Predicting e-Tax Service Adoption: Integrating Perceived Risk, Service Quality and TAM

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ABSTRACT

Non-compliance and weak tax collections led to the initiation of e-tax filing, an emerging e-government service in Bangladesh. While e-tax services are convenient and make filing tax returns easy within a few mouse clicks, there can be risks that may obstruct taxpayers from using this service. Besides, quality dimensions of such services are equally important since online services are completely different from the physical service industry. With the aim of identifying factors and dimensions that can influence a taxpayer’s intention in Bangladesh, this study extends Technology Acceptance Model (TAM) to include perceived risk facets and service quality factors associated with e-Tax services. Findings claim that three risk dimensions - financial, cyber, and time risk may influence taxpayers’ intention towards e-tax services. Besides, perceived risk is inversely related to perceived usefulness and only perceived ease of use denotes significant impact upon taxpayers’ behavioral intentions. Implications, limitations and future directions are accordingly discussed as well.

KEYWORDS
Bangladesh, Behavioral Intention, e-Government Services, e-Tax Services, Perceived Ease of Use, Perceived Risk, Perceived Usefulness, Service Quality, Taxpayers

INTRODUCTION

Taxes are cited as a sub-component of government income and is ideally a major source of revenue for the government of a number of countries (Adeniyi & Adesunlolo, 2017). Since the collection of taxes mostly depends on the taxpayers, any non-compliance may hinder revenue generation. Often, the presence of opportunity costs relating to time and other resources expended and psychological costs like stress and anxiety resulting from complying with tax laws may lead to non-compliance by taxpayers (Evans & Tran-Nam, 2014). In recent times, many government bureaus are attempting to address this non-compliance and have realized the importance of the Internet to do so. In the government sector, a number of electronic services are already provided in order to provide assistance to the citizens including links to renew a passport, download visa forms, etc. (Nisha et al., 2016). These services are together referred to as the electronic government or e-Government services and it...
mostly takes the form of Government to Citizen (G2C) communications (Iqbal et al., 2018). Under the e-Government service umbrella, one form of G2C communications implemented to increase compliance of tax filing is electronic tax or e-Tax services (Nisha et al., 2018; Schapp et al., 2009). Through the e-Tax services, taxpayers are able to submit their tax returns electronically to the proper government authorities by preparing, reporting and paying their taxes online (Azmi & Kamarulzaman, 2010). The e-Tax services have thus enabled many governments to increase convenience and revenue growth, and improve overall tax compliance in the country (Nisha et al., 2018; Suki & Ramayah, 2010; Hussein et al., 2010).

Due to non-compliance and weak tax collection practices, the e-Tax services has also been initiated in the emerging economy of Bangladesh. Recent economic update indicates that the target of the collection of revenue was set at BDT 248190 crore, whereas the actual amount of revenue collection has stood at BDT 126357 crore, representing only 50.91 percent of the target in FY 2017-18 compared to 53.79 percent in the previous fiscal year (Unnayan Onneshan, 2018). As a result, the government launched the e-Tax services under its e-Government service umbrella to reduce this gap in their revenue collection. The primary aim of the Bangladesh government through e-Tax services is to ease taxpayers’ hassles and ensure higher compliance by taxpayers (The Daily Star, 2016a). The e-Tax services can provide many aspects of convenience like ease of place and time to file taxes compared to traditional channels of tax filings (Azmi & Kamarulzaman, 2010). Moreover, e-Tax services can also allow taxpayers to conduct transactions within a few mouse clicks and reduce the stress and anxiety of visiting tax offices and tax lawyers (The Daily Star, 2016b; Azmi & Kamarulzaman, 2010). In other words, the reduction in compliance costs may motivate taxpayers to use the e-Tax services. Besides, another aspect of such e-services that is often important for the users tends to be service quality. This is because the specific characteristics of e-services are completely different from those of the physical service industry (Iqbal et al., 2017). Hence, there is a possibility that the intention towards e-Tax services may further increase with higher service quality (Rotchanakittumnuai, 2008).

However, there can be a number of challenges that obstructs taxpayers from using this online service to file taxes. The challenges may include fraud or monetary outlay related to the use of a technology, human errors in the online filing process, and the loss of server connections that can result in lower performance – especially during the peak period of filing taxes. Also, there can be other challenges like virus attacks, worms, Trojans, backdoors and other malwares that can lead to malfunctioning, data corruption or software failures. Another issue can be related to the transmission of confidential and sensitive information like income and tax and the use of technology and Internet to pay tax amounts online. Challenges related to the use of cyberspace is particularly critical for Bangladesh since very recently the country has been victim to a cyber heist. In February 2016, instructions to fraudulently withdraw US$ 1 billion from Bangladesh Bank, the central bank managed by Ministry of Finance of Bangladesh, at the Federal Reserve Bank of New York were issued by security hackers via the SWIFT network (Dhaka Tribune, 2016). Five transactions issued by the hackers, each worth of US$ 101 million succeeded with the help of Dridex malware (Dhaka Tribune, 2016). So far, only US$ 20 million from Sri Lanka and US$18 million from Philippines has been retrieved (Quadir, 2016). There has been some speculation about the links between this incident and 2013 cyber-attack, whereby the hackers successfully withdrew US$ 250,000 from one of the state-owned banks of Bangladesh (Reuters, 2016). In both the cases, the perpetrators were suspected to have been aided by the weaknesses in the security system of the country (Dhaka Tribune, 2016; Reuters, 2016). As such, it is not surprising that taxpayers will hesitate in using the e-Tax services given that the security system managed by the government organizations of Bangladesh are not up to the mark.

Previous studies like Ozgen & Turan (2007), Asianzu & Maiga (2012), Sondakh (2017) have widely documented that the success of e-Tax services largely depends on the importance that taxpayers place on factors such as convenience and usefulness through the Theory of Acceptance Model (TAM). Another stream of studies combined the TAM with service quality factors and the likes include Chang et al. (2005), Hu et al. (2009), Mustapha and Obid (2015), Rahman et al. (2018)
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