views of taxpayers toward the tax taxpayers' services, tax policy, tax administrative mechanism, and tax law enforcement. To make this research effective, the study adopted a sequential explanatory mixed method research approach. The data was collected from federal business taxpayers through questionnaire and in-depth interview and descriptive. As to the researcher knowledge, the research has done limited in this area. This also initiates the researcher to investigate the business tax payer's satisfaction.

In all these discussion, it may relevant to summarize that ineffective, inefficient or insufficient administrative affect business tax payer's satisfaction and consequently raise the risk of increasing the tax burden for all taxpayers. Hence, there is need to evolve new methods and strategies to promote taxpayer satisfaction by placing adequate emphasis on taxpayer education, information and assistance. However, these studies based on evidence

from developed countries available, while studies in developing countries, like Ethiopia, are limited.

## **2.9 Conceptual Frame work**

Customer satisfaction can be defined as when the customer's expectation of the service provided matches his perception of the actual service received (Parasuraman et al.1985). Customers judge the services provided or the product delivered by making a very subjective value judgment which may not reflect reality.

The current hard competition and sophisticated marketing environment has urged service organizations to shift focus from profitability to customer satisfaction. Better service will assure customer satisfaction. The concept of customer satisfaction has attracted much attention in recent years. Satisfaction could be defined as a customer's post-purchase evaluation of a product or service. A key motivation for the growing emphasis on customer satisfaction is that higher customer satisfaction can direct to a stronger competitive position resulting in higher market share and profit, reduce price elasticity, lower business cost, reduce failure cost, and reduce the cost of attracting new customers. Customer satisfaction is also generally assumed to be a significant determinant of repeat sales, positive word-of-mouth, and customer loyalty. Satisfied customers return and buy more, and they tell other people about their experiences. Satisfaction is the state considered by a person who has experienced a performance or outcome that has fulfilled his or her expectations. Satisfaction is thus a function of relative levels of expectation and perceived performance. Expectations are formed on the basis of past experiences with the same or similar situations, statements made by friends and other associates, and statements made by the supplying organization (Kotler et al 2003).

Service quality is a concept that has aroused considerable interest and debate in the research literature because of the difficulties in both defining it and measuring it with no overall agreement emerging on either. Definition of service quality revolves around the idea that it is the result of comparison that customers make between their expectations about a service and their perception of the way the service has been performed. Service quality can thus be defined as the difference between customer expectations of service and perceived service performance. If expectations are greater than performance, then perceived quality is less than satisfactory and hence customer dissatisfaction occurs (Parasuraman et al., 1985). The notion of service quality involves more than the outcome quality; the methods and manner by which the service is



delivered are of great importance. The quest for service quality has been an essential strategic component for firms attempting to succeed or endure in today's competitive environment (Munusamy and Fong, 2008).

Relationship between satisfaction and service quality is the key to measure user satisfaction. In businesses where services are part of the business, the services are visible to the customer. Therefore, it would be quite natural that such services would have a major impact on the customer satisfaction. In the context of the banking convenience, this is more important. Service quality can be explained as perceived performance from the customer's perspective.

The service quality impacts customer satisfaction in many organizations and maintaining customer satisfaction is the key to retaining customers and profitability. Therefore, the study on customer satisfaction has become a vital aspect. Customer satisfaction is found to be an essential tool to create and maintain loyal customers. These loyal customers contribute towards high repeated purchases.

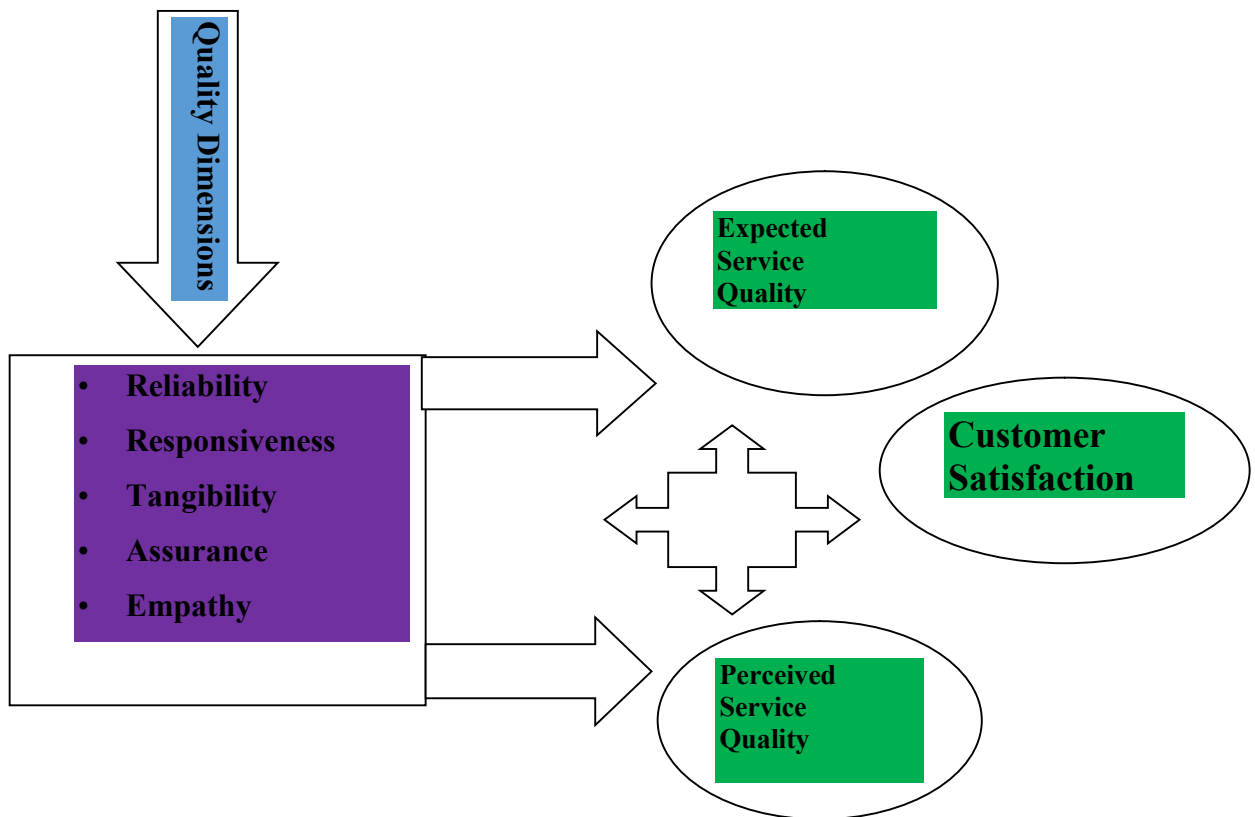


FIGURE 1: Model of service quality gaps (Parasuraman et al., 1985; )

# CHAPTER THREE

## 3 RESEARCH DESIGN AND METHODOLOGY

### 3.1 Research design

A research design is the program that guides the researchers in the process of collecting, analyzing and interpreting the data. Descriptive research involves gathering data that describe events and then organizes, tabulates, depicts, and describes the data collection. The study used descriptive research design in gathering information & conducting the research, because it tries to describe & explain the data for the purpose of describing the nature of existing conditions finally to describe facts in the field.

### 3.2 Target Population of the Study

The total research population to this research in the selected western Addis Ababa branch is 12,200 (ERCA archive, 2016). The intentions of the study were not to generalize the findings to all business taxpayer in western Addis Ababa, but to obtain a large and sufficient diverse sample in order to obtain meaningful spread of taxpayers' satisfaction concerning the tax issue. Therefore, sample selection needed to conduct the study. A sample selection about broader potential respondents giving equal chance of selection is vital to increasing the representativeness of the sample.

### 3.3 Sample and Sampling Techniques

In Western Addis Ababa branch of ERCA there are about **12,200** total customers as at March, 2016. To determine the sample size, a previously proven formula (Yamane, 1967) would be applied. That is,

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

Where, **n= Sample size n= 12,200 = 387**

$$1 + 12,200(0.05^2)$$

**N= Total of population**

**e= Sampling error (5%).**

Using this formula, considering 5 percent margin of error the sample size taken from the population is 387 respondents. The sample size orders to include respondents in the sample, a proportionate stratified sampling method would use. The reason behind using this method was the respondents are heterogeneous among groups and homogeneous within groups. Hence, the numbers of respondents to be included from each stratum decided based on their proportion in the number of users found at that stratum. The researcher distributed the questionnaires to each selected respondents (customers) personally during working our when customer came to get services.

The population will be categorized as follow.

**TABLE 1 SAMPLE SIZE SELECTION PROCEDURES BY USING PROPORTIONATE STRATIFIED SAMPLING**

Category	Population		Sample size taken
	Frequency	Percentage (%)	
<b>Merchandize</b>	7,320	60	232
<b>Manufacturing</b>	1,220	10	39
<b>Service</b>	3,660	30	116
<b>TOTAL</b>	<b>12,200</b>	<b>100%</b>	<b>387</b>

SOURCE: ETHIOPIAN REVENUE AND CUSTOM AUTHORITY AND OWN COMPUTATION

Looking at the above table, the sample taken from each stratum and customer classification is obtained by dividing the number of customers in that particular stratum to **12,200** and multiplying it by the sample size, **100**. For example, the total numbers of Merchandizing are **7,320** and the sample taken is **232** obtained by  $(387 * 7,320 / 12,200)$ .

A convenience sampling technique was chosen for the survey in this research. Convenience sampling is a non-probability sampling technique where subjects are selected because of their convenient accessibility and proximity to the researcher (Glass, 1984).

### **3.4 Data collection Instruments**

#### **Questionnaires**

In this study, data were being collected by use of questionnaires. Questionnaires are cheap to administer to respondents who are scattered over a large area. It is convenient for collecting information from a large population within a short span of time. Questionnaires were enable the researcher to reaching out to a large number of respondents within a short time; give the respondents“ adequate time to respond to the items, offer a sense of security (confidentiality) to the respondents and it is an objective method since no bias resulting from the personal characteristics (Creswell, 2009).

The data were gathered through questionnaires. Service attributes from literature reviewed as well as those highlighted by Parasuraman in the SERVQUAL model (Parasuraman et al, 1988) formed the basis of the questions. Though there are some questions in the literature about the dimensionality and measurement of SERVQUAL, it used as measurement of service quality in this study for the following reasons. First, SERVQUAL is much documented in many studies, its strength and weakness have been extensively discussed, and it has been used to assess the quality of various service industries. Second, prior research has shown that even when SERVQUAL scores and checked by dimensions, a strong and steady link holds between SERVQUAL scores and some global quality measures, such as the service firms’ overall quality and the willingness to recommend the firm to a friend (parasurmanet al.1988). Besides, among all other models, the SEVQUAL Model is still the strongest in measuring customer satisfaction in many organizations. Since the aim of this study was to assess customer satisfaction with service quality dimensions, that is why the focus was on SERVQUAL model. The questionnaire use intended to capture the perceptions of the Taxpayers towards the services provided through ERCA structures and used for measuring their level of satisfaction on the quality of services.

The questionnaires include the non-comparative Likert scaling questions. It is a rating scale which requires the respondents to indicate a degree of agreement or disagreement with each of a series of statements or questions. The survey was measured by 5-point Likert type scale ranging from strongly disagree (1) to strongly agree (5) for service quality dimensions.

### **3.5 Methods of Data Analysis**

Data analysis parts were one of the major parts like others in this research therefore, to come across suitable description of the research and valid generalization of findings. Data analysis was conducted using quantitative approach. The data was then coded and analyzed with the help of SPSS software and also the study used statistical tools like percentage, frequency and mean.

The data was then coded and analyzed with the help of using Statistical Package for Social Sciences (SPSS) computer software. Hence, to describe the results for each of the specified items, like frequency, percentages, average mean, and standard deviation per each item were used. Moreover, the data gathered from the field through questionnaire were organized, coded; and presented in tables on the nature of the data for clarity and readability purpose.

### **3.6 Ethical issue**

Since the researcher used the data from customers which collected through questionnaire, permission was obtained from the branch administration so that St. Mary's University is cleared from ethical question. In order to make respondents free from any doubt for the information they provided, they are instructed not to write their names on the questionnaire and assured of that the responses would be used only for academic purpose and kept confidential. In addition to this, instructions about the purpose of the research have given to them in order to motivate when filling questionnaire. All sources of information that are used by the researcher were acknowledged. The data gathered in process of the research kept confidential and would not be used for any personal interest and the whole process of the research was controlled to be within acceptable professional ethics.

## CHAPTER FOUR

### 4 RESULTS AND DISCUSSION

The chapter consists of Introduction, respondents' demographic characteristics, the relationship between service quality dimensions and customer satisfaction, expectations, perceptions and gap scores analysis, and analysis of overall customer satisfaction.

The objective of this study is to investigate and examine the stated specific objective through analysis of primary data collected from the survey. It focuses on significantly responding the research questions that include finding out how customers perceive service quality in western Addis Ababa ERCA branches and whether they are satisfied with service quality. This enable to arrive at the objectives of the present study which through describing and interpreting the practical trend with regard to service quality and customer satisfaction.

The data collected is mainly based on respondents' expectations and perceptions of the various Items under the SERVQUAL model. In addition, some demographic descriptions of the respondents are collected. A general description of the customers' expectations and perceptions of the various dimensions is done using descriptive statistics. In order to assess the actual service quality and the customer satisfaction towards it, a gap score analysis is also carried out based on the difference between the expectations and perceptions ( $P - E$ ).

#### 4.1 Respondents' Demographic Characteristics

This section presents information about the demographic characteristics of the respondents in line to their gender, age, formal education, respondents working experience, position in the business, the frequency of your visit to ERCA, business length of operation.

Some descriptive statistics are also illustrated in this section. As mentioned elsewhere in this report, population of medium tax payers in western Addis Ababa were 12,200 and the sample size of 100 were determined using simple random sampling. A total of 387 questionnaires were administered to these taxpayers.

Personal information with regard to their gender, age, educational qualifications and working experience, are separately described below. The survey respondents comprised of 320 (83.1%) males, 65 (16.8 %) females while 2 respondents did not mention their gender. It could be concluded that men draw a high level of participation in medium businesses than females (Table 2).

**TABLE 2 RESPONDENT BY GENDER**

		<b>GENDER</b>			
		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	MALE	320	82.7	83.1	83.1
	FEMAIL	65	16.8	16.9	100.0
	Total	385	99.5	100.0	
Missing	System	2	.5		
Total		387	100.0		

SOURCES: QUESTIONARIES' RESULT,2017

The age distribution of the respondent who participated in the study is provided in table 3 below. The sample age categories were divided with a range of 10 years except age category above 50. Accordingly, the results showed that majority of respondents in the western Addis Ababa medium tax payers business (102 or 26.4 %) were aged between 41 and 50 years old and (152 or 39.3%) were between 31 and 40 years of age. Respondents in the group of above 50 years old were the lowest number with 24 responses which represent 6.2 % of the total respondents. This is an indication that most taxpayers in the sample are at their matured ages and information given to this study is free from emotional (Table 3)

**TABLE 3RESPONDENTS BY AGE**

		<b>AGE</b>			
		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	20 - 30 YEARS	109	28.2	28.2	28.2
	31- 40 YEARS	152	39.3	39.3	67.4
	41-50 YEARS	102	26.4	26.4	93.8
	ABOVE 50 YEARS	24	6.2	6.2	100.0
	Total	387	100.0	100.0	

SOURCE: QUESTIONARIES' RESULT,2017

It is believed to be that the ability to read and write influences one’s ability to understand and interpret the tax laws. With this regard the survey collected the educational background of the respondents and the survey result shows that 56 respondents had lower level of educational qualification (below grade 12) and 15 were completed grade 12; each of them account to 10.3 % and 14.5 % of the total respondents respectively. On the other hand, the numbers of respondents who were diploma and first-degree holders were 98 and 171; each of them representing 25.3 % and 44.2 % of the total respondents respectively, the remainder 22 or 5.7 % of the respondents

had masters and above qualifications. Cumulatively, all of the respondents were in possession of at least reading and writing and none of the respondents had no schooling.

Therefore, the implication to these findings indicates that the majority of business taxpayers were well educated to know the need for taxation and they can understand and interpret the tax law as well (table4).

**TABLE 4 FORMAL EDUCATION OF RESPONDENTS**

<b>EDUCATIONAL QUALIFICATION</b>					
		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	BELOW 12 GRADES	40	10.3	10.3	10.3
	GRADE 12 COMPLETED	56	14.5	14.5	24.8
	DIPLOMA	98	25.3	25.3	50.1
	FIRST DEGREE	171	44.2	44.2	94.3
	MASTER'S DEGREE AND ABOVE	22	5.7	5.7	100.0
	Total	387	100.0	100.0	

SOURCE: QUESTIONARIES' RESULT,2017

Considering the position of the respondent in the business, it can be seen that the largest proportion of respondents was owners and manager of the business as compared to others. The owners and manager of the business were represented by 25.3 %and 44.2 % respectively while 17.6 % were employee. It could be concluded that most of the medium business tax payers in western Addis Ababa enterprises are managed by their owner's other than recruited employee. (Table 5)

**TABLE 5 RESPONDENTS' POSITION**

<b>PLEASE INDICATE YOUR POSITION IN THE BUSINESS</b>					
		<b>Frequency</b>	<b>Percent</b>	<b>Valid Percent</b>	<b>Cumulative Percent</b>
Valid	OWNER	98	25.3	25.3	25.3
	MANAGER	171	44.2	44.2	69.5
	EMPLOYEE	68	17.6	17.6	87.1
	OWNER/MANAGER	50	12.9	12.9	100.0
	Total	387	100.0	100.0	

SOURCE: QUESTIONARIES' RESULT,2017



The number of years one has been in business has an influence on his/her taxpayers' experience and level of paying taxes. For those who have done business for long implies they are used with the routine practices of paying taxes to tax authority. Accordingly, the respondents were required to indicate their working experience related tax issue and findings of the survey shows that more than half of the respondents (50.4 %) indicated that they had 6 to 10 years of experiences in business, 25.1 % of the survey respondents indicated that they had 1 to 5 years of work experience, while 14.2 % had more than 10 years of experience, the rest had less than 1 year of experience in the business. Therefore, it can be said that the business taxpayers had relatively average experience on tax related issue which indicates that almost half of them are well experienced which can able them measure the old tax system and the new one. In other words, it can be concluded that the information provided in this study was given by experienced respondent and informants (Table 6).

**TABLE 6 RESPONDENTS' WORKING EXPERIENCE ON TAX RELATED ISSUE**

<b>PLEASE INDICATE HOW LONG YOU HAVE BEEN WORKING ON TAX RELATED ISSUE.</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	LESS THAN 1 YEAR	40	10.3	10.3	10.3
	1-5 YEARS	97	25.1	25.1	35.4
	6-10 YEARS	195	50.4	50.4	85.8
	MORE THAN 10 YEARS	55	14.2	14.2	100.0
	Total	387	100.0	100.0	

SOURCE: QUESTIONNAIRES' RESULT,2017

The respondents were also asked to indicate the frequency of time that they visit ERCA. From the responses, it become evident that majority of the respondents (64.3%) indicated that they visit ERCA monthly, 19.1 % of the respondents were visit tax office on an average 6 time per year, some respondents (11.4 %) answered that they would visit the tax office (ERCA) on average three times per year, some respondents (5.2 %) answered that they would visit the tax office (ERCA) on average two times per year. This indicates that the majority of them know the current tax authority's services and other tax issue and it is important to note that information given to this study was given by well-informed person and add value to the quality of the study. (Table 7)

TABLE 7 FREQUENCY OF TIME THAT RESPONDENTS VISIT ERCA

PLEASE INDICATE THE FREQUENCY OF YOUR VISIT TO ERCA					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	ON AVERAGE 2 VISITS A YEAR	20	5.2	5.2	5.2
	ON AVERAGE 3 VISITS A YEAR	44	11.4	11.4	16.5
	ON AVERAGE 6 VISITS A YEAR	74	19.1	19.1	35.7
	MONTHLY	249	64.3	64.3	100.0
	Total	387	100.0	100.0	

SOURCE: QUESTIONNAIRES' RESULT, 2017

#### 4.2 Customer's Response on SERVQUAL Dimensions

Parasuraman (1988) proposed that customers' perception of service quality is based on the comparison of their expectation of customers (what they feel service providers should offer) with their perceptions of the performance of the service provider. In this paper, the gap score analysis enables to find out how consumers perceive service quality in western Addis Ababa ERCA branch and helps to identify what dimensions of service quality they are satisfied with. According to Parasuraman et al., (1985) the Higher (more positive) the perception (P) minus expectation (E) score, the higher the perceived Service quality and thereby leading to a higher level of customer satisfaction. In this regard, the gap scores are calculated based on the difference between the consumers' perceptions and expectations of services offered by western Addis Ababa ERCA branch. For each dimension, the SERVQUAL scale provides a score for customer expectations (E) and a score for customer perceptions (P) of service quality. The differences between the two scores on each dimension are called gap scores. The key to optimizing service quality is to maximize these gap scores and the associated gap equation ( $Q = P - E$ ).

## 4.2.1 Tangibles Dimension of Service Quality

TABLE 8 SERVICE TANGIBLE DIMENSION

Dimension	Evaluation statement	Perception score	Expectation score	Quality score (Gap Score)
<b>Tangibility</b>	ERCA HAVE FILLED WITH MODERN EQUIPMENT	2.65	3.52	-0.86
	PHYSICAL FACILITIES OF ERCA ARE VISUALLY APPEALING	2.52	3.26	-0.74
	EMPLOYEES OF ERCA WELL DRESSED AND NEAT IN APPEARANCE	2.53	3.15	-0.61
	OFFICES OF ERCA ARE VISUALLY APPEALING MATERIALS ASSOCIATED WITH THE SERVICE	2.87	3.36	-0.50
<b>AVERAGE GAP SCORES TANGIBLE DIMENSION</b>				-0.68

SOURCE: QUESTIONARIES' RESULT,2017

As stated in literature part, tangible aspect of service dimension were reflected in the physical conditions, tangible aspect of service dimension reflected in the physical has tangible gap score of -0.68. Among the attributes the “EMPLOYEES OF ERCA WELL DRESSED AND NEAT IN APPEARANCE” has comparatively high gap score of -0.74 which shows that the majority of the customers perceive less attracted with the materials associated the service that attracts their visions (Table 8).

## 4.2.2 Reliability Dimension of Service Quality

TABLE 9 SERVICE RELIABILITY DIMENSION

Dimension	Evaluation statement	Perception score	Expectation score	Quality score (Gap Score)
<b>Reliability</b>	ERCA EMPLOYEES PROVIDE SERVICES AS PROMISED	2.7287	3.5245	-0.7959
	ERCA EMPLOYEES ARE DEPENDABLE(LOYAL) IN HANDLING TAXPAYERS PROBLEMS	2.457	3.5426	-1.0853
	EMPLOYEES PERFORM SERVICES RIGHT THE FIRST TIME	2.5220	3.5168	-0.9948
	EMPLOYEES PROVIDE SERVICES AT THE PROMISED TIME	2.6331	3.5840	-0.9509
	EMPLOYEES KEEP TAXPAYERS INFORMED WHEN SERVICES WILL BE PERFORMED	2.4806	3.4548	-0.9742
<b>AVERAGE GAP SCORES RELIABILITYDIMENSION</b>				-0.9602

SOURCE: QUESTIONARIES' RESULT,2017

Customers measure the reliability of the western Addis Ababa ERCA branch by considering consistency of performance uniformity of service encounter, honoring promises, keeping accurate customer records and performing the service correctly at the first encounter. As illustrated in the table 9 the reliability dimension has a gap score of -0.96 which indicates that

the branch fails to meet customer’s expectation on this dimension. “EMPLOYEES PROVIDE SERVICES AT THE PROMISED TIME”. But the ERCA score for this attribute is -0.79 which indicating that the customers do not have full confidence in the service promised by the ERCA. But the attribute “ERCA EMPLOYEES ARE DEPENDABLE(LOYAL) IN HANDLING TAXPAYERS PROBLEMS” and “EMPLOYEES PERFORM SERVICES RIGHT THE FIRST TIME” has a very low score gap of -1.08 and -0.99 respectively which shows the negative side of the ERCA staff to keep promises and to solve the customer’s problem on time.

### 4.2.3 Responsiveness Dimension of Service Quality

TABLE 10 SERVICE RESPONSIVENESS DIMENSION

Dimension	Evaluation statement	Perception score	Expectation score	Quality score (Gap Score)
Responsiveness	THE EMPLOYEES OF ERCA PROVIDE PROMPT SERVICE TO TAXPAYERS	2.3256	3.9897	-1.6641
	THE EMPLOYEES OF ERCA ARE WILLING TO HELP TAXPAYERS	2.6486	3.2222	-0.5736
	THE EMPLOYEES OF ERCA ARE READY TO RESPOND TO TAXPAYERS	2.3437	3.5323	-1.1886
<b>AVERAGE GAP SCORES RESPONSIVENESS DIMENSION</b>				<b>-1.1421</b>

SOURCE: QUESTIONARIES’ RESULT,2017

As stated in the literature, responsiveness dimension is concerned with the willingness, readiness of employees and the preparedness of the ERCA to provide a service to satisfy the needs and desires of customers. As per the result obtained from the customers in the table 10 above responsiveness has a gap score of -1.14. With regard to this dimension “THE EMPLOYEES OF ERCA ARE WILLING TO HELP TAXPAYERS” has a gap score of -0.57 demonstrating that the ERCA staffs are not able to provide prompt service to customers and are willing to help customers at their request.

### 4.2.4 Assurance Dimension of Service Quality

TABLE 11 SERVQUAL ASSURANCE DIMENSION

Dimension	Evaluation statement	Perception score	Expectation score	Quality score (Gap Score)
Assurance	ERCA EMPLOYEES ABLE TO INSPIRE CONFIDENCE IN TAXPAYERS	2.3307	3.4625	-1.1318
	ERCA EMPLOYEES MAKE TAXPAYERS FEEL SAFE IN THEIR TRANSACTIONS	2.4238	3.7003	-1.2765
	EMPLOYEES ARE POLITE AT ALL TIMES	2.3566	3.4134	-1.0568
	EMPLOYEES OF ERCA HAVE THE KNOWLEDGE TO ANSWER TAXPAYERS QUESTIONS	2.6434	3.4755	-0.8320
<b>AVERAGE GAP SCORES ASSURANCE DIMENSION</b>				<b>-1.0743</b>

SOURCE: QUESTIONARIES’ RESULT,2017

Politeness of employees, customer feeling safe in their transaction, personal behavior of employee and adequate knowledge of employee are satisfying assurance dimension of service quality. The details of the information obtained from respondents are summarized in the following table 11. As per the result assurance dimension has a gap score of -1.0743. The “ERCA EMPLOYEES ABLE TO INSPIRE CONFIDENCE IN TAXPAYERS” attribute has a gap score of -1.1318 which shows that the transactions by the employees is not that much to satisfy as per the customer expectation and the employees has some gaps in customer handling. As we can see from the result the attribute “EMPLOYEES OF ERCA HAVE THE KNOWLEDGE TO ANSWER TAXPAYERS QUESTIONS” has the least gap score of -0.8320 which indicates that customer feeling in their transaction is unsafe in some extent. Thus, the ERCA Should give attention to improve the skills of its employees by providing adequate training to update their knowledge with regard to how to serve its customers specially and also for new entrants to make them loyal in business transactions in the western Addis Ababa ERCA branch.

#### 4.2.5 Empathy Dimension of Service Quality

TABLE 12 SERVQUAL EMPATHY DIMENSION

Dimension	Evaluation statement	Perception score	Expectation score	Quality score (Gap Score)
<b>Empathy</b>	ERCA HAVE CONVENIENT OPERATING HOURS TO ALL	2.6589	3.5478	-0.8889
	EMPLOYEES GIVE TAXPAYERS PERSONAL ATTENTION TO ALL	2.5220	3.3618	-0.8398
	THE EMPLOYEES HAVE TAXPAYERS BEST INTEREST AT HEART	2.4703	3.5116	-1.0413
	EMPLOYEES UNDERSTAND TAXPAYERS NEEDS	2.2636	3.2765	-1.0129
<b>AVERAGE GAP SCORES EMPATHY DIMENSION</b>				<b>-0.9457</b>

SOURCE: QUESTIONARIES' RESULT,2017

A service provider who tries to put himself in the position of its customers to understand customers need, and then providing what they want in a convenient way have the potential to satisfy its customers on empathy dimension of service quality. As stated in the table above the empathy dimension has average gap score of -0.9457 indicating the western Addis Ababa ERCA branch deficiency at this dimension. Specifically, “EMPLOYEES GIVE TAXPAYERS PERSONAL ATTENTION TO ALL” has a gap score of -0.8398 which indicates that western Addis Ababa ERCA branch does not take in to account the customers interest and need. The attribute “ERCA HAVE CONVENIENT OPERATING HOURS TO ALL” has a gap score of -0.8889 shows the majority of the customer’s expectation nearer to their perception and customers are not satisfied.

### 4.3 Analysis of All SERVQUAL Dimensions

TABLE 13 ANALYSIS OF ALL DIMENSIONS OF SERVQUAL

Dimension	Evaluation statement	Perception score	Expectation score	Quality score (Gap Score)	Ranking of each dimension gap score
<b>Tangibility</b>	ERCA HAVE FILLED WITH MODERN EQUIPMENT	2.6537	3.5168	-0.8630	5
	PHYSICAL FACILITIES OF ERCA ARE VISUALLY APPEALING	2.5168	3.2558	-0.7390	
	EMPLOYEES OF ERCA WELL DRESSED AND NEAT IN APPEARANCE	2.5349	3.1499	-0.6150	
	OFFICES OF ERCA ARE VISUALLY APPEALING MATERIALS ASSOCIATED WITH THE SERVICE	2.8682	3.3643	-0.4961	
<b>AVERAGE GAP SCORES TANGIBLE DIMENSION</b>				<b>-0.6783</b>	
<b>Reliability</b>	ERCA EMPLOYEES PROVIDE SERVICES AS PROMISED	2.7287	3.5245	-0.7959	4
	ERCA EMPLOYEES ARE DEPENDABLE(LOYAL) IN HANDLING TAXPAYERS PROBLEMS	2.457	3.5426	-1.0853	
	EMPLOYEES PERFORM SERVICES RIGHT THE FIRST TIME	2.5220	3.5168	-0.9948	
	EMPLOYEES PROVIDE SERVICES AT THE PROMISED TIME	2.6331	3.5840	-0.9509	
	EMPLOYEES KEEP TAXPAYERS INFORMED WHEN SERVICES WILL BE PERFORMED	2.4806	3.4548	-0.9742	
<b>AVERAGE GAP SCORES RELIABILITY DIMENSION</b>				<b>-0.9602</b>	
<b>Responsiveness</b>	THE EMPLOYEES OF ERCA PROVIDE PROMPT SERVICE TO TAXPAYERS	2.3256	3.9897	-1.6641	1
	THE EMPLOYEES OF ERCA ARE WILLING TO HELP TAXPAYERS	2.6486	3.2222	-0.5736	
	THE EMPLOYEES OF ERCA ARE READY TO RESPOND TO TAXPAYERS	2.3437	3.5323	-1.1886	
<b>AVERAGE GAP SCORES Responsiveness DIMENSION</b>				<b>-1.1421</b>	
<b>Assurance</b>	ERCA EMPLOYEES ABLE TO INSPIRE CONFIDENCE IN TAXPAYERS	2.3307	3.4625	-1.1318	2
	ERCA EMPLOYEES MAKE TAXPAYERS FEEL SAFE IN THEIR TRANSACTIONS	2.4238	3.7003	-1.2765	
	EMPLOYEES ARE POLITE AT ALL TIMES	2.3566	3.4134	-1.0568	

Dimension	Evaluation statement	Perception score	Expectation score	Quality score (Gap Score)	Ranking of each dimension gap score
	EMPLOYEES OF ERCA HAVE THE KNOWLEDGE TO ANSWER TAXPAYERS QUESTIONS	2.6434	3.4755	-0.8320	3
<b>AVERAGE GAP SCORES ASSURANCE DIMENSION</b>				<b>-1.0743</b>	
<b>Empathy</b>	ERCA HAVE CONVENIENT OPERATING HOURS TO ALL	2.6589	3.5478	-0.8889	
	EMPLOYEES GIVE TAXPAYERS PERSONAL ATTENTION TO ALL	2.5220	3.3618	-0.8398	
	THE EMPLOYEES HAVE TAXPAYERS BEST INTEREST AT HEART	2.4703	3.5116	-1.0413	
	EMPLOYEES UNDERSTAND TAXPAYERS NEEDS	2.2636	3.2765	-1.0129	
<b>AVERAGE GAP SCORES EMPATHY DIMENSION</b>				<b>-0.9457</b>	

SOURCE: QUESTIONARIES' RESULT,2017

The gap analysis is accurate in identifying service short falls in an operation (Parasuraman et al, 1994). This help western Addis Ababa ERCA branch management to identify which dimension/s needs an improvement and which one is in a good condition. The Larger mean gap score are identified for the dimensions of Responsiveness which is (-1.1421) followed by Assurance' (-1.0743), empathy (-0.9457), Reliability (-0.9602), and the least gap score is shown in the tangibility is (-0.6783). This reflects that western Addis Ababa ERCA branch perform more on tangibility dimensions than other dimensions. Generally, the result indicated that there is no service quality gap which shows positive result (difference between perception and expectation). This implies that there is no dimension on which customers' perception is equal to or greater than what they expect from it. In summary, from results obtained, customers perceive service quality as poor in all dimensions meaning their expectations fall short of they actually experience in western Addis Ababa ERCA branch. In this regard, customers are not content with any dimensions of service quality. As indicated on the Table 13, all the dimensions show a gap between expected service and perceived service and this point out that western Addis Ababa ERCA branch need to make lots of improvement in all dimensions if the western Addis Ababa ERCA branch wants to be successful in customer satisfaction, in its engagements of the western Addis Ababa ERCA branch, it requires increased customer satisfaction which is the back bone of customer's service.

#### **4.4 Validity and Reliability**

Validity means the validity of the results, i.e. how well the question measures the matters chosen to be studied (Webropol, 2011). The content validity of the instrument for the present study ensured as the service quality dimensions and items would be identified from the literature and from similar thesis works.

Reliability analysis has been done to examine and investigate the reliability of the data obtained in this study and to assess the degree of consistency on multiple measurements of variable. The overall Cronbach's Alpha for the variables is above 0.7 and its reliable and acceptable.



# 5 CONCLUSION AND RECOMMENDATIONS

## 5.1 Conclusion

This study was conducted to assess the quality of services delivered to taxpayers in the case of west Addis Ababa taxpayer branch. As stated in the introduction and literature review part that how the issue of quality services delivered to taxpayers in all types and levels of the organization determines success or failure in such competitive and dynamic world-working environment.

For any tax administration, meeting the canons of taxation is valuable and has strategic endeavor for each tax collection organization and this should be supported by a quality taxpayer services by the concerned tax collection organizations. Taxpayer service usually means service and information, which the Tax Administration provides to taxpayers so that they can fulfill their tax obligations. It should also give the taxpayer a fair guideline of what consequences taxpayers' activities had in terms of taxes. The service should not only address the expressed needs of the taxpayer, it should also include assistance in areas in which the taxpayer might not even have realized that compliance could be facilitated through taxpayer service and information.

The service that delivered to taxpayer is the most significant thing in the objective of the tax authority and to the growth and development of the country. Failing to do this in the first steps were, directly has a chain effect and that leads to failure to the next process and finally in the whole cycle of the growth and development process on the individual taxpayer and national development.

As the study revealed that, the respondents have highest expectations on providing services at the promised time (reliability feature), providing prompt service to taxpayers (responsiveness feature), ability to inspire confidence in taxpayers (assurance feature), taxpayers' best interests at heart (empathy feature), issues and concerns.

The finding revealed that, the performers and taxpayers lack trust each other. Therefore, for better implementation of tax service, the higher officials should employ good governance, transparency and responsibility system in their organization.

## 5.2 Recommendations

Based on the findings of the study and the conclusion drawn the following recommendation have been forwarded: -

- In order for the ERCA's west Addis Ababa taxpayer branch office to raise the performance of tax revenue collections, the branch office should improve its service delivery through:
  - ✓ Enhancing the quality of taxpayer service, by Motivating Your Employees, set up a new-employee initiation program; and Tie your employee's actions to the business's overall performance. This should focus on improving the tangibility, responsiveness and reliability determinants of taxpayer service quality.
  - ✓ All employees at ERCA should be committed and involved in service quality improvement that is visible to all customers in order to meet or exceed their expectation.
  - ✓ The location should be such that the roads to the premises are well marked with widely known names, with easily identifiable and elaborate signboards indicating and directing customers to the premises.
  - ✓ Equip all employees with the necessary training and motivation to serve customers better as compared to other competitors. Staff training is one of the most important factors for delivering better customer service. As such it is a fundamental driver for organizational performance and profitability. When employees are motivated towards their jobs, they are motivated to do more work. Motivation of employees can be done, by giving them bonus, fringe benefits, creating conducive work atmosphere and others as applicable.
  - ✓ The library should be provided nearby for those who are interested. They should have enough material and literature about the taxes, tax laws and any other information that may facilitate taxpayer compliance. There should be enough filing cabinets and files with a good filing system, which enables quick retrieval of taxpayer files. All the documents with the branch should be well packaged and labeled when being delivered to the taxpayer.
  - ✓ The branch staff should be trained in customer care to improve their attitude and conduct towards and in dealing with taxpayers. Through training, staff will get to know and understand that a "customer is always king", and that a taxpayer need

to be listened to in order to provide a quality taxpayer service. The training can improve their skills so that they are more caring, and willing to accommodate taxpayer's views and constraints.

- ✓ They will know that employees should be easy to access and contact, willing to understand taxpayer needs, offer respect and provide individualized attention to the taxpayers, should be open minded to suggestions, able to customize the service and minimize waiting time when serving taxpayers.
- ✓ West Addis Ababa taxpayer ERCA branch should train staff so that they are well informed and knowledgeable about both theoretical and practical aspects of tax laws and regulations and tax administration issues. This will help them to follow up on issues raised by the taxpayer and give feedback timely; provide quick resolutions on queries raised by taxpayer on the tax audit assessments; provide prompt information's on the new change in government tax policies and laws to the taxpayer; be confident and conduct business securely, ethically and confidentially, thus building a good reputation of the branch's social responsibility.
- ✓ Customer surveys should be introduced to find out the quality of service provided to taxpayers and obtain regular feedbacks on taxpayers' services. This would help in identifying areas of weaknesses to devise means for improvement.

Finally, the finding indicated that further studies should be conducted with due attention by the Government and /or other interested researchers on the effectiveness of service delivery of the tax authority and the satisfaction of tax payers and also may be better considering other possible alternative for better performance system with regard to the issue for better executions of taxation.

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# Appendix

Appendix I–Gap Score Analysis Result

	Expectation mean					perceptions mean				
		N		Mean	Std. Error of Mean		N		Mean	Std. Error of Mean
		Valid	Missing				Valid	Missing		
<b>Statistics</b>	Q8.1	100	1	3.53	0.11051	Q8.1	100	1	2.66	0.1139
	Q9.1	100	1	3.27	0.11879	Q9.1	100	1	2.52	0.11235
	Q10.1	100	1	3.26	0.43266	Q10.1	100	1	2.53	0.10294
	Q11.1	100	1	3.37	0.10792	Q11.1	100	1	2.88	0.12
	Q12.2	100	1	3.52	0.08817	Q12.2	100	1	2.74	0.10975
	Q13.2	100	1	3.53	0.11051	Q13.2	100	1	2.45	0.1095
	Q14.2	100	1	3.52	0.10394	Q14.2	100	1	2.52	0.11762
	Q15.2	100	1	3.57	0.09667	Q15.2	100	1	2.63	0.12281
	Q16.2	100	1	3.45	0.1086	Q16.2	100	1	2.49	0.10963
	Q17.3	100	1	3.99	0.41815	Q17.3	100	1	2.32	0.10038
	Q18.3	100	1	3.24	0.13493	Q18.3	100	1	2.65	0.11225
	Q19.3	100	1	3.53	0.09894	Q19.3	100	1	2.34	0.09663
	Q20.4	100	1	3.47	0.10867	Q20.4	100	1	2.34	0.10562
	Q21.4	100	1	3.68	0.424	Q21.4	100	1	2.42	0.09968
	Q22.4	100	1	3.43	0.12573	Q22.4	100	1	2.36	0.10686
	Q23.4	100	1	3.49	0.12018	Q23.4	100	1	2.63	0.11777
	Q24.5	100	1	3.56	0.1113	Q24.5	100	1	2.65	0.13286
	Q25.5	100	1	3.38	0.12932	Q25.5	100	1	2.52	0.10491
	Q26.5	100	1	3.52	0.10394	Q26.5	100	1	2.45	0.11753
	Q27.5	100	1	3.29	0.10664	Q27.5	100	1	2.25	0.09574

Appendix II –Correlation Analysis Result -Expectation dimension versus Expectation mean

SERVQUAL Dimensions		Perceptions mean (A)	Expectation mean (B) Mean	Gap score (A-B)
<b>TANGIBILITY</b>	Q8.1	2.6600	3.5300	-0.8700
	Q9.1	2.5200	3.2700	-0.7500
	Q10.1	2.5300	3.2600	-0.7300
	Q11.1	2.8800	3.3700	-0.4900
<b>RELIABILITY</b>	Q12.2	2.7400	3.5200	-0.7800
	Q13.2	2.450	3.5300	-1.0800
	Q14.2	2.5200	3.5200	-1.0000
	Q15.2	2.6300	3.5700	-0.9400
	Q16.2	2.4900	3.4500	-0.9600
<b>RESPONSIBILITY</b>	Q17.3	2.3200	3.9900	-1.6700
	Q18.3	2.6500	3.2400	-0.5900
	Q19.3	2.3400	3.5300	-1.1900
<b>ASSURANCE</b>	Q20.4	2.3400	3.4700	-1.1300
	Q21.4	2.4200	3.6800	-1.2600
	Q22.4	2.3600	3.4300	-1.0700
	Q23.4	2.6300	3.4900	-0.8600
<b>EMPATHY</b>	Q24.5	2.6500	3.5600	-0.9100
	Q25.5	2.5200	3.3800	-0.8600
	Q26.5	2.4500	3.5200	-1.0700
	Q27.5	2.2500	3.2900	-1.0400

**ST. MARYS UNIVERSITY**  
**SCHOOL OF GRADUATE STUDIES**  
**Business Taxpayers' Satisfaction Survey Instrument**

Dear participant

This project is entitled Business Taxpayer's Satisfaction with the Tax administration service quality System: Taxpayers western Addis Ababa ERCA branch. The investigator is Mulugeta legesse who is currently an MSc (in General MBA) student at St.Marrys University.

The aim of this project is to assess your satisfaction (perception) with the various aspects of business tax issue in order to enable the government, particularly tax authority improve themselves and its services more effectively. To supplement the data obtained from different sources, the investigator seeks to gather relevant information from a sample of 100 business taxpayers by means of self-administered question using semi structured questionnaire.

Participation in this project is completely voluntary, the questionnaire results will be recorded anonymously and strict confidentiality will be maintained. Individual responses will not be identified in the investigator's MSc thesis.

For further information please contact Mulugeta legesse by the following address.

Tel: - 0911025730

Email: -[mulu\\_leg@yahoo.com](mailto:mulu_leg@yahoo.com)

**Section I: Respondent’s Background**

For each of the following questions/items, please indicate your choice from the list, and show your choice by putting √ in the box along the selected item.

1. Please indicate your age.

<b>20 - 30 years</b>	<input type="checkbox"/>
<b>31- 40 years</b>	<input type="checkbox"/>
<b>41-50 years</b>	<input type="checkbox"/>
<b>Above 50 years</b>	<input type="checkbox"/>

2. Please indicate your gender.

<b>Male</b>	<input type="checkbox"/>
<b>Female</b>	<input type="checkbox"/>

3. Please indicate your educational qualification.

<b>Below 12 grade</b>	<input type="checkbox"/>
<b>Grade 12 completed</b>	<input type="checkbox"/>
<b>Diploma</b>	<input type="checkbox"/>
<b>First degree</b>	<input type="checkbox"/>
<b>Master’s degree and above</b>	<input type="checkbox"/>
<b>Others specify _____</b>	<input type="checkbox"/>

4. Please indicate your position in the business.

<b>Owner</b>	<input type="checkbox"/>
<b>Manager</b>	<input type="checkbox"/>
<b>Employee</b>	<input type="checkbox"/>
<b>Owner/manager</b>	<input type="checkbox"/>
<b>Others Please specify .....</b>	<input type="checkbox"/>

If your answer is, Employee please tell us your position \_\_\_\_\_

5. Please indicate how long you have been working on tax related issue.

<b>Less than 1 year</b>	<input type="checkbox"/>
<b>1-5 years</b>	<input type="checkbox"/>
<b>6-10 years</b>	<input type="checkbox"/>
<b>More than 10 years</b>	<input type="checkbox"/>

6. Please indicate the frequency of your visit to ERCA.

<b>On average 2 visits a year</b>	<input type="checkbox"/>
<b>On average 3 visits a year</b>	<input type="checkbox"/>
<b>On average 6 visits a year</b>	<input type="checkbox"/>
<b>Monthly</b>	<input type="checkbox"/>
<b>Not applicable</b>	<input type="checkbox"/>

**Section II Customer expectation (anticipation)**

		Rating scale					
<b>Dimensions</b>	<b>Qs No.</b>	<b>Statement of evaluation</b>	<b>Strongly Disagree</b> 1	<b>Disagree</b> 2	<b>Neutral</b> 3	<b>Agree</b> 4	<b>Strongly agree</b> 5
<b>Tangibility</b>	8.	ERCA have filled with modern equipment					
	9.	Physical facilities of ERCA are visually appealing					
	11.	Employees of ERCA well dressed and neat in appearance					
	12.	Offices of ERCA are Visually appealing materials associated with the Service					
<b>Reliability</b>	13.	ERCA employees provide services as promised					
	14.	ERCA employees are dependable(loyal) in handling taxpayers problems					
	15.	Employees perform services right the first time					
	16.	Employees provide services at					

		the promised time					
	17.	Employees keep taxpayers informed when services will be performed					
<b>Responsiveness</b>	18.	The employees of ERCA provide prompt service to taxpayers					
	19.	The employees of ERCA are willing to help taxpayers					
	20.	The employees of ERCA are ready to respond to taxpayers requests					
<b>Assurance</b>	21.	ERCA employees Able to inspire confidence in taxpayers					
	22.	ERCA employees make taxpayers feel safe in their transactions					
	23.	Employees are polite at all times					
	24.	Employees Have the knowledge to answer taxpayers' questions					
<b>Empathy</b>	25.	ERCA Have convenient operating hours to all					
	26.	Employees given taxpayers personal attention to all					
	27.	Employees have taxpayers' best interests at heart					
	28.	Employees understanding taxpayers' needs					

**Section III Customer perception of the superiority of service quality of western Addis Ababa ERCA branch**

Please show the extent to which you believe western Addis Ababa ERCA branch has the features described in the statement. Once again, make (√) mark in numbers 1-5 you may select any of the numbers that show how strong your feelings are.

Dimensions	Qs No.	Statement of evaluation	Rating scale				
			Strongly Disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly agree 5
<b>Tangibility</b>	8.	ERCA have filled with modern equipment					
	9.	Physical facilities of ERCA are visually appealing					
	11.	Employees of ERCA well dressed and neat in appearance					
	12.	Offices of ERCA are Visually appealing materials associated with the Service					
<b>Reliability</b>	13.	ERCA employees provide services as promised					
	14.	ERCA employees are dependable(loyal) in handling taxpayers problems					
	15.	Employees perform services right the first time					
	16.	Employees provide services at the promised time					
	17.	Employees keep taxpayers informed when services will be performed					
<b>Responsiveness</b>	18.	The employees of ERCA provide prompt service to taxpayers					
	19.	The employees of ERCA are willing to help taxpayers					
	20.	The employees of ERCA are ready to respond to taxpayers requests					



<b>Assurance</b>	21.	ERCA employees Able to inspire confidence in taxpayers					
	22.	ERCA employees make taxpayers feel safe in their transactions					
	23.	Employees are polite at all times					
	24.	Employees Have the knowledge to answer taxpayers' questions					
<b>Empathy</b>	25.	ERCA Have convenient operating hours to all					
	26.	Employees given taxpayers personal attention to all					
	27.	Employees have taxpayers' best interests at heart					
	28.	Employees understanding taxpayers' needs					

**Please state your feelings on the space provided**

1. How do you rate your overall satisfaction in western Addis Ababa ERCA branch customer service?.....

2. What improvements do you suggest the western Addis Ababa ERCA branch need to make in the overall customer service.....

3. Please feel free to offer any suggestions or comments you want to add that the western Addis Ababa ERCA branch should do to satisfy the perceptions and expectations of its customers?.....

.....

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**Thank you very much for your cooperation!!!**