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COLLEGE OF BUSINESS AND ECONOMICS



DEPARTMENT OF ACCOUNTING AND FINANCE

**THE EFFECTS OF ELECTRONIC TAX PAYMENT SYSTEM ON
VOLUNTARY TAX COMPLIANCE IN ETHIOPIA: THE CASE OF
EASTER ADDIS ABABA SMALL TAXPAYERS' BRANCH OFFICE**

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Declaration

I declare that this thesis is based on a study undertaken by me, Frehiwot Getachew, of the department of Accounting and finance, Faculty of Business and Economics, Addis Ababa University, Ethiopia

The research work is based on my desire to describe the effects of electronic tax payment on voluntary tax compliance in the case of Easter Addis Ababa small tax payers' branch office.

This research work is my original work and to the best of my knowledge, it has not been submitted elsewhere for academic achievement in any of degree or diploma the ideas and views of other researchers, authors and scholars expressed in the work are duly acknowledged.

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Endorsement

This is to certify that this research thesis has been submitted to Addis Ababa University, college of business and economics for examination with my approval as a university advisor

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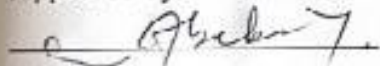
THE EFFECTS OF ELECTRONIC TAX PAYMENT SYSTEM ON TAX COMPLIANCE: THE CASE OF EASTER ADDIS ABABA SMALL TAX-PAYERS' BRANCH OFFICE

October, 2023

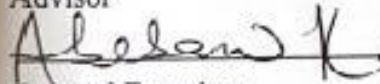
Certification

We certify that this research work entitled "The effect of electronic tax payment system on voluntary tax compliance a case study on Easter small tax payers "branch office" was undertaken and completed by Ms. Frehiwot Getachew and that the research work was supervised by us and submitted to the department of accounting and finance, school of Business and Economics, Addis Ababa University, Ethiopia

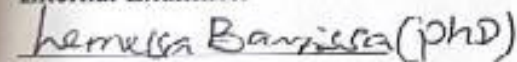
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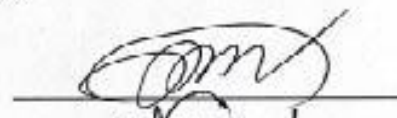
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List of acronyms

AICPA	American Institute of Certified Public Accountants
ATM	Automated Teller Machine
EBM	Electronic Billing Machine
ERCA	Ethiopian Revenue and Customs Authority
CPA	Certified Public Accountants
ICT	Information Communication Technology
MOR	Ministry of Revenue
RRA	Rwanda Revenue Authority
SPSS	Statistical Package for Social Science
MOU	Memorandum of Understanding

Abstract

The objective of the study is to identify the effects of electronic tax payment system on tax compliance: the case of Easter Addis Ababa small taxpayers 'branch office. The study prepared five scale based questionnaires and distributed to 350 taxpayers and 18 tax officials sample populations and was analyzed using descriptive statistics, correlation and regression analysis. The descriptive analysis showed that the electronic payment system improved the taxpayer time, job performance, accuracy, reduced costs and tax payment on timely manner. There are still existing challenges like lack of skills of the taxpayers, network fluctuation, the involvement of stakeholders, banks failure to transfer the tax paid to the Ethiopian Revenue and Customs Authority, errors of e-filing by tax payers and tripartite challenges. The correlation analysis also showed that tax compliance is strongly correlated to credibility and relatively weakly correlated to ease of use and usefulness. The regression analysis on the other hand implied that credibility has high effect on tax compliance whereas ease of use and usefulness has significant effect. Finally, the study recommends extensive training on how electronic payment could be made starting from e-filing. The ministry of revenue should enforce the banks to act according to the agreement and electronic tax payment system should include zero reporting and refund by redesigning the system.

Key words: role, challenges, tax compliance, eases of use, credibility, usefulness

CHAPTER ONE

1. INTRODUCTION

1.1. Background of the study

Through the electronic payment system, taxpayers can use online tax services to pay anticipated taxes without physically visiting a banking institution. The system enables users to transfer money from an account using credit cards, mobile banking, online banking, and other methods. The tax system immediately directs taxpayers to the payment screen when they have completed their electronic tax filing. There, they must input their bank information, account number, and password to complete the payment Okunogbe and Pouliqen, (2018). Paper-based tax payment and reporting systems are quickly being replaced by online alternatives. Compared to paper-based tax filing and payment procedures or traditional payment methods, online tax systems offer numerous benefits, including expedited processing, reduced expenses, decreased errors, and enhanced efficiency Pant et al., (2011). The process of electronically submitting tax papers to a revenue agency, often known as e-filing, eliminates the requirement for paper documents to be submitted to the tax authorities Lukwata, (2011).

While e-payment provides an alternate payment method for online tax payments, e-filing allows taxpayers to electronically file their tax declaration (Anuar and Radiah, 2010). Both methods encourage tax compliance, which in turn raises tax revenue by assisting taxpayers in fulfilling their tax obligations without difficulty. A higher tax collection rate will help the government raise more money, which is then utilized to pay for expenditures and improve public services. Worldwide, electronic tax systems are used for filing tax returns and paying various taxes, such as income tax, pension, VAT, withholding, profit tax, and so forth. Ethiopia is among the African nations that have embraced electronic taxation. Slowly but surely, the Ethiopian tax system has transitioned from manual to electronic filing over time.

The Standard Integrated Government Tax Administration System (SIGTAS) is compatible with E-Tax, a sizable public application. Taxpayers can online file, view, and print their declarations using this user-friendly tool. The first tax filing system pilot, known as the e-filing system, was launched by the Ethiopian Ministry of Revenue in 2010. Taxpayers were able to upload the appropriate paperwork online and acquire the necessary documents for clearing goods, resulting in significant time, cost, and service satisfaction savings for the Authority as

well as the consumers. The Harvard Law School defines tax compliance, on the other hand, as the timely payment of taxes and the accurate reporting of tax information, including the filing, reporting, and payment of income taxes by taxpayers (www.irs.gov).

1.2. Statement of the problem

Although the electronic tax system has advanced occasionally up until lately, a poor internet connection seems to be a concern. The once-rapid internet directory has started to lag as the number of electronic tax systems has expanded, which is causing issues for taxpayers. This issue gets worse, particularly during the last ten days of the month Tikimit (October), when taxpayers are required to disclose their profit tax.

Customers who have questions about tax payments have no way to contact the company, and the phone number listed on the website either doesn't work or isn't answered by the person in charge. This causes confusion and frustration on the part of the tax payers, which contributes to missing out on paying taxes on time. It is crucial to examine how self-employed people behave in terms of technical filing skills, network connectivity, and tax compliance. When system stability is compromised due to the additional expense and effort required by the manual tax filing and payment system, tax payers become offended and upset (Kiring'a and Jagongo, 2017).

On the other hand, economic, institutional, social, personal, and demographic factors have an impact on taxpayers' voluntary compliance with the tax system (Adimassu and Jerene, 2015). Personal ethics have been found to have a significant impact on tax compliance, and research has revealed that ethics depend on the circumstances. According to Becker and Lacktorin Revier (2008), there might be enough of a difference between a regular paper tax return filing and payment circumstance and an e-filing or payment environment to affect tax filer or payer ethics. Moreover as of Becker and Lacktorin Revier (2008) and Adimassu and Jerene (2015) the taxation system, internet familiarity, specialists' help, and website usability are further elements that influence tax payer compliance. According to data from the ministry of revenue, of the small tax payer's branch offices, Easter Addis Ababa has the highest concentration of small taxpayers. To the writer's knowledge, there are no empirical studies on the effects of electronic payments on this small tax payers' branch office's voluntary tax compliance but by considering above stated factors the study finds usefulness, credibility (the credit the users give to the electronic payments) and ease of use as a main gap to those small tax payers in the branch offices. So, this study aims to investigate how these variables of electronic tax payment system

affects and related to the tax compliance of the branch offices of small taxpayers in Eastern Addis Ababa.

1.3. Objective of the study

1.3.1. General objectives

The main objective of the study was to examine the effects of the electronic tax payment system on tax compliance of East Addis Ababa small taxpayers' branch office.

1.3.2. Specific objective

The study specifically

1. Determine the effect of ease of use on electronic tax system in creating voluntary tax compliance in Eastern Addis Ababa small scale tax payer branch office.
2. Determine the effect of usefulness on electronic tax system in creating voluntary tax compliance in Eastern Addis Ababa small scale tax payer branch office.
3. Determine the effect of credibility on electronic tax system in creating voluntary tax compliance in Eastern Addis Ababa small scale tax payer branch office
4. Assessing challenges of electronic tax system during electronic filing and payment processes
5. Proposing a better solution for the problems that are encountered regarding the electronic tax system.

1.4. Research questions

For achieving the objectives stated above the writer coined the following research questions

- ✓ What effect does the ease of use of electronic taxing system have on voluntary tax compliance in Eastern Addis Ababa small scale tax payer branch office?
- ✓ What effect does usefulness of electronic taxing system have on voluntary tax compliance in Eastern Addis Ababa small scale tax payer branch office?
- ✓ What effect does credibility of electronic taxing system have on voluntary tax compliance in Eastern Addis Ababa small scale tax payer branch office?

- ✓ What are the challenges of electronic tax system during electronic filing and payment processes?
- ✓ What are the possible solutions to be recommended to the problems encountered during the electronic tax system?

1.5. Significance of the study

Government: The ministry of revenue will use the study's findings to assess the primary cause of tax payer noncompliance. It is also possible to do additional research using the survey and data collected.

Tax payers: Due to a large number of taxpayers, there appears to be discomfort and mistreatment on the part of tax officers. The study of the impact of electronic tax systems and tax compliance allows for the gap to be closed and the application of E-tax by taxpayers with ease. Taxpayers typically find themselves in a very long line of waiting in order to pay tax and be served.

1.6. Motivation of the study

The purpose of the study is to demonstrate how the electronic tax system affects tax compliance, particularly in recent years, given the increased training and advancement of the electronic tax system compared to earlier years.

1.7. Scope and delimitations of the study

The study is delimited to the effects of electronic tax payment system on voluntary tax compliance in Easter Addis Ababa small taxpayers branch office.

Although there are different places where Ethiopian Revenues and Customs Authority is found, the study only focuses on the Ministry of Revenues, East branch small tax payers in Addis Ababa which is found between 22 and Shola market on comet building.

The limitation of the study includes data collection limitation and resources constraints. The tax authorities were not cooperative in giving a detailed information rather a generalized information. And full information could not be acquired from the tax authority.

1.8. Organization of the study

There are five chapters in the paper. The background of the study, problem of the statement, research questions, aims of the investigation, significance of the study, and other topics are

covered in the first chapter, which is the introduction. Chapter two, which reviewed the relevant theoretical and empirical literature, is then presented. In chapter three, the research methodology including the study design, the research approach, the target population, the sample, and the sampling technique were examined. It also looked at sources of data, data collection techniques, and data analysis techniques. The fourth chapter focused on and discussed the investigation's key findings. Chapter five concludes with summary, conclusions, and suggestions based on the research findings.

CHAPTER TWO

2. LITERATURE REVIEW

2.1. Introduction

The implications of the electronic tax payment system on voluntary tax compliance are reviewed in this chapter along with relevant theoretical and empirical studies. In order to include two portions, the definition of concepts and reviews of the theoretical facets of taxation theories, electronic tax payment systems, and voluntary tax compliance are covered in the first section of the paper. The knowledge gained from earlier works on related topics and empirical review studies are covered in the second section.

2.2. Theoretical Literature Review

2.2.1. Definition of Related Terminologies

2.2.1.1. Tax

Al Baaj (2018) claims that taxes are a financial contribution needed from both private citizens and corporate entities in order to attain certain economic, political, social, and financial objectives. For any government, it is a dependable and legitimate source of income (Akalu, 2016). In the past, taxes were simply seen as a way for the government to generate revenue, but today they also offer additional advantages, such as lowering the gap between the rich and the poor and discouraging the use of hazardous and ostentatious goods (Adimassu and Jerene, 2016). Additionally, it has a significant impact on promoting economic expansion, lowering poverty rates, and controlling national income.

2.2.1.2. Taxation

It is crucial for long-term economic growth, and tax management is a fundamental duty of a prosperous state. Taxation also aids in holding a government responsible to its constituents. Governments are more accountable to make clear and easily available budget decisions when they use taxpayer money (Bank, 2013).

2.2.1.3. Canons of taxations

The AICPA (2001) states that the principles of equality, efficiency, and administrative ease should be used to evaluate the taxation system. The term "tax system" refers to the collection

of taxes that a government uses. As a result, tax policy is a government initiative for determining taxes. In other words, it refers to how a nation decides to divide up the cost of taxes among its citizens. Similar taxpayers should be taxed equally, claims (Alison, 2008). Usually, the concept of equity is used to explain the idea of taxing like taxpayers in a similar manner.

According to Adam Smith's (1776) classification of the four types of taxation systems, fairness, certainty, economy, and convenience, the tax should be collected when and how it is most convenient for the taxpayer.

Canon of equity: The canon of equality or ability is seen as a crucial principle in taxes. By equality, we do not imply that everyone should contribute the same amount to the government in taxes. In order to achieve equality, everybody must make the same sacrifices, which means they must pay taxes based on their earnings. This idea supports the progressive taxation theory. According to this, tax rates or tax percentages should go up as income goes up and go down as income goes down. Adam Smith once said, "The subject of any state ought to contribute towards the maintenance of the government as early as feasible in proportion to his or her own talents, that is, in proportion to the revenue which he or she respectively enjoys under the protection of the State"

Canon of certainty: The canon of sureness infers that taxpayers ought to have information with respect to the sum which citizen is to pay, where to pay and when to pay. Additionally taxpayers are plainly educated about why and how assessments are demanded. Assuming the citizen is sure about how much the duty and its season of installment taxpayers can change their pay to consumption. Sureness guideline likewise assists with lessening abuse of force and debasement on charge authority and increment taxpayers' eagerness of duty installment (Soyode and Kajola, 2006)

Canon of convenience: The mode and timing that taxes are collected must be acceptable to the taxpayer. It has to do with how simple it is for taxpayers to comply. Canon of Convenience takes into account the interests of taxpayers from the perspective of tax payment, ensuring that the date and form of the tax are appropriate for the taxpayer. Overall, this canon shows how easy it is to pay taxes and get them collected (Furnham, 2005).

Canon of Economy: The canon of economy suggests that the costs associated with tax collecting should not be exorbitant. The government should keep them to a minimum to

maximize efficiency. The tax will be deemed uneconomical if the government hires highly paid employees and keeps the majority of the revenue. According to Adam Smith, "Every tax is to be so contrived as both to take out and keep out of the pockets of the people as little as possible over and above what it brings into the public treasury of the state," a tax will also be considered uneconomical if it slows the growth of capital or causes it to immigrate to other countries. Mwansa (2013) asserts that taxes reduce inequality by reducing the gap between the affluent and the poor. Taxes are a significant factor in promoting economic growth (which lowers poverty). Todaro (2009) further pointed out that taxes are now the only sustainable and stable source of governmental income, as opposed to other sources like debt, assistance, and remittances that are unpredictable and potentially unsustainable.

Electronic taxation(e-taxation): The fundamental goal of e-taxation is to maximize tax revenue collection and provide taxpayers with good service. It involves doing tax-related tasks online, such as filing and paying taxes. In 1986, the U.S.A. introduced the first electronic tax payment system. Australia started computerized tax payment in 1987. Canada introduced computerized tax payment in 1993. In 2009, taxpayers in other affluent nations including Malaysia and the Netherlands were given the option to pay their taxes electronically. In Africa, Egypt began implementing an electronic tax payment system in 2013 after Uganda did so in 2009. Olaoye and Atilola(2019) saw the launch of our nation's e-tax payment system by the Ministry of Revenue (MOR). To increase in revenue generation and make tax payments more convenient for taxpayers, electronic tax payment was adopted and effective computerized tax systems can reduce corruption by minimizing in-person encounters (Sifile et al., 2018).

2.2.2. Advantages of electronic tax payment

The motivation behind any expense authority is to make a duty organization framework that permits gathering required charges at least expense. As per Al Baaj. (2018) the benefits of burdening inside the electronic tax collection frameworks that are decrease of costs for the utilization of paper, defending money from misfortune, burglary or misappropriation, saving time and exertion in doing business and monetary activities. E-charge recording frameworks work on the quality and amount of information accessible to burden officials that will uphold the assessment office to finish exchanges quicker and all the more precisely, electronically documenting has a lot of lower mistake rates than paper recording. The advantages of e-recording and e-installment frameworks grow to other electronic tasks in the duty authority like e-documenting and e-installment consider better, more secure information stockpiling which can be utilized to carry out a gamble the board framework for reviewing and

requirement. Computerization lays out a decent framework for following case records, which is fundamental for compelling inspecting and speeds up and nature of information gave to inspectors.

A portion of the targets of e-levies are make less expensive and more straightforward to settle charges and guarantee benefits, tackle charge aversion and avoidance, accessibility of Constant Data (RTI) showing live measurements of the framework, make a simple internet based enrollment process for new organizations, by moving warning of risk for duties to online channels, uphold consistence with charge governs and further examinations on charge evasion and avoidance (Onuiri et al., 2015).

Electronic tax collection incredibly affects lessening the acts of tax avoidance, electronic tax collection accomplishes smoothing and working with the citizens' interaction with charge divisions and furthermore decreasing the time required by the course of tax collection among the citizens and for the perspective of duty assessor on the field work at the course of assessment and tax collection the framework help to diminish routine work that to consolidate the receipt of supporting reports and furthermore manage to lessen the techniques for tax avoidance of citizens and organizations, diminishing clash among citizens and expense specialists and accomplishing contact status with citizens whenever (Olaoye and Atilola, 2018))

2.2.3. Problems of electronic tax payment

The execution interaction for e-documenting and e-payment frameworks have a few experienced issues like Government support; the public authority which is intended to be an inspiration for the citizens' and make the climate helpful needs to help the e-charge framework completely regarding strategies, rules and guidelines. The other test is protection from change the choice regardless of whether to use to utilize electronic expense installment can be impacted by numerous things, for example, the sort of pay procured by a citizens', size of the business, area, business area and different characteristics of business (Coolidge and Yilmaz, 2014)

Citizens might be stacked when and exertion spent learning the new framework and they may not be helpful to the execution of the framework or oblige any administrations disappointment. In spite of the fact that time is a non-financial exertion and changes among people, scientists have perceived that time is an expense that clients should pay for any utilization of administrations. The other issue is clients' trust in the Web charge recording framework's

capacity to safeguard the client's very own data against PC programmers or digital wrongdoing as it is well known. A valid site needs to protect individual data from unapproved access or divulgence, unintentional misfortune and modification or obliteration (Chang et al., 2005).

One more test referenced by Azmi and Kamarulzaman (2009) is the specialized parts of e-charge framework, similar to PC and data frameworks work with for the e-charge installment framework should be steady and dependable enough to deal with a measure of data handling, particularly during the pinnacle time of e-charge documenting and especially as the cutoff time draws near.

As indicated by the World Bank Carrying on with Work (2014), Sub-Saharan economies face incredibly troublesome difficulties with executing electronic frameworks for documenting and making good on charges. These economies are additionally portrayed as region of the planet where residents face restricted broadband access, power deficiencies, slow organization paces and framework disappointments.

A few extra difficulties wherein charge specialists experience was made sense of by Layton (2007) he makes reference to data security plan, execution, estimation, and consistence, as absence of pioneers and the board support, protection from change by staff individuals who are in their usual range of familiarity in utilizing the manual framework and holding great IT staff individuals.

Having and holding great IT staff individuals was likewise given accentuation by Korpela et al. (2000) on their learn about the business situations for the web open doors and difficulties. The review suggests the procedures for creating data frameworks, by and large, are qualified generally in scholar and expert foundations in created nations and spotlight on associations with somewhat plentiful assets and other positive circumstances. Furthermore, they noticed that data framework improvement executions need alteration to work in neighborhood African circumstances. The data framework improvement practices and procedures being utilized in created nations have been planned with a considerably more rich foundations Data framework advancement rehearses are not general. To help the e-charge documenting and installment framework ought to incorporate people liable for IT, business processes, regulative alterations and government funded schooling. The organization likewise requires current PC gear and a decent IT stage (Edwards, 2008).

2.2.4. Tax Compliance Theory

During the 1980s organized examination into tax avoidance and rebelliousness became broad following the political worries in the US of an expanding tax hole (Tanzi and Shome, 1994) At first, the writing which rose up out of the US had major areas of strength for an on monetary hypothesis. Utility hypothesis, created by Allingham and Sandmo (1972) expected citizens to be utility minimisers' in choices of expense detailing and consistence, where tax avoidance was considered to be advantageous assuming that the monetary profits simply offset the monetary expenses.

All the more as of late, be that as it may, charge consistence studies (Murphy, 2004;Tan, 1998;Hite, 1997) and Torgler and Murphy (2004) have founded on friendly and mental hypotheses. Research concentrates on in this field have contended that the human component assumes a crucial part in individual citizen consistence choices. In any case, while the expense consistence writing has risen up out of a wide assortment of disciplines, there has been an absence of agreement and understanding concerning why individuals do or don't settle their charges. For sure the duty consistence writing shows that there are as yet many examination holes that should be loaded up regarding issues concerning charge ethics, charge reasonableness and discouragement measures, for the possible improvement in generally speaking citizen consistence.

The really hypothetical ways to deal with charge consistence have regularly been separated into the economic prevention' approach, and the more extensive conduct approach which consolidates both social and financial mental methodologies. The financial prevention model has been ordinarily used to look at tax avoidance and consistence according to a hypothetical point of view (Jackson and Milliron, 1986). Factors that have been analyzed in the monetary prevention model include: Intricacy of the assessment framework, Level of income data administrations, Keeping and data detailing, Preparer obligations and punishments, Likelihood of getting review inclusion, Moderate and genuine degree of duty rates, and Punishments for rebelliousness. The social/monetary mental model then again, centers around mental factors which incorporate virtues and the view of decency of the assessment framework and the duty specialists. This approach has frequently been utilized in exact examination (Ajzen and Fishbein, 1980).

The financial meaning of citizen consistence sees citizens as perfectly moral, risk-impartial or risk-loath people who look to amplify their utility, and decided to avoid charge at whatever

point the normal increase surpassed the expense (Milliron and Toy, 1988). In this way, an unadulterated cost-benefit' approach is given for why or why not citizens might conform to the duty regulations. A few specialists suggest that people are supposed to weigh the dubious advantages of effective avoidance against the gamble of location and discipline (Fischer, Wartick and Imprint, 1992). Thusly, a punishment structure frames part of the discipline, and is a basic consider a people's decision to dodge charge. In spite of the beneficial outcome of expanded authorize levels on citizen consistence having been found to hold where somewhat low (and sensible) punishment levels are utilized and their general effect has been problematic (Carnes and Englebrecht, 1995).

Thus, conventional monetary discouragement models which draw upon anticipated utility hypothesis and prevention, essentially as approvals, have been viewed as caring about. Minimal observational proof to help the expectations of monetary discouragement models in general has surfaced. Scientists (Roth and Scholz, 1989) have, accordingly, summed up the impact of variables that decide the financial expense of consistence as including the duty rate, location likelihood, the degree of pay and the punishment structure and recommend that, for every one of them, existing experimental proof +provides no firm ends (Hasseldine, 2000). Financial brain research models mix together parts of monetary prevention models and social brain research models. The fundamental push of this approach is that people are not just autonomous utility augments rather people are perceived to contain a variety of perspectives and convictions which collaborate and answer normal practices. Social brain science models inductively look at the perspectives and convictions of citizens to comprehend and foresee human way of behaving.

2.3. Empirical Literature Review

There are few empirical research on the e-tax payment system in Ethiopia because it is a new system, but there have been some studies on the e-tax filing system there. The majority of empirical studies on the e-tax payment system are undertaken across nations.

2.3.1. Studies on Selected Countries

A study by Ozgen and Turan (2007) inspected utilization and reception of online duty documenting and payment framework in charge the board an observational evaluation with innovation acknowledgment model in Turkey, Reconciliation of e-charge recording and e-charge payment frameworks has made another viewpoint for Turkish duty the executives framework and addresses a new as well as genuine illustration of use of current data and

correspondence advances (ICT) in tax collection process in their nation Turkey. Furthermore, they notice three assessment installment strategies utilized in Turkey. The principal technique is the conventional expense assortment strategy, wherein the taxpayers pay charge due at the duty organization office face to face.

The other two assessment installment techniques are to utilize intuitive ledgers on the web or to involve bank ATMs before the bank building. These two last techniques contrast from the conventional strategy and they are techniques for a web-based charge installment framework in Turkey. Two techniques for information assortment were utilized in their review. At first, printed examination was applied to analyze reports, government strategy records, media discharges, diary articles, and other composed material.

Then, at that point, top to bottom meetings with the heads of duty organizations and studies with Certified Public Accountants (CPA) in Turkey were completed. Government has approved banks or exceptional monetary establishments to gather electronic charges in Turkey. Ozgen and Turan (2007) notice joining of e-tax filing and e-tax payment systems has made another point of view for Turkish duty the board framework and addresses a new as well as genuine illustration of utilization of new data and correspondence advancements in the tax collection process in Turkey.

At long last the review finished up the e-tax filing and e-tax payment systems offered significant open doors for charge specialists to all the more productively deal with the duty framework in Turkey. Furthermore, they find tax incomes have expanded since the use of the framework. And furthermore Ndayisenga and Shukla (2016) studied Effect of Electronic Tax Management System of Tax Collection in Rwanda: Case Study of Rwanda Revenue Authority (RRA) the point of the review was to examine the Impact of electronic assessment the executives framework, impact of web installment framework, versatile installment framework and the impact of electronic charging machine on charge assortment in Rwanda. Essential information was accumulated through organized polls and then again optional information was gathered from RRA reports. Furthermore, their finding shows that tax payers pay tax effectively from any area by utilization of electronic assessment the executives framework, and the framework permit tax payers to document their expense commitments from any business area by utilization of electronic billing machine (EBM) and citizens receive ready message effectively from any area by utilization of EBM and electronic duty the board framework. The study additionally expressed that e- payment framework has made taxpayers pay tax in time,

EBM installment framework decreased both Rwanda Income Authority (RRA) and clients (citizens) functional expense, the installment framework made great correspondence cooperation between citizens simpler, installment framework has made tax reviewing more straightforward likewise tax payment framework has expanded income assortment. The specialists presume that Electronic expense the executive's frameworks contribute decidedly to burden assortment in Rwanda.

The proposals are RRA and clients ought to buy into dependable internet services for successful and productive assistance conveyance, RRA ought to utilize gifted staff with more insight on network the board to guarantee the dependability of organization, RRA the executives ought to guarantee that there is nationwide preparation to clients on use of different e-charge applications for proficient income assortment. Like preparation on portable application and EBM utilization, RRA the board ought to continue to redesign their e charge innovation to have a state-of-the-art framework for successful help 20 conveyance. Furthermore, consistent power back up ought to be guaranteed to tackle the issues of force interferences and vacillations.

Olaoye and Atilola (2018) done a study titled Effect of E-Tax Payment on Revenue Generation in Nigeria. The fundamental target of the review was to look at impact of e-charge installment in income age. Nigeria presented an e-tax payment framework in 2015. The review was directed in auxiliary information get from Nigerian Government Inland Income Administration tax report and National Bank of Nigeria Measurable report and the information broke down through looking at pre e-tax collection and post e-taxation of quarterly monetary Reports of significant worth added tax, organization personal duty and capital addition tax and the discoveries was e- tax payment has not contribute tremendous contrast in income age.

E- tax payment framework is a best an open door to carry on with work in a reasonable manner however in some cases citizens won't acknowledge this open door and as per this Anuar and Radiah (2010) studied on determinants of online tax payment framework in Malaysia. The principal objective of the review was to distinguish factors influencing citizen's acknowledgment of online tax payment framework in Malaysia. They examine a web-based tax payment framework that is conveyed to work with the citizens to pay their expenses electronically by means of the assessment authority site. In any case, the tax payers are not utilizing the framework even with long term presence locally. Consequently, distinguishing factors adding to the tax payers acknowledgment of the framework are vital so the web-based

tax payment framework can be additionally improved and will in like manner lead to the increment of its use level in Malaysia.

2.3.2. Studies in Ethiopia

Some study has been directed about e-tax documenting framework in Ethiopia by various specialists. Abera (2018) did on factors influencing the reception of electronic expense recording in Ethiopia: impression of citizens'. The point of the review was to distinguish factors that influence electronic assessment documenting reception in Ethiopia. The scientist infers that Ethiopian electronic expense documenting framework was valuable with numerous relative benefits. The study of Abera (2018) implied that an e-tax recording framework is functionally simple and not intricate to be taken on. The study likewise recognized that most of the citizens' found the electronic tax filing system framework viable and reasonable with existing and past patterns. The researcher also implied that internet based tax filing framework have protection issues and absence of certainty with the security issue. The researcher likewise suggested that ERCA ought to lead consistent preparation about internet based framework moreover he suggested that ERCA ought to console tax payers of the dependability of the framework by remembering effectively noticeable protection articulations for their destinations to diminish insight and apprehension about risk.

Another research is done by Dagnachew (2018) on challenges and opportunities of adopting e-tax system in the case of ERCA. The aim of the study was to evaluate the difficulties and possibilities of implementing an e-tax system in the Ethiopian Revenue and Customs Authority (ERCA). The researcher came to the conclusion that implementing the ERCA system had positive effects on taxpayer relations, customer service, accessibility to services provided to taxpayers, transaction speed, and how both operations were perceived. The survey also reveals that frequent power outages, limited computer literacy, and limits in network infrastructure and internet-related support services are all seen as fundamental external hurdles to the adoption of the E-Tax system. Finally, Dagnachew proposed that the authority provide appropriate and ongoing training programs for both its workers and major taxpayers, and that ERCA collaborate with other relevant organizations such as Ethiopian Electric Utility and Ethio-telecom.

Ruta (2017) conducted research on the electronic tax filing system at a few of the Ethiopian Revenues and Customs Authority's (ERCA) branch offices. She found issues with taxpayer attitudes, taxpayers' faults, and governmental issues and advantages including data

management, precision, work output, and tax compliance. She also discovered a favorable association between tax compliance and the electronic filing system. Research on the impact of electronic tax filing systems on tax compliance in the context of large taxpayers' branch offices (LTO) has also been done by Abera (2019). This study examined the influence of the electronic tax filing system on tax compliance of large taxpayers' branch offices. The research finds taxpayers had limited internet access to connect to ERCA E-tax servers. ERCA's technology system could not handle the huge overcrowding of tax returns, especially in the few days just before the deadline. The research recommends that ERCA should continuously upgrade its electronic system and the electronic tax filing process should be simplified with clear instructions and guidelines. Also tax consultation centers should be increased in the country where taxpayers can acquire knowledge and filing skills.

2.4. Summary and research gap

As per knowledge of the writer, in Ethiopia's context, electronic tax filing system has been addressed by few studies such as the influence of electronic tax filing system on tax compliance the case of large taxpayers' branch office (Abera, 2019), assessment of electronic tax filing system in selected branch offices of Ethiopian Revenues and Customs Authority (ERCA) (Ruta, 2017) and factors affecting the adoption of electronic tax filing in Ethiopia: perception of taxpayers' (Abera, 2018). The studies discuss about different factors about electronic tax filing system. However none of them clearly discussed issues like ease of use of the system, perception about the usefulness of electronic tax payment system and the credit the small tax payers give to the electronic tax payment system. Which is a very important. factor in tax payers compliance to pay their tax.

Therefore, there is an absence of studies in this area of electronic tax payment system on voluntary tax compliance in Easter small taxpayers' branch office within in the Ministry of Revenue and the aim of this study is to fill the gap.

2.5. Conceptual frame work

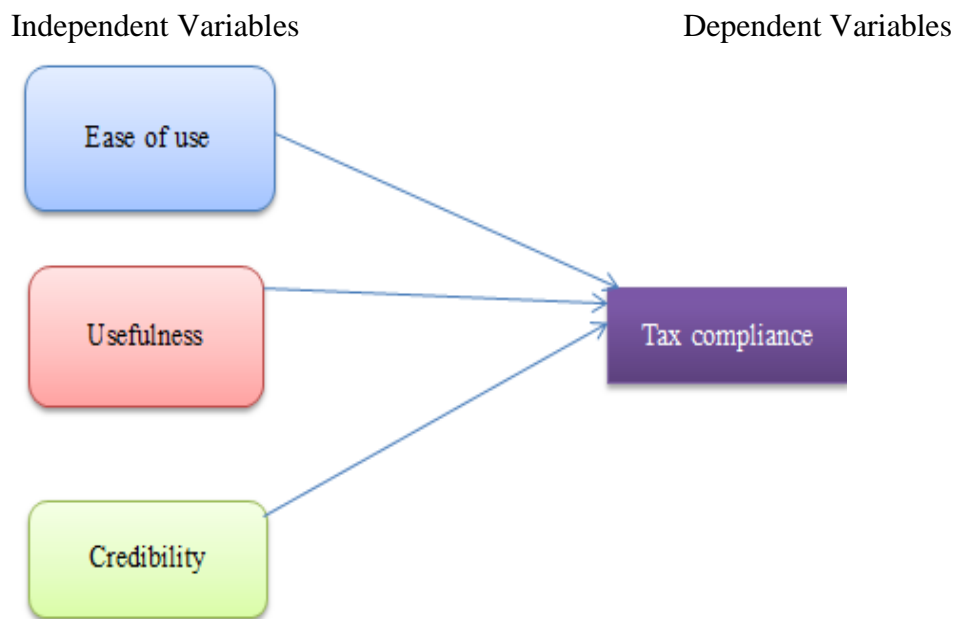


Figure 2.1: conceptual framework of the study

Source: review of related literature (2023)

2.5.1. Perceived ease of use

According to Davis (1989), perceived ease of use (PEOU) refers to how a potential user perceives and utilize a specific technology. Potential users are more likely to adopt and employ innovations that they believe are simpler to use and less difficult (Agarwal and Prasad, 1999). Due to the fact that researchers use it so frequently, this has been extensively researched as a factor in the adoption of information technology. Perceived simplicity of use was recognized by Davis (1989) as a key factor influencing technology acceptance at the implementation stage.

2.5.2. Perceived usefulness

According to Lu et al. (2000), perceived usefulness (PU) is defined as the likelihood of potential consumers employing a certain invention to improve its operations. In order to investigate the methods by which it is being applied, Jiang, et al. (2000) analyzes more of the perceived usefulness on the creation and application of the internet technologist model. According to the aforementioned concept, perceived usefulness is achieved by serving as benefits for simple use of a new invention. Users of any invention are rewarded for their success using any technology in the context of a company by way of bonuses.

2.5.3. Perceived credibility

Along with ideas about usability and convenience of use, user perceptions of trustworthiness with regard to security and privacy problems may have an impact on the desire to utilize electronic tax-payment systems. When submitting sensitive information online, users are worried about the amount of security available and will only engage in transactions if they have gained a certain level of confidence. As a result, perceived credibility relates to the two crucial factors of security and privacy, which have been found to have an impact on users' intentions to use online transaction systems in the majority of research (Jiang, et al., 2000)

CHAPTER THREE

3. RESEARCH METHODOLOGY

Research design, population, sampling, sample size, data collecting technique, data sources, and data analysis methods are all covered in this chapter. This study's objective is to evaluate the impact of an electronic tax payment system on small taxpayers' branch office in Eastern Addis Ababa's voluntary tax compliance.

3.1. Research Design

This study focuses on the impact of an electronic tax payment system on small taxpayers' branch office in Eastern Addis Ababa's voluntary tax compliance. In order to do this, a descriptive and explanatory survey approach were used with the expectation that it would enable the description of the impacts of the electronic-tax payment system on voluntary tax compliance at the branch office of small taxpayers in Eastern Addis Ababa. Creswell (2007) asserts that the primary goal of descriptive and explanatory research is to describe the type or circumstance and the level of specificity of the current situation. Most often employed in business research, the descriptive technique of research is used to answer who, what, where, how much, and how many inquiries are made concerning the current or existing state (Creswell, 2009))

3.2. Research Approach

Researchers can choose from three different type of approaches: mixed-methods, quantitative, and qualitative (Khotari, 2004). The goal of qualitative research is to better understand human nature and social sciences by asking questions about how people feel and think. It is employed when it is necessary to comprehend how various problems or factors are connected as well as to gather in-depth data in order to address research objectives (Creswell and Clark, 2007). It also places more emphasis on interpretation, giving customers complete viewpoints, taking into account contexts, immersing oneself in the environment, and conceptual profundity. It is better suited for research that examines fresh angles on an old issue or a brand-new issue in its infancy (Creswell, 2009). Quantitative research is used to produce numerical data and hard facts by using statistical, logical and mathematical techniques while viewing the relationship between theory and research as deductive. This type of research can be described as a linear series of steps moving from theory to conclusions, and its measurement process entails the search for indicators. Standardized measurements are also necessary for a quantitative

approach (Creswell, 2009). In contrast, mixed method research employs both philosophical presuppositions and research methodologies (Creswell and Clark, 2007). In many stages of the research process, it takes into account the combination of qualitative and quantitative methodologies, as well as the philosophical presumptions that determine the direction of data collecting and analysis. The focus is also placed on gathering, analyzing, and combining quantitative and qualitative data in a single research or set of studies.

Therefore, in order to achieve the objectives of this study, the research method followed was quantitative and qualitative.

3.3. Target Population

Population is the precise parameter in which information is required, and it may contain group of individuals, services, goods or homes, elements and events, or other groups in the statistics under investigation (Kothari, 2004).

According to the branch office human resource department there are currently 320 employees and from this total no, 42 of the employees work in tax filing and processing department, 35 employees work in revenue accounts administration process department and 7 employees work in taxpayer education and information supply process department. Therefore the target population is 42 staff at the branch office. Besides, according to Cooper Schindler (2006) a sample size greater than 10% of the population is adequate for research in social science researches, so the researcher takes 20 tax officials as sample population.

Currently there are 11,000 taxpayers in Ethiopian Ministry of Revenue Eastern Addis Ababa small scale tax payers branch office. However, the number of tax payers who register for electronic tax payment system increases from time to time. In addition to the fluctuation, the tax payer may not have tax to pay for the month or may have refund, thus at times like this electronic tax payment is not required. Because of these the exact number of tax payers registered for electronic tax payment is not definitely known. But from the given number of 11,000 the researcher finds the number of sample size based on the following section 3.4.

3.4. Sampling and Sample size determination

Sampling is the act of selecting some of the elements (portion) in a population and drawing conclusions about the entire population (Etikan, 2016). Thus, the writer will use a probability sampling approach which is simple random sampling method, specifically a convenience sampling method to select respondents from these target populations. Those respondents were available in a certain time and place. Convenience sampling is a type of non-probability or

non-random sampling were members of the target population that meet certain practical criteria, such as easy accessibility, geographical proximity, availability at a given time, or the willingness to participate are included for the purpose of the study (Etikan, 2016), and in this case 42 staff of the branch office were selected conveniently.

Even if the population size fluctuates, based on the updated information, of the 11,000 total population representative sample size was taken based on the following formula (Kothari, 2004).

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

Where “n” is the sample size, N represented for the total number of respondents, and “e” is the level of precision within $\pm 5\%$ at a confidence level of 95%. So, the level of confidence and margin of error are also important factors in determining the sample size.

$$= 386$$

Therefore, the sample size for the study is determined to be a minimum of 386 respondents. And the expected response rate is above 85%.

3.5. Method of data collection and Source of Data

This study uses data from primary sources. Surveys with a structured design are used to gather primary data from respondents. The researcher employed closed-ended questionnaires for the branch office's employees and customers (taxpayers who use the e-tax payment system) whose jobs are related to the e-tax payment system in order to gather enough data. Structured surveys are helpful for providing targeted answers to the study questions. Thus, the researcher uses primary data to obtain adequate and trustworthy data. The questionnaire are divided into two main categories: the first one emphasized on the background of respondents, the second one focused on current practice of e-tax payment system in branch office; the benefits of e-tax payment system; one assesses effects and correlations of the system with voluntary tax compliance and factors that are expected to affect the electronic payment system. The researcher used a 5 point Likert scale ranging from (1) “strongly disagree” to (5) “strongly agree”.

3.6. Method of data analysis

The collected data was tabulated to summarize the response of employees, tax payers and analyses using word statements (narrated). The data was analyzed using the Statistical Package for Social Science (SPSS) software. In addition to the descriptive analysis, inferential statistics, such as correlation and regression, were employed to determine the relationship between the independent variables (determinant factors stated) and tax compliance. The findings obtained using these instruments were presented using tables and figures to provide a clear overview of the research findings. By employing these methods, the study aimed to provide a comprehensive understanding of the relationship determinant factors and tax compliance.

3.7. Model specification

For the purpose of achieving the objectives of the study, data gathered through different techniques were analyzed and interpreted quantitatively; hence the data analysis employed quantitative methods. To this effect, linear multiple regression model were used to show the cause-effect relationship determinant factors and tax compliance.

SPSS software was used to analyze the data, like:

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \dots + \beta_n X_{ni} + \epsilon_i$$

Where: Y_i is dependent variable for i^{th} observation;

X_i is independent variable for i^{th} observation;

B_0 is the intercept;

B 's are regression coefficients

ϵ_i is the error term for i^{th} observation

3.8. Validity and reliability

Reliability assessment was carried out prior to extracting the factors of the exploratory variables. This involved testing different types of tests that the model requires to ensure that the variables that make up each factor are highly reliable and internally consistent (Hair et al., 1998, cited in Cheng and Choy, 2007). The study's quality will be assessed based on two primary criteria. Validity and reliability are these. The evaluation of validity can be done through empirical or theoretical methods. How well a theoretical notion is represented or translated into an operational measure is the main focus of the theoretical evaluation of validity. By reviewing relevant literature and modifying tools from earlier studies, the validity of the

current study is addressed in this regard. The lack of random mistake that allows later researchers to draw the same conclusions if they repeat the study using the same procedures is known as reliability (Yin, 2003). When compared to a two-scale system, the reliability of such a scale is higher. Since there are fewer reliable responses when there are more than five response alternatives, choosing five is a wise decision (Hayes, 1992). Cronbach's alpha is also used to assess internal consistency. As Kothari (2004) pointed out, reliable testing is a crucial component of sound measurement, and sound measurement itself requires sound measurement in order to be done well. Thus, reliability analysis was carried out on all instruments used in this research after full scale data collection in order to maintain instrument reliability and ensure that the data collection tools are producing consistent results; the Cronbach's coefficient alpha score was then presented as follows.

Table 3.1: Cronbach's alpha coefficient value for each variable

A value	Interpretation	Items	A based on standardized items	Interpretation
$\alpha \geq 0.9$	Excellent	Credibility	0.896	Good
$0.9 > \alpha \geq 0.8$	Good	Ease of use	0.955	Excellent
$0.8 > \alpha \geq 0.7$	Acceptable	Usefulness	0.727	Acceptable
$0.7 > \alpha \geq 0.6$	Questionable			
$0.6 > \alpha \geq 0.5$	Poor			
$0.5 > \alpha$	Un acceptable			

Source: researchers survey result (2023)

Each independent variable from the above table was examined for accuracy in identifying factors that influence tax compliance. With a Cronbach's coefficient alpha score of 0.896 for credibility, 0.955 for simplicity of use, and 0.727 for usefulness, they were therefore determined to be reliable. Consequently, we can draw the conclusion that all variables had adequate Cronbach's coefficient alpha scores and that the instrument was deemed to be reliable

for measuring the variables based on the test findings mentioned above. The methodology stipulates that reliability assessment was carried out to verify the high reliability and internal consistency of the variables that comprise each success factor. The determined extracted factors were found to be greater than the critical point of 0.70 (Nunnally, 1978 cited in Cheng and Choy, 2007), indicating the high reliability of the proposed factor are said to be highly reliable and internally consistent.

3.9. Ethical Considerations

This study complies with ethical requirements. Prior to distributing questionnaires and gathering data, the researcher first gave clearance and direction from to the respondents and found permission from the relevant respondents. In order to prevent confusion and misconceptions, the researcher made sure that all of the questions were straightforward, sensitive, and unambiguous. Last but not least, each participant was granted the privacy they needed to consider the research assignment and freely submit their answers. The study attempted to uphold moral and ethical behavior throughout the research process and guarantee that participants were treated fairly and with respect by adhering to these ethical concerns.

CHAPTER FOUR

4. DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.1. Introduction

This chapter addresses the issues regarding the characteristics of the respondents and presents the analysis and interpretation of the main data. To this end the qualitative data obtained through questionnaire were used to answer the basic research questions. In addition, document analysis is also used in order to get insight about the whole picture of the sample in the branch office to address the research issue.

4.2. Response rate

Due to their large size, tax payers were selected randomly whereas tax office workers and tax office management body's availability sampling techniques were used. Accordingly, 20

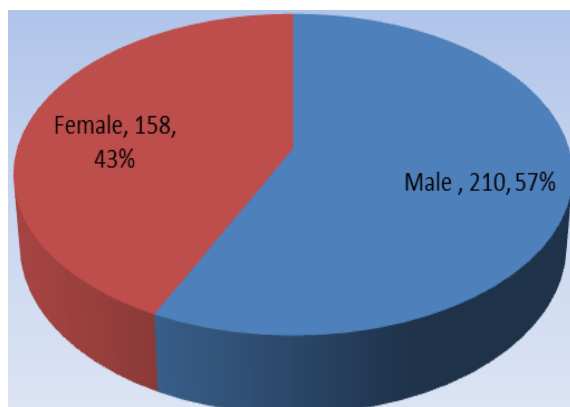
employees of the study area and 385 tax payers were selected and participated in the study. The number of participants involved in the study and sampling proportion was statistically representative and adequate to the analysis as well as to make the inference. The respondents were provided with questionnaires. Accordingly, from the employees of the study area 18 (90 %) of respondents properly completed and returned the questionnaire just in time while 2(10%) of them did not return it for various reasons. From the tax payers, 350 (90.9%) of the respondents properly filled and returned the questioners but 36 (9.1%) of the respondents of taxpayers didn't return questioners.

Based on information gathered from respondents on the electronic tax payment system, the quantitative portion of the analysis was handled. SPSS was used to evaluate the questionnaire's closed-ended questions. Thematic analysis was used to analyze the qualitative data because the goal of this study was to determine how electronic tax payments affected voluntary tax compliance. According to Lindlof, T. R. and Taylor, (2002), thematic analysis focuses on the coding of qualitative data and creates clusters of texts with similar meanings, frequently searching for the central themes capturing the essences of the phenomenon under investigation. Finally, responses to the questionnaire collected at ministry of revenue Easter small tax payers branch Office were quantitatively analyzed.

4.3. Background information's of Respondents

The following table presents respondent's characteristics and deals with their sex, age, and education qualification of respondents.

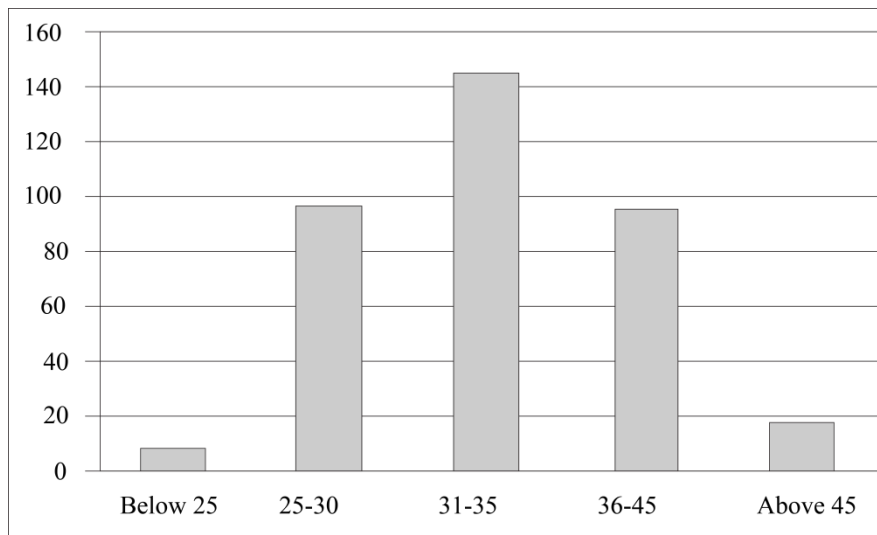
□ Sex of the Respondents



Pie chart 4.1 sex of the respondents

As it has been indicated in the pie chart 1, the gender of the respondents is described and the composition of the respondents is somehow proportional in that 43% of the respondents are

female
57% of



whereas
the

respondents are women. Based on the data indicated above the number of female participants is lower than male, thus more female need to be given the opportunity and chance to advance in tax paying which means they need to be given more job opportunities.

□ **Age Category**

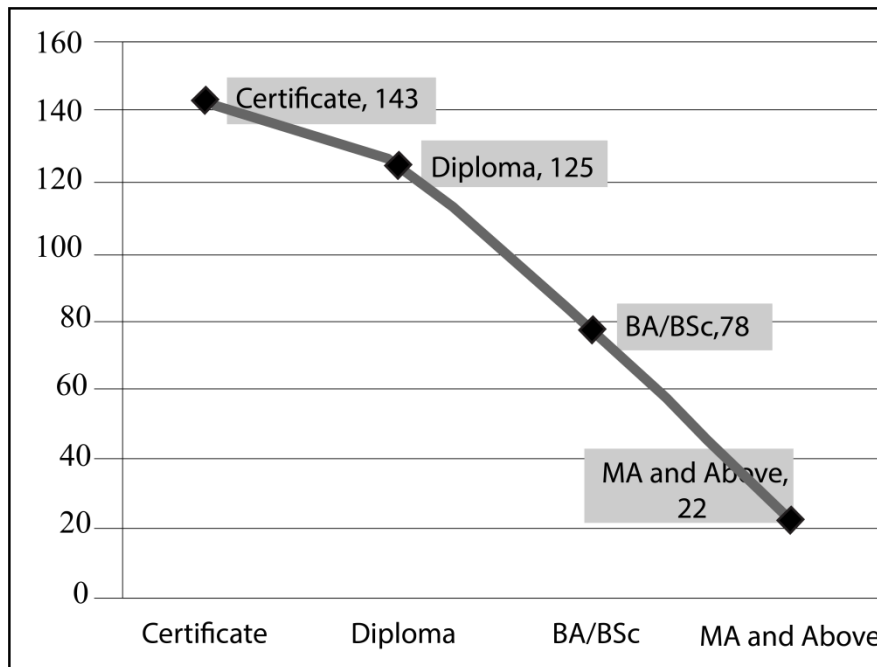
As it can be seen from the following bar chart 4.1, the majority 145 of the respondents were categorized between 31-35 years old. Whereas below 25, 25-30, 36-45, and above 45 respondents are 10, 97, 96 and 20 in number respectively. The bar chart clearly depicts that most of the study participants were in the age of 31-35 years. That means they were relatively energetic, matured and fit to take responsibilities. Having reasonably matured age significantly impacts on the courage and efficiency of them because these people are ready and fit to take their responsibilities as per needed and can take trainings on the intended electronic payment system attentively and responsibly whenever needed.

Bar chart 4.1: age category of the respondents

□ **Level of education of the respondents**

Line Graph 4.1 illustrates the education qualification of the respondents. Accordingly, 143 of the respondents have certificate, 125 of the respondents are diploma holders whereas 78 of them have degree. The rest 22 have earned MA and above. From this result one can realize that

a significant number of respondents have diploma and certificate. This implies that all the respondents can understand interpret questionnaire and conceptualize the variables of tax compliance.



Line graph 4.1: level of education of the respondents

Table 4.1: Occupational characteristics of officials

Items	Variables	Respondents	
		Number	per cent
Occupations/tax officials only/	Junior officer	1	5.6%
	Officer	6	33.2%
	Senior officer	10	55.56%
	Team leader	1	5.6%
	Process owner		
	Total	18	100%

Table 4.1 illustrate that the occupations of the respondents of the tax authority. Accordingly, 10 (55.56%) of the respondents were senior officers, 6 (33.2%) of the respondents were officers, 1(5.6%) of the respondents were junior officers and team leaders of each. From this result one can realize that a significant number of respondents were senior officers. The high level in occupational experience yields better and adequate information with respect to the effects of electronic tax payment system on voluntary tax compliance.

4.4. Qualitative analysis of response

4.4.1. Voluntary electronic tax payers in the branch office

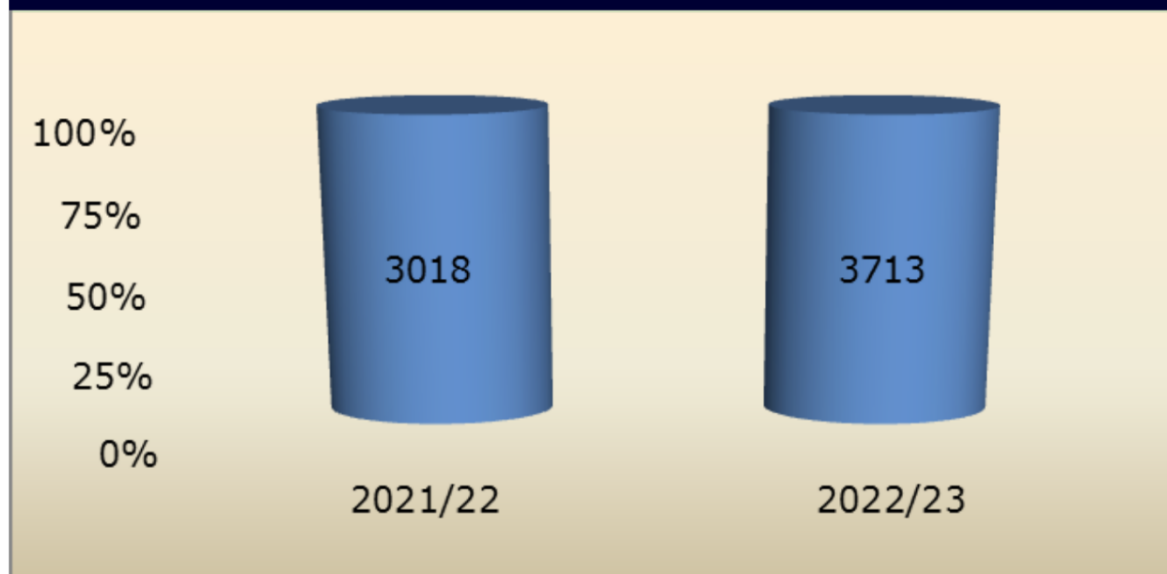
Easter small tax payer office is one of the small tax payer branch offices of the ministry of revenue which has established electronic tax payment system. The branch office started the e-filing system since the end of March 2020 before electronic tax payment /tax official respondents/ interviewed on June 2/2023/. Electronic tax payment system has been started since the end of 2014 E.C/2022/. Thus the documents of electronic tax payment system starting from July/2022 to end of May,2023(tax official respondent/interviewed on June 2/2023) has been reviewed. The electronic tax payment system should be paid following some procedures (tax official respondent/ interviewed on June 2/2023):

Firstly, taxpayer is expected to register in the system and will have its own identification number; secondly, they are expected to register each tax collected and declare it on the system Thirdly, the tax payers fill domestic tax electronic payment instruction document and present it to the bank

Fourthly, the bank debits the account of the taxpayers with the same amount and transfer it to the account of the ministry of revenue opened on the national bank. In doing so, the system prepares and sends a receipt to the taxpayer via e-mail and SIGTAS for the ministry of revenue. Based on the collected data, the banks who signed memorandum of understanding with ministry of revenue for accepting tax payments through electronic payment system are 19 banks. The MOU clearly specifies the rights and obligations of the ministry of revenue and the corresponding banks.

Finally, national bank transfers the money to the account of each branch office accordingly. As the process owner of collection of revenues of the branch office described, the number of tax payers paying tax via electronic tax payment system has increased from last year to the present year. It can be presented graphically as follows.

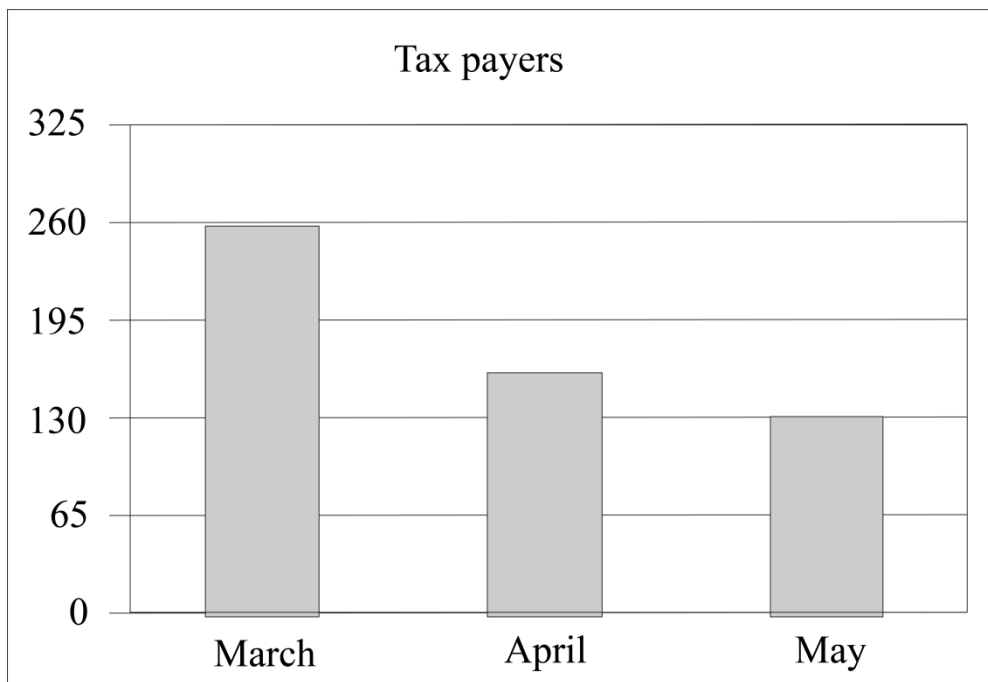
Electronic payment of tax payers



Bar chart 4.2: Electronic payment of tax payers

Source: report of Easter small tax payers' branch office of 2022/2023

On the other hand, reviewed the report of the branch office electronic tax payment system for the most recent months of which march, April and May. The number of electronic taxpayers in each



respective month will be presented as follows.

Bar chart 4.3: Easter taxpayers' branch office report of March. April and May 2023

As it can be depicted from the table, there is a large number of taxpayers report on electronic payment as compared to the three months on March. The trend of taxpayers' paying on electronic tax payment system decreased from month to month.

4.4.2. Amount of revenues collected via electronic tax payment and manual tax payment system/for the selected three months/.

Table 4.2: Easter small taxpayer branch office report/2023

Month	tax paid on electronic system in birr	tax paid on manual system in birr
March	425,435,440.10	492,557,318.95
April	689,479,487.39	379,132,030.69
May	388,769,978.30	440,608,694.46

The above table depicted that, the amount of tax collect on electronic payment is less in the month of March and May. However, on the month of April, more tax has been collected on electronic system than manual tax payment system. The table clearly indicates that a huge amount of tax has been collected on both manual and electronic tax payment systems

4.5. Quantitative analysis

4.5.1. Response of tax payers and tax officials on the roles of electronic tax payment

No	Description	SD	D	N	A	SA	Mea	SD
.		1	2	3	4	5	n	
1	Tax payment online enable to be more on time	- 0	- 0	1% 8	71.7% 250	26.4% 92	4.24	0.22
2	Electronic tax payment improve job performance	4.73% 16	- 0	7.5% 30	75.47% 265	11.3% 39	3.88	0.59

3	Electronic tax payment is user friendly	50.9% 179	20.75% 76	1.06% 6	20.75% 73	4.73% 16	2.06 16	1.77
4	Electronic taxation is accurate	- 0	21.3% 75	15.4% 54	40% 140	24.3% 81	3.65	1.11
5	Electronic taxation is more secure	- 0	- 0	11% 39	72% 252	17% 59	4.05	0.28
6	Electronic tax payment reduce cost of tax collection	- 0	- 0	15% 71	71.7% 235	12.5% 44	3.92	0.32
7	Electronic tax payment improves more tax to be collected	24.3% 86	15.04% 57	9.4% 33	49.05% 171	1.06% 3	2.85	1.65

Table 4.3: the roles of electronic tax payment

Source: Researcher's survey Data /2023

The First Likert scale question was whether or not electronic tax payment system enables timely tax payment. Respondents were required to answer among strongly disagree, disagree, undecided/ neutral, agree or strongly agree as to whether they made a quick payment online or not. As the results shown above on the table 4.3, 26.4% strongly agree, 71.7% agree and 1.06% are unsure if it enabled them to accomplish their tasks more quickly. Regarding job performance respondents were asked in the second Likert scale question to state whether using electronic tax payment system would improve their job performance or not. As results shown on the table above around 75.47% agree, around 11.3% strongly agree, around 4 respondents or 7.5% are unsure and 4.73% strongly disagreed that using electronic tax payment system would improve their job performance. Additionally, Respondents were asked in the third Likert scale question to state whether using electronic tax payment system would be user friendly or not. The table above shows results of around 50.9% strongly disagree, 20.75% disagree, around 20.75% agree 4.73% Strongly disagree, and 1.06% remained neutral on using electronic tax payment system implying that it is not.

Respondents were also asked in the fourth Likert scale question to state whether using electronic tax system would enable them to be more accurate or not. Table 4.3 above show s results of around 40% agree, around 24.3% strongly Agree, 21.3% disagree and 15.4% undecided. Security was the fifth Likert scale question to state whether electronic tax payment is secure or not. The table above show results of around 71.7% agree and 17% Strongly Agree and 11.3% are unsure about the security of the system.

They were also asked if using electronic tax payment system reduces tax collection and the table above shows results of around 71.7% agree, around 15% undecided and 12.5% strongly agree whereas on using electronic tax payment system enables to collect more tax the table above showed results of around 49.05% agreed, around 24.3% strongly disagreed, 15.04% of the respondents' disagreed, 9.4% of the respondents' undecided and 1.06 % of the respondents' strongly agreed.

As the above table showed, majority of the respondents agree and strongly agree that electronic tax payment system enabled the taxpayer to pay the tax on time, improves better job performance, tax payment to be more accurate, reduce cost of tax collection and improves to collected more tax. On the contrary, the majority of tax payers strongly disagree and disagree that electronic tax payment is user friendly.

Electronic tax payment system is very important and easy tax collection system especially from the tax payer point of view. Because it reduces cost of tax payment such as avoiding transportations costs and other related administrative costs.

Based on the assessment of the central tendency

Item No1 has a mean of 4.24 which means most of the taxpayers agree that tax payment online enables to more not time

Item No2 has a mean of 3.88 which means most of the taxpayers also agree that online tax payment improves job performance

Item No3 has a mean of 2.06 which means most of the taxpayers disagree that electronic tax payment is user-friendly

Item No4 has a mean of 3.65 which means most of the tax payers agree electronic taxation is accurate

Item No5 has a mean of 4.05 which means most of the tax payers agree that electronic taxation is secure

Item No6 has a mean of 3.92 which means most of the tax payers agree that electronic taxation reduces cost

Item No7 has a mean of 2.85 which means the taxpayers are neutral to the idea that electronic tax payment improves more tax to be collected.

The items on the role of electronic tax payment system have a low standard deviation which means there was a lot of agreement on the answers of the taxpayers

4.5.2. Description of data on Challenges of electronic tax payment

Table 4.4: Challenges of electronic tax payment

No.	Description	SD	D	U	A	SA	Mean	SD
		1	2	3	4	5		
1	Electronic tax payment is difficult to operate	15% 53	20% 70	8% 28	27% 94	30% 105	3.36	2.14
2	System hang-ups leads to inability to file without assistance	5% 18	- 0	5% 17	80% 280	10% 35	3.89	0.6
3	Power interruption affects the use of electronic payment	- 0	- 0	2% 7	80% 280	18% 63	4.16	0.17
4	Risk of hackers for using electronic tax payment system	20% 70	21.3% 75	10% 35	30% 105	18.7% 65	3.05	2.05
5	Electronic tax payment is additional cost to the company	11% 39	72% 252	17% 59	- 0	- 0	2.05	0.27

Source: Researchers' survey data /2023

As the above table depicted, majority of the respondents has positive response i.e agree and strongly agree that electronic tax payment system has been challenged by difficulty of operation, affected by power interruption, inability to file without assistance and that it isn't an additional cost to the company.

In addition, electronic tax payment system has various challenges based on the data obtained from the interview. The most identified problems of the system as identified by the process owner of the branch office / tax official respondent/ interviewed on June 2/2023) was listed as

the main challenges of the system. The first challenge is that the tax paid on electronic payment via banks may not transfer to the accounts of the small tax payers' branch office immediately, that is it might be delayed. The banks reason out their delayment to system problem /internet connection failure/; taxpayers request transfer of the tax due on electronic payment on time and date on which the national bank is working; national bank may reverse the payment of the taxpayer to the bank but the taxpayer is not informed; failure to open the file number of the taxpayer by the bank and the bank may screen electronic payment system to request additional payment. The second challenge is when the electronic taxpayers are unable to pay mainly by their fault, the system refuses to accept payment but the system fails to penalize the late payers. Such tax payers pay their tax manually. The third challenge indicated is the electronic tax payers may wrongly request the bank to transfer into the wrong accounts. This can be settled after the tax payers file for correction application at the head office of the ministry of revenue. Finally, lack of knowledge of taxpayers on how to file and pay tax on electronic tax payment system. In addition, the tax payers may pay their tax on banks other than those which do not sign memorandum of association with the branch office. In this case, the system fails to provide the receipts to the taxpayers and the system. In addition, payments may be mixed with the other branch office. The response of the questionnaire above also indicate that electronic tax payment is difficult to operate (57% cumulative agree), the system hang-ups leads to inability to file without assistance (90% cumulative agree), power interruption affects the use of electronic payment (98% cumulative agree), risk of hackers for using electronic tax payment system (58.7% cumulative agree) and electronic tax payment is additional cost to the company (83% cumulative disagree). Thus the main challenges are: electronic tax payment is difficult to operate, the system hang-ups leads to inability to file without assistance, power interruption affects the use of electronic payment and risk of hackers while using electronic tax payment system.

Item No1 has a mean of 3.36 which means most of the taxpayers are neutral on the idea electronic tax payment is difficult to operate

Item No2 has a mean of 3.89 which means most of the taxpayers agree on the idea that system hang-ups leads to inability to file without assistance

Item No3 has a mean of 4.16 which means most of the taxpayers agree that power interruption affects the use of electronic payment

Item No4 has a mean of 3.05 which means most of the tax payers are neutral on the idea that there is a risk of hackers when using electronic tax system.

Item No5 has a mean of 2.05 which means most of the tax payers disagree no the fact that electronic tax payment is an additional cost to the company.

Item 2,3 and 5 on the challenges of electronic tax payment system have a low standard deviation which means there was a lot of agreement about the answers of the taxpayers while Item 1 and 4 have a higher standard deviation which shows that there is a wide range of answers not the ideas indicating disagreement

4.5.3. Electronic tax payment and voluntary tax compliance

Table 4.5: Tax compliance

No	Description	SD	D	U	A	SA	Mean	SD
		1	2	3	4	5		
1	Electronic tax payment enables tax payers to be more tax compliant	14% 49	22% 77	11% 39	29% 101	24% 84	3.26	1.95
2	I discharge tax obligation accurately using the electronic tax payment system	13% 46	22.5% 78	19.1% 66	40.4% 141	5% 17	2.99	1.35
3	The electronic tax payment system has fostered tax transparency	10% 35	12% 42	20% 70	38% 133	20% 70	3.44 6	1.49
4	Electronic taxation makes tax compliance to be less costly	21% 74	12% 42	15% 52	40.3% 141	11.7% 41	3.09	1.82

5	Electronic payment allows users to be more accurate and compliant while paying tax	12% 42	20% 70	18% 63	40% 140	10% 35	3.16	1.45
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Source: Researchers survey data /2023

As the above table described, the majority of the respondents cumulatively agreed that electronic tax payment enabled the tax payer to be more compliant, tax compliance to be less costly, transparent and help discharge the tax duty accurately. So, the relation between electronic tax payment and voluntary tax compliance has been positively related. The adoption of an electronic tax system in a developing country may mediate the relationship between attitudes toward electronic tax systems and tax compliance, according to Night and Bananuka's (2019) study. The government, through the tax authorities, may aim to increase tax compliance by educating taxpayers about the advantages of electronic tax systems, which could positively alter taxpayers' attitudes toward the systems and encourage tax compliance. The use of electronic tax systems must be promoted by tax authorities, who must also make sure that taxpayers are given further training on the value of tax compliance and that the necessary infrastructure, including computers and skilled employees, is in place. In order for the government to deliver public amenities and redistribute wealth, tax compliance is crucial (Jayawardane, 2016). Taxpayers must comply and pay the right amount of taxes due and on time in order for the government to be able to deliver public amenities and redistribute wealth (Musimenta et al., 2017; Nkundabanyanga et al., 2017; Jayawardane, 2016, referenced by Night and Bananuka (2019)).

The significance of tax compliance in the global economic environment has significantly increased as a result of the economic crises in various nations (Ritsatos, 2014). According to Ibrahim et al. (2015), tax money supports economic growth and funds both social programs and infrastructure investment. According to Osundina and Olanrewaju (2013), who were referenced by Night and Bananuka (2019), taxation (the process of levying and administering taxes) is a crucial component of every society in the globe since it gives the government the opportunity to raise money for urgent commitments. Governments receive the funding they need from tax revenues to invest in development, eradicate poverty, provide public services, and create the social and physical infrastructure necessary for long-term growth (Night and Bananuka, 2019).

Based on the assessment of the central tendency

Item No1 has a mean of 3.26 which means most of the taxpayers are neutral on the idea that electronic tax payment enables tax payers to be more tax compliant.

Item No2 has a mean of 2.99 which means most of the taxpayers are neutral on the idea that they discharge tax obligation accurately using the electronic tax payment system

Item No3 has a mean of 3.45 which means most of the taxpayers are neutral on the idea that electronic tax payment system has fostered tax transparency

Item No4 has a mean of 3.09 which means most of the tax payers are neutral on the idea that electronic taxation makes tax compliance to be less costly

Item No5 has a mean of 3.16 which means most of the tax payers are neutral on the idea that electronic payment allows users to be more accurate and compliant while paying tax

The items on tax compliance have a low standard deviation which means there was a lot of agreement about the answers of the taxpayers

4.5.4. Descriptive statistics of ease of use

Table 4.6 Descriptive statistics for ease of use

No	Items	Responses %					Standard Dev.	Mean
		Strongly Dis.	Disagree	Neutral	Agree	Strongly Agree		
1	I find online tax payment system is not an easy system to learn.	12	18		36.6	33.4	1.41	3.61
2	I find online tax payment system is not an easy system to use	8	16	6	36	34	1.3	3.72

		D				A		
1	Using online tax payment system does not speed up my tax payment process	27.1	38.6	4.3	22.3	7.7	1.3	2.45
2	Using online tax payment system would not help me reduce errors in payment process.	27.1	28.9	11.7	20.6	11.7	1.4	2.61
3	Using online tax payment system does not help me to reduce my time consumption.	9.7	13.7	15.4	42	19.1	1.2	3.47
4	An online tax payment system is not flexible	9.7	34.9	3.7	51.7		1.12	2.97
5	Overall the disadvantage of online tax payment system will outweigh the advantages.		20.9	32.3	23.7	23.1	1.1	3.49

Source: Researchers’ survey data /2023

From the above table 4.7 most of the respondents believe that using online tax payment system speed up their tax payment process. The tax payers reduce errors in payment process (see the cumulative disagree for the statement which says “using online tax payment system would not help me reduce errors in payment process”). But, the respondents believe that using online tax payment system does not help them to reduce their time consumption, and the researcher believes that this is due to the system dis-connectivity which still contributes to the problems of time.

Finally, there is a doubt in online tax payment system flexibility (see the response above) but the overall the advantage of online tax payment system will outweigh the disadvantages (see the number of respondents agreed and disagreed above on the statement “overall the disadvantage of online tax payment system will outweigh the advantages.”).

According to Van van Heijden (2004), perceived usefulness is the extent to which an individual believes that utilizing a specific system will improve their performance. Perceived usefulness in the uptake of mobile money services is defined in a broader framework to include how well consumers perceive mobile services can be integrated into their daily activities, whereas the first definition focused on the usefulness in carrying out a job function (Tobbin, 2010).

4.5.6. Descriptive statistics of credibility

Table 4.8 Descriptive statistics for credibility

N o	Items	Responses %					S t a n d a r d D ·	M e a n
		S t r o n g l y D ·	D i s a g r e e	N e u t r a l	A g r e e	S t r o n g l y A ·		
1	I am not feeling secure and comfortable using the online tax payment system	16	10		47.4	26.6	1.4	3.59
2	Ministry of revenue's electronic tax application has no credible security features.	8	16		50	26	1.23	3.7
3	The privacy and integrity of my personal information would be in danger	6	4		52.9	37.1	1.03	4.11
4	Information provided by the website is not credible and consistent.	2	14		59.4	24.6	0.99	3.91

5	Ministry of revenue's electronic tax application has modern-looking equipment.		10		63.4	26.6	0.814	4.07
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Source: Researchers' survey data /2023

From the above table 4.8 we can see that most of the respondents implied that they feel they are not secure and comfortable using the online tax payment system and they still believe that ministry of revenue's electronic tax application has no credibly security features (see cumulative agree of 76%). Moreover, they implied that the privacy and integrity of their personal information would not be managed securely and information provided by the website is not credible and consistent (see table 4.8 above). Finally, they however believe that ministry of revenue's electronic tax application has modern-looking equipment.

According to Pooja and Rahul (2021) customers' adoption of security behavior, technical protection, and transaction procedures were found to have a statistically significant and positive association with their perceptions of security and trust, which in turn had a statistically significant and positive impact on their desire to use digital payments. Palak and Madan (2020) in their study also indicated that the perceived credibility, the traits of trustworthiness that build a strong dependence between two parties based on imagined risks of crime, cheating, abuse, and neglect are integrity, care, and benevolence (the quality of being well meaning).

4.6. Inferential statistics

4.6.1. Correlation

Table 4.9: Pearson correlation

	Ease of use	usefulness	Tax compliance	credibility
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Ease of use	Pearson Correlation	1	-.190**	.372**	.234**
	Sig. (2-tailed)		.000	.000	.000
	N	350	350	350	350
usefulness	Pearson Correlation	-.190**	1	.322**	.111*
	Sig. (2-tailed)	.000		.000	.038
	N	350	350	350	350
Tax compliance	Pearson Correlation	.372**	.322**	1	.753**
	Sig. (2-tailed)	.000	.000		.000
	N	350	350	350	350
credibility	Pearson Correlation	.234**	.111*	.753**	1
	Sig. (2-tailed)	.000	.038	.000	
	N	350	350	350	350
**. Correlation is significant at the 0.01 level (2-tailed).					
*. Correlation is significant at the 0.05 level (2-tailed).					

Source: Researcher's own survey 2023)

According to Mohamed (2015), who wrote for the Accreditation Certification Programme for Official Statistics, correlation measures the strength and direction of a relationship between two variables. A line drawn through the data points in a correlation does not fit. However, the simplest method is to calculate a correlation coefficient, which indicates how much one variable changes when the other one does. There is no association when r is zero (0.0). When r is positive, there is a tendency for one variable to rise along with the other. One variable tends to increase while the other decreases when r is negative. It is not required to consider cause and effect when using correlation. No matter which of the two variables is referred to as dependent and which as independent, the degree of correlation coefficient would remain the same if the two variables were switched. The correlation coefficient's sign (+, -) denotes the direction of the link. The size of the correlation coefficient, for example, reveals the degree of link. A

correlation of $r = 0.4$ shows a mild, positive link between two variables, while $r = -0.8$ suggests a significant, negative association (reverse trend). A correlation that is nearly 0 indicates that there is no linear relationship between two continuous variables. Based on the recommendation of Mohamed (2015), significance level of 0.000, tax compliance is strongly correlated to credibility (0.753**), and weakly correlated to ease of use (0.372**) and usefulness (0.322**)

4.6.2. Regression

In this section the regression analysis was conducted so the analysis and results of R^2 , regression coefficient results and interpretation were presented.

4.6.2.1. Regression Assumption

Before running a model, in our case the multiple regressions, explanatory variables will be checked for Multicollinearity (Verbeek, 2008). When the independent variables are correlated, it is regarded as a problem in the model and this problem is called multicollinearity. Since, Multicollinearity is a problem when the explanatory variables multiple regression models is highly correlated and provides redundancy information about the response. The existence of Multicollinearity in the model may cause large variance, large t-value and misleading results (Hosmer, and Lemeshow, 1980). Thus, the two popular methods which used to detect the presence of Multicollinearity are Variance Inflation Factor VIF value 10 or greater than 10 and a TOL of 0.10 or less. Accordingly before carrying out regression analysis multicollinearity test, linearity, normality and homoscedasticity have been conducted and all the conditions have been met (see as indicated below in details).

□ Multicollinearity test

As the common rule of Verbeek indicates that if VIF is 10 or greater than 10 and a TOL of 0.10 or less it may indicate the presence of multicollinearity otherwise free from the problem. According to the model below the VIF (<10) and TOL (>0.1) were free from multicollinearity respectively (see the following table 4.7).

Table 4.10: Multicollinearity test

Collinearity Statistics	
Tolerance	VIF
.898	1.113
.938	1.066
.920	1.087

Source: Researcher's own survey(2023)

Normality test

The Shapiro-Wilk with sig values signifies the 95% confidence interval implying that that there is no significant deviation from normality.

Table 4.11: Tests of Normality

Tests of Normality						
	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
tax_compliance	.261	350	.000	.851	350	.000
a. Lilliefors Significance Correction						

Source: Researcher's own survey (2023)

Linearity test

The test for linearity shows that there is significant linearity between Ease of use, usefulness, credibility and tax compliance (see linearity sig. value (0.000)).

Table 4.12: linearity test for tax compliance * Ease of use

ANOVA Table							
			Sum of Squares	df	Mean Square	F	Sig.
Tax compliance * Ease_of_use	Between Groups	(Combined)	54.409	13	4.185	9.387	.000
		Linearity	28.299	1	28.299	63.470	.000
		Deviation from Linearity	26.111	12	2.176	4.880	.000
	Within Groups		149.809	336	.446		
	Total		204.219	349			

Source: Researcher's own survey (2023)

Table 4.13: linearity test for tax compliance * usefulness

ANOVA Table							
			Sum of Squares	df	Mean Square	F	Sig.
Tax compliance * usefulness	Between Groups	(Combined)	67.982	13	5.229	12.897	.000
		Linearity	21.228	1	21.228	52.356	.000
		Deviation from Linearity	46.754	12	3.896	9.609	.000
	Within Groups		136.237	336	.405		
	Total		204.219	349			

Source: Researcher's own survey (2023)

Table 4.14: linearity test for tax compliance * credibility

ANOVA Table							
			Sum of Squares	df	Mean Square	F	Sig.
Tax compliance * credibility	Between Groups	(Combined)	161.377	12	13.448	105.784	.000
		Linearity	115.818	1	115.818	911.042	.000
		Deviation from Linearity	45.559	11	4.142	32.579	.000
	Within Groups		42.842	337	.127		
	Total		204.219	349			

Source: Researcher's own survey (2023)

□ **Homoscedasticity**

When we consider error, Homoscedasticity is good. As expected the plots are scattered and distributed all over the observations implying that the Homoscedasticity is not violated that means the residuals are scattered than making some patterns

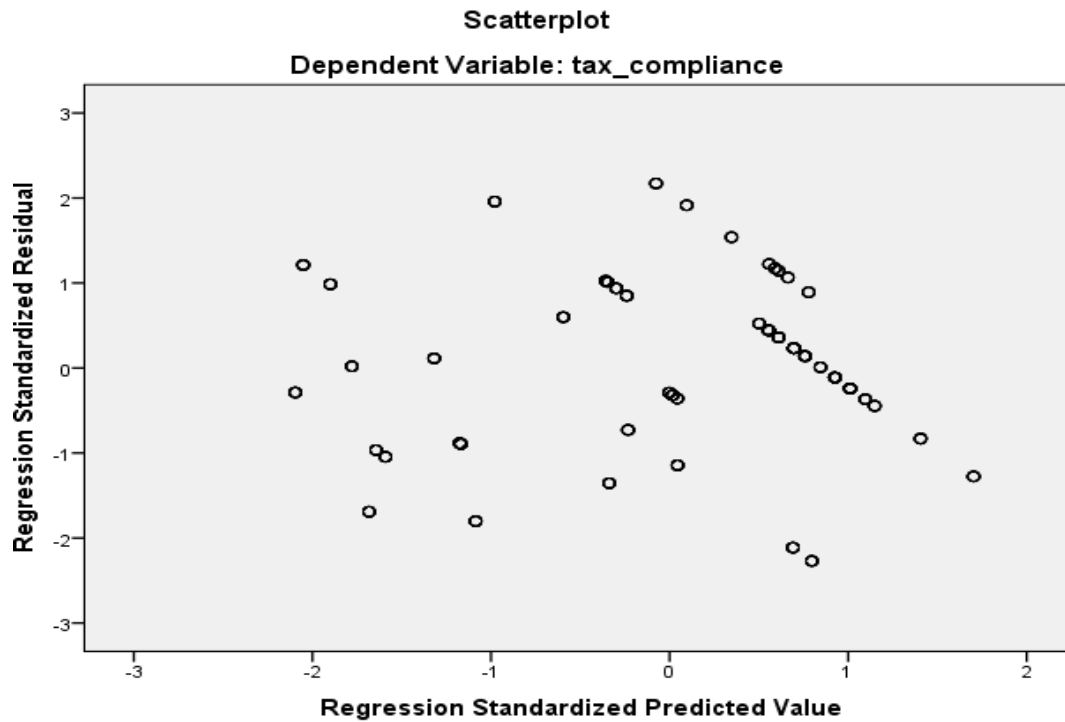


Figure 4.1 Homoscedasticity table for the dependent variable tax compliance

Source: Researcher’s own survey (2023)

4.6.2.2. Regression analysis

□ Model summary

From this table of adjusted r-square, 69.1% of the variables are accountable or have effects on the tax compliance, and the rest 30.9% will be other related factors, which were not considered here.

Table 4.15: Model Summary

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.833 ^a	.694	.691	.42523
a. Predictors: (Constant), credibility, usefulness, Ease_of_use				
b. Dependent Variable: tax_compliance				

Source: Researcher’s own survey (2023)

□ ANOVA

As per ANOVA results indicated on table below there was a statistical significant correlation between dependent and independent variable at 1% significant level due to the sig value 0.000. This reveals that the explanatory variables; ease of use, usefulness, credibility and have significant effects on tax compliance but not at equal rates.

Table 4.16: ANOVA^a

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	141.655	3	47.218	261.133	.000 ^b
	Residual	62.564	346	.181		
	Total	204.219	349			
a. Dependent Variable: tax_compliance						
b. Predictors: (Constant), credibility, usefulness, Ease_of_use						

Source: Researcher's own survey(2023)

□ **Regression coefficients**

Table 4.17: Regression coefficients

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.292	.135		2.165	.031
	Ease_of_use	.168	.019	.277	8.813	.000
	usefulness	.273	.028	.302	9.841	.000
	credibility	.536	.025	.655	21.114	.000
a. Dependent Variable: tax_compliance						

Source: Researcher's own survey (2023)

Based on the methods stated in the methodology with linear multiple regression model which will be used to show the effect of independent variables on tax compliance as:

$$Y_i = \beta_0 + \beta_1 X_{1i} + \beta_2 X_{2i} + \dots + \beta_n X_{ni} + \epsilon_i$$

So based on the regression results the following regression model can be developed:

$$Y_i = 0.292 + 0.277 * \text{ease of use} + 0.302 * \text{usefulness} + 0.655 * \text{credibility}$$

Where Y = tax compliance, X_{1i} = ease of use, X_{2i} = usefulness, X_{3i} = credibility;

In identifying the effect of electronic tax payment system variables on tax compliance; based on the results of regression analysis for ease of use with 0.277 standardized beta coefficient and sig value of 0.000 shows that a 1% change in ease of use have 27.7% effects on the level of tax compliance. Additionally, usefulness and credibility with standardized value of beta's 0.302 and 0.655 with sig value of 0.000 and 0.000 implies that 1% change in usefulness and credibility accounts to 30.2% and 65.5% change in tax compliance respectively.

The analysis of coefficients shows the relationship between tax compliance and the effect of electronic tax payment system variables in which the coefficient sig value of 0.000 implies that the determining factors are significant at 1% significant level. So as we can see the results, tax compliance is highly determined by ease of use, usefulness and credibility. Finally, based on the finding, all of the three variables were found to have effects on tax compliance at 1% level.

4.7. Findings of the study

Electronic tax payment system has been introduced in Easter small tax payers' branch office since the end of 2014 E.C.or may 2022. Despite the short period of time, about more than half of the taxpayers pay their tax via electronic tax payment system. Because Electronic tax payment system avoids physical presence of the taxpayer to the tax authority which reduce cost of tax payment as well as saves time. In addition, it enabled the taxpayer to pay its tax on time. However, the main challenges of electronic tax payment on voluntary tax compliance identified in the branch office are:-

- ▶ Electronic tax payment system is difficult to easily operate. The technology is new which is unfamiliar for both the tax officials and tax payers. In some cases the taxpayers will request the bank to transfer money with wrong accounts and the taxpayers will not correctly file the data.
- ▶ The system involves the participation of different organs of the government and private institutions to be effective and efficient. As indicated in the data discussion part, one

electronic tax payment transactions involves the participation of business organization/tax payer/, banks, Ethiopian Telecommunication Corporation, light utility authority, Ethiopian Information security agency, national bank and the tax authority. When one of these institutions failed to properly operate, electronic tax payment system will not be effective. Despite Ministry of revenue signing a tripartite agreement with banks and Ethiopian information security agency, the banks sometimes did not properly discharge their duties as per their contract. The bank may not immediately transfer the tax due to the ministry of revenue account while debiting the accounts of the taxpayers. Because of this the system will not send receipt for both the tax payer and SIGTAS. In doing so when the payment time lapsed the system does not accept any payment. Because of the bank's failure, the tax payers will be expected to be physically present at the tax authority for report and are exposed to pay penalty and other costs, which consumes time and exposed the tax payers to unnecessary struggle.

- ▶ Lack of knowledge of taxpayers on how to file and pay tax on electronic tax payment system. In addition, the tax payers may pay their tax on banks that haven't signed memorandum of association with the branch office.
- ▶ Fluctuation of internet connectivity is also the challenges of electronic tax payment system
- ▶ The electronic tax payment system is used only for tax payers' which have taxes to be reported. i.e zero reporting and tax refund are not used by the system. Because of this, such category of tax payers still demands their physical presence to report which is a challenge for such types of taxpayers.
- ▶ Tax compliance is strongly correlated to credibility (0.753**), and relatively weakly correlated to ease of use (0.372**) and usefulness (0.322**)
- ▶ 1% change in ease of use have 27.7% effects on the level of tax compliance
- ▶ 1% change in usefulness accounts to 30.2% change in tax compliance
- ▶ 1% change in credibility accounts to 65.5% change in tax compliance

- ▶ Regarding the roles of electronic tax payment system, most of the taxpayers agree that tax payment online enables to be more on time, improves job performance, is accurate, secure and reduces the cost of a company. Where as most of the tax payers disagree that electronic tax payment system is user friendly. While most of the tax payers have a neutral opinion on

the idea that electronic tax payments system improves tax collection. The standard deviation which means there was a lot of agreement about the answers of the taxpayers

- ▶ When assessing the challenges of electronic tax payment system most tax payers are neutral on the idea that electronic tax payment is difficult to operate and that there is a risk of hackers. While most of the taxpayers agree that system hangups leads to inability to file without assistance and that power interruption affects the use of electronic payment ,lastly most of the tax payers disagree on the fact that electronic tax payment is an additional cost to the company. Item 2,3 and 5 on the challenges of electronic tax payment system have a low standard deviation which means there was a lot of agreement about the answers of the taxpayers while Item 1 and 4 have a higher standard deviation which shows that there is a wide range of answers not the ideas indicating disagreement
- ▶ Regarding tax compliance, most of the tax payers are neutral on the following; electronic tax payment enables tax payers to be more tax compliant, that they discharge tax obligation accurately using the electronic tax payment system ,electronic tax payment system has fostered tax transparency, electronic taxation makes tax compliance to be less costly and that it allows users to be more accurate and compliant while paying tax. The items on tax compliance have a low standard deviation which means there was a lot of agreement about the answers of the taxpayers

CHAPTER FIVE

5. CONCLUSION AND RECOMMENDATION

5.1. CONCLUSIONS

The electronic payment system allows taxpayers to pay expected taxes via online tax service without visiting a financial institution in person. The system allows taxpayers to transfer payments from an account using internet banking, credit card, mobile banking and so on. After taxpayers finish electronic tax filing, the tax system automatically leads them to the payment screen, where payment is made by entering the bank name and account number and password. Online tax systems are rapidly replacing paper-based tax reporting and paying systems. The online tax system has many advantages when compared to traditional payment methods or paper based tax filing and paying. Online payment systems assure faster process, lower costs, reduced errors and increased efficiency.

Electronic tax payment system in the Easter small tax payers' branch office of the ministry of revenue enabled the taxpayer to pay the tax on time, improved better job performance, allows tax payment to be more accurate, reduces cost of tax collection and helps in the collection of more tax. On the contrary, the majority of tax payers strongly disagree and disagree that electronic tax payment is user friendly. In addition, Electronic tax payment system is very important and easy tax collection system especially from the tax payer point of view. Since it reduces cost of tax payment by avoiding transportations costs and other related administrative costs.

Based on the finding of the research, the main challenges of electronic tax payment system in the branch office of Easter small taxpayer branch office includes ;the lack of skills of the taxpayers in using the new technology of electronic tax payment , network fluctuation, the involvement of different governmental and private institution for electronic tax payment system, banks failure to transfer the tax paid immediately to the ministry of revenue accounts, errors of e-filing by tax payers and so on. In addition tax payers pay electronic tax payment to the bank which may not have tripartite agreement with ministry of revenue to effect electronic tax payment.

Finally, from the results of the inferential statistics, correlation analysis showed that tax compliance is strongly correlated to credibility, and relatively weakly correlated to ease of use

and usefulness. The regression analysis implied that credibility has high effect on tax compliance whereas ease of use and usefulness has significant effect.

5.2. RECOMMENDATIONS

Based on the summary of the main findings and conclusion the study recommends the following set of points.

- ✓ Extensive training on how electronic payment could be made starting from e-filing. This will solve the problem of recording other tax bank account to transfer the tax due as well as it will make the electronic tax payment system more familiar for both tax payers and tax officials.
- ✓ The ministry of revenue must try to enforce the MOU of the banks to be implemented. When the banks failed to act according to the agreement, the ministry even try to enforce up to the court. In addition, when the banks are not immediately transfer the tax due to the ministry of revenue on time, make the organization responsible for its fault. Furthermore, the ministry of revenue should make MOU for all banks.
- ✓ Electronic tax payment system needs to include zero reporting and refund by redesigning the system for the ease of taxpayers.
- ✓ Technological advancement from the ministry of revenues regarding the system by introducing a feature that allows users to ask questions, their questions answered online, optimize the website speed, simple navigation and readability and fast load times.
- ✓ As credibility highly affects electronic tax compliance, ministry of revenues must be transparent with every information including penalty calculation as that is the issue most tax payers are confused about, make sure the system stays up to date and inform the tax payers either through the system or through training about additional things added on the system. In addition informing the tax payers before hand before any system updates on the electronic tax payment system allows users not to be frustrated and have more trust on the system. As when ever there is an update on the system, the system lags and will not function properly at the time of the update, mis-understandings and lack of information on the update, tax payers gets frustrated thinking it is the systems problem. Thus increasing credibility is necessary by avoiding confusion on tax payers side.

- ✓ It is also recommended for tax payers to pay their taxes in the 1st three weeks, as the last week, especially the last two days get crowded and the system may lag.

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Appendices

ADDIS ABABA UNIVERSITY
COLLEGE OF BUSINESS AND ECONOMICS
SCHOOL OF COMMERCE

Questionnaire to conduct Research on the effects of electronic tax payment system on tax compliance: the case of Easter Addis Ababa small taxpayers 'branch office

Dear respondent,

Greetings; I am a post graduate candidate at Addis Ababa university under the department of accounting and finance, college of business and economics. Currently, I am conducting a research on the effects of electronic tax payment system on tax compliance: the case of Easter Addis Ababa small taxpayers 'branch office. The main purpose of this questionnaire is to collect necessary data for the study on the effects of electronic tax payment system on tax compliance and will be only for academic purpose and your response will be kept confidential. As a result the outcome of this study will depend upon your response. Therefore, I would like to request you to fill the questionnaire as per the instruction.

Notice here that:

- No need to write your name.
- Give your opinion in the blank space where necessary.
- Please, Use thick mark “√” in the box, or circle the letter and write your comment on the space provided.

Thank you in Advance

Part I: Demographic profile of the respondent

1. Sex: Male Female
2. Age: below 25 25-30 31-35 36-45 above 45
3. Educational back ground:
- Diploma Master's Degree
- Degree above MA/MSc

4. Occupational characteristics of officials of the tax officials

- Junior officer
- Officer
- Senior officer
- Team leader
- Process owner

INSTRUCTIONS I: The following table contains questionnaires about the role, challenges and compliances electronic tax payment system on taxation. Give your own opinion and feeling about each item. **(To be filled by both the tax officials and the tax payer)**

Please mark (√) your response to each statement according to the following five-point scale in terms of your own agreement and disagreement of the statement.

5= Strongly Agree 4= Agree 3= Neutral 2= Disagree 1= Strongly Disagree

Items related to role, challenges and compliances	1	2	3	4	5
The roles of electronic tax payment					
Tax payment online enable to be more on time					
Electronic tax payment improve job performance					
Electronic tax payment is user friendly					
Electronic taxation is accurate					

Electronic taxation is more secure					
electronic tax payment reduce cost of tax collection					
Electronic tax payment improves more tax to be collected					
Challenges of electronic tax payment					
Electronic tax payment is difficult to operate					
System hang-ups leads to inability to file without assistance					
Power interruption affects the use of electronic payment					
Risk of hackers for using electronic tax payment system					
Electronic tax payment is additional cost to the company					
Tax compliance					
Electronic tax payment enabled me to be more tax compliant					
I discharge tax obligation accurately using the electronic tax payment system					
The electronic tax payment system has fostered tax transparency					
Electronic taxation makes tax compliance to be less costly					
Payment of tax to be more accurate and compliant via electronic payment					

INSTRUCTIONS II: The following table contains questionnaires about the effects of electronic tax payment system on tax compliance. Give your own opinion and feeling about each item. **(To be filled only by the tax payer)**

Please mark (√) your response to each statement according to the following five-point scale in terms of your own agreement and disagreement of the statement.

5= Strongly Agree 4= Agree 3= Neutral 2= Disagree 1= Strongly Disagree

Items related to factors related of electronic tax payment system	1	2	3	4	5
Ease of use					
I find online tax payment system is not an easy system to learn.					
I find online tax payment system is not an easy system to use					
It is not easy to become skillful in using online tax payment system.					
Online tax payment system instructions are not easy to follow.					
The structure and contents of the web site are not easy to understand.					
Usefulness					
Using online tax payment system does not speed up my tax payment process					
Using online tax payment system would not help me reduce errors in payment process.					
Using online tax payment system does not help me to reduce my time consumption.					
An online tax payment system is not flexible.					
Overall the disadvantage of online tax payment system will outweigh the advantages.					
Credibility					
I am not feeling secure and comfortable using the online tax payment system					
Ministry of revenue's electronic tax application has no credibly secured features.					
The privacy and integrity of my personal information would not manage securely.					

Information provided by the website is not credible and consistent.					
Ministry of revenue's electronic tax application has modern-looking equipment.					
Electronic tax payment system and tax compliance implications					
Ministry of revenue's online tax payment is not easy to use and I am facing difficulties to comply with the rules and regulations.					
Ministry of revenue's online tax payment system is useful because I am facing challenges in fulfilling my obligations.					
Ministry of revenue's online tax payment system is not credible and I am not satisfied with the level of awareness created					

☺ Thank you for your time