

**IMPROVING SERVICE QUALITY MEASUREMENT FOR
SUSTAINABLE TAX ADMINISTRATION: THE CASE OF
KENYA REVENUE AUTHORITY**

**BY
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the Award of the Degree of Master of Business Administration School of Business,**

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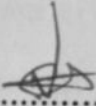
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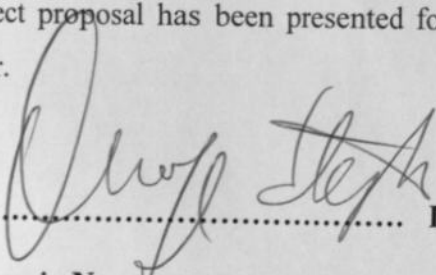
Declaration

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than Nairobi University for academic credit.

Signed:  Date: 17/11/2010

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This project proposal has been presented for examination with my approval as the appointed supervisor.

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Dedication

I dedicate this paper to my parents, my family and the KRA fraternity. Thank you for supporting me and standing by me throughout this programme.

Abstract

This study examined the quality of service provided by the Kenya Revenue Authority (KRA), Domestic Taxes Department (DTD) from the perspective of the taxpayers. The tax practitioners were selected to represent the taxpayers. The study determined the gaps between taxpayers' expectations and perceptions of service quality and it indicated the level of taxpayer satisfaction of the services offered by DTD.

The objective of the study was meant to establish ways of improving service quality measurement for sustainable tax administration via determining taxpayers expectation, ascertaining taxpayers perception, analysis of service gaps, determining the relative importance of the service dimensions and identifying negative responses in the business processes all with a view of using the results for service improvements and to make informed decisions concerning the quality of service that is offered by tax administration.

The research method used for this study was the descriptive survey. A modified SERVQUAL instrument was used to collect data. The population of the study consisted of tax practitioners practicing in Nairobi Central Business Division, (CBD). A random sampling method was used to obtain a sample from the population sample size of 60 respondents. 45 respondents completed the questionnaire reflecting a response rate of 75 %, which was sufficient for data analysis. The results were analysed using SPSS version 16.0 and descriptive narrative and interpreted in line with the specific aims of the study.

The results from this study indicate that there is definitely a huge gap between tax practitioners' expectations and perceptions of service quality at DTD. Reliability and assurance dimensions had the greatest weighted gap score. Empathy and tangibility had the least weighted gap score. The respondents also indicated issues they negatively disliked in the business processes in DTD.

Based on the findings, recommendations are presented to improve service quality in the tax administration.

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Abbreviations and Acronyms

AOQ	Actual Outcome Quality	42
APQ	Actual Process Quality	43
CIC	Complaints Information Centre	44
DTD	Domestic Taxes Department	44
ICPAK	Institute of Certified Public Accountants of Kenya	45
KRA	Kenya Revenue Authority	49
PCE	Prior Customer Expectations	52
PQ	Perceived Quality	53
SERVQUAL	Service Quality	54

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CHAPTER 1: INTRODUCTION

1.1 Background of the Study

Service quality improvement is one of the most important processes in public sector. Today globalization and liberalization are affecting economies and tax administrators' worldwide. The focus areas for tax administrators are also changing from revenue maximization to maximizing revenue through increased customer satisfaction. The challenges faced by tax administrators are forcing tax authorities to not only look on the processes but also on the way they are delivered. During past two decades, internationally, revenue agencies generally began to focus on internal improvements and structural changes, commonly known as tax reforms (Rettie, 2005). Some of the key changes that have taken place are: horizontal business processes replacing vertical functional approach; greater sharing of information with all connected links and customers; employee empowerment integrated customer driven processes; easily accessible information through internet and the need for rules based real time decision support system.

Owing to the factors like opening up of markets e.g. COMESA, East African Community (EAC), increase in use of Information Technology, increased customer knowledge and awareness, it becomes a must for tax administrators to deliver the services better and continuously improve on service delivery. Service quality is recognized as key to the success of public service delivery which is the individual's perception of the performance of the service in relation to expectations. An effective program of taxpayer service activities is a critical objective of all revenue authorities. The general complexity of the tax laws coupled with the relatively large populations of taxpayers to be administered means that, fundamentally, all revenue authorities must rely

immediately after the provision and performance of that service (Douglas and Connor, 2003). Oberholzer, (2008) found that taxpayers, perceptions influence their attitudes towards tax compliance and that it is important for tax administrators to build a close relationship with taxpayers for sustainability.

Owing to the importance of service quality, there has been a systematic development of a variety of concepts and models. From the literature review, it is clear that there does not seem to be a well accepted conceptual definition and model of service quality nor is there any generally accepted operational definition of how to measure service quality. However, majority of models and definitions support the view of evaluating service quality by comparing their service quality expectation with their perceptions of service quality they have experienced (Seth et al 2005).

This study attempted to investigate ways of improving service quality in tax administration by use of modified SERVQUAL instrument appropriately tailored to the context of tax administration.

1.2 Tax Administration

Tax administration is a set of interrelated processes with the purpose of ensuring a complete, timely and fair collection of revenue from taxes and duties pursuant to the tax laws; comprising registering tax payers, accounting for tax revenue, claiming of outstanding tax payments, and provision of advice to taxpayers and resolving tax disputes. The goals assumed for the tax administration agency are to maximize tax revenue collection through voluntary compliance at minimum compliance cost and providing quality services to taxpayers, (Serra, 2005).

Outcomes achieved by any public agency depend on the behaviour of citizens, and this is particularly true in the case of tax administration. There, is empirical evidence that voluntary compliance by taxpayers improves when the tax administration provides better services (Wallschutzky, 1984).

1.3 Kenya Revenue Authority.

Kenya Revenue Authority (KRA) is a service organization. The Authority is charged with the responsibility of assessment and collection of revenue, administration and enforcement of laws relating to revenue and provision of written law (KRA, Corporate Plan, 2009). Its mission is to promote compliance with Kenya's tax, trade and border legislation and regulations.

KRA operates under the self assessment tax system; a taxpayer computes his own income and calculates the due tax by applying the prevailing law. In preparing his tax return he has to follow the relevant tax law and use the various forms to complete his final tax. When the tax law is very complicated and found to be difficult to understand, a taxpayer may experience difficulties to file his return. In such a situation customer service is very useful and effective to overcome the problems faced by the taxpayer. The taxpayer is the customer for the revenue department. It is an accepted principle that better service satisfies the customer and eventually leads to achievement of better results. Therefore customer service is an essential component of an efficient and effective tax administration (Park, 2003).

The management of KRA has demonstrated commitment towards improvement of services to taxpayers. This is evidenced in their comprehensive Programmes of major initiatives towards

improving service options to taxpayers, facilitating participation by all sectors and simplification of the tax process. The initiatives taken to improve service delivery include:

KRA's website was established and updated to enhance communication with taxpayers. A customer care desk established at head office as well as regional office levels to provide necessary guidance and assistance to taxpayers. A taxpayer services division was created to coordinate the taxpayer education and information to taxpayers. This effort is aimed at empowering taxpayers through information and education, with a view to enhancing tax compliance (KRA third Corporate Plan 2006/2009). The taxpayer services unit disseminates guides, brochures, pamphlets, bulletins and having advertisements in both print and media to sensitize taxpayers of their obligations and educating them on the interpretation of tax laws.

The publication and release of the taxpayer's charter, which outlines the rights and obligations of the taxpayer. The service charter is intended to ensure that taxpayers' expectations of service delivery are matched by achievable and measurable performance standards. The establishments of the complaints information centre (CIC) in year 2003, to assist taxpayer hear their concerns, the office provides a channel for taxpayers to voice their complaints about areas in which they do not receive the service they deserve (Daily Nation, 21st May,2003). Apart from the creation of the CIC, there is a KRA local tribunal to address tax disputes, Income Tax Act Cap.470, Sec. 82 and 83.

KRA emphasizes the development of its people to maintain and enhance the level of competence. Courses are offered through its internal training centres as well as through external

curriculum and benchmarking with the best practices (KRA 3rd Corporate Plan 2006/2009). Organizing tax clinics, that is moving to where taxpayers are operating and educating them of their rights and obligations and bringing tax services closer to them. The concept of Tax Clinics was adopted, with service oriented approach where taxpayers are educated on various tax matters. During the clinics, taxpayers are given a chance to air their grievances and make suggestions on service improvement (KRA 3rd Corporate Plan, 2006/2009).

Embracing of quality management performance systems through application of ISO standards was another important initiative that lead the operations of KRA being ISO certified under ISO 9001:2000 Quality Certification. On a yearly basis, KRA recognizes taxpayers' efforts towards compliance with the tax laws and contribution to the Government revenue, where distinguished taxpayers are offered recognition and appreciation (KRA Revenews Bulletins, Issue No.28, November 2008).

A call centre was established in January 2009 to enhance communication with taxpayers. KRA online services was officially launched on 29th January 2009, as part of the revenue administration reform and modernization programme aimed at improving efficiency of tax collection process, provide quality service to taxpayers by enhancing speed of service delivery and accuracy of transactions (KRA Revenews, Issue No.34, May 2009).

Customer satisfaction surveys are conducted through the Research & Corporate Planning Department of KRA, to measure overall satisfaction of services with a view of getting to know the customers' perceptions, in order to formulate strategies to improve on service delivery.

However, despite the reforms taken to deliver quality services, taxpayers have expressed several concerns regarding the tax authority. The issues raised through the Complaints and Information Centre indicated that KRA was not sufficiently customer-focused. The complaints include customers being referred from office to office, lack of proper and timely information to customers, rudeness and aggressive behaviour by some staff, misdirecting of customers by members of staff, complaints of the telephone not being answered by the call centre and emerging personnel, or being kept on hold for too long and allegations of staff demanding bribes from taxpayers (KRA, 4th Corporate Plan 2010/12). Taxpayers complain that VAT refunds process is long. Other areas of poor service delivery were identified in the National Business Agenda (NBA) produced by the private sector, that tax payers are not satisfied with the long queues, time consuming services, unavailability of services for online transactions, lack of courtesy from staff, lack of VAT return booklets and excessive assessments.

1.4 Statement of the Problem

Taxpayers have become more conscious of service quality and organizations are judged more on their overall service quality performance. To ensure and guarantee continued service improvements, there is need to constantly analyze taxpayers' perception of the service quality offered by organization, (KRA Service Delivery survey, 2008). Donnelly et al (1995) criticized that the common customer survey which is widely used traditionally by most organization is more focused on performance of services i.e what the customer solely thought about the current services provided by organization. These customer surveys seldom give opportunity to clients in providing their expectation upon the level of service quality that they desire in a clear manner. The clients' expectation which is the critical component in service quality analysis is not taken

into account in the previous customer surveys carried out by KRA. The client expectation is also an important feedback to service managers for their policy formulation in improving their delivery system at any point of time.

Although, revenue authorities have support of law and taxpayers may not have much choice but comply, the Authority has an obligation to provide service to taxpayers in transparent and streamlined manner in order to improve taxpayers' compliance with set laws and easy administration of taxation. It is also a requirement for public institutions under the Kenya's Public Performance Contracting guidelines 2009/10, to ensure complaints are dealt with and services are delivered efficiently and effectively

Despite its considerable initiatives in minimising customer compliance costs and enhancing customer service, various surveys and reports have exposed the weaknesses in service delivery. The aim of this study was to investigate and determine the ways to improve service quality by applying the SERVQUAL model.

Studies on service quality using SERVQUAL model that have been undertaken in the Kenyan service sector include, Gachie (2008) did an evaluation of service quality in the Kenyan commercial banks and found that reliability was the most important service dimension and empathy was the least; Muluka (2008) researched on freight customer's perception of service quality by Rift Valley Railways and found out there was a service gap between the expected service and the perceived service by customer, empathy was the most important and reliability the least and Gitobu (2006) researched on the perception of hospitals on quality services rendered by National Hospital Insurance Fund, the results indicated that there were high expectation on tangibility, understanding of customer and low expectation was on courtesy and

access. In these entire studies SERVQUAL instrument was successfully used in making the various service sectors understand the service quality gaps in their respective organizations. The findings in these studies may not be relevant or applicable to a tax authority. The researcher was not aware of any study that has been carried out to establish service quality improvements in Kenyan tax administration using SERVQUAL model, hence the justification of this study.

A review of twenty years of SERVQUAL research by Riadh Ladhari, (2009), concludes that, 'despite legitimate concerns about the validity of the scale, it remains a useful tool for measuring and managing service quality. Nevertheless, it is important to note that the SERVQUAL scale should not be used as it is in all circumstances. Researchers should either: adapt the SERVQUAL methodology to develop their own instrument for a specific industry or specific study context; or validate the instrument after data collection through reliability and validity analysis. "It is for this purpose this research sought to identify if the measure operates in the same way in Tax administration services within a Tax Authority as it does in other contexts, hence the research question;

1. Can SERVQUAL reliably assess service quality perceptions/expectations among taxpayers in regard to services offered by tax administration?
2. What are the main service dimensions that are more important to taxpayers?
3. Which service quality dimensions should tax administrators focus resources on, in order to improve quality of service?

1.5 Objective of the Study

The key objective was to establish the critical issues required to improve service quality for sustainable tax administration.

The specific objectives are to:

1. Determine the taxpayers' expectation of quality of service offered by tax administrators.
2. Establish the taxpayers' perception of quality of service rendered by tax administrators.
3. Determine the relative importance of the service dimension.
4. Determine the critical service dimension requiring improvement.
5. Propose recommendations for improving the tax administration level of service

1.6 Importance of the Study

The findings of this study can be used by tax administrators to improve service quality and provide a medium to retain their customer base.

Other organizations may use the outcomes of the research study to revisit its service delivery and in particular focus on addressing the customer needs.

The study is of benefit to taxpayers who can use its findings to press for service quality delivery by the tax administrators.

Researchers and academia can use its findings to further research on the subject.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter reviews literature on the meaning of services, characteristic of services, meaning of quality, service quality, perception of service, the service quality determinants/dimensions of service, service gap analysis, Servqual instrument for measuring service quality, criticism of SERVQUAL, service measurement in tax administrations, taxpayer service concept, and challenges facing tax administration.

2.2 Meaning of Services

Within the study field of Services Management there are many definitions of services and schemes for conceptualizing and classifying services and service operations. Among the definitions are:

“A service is an activity or series of activities of more or less intangible nature that normally, but not necessarily, take place in interactions between the customer and the service employee and/or physical resources or goods and/or systems of the service provider, which are provided as solutions to customer problems.” Gronroos (1996).

“A service is any act or performance that one party can offer to another that is essentially intangible and does not result in ownership of anything. Its production may or may not be linked to a physical product”, Kotler (1996).

2.3 Characteristics of Services

The salient features of services have an impact on the approach and substance of service quality management as discussed below:

2.3.1 Inseparability of Production and Consumption.

Pure services cannot be produced at one time and in one place and then be stored for later use somewhere else. There is therefore a relatively small time-gap between production and consumption, and services are often consumed as they are produced (Schneider & White 2004).

Tax authorities render different types of service. The services of registering taxpayers, accessing their tax returns and processing any tax payment can technically be separated, as there could be internal processes to check for the incorrect capturing of the registration, return processing and payment. The tax practitioner can also assess the accuracy of the service of assessment. On the other hand, a tax practitioner for example, visits tax office with a tax query or telephones the call centre, the service could be regarded as inseparable, as the response of the staff cannot be checked for defects before any communication takes place between the two parties.

2.3.2 Intangibility of Service.

This characteristic implies that pure services cannot be seen, touched, held, tasted, smelled or stored-they have no physical manifestation (Schneider & White 2004; Speller & Ghobadian 1994), because of its intangibility precise evaluation of the quality of service output is difficult (Haywood-Farmer 1998). Schneider and White (2004), states that pure services are essentially processes that are experiences which yield psychological experiences more than they yield physical possessions.

2.3.3 Perish ability of Services.

Services are perishable and cannot be stored in one time period for consumption at a later date. This means that, unlike manufactured goods, it is not possible to have a final quality check. The

service provider needs to get the service right first time, every time, (Speller and Ghobadian 1994).

2.3.4 Heterogeneity of Services.

It is often difficult to reproduce a service consistently and exactly. A number of factors can affect the extent of the heterogeneity of service provisions. First, delivery of service often involves some form of contact between the consumer and service provider. The behaviour of the service provider influences the consumer's perception of quality. It is difficult to assure consistency and uniformity of behaviour. Moreover, it is not easy to standardize and control this facet of service delivery. In effect what the firm intends to deliver may be entirely different from what the consumer receives. Second, service operations depend on consumers to articulate their needs or provide information. The accuracy of the information and the ability of the service provider to interpret this information correctly has a significant influence on the consumer's perception of service quality. Third, the priority and expectations of the consumer may vary each time he or she uses the service. Moreover, priority and expectations may change during the delivery of the service. The variability of service from one period to another and from consumer to consumer makes quality assurance and control difficult. Service providers have to rely heavily on the competence and ability of their staff to understand the requirements of the consumer and react in an appropriate manner (Speller and Ghobadian 1994).

2.3.5 Interdependence

One unique aspect of services is that the customer is not simply the user of the service, but also participates in the production and delivery of the service. This may be referred to as

“interdependence”, which can be defined as “the effect interacting persons have on each other’s outcomes in a social relationship” (McCallum & Harrison 1985). For many services, the customer is required to contribute information or effort before the service transaction can be consummated (Kelly et al 1990) a service organization does not function well unless the role of the customer (for example, the information or effort contributed) is adequately fulfilled (Eiglier & Langeard 1977; Kelly et al 1990; McCallum & Harrison 1985) hence, service productivity and quality depend not only on the performance of the service providers’ personnel, but also on the performance of the consumer (Phillip & Hazlett 1997).

Arising from this, interdependence characteristic, it should thus be acknowledged that the service quality of a tax authority as perceived by tax practitioners should be looked at within the context of an interdependent social interaction, and additional information from tax authority itself regarding internal service quality results might balance the perceptions expressed by the tax practitioners.

2.4 Quality

2.4.1 The Meaning of ‘Quality’

The term “quality” means a different thing to different people. This is why defining “quality” is often the first step in most “quality improvement” journeys. In literature there are various approaches to defining quality. These approaches are:

2.4.1.2 Product Led.

Here “quality” is defined as the units of goodness packed into a product or service. Thus, a “quality” service will contain more units of goodness than a lower “quality” service. This

definition relies on the quantification of the service's units of goodness or tangible attributes. In practice, however, it is not easy to clearly identify services' attributes, let alone quantify them. In addition, "goodness" is not absolute but relative to a particular circumstance, (Speller and Ghobadian 1994).

2.4.1.2 Process or Supply Led.

In this approach, "quality" is defined as "conformance to requirements". The definitions of quality proposed by Crosby (1980) and Taguchi (1986) fall within this category. These definitions lay emphasis on the importance of the management and control of supply-side quality. The focus is internal rather than external. Such a definition is useful for organizations, which perceive their problems as lying within the transformation or engineering process. Alternatively, this definition might be useful in organizations producing either standard products or services, or where the output can be classified as a commodity. Organizations offering a "standard service" involving "low or short customer contact", such as "refuse collection", "postal service", "home deliveries", "public transport", "financial services" and "fast food chains", may find this definition useful. This is partly because of the important role of process in determining the quality of the outcome (Speller and Ghobadian 1994).

2.4.1.3 Customer Led.

Here the focus is external. "Quality" is defined as "satisfying customer's requirements" or "fitness for purpose". The definitions of quality put forward by Deming (1986), Juran et al

1974), Feigenbaum (1986) and Ishikawa (1985) fall within this category. This approach relies on the ability of the organization to determine customers' requirements and then meet these requirements. A "customer-led" definition implicitly encompasses the "supply-led" approach. This is because customers' requirements are built into the service at the design stage, but it is at the transformation stage that the degree of conformance is determined. The "customer-led" definition is probably most appropriate for organizations offering "high-contact", "skill-knowledge-based", or "labour-intensive" services such as, health care, law, accountancy, hairdressing, education, consultancy, leisure, and hotels (Speller and Ghobadian 1994). This study adopts the customer led approach to quality.

2.4.1.4 Value Led.

"Quality", here, is defined either as the "cost to the producer and price to the customer" or as "meeting the customer's requirements in terms of quality, price, and availability". The focus again is external. The approach implies that there is a trade-off between "quality", "price", and "availability". The purchaser evaluates "quality", "price" and "availability" within the same decision algorithm. Implicit in this approach is the importance of clear market segmentation and greater focus in the provision of service. Grocock's, (1986) definition of "quality" is a good example of a "value-led" definition. This definition of "quality" can be adopted by most service organizations (Speller and Ghobadian 1994).

2.5 Perceived Service Quality

The English Oxford dictionary defines perception as 'the ability to see, hear, or become aware of something through the senses'. The universally known five senses are sight, hearing, touch, taste and smell, all these affects people's perception. O'Brien (2004) defines perception as 'the

process by which we acquire information about the world around us using our five senses'. Lumsden and Lumsden (2000) acknowledge that perception is subjective. They argue that perception is 'the way people pay attention to a stimulus and how they interpret that stimulus for themselves'.

According to (Lumsden & Lumsden 2000), there are three main reasons why perceptions are subjective. Firstly, people perceive selectively (their motives, needs, drives, wants and experiences may keep them from seeing things that are unacceptable or unknown to them). Secondly, people perceive what their background permits them to perceive (the background is usually influenced by their culture, language, gender, and previous experiences). Thirdly, people multiply their misperceptions regarding other people (thus no one can be sure how another person perceives other persons, objects or ideas).

Perceptions are experiential states of mind and not necessarily real (Haywood-Farmer 1998).

Gronroos (1983) defines perceived service quality as 'the result of the consumer's perception of the service itself'. This implies that, as Parasuraman et al (1986) put it, perceived quality refers to 'the consumer's judgment about a service's overall excellence or superiority. It differs from objective quality, it is a form of attitude, it is related but not equivalent to satisfaction, and it results from a comparison of expectations with perceptions of performance'. Haywood-Farmer (1988) also suggests that customers form their judgment of perceived service quality by comparing their perceptions of what they receive to their expectations of what they should receive. Expectations can thus be added to the subjective factors that may influence customers' formation of perceptions of service quality.

Boothe (1990) regards perceived quality as “the customer’s feel for the quality of the service that has been provided” Schneider and White (2004) define service quality as “a judgment about a service’s overall excellence or superiority”. Perceived service quality is based on both a cognitive judgment (that is, an inference about the superiority of the product or service based on a rational assessment of characteristics or attributes) and affective judgment (that is, an emotional response of pleasure and arousal) (Jiang & Wang, 2006).

In this research of assessing the service quality at tax authority with a view of improving services, it is expected that, such perceived service quality would tend to be viewed subjectively by the tax practitioner, to be predominantly a cognitive judgment and to be represented by the difference between perception of performance and expectations.

2.6 Service Quality Measure

According to Speller and Ghobadian (1994), “Quality” in a service organization is a measure of the extent to which the service delivered meets the customer’s expectations. The nature of most services is such that the customer is present in the delivery process. This means that the perception of quality is influenced not only by the “service outcome” but also by the “service process”. The “perceived quality” lies along a continuum. “Unacceptable quality” lies at one end of this continuum, while “ideal quality” lies at the other end, the points in between represent different gradations of quality.

One such point is the “satisfactory quality”. The perceived quality can be represented as follows:
Prior Customer Expectations + Actual Process Quality + Actual Outcome Quality = Perceived Quality. (PCE+APQ+AOQ= PQ)

This paradigm implies that “prior expectations” are compared with the actual “service delivery process” and the “service outcome” and that it is through this comparison that the “perceived quality” is fashioned.

“Prior customer expectation” is the a priori image of what will be received when the consumer purchases a service. Several factors influence the “a priori image”. These include: personal needs; past experience; word of mouth; market communications; image; and price. Thus, the provider of service can be proactive in shaping the “customer’s expectations” through its marketing and external communication efforts.

“Actual quality” is the real level of “service quality” provided. This is determined and controlled by the “service provider”. It is possible to quantify and set standards for some, if not all, of the “service quality” characteristics. It is, however, imperative to note that the “quality” of a service is determined by the “customer’s perception” and not by the perceptions of the providers of the service. Thus, it is crucial that customer requirements are determined, and service “delivery” and “outcome” designed, to meet these requirements.

“Perceived quality” is the customer’s feel for the “quality” of the service. It determines the extent of the customer’s satisfaction. The three key possible “quality” outcomes are:

Satisfactory quality, where customer’s expectations (CE) are exactly met: that is to say, $PCE = PQ$;

Ideal quality, where perceived quality is higher than customer’s expectations: that is to say, $PQ > PCE$;

Unacceptable quality, where perceived quality is lower than customer's expectations: that is to say, $PQ < PCE$.

The provider of the service should ensure that either condition (i) or condition (ii) is attained each time the service is delivered. It is not practical to focus on the points that may lie in between these three landmarks on the quality continuum. The service providers are more likely to reach conditions (i) and (ii) if they have a clear understanding of the customers' expected quality.

2.7 Determinants of Quality/Dimensions of Service Quality

"Quality" is not a singular but a multi-dimensional phenomenon. It is not possible to ensure product or service quality without determining the salient aspects of "quality". Parasuraman et al (1988) defined ten generic determinants of "service quality" and can be customized in this study as follows;

(1) Tangibles: these include the appearance of physical facilities, equipment, personnel, communications, use of appropriate materials, etc. Tangibles are more important in high contact services, i.e. conditions of the buildings.

(2) Reliability: it is the ability to provide the promised service dependably and accurately. For example, in the case of tax authorities, this means the ability to deliver accurate first-time service solutions in processing tax registrations, issuing tax returns, processing and issuing tax assessments, processing tax payments, processing and paying tax refunds, processing and issuing tax clearance certificates and processing objections and issuing answers to the objections.

(3) Responsiveness: it is the ability to deal effectively and promptly with customer requirements and complaints. For example, the speed of the turnaround time for resolving queries or updating

required taxpayer information when practitioners correspond with tax authorities by means of a fax or postal services or e-mail or call centre responses and personal visits.

(4) Assurance: knowledge, experience, courtesy and readiness to maintain client confidence and trust.

(4.1) Competence: staff should possess the necessary skill, knowledge, and information to perform the service effectively.

(4.2) Courtesy: the politeness, respect, consideration and friendliness shown to the customer by the contact personnel.

(4.3) Credibility: the extent to which the service is believed and trusted. It involves the service provider's name and reputation and personal traits of front line staff.

(4.4) Security: the freedom from danger, risk and doubt. It involves physical safety, financial security and confidentiality.

(5) Empathy: it involves caring and providing individualized attention to customers.

(5.1) Access: the ease of approachability and contact; this includes convenient opening hours, location and getting through on the telephone.

(5.2) Communication: clear and regular communication with clients to keep them informed about the service. For example, give detailed and accurate information whenever a delay in service occurs.

(5.3) Understanding/knowing the customer: involves understanding the customer's needs and requirements. It emphasizes close client focus and customization.

2.8 Using SERVQUAL to Evaluate Service Quality

The SERVQUAL determinants have been widely accepted in the areas of service quality and customer satisfaction. Since the original ten determinants (Zeithaml et al 1988) have been modified into five determinants, only the current five will be addressed. A discussion of the five revised determinants developed by Parasuraman et al (1991, 1994): tangibles, reliability, responsiveness, assurance, and empathy are set out below:

2.8.1 Tangibles

Tangibles would include those attributes pertaining to physical items such as equipment, buildings, and the appearance of both personnel and the devices utilized to communicate to the consumer. Bitner (1992) presented her conceptual framework for examining the impact of physical surroundings as it related to both customers and employees. Berry and Clark (1991) provided validation of the physical appearance on the consumer's assessment of quality. With the research by Bitner (1990), it was noted that physical appearance might influence the consumer's level of satisfaction. Tangible were one of the original dimensions that was not modified by Zeithaml et al (1988).

2.8.2 Reliability

Reliability relates to the personnel's ability to deliver the service in a dependable and accurate manner. Numerous researchers, including Garvin (1987) found that reliability tends to always show up in the evaluation of service. Parasuraman et al (1988) indicated that reliability normally is the most important attribute consumers seek in the area of quality service. It was also

determined by Parasuraman, et al (1991) that the conversion of negative wording to positive wording as suggested by Babakus and Boller (1991) and Carman (1990) increased the accuracy of this dimension. Negative wording in the request for a customer response caused the customer to misinterpret this particular determinant. Walker (1995) found that if there is an adequate delivery of the basic level of service, then peripheral performance leads consumers to evaluate the service encounter as satisfactory. Reliability was one of the original dimensions not modified by Zeithaml et al (1988).

2.8.3 Responsiveness

The desire and willingness to assist customers and deliver prompt service makes up the dimension of responsiveness. Parasuraman, et al (1991) include such elements in responsiveness as telling the customer the exact time frame within which services will be performed, promptness of service, willingness to be of assistance, and never too busy to respond to customer requests. Bahia and Nantel (2000) disregarded responsiveness in their research, claiming a lack of reliability even though they recognized SERVQUAL and all of its dimensions as the best known, most universally accepted scale to measure perceived service quality. Responsiveness was also one of the original dimensions not modified by Zeithaml et al (1988).

2.8.4 Assurance

Knowledgeable and courteous employees who inspire confidence and trust from their customers establish assurance. In banking studies by Anderson et al (1976), it was determined that a substantial level of trust in the bank and its abilities was necessary to make the consumer comfortable enough to establish a banking relationship. Parasuraman et al (1991) included

actions by employees such as always courteous behavior instills confidence and knowledge as prime elements of assurance. Assurance replaces competence, courtesy, credibility, and security in the original ten dimensions for evaluating service quality (Zeithaml et al 1988).

2.8.5 Empathy

Empathy is the caring and personalized attention the organization provides its customers. Individual attention and convenient operating hours were the two primary elements included by Parasuraman et al (1991) in their evaluation of empathy. The degree to which the customer feels the empathy will cause the customer to either accept or reject the service encounter. Empathy replaces access, communication, and understanding the customer in the original ten dimensions for evaluating service quality (Zeithaml et al 1988).

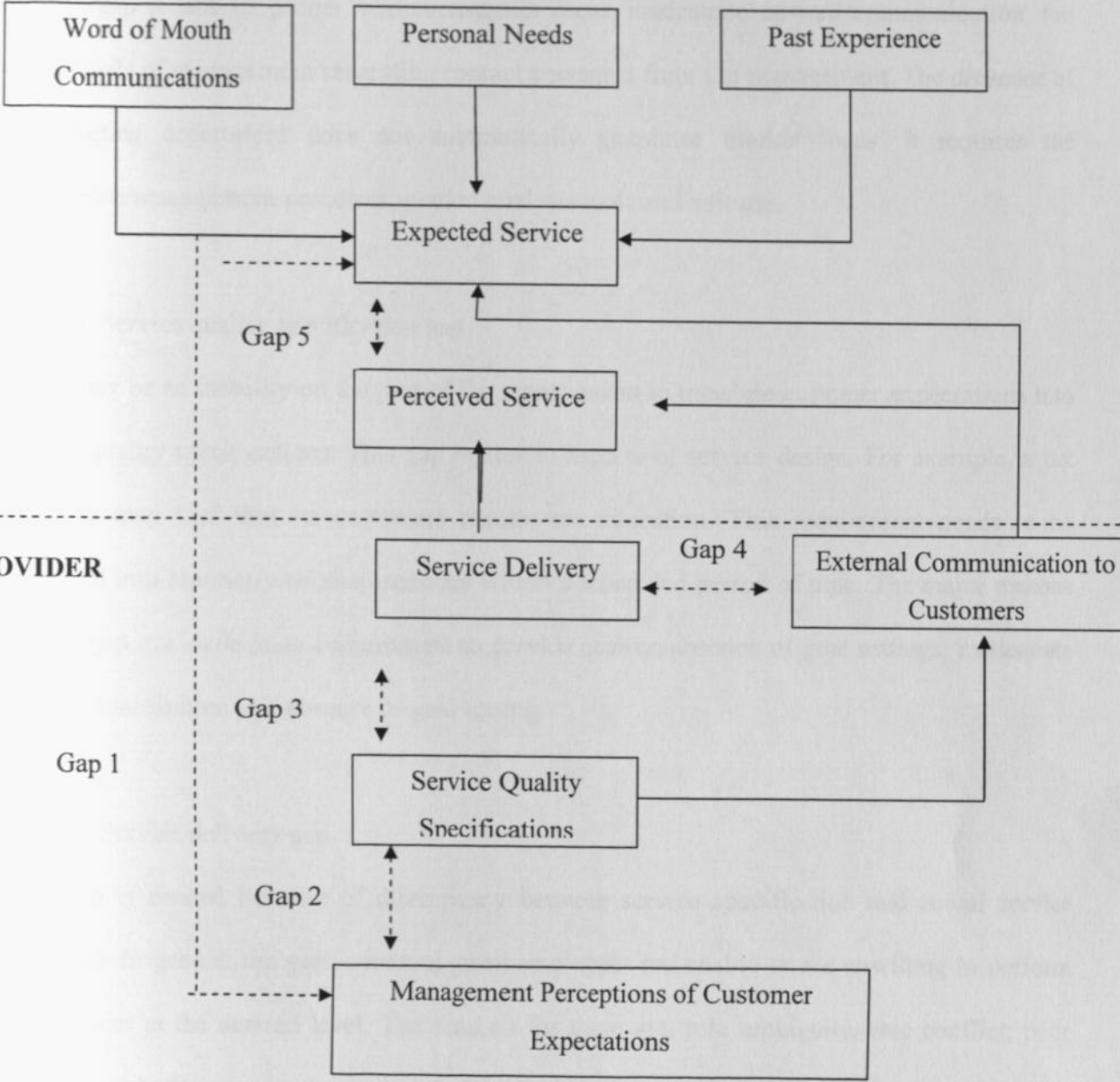
2.9 Gap Analysis

The launch of a “strategic quality management” programme requires a clear understanding of the service quality vantage point (definition and vision), customers’ expectations, perceived quality, measures of quality, and generic determinants of quality.

The model suggested by Parasuraman et al (1985), attempts to show the salient activities of the service organization that influence the perception of quality. Moreover, the model shows the interaction between these activities and identifies the linkages between the key activities of the service organization or marketer which are pertinent to the delivery of a satisfactory level of service quality. The links are described as gaps or discrepancies: that is to say, a gap represents a significant hurdle to achieving a satisfactory level of service quality. The gaps are described briefly below, customized to the present research and depicted in figure 1 below.

Figure: 1 Conceptual Model of Service Quality

CUSTOMER



Source: Zeithaml, Parasuraman & Berry, (1988), "Communication and Control Processes in the Delivery of Service Quality," *Journal of Marketing*, 52

(Gap 1): Taxpayer (customer) expectation – Tax Authority (management) perception gap.

Tax Authority may have inaccurate perceptions of what taxpayers' (actually) expect. The reason for this gap is lack of proper market/customer focus, inadequate upward communication, too many levels of management separating contact personnel from top management. The presence of a marketing department does not automatically guarantee market focus. It requires the appropriate management processes, market analysis tools and attitude.

(Gap 2): Service quality specification gap

There may be an inability on the part of the management to translate customer expectations into service quality specifications. This gap relates to aspects of service design. For example, a tax authority may find that its customers require tax education. This requirement needs to be translated into seminar/workshop sessions within a scheduled period of time. The major reasons for this gap are inadequate commitment to service quality, absence of goal settings, inadequate tasks standardization and absence of goal setting.

(Gap 3): Service delivery gap

This gap is created because of discrepancy between service specification and actual service delivered. In general the gap is created when employees are unable or are unwilling to perform the services at the desired level. The reasons for these are, role ambiguity, role conflict, poor employee-job fit, poor technology job fit, inappropriate supervisor control systems, lack of perceived control on the part of employees and lack of team work.

(Gap 4): External communication gap

This gap is created because of the difference between what management promises about service delivery and what it actually delivers. Example, management may promise in a taxpayer charter that it will process refunds within two weeks but fails to abide with the promise, or management may advertise on print media indicating that details can be found in the website site but literally nothing posted in the website as at time of advert. Two major factors contribute to this gap, namely inadequate communication among operations, marketing and human resources and propensity to over promise.

(Gap 5): Expected service – perceived service gap

This is the difference between what the customer expected to receive from the service and what he believes he actually received. Customers' expectations are influenced by word of mouth, communication, personal needs and past experience. Speller and Ghobadian (1994) is in agreement with Parasuraman (1985) that the above model is a diagnostic tool. If used properly, it will enable the management to identify systematically service quality shortfalls. In other words, it facilitates the identification of gaps between a number of variables affecting the quality of the offering. This model is externally focused. If used correctly it has the potential to assist the management to identify the pertinent service quality factors from the perspective of the customer.

2.10 Servqual

(i) The Advent of SERVQUAL

In 1985, Parasuraman *et al.* developed the SERVQUAL instrument (refined in 1988, 1991 and again in 1994) for the measurement of service quality. It has become one of the most renowned in the service quality domain.

The five SERVQUAL dimension are a concise representation of the core criteria that customers employ in evaluating service quality. As such it is reasonable to speculate that consumers would consider all five criteria to be quite important, Parasuraman *et al* 1985.

Service quality is evaluated by calculating the difference (gap) between what the customer expects and what he/she really perceives.

(ii) Service Quality Measurement- SERVQUAL way

The instrument consists of two sets of 22 statements: the first set aims to determine a customer's expectations of a service firm: for example, "they should have up-to-date equipment"; while the second set seeks to ascertain the customer's perceptions of the firm's performance: for example, "XYZ has up-to-date equipment". The respondent is asked to rate his/her expectations and perceptions of performance on a seven-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree). The results of the survey are then used to identify positive and negative gaps in the firm's performance on the five service quality dimensions.

The gap between expectations and performance perceptions (perceived service quality) is measured by the difference between the two scores (performance minus expectations). For each respondent the service quality for each dimension is calculated as follows:

where

SQ_j - Service quality of dimension j

E_{ij} - Expectations of the firm for item i in dimension j

P_{ij} - Perceived performance of the firm on item i in dimension j

n_j - Number of items in dimension j

An average score for each dimension is then calculated across all respondents. Also, an overall service quality score is calculated by taking the mean score for the five dimensions. Positive scores show better than expected service while negative scores show poor quality. A zero score implies that quality is satisfactory. The revised version of the instrument (Parasuraman et al 1991) includes a third section that measures the relative importance of the five dimensions to the customer. These scores are then used to weight the perceived service quality measure for each dimension, the main purpose being to give a more accurate overall perceived service quality score.

(iii) Criticisms levelled at the SERVQUAL Model.

For the practical manager any measurement system needs simplicity, lucidness and flexibility. Sadly, too many of the models, measures and techniques that emerge from academia lack all or some of these feature. Managers know that, ultimately, the decision is theirs and that any research tool only gives guidance or illumination. Adding more complications tends to reduce the chance of a model's acceptance by the practitioner. SERVQUAL is popular with managers because it combines ease of application and flexibility with a clear and uninvolved theory. Managers know that results obtained using the model are probably not objective truth but also

that they help identify the direction in which the firm should move and the elements which the service and operations manager should include in any strategy.

For all its flaws, SERVQUAL uses ideas, which managers, can relate to - tangibility, empathy, responsiveness, reliability and assurance. The model works with either qualitative or quantitative input and provides a clear result through identifying gaps between what the consumer expects and what they actually get. In the end most managers will use a method they are comfortable with rather than a more complex approach claimed as more "robust". Until a better but equally simple model emerges SERVQUAL will predominate as a service quality measure. Asubonteng et al (1996), appear to accept this observation although they do revisit the criticisms of SERVQUAL within the literature. Essentially these criticisms fall into two categories - the model's applicability to all service industries or situations and the lack of validity of the model especially in respect of the dependence or independence of the five main variables. Ultimately managers should be aware that the model is generic and, as a result, factors specific to an industry need attention. However, the idea that there cannot be generalizations about service businesses is equally flawed. Too many managers reject new ideas or methods because "... things don't work that way in our business". In truth any service manager must consider services reliability and so on. The balance between the various elements of SERVQUAL may vary industry by industry but their relevance should not.

The second set of criticisms is more academic. They concern themselves with whether the model stands up to tests of its validity and whether the five elements are sufficient or independent. Like any simple model (the classic 4Ps approach to marketing planning springs to mind here) much

effort focuses on trying to prove the model either wrong or incomplete. What is sometimes forgotten is that the very simplicity of the model means that the key areas for management to address stand out and are understood by all. Asubonteng et al (1996) follow their review of these criticisms not, for once, by trying to “soup-up” SERVQUAL or by proposing a new, overcomplicated methodology, but by showing how operation managers can incorporate the criticisms into their use of SERVQUAL. The authors set out steps to use the existing SERVQUAL applications to identify dimensions for study and then show how the model can be applied over time. By accepting that certain dimensions of SERVQUAL will prove more significant than others, Asubonteng et al (1996) allow operations managers to flex the model still further making it a more effective planning tool. After all empathy is more important to hairdressers and reliability to fast food outlets and knowing this enables the choice of service delivery gaps to address becomes easier.

For many businesses starting out on the road to better service quality a qualitative approach makes more sense. Before resources are committed to further research, training and operational changes the manager needs a good feel for the extent of the problem. Ultimately, a quantitative measure is needed to provide the baseline for the measurement of service improvements but the initial qualitative measure means that service improvements can begin in parallel with the quantitative research. Finally, managers should remember that, however robust the statistical basis of the model used, the results merely guide. Research of this kind will not solve a problem of chronically poor service. The answers will illuminate the issues and help show what action might make rapid improvements possible.

Choice of Research Method: Why SERVQUAL?

The starting point for service quality is measurement and analysis (Edvardsen et al 1994). It is important to measure service quality to identify quality related problems, to allow for comparison before and after a service change, and to establish standards of service delivery (Bryslan and Curry, 2001).

Many service quality models have been proposed, Gronroos,(1984) Technical and functional model, Haywood-Farmer,(1988) Attribute service quality model, Philip and Hazlett,(1997) PCP-attribute model ,Frost and Kumar,(2000) Internal service quality model,(Zhu et al.,2002) IT-based model and (Santos,2003) model of e-service quality. Of all the models, the most enduringly popular, widely cited and best researched method of assessing service quality is SERVQUAL (Asubonteng et al., 1996; Waugh, 2002; Ladhari, 2009) developed by Parasuraman et al (1985,1988).Thus an advantage of using SERVQUAL is that “it is tried and tested instrument which can be used comparatively for benchmarking purposes” . (Bryslan and Curry, 2001).

SERVQUAL uses a scale to rate service expectations and the performance by asking customers a set of questions on attributes that reflect the five dimensions of quality. This model places emphasis on the views of customers in defining service quality. Parasuraman et al (1988) stated that SERVQUAL had been designed to be ‘applicable across a broad spectrum of service’ and the format could be adapted to fit specific needs ,and that it would be most valuable when used to track service quality trends periodically. They proposed that the model could be extended to measure gaps in quality and could therefore be used as a diagnostic tool to enable management to identify service quality shortfalls. The gap scores allows service managers to review whether

they need to re-deploy resources to areas of underperformance (Wisniewski,2001).This could be particularly important in tax administration where budget constraints is a major challenge.

A review of twenty years of SERVQUAL research by Riadh Ladhari, (2009), concludes that, 'despite legitimate concerns about the validity of the scale, it remains a useful tool for measuring and managing service quality. Nevertheless, it is important to note that the SERVQUAL scale should not be used as it is in all circumstances. Researchers should either: adapt the SERVQUAL methodology to develop their own instrument for a specific industry or specific study context; or validate the instrument after data collection through reliability and validity analysis.' It is for this purpose this research sought to identify if the measure operates in the same way in tax administration services within a tax administration as it does in other contexts.

2.11 Measurement of the Service Quality Concept: Tools, Techniques and Frameworks

Caruana and Pitt (1997) posit that performance measurement in service quality 'has principally based on the form of asking customers of their perceptions as well as their expectations about the service that they actually receive. Yang (2003) highlighted the most common methods used in measuring SQ and judging its performance. Summarizing these methods, he mentioned that customers surveys, customer interviews and customer value workshops are the most frequently used. Other tools are the business excellence model, the 'balanced scorecard' (Kaplan and Norton, 1992), benchmarking. Total Quality Management (TQM) and the ISO 9000 series are examples of frameworks used to manage and improve organizations service quality

2.12 The Taxpayer Service Concept

Taxpayer service is a set of measures undertaken by tax administration that are designed to assist taxpayers in complying with the tax law. Technology is a crucial component of the taxpayer service model (Venner, 1992) for it acts as a link between the taxpayer and the tax administration. Some potential components of a service oriented administrative strategy fall under three broad areas namely: tax simplification, taxpayer assistance, and the facilitation of tax collections and enforcement. Within each of these areas a number of potential service components can be identified by either modern management techniques or current advances in information technology.

Tax simplification, most policymakers and tax administrators agree that voluntary compliance would be greatly facilitated by the existence of a simplified tax structure. Indeed, without institutional simplification that enables taxpayers to fulfil their responsibilities more effectively, even the most elaborate service offered to taxpayers by the tax administration would be lost in a sea of confusion, waste, and widespread disrespect of the law (Jenkins, 1992). A simpler tax structure will make it easier for taxpayers to assess their tax liability and thus comply more fully with the tax laws. Many of the costs borne by taxpayers are primarily attributable to the complexity of the tax law. The need to understand tax provisions, determine which ones apply to what income or transactions category, select the appropriate tax forms, and file the tax return is directly related to the complexity of the tax law.

Taxpayer assistance is another form of tax service, it deals with the provision of information to prepare the tax return, issues of filing, and the resolution of questions and adjustments that may

arise after the tax returns have been submitted to the tax administration. Tax information phone service is a computerized voice response service that enables clients to obtain information about specific tax topics or issues, (Jenkins, 1992).

Electronic filing contributes towards the lowering of compliance costs because it enables taxpayers to file their returns directly to the tax authorities via computerized operations. In addition, it enables the fast processing of returns, reduces errors, curbs paper use, saves space and decreases other handling or processing costs.

Facilitation of tax payments is another form of tax service to taxpayers, where tax authorities develop tax payment systems of receiving and receipting tax paid. Aspects of security of the system, reliability and convenience of such systems are considered to guarantee quality service. Taxpayer service can be improved if annual surveys are conducted to monitor taxpayer and tax agent perceptions about taxpayer service and other compliance issues, (Jenkins, 1992).

2.13 Challenges Facing Tax Administration

Despite having taxpayer services plan in place to improve service, providing service to taxpayers remains a significant challenge for Tax Administrators. Among them being, dealing with an informed taxpayers who are better educated and assertive. This means increased pressure for service delivery and limited tolerance for non performance.

Tax administrations are faced with political pressure to deliver and be accountable in revenue collection function, but success of their initiatives to improving services is dependent on adequate funding from their Governments, (Waweru, 2010).

As the economies grow it will transform with increased emphasis on direct taxes which tend to be more difficult to collect owing to complexities in tax laws. Correctly implementing tax law changes is a continuing challenge because the Tax Administration must identify the law changes, revise the various tax forms, instructions and publication and reprogram the computer systems used for processing returns, changes to the tax laws have a major effect on how Tax Administration conducts its activities, what resources are required, and how much progress can be made on strategic goals. Certain types of changes and the timing of those changes can significantly affect the Tax Administration in terms of the quality and effectiveness of its service and how taxpayers perceive the Tax Administration, (IRS News Tax, October 30, 2009).

Information and communication technology has revolutionized the way businesses are transacted and this has complicated revenue administration, (Waweru, 2010). Project development activities have not always implemented planned processes effectively or delivered all planned system capabilities. Modernization program has experienced significant and frequent turnover of high level and experienced staff. These changes have affected direction and strategy hence made it challenging to achieve continuity and long term success.

Managing the informal sector effectively has been a major challenge owing to a number of factors such as low tax morale, low levels of literacy, negative attitudes, migratory nature and mainly deal in cash economy which is more susceptible to fraud and tax evasion, (Mckerchant and Evans ,2009).

The above challenges among others require careful consideration in designing appropriate and effective tax systems to foster sustainable economic growth, ensuring that the necessary revenue collections are made to provide for political stability, investment in infrastructure and improved standard of living.

2.14 Summary of the Literature

There exist wide literatures of how service quality is defined and measured along with an evaluation of the dimensions going into the measurement of service quality. The common element that can be derived from the numerous researchers is that various methodologies exist which allows service quality to be measured. Additionally, it can be measured from several perspectives. The greatest area for dispute is what constitutes the best and most accurate method for measurement of service quality.

The literature review points to SERVQUAL developed by Parasuraman et al (1988) as the optimum measuring device that can be modified to accomplish predicting customer perceptions against expectations and the casting of those perceptions and expectations against the service provider perceptions of what it will require to satisfy the customers' service needs. A review of the SERVQUAL Model (Parasuraman et al 1985, 1988) has been thoroughly examined both as an instrument to measure customer perceptions and expectations of service quality in a general industry setting. The value of SERVQUAL being able to measure service quality gaps was reviewed. The validity of SERVQUAL model as a device for measuring service quality has been addressed in the literature. However, specific study on validity SERVQUAL model in measuring service quality issues in the area of tax administration is scanty, which this study aims to research on to achieve the purpose of improving service quality measurement for sustainable tax administration.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the general methodology used to conduct the study. It specifies the research design, target population, sampling design, data collection method and instruments, and data analysis.

3.2 Research Design

This study was conducted through a survey. The descriptive research design was adopted. The descriptive design is description of state of affairs as they exists at present (Herve, 1988). He further noted that with this methodology, data about variables or subjects as they are found in a social system or society are obtained. Generally, these design deals with incidences of, distribution and relationships of variables.

3.3 Target Population

The population of study were the registered taxpayers who seek services at Kenya Revenue Authority, Domestic Taxes Department. This study concentrated on the Domestic Taxes department because it has the largest number of tax payers compared to other revenue departments in Kenya Revenue Authority and hence represents a significant proportion of the taxpaying population. There are more than 1,000,000 registered taxpayers in the Domestic Taxes Department. The target population of this study were the tax practitioners registered with the Institute of Certified Public Accountants of Kenya (ICPAK) operating in Nairobi. Tax practitioners were chosen as the target population because they play a crucial role in enhancing the efficiency of tax collection. It is they who act as intermediaries between taxpayers and the tax administration and that their frequency of interaction with tax administrators is much higher than

individual taxpayer. There are approximately 600 tax practitioners in Nairobi, who are representative of majority of taxpayers. Hence, this study considered them as the best persons to identify service excellence and deficiencies with regard to quality of services offered by the tax administration.

3.4 Sampling Design and Sample Size

Cooper and Schindler (2003), state that the size of a sample should be a function of the variation in the population parameters under study and the estimating precision needed by the researcher. Sampling is the process of selecting a number of individuals for a study in such a way that the individuals selected represent the large group from which they were selected (Mugenda and Mugenda 1999).

Gay (1981) suggests that ten percent of the accessible population is enough sample size. According to a list of firms of auditors found in the ICPAK website there are approximately 600 auditing firms distributed in Nairobi. Ten percent of 600 were taken to get an approximate sample size of 60, which was considered sufficient sample size in this study. The tax practitioners were randomly selected.

3.5 Data Collection and Data Collection Instrument

Primary data was used in this study. Data was collected using a modified SERVQUAL questionnaire. The questionnaire selected was both of a structured closed type questions based on a Likert scale and open ended questions.

The questionnaire had five sections. Section one was designed to obtain characteristics information of the respondent. These data was collected to be able to cross-reference data such

as gender, age, education, frequency in use of services with their service quality expectation and perception.

Section two was designed to collect data to measure the respondents' expectations regarding service quality in the tax administration. Section three was designed to collect respondents' perceptions of service quality actually provided by tax administration. A seven-point Likert scale ranging from strongly disagree = 1 to strongly agree = 7 was used by the respondents to measure the 22 attributes under the five service quality dimensions.

The fourth section of the survey instrument asked the customer to allocate 100 points among five service quality dimension, based upon the importance of each dimension. These dimensions are the appearance of the physical facilities, equipment, personnel, and communication materials; the ability to perform the promised service dependably and accurately; the willingness to help customers and provide prompt service; the knowledge and courtesy of the employees and their ability to convey trust and confidence; and the caring, individualized attention tax administrators provides its customers. The more important the feature was to the respondent, the higher number of points that they assigned to the feature. They were asked to ensure that the total allocated points for the five features added up to 100 points.

Section five of the questions consisted of open ended questions, where the respondents were requested to list the things they extremely disliked of business processes in tax administration.

The questionnaire was dropped and filled questionnaire collected from tax practitioners' offices.

3.6 Data Analysis

Data analysis is the process of systematically searching, arranging, organizing, and breaking data into manageable units, synthesizing the data, searching for pattern, discovering what is important and what is to be learned.

Analysis of data was done using a Statistical Package for Social Science (SPSS) package. A frequency distribution table was used to describe the sample. SERVQUAL gap score was computed to determine the service shortfall. The relative importance of the service quality dimensions was analyzed. The mean and standard deviations of the attributes was computed, paired t-test was used to test the significant difference between sample means of the expectations and perception scores. Cronbach's coefficient alpha was computed for both the expectation and perception to assess the internal consistency reliability of the five dimensions.

The open ended questions were analyzed, coded to various service attributes (see Appendix 4) and categorized to the respective service dimensions. Percentages were computed and used to interpret the findings.

Table 3.6.1: The Cronbach's alpha coefficient for the SERVQUAL scale. The average Cronbach's alpha is 0.920, as is higher than the suggested minimum of 0.7, indicating high internal reliability of the SERVQUAL scale.

Reliability Test

Alpha	Cronbach's Alpha	No. of Items
0.920	0.920	5

CHAPTER 4: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presents the data that was collected with the use of the SERVQUAL questionnaire. A total of 60 questionnaires were distributed to tax practitioners in Nairobi central business division. The respondents were given reminders via personal visits to complete the questionnaire.

The SERVQUAL questionnaire (Appendix 2) was used to measure service quality and the assessment involves computing the difference between the ratings assigned to the expectations and perceptions statements. An average score was calculated for each response on the statements in both the expectation and perception section of the SERVQUAL questionnaire based on the seven-point Likert scale.

Out of the 60 questionnaires 45 were returned and were analyzed as below.

4.2 Reliability Test

The Cronbach alpha test was applied to all the 44 questions to determine the reliability of the data collected. The Cronbach's alpha ranged from 0.926 to 0.932 and on average 0.930, as in Table 4.1, which are greater than suggested criterion of 0.7, indicating high internal reliability of the data (Nunnally & Bernstein 1994).

Table 4. 1: Reliability Test

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No. of items
0.930	0.929	44

4.3 BIO Profile Data

The BIO profile data contains statements regarding the type of gender, age, marital status, education level, experience level, and frequency of interaction with the activities in KRA. The following is an explanation of the results realized from the BIO data.

Table 4. 2: Gender of Respondents

		Frequency	Percent
Valid	Male	37	82.2
	Female	8	17.8
	Total	45	100.0

Source: Primary data

There were more male (82.2%) than female (17.8%) that participated in this survey.

Table 4. 3: Marital Status of Respondents

		Frequency	Percent
Valid	Single	21	46.7
	Married	20	44.4
	Divorced	2	4.4
	Total	43	95.6
Missing	System	2	4.4
Total		45	100.0

Source: Primary data

The percentage of marital status of the respondents was almost balanced, 48.8% of the respondents were single and 46.6% were married. 4.7% of the respondents were divorcee.

Table 4.4: Age of Respondents

		Frequency	Percent
Valid	21-30years	13	28.9
	31-40years	20	44.4
	41-50years	5	11.1
	51-60years	6	13.3
	Total	44	97.8
Missing	System	1	2.2
Total		45	100.0

Source: Primary data

The modal responses for this statement were '31-40 years' (45.5%) followed by '21-30 years' (29.5%). The modal age group '21-40years' accounted for 75% of the respondents. Age group above 30 years constituted 70.5% of the respondents.

Table 4.5: Education Qualification of Respondents

		Frequency	Percent
Valid	Diploma	12	26.7
	Undergraduate	20	44.4
	Postgraduate	4	8.9
	Professional courses e.g. CPA	8	17.8
	Total	44	97.8
Missing	System	1	2.2
Total		45	100.0

Source: Primary data

Most of the respondents were graduates, under and post graduates combined constituted (54.6%) and (18.2%) had professional courses in accounting. 27.3% were diploma holders.

Table 4. 6: Experience as a Tax Practitioner

		Frequency	Percent
Valid	less than 5years	18	40.0
	more than 5years but less than 10years	11	24.4
	more than 10years but less than 15years	7	15.6
	more than 15years but less than 20years	3	6.7
	more than 20years	5	11.1
	Total	44	97.8
Missing	System	1	2.2
Total		45	100.0

Source: Primary data

With regard to the experience levels of the tax practitioners, it was found that at least 59.1% of the respondents had more than five years of experience in assisting clients with taxation matters. Hence, it can be implied that their opinions to a greater extent can be relied on, to give meaningful results of the study.

Table 4.7: Percentage of Interactions with Activities in KRA

Frequency	Registration %	Submission of returns %	Tax payment %	Tax refunds %	Enquires %	Tax audit %	Dispute Resolution %	Tax education %
Never	5.1	0	4.7	15.8	2.5	7.1	2.5	12.2
Yearly	33.3	28.6	4.7	47.4	12.5	52.4	42.5	48.8
Monthly	38.5	69	81.4	28.9	32.5	33.3	27.5	31.7
Weekly	17.9	0	7.0	2.6	37.5	4.8	2.5	0
Daily	5.1	2.4	2.3	5.3	15	2.4	2.5	7.3
Total	100	100	100	100	100	100	100	100

Source: Primary data

With regard to tax registration 61.5% visited KRA within a monthly basis i.e. daily, weekly and monthly. 69% visited KRA on monthly basis to submit tax returns and 28.6% on yearly basis. 81.4% visited KRA on monthly basis to make tax payment. With regard to tax refunds 47.4%

visited on yearly basis and 28.9% on monthly basis. 37.5% visited KRA on weekly basis to seek clarifications on enquiries, 32.5% on monthly basis, 15% on daily basis, and 12.5% on yearly basis. 52.4% visited on yearly basis with respect to tax audits, 33.3% on monthly basis. 42.5% visited on yearly basis to sort dispute issues and 27.5% on monthly basis. With regard to tax education, 48.8% visited on yearly basis, 31.7% on monthly basis and 7.3 % daily basis. This data indicates that the respondents at least do interactive with the several business processes in the tax administration and hence their opinions can be relied on to suggest ways of improving service quality in tax administration.

4.4 Expectations

The respondents were asked to show the extent to which they expect tax administration to possess feature(s) of service attributes. This was determined by asking the respondents to rate on the seven point Likert scale their expectations on the quality of service they expect to get from tax administration. The various questions raised are shown in section two of the attached Appendix 2. The findings on mean expectations of service quality by tax practitioners are displayed in table 4.8 below, the results suggest that tax practitioners generally have high expectation for all five dimensions of service quality with means ranging from 5.2 for both reliability and responsiveness to 6.2 for assurance (on a 7 point Likert scale where 1 is low, 7 is high and 4 is the midpoint). The overall mean expectation score was 5.54.

The respondents had high expectation on assurance service quality dimension, followed in order of importance by tangibility, empathy and finally by both reliability and responsiveness. The degree of expectation varied from each service dimension attributes. The top ten expectations attributes are employees of KRA to have the knowledge to answer clients' questions

competently; materials associated with the services such as pamphlets, brochures etc be visually appealing and simplified to understand; employees of KRA to give clients prompt services; employees of KRA not to be too busy to respond to taxpayers request; to feel safe in dealing with KRA;KRA to provide its services at the time it promises to do so; employees of KRA to consistently be courteous to clients; KRA to give individual attention to clients; KRA to have employees who give clients personal attention and KRA to have convenient operating hours to all its customers.

It is expected that the tax administration to align its service quality strategies in line with the tax payers expectation in order to improve services in the tax administration.

4.5 Perceptions

The respondents were asked to rate on a seven Likert scale their perception of service quality in KRA ,for each of the quality attributes covered in section three of the questionnaire attached in Appendix 2,where 1 represented strongly disagree and 7 strongly agree with the statements. The mean score are displayed in column 4 of table 8 below. The perception scores are lower than the expectation scores. So,for example,the poorest perception is of service dimension reliability at 3.6 followed in order of poorest by responsiveness,empathy,assurance and tangibility. Reliability and responsiveness mean perception score were below the mid point.

The top ten least ranking perception service attribute score ranging from the poorest to the least poorest are as follows; KRA appears not to perform service right the first time; When KRA promises to do something by a certain time it hardily does so; KRA does not provide its services

at the time it promises to do so; When a client has a problem KRA hardly shows sincere interest in solving it; Employees of KRA hardly tell clients exactly when services will be performed; Employees of KRA appear to be too busy to respond to client's request; It appears KRA does not have best interest of client at their heart; KRA insists on error free records; Employees in KRA hardly are willing to help clients; and employees seem not to be confident in their action and operational processes.

The overall average mean perception score was 4.14. The poorest service attribute was staff performing service right the first time with a mean of 3.3 which was below the average mean. KRA should take serious attention to address these least perception service attributes as a means of improving service quality.

4.6 Gaps Score

Table 4.8 below shows the tabulated gap score results of SERVQUAL questionnaire applied to the respondents'. The gap score was obtained by subtracting the expectation mean score from the perception mean score. All gaps score were negative indicating a shortfall in meeting tax practitioners expectations across all dimensions apart from the service attribute "staff willingness to help" and "having customers best interest at heart" both had a positive gap score. The negative result is viewed as an opportunity for improvement.

The tangibility dimension, obtained an overall average gap score of -0.9. The highest gap score is in statement "KRA to have modern looking equipment" with a mean gap score of -1.3. It implies tax administration should invest in improving physical installations and equipment.

Table 4.8: Mean Gap Differences Between Tax Practitioners' Expectations and Perceptions

	Attributes	Mean expectation score	Mean perception score	Gap score
	Tangibility			
1.	Modern looking equipment	5.8	4.5	- 1.3
2	Physical facilities	5.6	4.7	-0.9
3	Employees appearance	5.7	5.0	-0.6
4	Materials associated with the service	6.2	5.2	-1.0
	Total score	23.2	19.5	-3.7
	Average Mean	5.8	4.9	-0.9
	Reliability			
5	Staff keeping promise	4.6	3.5	-1.1
6	Sincere interest in solving customers problems	4.5	3.6	-1.0
7	Staff performing service right the first time.	5.4	3.3	-2.1
8	Provide services at the time they promise to do so.	6.1	3.5	-2.6
9	Insist on error free records	5.5	3.9	-1.6
	Total Score	26.2	17.8	-8.4
	Average Mean	5.2	3.6	-1.6
	Responsiveness			
10	Staff telling customers exactly when services will be performed	5.9	3.6	-2.4
11	Prompt service	6.2	4.1	-2.1
12	Staff willingness to help	2.4	3.9	1.5
13	Employee never busy to respond to request	6.2	3.8	-2.4
	Total Score	20.7	15.3	-5.4
	Average Mean	5.2	3.8	-1.4
	Assurance			
14	Behaviour of staff in instil confidence on customer	6.0	3.9	-2.0
15	Customer fill safe in their transactions	6.2	4.6	-1.6
16	Friendliness and courtesy of staff	6.1	4.1	-2.0
17	Staff having knowledge to answer questions	6.4	4.5	-1.9
	Total Score	24.7	17.1	-7.6
	Average Mean	6.2	4.3	-1.9
	Empathy			
18	Individual attention given by staff	6.1	4.2	-1.9
19	Convenient operating hours	6.1	4.3	-1.8
20	Personal attention given	6.1	4.2	-1.9
21	Staff giving customers best interest of heart	2.5	3.8	1.3
22	Understand the specific needs of customers	5.6	4.0	-1.7
	Total Score	26.4	20.4	-5.9
	Average Mean	5.3	4.1	-1.2

Source: Primary data

Overall Average gap score mean = -1.40

The reliability dimension obtained an overall average gap score of -1.6. The highest gap score of -2.6 was in statement, "KRA to provide its services at the time it promises to do so". This was followed by statement "KRA to perform the service right the first time" with a gap score of -2.1. Therefore, tax administration must consider having competent officers able to handle enquiries on the spot instead of referring to others to sort out taxpayer's enquiries. This implies tax administrators to consider and continue investing in training staff to enhance their competence, especially officers who are in first contact with taxpayers.

The responsiveness dimension obtained an average gap score of -1.4. Statement "staff willingness to help" was the only one with positive gap score in responsiveness dimension; implying employees are always willing to help. However, the worst gap score in this dimension was -2.4 and was both in statements "Employees of KRA to tell you exactly when the services will be performed" and "Employees of KRA never to be too busy to respond to your requests". This implies that although the employees are willing to help but are constrained by either policy or procedural guidelines to precisely promise clients when a service will be performed.

The assurance dimension, obtained an overall average gap score of -1.9. This is the worst overall gap score amongst the all five dimensions. The highest gap score of -2.0 was both in statement "Employees of KRA to be consistently courteous to customers i.e. (polite & friendly)" and statement "Employees of KRA to have the knowledge to answer customer's questions, competently".

Finally, the empathy dimension, obtained an overall average gap score of -1.2. The highest gap score in this dimension of empathy was -1.9 and was in both statement “KRA to give individual attention i.e. approachability and ease of contact-access to appropriate staff” and “KRA to have employees who give customers personal attention, (explain clearly the various options available to a particular query)”. Apparently, statement “KRA has your best interest at heart” is the only statement with a positive gap score under the empathy dimension. The overall average gap score for all the five service dimensions (not weighted score) was -1.4. This indicates a great opportunity for improvement in the entire service providing cycle.

A paired t-test was carried out to test whether there was a difference in mean scores between expectation and perception statements. The results are attached in Appendix 3 indicating that there is a significant difference between the respondents expectations and perception statements, since the significance 2 tailed test value is less than 0.05, apart from statement number 3, “KRA’s employees to be well presented, neat appearing”, whose significance value of 0.053 was greater than 0.05, indicating the means of statement 3 are insignificant in this study.

4.7: Relative Importance of the Service Dimensions.

To determine the relative importance of the service dimensions to the tax practitioners, the respondents were requested to allocate 100 points among the five sets of dimensions according to how important it is to them. As shown in table 4. 9 below, the overall SERVQUAL gap score for KRA was -1.4. The negative value therefore indicates that the performance of KRA was not meeting the expectations of the tax payers in all the five service dimensions examined.

Table 4.9: SERVQUAL Score of Relative Importance of Service Dimension

SERVICE DIMENSION	EXPECTATION Mean score	PERCEPTION Mean score	SERVQUAL SCORE (P-E)	RANK
Tangibles	5.8	4.9	-0.9	5
Reliability	5.2	3.6	-1.6	2
Responsiveness	5.2	3.8	-1.4	3
Assurance	6.2	4.3	-1.9	1
Empathy	5.3	4.1	-1.2	4
Overall	5.5	4.1	-1.4	

Source: Primary data

Table 4.9, indicates that the Assurance dimension has the greatest service gap of -1.9 followed by Reliability dimension at -1.6. The smallest service gap was the Tangible dimension with Servqual gap of -0.9. However; it is inaccurate to draw conclusions directly from the above table 4.9, since the SERVQUAL score did not take into consideration the relative importance of the service dimensions in the view of the tax practitioners. Thus, the weighted SERVQUAL scores are commuted and shown in table 4.10 below.

Table 4.10: Weighted SERVQUAL Score

SERVICE DIMENSION	SERVQUAL SCORE (P-E)	WEIGHTS	WEIGHTED SERVQUAL SCORE	RANK
Tangibles	-0.9	20	-0.82	4
Reliability	-1.6	25	-1.82	1
Responsiveness	-1.4	20	-1.27	3
Assurance	-1.9	21	-1.81	2
Empathy	-1.2	14	-0.76	5
Overall	-1.4	100	-1.29	

Source: Primary data

Arising from the weighted SERVQUAL score the highest relative importance of the service dimension assessed is reliability at -1.82 followed closely with assurance at -1.81. The least important service dimension in as far as this study is concerned are Empathy dimension at -0.76

followed by Tangibility dimension -0.82. This study has offered insights concerning tax practitioner's expectation and perceptions of service quality in tax administration. The SERVQUAL results have identified service quality gaps in all dimensions, therefore service improvement efforts can be focused and applied in all service attributes with negative gap score to create service improvements. The results clearly show that the focus of efforts to improve service should be in the reliability dimension followed by assurance dimension. This study observed that reliability is the most important dimension, and is as such consistent with previous studies performed in public sector (Donnelly et al., 1995; Brysland and Curry, 2001).

4.8 Analysis of the Negative Response

The respondents were requested to list the things they did not like with regard to service attributes in the various business processes (tax registration, submission of tax returns, tax payment, tax refunds, account queries, updating of details, tax assessment and dispute resolution process) in the Domestic taxes Department. The different service attributes were coded (see Appendix 4) and the responses were categorised to the different service attributes under the five service quality dimensions. Percentages were computed indicating the extent to which they had negative experiences with the business processes in as far as service quality is concerned. The results are as shown in table 4.11 below:

Table 4.11: Mean Percentage of Negative Responses of Business Processes in DTD

Business Process	Responsiveness %	Assurance %	Empathy %	Reliability %	Tangible %	Neutral %
1.Tax Registration	24.4	6.7	11.1	28.9	0	28.9
2.Submission of tax returns	4.4	22.2	44.4	4.4	2.2	22.2
3.Tax payment	6.7	2.2	64.4	2.2	0	24.4
4.Tax refunds	24.4	4.4	44.4	8.9	0	17.7
5.Account queries	15.5	24.4	15.5	4.4	0	40
6.Updating details	44.4	11.1	11.1	2.2	0	31.1
7.Tax assessment	4.4	4.4	13.3	40	0	37.8
8.Dispute resolution	31.1	6.7	0	13.3	0	48.8

Source: Primary data

4.8.1 Tax Registration.

With regard to tax registration 28.9% remained neutral. The highest negative response rate of 28.9% was under the reliability dimension where majority of the respondents were not happy with the system inaccessibility and system data errors or inconsistency of the database causing the tax payers pay unplanned visits to KRA for assistance. This was followed by responsiveness dimension at 24.4% where the respondents were unhappy with the speed of performing tax registration exercise they indicated that in most cases the system was slow.

4.8.2 Submission of Tax Returns

22.2% of the respondents remained neutral. The highest negative response rate of 44.4% was under the empathy service dimension where majority of the respondents indicated that it takes a long waiting time to submit returns. The queue are long and even due to system congestion tax payers take long even to submit returns through the online system especially during the due dates. This was followed by assurance service dimension at 22.2% where majority expressed

their dissatisfaction with the administration of the operational process of failure to acknowledge receipt of a return by appending a stamp to act as evidence that one has actually submitted a return.

4.8.3 Tax Payment

The overall respondents were not happy with tax payment with 64.4% of the respondents indicating low service quality under the empathy dimension. Majority of the respondents expressed their displeasure with the long waiting time to make instalment and withholding tax payment. This was followed by the failure of the tax authority to adapt to tax payers needs in regard to tax payment, e.g. listen and accommodate taxpayers payment schedule especially in paying tax arrears and lastly the respondents were dissatisfied by the fact that there is only one paying point of instalment tax that is Times Towers Building in the whole of Nairobi.

4.8.4 Tax Refunds

44.4% of the respondents indicated that it takes long to get a refund, this falls under the empathy service dimension. The tax payers indicated that they are subjected to unnecessarily demands and audits and even after fulfilling them the process to get the refund takes long. The other service dimension of concern with regard to tax refunds was the responsiveness dimension where 24.4% of the respondents were not happy with the speed of processing the refunds; they indicated that the speed was slow and cumbersome. Reliability dimension followed thirdly with 8.9% of the respondents complained that KRA did not adhere to its specific promise to refund, in that at times it promises that cheque will be deposited in clients account at a certain time but actually does not honour the promise. 17.8% of the respondents remained neutral.

4.8.5 Account Queries

The highest negative response rate of 24.4% of the respondents indicated something wrong with the assurance service dimension in the account queries business process where majority doubted the knowledge of KRA employees in regards to responding to account queries. They indicated that officers tend to avoid taking responsibility to answer account queries instead the clients are tossed from one office to the other without getting appropriate responses to their queries. Responsiveness service dimension followed with 15.5% of the respondents indicated that the speed of responding to account queries was too slow and the willingness of the employees to help was poor. 11.1% of the respondents related their negative experiences under the empathy service dimension where majority indicated that communication of status of the accounts was not up to date, delayed and only status report made when already taxpayer have accrued huge arrears. 40% of the respondents remained neutral.

4.8.6 Updating of Details

44.4% of the respondents associated their negative experience to the responsiveness service quality dimension; the respondents indicated that the speed of updating tax payers' records was too slow; adjustments are really effected immediately causing unnecessary inconveniences to tax payers especially when applying for tax compliance certificates and when it's an issue of transferring funds from one account to another. 31.1% of the respondents remained neutral.

4.8.7 Tax Assessment

The highest negative response rate of 40% of the respondents related their negative experiences under tax assessment business process to the reliability service quality dimension. Majority indicated that the assessments made were inaccurate, biased, maliciously done and excessive meant to extort money from taxpayers. 13.3 % of the respondents were not happy in that there were no proper explanations to the assessments and no notice to audit, these sentiments were categorised under the empathy service dimension. 37.8% of the respondents remained neutral. Other issues raised with regard to tax assessments are the speed of finalizing assessments is slow at 4.4%, and 4.4 % indicated that the knowledge of some assessing officers was not up to the expected standards.

4.8.8 Dispute Resolution Process

31.1% of the respondents indicated that the negative responses were attributed to the service attributes under responsiveness dimension. Majority indicated that the speed of resolving disputes was too slow especially when the mistake is on KRA's part. 13.3% of the respondents indicated that they doubted the reliability of the dispute resolution process as it is biased, slow and harsh if it's not in favour of the tax payer. 4.4% of the respondents had an experience where they doubted the knowledge of employees handling dispute resolution cases and 48.9 % of the respondents remained neutral.

CHAPTER 5: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The essence of this chapter is to draw salient conclusions of the survey conducted and further make pertinent recommendations that could assist to improve service quality measurement for a sustainable tax administration. This study used a modified SERVQUAL scale to suit tax administration functions. Collected data was analyzed to address the research questions put forth in the introduction of this study. Specifically, this research sought undercover answers to: 1). Can SERVQUAL reliably assess service quality perceptions/expectations among taxpayers in regard to services offered by tax administration; 2) What are the main service dimensions that are more important to tax payers; 3) In which areas should tax administrators focus resources in order to improve quality of services?. Based on the data generated and findings, the following conclusions and recommendations can be drawn:

5.2 Summary

The key objective of tax administration is to collect revenue through enhancing voluntary tax compliance and collection of the revenue at minimum costs. Studies have indicated that organisations with improved service quality can enhance tax compliance. This study tried to examine the service quality dimensions that are crucial in tax administration in order to improve the service quality for sustainable tax administration. A modified SERVQUAL scale was used to assess the service gaps in the tax payers' expectation and perceptions of the services offered by tax administration. Respondents were requested to cite some negative experiences they have encountered in regard to service quality offered in the various business processes under tax administration. Both service gaps identified and the negative responses were used to suggest areas for consideration to improve service quality in tax administration, the case of KRA's

Domestic Tax Department. Generally, the reliability and assurance service dimension can be cited to be the crucial service dimension that the tax administration should concentrate its resources on in order to improve services. However; it's noticed that emphasis of a particular service dimension varied from one business process to the other. Therefore, it can be concluded that although SERVQUAL scale can be used to assess service weaknesses it's prudent to incorporate other measures to compliment in assessing service quality.

5.3 Conclusions

The assessment of service quality expectations and perceptions in this research has proven that the taxpayers have high expectations on the various service attributes in a tax administration. The highest expectation mean score is under the assurance service dimension, where it is generally expected that the employees of KRA to be knowledgeable, courteous and be able to inspire trust and confidence to their customers. The least perception service dimension was in reliability, where it can be concluded that the employee's ability to deliver the service in a dependable and accurate manner is questionable.

All the five service quality dimensions tested recorded negative gaps indicating the level of service quality the tax practitioners' receive are significantly lower than their initial expectation. Among the five dimensions, tangibility has a lowest gap implying that the tax payers are rather 'satisfied' with the tax administration infrastructures but with room for better improvement especially on the "modern looking equipment" followed by "materials associated with the service should be visually appealing" both had the largest negative gap among the four statements in tangibility dimension. The next smallest service quality gap is the empathy dimension, the worst gap scores were "KRA gives individual attention" and "employees give

personal attention". Empathy dimension was followed by responsiveness dimension, where the highest gaps were "employees of KRA tell you exactly when services will be performed" and "employees of KRA are never too busy to respond to your request". Assurance had the second largest gap, with the highest service gap being "the consistency of employees' action and operational processes to instil confidence in customers" and "employees to be consistently courteous to customers". Reliability had the largest significant gap; the highest service gaps were "KRA to provide its services at the time it promises to do so" and "KRA to perform the service right the first time"

The study pointed out the critical service quality dimensions requiring improvement in the various business processes and the results indicated that the critical service dimension varies from one business process to the other. Currently, reliability is cited as the most critical service dimension in tax registration and tax assessment. Empathy service dimension is critical in submission of tax returns, tax payment and tax refunds. Assurance is critical in account queries and responsiveness is critical in both updating of details and dispute resolution.

5.4 Recommendations

This report recommends the following specific actions to address the negative responses which are likely the contributors of the existing service quality gaps as perceived by tax practitioners:

In tax registration it is recommended the tax administration to increase internet speed and install responsive internet server; alert taxpayers whenever anticipate any breakdowns and avail alternative options; streamline tax registration processes and modernize IT systems for reliability, ease of use, cost effectiveness, speed, and ability to react to change; ensure the utmost

availability and quality of tax registration services and systems to keep the registration process running smoothly; pay attention to details whenever inputting data into the system and to insist on error free data from databases obtained from other stakeholders such as registrar of persons and the National registration office for identity cards.

With regard to submission of tax returns, it is recommended that tax administrators to encourage more electronic filing by citing the advantages of e-filing, making the forms suitable for electronic filing , devising ways of making electronic filing free to most taxpayers and increased taxpayer assistance and educational programs on electronic filing. Secondly, to acknowledge all returns received, if manually presented should be stamped and for electronically filed returns acknowledgement receipt be generated upon request. Thirdly, manually filled nil returns should be discouraged from being submitted and lastly to explore the possibility of sending soft copy return via email.

With regard to tax payment , it is recommended that tax administration encourage electronic payment of all taxes through the banking system; to explore the possibilities of utilizing the 'mpesa' system to facilitate receipting of tax; decentralize the payment points of the taxes paid only at Times Tower building to other centres in Nairobi; set counters for taxpayers with bulk cheques because they tend to hold up queues for hours; extend hours for payment by facilitating payments to be made after normal business hours and weekends especially during the due dates; monitor the movement of queues and deploy more cashiers; and after a review and investigation of a taxpayer's financial information and ability to pay ,an instalment payment plan can be agreed upon and granted.

With regard to tax refunds, it is recommended that tax administrators to expedite tax refunds by adopting procedures to speed up the refund process, particularly for taxpayers who have a good compliance history. Secondly, to encourage set offs of one tax type to another tax type. Thirdly, to allow tax payers carry forward the refund to be utilized to set off future tax liabilities. Fourthly, to have certain payment schedules in place and strictly stick to them to enable tax payers plan appropriately their cash flow movement. Fifthly, to educate and enforce that employer's grant their employees the reliefs as per statutory requirements in order to avoid employees refund claims to the Commissioner at the year end.

In as far as account queries are concerned, it is recommended that tax administrators to deploy highly skilled, helpful, and ethical staff who can resolve tax issues professionally in reasonable time frames; provide taxpayers with access to their tax data in convenient self-service application; expand information and updates on internet sites; make goals and operations more transparent. Transparency means making the information and processes more accessible and understandable to taxpayers; reports, publications and any other information be put or presented in a manner that taxpayers can easily understand; speed up responses to enquiries and issue regular updates of their accounts via online facility; and providing continuous learning opportunities for employees to stay informed about all tax matters.

In regard to updating of details, it is recommended; firstly, the process of updating details should be co-ordinated to all programs to avoid instances of a taxpayer coming forth to produce same documents to update his record in other programme within the same tax administration.

Secondly, to speed up the process of updating details, through close monitoring to ensure that officers entrusted with the responsibility of updating details stick to a stipulated timeframe. Thirdly, to explore avenues of how to decrease paper-based processes and move toward a digital office and electronic processes, where updates are instantly done. Fourthly, to ensure accuracy of data input process. Fifthly, to ensure transaction integrity so that information is not subject to interception or tampering during transmission.

It is recommended that with regard to tax assessment, tax administrators should have coordinated and package audits; encourage teamwork methods to share out information and knowledge; provide employees with the tools needed to respond accurately and timely to tax assessment assignments; deplore highly skilled, helpful, and ethical staff who can accomplish audit tasks professionally; explain tax assessment to taxpayers by enhancing effective communication practices; and to improve legislation targeting a specific area of non-compliance and also advocating for simplification of tax laws to reduce unintentional errors caused by lack of understanding.

With regard to dispute resolution, it is recommended that tax administrators to firstly, deploy skilled and experienced staff to handle disputes and provide fair and impartial treatment to tax payers. Secondly, to issue timely, accurate, and understandable rulings in form of notices and advice. Thirdly, staff to be able to build and maintain relationships, to have a problem solving attitude and understand the different interests of the taxpayers and the tax administrations, to have empathetic and listening skills and to be able to communicate effectively.

To crown the above specific recommendations touching on the business processes in tax administration, the study further recommends the following:

To improve on reliability, tax administration should strive to have competent employees. Competence is a combination of knowledge, skills and behaviour. Identify skills gaps and offer appropriate trainings and re-trainings to staff to enhance their competency. The trainings should focus on staff ability to help customers resolve their queries and problems quickly.

To promote a highly motivated workforce by encouraging staff to show a caring attitude and a sincere interest in helping customers and when they promise to do something for the customer within a certain time, they must fulfil that promise. It should be noted that positive attitude and performances in customer service delivery by staff leads to diminishing taxpayers' dissatisfaction, which in turn leads to enhanced trust and confidence in employees in tax administration.

Providing more online services, as technology can allow customers interact with tax administration whenever they wish, and make it easy for them to receive information and meet their obligations. Therefore, tax administration should continue to expand the range of electronic services as well as to improve the tools /modern technological equipments to enhance speed, reducing waiting time and guaranteeing accuracy of transactions. It should be appreciated that technologically advanced new services also bring new challenges in quality and customer satisfaction, thus well planned programmes of launching of new technology should be undertaken.

To improve on operational effectiveness of tax administration, tax administrators should promote the use of service quality evaluations and other data driven approaches to measuring and enhancing customer service. The expectations of taxpayers are diverse, complex and ever changing. Tax administrators must assume greater responsibility for monitoring and responding to these expectations, as the results obtained are critical in the quest of effectively aligning service provision with taxpayer expectation.

Finally, quality of service improvement is a dynamic process; consequently, continuous improvement is a natural requirement for superior quality and sustainable tax administration.

5.5 Limitations to the Study

There were limitations in this study that need to be acknowledged. First, the study was limited to the Domestic Taxes Department of the Kenya Revenue Authority, therefore the reliability of the results restrict the extent to which the findings can be generalized. Secondly, this study looked at the expectations and perceptions of the tax practitioners representing the taxpayers, excluding the views of the employees of KRA and the KRA management. Thirdly, is the 'confidential' nature of tax administration that the respondent to some degree where reluctant to give out information.

5.6 Suggestions for Further Study

First, the study assessed the service quality provided by tax administration from only the tax practitioners (customers) point of view. However, managers and employees of a tax administration are a major part of the service in tax administration. Their perception of customers' expectations, the translation of their perceptions into service quality is equally important in such a study. Therefore; future studies are suggested to conduct surveys of managers and employees.

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Secondly, the present study was conducted to assess service quality improvement of the Domestic Taxes Department only yet there are other departments in KRA. So, further studies are recommended to investigate service quality in other KRA departments.

Thirdly, this study has dwelt more on the traditional method of measuring service quality and since due to most revenue authorities are embracing e-tax services, it is recommended that research be conducted to gauge the service quality of e-tax services.

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APPENDICES

Appendix 1: Transmittal Letter

Introduction letter

Dear Respondent,

RE: REQUEST FOR RESEARCH ASSISTANCE

I am a MBA student at the University of Nairobi. I'm currently undertaking my research project entitled "Improving Service Quality measurement for a sustainable Tax Administration. The attached questionnaire is for gathering data, which will be useful in the mentioned research.

You have been selected as one of the respondents in this study. I therefore request you to kindly facilitate the collection of the required data by answering the questions herein. Please note that the information sought is purely for academic purposes and will be treated with utmost confidentiality.

I look forward to your co-operation.

Yours faithfully,

Stephen Nzyoki Sila
University of Nairobi
P.O. Box 30197-00100
Nairobi.

Appendix 2: Questionnaire

Questionnaire: Service Quality in Tax Administration.

This survey is designed to gather information about both tax practitioner's expectations and perceptions of quality service in tax administration. The results will provide valuable insights about the relative strengths and weaknesses of the services quality in tax administration. Please answer all of the questions. If you wish to comment on any questions or qualify your answers, please feel free to use the space in the margins or on the back of the questionnaire.

Section One: Bio-Data Information

1.1. Gender Male Female

1.2 Marital Status Single Married Divorced Widowed

1.3 Age Under 20 years 21 –30 years 31 – 40 years
 41 – 50 years 51 – 60 years

1.4 Educational Qualification Secondary Diploma University first Degree
 Masters
 Other (Please specify).....

1.5 How long have you practiced as a tax practitioner?

Less than 5 years

More than 5 years but less than 10 years

More than 10 years but less than 15 years

More than 15 years but less than 20 years

More than 20 years

1.5 Please tick appropriately the extent to which you have interacted with the following tax programmes in tax administration. For purpose of this study “interactions with tax

administration” includes all interactions with regards to Domestic Taxes that are administered in Kenya Revenue Authority.

Service	Never	Yearly	Monthly	Weekly	Daily
1. Tax Registration.					
2. Submissions of tax returns.					
3. Tax payments					
4. Tax refunds					
5. General enquiries/updates					
6. Tax audit & compliance					
7. Dispute resolution					
8. Taxpayer education/information					

Section two

Please show the extent to which you **expect** tax administration to possess the feature (s) described by each statement below in order to deliver quality service. If you feel a feature is not at all essential for delivering quality service, circle the number 1. If you feel a feature is absolutely essential, circle 7. If you feel less strongly about any of the features then you can indicate which number matches your feelings best and circle one of the numbers as indicated in the middle.

1=Strongly Disagree

2=Disagree

3=Slightly Disagree

4=Neutral

5=Slightly Agree

6=Agree

7=Strongly Agree

Statement	Strongly Disagree							Strongly Agree	
Tangibles									
1. KRA to have modern looking equipment.	1	2	3	4	5	6	7		
2. KRA's physical facilities to be visually appealing.	1	2	3	4	5	6	7		
3. KRA's employees to be well presented, neat appearing.	1	2	3	4	5	6	7		
4. Materials associated with the service (such as pamphlets or	1	2	3	4	5	6	7		

statements) to be visually appealing at KRA.							
Reliability							
5. When KRA promises to do something by a certain time, it does so.	1	2	3	4	5	6	7
6. When you have a problem.KRA shows a sincere interest in solving it.	1	2	3	4	5	6	7
7. KRA to perform the service right the first time.	1	2	3	4	5	6	7
8. KRA to provide its services at the time it promises to do so.	1	2	3	4	5	6	7
9. KRA to insist on error-free records.	1	2	3	4	5	6	7
Responsiveness							
10. Employees of KRA to tell you exactly when services will be performed.	1	2	3	4	5	6	7
11. Employees in KRA to give you prompt service.	1	2	3	4	5	6	7
12. Employees in KRA to always be willing to help you.	1	2	3	4	5	6	7
13. Employees of KRA never to be too busy to respond to your requests.	1	2	3	4	5	6	7
Assurance							
14. The consistency of employees' action and operational processes in KRA to instil confidence in customers.	1	2	3	4	5	6	7
15. To feel safe in any transactions with KRA,(physical safety & confidentiality)	1	2	3	4	5	6	7
16. Employees of KRA to be consistently courteous to customers i.e (polite & friendly)	1	2	3	4	5	6	7
17. Employees of KRA to have the knowledge to answer customer's questions, (competent).	1	2	3	4	5	6	7
Empathy							
18. KRA to give individual attention i.e. approachability and ease of contact-access to appropriate staff.	1	2	3	4	5	6	7
19. KRA to have operating hours convenient to all its customers.	1	2	3	4	5	6	7
20. KRA to have employees who give customers personal attention, (explain clearly the various options available to a particular query).	1	2	3	4	5	6	7
21. KRA to have customers' best interest at heart,(one stop service).	1	2	3	4	5	6	7
22. Employees of KRA to understand your specific needs i.e. be flexible enough to accommodate to client's schedule.	1	2	3	4	5	6	7

Section Three

The following set of statements relate to your feelings/perception about KRA. For each statement, please show the extent to which you believe KRA has the feature described by the statement. Once again, circling a 1 means that you strongly disagree that KRA as the feature, and circling a 7 means that you strongly agree. You may circle any of the numbers in the middle that show how strong your feelings are. There are no right or wrong answers-all we are interested in is a number that best shows your perceptions about KRA.

Statement	Strongly Disagree			Strongly Agree			
Tangibles							
1. KRA has modern looking equipment.	1	2	3	4	5	6	7
2. KRA's physical facilities are visually appealing.	1	2	3	4	5	6	7
3. KRA's employees are well presented, neat appearing.	1	2	3	4	5	6	7
4. Materials associated with the service (such as pamphlets or statements) are visually appealing at KRA.	1	2	3	4	5	6	7
Reliability							
5. When KRA promises to do something by a certain time, it does so.	1	2	3	4	5	6	7
6. When you have a problem.KRA shows a sincere interest in solving it.	1	2	3	4	5	6	7
7. KRA performs the service right the first time.	1	2	3	4	5	6	7
8. KRA provides its services at the time it promises to do so.	1	2	3	4	5	6	7
9. KRA insists on error-free records.	1	2	3	4	5	6	7
Responsiveness							
10. Employees of KRA tell you exactly when services will be performed.	1	2	3	4	5	6	7
11. Employees in KRA give you prompt service.	1	2	3	4	5	6	7
12. Employees in KRA are always willing to help you.	1	2	3	4	5	6	7
13. Employees of KRA are never too busy to respond to your requests.	1	2	3	4	5	6	7
Assurance							
14. The consistency of employees' action and operational processes in	1	2	3	4	5	6	7

KRA instils confidence in customers, (credibility).							
15. You feel safe in your transactions with KRA, (physical safety & confidentiality maintained).	1	2	3	4	5	6	7
16. Employees of KRA are consistently courteous to you, (polite & friendly).	1	2	3	4	5	6	7
17. Employees of KRA have the knowledge to answer your questions, (competent).	1	2	3	4	5	6	7
Empathy							
18. KRA gives you individual attention, i.e. able to access to appropriate staff with ease.	1	2	3	4	5	6	7
19. KRA has operating hours convenient to all its customers.	1	2	3	4	5	6	7
20. KRA has employees who give you personal attention, (explain clearly the various options available to a particular query).	1	2	3	4	5	6	7
21. KRA has your best interest at heart,(one stop service).	1	2	3	4	5	6	7
22. Employees of KRA understand your specific needs i.e flexible to accommodate client's schedule.	1	2	3	4	5	6	7

Section Four

Listed below are five features pertaining to Tax Administration and the services they offer. We would like to know how much each of these sets of features is important to you when you evaluate the quality of service delivered. Please allocate 100 points among the five sets of features according to how important it is to you. Make sure the points add up to 100.

FEATURE	Rank	Weight
1. The appearance of physical Facilities, equipment, employees, vehicles and communication material.		
2. The ability to perform the promised service dependably and accurately.		
3. The willingness to help customers and provide prompt service.		
4. The knowledge and courtesy of the employees and their ability to convey trust and confidence.		
5. The caring individual attention it provides its customers.		
Total		100%

Section Five:

You are requested to list the things you **extremely dislike (negative experience)** and reason why, with regards to:

1. Tax Registrations:.....

.....
.....

2. Submissions of tax returns:.....

.....
.....

3. Tax payments:.....

.....
.....

4. Tax refunds:.....

.....
.....

5. Account queries:.....

.....
.....

6. Updating of details:.....

.....
.....

7. Tax assessments:.....

.....
.....

8. Dispute resolution process:.....

.....
.....

Thank you for your participation

Appendix 3: Paired Samples Test

Paired Samples Test

Paired Statements of Expectations and Perceptions.	Paired Differences					t	df	Sig. (2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 1 KRA to have modern looking equipment - KRA has modern looking equipment	1.25581	2.01297	.30698	.63631	1.87531	4.091	42	.000
Pair 2 KRA's physical facilities to be visually appealing - KRA's physical facilities are visually appealing	.84091	2.19876	.33148	.17242	1.50939	2.537	43	.015
Pair 3 KRA's employess to be well presented, neat appearing - KRA's employess to be well presented, neat appearing	.59091	1.96857	.29677	-.00759	1.18941	1.991	43	.053
Pair 4 Materials associated with service in KRA are visually appealing egpamphlets - Materials associated with service in KRA are visually appealing egpamphlets	.95349	1.61766	.24669	.45565	1.45133	3.865	42	.000
Pair 5 When KRA promises to do something by certain time, it does so - When KRA promises to do something by certain time, it does so	1.08889	2.83503	.42262	.23715	1.94063	2.577	44	.013
Pair 6 When you have a problem KRA shows a sincere interest in solving it - When you have a problem KRA shows a sincere interest in solving it	.95556	2.26591	.33778	.27480	1.63631	2.829	44	.007
Pair 7 KRA to perform the service right the first time - KRA to perform the service right the first time	2.11364	2.26414	.34133	1.42528	2.80200	6.192	43	.000
Pair 8 KRA to provide its services at the time it promises to do so - KRA to provide its services at the time it promises to do so	2.61364	2.14818	.32385	1.96053	3.26674	8.070	43	.000
Pair 9 KRA to insist on error-free records - KRA to insist on error-free records	1.55814	2.51000	.38277	.78567	2.33060	4.071	42	.000

Paired Statements of Expectations and Perceptions.	Paired Differences					t	df	Sig.(2-tailed)
	Mean	Std. Deviation	Std. Error Mean	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 10 Employees of KRA to tell you exactly when services will be performed - Employees of KRA to tell you exactly when services will be performed	2.37778	2.13508	.31828	1.73633	3.01923	7.471	44	.000
Pair 11 Employees in KRA to give you prompt service - Employees in KRA to give you prompt service	2.13333	2.50091	.37281	1.38198	2.88469	5.722	44	.000
Pair 12 Employees in KRA to always be willing to help you - Employees in KRA to always be willing to help you	1.52273	2.21505	.33393	-2.19616	-.84929	4.560	43	.000
Pair 13 Employees in KRA are never to be too busy to respond to your requests - Employees in KRA are never to be too busy to respond to your requests	2.40000	2.29030	.34142	1.71192	3.08808	7.030	44	.000
Pair 14 The consistency of employees action and operational processes in KRA to instill confidence in customers - The consistency of employees action and operational processes in KRA to instill confidence in customers	2.04444	2.13153	.31775	1.40406	2.68483	6.434	44	.000
Pair 15 To feel safe in any transactions with KRA,(physical safety & confidentiality) - You feel safe in any transactions with KRA,(physical safety & confidentiality)	1.64444	2.19665	.32746	.98450	2.30439	5.022	44	.000
Pair 16 Employees of KRA to be consistently to customers ie (polite & friendly) - Employees of KRA to be consistently to customers ie (polite & friendly)	2.04444	2.21519	.33022	1.37893	2.70996	6.191	44	.000

Paired Statements of Expectations and Perceptions.	Paired Differences					t	df	Sig.(2-tailed)
	Mean	Std. Deviation	Std. Error	95% Confidence Interval of the Difference				
				Lower	Upper			
Pair 17 Employees of KRA to have the knowledge to answer customer's questions,(competent) - Employees of KRA to have the knowledge to answer customer's questions,(competent)	1.84091	1.92829	.29070	1.25466	2.42716	6.333	43	.000
Pair 18 KRA to give individual attention ie approachability and ease of contact-access to appropriate staff - KRA gives you individual attention ie approachability and ease of contact-access to appropriate staff	1.91111	2.15134	.32070	1.26478	2.55745	5.959	44	.000
Pair 19 KRA to have operating hours convenient to all its customers - KRA has operating hours convenient to all its customers	1.82222	2.15627	.32144	1.17441	2.47004	5.669	44	.000
Pair 20 KRA to have employees who give customers personal attention, (explain clearly the various options available to a particular query) - KRA has employees who give customers personal attention, (explain clearly the various options available to a particular query)	1.86364	2.30864	.34804	1.16175	2.56553	5.355	43	.000
Pair 21 KRA to have customers' best interest at heart, (one stop service) - KRA has your best interests at heart, (one stop service)	1.34091	2.68452	.40471	-2.15708	-.52474	3.313	43	.002
Pair 22 Employees of KRA to understand your specific needs ie be flexible enough to accommodate to client's schedule - Employees of KRA to understand your specific needs ie be flexible enough to accommodate to client's schedule	1.66667	2.24621	.33485	.99183	2.34150	4.977	44	.000

Appendix 4: Service attributes

A) Responsiveness

- A1. Speed of performing service
- A2. Willingness of employees

B) Assurance

- B3. Knowledge of employees
- B4. Politeness and friendliness to employees
- B5. Administration of the operational process-
 - acknowledgement of receipt
 - Progress status service aspect
- B6. Consistency
- B7. Physical security and safety

C) Empathy

- C8. Confidentiality
- C9. Wasting time
- C10. Communication
- C11. Adaptability to tax payers needs
- C12. User friendliness
- C13. Assistance
- C14. One stop service
- C15. Convenience of opening hours

D) Reliability

- D16. Accurate service delivery
- D17 Adherence and specific promises
- D18 Software/ systems errors

E) Tangibles

- E19. Physical facility
- E20. Sound quality call centre