INTERNATIONAL TRADE CUSTOMER`S SATISFACTION AT ERCA SERVICE QUALITY DIMENSIONS: THE CASE LARGE TAXPAYERS OFFICE

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ST. MARY`S UNIVERSITY
SCHOOL OF GRADUATE STUDIES
FACULTY OF BUSINESS

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DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of **Dr. Abebaw Kassie /PhD/**. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

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               Name   Signature

St. Mary`s University college, Addis Ababa   June 22, 2016

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ACKNOWLEDGMENT

List of Abbreviations

EGDI	**e-Government Development Index**
ERCA	**Ethiopian Revenue and Customs Authority**
GDP	**Gross Domestic Product**
GTZ	**German Technical Cooperation**
IRD	**Inland Revenue Department**
LTO	**Large Tax Payers office**
MoFED	**Ministry of Finance and Economic Development**
NBRI	**National Business Research Institute**
OECD	**Organization for Economic Cooperation and Development**
SAPSS	**Statistical Package for Social Science**
VAT	**Value Added Tax**

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Abstract

This thesis examines the effects of service quality a customer satisfaction at ERCA for international trade large taxpayers towards five dimensions, such as tangible, reliability, responsiveness, assurance and empathy towards LTO tax policy, tax administrative, and tax law enforcement. The study adopted a sequential explanatory mixed method research approach. The data was collected from import/export taxpayers through the use of cross-sectional survey design and primarily based on data collected through structured questionnaire developed based on SPSS version 20 SERVQUAL instrument. Convenience sampling technique was used to select respondents questionnaire and in-depth interview. The collected was analyzed using descriptive data analysis. The finding of this study shows that taxpayer's average satisfied with the existing tax systems. The data has been analyzed by likert scale method, for descriptive statistics, and Pearson correlation and regression analysis for explanatory analysis. The finding shows that all the five service quality dimensions related with customer satisfaction. The correlation result shows that, tangible was positive and significance related with customer satisfaction and assurance.

Key Words: **Customer Satisfaction, Service Quality Dimensions, Customer Satisfaction SERVPERF, ERCA/LTO**

Chapter One

1. Introduction

The purpose of drawing this research is to identify the research topic and to formulate research questions. This chapter begins with an introductory background that includes the effects of customer satisfaction at ERCA regarding delivery of quality tax services for Large Taxpayers. The research includes research questions, objectives of the study and the Delimitation of the study.

1.1. Background of the Study

1.1.1. Customer Satisfaction

When a consumer/customer is contented with either the product or services it is termed satisfaction. Satisfaction can also be a person's feelings of pleasure or disappointment that results from comparing a product's perceived performance or outcome with their expectations (Kotler & Keller, 2009, p. 789). As a matter of fact, satisfaction could be the pleasure derived by someone from the consumption of goods or services offered by another person or group of people; or it can be the state of being happy with a situation. Satisfaction varies from one person to another because it is utility. "One man's meal is another man's poison," an old adage stated describing utility; thus highlighting the fact that it is sometimes very difficult to satisfy everybody or to determine satisfaction among group of individuals. This is general concept of to the business need to increase the profitability of the company.

Tax is the government revenue for both developing and developed countries however the services provided by tax authorities/administrators and the satisfaction for tax payers are different in those countries. In this regard, the amount of revenue to be generated by a government from taxes for its expenditure program depends among other things, on the willingness of the taxpayers to comply with tax laws of a country (Eshag, 1983). According to Organization for Economic Co-operation and Development (OECD) (2010), the primary mandate of most tax administrations is to ensure compliance with tax laws and improve taxpayers' satisfaction. In order to do that and find the most effective treatment, revenue bodies benefit from knowledge about taxpayer behavior. For example, OECD (2010) indicated that better understanding of taxpayer behavior can be expected to place revenue bodies in a stronger position to design and implement effective compliance strategies, which contributes to the sustainability of taxation systems.

In addition, Fjeldstad, Herzenberg and Sjursen (2012) suggested that understanding how citizens perceive and experience taxation may provide an essential diagnostic of the political realities for tax reform. Consequently, Taxpayers' behavior towards tax system has evoked great attention among many Revenue Authorities in the world especially in developed countries. Following the increasing cases of tax noncompliance, especially tax evasion and its consequences on the capacity of government to raise public revenue, great amount of attentions have been paid to the issue of tax compliance globally by public policy makers and researchers for the past few decades. However, there are bulky of research evidences on tax compliance behavior linked to developed countries especially the United State (US); it is limited on developing countries (Alabede, et al; 2011).

1.1.2. Service Quality

In order for a company's offer to reach the customers there is a need for services. These services depend on the type of product and it differs in the various organizations. Service can be defined in many ways depending on which area the term is being used. An author defines service as "any intangible act or performance that one party offers to another that does not result in the ownership of anything" (Kotler & Keller, 2009, p.789). In all, service can also be defined as an intangible offer by one party to another in exchange of money for pleasure.

Quality is one of the things that consumers look for in an offer, which service happens to be one (Solomon 2009, p. 413). Quality can also be defined as the totality of features and characteristics of a product or services that bear on its ability to satisfy stated or implied needs (Kotler et al., 2002, p. 831). It is evident that quality is also related to the value of an offer, which could evoke satisfaction or dissatisfaction on the part of the user.

Most companies are adopting quality management programs which aim at improving the quality of their products and marketing processes, because it has been proven that "quality has a direct impact on product performance, and thus on customer satisfaction" (Kotler et al., 2002, p. 8). The reason for this is to satisfy the customers. But, are the customers satisfied because of the products or service quality? I.e. are the companies providing the actual qualities perceived by the customers/consumers?

One of the most useful measurements of service quality is the dimensions from the SERVQUAL model. In the creation of this model for the very first time, "Parasuraman et al. (1985) identified 97 attributes which were condensed into ten dimensions; they were found to have an impact on service quality and were regarded as the criteria that were important to access customer's expectations and perceptions on delivered service (Kumar et al., 2009, p. 214).

1.1.3. **Export Procedures and regulations in Ethiopia**

Ethiopia is exporting different items to the international market in order to generate foreign currency. The main export items from Ethiopia are originated from the agricultural sector. To be specific, the major exporting item from Ethiopia are coffee, Chat, oil seeds and pulses, fruits and vegetables, flower, hides and skin, live animals such as sheep, goat and cattle. Hence, to control the export activity procedures, rules and regulations have already been drawn and being followed.

According to Regulations No. 84/2003 or 84/1995 EC and its amendment 146/2008 or 146/2000 EC,(Download) export trade of raw coffee, chat, oil seeds, pulses, hides and skins bought from the market and live sheep, goats and cattle not raised or fattened by the investor is exclusively reserved for domestic investors. Foreign investors cannot be involved in export trade of these items from Ethiopia. Businesses that wish to export from Ethiopia should know the export procedures needed to obtain export permit by commercial banks; should prepare Application for Quality Testing and Certification to obtain Export Authorization Certificate from the Quality and Standards Authority of Ethiopia; should fill the Customs declaration. We have included all these export procedures in Ethiopia and also the VAT registration for exporters from Ethiopia and VAT rate applied on goods exported from Ethiopia. And Exporters, VAT and VAT Registration according to the Value Added Tax Proclamation (285/2002) and the Regulation by the Council of Ministers on VAT (Regulation 79/2002), all exports of goods and services are liable to VAT at the zero rates. This means that VAT is charged at 0% (or no VAT has to be charged). However, more importantly an exporter is entitled to reclaim the VAT on all the goods and services purchased to produce the exports. But since this still means an exporter is still making taxable supplies even at a zero rate, the law requires the exporter to register if the turnover exceeds the registration limits. When export products are ready, make arrangements for suitable packaging and apply to the Quality and Standards Authority of Ethiopia for quality testing, and acquire the Export Authorization Certificate.

1.2. Statement of the problem

Export trade and taxation in developing countries is a challenging topic and has attracted increasing attention in the last several years. During this period, many problems observed like poor administration, failing to collect sufficient tax revenues, lack of government and economic stability (Vadde&Gundarapu, 2012). As stated by Vadde and Gundarapu, Ethiopia, like any other developing countries, has faced difficulty in raising the satisfaction levels of taxpayers and to expand the size of export on export level required for the promotion of economic growth.

To address this problem, in recent years Ethiopian government has been undertaking substantial efforts in reforming and modernizing the revenue administration with the aim of simplifying the tax system and increasing the satisfaction of taxpayers to use different tax collection method. Despite the efforts taken by the government, there has been poor tax revenue collection method and administrations of imposed penalty. Exporters that fall under large taxpayers group complain about the services that they are receiving. Some of the common complaints are the way they are handled by the ERCA staff while they declare different financial reports. Mostly this issue is related with behavioral and attitudinal problems of the employees at ERCA or LTO.

[1]"Source: In Ethiopia, those businesses having annual turnover of greater than 15 million are categorized under large business taxpayers and those having annual turnover of birr 500,000 up to 15 million are categorized under large taxpayers and they are required to pay their obligation to federal government (ERCA,2012)".

The government has made a stride to modernize the tax system thereby offering e-Government services through one-stop-shopping electronic service delivery to Large Taxpayers but as to what extent it has alleviated the problem of efficiency in terms of handling the routines, tax administration procedures, physical facilities in keeping, maintaining and processing taxpayer information, to render good quality service etc. should be under scrutiny. In this regard, the tax revenue performance of Ethiopia, as a percentage of figures indicates that tax revenue has been increasing and that it has remained the major source of domestic revenue. Even though, the performance in tax collection is encouraging; other parameters indicate there is more to be done. In terms of improving the tax administration system to reach at reasonable tax collection rate that the economy is generating. In 2010/11, total tax revenue as percent of GDP has reached 11.5 % from the level of 11.3 % in 2009/10. At the end of 2014/15, the share of tax to GDP is projected to reach at 15-17 %. In light of this target,

it is very important to strengthen the implementation of the ongoing reforms of the tax information system, customer education, enforcement and institutional capacity building programs.

As described in Yesegat (2011) that a low percentage of tax revenue to GDP ratio will lead to pressurize the tax administration to increase revenue collection considerably. As a result of this, unfair practices will be taking place which will violet the rule of law that may automatically increase the burden of taxes on honest large taxpayers specially encourage of exporters. Such pressure on honest taxpayers would lead to the prevalence of taxpayers' dislike. This could be a source of dissatisfaction in the service given by ERCA. On the contrary, Oberholze (2007) indicated that one of the main reasons for the tax gap is noncompliance by taxpayers and potential taxpayers with tax regulation and the perception of taxpayers on tax system. Both gaps of poor perception and taxpayers' resentment towards taxes system will lead to inefficient and unsuccessful collection of taxes service quality.

And those the following researchers' are indicate between service quality and customer satisfaction at ERCA. For example, "Business Taxpayers' Satisfaction with the Tax System in Addis Ababa, Ethiopia" by: TemtimeDebere(2014), "The Practice, Challenges, and Prospects of e-Government: The case of Ethiopian Revenue and Customs Authority (ERCA) Large Taxpayers Office (LTO)" By Samuel EshetuTadesse(2015), those are Ethiopian`s research to show some practice on the taxpayer`s satisfaction and service quality at ERCA for the challenge of tax collection purpose, but they are not show the factor of dissatisfaction for taxpayers and discourage the investment. And also that is not enough researches on this area. And some researcher's at different African countries like Ghana to show on "Customer Care and Service Quality in Ghana Tax Agencies". BY: WILLIAM OSEI-DARKO, "Factors affecting user satisfaction in the Malaysian income tax e-filing system"MD. Aminul Islam, DayangHaslizaMuhd Yusuf, Wan SallhaYusoff and Atikah Nor BintiJohari(2011). But there is no a few numbers of researches on this sector between customer satisfaction and service quality, and also there is no study focus particularly on the export sector and service quality at tax office in Ethiopia or the other countries. Unless efforts are made to narrowing down the gap, in line with knowing the taxpayers perception and how tax governments satisfy taxpayers, will help service quality ERCA administration to satisfaction of exporter large taxpayers on LTO. This study has therefore undertaken to investigate the behavior and satisfaction of Large Taxpayers on the side of export sector.

1.3. Basic Research Questions

The main research questions are developing of this study is to examine service quality at ERCA and satisfaction of large taxpayers the case of export sector with the various aspects of business tax administration in Ethiopia. Based on this broad objective the following specific research questions were developed:

> *How is the perception of exporter's satisfaction who is large taxpayers as per the five dimensions of service quality using SERVQUAL instrument?*

> *How does ERCA disseminate tax information including the registration of license for the exporters categorized as large taxpayers?*

> *How do ERCA staffs handle customer complaints and their treatment?*

> *How is the ERCA service quality regarding tax collection whether it encourages or discourages the export sectors?*

1.4. Objectives of the Study

1.4.1. General Objective
The general objective of this study is the effects of service quality at ERCA and the satisfaction of large taxpayers. And the way of ERCA tax collection system on impact customer satisfaction of export sector.

1.4.2. Specific Objectives

> To measure customers' perception and satisfaction of each of the five dimensions of service quality using SERVQUAL instrument.

> To determine the effect of information availability of ERCA on satisfaction of Exporter under Large Taxpayers.

➢ To explain the effects of tax collector's treatment of Exporters categorized as Large Taxpayers. And identify the effects of compliant handling on issued raised for exporters satisfaction.

➢ To determine the effects of service quality about tax collection and its impact on the exporters satisfaction.

1.5. **Hypothesis Development**

Providing high standard of service quality can result in high level of customer satisfaction (Suki & Suki, 2013) and based in the widely common service quality measurement model SERVPERF (Cronin & Taylor, 1992) and it five dimensions, including tangibility, reliability, responsiveness, assurance, and empathy, has been conceptualized the hypothesis of this research which aim to identify the relationship of those five dimensions with customer satisfaction construct (Zeithaml, et al., 1996). In order to see the effects of service quality on Customers satisfaction of large taxpayers at ERCA: The case of import/export sector effect of large taxpayers' in Ethiopia. Researcher adopts mixed research approach. There is significant impact satisfaction of large exporter taxpayers the way of ERCA service quality of each five dimensions of service quality using SERVQUAL instrument.

H1: There is a significant relationship between the dimension tangibility of service quality and customer satisfaction.

H2: There is a significant relationship between the dimension responsiveness of service quality and customer satisfaction.

H3: There is a significant relationship between the dimension assurance of service quality and customer satisfaction.

H4: There is a significant relationship between the dimension reliability of service quality and customer satisfaction.

H5: There is a significant relationship between the dimension empathy of service quality and customer satisfaction.

1.6.   Significance of the Study

It well knows that understanding the attitudes and satisfaction of exporters 'towards ERCA service quality. And do have significant advantage of this study to indicate the dissatisfaction factors of the exporter large taxpayers on impact of increase the size of export sector and also to generate more revenue from the sector. This will also be considered as fundamental for Ethiopia Revenue and Custom Authority being effective and efficient to provide relevant information and knowledge that will help tax administrators, to indicate the factors of exporter dissatisfaction for government policy makers. This will enable them to draw applicable policies that will enhance tax compliance. The findings of this study may help ERCA to know the problems that need attention to provide solution and further improve in the area of handling tax procedures and enhance service quality, better meet the need for exporter taxpayers. And also important for the business as well as they stand to benefit from an improved service quality offering from a tax collector who knows how they feel.

1.7.   Scope of the Study

The research studying the exporter large taxpayers' satisfaction with ERCA service quality, as one of the factors that affected the expansion of import/export sector. And also the reasons to select this sector is one of the Ethiopian government current and big issue of the expansion of exporter sector, because the export is increase as the same time increase the domestic currency and the whole GDP. And as well as the purpose of the study to generalize the conclusions reach to the whole of Ethiopian exporter large taxpayers i.e. the sample size of this study on the impact of the whole population size, and cover from the particular to increase the level of satisfaction export sector. So the various level satisfactions amongst all large tax payers' residing in Ethiopia.

1.8.   Limitation of Research

To investigate the challenges Exporter Large Taxpayers from LTO administration, more time, caucus survey and very difficult to identify pure exporter sector, because the office give the import/export license and the most exporters started from the domestic trade and the others started from importer sector. And finally I don`t have a few of research paper on this type of direct related researchers for related literature review. In addition, due to lack of sufficient knowledge, extracting necessary and current information data from the computer website especially from tax office is using very difficult. Generally, this research is faced with the problem of adequate secondary data resource, and limited time.

1.9. Structure of the Study

The study report is made up of five chapters. Chapter One introduces the study by discussing the introduction to the study, brief discussions of Ethiopian tax system, statement of the problem, purpose of the study and research objectives, research questions, the scope of the study, and significance and limitations of the study. The second chapter presents the literature review part of the study which will include the theoretical review in its first section followed by the review of the previous studies related to the area and conclusion and knowledge gap. Chapter Three discusses the methodology that was used by the researcher to collect data, in order to achieve the objectives of the study. It describes the research design, study area and population, the sample size and sampling technique, data sources and collection instruments, as well as methods of presenting, interpreting and analyzing for findings. Chapter Four, deals with the presentation, interpretation and analysis of findings of the study in line with the research objectives and questions. Chapter Five presents conclusions, and recommendations that have been made from the presentation and interpretation of findings from chapter four. The following chapter five is present literature review related to the study.

Chapter Two

2. Review of Related Literature and the Researcher Gap

The purpose of this chapter is to review the literature in the area service quality of tax system and taxpayers' satisfaction of perception and compliance behavior. The review has three major sections. Section (2.1) presents a review of the theoretical aspects related to the study. (2.2)This is followed by the empirical literature review in section. Section (2.3) to show finalized of literature review and to present the knowledge gaps. And finally (2.4) to show conceptual framework.

2.1. Theoretical Review of Related Literature

2.1.1. Service Quality

In order for a company's offer to reach the customers there is a need for services. These services depend on the type of product and it differs in the various organizations. Service can be defined in many ways depending on which area the term is being used. An author defines service as "any intangible act or performance that one party offers to another that does not result in the ownership of anything" (Kotler & Keller, 2009, p. 789). In all, service can also be defined as an intangible offer by one party to another in exchange of money for pleasure. Quality is one of the things that consumers look for in an offer, which service happens to be one (Solomon 2009, p. 413). Quality can also be defined as the totality of features and characteristics of a product or services that bear on its ability to satisfy stated or implied needs (Kotler et al., 2002, p. 831). It is evident that quality is also related to the value of an offer, which could evoke satisfaction or dissatisfaction on the part of the user. Service quality in the management and marketing literature is the extent to which customers' perceptions of service meet and/or exceed their expectations for example as defined by Zeithaml (1990), cited in Bowen & David, 2005, p. 340) Thus service quality can intend to be the way in which customers are served in an organization which could be good or poor. Parasuraman defines service quality as "the differences betweencustomer expectations and perceptions of service" (Parasuraman, 1988). They argued that measuring service quality as the difference between perceived and expected service was a valid way and could make management

to identify gaps to what they offer as services. The aim of providing quality services is to satisfy customers. Measuring service quality is a better way to dictate whether the services are good or bad and whether the customers will or are satisfied with it. A researcher listed in his study: "three components of service quality, called the 3 "Ps" of service quality" (Haywood 1988, p. 19-29). In the study, service quality was described as comprising of three elements:

1. "Physical facilities, processes and procedures;
2. Personal behavior on the part of serving staff, and;
3. Professional judgment on the part of serving staff but to get good quality service. "Haywood 1988, p. 19-29).

Haywood stated that "an appropriate, carefully balanced mix of these three elements must be achieved." (Haywood, 1988, p. 9-29) What constitutes an appropriate mix, according to him will, in part, be determined by the relative degrees of labor intensity, service process customization, and contact and interaction between the customer and the service process. From the look of things, this idea of his could be design to fit with evaluating service quality with the employee perspective.

One of the most useful measurements of service quality is the dimensions from the SERVQUAL model. In the creation of this model for the very first time, "Parasuraman 9. (1985) identified 97 attributes which were condensed into ten dimensions; they were found to have an impact on service quality and were regarded as the criteria that were important to access customer's expectations and perceptions on delivered service (Kumar et al., 2009, p. 214). The SERVQUAL scale which is also known as the gap model by Parasuraman, et al. (1988) has been proven to be one of the best ways to measure the quality of services provided to customers. This service evaluation method has been proven consistent and reliable by some authors (Brown et al., 1993). They held that, when perceived or experienced service is less than the expected service; it implies less than satisfactory service quality; and when perceived service is more than expected service, the obvious inference is that service quality is more than satisfactory (Jain et al., 2004, p. 27). From the way this theory is presented, it seems the idea of SERVQUAL best fits the evaluation of service quality form the customer perspective. This is because when it isstated "perceived" and "expected" service, it is very clear that this goes to the person,who is going to or is consuming the service; who definitely is the consumer/customer. The original study by Parasuraman et al.,

(1988) presented ten dimensions of service quality.

- Tangibles: the appearance of physical artifacts and staff members' connected with the service (accommodation, equipment, staff uniforms, and so on).
- Reliability: the ability to deliver the promised service.
- Responsiveness: the readiness of staff members to help in a pleasant and effective way.
- Competence: the capability of staff members in executing the service.
- Courtesy: the respect, thoughtfulness, and politeness exhibited by staff members who are in contact with the customer.
- Credibility: the trustworthiness and honesty of the service provider.
- Security: the absence of doubt, economic risk, and physical danger.
- Access: the accessibility of the service provider.
- Communication: an understandable manner and use of language by the service provider.
- Understanding the customer: efforts by the service provider to know and understand the customer.

2.1.2. Customer satisfaction

Customer satisfaction measurement involves the collection of data that provides information about how satisfied or dissatisfied customers are with a service. The information can be collected and analyzed in many different ways. Most organization regularly checks the levels of customer satisfaction to monitor performance over time and measure the impact of servic4e improvement.

Henley center headlight vision (Smith, 2007) states the research carried out in the UK with public sector organizations suggests that there are five themes that are likely to be relevant to all organizations in measuring customer satisfaction.

- Delivery of the service (how problems were handled, reliability, outcome)
- Timeliness (waiting times, mummer of times contacted)
- Information (accuracy , enough information , kept informed)
- Professionalism competent staff, fair treatment)
- Staff attitude (friendly, polite, sympathetic)

Measurement and dimensions of service Quality

Manufacturing quality measurement can largely be objective and standardized while many service measurements are perceptual or subjective. Parasuraman 9.(1985,1988) argued that the customer's perception of service quality offering is a function of five dimensions categorized as reliability, Assurance, Tangibles, Empathy, and Responsiveness and suggested SERVQUAL (a service quality measurement tool). Cronin and Taylor (1992) argued for "Performance only" measurement of service quality and proposed a service quality measurement tool called SERVPERF. Parasuraman's SERVQUAL model is widely used to measure perceived service quality. Parasuraman et al. (1985) also found that the customer's perception of service quality depends upon the size and direction of the gap between the service the customer expects to receive and what he or she perceive to have been received.

Definitions of the SERVQUAL Dimensions

1. **Tangibles:** The appearance of the company's physical facilities, equipment, and personnel. If a restaurant, for example, is dirty, not presentable and the employees are disheveled looking the tangible quality will be low.
2. **Reliability:** The ability of the company to perform the promised service dependably and accurately without errors. For example, if a restaurant takes a reservation for 7:00pm and you are not seated promptly or they bring the wrong meal, the Reliability will be low. Note that Reliability for service (which is more accurately called conformance) is defined differently than Reliability for manufacturing.
3. **Responsiveness:** The willingness of the company to provide service the prompt and helpful to the customer. In the restaurant, for example, the meal should be provided in a timely with help when needed to understand the menu.
4. **Assurance:** The knowledge and courtesy of the company's employees and their ability to convey trust and confidence.

5. **Empathy:** The caring, individualized attention the company provides to its customers.

Efficiency of Tax Administration

The key precondition for efficient tax administration is tax structure with minimizing distortions, strictly tax exemptions and elimination of the differences in tax treatment of particular parts of

economy. Badly conceived or unnecessarily complicated tax structure greatly complicates the operating function of the tax administration, while simple and transparent tax structure could 11 affect it in the opposite way. So, the increase of efficiency of the tax administration could be attributed mainly to the simplification of the tax system (Mansfield 1990). In developing countries, tax administration can be organized respecting the functional principle (collecting, recording, auditing, and enforcement) according to the type of taxpayers; the type of taxes; and type of enterprises in economy. Tax administration should develop around activities (such as recording or auditing) rather than according to the type of tax and taxpayers. More generally, tax payment needs to be assessed, collected and recorded more efficiently.

Procedures for Tax Collection
It is expected that taxpayer's tax payments should be in line with their income and they are required to pay a tax in proportion to their level of income (Parameswaran, 2005**,** Mesfin&Sisay**,** 2009,). On the other part of the tax collectors, according to canon of taxation, collection of tax should be time conscious and convenient and the cost of collecting the taxes should not be high to discourage business. Some of the procedures undertaken by tax authority to ensure compliance are; filing return, filing return and return processing of tax, audit examination and tax collection and enforcement.

Service Commitments of Tax Administration

The tax administration should provide impartial and professional courteous service and must keep private and confidential information regarding the individual taxpayers. It should also offer clear, understandable and current tax information and will make this information available to tax payer through various media and provide timely, accurate written information that one can rely on to questions and requests for tax information (Asian Development Bank 2001). Education and information programs on specific tax issues should be arranged with taxpayers to enhance their awareness and taxpayers should be allowed to voluntarily disclose their tax situation without incurring a penalty or being prosecuted for tax violations under certain conditions. The main service commitments of tax administration to taxpayers.

Method of service delivery

Offering service by several outlets increased the convenience of access for the customers but there would be problem of quality control. Convenience would be lower when the consumer has

to come to the service organization and must use a particular outlet (Parasuraman et al., 1988). Some service requires the organization to move to the customer. It is mostly expensive to take service personnel and equipment to the customer than the other way round. In some situations, direct contact between customers and the service organization is not needed. Some of the transactions can be handled by mail or electronic communications. Intensification of competition and fast deregulation has led businesses to finding profitable ways of differentiating themselves. One way is giving high quality service (Rudie& Wansley, 1985). Giving superior service quality seems to be necessary for success, if not for survival in business.

On the contrary to goods other than service can be measured objectively based on durability or the number of defects (Crosby, 1989; Garvin, 1983). Service quality is an abstract and elusive construct base on three characteristics intangibility, heterogeneity and inseparability. Without the availability of objective measures for service quality consumers' perception of quality could be used.

2.1.3. **Customer satisfaction**

Those who buy the goods or services provided by companies are customers. In other words, a customer is a stakeholder of an organization who provides payment in exchange for the offer provided to him by the organization with the aim of fulfilling a need and to maximize satisfaction. Sometimes the term customer and consumer are confusing. A customer can be a consumer, but a consumer may not necessarily be a customer. Another author explained this difference. I.e. a customer is the person who does the buying of the products and the consumer is the person who ultimately consumes the product (Solomon, 2009, p.34.). When a customer is contented with either the product or services it is termed satisfaction. Satisfaction can also be a person's feelings of pleasure or disappointment that results from comparing a product's perceived performance or outcome with their expectations (Kotler & Keller, 2009, p. 789). As a matter of fact, satisfaction could be the pleasure derived by someone from the consumption of goods or services offered by another person or group of people; or it can be the state of being happy with a situation. Satisfaction varies from one person to another because it is utility. "One man's meal is another man's poison," an old adage stated describing utility; thus highlighting the fact that it is sometimes very difficult to satisfy everybody or to determine satisfaction among group of individuals. Client happiness, which is a sign of customer satisfaction, is and has always been the

most essential thing for any organization. Customer satisfaction is defined by one author as "the consumer's response to the evaluation of the perceived discrepancy between prior expectations and the actual performance of the product or service as perceived after its consumption" (Tse& Wilton, 1988, p. 204) hence considering satisfaction as an overall post-purchase evaluation by the consumer" (Fornell, 1992, p. 11).

Some authors stated that there is no specific definition of customer satisfaction, and after their studies of several definitions they defined customer satisfaction as "customer satisfaction is identified by a response (cognitive or affective) that pertains to a particular focus (i.e. a purchase experience and/or the associated product) and occurs at a certain time (i.e. post-purchase, post-consumption)". (Giese & Cote, 2000, p. 15) This definition is supported by some other authors, who think that consumer's level of satisfaction is determined by his or her cumulative experience at the point of contact with the supplier (Sureshchander, 2002, p. 364). It is factual that, there is no specific definition of customer satisfaction since as the years passes, different authors come up with different definitions. Customer satisfaction has also been defined by another author as the extent to which a product's perceived performance matches a buyer's expectations (Kotler, 2002, p. 8). According to Schiffman& Karun (2004) Customer satisfaction is 7 defined as "the individual's perception of the performance of the products or services in relation to his or her expectations" (Schiffman& Karun 2004, p. 14). In a nutshell, customer satisfaction could be the pleasure obtained from consuming an offer. Measuring customer satisfaction could be very difficult at times because it is an attempt to measure human feelings. It was for this reason that some existing researcher presented that "the simplest way to know how customers feel, and what they want is to ask them" this applied to the informal measures (Levy, 2009, p. 6; NBRI, 2009). Asking each and every customer is advantageous in as much as the company will know everyone's feelings, and disadvantageous because the company will have to collect this information from each customer (NBRI, 2009). The National Business Research Institute (NBRI) suggested possible dimensions that one can use in measuring customer satisfaction, e.g.:

- quality of service
- Innocently
- speed of service
- pricing
- complaints or problems
- trust in your employees

- the closeness of the relationship with contacts in your firm
- other types of services needed
- your positioning in clients' minds

There exist two conceptualizations of customer satisfaction; transaction-specific and cumulative (Boulding, 1993; Andreassen, 2000). Following the transactionspecific, customer satisfaction is viewed as a post-choice evaluation judgement of a specific purchase occasion (Oliver, 1980) until present date, researchers have developed a rich body of literature focusing on this antecedents and consequences of this type of customer satisfaction at the individual level (Yi, 1990). Cumulative customer satisfaction is an overall evaluation based on the total purchase and consumption experiences with a product or service over time. (Fornell, 1992, Johnson &Fornell 1991) This is more fundamental and useful than transaction specificity customer satisfaction in predicting customer subsequent behavior and firm's past, present and future performances. It is the cumulative customer satisfaction that motivates a firm's investment incustomer satisfaction.

2.1.4. Customer Satisfaction and Service Quality

Since customer satisfaction has been considered to be based on the customer'sexperience on a particular service encounter, (Cronin & Taylor, 1992) it is in line with the fact that service quality is a determinant of customer satisfaction, because service quality comes from outcome of the services from service providers in organizations. Another author stated in his theory that "definitions of consumer satisfaction relate to a specific transaction (the difference between predicted service and perceived service) in contrast with 'attitudes', which are more enduring and less situational-oriented," (Lewis, 1993, p. 4-12) This is in line with the idea of Zeithaml, (2006, p. 106-107). Regarding the relationship between customer satisfaction and service quality, Oliver (1993) first suggested that service quality would be antecedent to customer satisfaction regardless of whether these constructs were cumulative or transaction-specific. Some researchers have found empirical supports for the view of the point mentioned above (Anderson& Sullivan, 1993; Fornell, 1996; Spreng&Macky 1996); where customer satisfaction came as a result of service quality.

In relating customer satisfaction and service quality, researchers have been more precise about the meaning and measurements of satisfaction and service quality. Satisfaction and service quality have certain things in common, but satisfaction generally is a broader concept, whereas

service quality focuses specifically on dimensions of service. (Wilson et al., 2008, p. 78). Although it is stated that other factors such as price and product quality can affect customer satisfaction, perceived service quality is a component of customer satisfaction (Zeithaml et al. 2006, p. 106-107). This theory complies with the idea of Wilson et al. (2008) and has been confirmed by the definition of customer satisfaction presented by other researchers.

2.2. Empirical Literature Review

Although not specifically related to Ethiopia, this section highlights a number of previous studies and some specific finding that deal with tax rated maters.

Serra (2000) in survey of measuring the performance of Chile's tax administration to develop an effectiveness indicator found that the high responsiveness of tax compliance to the tax base could be explained by the existence of scale economies in tax enforcement, taxpayers higher willingness to pay taxes in a fast growing economy, and changes in the tax structure. Procedures of tax have been simplified and the average time per procedure was 27.8 minutes, the number of frivolous penalty assessments by tax auditors has also been cut back. The study also shows that taxpayers completed their procedure in a single visit tax administration.

Fjeldstad (2004) conducted the survey on citizens' views on taxation in local authorities of Tanzania, covering 210 households in 6 case councils. The researcher explored a variety of tax related issues such as taxation and tax evasion, compliance motivations, service delivery, tax collection problems as well as possible solutions to improve revenue collection. The result of the survey found that taxpayers would be willing to pay more taxes if public services were improved. However, taxpayers' unwillingness to pay is not perceived to be the main problem in revenue collection. According to the survey data, poor public services to be the most important explanatory factor behind poor tax compliance. Fjeldstad, et.al (2001) cited in this survey, argues that coercive tax collection has important consequences for citizens' rights and for the democratization process. If taxpayers' rights are unclear for both taxpayers and tax authorities, tax compliance and accountability will be affected. The most serious problem hampering tax collection, according to citizens' perceptions, is that taxes collected are not spent on public services revenue collection. The survey concludes that citizens feel they get little in return for taxes paid. This perception has impacts on their willingness to pay and contributes to eroding

peoples' trust in the local government's capacity to provide the expected services.

Minnesota Department of Revenue (2005) conducted the survey study on taxpayer Satisfaction with the filing process of individual income tax survey. The survey result found that find or obtains tax forms from department of revenue has high quality. However, providing taxpayers with information about how their tax money is spent and making the Minnesota tax forms easy to understand is complex. The survey also show that almost all taxpayers (sample) expressed satisfaction with the availability of the income tax forms. However, a number of respondents expressed displeasure with various aspects of filing a paper return, most notably in the areas of, ease of filling out the forms and schedules, understandability of the forms understandability of the instructions, time it took to fill out the forms and schedules and helpfulness of the instructions. With regarding to tax refund, the survey result shows that nearly all taxpayers were very satisfied or satisfied with the time it took regardless of the refund method they chose.

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

Lumumba et.al (2010) conducted Taxpayers' attitudes and tax compliance survey on sample of 260 small and medium size enterprises taxpayers in Kenya. The main purpose of the study was to identify factors which influence taxpayers' attitudes and to establish relationship between attitudes and tax compliance behavior among small and medium business income earners in Kerugoya town, Kirinyaga district in 2010. The survey used structured closed ended questionnaire to collect data and chi-square was used to test the correlation between variable.

The survey result found that most taxpayers view the Kenyan tax system as unfair and some of the factors for tax noncompliance were found to be: the inability to understand tax laws, a feeling that they are not paying a fair share of tax, positive peer attitude and Rewarding. The survey also shows that there is a very strong relationship between the taxpayers' attitudes and tax compliance in Kenya i.e. taxpayers' attitudes encourages tax compliance in Kenya. Finally the survey recommended that improve the taxpayers' ability to understand tax laws, tax authority should also make the taxpayer feel and understand that they are not paying unfair share of tax, they should work to improve peer attitude and Rewarding taxpayers i.e. giving a trophy for being best tax payer.

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

Most recently, one study was made by Shikhaliyev (2011) on Assessment of Taxpayers' Satisfaction with Tax Administration Reforms in Azerbaijan. The survey was conducted in two stages, first by selected respondent from four geographical locations because satisfaction can be affected by emotional factors (perceptions and expectations). This stage focused on satisfaction within four primary services (e-tax return system, call centre, website, and taxpayers service terminals) being provided by the Azerbaijan ministry of tax. In the second stage of survey the

answers from small and medium enterprise representatives and individual entrepreneurs by the survey questionnaire. The findings of the study show that the general level of satisfaction with service and awareness provided by ministry of tax is quite high. The general opinion on the e-tax return system is positive and the level of satisfaction is high. The survey also found that telephone information Service, as a source of general information. The ability to receive information at any time and place is another factor that satisfies the taxpayers. The weakness of this survey was unclear objectives as it was based on tax administration reforms, i.e. the survey didn't specify the specific reform to be studied.

Finally the recently researches in Ethiopia, Gebreselassie (2011) conducted survey on tax assessment and collection problems of Category "A" taxpayers in Addis Ababa, "Business Taxpayers' Satisfaction with the Tax System in Addis Ababa, Ethiopia" by: TemtimeDebere(2014). The survey use self-administered semi structured and in-depth interview in the case study of yeka sub city and the survey find that most taxpayers lack sufficient knowledge of tax assessment and collection procedures. As a result, the survey point out that delay in tax payment and evasion are taken by taxpayers as solution to escape from payment of taxes. By the same time Aborat (2011) investigated the fairness perceptions of Addis Ababa City business profit taxpayers and its impacts in their perceptions. The survey used self-developed questioner and in-depth interview to collect both qualitative and quantitative data. The survey found that Addis Ababa City business profit taxpayers did not perceive positively in respect of general, vertical, personal, exchange, and administration fairness except horizontal fairness on the prevailing business profit tax system. With regard to tax knowledge and complexity, the finding of this survey shows that the taxpayers did not have sufficient knowledge and there were no easily understandable and vague procedures of the business profit tax system. Finally, the survey suggests that a series of measures should be taken by government in general, and tax authorities in particular; to improving policy and administration issues, educating the taxpayers and conducting awareness creation, and maintaining the tax system fair and equitable.

2.3. Conclusion of Literature Review and Researcher Gap

This chapter describes the relevant literature under three major sections. In the first section the theoretical aspect related to the study, the second section was discussed the empirical literature review and the last section is described the researcher gap of the problem identification. In all

these discussion, it may relevant to summarize that ineffective, inefficient or insufficient administrative or compliance procedures effect of service quality of tax properly due and consequently raise the risk of decreasing the tax burden for all large taxpayers. Hence, there is need to evolve new methods and strategies to promote large taxpayer compliance by placing adequate emphasis on taxpayer education, information deliver and assistance. On the other hand, the second sub-section of first section presents the five broad factors that influence taxpayers behavior such as deterrence; norms (both personal and social); fairness and trust (in the tax administration); opportunity and complexity; and The second section of this chapter discussed the considerable empirical evidence related to the study. For example, Sara (2000), Fjeldstad (2004), Oberhlzer (2007,2008), Lumumba et al (2010), Skikhaliyev (2011), James et al (2011), Kawano (2012). However, while these studies based on evidence from developed countries, available studies in developing countries, like Ethiopia, are limited. For example by: TemtimeDebere (2014), "The Practice, Challenges, and Prospects of e-Government: The case of Ethiopian Revenue and Customs Authority (ERCA) Large Taxpayers Office (LTO)" By Samuel EshetuTadesse (2015), Even if there are a number of studies in Ethiopia as stated above, to the best knowledge of the researcher, and a lot of researches to research on different company`s but there is no study focusing particularly on the service quality at ERCA on the satisfaction of exporter large taxpayers.The following chapter provides details of the research method approach in respect of the identified research problem.

2.4. Conceptual Framework:

For the purpose of the study is also developed by SERVQUAL. Supporting by the five above proposed hypothesis was designed the conceptual framework for this research focusing to identify the relationship between service quality dimensions based on SERVPERF mode and customer satisfaction (Zeithaml et al., 1996; Zeithaml et al. 2006;Ngan, 2013).

Figure 2-1 Conceptual Framework
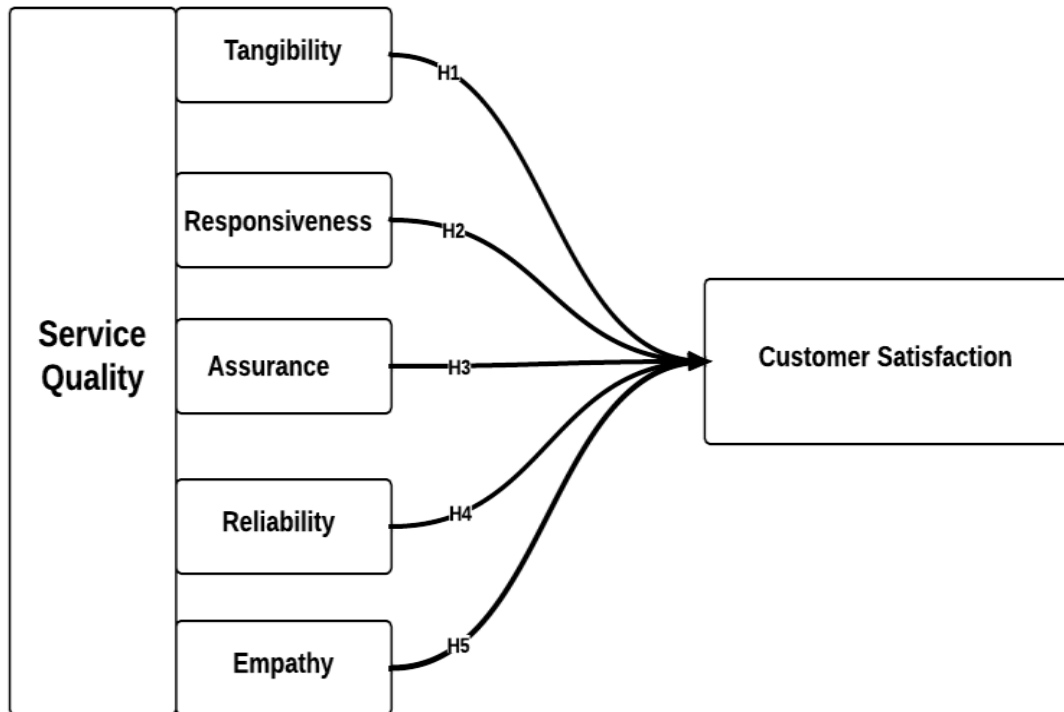
Source: SERVPERF mode and customer satisfaction (Zeithaml et al., 1996; Zeithaml et al. 2006;Ngan, 2013).

Chapter Three

3. Research Methodology

3.1. Research Design Adopted

Mixed method approach in which the researchers build the knowledge on pragmatic grounds (Creswell, 2003). A major tenet of practicality is that quantitative and qualitative methods are compatible which can help better understanding of the research problem.

In line with the above discussion, clearly a research design is so important if one needs to carry out an authentic and valid investigation as precise methods are pivotal for different types of investigations. Therefore, every research requires a research design that is carefully tailored to the exact needs of the problem under investigation (Creswell, 2009). Accordingly, this study used mixed methods design, which is a procedure for collecting, analyzing and mixing both qualitative and quantitative data in the research process to understand a research problem. The rationale for mixing is that neither qualitative nor quantitative methods are sufficient by themselves to capture the trends and details of the situation. When used in combination, qualitative and quantitative methods complement each other and enhance complete analysis (Leedy and Ormrod, 2013; Creswell, 2009).
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This study, therefore, consist of two phases in which a sequential explanatory mixed method applied (Creswell, 2009) which is characterized by the collection and analysis of quantitative data in a first phase of research followed by the collection and analysis of qualitative data in second phase that builds on the results of the initial quantitative result. Weight typically is given to the qualitative data, and the mixing of data occurs when the initial quantitative results informs the secondary qualitative data collection. In addition, a sequential explanatory design is typically used to explain and interpret quantitative results by collecting and analyzing follow-up qualitative data. It can be especially useful when unexpected result arise from a quantitative study. Furthermore, it is easy to implement because the steps fall into clear, separate stages. It was for this reason that this stud adopting sequential explanatory mixed design although time involved in

data collection is long (Creswell, 2009). Hence this study, in light of the research questions, the quantitative method is predominantly used. However, to have a better insight and gain a richer understanding about the research problem, the qualitative method is supplemented by the qualitative method of inquiry.

The research was planning to explanatory the determinants of service quality and identifies their degree of impact on customer satisfaction. Accordingly, the research purpose was to investigate and analysis impacts and hence, the researcher using explanatory research. In this research, both primary and secondary source of data were collected through questionnaire and in-depth interview.

Qualitative and quantitative data analysis methods were used to arrive at a reliable conclusion. Factor Analysis is used to identify a smaller set of salient variables from large set for use in subsequent multivariate analysis. Principal component analysis is applied where the total variance in the data is considered.

3.2. Sample Design and Size

Cross sectional study will be conduct to the effect of service quality on customers' satisfaction of large taxpayers at ERCA or LTO: on the case of export sector in Ethiopia. And Survey the data will be collected to analyze and examine the magnitude of satisfaction for export large tax payers at sample of individual exporter.

The list of Import/Exporter Large Taxpayers with their address was secured and questionnaire is distributed to 60% of from the total number of register 233 for Taxpayers through email, personal visit to offices, through colleagues, at the counter of ERCA Large Taxpayers reception. The method used is convenience sampling as participants of the study are selected as found easily reachable for survey distribution and follow up and also as found to be willing to respond. Consideration was also made on the benefit of convenience sampling over the cost and time needed for other possible sampling methods so that the study is completed within its due date.

Since there is no prior study in this area thus sample size of population standard deviation was taken as 35%. The confidence interval and sampling error will be 95% and 5% respectively. Based on the formula a total of 49 import/exporters will be interviewed. Stratified sampling technique will be used to select the required samples. Moreover, purposive sampling technique

will be utilized on government organizations which support the export sector for further clarification.

3.3. Type and Source of Data

This study was used to primary open-ended questioner and interview. The primary data was collected at the from exporters of Coffee, Oilseed and Pulses, Leather and leather products, Meat & meat products, Fruits & vegetable, Live animals, Chat, Gold, Flower, and other products exporters. For the purpose to assess the effects of service quality on customer's satisfaction of large taxpayers at ERCA on export sector.

The data collection tool utilized was a self-administered semi structured questionnaire type. The questionnaire had three major classes that were

A. Demographic data about the respondent
B. Simple questions related to topic
C. Customer satisfaction measurement part

    C.1. Customer level of satisfaction with the service quality of ERCA/LTO.

    C.2. Customer level of service quality with LTO services which include (Tangibility, Reliability, Responsiveness, Assurance and Empathy in staff attitude)

    C.3. Respondent demographic data related with the significance service quality of ERCA.

In the first demographic part of the questioner, participants were expected to answer basic questions of demographic records of age, gender, Educational background and Work position. In the second simple satisfaction level and yes or no questioners .and third part the questioner were asked to reflect their level of satisfaction with the respective service provided by ERCA/LTO that had five scales (Likert Scale) strongly disagree/poor, disagree/poor, Neutral, agree/poor and strongly agree/good. This Likert's scale was selected because of its systematical nature that can avoid biasness and continuity of response of questions was maintained.

3.4. Method of Data Collection

Relevant primary data for the study will be collected by designing open ended questionnaires and in-depth interviewing 49 large official import/experts of the concerned sample organizations to archive face to face and electronic database of the concerned organizations.

In-depth interview is applied to this study. Which interview protocol is used as a guide and questions may not always be asked in the same order. It anticipated that this approach would provide researcher a more accurate data to enhance the findings for this study. The interview questions were developed based on the results of the quantitative results. And the nature of this research is exploratory and open-ended.

3.5. Method of Data Analysis

The questionnaires used in the survey were closed ended questions; this means the respondents were to choose between given alternatives for their answers instead of constructing their own responses. This was mainly done to simplify the analysis process. Before the statistical analysis, data collected from the primary survey was compiled, edited, and coded. Then, data was analyzed using a computerized data analysis package known as SPSS version20. Tables, pie charts, bar graphs were used in analyzing the descriptive explanatory findings on the study variables.

Data analysis consists of examining, categorizing, tabulating, or recombining the evidence, to address the initial proposition of a study (Yin, 1989). The data collected from respondents through questionnaire have been analyzed by using descriptive statistics.

The mean of each SERVQUAL statements have been calculated for perception as well as expectation and the average Gap Score for each dimension is obtained. This is done by deducting the mean score expectation for each attributes from the mean score of perception. The average dimension SERVQUAL scores (for all five dimensions) are divided by five to obtain the average score of service quality. The necessary analysis and interpretation is made based on the average gap score of each individual taxpayer as well as the average gap scores for attributes and dimensions. Accordingly the results of the analysis were interpreted.

3.5.1 Reliability and Sample Characteristic

In this research were conducted the reliability test using the Cronbach's alpha in order to identify the consistency of the items in the data instrument. The use of the Cronbach's alpha has become common practice in empirical research when multiple-item measures are applied as data instrument (Tavakol&Dennick, 2011). The reliability coefficient applied in this research allowed to identify the stability, consistency and also enhance the accuracy of assessment of the data instrument used in this research and it coefficient varies between 0 and 1(Tavakol&Dennick, 2011), where Bryman & Bell (2011) considered acceptable internal reliability when greater than

0.80, and others authors considered as excellent internal reliability when the Cronbach's alpha is greater than 0.9, good between 0.8 and 0.9, acceptable between 0.7 and 0.8, questionable between 0.6 and 0.7, and the others results lower than 0.5 can be explained by a low number of items, poor inter-relatedness between items or hetero generous constructs.

Analyzing the five constructs of service quality, including tangibility, reliability, responsiveness, assurance, empathy, and the customer satisfaction based on reliability test show that all the constructs has presented excellent and good internal reliability (Table 3-1).

Table 3-1 Reliability Analysis of Constructs

Constructs	Number of Items	Cronbach's Alpha
Tangibility	4	.997
Reliability	5	1.00
Responsiveness	6	-.342
Assurance	6	1.00
Empathy	7	.987
Satisfaction	7	1.00

Source: Large Taxpayers satisfaction with LTO service quality survey and SPSS Analysis of own computation

3.5.2 Hypothesis Formulation

Providing high standard of service quality can result in high level of customer satisfaction (Suki & Suki, 2013) and based in the widely common service quality measurement model SERVPERF (Cronin & Taylor, 1992) and it five dimensions, including tangibility, reliability, responsiveness, assurance, and empathy, has been conceptualized the 5 hypothesis of this research which aim to identify the relationship of those five dimensions with customer satisfaction construct (Zeithaml, 1996).

Chapter Four

4. Data Analysis Presentation, Survey Results and Research Results

The objective of this chapter is to present the results and analysis of this quantitative and qualitative mixed research based in descriptive and inferential statistics. This chapter is comprises by four part, including the validity and reliability, following by descriptive statistics using tables to present the frequencies, central tendency and dispersion, and the hypothesis test based on multiple linear regression. Thus, the chapter is considering with the discussion of findings and the validation of hypothesis of this research. And the previous chapter presented the methodology used in the thesis. More specifically, the chapter was showed the different research approaches, methods of data collection, and analysis adapted in the study. This chapter presents the results of the various data collection methods and analysis in the context of the existing knowledge reviewed in chapter two. Accordingly, this chapter is arranged into three sections; the first section (4.1) presents the results of the survey primary data sources and in-depth interview. And finally section (4.2) presents of the data analysis with significant impact independent variables with the dependent variable use different SPSS data analysis presentation.

4.1 Present the survey Results

One of the purposes of this study is to assess the business taxpayers' satisfaction with the tax system. The principal data sources to this end are the survey and in-depth interview conducted to federal business taxpayers in Addis Ababa. Thus, the following discussion presents the results of open-ended and the as well as in-depth interview result in section. To show the descriptive of survey results. Accordingly, it covers the descriptive analysis respondents' demographic profiles and section 4.1.1 and 4.1.2 survey results of linear Likert scale descriptive independent variables data analysis under the research title effects of service quality of customer's satisfaction of large taxpayers at ERCA/LTO: The case of import/export sectors.

4.1.1 Respondents Demographic Profile Result

This section presents information about the demographic characteristics of the respondents in line with their gender, age, formal education, respondents working position, business type, size of the business, business length of operation. Some descriptive statistics are also illustrated in this section.

This section presents information about the demographic characteristics of the respondents in line to their age, gender, education, respondents working position. Some descriptive statistics are also illustrated in this section. As mentioned elsewhere in this report, population of Large taxpayer's business taxpayers in Ethiopia from the total 233 number of import export sector sample size of 140 were determined using simple random sampling. A total of 140 questionnaires were administered to these taxpayers and at the end of the field work, a total of 140 usable questionnaires were retrieved representing 100% response rate. This shows that the response rate considered as best. (Dillman, 2007) suggests that the response rate for a personal delivery approach varies considerably (Table 4.1).

Table 4-1 Respondent's Background Rate

	Types of Respondent's	Frequency	Percent
Gender	Male	94	67.1
	Female	46	32.9
	Total	**140**	**100**
Age/Years	20-30	17	12.1
	31-40	63	45.0
	41-50	54	38.6
	Above 50	6	4.3
	Total	**140**	**100**
Education	Diploma	39	27.9
	First Degree	76	54.3
	Master's Degree and above	25	17.9
	Total	**140**	**100.0**
Work Position	Owner	20	14.3
	Manager	28	20.0
	Employee	16	11.4
	Owner/Manager	10	7.1
	Accountant	37	26.4
	Administrator	22	15.7
	Total	**140**	**100**

Source: *Large Taxpayers satisfaction with LTO service quality survey and SPSS Analysis of own computation*

Response Rate

In general, from 140 questioners the valid data was 140 and I don't have any kinds of missing the data, and in addition the demographic information on the total number of respondents indicates that 67.1% of the respondents were male leaving 32.9% as female and that the age grouping of

the majority of the respondents age between 31 to 40 years (45%) so, they are youngers rather than the eldest one. Approximately, all the respondents had good education background. The majority of the respondents were also had an experience of doing tax related issue more than 6-10 years. In case of business activity majority of them engaged in general trade (import/export) service provided business and majority of them were owned by Private Limited Company (P.L.C). In addition majority of the business had been in operation for more than 6-10 years.

Finally, almost all of the sampled business paying tax like business profit tax, VAT, withholding and other tax or all kinds of taxes in their corresponding tax office. Moreover, the composition of the respondents to a greater extent fairly reflected the characteristic of business population distribution of Ethiopia. This is also an indication that the information provided in this study was given by experienced businessmen and information as well. Each of the demography Personal information with regard to their age, gender, educational qualifications and working position are separately and respectively described below.

Gender

Of the total 140 respondents 94 (67.1%) were male and 46 (32.9%) were female. From this table we can realize the fact that almost the male respondents is two times of the female. This indicates that the number of female competent have to be discouraged in order to bring up gender equality. Though they were less by half from the male their participation for the survey conducted by the researcher was unequally impact.

Age

The age distribution of the respondents who participated in the study is provided in Figure 4.1 indicated below. The sample age categories were divided with a range of 10 years except age category above 50. Accordingly, the results showed that majority of the respondents in the large business (63 or 45%) were aged between 31 and 40 years of age, and (54 or 38.6%) were between 41 and 50 years of age. Respondents (17 or 12.1%) were aged 20 and 30 years while respondents in the group of above 50 years old with 6 respondent's represented 4.3% of the total. This is an indication that most tax payers in the sample are at their matured ages and the information given to this study is free from emotional.

Formal Education Respondents

As clearly shown in Table 4.2 below the formal education of the respondents, 76 (54.3%) were

First Degree holders, 39 (27.9%) were Diploma Holders, 25 (17.9%) were masters and above. This shows that out of the total 140 respondents 101 (72%) respondents were first degree, masters and above. It indicates that majority of the respondents have better knowledge of how to run their respective companies businesses, understand the laws and regulations of ERCA/LTO.

Respondents Work Position

Described under the Figure 4.2 of the total 140 respondents 28 (20%) of them were managers, 20 (14.3%) were owners, 10 (7.1%) were owner/manager, 22 (15.7%) were administrators, 37 (26.4%) were accountants, 7 (5%) were purchasers and 16 (11.4%) were employees of different skills. This figures show that almost 75% of the total respondents were purely professionals and the above educational background results were more than 70% have first and above. In this regards, the data collected about large taxpayer was feasible.

The position (hierarchy) of the respondents indicates that the data collected by the researcher is reliable. It is believed that the respondents were responsible and highly experienced in doing their business. Thus, the accuracy of the data collected was undoubtedly real since the respondents were managers, the owner/managers, accountants and qualified purchasers including skilled employees.

4.1.2 Survey Results of Likert Scale Descriptive Independent Variables

The data instrument was designed based on the five dimensions of service quality is comprises by 4 items for dimension tangibility, 5 items for dimension reliability, 4 items for responsiveness, 6 items for assurance and 7 items for empathy, totalling26 items of SERVPERF model (Cronin & Taylor, 1992). Respondents were asked to indicate the level of agreement for each item of the data instrument based on five-point Likert scale ranging from1 to 5 (1= Strongly Disagree/Very Poor; 2= Disagree/Poor; 3= Neutral; 4= Agree/Good; 5= Strongly Agree/Very Good).

Table 4-2 Standard deviation and Mean for ERCA/LTO Service quality dimensions and Customer Satisfaction

	N	Minimum	Maximum	Mean	Std. Deviation
SQQ1700/Tangibles	140	1.00	3.00	1.6643	.85335
SQQ1800/Reliability	140	1.00	3.00	1.9714	.78606
SQQ1900/Responsiveness	140	1.00	2.00	1.7429	.26475
SQQ2000/Assurance	140	1.00	2.00	1.3071	.46297
SQQ2100/Empathy	140	1.00	3.00	1.6929	.87241

Source: *Large Taxpayers satisfaction with LTO service quality survey and SPSS Analysis of own computation*

The results are depicted in Table 4-2 a structured data instrument was used in this research based in 26 questions divided in 5 constructs, including tangibility, reliability, responsiveness, assurance, empathy representing the service quality model and customer satisfaction, with the purpose to find out the level of perception by users on the service offered. Based on 140 respondent's perceptions towards the service quality offered by the ERCA/LTO, the results of descriptive statistics showed that the most relevant constructs on this research are tangibility with mean score 1.664, following by reliability with 1.971, responsiveness with 1.743, assurance 1.307 and empathy 1.693 based on the perception of customers related with the service offered and the perception of customer satisfaction presented considerable level.

The constructs assurance of service quality model presented lowest mean score when compared with the other constructs, it means, the customers' perceptions of these constructs based on the service offered by the ERCA/LTO is weak. And the following tables implies were each dimensions of service quality, such as tangible, reliability, responsiveness, assurance and empathy and interpretation under each dimensions frequency descriptions analysis.

SQQ1700

Table 4-3 Quality dimensions Tangible/SQQ1700/

Quality dimensions Tangible	Mean	Std. Deviation
17.1 The LTO office location for your business	1.66	.85335
17.2 The LTO office facilities are visually attractive	1.66	.85335
17.3 The office has updated equipment	1.62	.90933
17.4 The tax collection system is updated location and accessibility of tax office is convenience	1.66	.85335

Source: *Large Taxpayers satisfaction with LTO service quality survey and SPSS Analysis of own computation*

As the collected data's from the respondents, the location of the LTO office is inconvenient that Exporter, Large Tax Payers have no opportunity to run their business activity effectively. In this regard, 82 (58.6%) respondents disagreed, 35 (25%) respondents agreed and 23 (16.4%) respondents were neutral about the LTO office location for the company's business. This indicates that, the location of LTO office shall get reform in the near future.

The LTO office facilities are not visually attractive. This idea has been supported by 62 (68.6%) of the respondents, and 35 (25%) respondents has agreed that the LTO office facilities are visually attractive, while 23 (16.4%) respondents has been neutral. This indicates that the office facilities are not visually attractive.

As seen from the data collected 82 (58.6%) of the respondents disagreed, 35 (25%) of them agreed, while 23 (16.4%) were neutral. In this regard, the LTO office has no updated equipment.

This is an indication that if no updated equipment the service of LTO will not fully satisfy tax payers. As seen from the data collected from all companies 82 (58.6%) respondents disagreed that the location and tax collection system is not updated 35 (25%) of them agreed, while 23 (16.4%) respondents are neutral. This indicates that the tax collection system is not updated, location and accessibility of tax office is not convenient.

SQQ1800-Reliabilities

Table 4-4 Quality dimensions Reliabilities/SQQ1800/

Quality dimensions Reliability	Mean	Std. Deviation
18.1 Ease in locating and contacting appropriate person/ officer at LTO OR ERCA	1.97	.78606
18.2 keep the taxpayer`s record correctly	1.97	.78606
18.3 Length of time taken to complete to provide a service	1.97	.78606
18.4 Fairness of tax officials in dealing with tax matters	1.97	.78606
18.5 Timeliness of the information	1.97	.78606

Source: Large Taxpayers satisfaction with LTO service quality survey and SPSS Analysis of own computation

Out of the total 140 respondents only 41 (29.3%) respondents said that contacting appropriate person /officer at LTO or ERCA is good, while 45 (32.1) respondents said poor and 54 (38.6%) respondents were neutral. It indicates that contacting offices at LTO was really challenging.

The collected data shows that only 41 (29.3%) respondents have witnessed that taxpayers record is kept correctly, while 45 (32.1%) respondents believed that tax payers record is not kept correctly, 54 (38.6%) of them are neutral. Keeping the taxpayers record correctly can create access to identify the success or failure of company's business activity. It is an indication to know whether which companies do effective business and generate significant revenue to the government. As mentioned previously, time is money. The exporter large taxpayers have the intention to get better service during few minutes.

As taxpayer's record keeping system, the time taken to complete providing service is also a challenge to 45 (32.1%) respondents, while 41 (29.3%) respondents take that it is good and the remaining 54 (38.6%) respondents are neutral. Dalliance of providing service has bad implication and loses the friendliness of the tax officers and the taxpayers.

Fairness of tax officials is said to be good by 41 (29.3%) respondents, 45 (32.1%) respondents declared it poor, while 54 (38.6%) respondents are neutral. Tax payers are the sole organs of the country. They are the source of money and wealth to the government. Thus, fairness of tax officials dealing with tax matters. Information is vital to do any the one time. Thus, taxpayers have to get information on time. Today, information is the master key to facilitate any kind of businesses.

As observed from the data collected 41 (29.3%) respondents said that timelines of the information is good, while 45 (32.1%) respondents said it poor and the remaining 54 (38.6%) respondents are neutral. Taxpayers pay taxes on the exact time if they are provided real information about timelines. It indicates that timeliness of the information can bind the taxpayers and LTO together.

SQQ1900-Responsiveness

Table 4-5 Quality dimensions Responsiveness/SQQ1900/

Quality dimensions Responsiveness	Mean	Std. Deviation
19.1 Timely responses when the taxpayers have complains	2.14	.84147
19.2 Employees willingness to help customers	2.14	.84147
19.3 Simplicity in procedures in submitting tax returns	1.35	.61175
19.4 Friendliness and behavior of tax official's	2.14	.84147
19.5 Ease in getting tax refund	1.35	.61175
19.6 Making the tax forms easy to understand and complete	1.35	.61175

Source: *Large Taxpayers satisfaction with LTO service quality survey and SPSS Analysis of own computation*

Responsiveness in any type of business is vital. Likewise, whenever taxpayers have complains tax officers provide them timely response. Responsiveness is the act of doing, something openly or say something clear to anybody, a group or a company without any prejudice.

In the survey, as the data shows, when taxpayers have complains for timely response 60 (42.9%)

of the respondents have got timely response and said good, while 4 1 (29.3%) of the respondents said poor and the remaining 39 (27.9%) become neutral. If timely response lags when the taxpayers have complains the officer/officers is/are corrupted. It clearly indicates that the more responsiveness delay the more there is corruption.

As civil servants government employees have to help customers willingly. It is the public at large which pay the cost bring the employees to position. In this regard, taxpayers (customers) of ERCA/LTO shall be treated fairly and willingly by tax officers. Customers are the one who pay salaries for the employees indirectly. In principle employees are recruited to help and serve customers willingly. As it is proved from the collected data, 60 (42.9%) of the respondents said that employees willingness to help customers is good, while 41 (29.3%) of the respondents said poor and the remaining 39 (27.9%) become neutral. This data indicates that 80 (57.2%) respondents proved that employee's willingness to help customers is not good. The ERCA/LTO has to help taxpayers in simplicity in procedures in submitting tax returns.

The taxpayers have to know the procedures in order to submit tax returns. In order to encourage the taxpayers able to submit tax returns the ERCA/LTO has to prepare procedures in simple and clear way. Concerning this, 101 (72.1%) of the respondents declared that it is poor, while 29 (20.7%) of them are neutral and the remaining 10 (7.1%) respondents accepted and said that it is good. It indicates that the majority of the companies (respondents) are not satisfied in the procedures. Tax officials are friendly and their behavior is good, poor, and neutral. Accordingly, 60 (42.9%) respondents accepted that it is good, 41 (29.3%) respondents said poor, while 39 (27.9%) respondents were neutral. This indicates that the tendency of the majority respondents was good. As observed in data collected the 101 (72.1%) respondents said poor, while 29 (20.7%) neutral and the remaining 10 (7.1%) respondents said Good. These figures show that getting tax refund from ERCA/LTO is very challenging. As the response of the respondents the tax forms were not easy to understand and complete. In this regard, 101 (72.1%) respondents said poor, while 29 (20.7%) respondents said neutral and the remaining 10 (7.1%) respondents said well. This indicates that the tax forms were not easy to understand and complete.

SQQ-2000 Assurance

Table 4-6 Quality dimensions Assurance/SQQ2000/

Quality dimensions Assurance	Mean	Std. Deviation
20.1 Imposing penalties is sound enough in Ethiopia	1.31	.46297
20.2 The criteria for selection of taxpayers for audit and auditing procedures are fair and sound enough	1.31	.46297
20.3 I'm satisfied with the present system of audit and investigation	1.31	.46297
20.4 In general tax law enforcements are fair and acceptable take	1.31	.46297
20.5 Attitude of tax officials towards solving your problem	1.31	.46297
20.6 personal behavior of the staffs are excellent that the taxpayers can trust	1.31	.46297

Source: *Large Taxpayers satisfaction with LTO service quality survey and SPSS Analysis of own computation*

Exporter large tax payers shall be supported by ERCA/LTO by getting latest tax information and awareness. In fact exporters, like any businessmen can make something wrong and can bring negative impact on the LTO. But, imposing huge penalties will discourage business firms.

Accordingly, the data collected show that 97 (69.3%) respondents disagree on imposed penalties, 43 (30.7%) respondents become natural. This indicates that the maximum number of companies disagree on imposed penalties. Large taxpayers for audit and auditing procedures are not fair. That is why 97 (69.3%) of the respondents disagreed, while 43 (30.7%) become neutral. This shows that the criteria for selection of taxpayers for audit and auditing procedures are fair and sound enough.

The present system of audit and investigation didn't satisfy 97 (69.3%) respondents who disagreed, while 43 (30.7%) respondents become neural. Thus, this indicates that the present system of audit and investigation did not satisfy the majority. As to the collected data of the exporter large tax payers 97 (69.3%) respondents were complaining and disagreed, while 43 (30.7%) respondents were neutral. This indicates that tax law enforcements are not fair and acceptable. As indicated in the data collected from 140 companies 97 (109.3%) respondents

disagreed, while 43 (30.7%) were neutral. In this regard, tax officials were not having the attitude forwards solving taxpayer's problem. It is shown on the collected data that 97 (69.3%) respondents disagreed, while 43 (30.7%) were neutral. Thus, it indicates that personal behavior was bad that the taxpayers can't trust.

SQQ2100- Empathy

Table 4-7 Quality Dimensions Empathy/SQQ2100/

Quality dimensions Empathy	Mean	Std. Deviation
21.1 Availability and Accuracy of tax information	2.16	.82472
21.2 The staff ease in understanding the available tax documents	2.16	.82472
21.3 The staff know what taxpayers needs are	1.69	.87241
21.4 Taxpayers educating, awareness creation and consultation sessions	1.71	.87734
21.5 Understandable and completeness of tax forms	1.69	.87241
21.6 Provide useful and accurate information to taxpayers	1.69	.87241
21.7 Making the collection procedures simple and transparent	1.69	.87241

Source: Large Taxpayers satisfaction with LTO service quality survey and SPSS Analysis of own computation

The availability and accuracy of tax information was said to be good by 60 (42.9%) respondents, while 38 (27.1%) respondents called it poor and 42 (30%) respondents become neutral. From this we can be sure that the availability and accuracy of tax information is encouraging.

Tax documents are available and their availability is good and understood by 60 (42.9%) respondents, while 38 (27.1%) respondents agreed that it is poor and 42 (30%) respondents were neutral. According, to the data collected from 140 companies 38 (24.1%) respondents accepted it as good, while 81 (57.9%) respondents called it poor and 21 (15%) respondents become neutral. Here, we can conclude that tax payer's needs are not known by the staff. The sessions for education, awareness creation and consultation to taxpayers was poor. 80 (57.1%) of the respondents didn't agree and valid, it is poor, while 39 (27.9%) respondents considered it as good and 21 (15%) respondents became neutral. Tax forms are not understandable and not completed. Due to this 38 (27.1%) respondents assumed it good, while 81 (57.9%) respondents valid it poor and 21 (15%) respondents become neutral.

Exporter Large Taxpayers were not provided useful and accurate information. That is why only 38 (27.1%) respondents said it is Good; while 81 (57.9%) respondents said poor and 21 (15%) become neutral.

The ERCA/LTO was not making collection procedures simple and transparent. This is proved from the data collected 81 (57.9% respondents said poor, while 38 (27.1%) of the respondents said good and the remaining 21 (15%) respondents become neutral. From this, we can conclude that collection procedures were not simple and transparent.

4.2 Multi-Collinearity Test

The test which is conducted in this study is the Multicollinearity test. This help to identify the correlation between explanatory variables and to avoid double effect to find dependent variable from the model. The following table shows correlation among independent variable.

Table 4-8 Multi-collinearity Service quality and customer satisfaction relationship

|	SQQDV CUSTOMER SATISFACTION	SQQ1700 Tangible	SQQ1800 Reliability	SQQ1900 Responsiveness	SQQ2000 Assurance	SQQ2100 Empathy
SQQDV	1					
	140					
SQQ1700	$.399^{**}$	1				
	.000					
	140	140				
SQQ1800	$.364^{**}$	$.479^{**}$	1			
	.000	.000				
	140	140	140			
SQQ1900	$-.498^{**}$	$-.687^{**}$	$-.606^{**}$	1		
	.000	.000	.000			
	140	140	140	140		
SQQ2000	.111	$.572^{**}$	$.696^{**}$	$-.378^{**}$	1	
	.191	.000	.000	.000		
	140	140	140	140	140	
SQQ2100	$-.505^{**}$	$-.574^{**}$	$-.842^{**}$	$.777^{**}$	$-.531^{**}$	1
	.000	.000	.000	.000	.000	
	140	140	140	140	140	140
**. Correlation is significant at the 0.01 level (2-tailed).						

Source: Large Taxpayers satisfaction with LTO service quality survey and SPSS Analysis of own computation

A correlation is number that explains the degree of relationship between two variables. In other explanation, Multicollinearity reveals the relation among the independent variables. As stated on correlation matrix, many of correlations that have occurred among independent variables are weak correlations which shown on Table 4-8 result is indicate that, there is negative and week relationship between quality service dimensions and customer satisfaction for as Tangible and customer satisfaction (r = .399, p = 0.00), Reliability and customer satisfaction (r = 0.364, P =0.00), Responsiveness and customer satisfaction (r = (.498), = 0.00), Assurance and customer satisfaction (r = 0.111, P = 0.00), Empathy and customer satisfaction (r = (.505), P =0.00).

In statistics, the correlation coefficient r measures the strength and direction of a linear relationship between two variables on a scatterplot. The value of r is always between +1 and −1. When r of this research more result is less than to -1, there is week tough (negative) linear relationship.

To interpret the finding on Table 4-8 above further indicates that the highest relationship is found between service quality dimensions Empathy, assurance, reliability, responsiveness and tangibility with customer satisfaction. There is significant impact satisfaction of large exporter taxpayers the way of ERCA service quality of each five dimensions of service quality using SERVQUAL instrument.

Figure 4-1 Test for Normality of Data
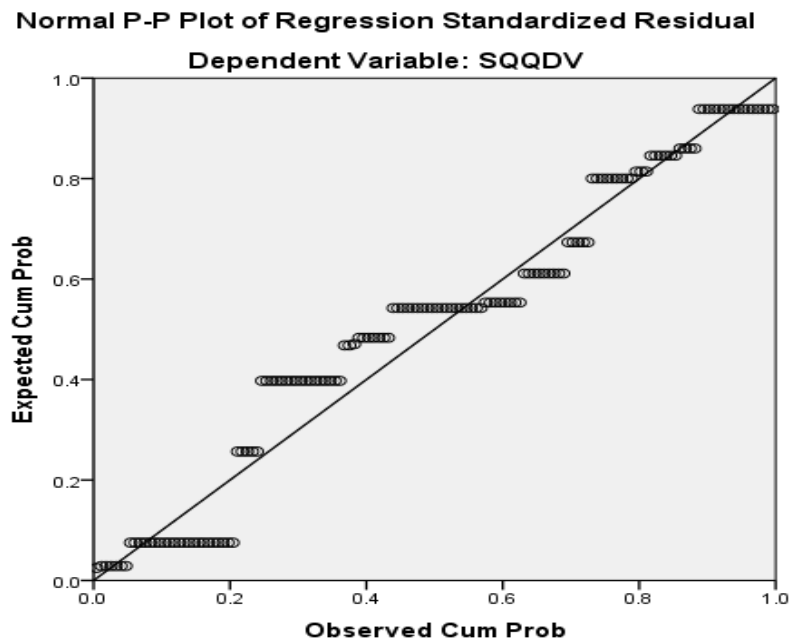
Source: Large Taxpayers satisfaction with LTO service quality survey and SPSS Analysis of own computation

4.3 Regression Test

The five assumptions done before the researcher conducted a regression analysis and those are linearity, normality, multicollinearity and independent of residual and presented and discussed below.

Multiple Linear Regression Analysis

Multiple regression analysis was ERCA/LTO to examine the effect of customer service quality dimensions on customer satisfaction. In multiple regression analysis, multi collinearity refers to the correlation among the independent variables. According to (Kline, 1998) multi collinearity is not a threat if a correlation value is less than 80%. Before conducting the multiple regression analysis, the researcher examined the result of multiple correlations among the independent variables and found that, the pair wise correlation between the independent variables is less than 80%, as shown in Table 4-9. Coficients model, the Sig < 5% and the model be accepted and significance. This means that the relationship between dependent and independent are reliable. The results shows multiple simultaneous regression analysis, where independent variables against dependent variable.

Table 4-9 Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.382	.400		8.451	.000
	SQQ1700/Tangible	.132	.054	.277	2.441	.016
	SQQ1800/Reliability	.059	.084	.114	.708	.480
	SQQ1900/Responsiveness	-.125	.203	-.081	-.617	.538
	SQQ2000/Assurance	-.314	.101	-.358	-3.096	.002
	SQQ2100/Empathy	-.175	.078	-.376	-2.246	.026

a. Dependent Variable: SQQDV /Customer Satisfaction/

Source: Large Taxpayers satisfaction with LTO service quality survey and SPSS Analysis of own computation

The above table shows regression analysis, where all independent variables (tangible, reliability, responsiveness, assurance and empathy) do against dependent variable (customer satisfaction). This analysis is conducted to predict the percentage of dependent variable, where independent variables are entered simultaneously. Tangible (B = .132, t-value = 2.441), reliability (B =.059, t-value=.708 responsiveness (B =-.125, t-value = -.617), assurance (B = -.314, t-value = -3.096) empathy (B = -175, t − value = -2.246) are significantly and negative influence on customer satisfaction.

Table 4-10 ANOVA^a

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7.889	5	1.578	13.997	.000^b
	Residual	15.104	134	.113		
	Total	22.993	139			

a. Dependent Variable: SQQDV/Customer Satisfaction/ Source: Large Taxpayers

b. Predictors: (Constant), SQQ2100/ Empathy, SQQ2000/ Assurance, SQQ1700/ Tangible, SQQ1900/Responsiveness, SQQ1800/ Reliability

Table 4-10 shows the test of significance of the model using an ANOVA. There are 139 (N - 1) total degrees of freedom. With five predictors, the Regression effect has 5 degrees of freedom. The Regression effect is statistically significant indicating that prediction of the dependent variable is accomplished better than can be done by chance.

We can see how well our model predicts the outcome by checking the p-value in the ANOVA table. Our p-value is significant with a value of .000, it means that the model predicts accepted and reliability in percentage of 95%.

Table 4-11 Durbin-Watson Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.586 [a]	.343	.319	.33573	.343	13.997	5	134	.000	.221

Predictors: (Constant), SQQ2100, SQQ2000, SQQ1700, SQQ1900, SQQ1800 [a]

Dependent Variable: SQQDV SQQDV [b]

Table 4-11 Model Summary provides an overview of the results. Of primary interest are the **R Square** and **Adjusted R Square** values, which are 0.343 and 0.319 respectively. The table also indicates learn from these that the weighted combination of the predictor variables explained approximately **30%** of the variance of self-esteem. The loss of so little strength in computing the Adjusted R Square value is primarily, due to, our relatively medium sample size combined with a relatively small set of predictors. Using the standard regression procedure where all of the predictors were entered simultaneously into the model, R Square Change went from zero before the model was fitted to the data to 0.343 when the variable was entered.

This analysis is conducted to predict the percentage of dependent variable, where independent variables are entered simultaneously. The overall variance (customer satisfaction) is not explained by the independent variables, (Assurance, Empathy, Responsiveness, Reliability and tangible) because the effect is only 34.3%.

4.4 Hypotheses Test Results and Finding

In order to test the research hypotheses Spearman's Correlation Coefficient was used because it is appropriate method to measure the correlation when the data are measured at ordinal level (Andy;2006). Correlations are the measure of the linear relationship between two variables. A correlation coefficient has a value ranging from -1 to 1. Values that are closer to the absolute value of 1 indicate that there is a strong relationship between the variables being correlated whereas values closer to 0 indicates that there is little or no linear relationship (Fikre et al,

2009:78). And the result of X Square Regression Analysis test was findings the independent variable such as tangible, reliability, responsiveness, assurance and empathy was negative result and have not significant impact on dependent variable that is customer satisfaction.

Finally the R value explains on Table 4-12 Model Summary, which indicates the level of correlation on a scale of -1 to 1. While, the result of analysis, we have R = .586, it indicated an average positive correlation. The value of Durbin-Watson (d) always lies between 0 and 4, accordingly my data based on the result, d =.221, that means indicates no auto correlation but stile the result is week. (http://en.wikipedia.org/wiki/durbin%E2%80%93watson_statistic).

The coefficient of multiple determination is 0.343 (R Square =0.343 is mentioned on the table (Model Summary) therefore, about 34.3.00% of the variation in the customer satisfaction is explained by service quality dimensions assurance, reliability, responsiveness, empathy and tangible. The Sig. to check for significance for Coefficients model, the Sig < 5% and the model be accepted whether the relationship is positive and negative and significance. This means that the relationship between dependent and independent are reliable. The results shows multiple simultaneous regression analysis, where independent variables against dependent variable.

Table 4-12 Summary of Hypothesis

Hypothesis	Finding
H1: Tangible has positive and significant effect on Customer satisfaction.	Supported and directional
H2: Responsiveness has negative and not significant effect on customer satisfaction.	Not Supported
H3: Assurance has negative and significant effect on customer satisfaction.	Supported but non directional
H4: Reliability has positive and not significant effect on Customer satisfaction.	Not Supported
H5: Empathy has negative and significant effect on customer satisfaction.	Supported but non directional

Chapter Five

5. Findings Conclusion and Recommendation

The aim of this chapter is verify the contributions of this research for the satisfaction of large taxpayers specially on import/export sectors in Ethiopia with service quality at ERCA/LTO, also check if the research questions were validated or not. Therefore the chapter begins with findings, conclusion, then to the recommendation and implication to the research for future research in the end of the chapter.

5.1 Findings

In this research a multiple linear regression analysis was conducted with the purpose to investigate the influence of service quality based on its five dimensions on customer satisfaction. The multiple linear regressions were a constructive statistical method used to identify the correlation between a single dependent factor and several independent variables (Seelbach, et al., 2011; Vesey, et al., 2011). The multiple linear regression assumes that variables on the sample have normal distributions, it means, is extremely important to check the was cross tab analysis between the two independent variable respondents biographical and five service quality dimension normality of the variables with the purpose to identify the existence of outliers. And the following summarized findings from the research result those are:

> The reliability and responsiveness level was verified on the above session providing good level to constructs used in this research and the two service quality dimensions was the normality has been checked, not presenting outliers. Thus, not present a significant effect on customer satisfaction based on these verifications is possible identify conditions for multiple linear regression.

> Based on the results from the multiple linear regressions was possible to confirm that the dimensions tangibility was significance and positive relationship with customer satisfaction levels and hypothesis 1 was very important developed for this research.

> And finally findings the relationship of respondent's demographic such as age, education and gender is very significance relationship to answer the questions related to dimension of service quality at ERCA/LTO.

5.2 Conclusion

Ethiopia Revenue and Custom Authority have millions birr per year collected tax from the import export large taxpayers sector on average per year. So this sector is one of the most tax payers in Ethiopian. These industries have been marked by the competitive environment and its scenario requires that companies provide high level of service quality must be improve service quality as a service sector to improve the customer satisfaction and as well as increase the revenue to gate from the import/export sector.

➤ This research on this conclusion section to examine the effect of service quality on customer satisfaction at ERCA/LTO under the case of exporter sector, where service quality has five dimensions which are assurance, empathy, responsiveness, tangible, and reliability. On the finding of the study before indicates that, customers were most respondents satisfied with the reliability and responsiveness dimensions of service quality of ERCA. However, customers were less satisfied with tangible and as well as assurance and empathy dimensions of service quality on the previous Correlation and Multiple Linear Regression Analysis result shows that related with customer satisfaction.

➤ The results identify that the dimension empathy presented the average level of perception face the other dimensions of service quality. This observation suggests that the ERCA/LTO have to organize trainings for employees, focusing in improve the communication skills, providing friendly style of communication with tax payers specially the service tangible, assurance and empathy.

➤ Furthermore, I investigated from this research the respondent`s background is very important to understand or the service quality of ERCA/LTO. the researcher regression analysis with service quality dimensions and customer satisfaction shows that assurance, responsiveness, empathy and tangibility has significant and positive relationship even though reliability has positive correlation, there is no significant relationship with customer satisfaction.

➤ In terms of the stated research hypotheses the following specific empirical findings emerged from the investigation: The four service quality dimensions including tangibility, responsiveness, assurance and empathy have positive and significant effect on customer satisfaction. The findings of this study also indicated that empathy is the most important factor to have a negative and significant effect on customer satisfaction. In addition to this, except reliability the four service quality dimensions significantly explain the variations in customer satisfaction.

5.3 Recommendation

Based on the findings and conclusions of the study, the researcher forwards the following recommendations to the management of ERCA/LTO.

➤ Tangibility, Assurance and Empathy dimension was considered as one of the most important factors to discourage or encourage of customer satisfaction at ERCA service. One way of addressing by treating customer to perform the promised service dependency and accurately. This is to say, the service management should focus on this factor to maximize customer satisfaction.

➤ Customer satisfaction is very important to fulfil a set of targeted in any industry especially on the service sector one of the service sector of government to generate income is ERCA. Now a day's customers are becoming an inevitable factor in companies' management with the power to change short-term and long-term policies and strategies. Therefore, enough knowledge of environment, expectation of customers and their desire are very important to find the best solution for facing up-expected behave in such a way that to change the mind of customers in the direction more generate income tax.

➤ Although there are encouraging efforts of government to enhance trade facilitating public institutions, particularly the improvements in consciousness of ERCA, the remaining factors associated with technology application and coordinated clearance are unchanged. As a result, the gains from effectiveness of ERCA in prioritizing exporter over imports and allocating dedicated staffs are being negated by the losses of time in manual and multiple inspections.

➤ Integration and coordination among trade facilitating institutions is one of the significant element that Ethiopian Telecom service to pay tax on line or e-tax used is lacking. Indeed, almost all such institutions are conscious of what and how quickly they have to process exporters. But, they lack the necessary technology and machineries to enhance and sustain the current performance. Hence, these institutions are just doing it quickly because of sense of urgency placed on by government.

5.4 Implications

It is recommendable for future research to develop further the core concepts of service quality dimensions rather than such, assurance, responsiveness, empathy, tangibility and reliability in context of customer satisfaction. The data of this research is consisted only from LTO customers, so there is limitation of thinking towards the research. Apart of that, it is recommended to develop a research that not considers the other tax office. Since service quality dimensions have significant influence on customer satisfaction, it is important to satisfy customer requests as part of organizational plans in achieving organizational goals.

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Annexes A

Age against Tangible service quality dimension/1700/
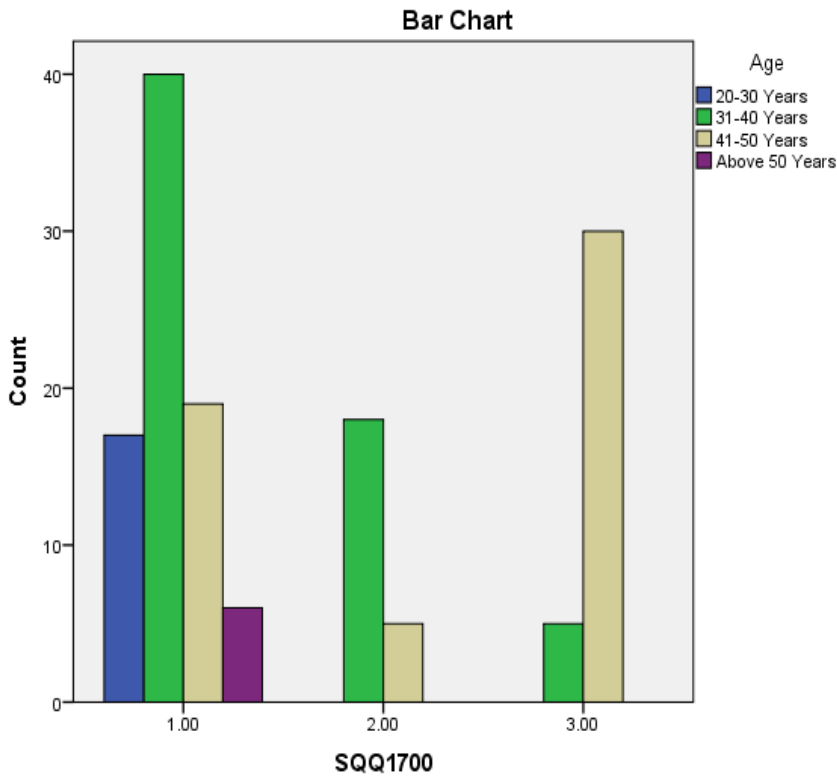
Indication
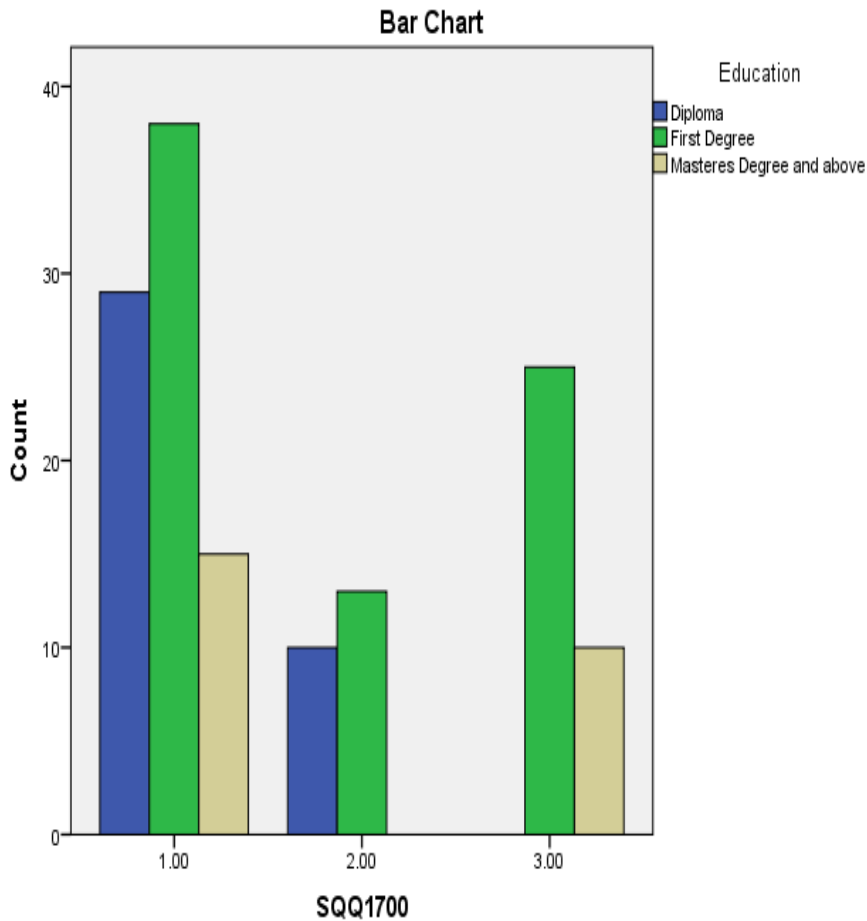
1=Minimum

2= Neutral

3= Maximum

1700=Tangible

This figure indicates the respondent's age is significant satisfaction level to tangible service quality and the earlier aged is more dissatisfaction of the service quality of office ERCA/LTO.

Source: Large Taxpayers satisfaction with LTO service quality survey and SPSS Analysis of own computation

Education against Tangible service quality dimension/1700/

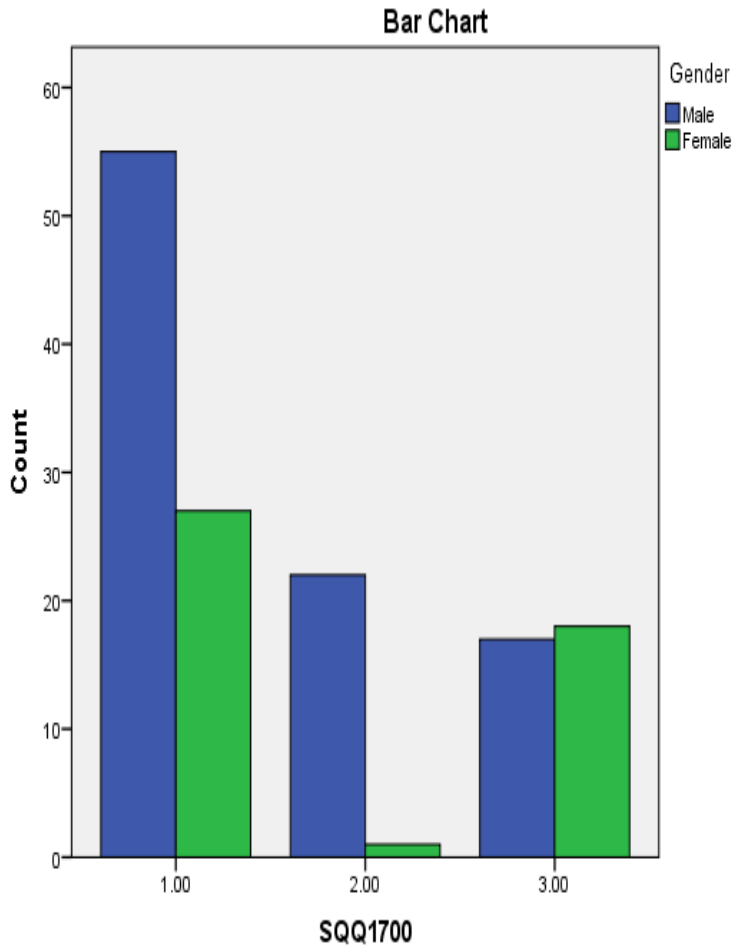Indication **1= Minimum**

2= Neutral

3= Maximum

1700= Tangible

This figure indicates the respondent's more educated is more dissatisfaction is significant satisfaction level to tangible service quality of office ERCA/LTO.

Source: Large Taxpayers satisfaction with LTO service quality survey and SPSS Analysis of own computation

Gender against Tangible service quality dimension/1700/

Indication **1= Minimum**

2= Neutral

3= Maximum

1700 = Tangible

This figure indicates one of the respondent's bibliographical background is significance to gate the satisfaction levels of service dimension of tangible ERCA/LTO

Source: Large Taxpayers satisfaction with LTO service quality survey and SPSS Analysis of own computation

Job position against Tangible service quality dimension/1700/
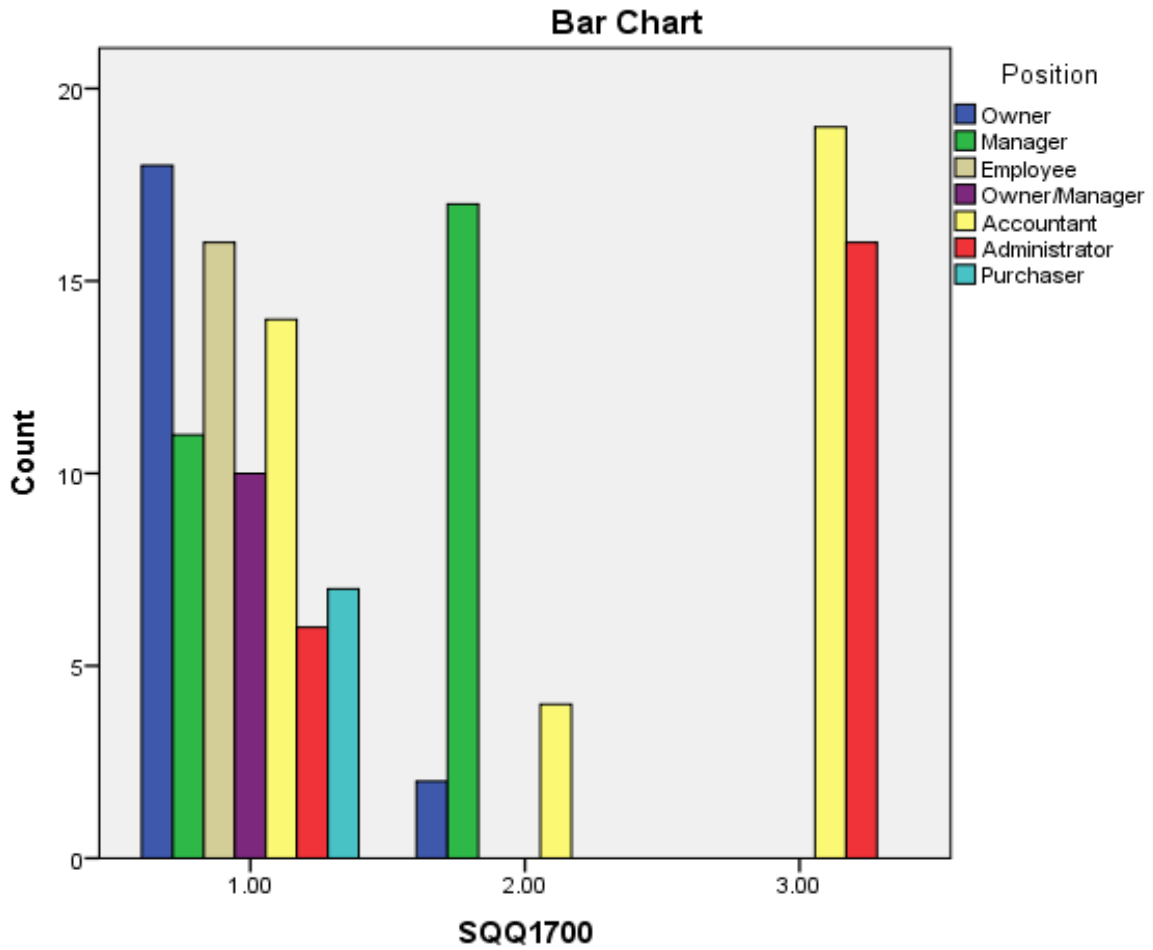
Source: Large Taxpayers satisfaction with LTO service quality survey and SPSS Analysis of own computation

This figure indicates the respondent's job position more related with tax office well understanding and have a reasons to say satisfaction or not level from tangible service quality of office ERCA/LTO.

Questionnaire

St. Mary`s University School of Graduate Studies

MBA Program

Questionnaire for Customers

Dear Respondent,

I am currently a student of St. Mary`s University, and on doing my MBA thesis. On "**The Effects of Service Quality on Customers Satisfaction of Large Taxpayers at ERCA": The Case of Export Sector.**

The purpose of this questionnaire is to gather data regarding the Service quality and Customer satisfaction in the case of ERCA/LTO. The study is purely for the purpose of academic and thus does not affect you in any case. All of your response to the given question would be used for the research and will be kept confidential.

Your frank and timely response is vital for the success of the study. Therefore, I kindly request you to respond to each question carefully.

Thank you in advance for your cooperation and timely response!

Note:

1. No need of writing your name.
2. Where alternative answers are putting in the box along your choice and put "√" mark where necessary.
3. Please return the completed questionnaire in time.

Section I: Respondent's Background

1. Please indicate your age.

              1. 20 - 30 years ☐   2. 31-40 years ☐

              3. 41-50years ☐   4. Above 50 years ☐

2. Please indicate your gender.

              1. Male ☐   2. Female ☐

3. Please indicate your educational qualification.

              1. Below grade 12 ☐   3. Diploma ☐

              2. Grade 12 complete ☐   4. First degree ☐

              5. Master's degree and above ☐

              6. Others Please specify_____

4. Please indicate your position in the business.

              1. Owner ☐   3. Employee ☐

              2. Manager ☐   4. Owner/manager ☐

    5. Other Please specify _____

If your answer is, Employee please indicate us your position _____

Section II Questions related to topic

5. Please indicate the legal form of your business

      1. Sole proprietorship ☐   2. Partnership ☐

      3. Private limited company ☐   4. Share Company ☐

      5. Others, Please specify_____

6. Please indicate how long your company has been in business

      1. Less than 1 year ☐   2. 1-5 years ☐

      3. 6-10 years ☐   4. More than 10 years ☐

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

      1. Less than 1 year ☐   2. 1-5 years ☐

      3. 6-10 years ☐   4. More than 10 years ☐

8. Please indicate the frequency of your visit to Ethiopian Revenue and Customs Authority/ERCA or Large Taxpayers Office/LTO/

      1. On average 2 visits a year ☐   2. On average 4 visits a year ☐

      3. On average 6 visits a year ☐   4. Monthly ☐

      5. Not applicable ☐

9. When was the last time you visited the Tax Office?

1. Less than 1 month ago ☐   2. 3 months ago ☐

3. 6 months ago ☐   4. 1 year ago ☐

10. What taxes have you been paying to the government (multiple answer is possible)?

1. Business profit tax ☐   2. Value Added tax (VAT) ☐

3. Withholding tax ☐

4. Others, Please specify_____

11. How high/ low are the tax rates for Exporter Large Taxpayers in Ethiopia?

1. Low ☐   2.Medium ☐   3.High ☐   4. Very high ☐

12. Have you ever participated in the training /education/ awareness development programs conducted by tax authority?

1. Yes ☐   2. No ☐

13. If your answer to above question number 12 is yes, do you believe that awareness creation program organized by ERCA is satisfying large taxpayers?

1. Yes ☐   2. No ☐

14. Have you been consulted by ERCA officials before their adoption of any recent reform such as VAT withholding, cash register machine etc.?

1. Yes ☐

2. No ☐

15. Please select how often you get tax information from the tax office/frequency of time.

1. Never ☐

2. Rarely ☐

3. Once a week ☐

4. About 2-3 times a week ☐

5. Daily ☐

Section III: Service Quality Questionnaire (SQQ)

Instructions: please put the mark "√" on the giving providing you feel most appropriate, using the scale form **(1=strongly disagree to 5= Strongly-agree).**

16. Please indicate your agreement or disagreement to the following statements.

General quality service With Customer Satisfaction	Very Disagree	Disagree	Neutral	Agree	Strongly Agree
	1	2	3	4	5
16.1 I am fully satisfied with the way service is provided at ERCA/LTO.					
16.2 I am fully satisfied with the speed of providing service.					
16.3 I am fully satisfied with the responsive speed to the complaint submitted.					
16.4 I am fully satisfied with the means of communication with the ERCA information provide.					
16.5 I am fully satisfied with the current tax collection system /using e-tax system.					
16.6 I am fully satisfied with the present tax procedure and policy.					
16.7 I am fully satisfied with the current tax rate.					

17. Instructions: please put the mark "√" on the giving providing you feel most appropriate, using the scale form (**1=strongly disagree to 5= Strongly-agree).**

Quality dimensions Tangible	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1	2	3	4	5
17.1 The LTO office location on your business					
17.2 The LTO office facilities are visually attractive					
17.3 The office has updated equipment					
17.4 The tax collection system is updated location and accessibility of tax office is convenience					

18. Kindly rate your responses on the quality of services provided by ERCA on five scale ranging from (**1=very poor to 5=very good).**

Quality dimensions Reliability	Very poor	Poor	Neutral	Good	Very Good
	1	2	3	4	5
18.1 Ease in locating and contacting appropriate person/ officer at LTO OR ERCA					
18.2 keep the taxpayer`s record correctly					
18.3 Length of time taken to complete to provide a service					
18.4 Fairness of tax officials in dealing with tax matters					
18.5 Timeliness of the information					

19. How do you rate the ERCA's responses regarding the following point? Please indicate your agreement or disagreement on a 5 point scale ranging from **(1=Very Poor to 5= Very Good)**

Quality dimensions **Responsiveness**	Very Poor	Poor	Neutral	Good	Very Good
	1	2	3	4	5
19.1 Timely responses when the taxpayers have complains					
19.2 Employees willingness to help customers					
19.3 Simplicity in procedures in submitting tax returns					
19.4 Friendliness and behavior of tax official's					
19.5 Ease in getting tax refund					
19.6 Making the tax forms easy to understand and complete					

20. For each of the following statements, please indicate your agreement or disagreement on a 5 point scale ranging from **(1=strongly disagree to 5=strongly agree)**

Quality dimensions **Assurance**	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
	1	2	3	4	5
20.1 Imposing penalties is sound enough in Ethiopia					
20.2 The criteria for selection of taxpayers for audit and auditing procedures are fair and sound enough					
20.3 I'm satisfied with the present system of audit and investigation					
20.4 In general tax law enforcements are fair and acceptable take					
20.5 Attitude of tax officials towards solving your problem					
20.6 personal behavior of the staffs are excellent that the taxpayers can trust					

21. Kindly rate your response on the following with regards to tax information and tax document on a 5 point scale ranging from (**1=Very Poor to 5=Very Good**)

Quality dimensions Empathy	Very Poor	Poor	Neutral	Good	Very Good
	1	2	3	4	5
21.1 Availability and Accuracy of tax information					
21.2 The staff ease in understanding the available tax documents					
21.3 The staff know what taxpayers needs are					
21.4 Taxpayers educating, awareness creation and consultation sessions					
21.5 Understandable and completeness of tax forms					
21.6 Provide useful and accurate information to taxpayers					
21.7 Making the collection procedures simple and transparent					

22. Please provide the researcher with any indication, suggestions and comments you may have with regard to on Large Tax Office/LTO/or Ethiopian Revenue and CustomerAuthority/ ERCA/

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

DECLARATION

I, the undersigned, declare that this thesis is my original work, prepared under the guidance of **Dr. Abebaw Kassie /PhD/**. All sources of materials used for the thesis have been duly acknowledged. I further confirm that the thesis has not been submitted either in part or in full to any other higher learning institution for the purpose of earning any degree.

_____   _____

Name   Signature

St. Mary`s University college, Addis Ababa   June 22, 2016

ENDORSEMENT

This thesis has been submitted to St. Mary`s University College, School of Graduate Studies for examination with my approval as a university advisor.

_____   _____

Advisor   Signature

St. Mary`s University Collage, Addis Ababa   June 22, 2016