CLIENT RELATIONSHIP MANAGEMENT AND TAX COMPLIANCE INSIGHT IN MALAWI

MASTER OF BUSINESS ADMINISTRATION DISSERTATION

ENOCH AMBITIOUS HAPALA

UNIVERSITY OF MALAWI

THE POLYTECHNIC

SEPTEMBER 2023

CLIENT RELATIONSHIP MANAGEMENT AND TAX COMPLIANCE INSIGHT IN MALAWI

Master of Business Administration Dissertation

By

ENOCH AMBITIOUS HAPALA

A Dissertation Submitted to the Department of Management Studies, Faculty of Commerce, in Partial Fulfilment of the Requirements for the Degree of Master of Business Administration
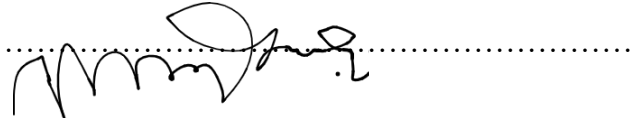
University of Malawi

The Polytechnic

September 2023

DECLARATION

I, Enoch Ambitious Hapala, declare that this MBA Dissertation, submitted for the award of Master of Business Administration at University of Malawi, the Polytechnic, is wholly my work unless otherwise referenced or acknowledged. Further, no part of this dissertation has been submitted anywhere for an award of any other degree or examination to any other university or college.

Signature: ....

Date: 17th October, 2023

WORD COUNT: 20026

CERTIFICATE OF APPROVAL

We, the undersigned, hereby certify that we have read and approve for examination by the University of Malawi, the Polytechnic a dissertation entitled "*Client relationship management and tax compliance insight in Malawi.*"

Main Supervisor: Dr. Stain Kaunda

Signature: ………………………………………

Co-Supervisor: Dr. Andrew Lipunga

Signature: ……………………………………….

Date: …………………………………………..

Head of Department: Mr. Richard Mlambe

Signature: …………………………………………..

Date: ………………………………………….

Head of Postgraduate Studies: Ass. Prof. Rhoda Bakuwa

Signature: ……………………………….............

Date: …………………….………………………

DEDICATION

This dissertation is dedicated to the Management Studies Department, Faculty of Commerce at the Polytechnic under the University of Malawi.

ACKNOWLEDGEMENTS

I have the pleasure to acknowledge the guidance offered by my supervisors, Dr Stain Kaunda and Dr Andrew Lipunga to ensure production of the dissertation.

It is also worthy to acknowledge the understanding and support offered by my family, more especially my wife, Elizabeth Hapala, by giving me enough space to meet my deadlines. It has been indeed a learning process; Glory be to God.

ABSTRACT

The Client Relationship Management programme (CRM) is an initiative that aims at providing quality services to clients. The programme was adopted by the Malawi Revenue Authority (MRA) to enhance tax compliance. MRA experienced low tax compliance over the years from 2011. Therefore, MRA introduced CRM to enhance tax compliance. The CRM was introduced in large taxpayer section in 2015 with intention to achieve satisfied taxpayers. In this regard, this study was informed by the Theory of planned behaviour, Fischer`s tax compliance model and the Service quality model. The study aimed at assessing the effectiveness of the C R M programme at the Malawi Revenue Authority. The study employed a quantitative method where data was collected from a sample of large taxpayers in Malawi by using a questionnaire. The sample population was identified by using the Cochran`s formula whereas systematic random sampling method was used to identify the subjects. The collected data were analysed by using STATA 14. Chow test and regression analysis were employed to test the data`s pool ability and statistical relationship, respectively. The findings reveal that effectiveness of CRM programme depends on quality service. The perception of taxpayers on the quality of services provided under the CRM programme attest to the level of tax compliance. Therefore, CRM is an effective programme to drive tax compliance through service satisfaction. In that regard, the study h a s developed a model t h a t incorporates the four key determinants of taxpayer satisfaction as data management, service indicator actions, and communication mode and service quality. The study recommends the effective application of the determinants to enhance taxpayer satisfaction and subsequently, improve tax compliance and increase tax revenue. Further research may be done on effectiveness of CRM is small taxpayers or particular sector

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

ACRONYMS AND ABBREVIATIONS

CRM   Client Relationship Management

FDI   Foreign Direct Investment

LTO   Large Taxpayer Office

MRA   Malawi Revenue Authority

OECD   Organization of Economic Cooperation Development

SADC   Southern Africa Development Cooperation

SAP   Structural Adjustment Programme

SMS   Short Message System

TC   Tax Compliance

VAT   Value Added Tax

CHAPTER ONE: INTRODUCTION AND BACKGROUND

1.1 Background of the Study

The growth and development of any country rely mainly on the collection of revenue from the economic ventures and investments it takes part in (Alshirah & Hijattulah, 2020). Alshirah and Samsudin (2016) confirmed that taxes are the major source of revenue for government operations. Governments constantly require funds for the purpose of investing and renovating public infrastructure and providing public services. This entails the need to increase tax revenue to boost growth and development (Alshirah & Hijattulah, 2020). Additionally, the past several years have been challenging for the tax authorities in many countries, particularly following the world economic crisis in 2008, with the fiscal deficit leading to the increase in the requirement for tax revenue, urging governments to re-direct their efforts towards improving tax compliance (Alshirah & Hijatullah, 2019). The Malawi Revenue Authority identified a gap in provision of tax services in order to achieve a satisfied taxpayer. It was observed that it is a satisfied taxpayer that can easily comply with tax requirements. Therefore, the tax authority introduced the Client Relationship Management (CRM) programme as a platform to enhance service delivery to taxpayers. It is considered that achieving satisfied taxpayers will realise high tax compliant levels. The CRM programme was introduced in the large taxpayer segment as a pilot as opposed to the approach by other tax authorities where it is administered to all taxpayers, hence the study on the effect of CRM programme in large taxpayers' segment towards tax compliance in Malawi.

Accordingly, Alshirah and Hijattulah (2020) have argued that tax revenue collection can be enhanced through efforts directed toward resolving tax non-compliance. An increase in tax compliance would reasonably enhance the tax revenue level, thus non-tax compliance causes intense concern throughout developed and developing nations around the world (Alm & Mc Clellan, 2012). This was observed to be true in the Middle Eastern countries as evidenced in Al-Ttaffi and Abdul-Jabbar's (2015) study. Thus, tax compliance remains an urgent notion that demands investigation in the literature. In spite of prior studies conducted to explain non-compliance, a consensus among the authors concerning the tax payment compliance is still elusive (Alm & MecClellan, 2012; Randlane, 2016).

1

However, the expected existence of taxation for years to come will find the persistence of non-compliance if not dealt with. In a bid to improve tax compliance, different countries have employed different strategies, and these range from facilitated voluntary compliance to enforcement compliance strategies. Therefore, there is a need for effective communication to inform and support all clients in meeting their tax obligations through improved service delivery. This strategy, therefore, focuses on minimizing the compliance burden for individuals and businesses through continuous actions to streamline processes and provide high-quality service and support. The actions that promote voluntary compliance include: telephone and face-to-face communications; internet-based information; plain language forms; guides and publications; technical interpretations; rulings and specialised problem resolution services. These are part of effective communication.

Enforcement activities are reactive actions as they verify compliance with the law, correct past mistakes and educate clients on the correct application of the law for the future. Furthermore, enforcement covers a range of activities that graduate from routine verification procedures to limited examinations and full audits of taxpayer records. Usually, for those involved in repeat or deliberate non-compliance, corrective actions are taken to act as a deterrent that discourages this form of non-compliance in the future. The outcome of enforcement measures is being penalised by additional taxes or interest. Compared to voluntary compliance, the enforcement approach is costly both to the taxpayer and the tax authority, hence CRM approach being the driver of voluntarily tax compliance. However, Muhwezi, Akankunda and Nalukenge (2017) stated that tax authorities should recognise that by ensuring tax collection through application of all mandatory measures, tax authorities should be aware that taxpayers can be reactive to avoid tax payment and it is only mutual approach that can improve tax compliance.

1.2 Client relationship management (CRM)

CRM is a programme that aims at enhancing service delivery. It aims at improving service quality. Therefore, its effectiveness can be achieved by analysing the service attribute that can lead to a satisfied taxpayer. In this regard, the study focused on service attributes that can change the perception of taxpayers towards tax compliance. The study analysed the satisfactory levels in terms of face-to-face interaction, quality of emails and letters, phone calls, tax advisory visits,

quality of education and awareness materials, response to enquiries and rate of issuance of certificates. Similarly, the interactive activities have been linked to service aspects by analysing the degree of reliability, assurance, tangibility, empathy and responsiveness. These are the CRM attributes that the study focused on to achieve a tax compliant person.

1.2.1 Tax compliance

The taxpayer is compliant if he/she fulfills the tax obligation in terms of registration for taxes, submission of tax returns with correct reporting and payment of taxes due. However, the study focused on large taxpayers and this segment of taxpayers is composed of taxpayers that are already in the system meaning that they are registered for taxes. Therefore, the variables used in this study in order to determine their compliance levels are return submission and tax payment. In that regard, in this study, the tax compliance has been analysed through variables of tax return submission and tax payment.

1.2.2 Tax administration, reforms and compliance in Malawi

Malawi is a country located in Southern Africa and has a population of about 20 million people. Malawi has three administrative regions namely; southern, central and northern with a high population in the southern region followed by central and northern region. The population distribution also affects the industrial establishment where there are more companies in the southern region than central region, while northern region has the least.

In Malawi, tax administration has seen reforms starting from the colonial period. The reforms are aimed at improving the compliance levels of the taxpayers and also improving the economic level of the country. According to Chafuwa, Kenani, and Kaunda (2017), different tax reforms have been implemented starting with the 1969 to 1977 reforms that were aimed at increasing savings and investment levels and discouraging consumption of imported luxury goods. The results of these reforms were increased domestic resources.

Furthermore, Chafuwa et al. (2017) argue that from 1978 to 1984, the reforms were characterised by frequent and ad hoc changes in the tax system as a response to increased pressure on government expenditure. The increased expenditure emanated from the impact of hunger and natural disasters.

Then came the Structural Adjustment Programme (SAPs) that stretched from 1985 to 1999 which involved the operations of Southern African Development Corporation (SADC) and trade protocols just before the operationalisation of the Malawi Revenue Authority (MRA) (Chafuwa et al., 2017). In 1998, a Parliamentary Act was passed to set up a quasi-government organisation to collect and account for tax revenue. The organisation was named Malawi Revenue Authority (MRA) and became operational in 2000. The reforms implied that the charging of tax varied according to how much one had earned in a particular year and that formal tax assessments were designed based on annual profit of a business (Chafuwa et al., 2017). This was aimed at achieving the following: improve efficiency and equity of the tax system, encourage a free trade market, increase the level of Foreign Direct Investment (FDI) by introducing tax incentives on investments and also increase tax collection, and improve tax administration. In totality, Chafuwa et al. (2017) argued that all these reforms were aimed at improving service delivery while maximising tax revenue.

The reforms resulted into the introduction of taxes on incomes other than salaries and wages only. The income that was targeted includes compensation, housing allowances, business and professional income. Tax was extended to income earned by non-resident persons, dividends, capital gains and excise tax on specific goods and services. Surtax was also standardised to 20 percent. This is the period that was associated with high tax rates with effective rate being 58 percent. The tax was extended to state-owned companies which aimed at achieving equity. It resulted into the introduction of provisional tax payment, fringe benefit tax and also minimum business tax on turnover. There were also several tax incentives in an effort to attract investments. However, the tax reforms were more focused on increasing revenue.

From 2000, more tax changes and initiatives have been implemented with support from the International Monetary Fund (IMF). The changes and initiatives have been mainly aimed at simplifying tax administration and ultimately improving tax compliance. There have been changes from surtax to Value Added Tax (VAT), introduction of domestic excise and carbon tax.

Among the changes was the establishment of Large Taxpayer Office (LTO) in the year 2007 with its operating office in Blantyre city. LTO was basically established to manage large taxpayer/client base with an understanding that different taxpayer segments require different strategies to manage their tax compliance. In fact, these distinct segments present different revenue risks and service opportunities based on compliance choices they make. MRA (2015) defined large taxpayers by either the amount of tax contribution which is above $U\$ 750,550.33$ per year or annual turnover of U\$1,411,100.65. With reference to LTO monthly reports, tax compliance within the large taxpayers has been a problem as the rates have been hovering around 70% from year 2011 to 2015. Therefore, it has been a worrying situation for the revenue authority. Figure 1 depicts domestic tax compliance from 2011 to 2020 for large taxpayers. The figure demonstrates a decreasing trend in domestic tax compliance.

Percentage (%)
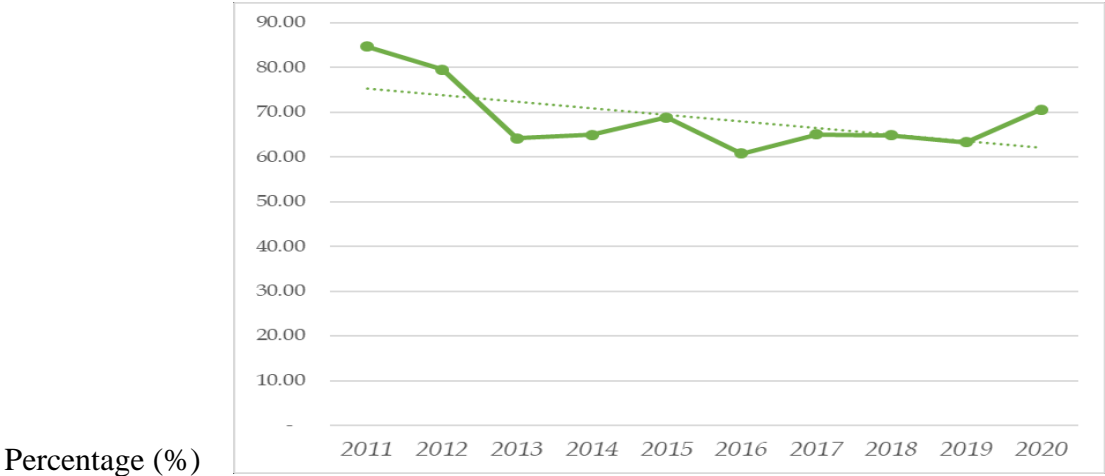
Figure 1: Domestic tax compliance trend from 2011 to 2020

Source: Malawi Revenue Authority`s annual reports of the period 2011 to 2020

In a bid to improve domestic tax compliance, MRA LTO introduced Client Relationship Management (CRM) programme in the year 2015 for large tax payers. CRM is a programme that aims at improving service delivery and working relationship with taxpayers in order to increase voluntary compliance by offering services, products and assistance tailored to fit the needs of taxpayers in designated industries (MRA, 2015). Large taxpayers are complex dynamic entities with multiple subsidiaries and intricate structures. It is imperative to note that most of these taxpayers are well informed with in-house tax departments, as such, they have high expectations of services from revenue agencies (MRA, 2015). CRM provides a platform to meet such high expectations by providing services to support voluntary compliance as well as mitigation of risks as they emerge. The CRM programme has been running for five years now, but tax compliance has remained problematic as it has averaged 65% from 2016 to 2020 (LTO, 2016), as can be observed from Figure 1 above, that triggers a lot of questions on the effectiveness of the CRM programme being implemented by LTO.

1.3 Problem statement

Governments need funds to provide public services to its citizenry. Taxes are considered as a major source of national income which is used to run the public services and, therefore, underscoring the significance of taxpayers. Tax collection by revenue authorities has been challenging and problematic for developing countries resulting into high donor dependency for budgetary support which has, however, been dwindling over the years due to global economic crisis. This has prompted revenue authorities to focus on tax compliance to ensure that everyone pays what is owed to the state.

Tax compliance is key to sustainable revenue for government operations. "An increase in tax compliance would reasonably enhance the tax revenue level, while non-tax compliance causes intense concern throughout developed and developing nations around the world" (Alm & McClellan, 2012). In Malawi, tax compliance issues are not unfamiliar as Chafuwa et al. (2017) argue that several reforms have been implemented within the MRA setup to improve tax compliance. This included the introduction of a large taxpayer office in 2007 which targets management of large tax payers. Preliminary review of compliance of large tax payers for 2011

to 2015 reveals an average compliance rate of 65% which was considered worrying. In response to low compliance rates at Large Taxpayer Office, MRA initiated and implemented the Client Relationship Management (CRM) programme in 2015.

"CRM is aimed at improving service delivery and working relationship with taxpayers in order to increase voluntary compliance by offering services, products and assistance tailored to fit the needs of taxpayers in designated industries" (MRA, 2015). The CRM programme, in its fifth year of implementation; however, it was worrying to note that compliance rates have still remained low and averaged 65% between 2015 and 2020. It is against this background, that the study was motivated to assess the effectiveness of the CRM programme on tax compliance. Furthermore, this study sought to assess the perceptions of large taxpayers on the effectiveness of the CRM programme. The introduction of CRM aimed at achieving 100 percent tax compliance meaning every taxpayer under Large Taxpayer Office should be compliant. The tax compliance is measured through submission of tax return and tax payment. The high compliance rate would have been achieved if and only if there were satisfied taxpayers. Therefore, the satisfied taxpayers can be achieved by providing them with quality services. This is the reason CRM is measured by the perception of the taxpayer on service delivery while tax compliance is measured by tax return submission and tax payment. CRM aims at changing the behaviour and attitude of taxpayers toward tax compliance and that resulted to the study using the Theory of Planned Behaviour, Fischer Tax Compliance model and Service quality model to inform it. The models point to behavioural change. Therefore, the study aimed at assessing whether CRM has achieved the behavioural change or not considering that 100 percent tax compliance rate has not been achieved.

Failure to achieve the 100 percent tax compliance rate can result into negative impact on tax revenue to government. Large taxpayers contribute 70 percent of tax revenues (LTO, Annual Performance Report, 2019). Therefore, any non-compliance in this segment has a huge negative impact on tax revenue that translates into inadequate funding toward national budget.

1.4 Research aim

The main objective of the study was to assess the effectiveness of the Client Relationship Management programme on tax compliance.

1.5 Specific objectives

Specifically, the study sought to:

(a) Determine large taxpayers' perceptions of the Client Relationship Management programme.

(b) Assess the effects of Client Relationship Management on tax collection from large taxpayers in Malawi.

(c) Evaluate the effects of Client Relationship Management on large taxpayers` tax return submission in Malawi.

1.6 Research questions

This study sought to answer the following specific research questions:

(a) What perceptions do large taxpayers have on the Client Relationship Management programme in Malawi?

(b) To what extent did Client Relationship Management improve tax collection from large taxpayers in Malawi?

(c) What is the effect of Client Relationship Management on large taxpayers towards tax return submission in Malawi?

1.7 Study justification

Tax compliance is important in many aspects. First, tax revenues are the main source of revenues for most countries. If governments can promote more compliance from taxpayers, tax revenues will increase with steady cash flow for government operations and avoid increasing tax rates or expanding the tax base. Secondly, tax compliance reflects a country's

8

true tax system. It ensures that every citizen is involved in national development, hence being inclusive.

Thirdly, tax compliance concerns equity and fairness issues in public administration. If taxes are not collected from some groups within society, tax systems, bureaucrats, and the government will not be perceived as fair and ethical by the citizenry which can then lead to loss of their legitimacy. In today's anticorruption era, fairness and transparency are among the most critical issues included in tax administration as governments need to be responsive to the citizens. Tax authorities do design tax collection and enforcement measures without having compliance behaviour of the taxpayers. Incorporating tax compliance behaviour of citizens can help tax collection agencies develop better strategies and increase efficiency in tax collection. The study focused on Malawi Revenue Authority as the only public body entrusted to collect and account for tax revenue to Malawi government. Therefore, the researcher observed that it is only the Malawi Revenue Authority that have data relating to tax compliance. The Client Relationship Management programme is an approach in the modern tax administration to enhance quality service delivery as opposed to militant approach. Therefore, the study intended to establish effective factors that derive effective CRM programme.

1.8   Study significance

The study provides information and analysis for tax authorities in developing countries to aid in designing strategies to increase taxpayer compliance through improved service delivery. Client Relationship Management aids service delivery. However, its effectiveness depends on implementation strategy. Therefore, the study aimed at filling the implementation gaps in the CRM programme with focus on application of CRM programme in small and medium taxpayers.

In that regard, the study developed an implementation model of CRM to guide tax authorities with factors to consider in order to achieve effective implementation. However, further studies may assess the effectiveness of the CRM on small taxpayers or targeted industries.

1.9 Chapter summary

The government of Malawi relies on tax revenue as the main source of funds for government operations. Therefore, the Malawi Revenue Authority was established with the aim of improving tax revenue collection. The Malawi Revenue Authority has undergone several reforms in an effort to maximize tax revenue collection. One of the reforms is the introduction of Client Relationship Management programme after observing that tax compliance among large taxpayers is very low. The programme was introduced with an intention to improve service delivery and improve tax compliance by designing service delivery approaches that achieve satisfied taxpayers. Therefore, the research aimed at assessing the effectiveness of CRM towards achieving tax compliance

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The previous chapter has provided a background to the study by presenting a researchable problem relating to the effectiveness of CRM on compliance of large taxpayers in Malawi. This chapter reviews relevant theoretical and empirical literature. The first section reviews key concepts as well as theoretical underpinning of the study. The theories that are reviewed in this study include: Theory of Planned Behaviour, Fischer's Tax Compliance Model and Service quality model. Furthermore, the chapter reviews empirical studies related to tax compliance in which the conceptual framework of this study is based. The theories outline factors that may result to non-compliance while the study focuses on what should be done to enhance compliance. Review of empirical literature revealed that the study in Rwanda focused on the impact of messages on tax compliance, in Kenya it was the impact of online services towards tax compliance while in Nigeria it focused on the effects of perceived corruption on tax compliance. However, this study is focusing on CRM programme as a package of services to enhance tax compliance.

2.2 Definition of key terms

Below are some definitions of key terms that dominate in the study:

2.2.1 Client relationship management programme

As applied in tax administration, CRM refers to all activities that the tax authorities conduct to ensure that taxpayers are provided with all the support they need to ensure tax compliance through enhancement of the cordial relationship and partnership (Alshirah & Hijattulah, 2020). The activities of CRM include tax advisory services, responding to enquiries and providing tax information with an aim of easing tax compliance challenges. Therefore, this study aimed at assessing the perception of taxpayers towards CRM from the time it was initiated in the year 2015.

2.2.2 Large taxpayers

MRA (2015) defines large taxpayers as tax payers with a tax contribution above U$750,550.33 per year or with an annual turnover of U$1,411,100.65. Therefore, large taxpayer category is the category of taxpayers that form the target population for this study.

2.2.3 Tax compliance

Tax compliance (TC) could be considered a concept that varies over time (Ayuba, Saad, & Ariffin, 2015). In the same vein, Ayuba, Saad and Ariffin (2016) saw tax compliance as the taxpayers' ability and willingness to obey to tax laws, declare their actual income, and pay the right amount of taxes on the due date to the appropriate and relevant authority or jurisdiction. Likewise, the Organisation for Economic Co-operation Development (OECD, 2001) categorised the definition of tax compliance into two: technical compliance and administrative compliance. According to OECD (2001), technical compliance is in line with the technical requirement of the tax laws in the computation of tax liability, whereas administrative compliance has to do with the combination of reporting compliance, procedural compliance, as well as regulatory compliance. Technical compliance is generally concerned with compliance to the rules for lodging and payment of tax. Therefore, technical compliance may be enhanced through service orientation, while administrative compliance is enhanced when the level of corruption is reduced to the barest minimum.

2.2.4 Tax administration

Tax administration refers to the procedures attached to tax compliance including registration, filling of returns, reporting and tax accountability.

2.3 Theoretical framework

Theoretical literature provides the relationship of the research area with reference to the study findings by other researchers whereas conceptual framework provides the general understanding of the study area by outlining the relationships of the research elements. The study made reference to several theories that were developed by other researchers. The theories described the

compliance elements from different aspects. However, all the theories provide a link to compliance concept. The theories that anchor this study are Theory of Planned Behaviour, Fischer's Tax Compliance model and SERVQUAL model. However, the main theory in this study is the SERVQUAL model as it is linked to CRM activities through quality service delivery.

2.3.1 Theory of planned behaviour

The Theory of Planned Behaviour (TPB) was developed by Icek Ajzen as an attempt to predict human behaviour (Ajzen, 1991). It is a psychological theory that was developed from the Theory of Reasoned Action. Ajzen as a researcher has been studying behaviour in different environments overtime in order to establish the cause of particular behaviours. It is basing on that, that the researcher found the theory relevant to the study as behaviour may influence tax compliance or non-compliance with that assumption that behaviour is learned through the surrounding environment and stimulus-response.

This theory is based on attitudes of a human being. The action of a person is not abrupt but goes through a process of reasoning. Similarly, it takes a reasoning process for a taxpayer not to comply with tax obligation. There are several considerations that include possibilities of not being caught, the cost and benefits of not complying and also availability of opportunities. In that regard, the decision to be a non-compliant taxpayer is based on attitudes, norms and the control that the person has on a particular transaction.

The Theory of Planned Behaviour has been considered in this dissertation following the different aspects that can make a taxpayer non-compliant. Taxpayers fail to comply because of lack of information, emulation from others, reflection of misuse of government funds by government officials, poor public infrastructures and services. Usually, behaviour is developed from a society that one operates from. Therefore, the intention of CRM is to address such causes of non-compliance as a group-based approach, hence categorising the taxpayers as large taxpayers. CRM takes a proactive approach to address the behaviour of non- compliance by being close to the taxpayers through provision of tax information, tax sensitization activities, frequent reminders on tax compliance areas through deliberate alert telephone calls and messages. All these actions assist

to avoid planned behaviours to non-compliance. When people find themselves in situations that encourage certain behaviours, especially risk taking behaviours such as smoking, it is not their preconceived intentions that determine their action but rather their willingness to engage in the behaviours i.e., their openness to the opportunity. Their willingness in turn, is determined by the extent to which they see themselves as similar to the prototypical person who performs the behaviour is question (Ajzen, 1991). It is the same willingness that drives taxpayers to non-compliance and CRM intends to address the behaviour through frequent checks on various opportunities that may promote non-compliance.

The understanding of the Theory of Planned Behaviour describes the intentional action that may drive a person, in this case a taxpayer, to act in unexpected way. There are several motivations that may initiate non-compliance behaviours, for instance, complicated tax laws, increased cost of living, high cost of doing business and immoral drivers to mention a few.

Where the law is difficult to interpret, it scares the taxpayers away from complying. When the cost of living is growing, it makes people focus their revenues to household affairs more than compliance to taxes. The higher the cost of doing business, for instance, incurring higher business expenses drives the focus of the taxpayer towards sustaining the business than paying taxes. Some taxpayers ignore tax payment simply because they do not like the people in government or they have chosen not to comply because of political dissatisfaction. However, despite all the reasons that a taxpayer can raise for not complying, there is a legal obligation to honor tax liabilities. Therefore, CRM is a programme that fits into the Theory of Planned Behaviour as it deals with the psychology or minds of taxpayers.

CRM intends to change the behaviour of a taxpayer from their planned actions not to comply by improving service delivery. With reference to the reasons for non-compliance as stated above, the CRM programme ensures that officers are equipped with technical knowledge of the law so that they can simplify the law for taxpayers` understanding.

CRM officers are also mandated to carry out sensitization workshop with taxpayers on various tax matters that include their rights and obligations as citizens of the country. Such platforms give a chance to CRM officers to clarify taxpayers' responsibilities of remembering payments of tax liabilities while taking care of household affairs. Further to that, improved service delivery can attract taxpayers by enjoying the respect and recognition that officers provide to taxpayers. Therefore, CRM assists to serve a gap in the Theory of Planned Behaviour as a proactive approach as opposed to the reactive approach that occurs when the taxpayer has already done the immoral behaviour. The study recognises that the behaviour is determined by the individual attitude and social pressure. Therefore, CRM is understood as the programme that may deal with individual behaviours through face-to-face or direct interaction to eliminate non-compliant attitudes and workshops to deal with social pressure factors.

2.3.2   Fischer Tax Compliance Model

According to C h a u   a n d   L e u n g   (2 0 0 9) ,   the tax compliance determinants proposed by Fischer (1992) have been an important subject of research in developed countries over the past couple of years. Fischer Tax Compliance model provides a framework for understanding the influence of socio-economic and psychological components on taxpayer's compliance decision. These factors are categorised into four distinct groups namely: demographic; noncompliance opportunity; attitudes and perceptions; and tax system features that include complexity of the tax system, probability of detection, penalties and tax rates. The Fischer model suggests that demographic variables indirectly affect taxpayers compliance by their impacts on non-compliance opportunities, attitudes and perceptions. Three major personal characteristics for which there is evidence of a relationship are age, gender, and education. However, Chau and Leung, (2009) criticised the model by adding culture as a determinant to tax compliance.

According to the model, noncompliance opportunity can affect taxpayer compliance directly through income level, income source and occupation and indirectly through attitudes and perceptions. Partial refinement of this model brought in another important environmental factor known as culture. Culture is considered a powerful socio-environmental factor that affects the taxpayer's compliance. The relevance of the model is that people are driven by the values

and cultural obligations they want to fulfill. People have different habits and views about paying tax to the government. Those who have the right conviction would not be coerced to fill in tax returns, but those who do not care will be fined for non-tax compliance.

Considering the above clarification on Fischer Compliance model, the researcher noticed that the main factors of the model can be categorised as economic, social and psychological. It is economical since taxpayers may look at their financial position and compare with the financial demands both for business operation or personal then prioritise whether tax payment should come first or not. A person may decide to boost business operations before he decides to pay tax. On the other hand, one may decide to settle family financial demands before he/she pays tax. The decision to prioritise personal financial demands over the legal requirement to pay tax leads to non-compliance. This is where CRM is required to continuously engage the taxpayers and remind them of the legal requirement as a citizen to comply with their tax affairs. CRM has a component of civic education that should drive the taxpayer attitude towards compliance.

The social factors of compliance in Fischer's Tax Compliance model deal with external factors that affect personal behaviour, for instance, the peer pressure that comes from the society where some taxpayers in the society do not comply to tax payment. Therefore, compliant taxpayers may choose not to comply since others are not complying too. This is coupled with weak tax enforcement measures where non-compliant taxpayers are left free in the society. In that regard, the situation drives the compliant ones towards non-compliance. It is basing on social factors of non-compliance that CRM designed the programme to reach out to non-compliant taxpayers and instill a compliance behaviour. Compliant behaviour can be achieved through engagement with taxpayers by sending frequent tax reminders, organising tax workshops and other sensitization meetings including tax advisory visits. These activities target to change taxpayer perception.

However, psychological factors of Fischer's Tax Compliance model are very crucial as they deal with individual decision to comply with tax obligation. The main factors that this study adopted are the psychological factors namely; attitude and perception towards tax system. The behaviour of taxpayers is driven by the beliefs that may not be seen. In that regard, improved service delivery attracts the taxpayer towards compliance. It is based on that understanding that CRM is a

programme to change the perception of taxpayers by designing friendly interactive activities as opposed to military approach. CRM also enhances avoidance measures by being proactive than being reactive with punitive measures on non-compliance that have been observed to be costly.

It is in this respect that Fischer's Tax Compliance model has been adopted in this study as it deals with economic, social and psychological factors that affect compliance. The activities of CRM are designed to address similar factors that were covered in Fischer's Tax Compliance model resulting into enhancing improved tax compliance in line with the objective of this study. It is, therefore, imperative to note that there is a relationship in the factors that were captured under the Theory of Planned Behaviour and Fischer's Tax Compliance model. The factors relate to taxpayer behaviour and tax compliance levels. Therefore, CRM aims at addressing non-compliance driven by deliberate behaviour while enhancing compliance in those with the right conviction. It is on that basis, that the researcher noted the relevance of these theories to the study area.

2.3.3   Service quality model

Service quality (SERVQUAL) model was developed by American authors by the names Parasuraman, Valarie, Zeithami and Len Berry through service gap analysis. The key dimension in the model assumes that service quality is determined by its tangibility, reliability, responsiveness, assurance and empathy. The dimensions are discussed in the subsequent paragraphs. However, Medberg and Gronroos (2020) identified empirical dimensions of positive and negative value-in –use in form of solution, attitude, convenience, expertise, speed of service, flexibility and monetary cost, and further observed that the dimensions do overlap considerably with the determinants in SERVIQUAL model. The overlap of the determinants confirms that the SERVQUAL model creates a basis for studying service gap analysis, hence adoption of the model in this study.

Service is measured by, among others, using the service quality (SERVQUAL) model. SERVQUAL is generally recommended as the applicable model to measure service quality. The model aims at satisfying the clients, therefore, compares the expectation of the client with perception of the service. However, two notable researchers, Cronin and Taylor (1992) derived a

SERVPERF model that simplified SERVQUAL into measuring performance against perception (Seth, Deshmukh, & Vrat, 2005). The two models are quite similar. They only differ in composition of factors as SERVPERF stressed on performance (outcome) unlike SERVQUAL that considered the difference between performance and perception for client satisfaction. The quality of service provided will attract and motivate a customer for a repeated purchase. The model aims at addressing the gaps in the effort to deliver quality service. Ghotbabadi, Baharun, and Feiz (2012) noted that customer satisfaction comprises the experience of consumers for a particular product by comparing expected level of service and actual level of service that is delivered. Organisations strive to provide quality services in order to achieve customer satisfaction, loyalty and retention. The agency theory demands improved services between the principal and the agent if the agent is to perform the duties to the expected levels.

Parasuraman, Zeithaml and Berry (1985) developed the service quality gap analysis that indicates the hitches in service delivery. The key players in gap analysis are management team, relationship officers and the client. Their importance in service delivery chain is as follows; the management team supports the service delivery by developing the enabling policies that enhance service quality whereas the relationship officer assists to create a conducive environment for service delivery supported by knowledge. The client provides feedback based on the expectation as opposed to the perception of a particular service. In that regard, service gap analysis is an important model for improving service delivery. However, Ghotbabadi, Baharun, and Feiz (2012) recommended Brady and Cronian's (2001) hierarchical model that can help managers find customers` needs and service weaknesses simultaneously in order to enhance service quality. According to Brady and Cronian (2001), the hierarchical model looked into three levels of interaction, quality (attitude, behaviour and expertise); physical environment (ambient condition, design and social factors); and outcome quality (waiting time, tangibles and valence). Comparatively, the hierarchical model clearly defines the outcome, hence filling the gap on SERVQUAL model.

It is the quality of service that creates the customer satisfaction and loyalty. Customer loyalty is all about attracting the right customer and getting them to buy, buy often, buy in higher

quantities and bring even more customers. Loyal customers are satisfied customers. In this regard, client satisfaction and loyalty will be ideal in tax compliance as it will encourage taxpayers to voluntarily comply and willingly pay taxes. It is noted that developing countries are struggling to create a willing culture towards tax payment as evidenced by growing rate of tax evasions in the study of the Theory of Planned Behaviour (Marandu, Mbekomize, & Ifezue, 2015); hence the importance of CRM in tax administration.

The researcher looked at three models in service delivery that are SERVEPERF, SERVQUAL and hierarchical model. SERVEPERF focusses much on performance which entails that it looks at targets. Its focus is on delivering the services within a defined time which is efficiency. Efficiency is important in service delivery and is a factor to achieve customer satisfaction. However, customer satisfaction also requires quality of the service provided in terms of its reliability. In that regard, despite efficiency being an important factor in measuring satisfaction in service delivery, this study was interested in quality of the service provided. Therefore, the researcher also looked at the factors in SERVQUAL model.

SERVQUAL model measures the quality. Therefore, quality is measured through considering the factors of reliability, responsiveness, tangibility, empathy and assurance. Reliability looks at the correctness of the information provided. Responsiveness considers the efficiency in service delivery. However, while tangibility considers the physical appearance of the environment where the service is being provided, empathy looks at the willingness of service providers to assist customers, and finally, assurance measures the certainty of service delivery. The researcher considered these factors as important to measure service delivery. In this regard, the SERVQUAL model measures the actual performance against the expected level of service delivery in order to verify customer satisfaction.

It is against this understanding that the researcher chose SERVQUAL model as the most important in this study. CRM being a programme for improved service delivery, also considers the service determinants of reliability, responsiveness, tangibility, empathy and assurance for quality service. Therefore, the researcher considered these factors in the questionnaire in order to measure the satisfactory level of taxpayers with the services provided. The adoption of the SERVQUAL model

19

in the study also benchmarked with the factors in the Theory of Planned Behaviour and Fischer's Tax Compliance model.

While the Theory of Planned Behaviour looks at the effects and drivers of attitudes and social peers that affect tax compliance in taxpayers, Fischer's Tax Compliance model considers the economic, social and psychological factors that affect tax compliance. In this regard, the researcher noticed that the Theory of Planned Behaviour is a subset of Fischer's Tax Compliance model. However, the SERVQUAL model captures how the environment in which the service is being provided can assist to change the behaviour of the taxpayers towards tax compliance. Therefore, the causes of noncompliance as captured in the Theory of Planned Behaviour and Fischer's Tax Compliance are being addressed in SERVQUAL model. It is on that basis that the three theories were considered relevant in this study, hence adopted in studying the effects of CRM programme towards tax compliance.

CRM is linked to tax compliance as it promotes the attitude towards tax paying through provision of satisfactory services. Tax authorities are moving away from semi-military approaches in tax enforcement to voluntary compliance. As Marandu, Mbekomize and Ifezue (2015) indicated that a heavy reliance on use of semi-military operations to prevent tax evasion may result in short term revenue increase but may prove to be difficult to sustain in the longer run and have considerable implications for politics in a democracy. Basing on that, Marandu, Mbekomize and Ifezue (2015) pointed out some article reviews that have generated factors contributing to tax compliance as follows; tax system complexity, level of tax information services, withholding and information reporting and tax return preparer responsibilities and penalties, probability of being audited, progressively and actual level of tax rates, penalties for non-compliance, age, gender, education and income levels. All these factors have effects towards tax compliance. However, building the relationship between tax authorities and taxpayers will create a platform for information sharing and long-term revenue gains. The relationship building is a proactive approach that mitigates the compliance cost that are involved with reactive approaches of tax enforcement measures.

Therefore, the researcher noted that the factors that contribute to non-compliance towards tax as outlined by Marandu et al. (2015) are similar to what the three theories that are referred to in this study have covered.

The CRM programme, in this case, is designed to address factors that may cause non-compliance to taxes and create the environment that may attract taxpayer attention towards compliance. The activities of CRM programme are targeting to achieve a satisfied taxpayer who can voluntarily comply with taxes. Therefore, the activities of the CRM programme look at the causes and design suitable mitigation measures to address the causes while enhancing compliance. It is on that basis that the CRM programme is feeding into the three theories as outlined above.

2.4   Empirical literature

Many studies have been conducted on tax compliance and tax revenue collection and this section reviews these studies to draw empirical inference. The study in Rwanda focused on complexity of the law as a hindering factor to compliance. CRM aims at simplifying the law by providing information to taxpayers in a simple and easy to understand format. In Kenya, the study focused on effectiveness of online services to ease tax compliance. This is a factor in CRM that aims to enhance service delivery. In Nigeria, the major theme was the impact of corruption on taxpayers` perception towards taxpayer compliance. This is a factor equally aligned to CRM since CRM programme aims at changing the perception of taxpayers towards tax compliance. Therefore, all the empirical literature has pointers to the study only that each empirical literature focused on a specific factor while CRM programme is a package of factors and service determinants. In that regard, this study aimed at assessing the effectiveness of CRM programme at 360 degrees of the taxpayer.

The study by Mascagni, Monkam and Nell (2016) in Rwanda Revenue Authority proved the level of service delivery as improving tax compliance. The study sent messages to nine thousand taxpayers aimed at encouraging compliance. The messages were in form of deterrence, fiscal exchange and reminders. They were sent through emails, letters and SMS.

21

The study established that friendly approaches and especially a simple reminder of deadlines was more effective than deterrence messages.

The taxpayers were randomly allocated to each group and only received one type of message. The study aimed at developing a communication strategy that could encourage compliance in Rwanda, one based on deterrence and another one based on tax morale where tax exchange covers information about how tax revenues are spent. Therefore, the study proved that the deterrence approach or theory was more difficult and expensive to administer than the simple engagement approach. The simple engagement approach relates to the Client Relationship management approach.

Gachiku (2015) assessed tax compliance by SMEs in the Nairobi North tax region. The study was guided by three objectives: to assess the effects of the current law in Kenya on the tax compliance of SMEs in Nairobi north tax region; the level of tax knowledge and its effects on tax compliance and the tax compliance costs and its effects on the tax compliance of SMEs. The study was guided by the Planned Behaviour Theory. The study adopted a descriptive research design. Data was collected using a semi-structured questionnaire with both closed and open-ended questions and analysed using both descriptive and inferential statistics. Statistical package for social science (SPSS) was used to subject the data to quantitative analysis. The Pearson's correlation co-efficient was used to check the relationship between variables and a logit model fitted to check the relationship between the dependent and the independent variables.

The results revealed that there was a strong relationship between legal framework and tax compliance, and that compliance is less burdensome when tax laws are simple. Furthermore, the findings of this study revealed that the majority of the respondents had a challenge in accessing information about taxes and that high compliance costs can result in tax non-compliance, tax fraud, and inhibit investment by way of diminishing competitiveness of the country in terms of taxation attractiveness. The study recommended adopting changing MSEs perception through involvement as they already felt that tax rates were very high, and the need to reward outstanding taxpayers while at the same time penalising those who default.

Ekundina (2018) assessed the factors influencing the use of online services in tax compliance among small businesses particularly traders in Nairobi central business district, Kenya. The study targeted 81 respondents and adopted a descriptive approach. Primary data was gathered using a semi-structured questionnaire. Cronbach's Alpha was used to assess internal data consistency. The results revealed that a significant number of respondents strongly believed that tax information shortens the tax payment process which saves on time. Furthermore, the study revealed that respondents largely agreed that there was a culture of tax evasion in Kenya and that the tax rate was considered high. The study recommended that the Kenya Revenue Authority should make the tax return as user-friendly as is appropriate and a need to have a revised tax form which would help in providing information about taxes and help to explain taxes within a domestic system.

Ayuba (2018) tested the assumptions of t h e slippery slope framework on tax compliance among SMEs in Nigeria. The study tested these assumptions in relation to SMEs taxpayers to further re-establish the applicability of the framework with different kinds of taxpayers. Partial Least Squares Structural Equation Modeling (PLS–SEM) further supported the framework in analysing the data of this study. The findings revealed that perceived corruption along with perceived service orientation strongly interact with each other in expounding the paradox surrounding tax compliance. The study recommends that relevant tax authorities must ensure that specific aspects of their service delivery remain attuned to changing requirements.

2.5   Conceptual framework

This study sought to assess the effectiveness of client relationship management on larger taxpayer compliance in Malawi that is voluntarily driven. The theoretical underpinning was derived from the theory of planned behaviour and Fischer's Tax Compliance model as they relate to SERVQUAL model. The theories are in tandem with this study as the Theory of Planned Behaviour and Fischer's Tax Compliance model provide the understanding of the specific decision to steal tax funds in a given period that reduces compliance while the SERVQUAL model states the ways of dealing with non-compliance behaviours.

This study sought to use the stated perceptions to assess the large taxpayers' behaviours and attempt to assess the effectiveness of the CRM programme by their revealed performance over the years, both before and after the CRM programme, as outlined in the conceptual framework in Figure 2.

Client Relationship Management programme (IV)

1. Tax reminders

2. Face to face interactions

3. Rate of response to enquiries

4. Tax Advisory services

5. Service determinants

Tax compliance (DV)

1. Tax return submission

2. Tax payment
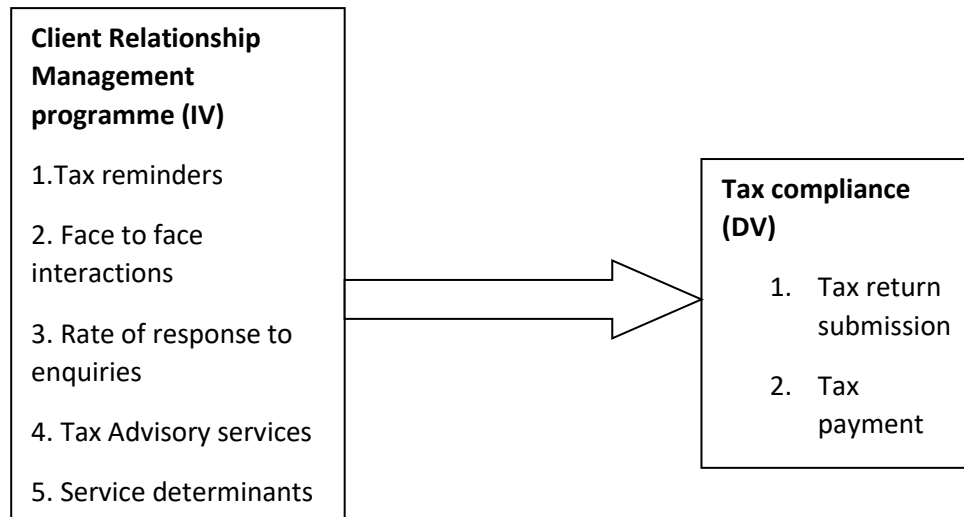
Figure 2 Conceptual framework of tax compliance

Source: Author`s conceptualized framework

2.6 Client relationship management programme as a strategy

Strategic management is that set of managerial decisions and actions that determines the long run performance of a corporation (Hunger & Wheelen, 2011). It includes environmental scanning, strategy formulation, strategy implementation evaluation and control. Therefore, CRM was introduced in the tax administration as a customer service strategy. However, it has not been evaluated. The focus was towards strategic competitive advantage by positioning MRA through building trust and relationships with its clients, hence the study to review the achievements towards voluntary tax compliance.

2.7 Chapter summary

The Client Relationship Management programme is a strategy that was adopted by MRA in an

effort to improve service delivery and in return build a base of satisfied taxpayers that can willingly comply with tax administrative requirements. Therefore, the study was carried out by reviewing the theories that relate to service delivery and tax compliance. In that regard, the following theories were reviewed: Theory of Planned Behaviour, Fischer's Tax Compliance model and Service Quality model. Further to that, empirical literature has reported on the studies done in Rwanda, Kenya and Nigeria where the studies assessed the impact of sending reminders, providing online services and corruption towards tax compliance respectively. Basing on the theories and empirical literature, a conceptual framework was developed that looked into the attributes of CRM and tax compliance.

CHAPTER THREE: RESEARCH METHODOLOGY

3.1   Introduction

The chapter presents the methodology that was adopted in this study. The research design is based on the research onion. The research method strategy considered the following research stages: philosophy, approach, design, time horizon and techniques. Furthermore, the chapter also outlines that chi-square tests of associations has been adopted in this study with reference to primary data where perception of taxpayers to CRM programme is tested. The chapter also outlines the use of the Chow test to assess the effects of CRM on tax compliance in return submission and tax collection by using secondary data. The chapter finally presents the ethical considerations of the study.
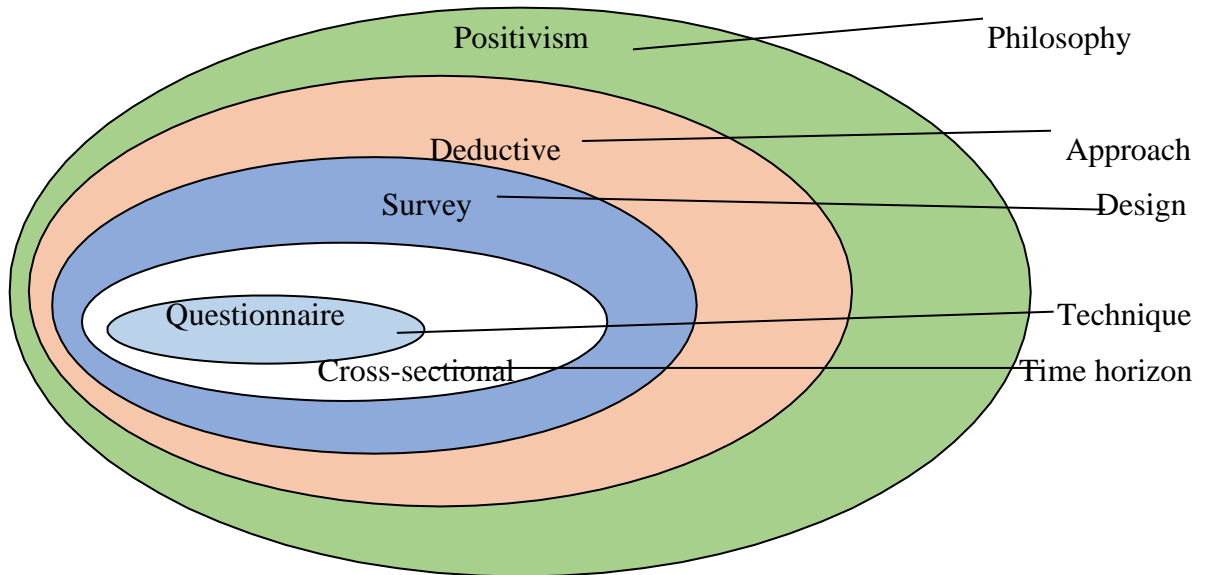

Figure 3: The research ''Onion'' model

3.2 Research philosophy

A research philosophy is a belief about the way in which data about a phenomenon should be gathered, analysed and used. Three research philosophies underpin the research design, namely; positivism, interpretivism and realism (Saunders, Lewis, & Thornhill, 2009). Positivist philosophy connotes the principles of natural science and involves working with an observable social reality. Positivism is based on the notion that research can be objective, that the researcher is independent and that the results are valid, reliable and replicable. Under the positivist philosophy, there is a general application of outcomes from a research study into a law like definition similar to physical science. It is implied in positivism that the researcher must remain independent of the research subjects under study so as not influence the results.

As businesses are complex and the environment in which they are being carried out, unpredictable, there may be need to use interpretivism philosophy. Interpretive researchers do not suggest that research can be perfectly objective but they argue that through carefully implementing procedures such as triangulation a large part of bias inherent in individual research can be identified and controlled. This philosophy recognizes the need to understand the subjective reality of those attributes under study thereby getting a sense of and understanding their motives, actions and intentions in a way that is meaningful to the one carrying out the research. In this case, the social construction of the reality behind the study must be considered (Saunders et al., 2009). Saunders et al. (2009, p. 114), considering that realism philosophy views that entities exist independently of our perceptions, theories and constructions; this study developed a model or law from the perceptions. Therefore, the study has adopted positivism where the real world is dependent on individual perceptions.

3.3 Research approach

In this study, a quantitative approach was adopted where primary data was collected and analysed. According to Saunders et al. (2009) there are two research approaches that dominate the literature: quantitative and qualitative. Deductive reasoning was applied basing on the quantitative approach. The intention of adopting this approach was to make conclusions based on the outcome of the analysed data. Deductive reasoning involves a search to explain causal relationships between variables where the emphasis is on collection of quantitative data to test hypothesis of the study. This approach requires independence of the researcher from the studied phenomena.

The rationale behind this is to get a feel of what is going on and better understand the nature of the problem at hand. In this regard, the study collected data from individual experiences which was subjective to the individuals. Theory would, therefore, follow data. Quantitative data usually includes closed responses such as those found on questionnaires (Creswell, 2013). This study has administered a closed questionnaire and the data analysis is a statistical relationship identification. Additionally, the study has checked cause and effect based on the current trends that have developed predictions among variables for the future. In order to present the study professionally, this research was based on the five stages as suggested by Saunders et al. (2009) in the "Onion".

3.4 Research design

The study adopted a survey design. The intention of this study was to have a clear understanding of the individual behaviour of taxpayers. Therefore, the data collected from individual taxpayers was key to provide more details that defined the behaviour of taxpayers towards tax compliance. According to Cooper and Schindler (2003, p. 146), research design refers to a plan and structure of investigation so conceived as to obtain answers to the research questions. The plan involves an evaluation aspect that includes identification of data gathering methods, the instruments used and their administration, analysis and organization of information. Research design gives the logic for answering research questions particularly 'what'; "how" and 'why' type of questions. The intent is to establish, confirm, or validate relationships, and to develop generalizations that contribute to theory.

3.6 Research time horizon

The study used both time series and cross-section data to assess the effectiveness of CRM on tax compliance of large taxpayers. It is imperative to note that the CRM programme in Malawi started in 2015 and, therefore, this study focused on both periods, before and after the programme. Cross-section data was used to assess compliance levels of large taxpayers under CRM programme. Taxpayers at Malawi Revenue Authority are segmented in large, medium and small categories. The study targeted the large category; therefore, the questionnaire was administered to this group. The data for the period before CRM was collected from the annual reports whereas after introduction of CRM was collected both from annual reports as secondary data while primary data was collected by administering the questionnaire.

The period of the data collection covered the years between 2009 to 2021. The data assisted to establish the changes that were experienced over time of the study.

3.7 Research technique

Data was collected using a structured questionnaire which was administered online. The questionnaire was emailed to the participants which are large taxpayers. The technique was adopted with the intention to observe the Covid-19 measures where face- to-face was risky and participants could not cooperate to be available. Secondary data was collected using existing reports in Malawi Revenue Authority. According to Saunders et al. (2009), a structured questionnaire is described as a sort of data collection instrument which consists of closed set of questions. The questionnaire was administered to large taxpayers in order to collect primary data that addressed the objectives of perception of taxpayers on CRM. The questionnaire was pre-tested to ensure that it was consistent with the study data demands. In this regard, 5% of the sample population was subjected to pre-test of the questionnaire. The 5% of the sample population translated to 11 participants.

3.8 Sample population

The study targeted the large taxpayers in Malawi Revenue authority. Malawi Revenue Authority is the institution vested with the power to collect revenue on behalf of the government of Malawi. According to LTO concept paper (2015), large taxpayer is a category of taxpayers with turnover above U$1,411,100.65 or pays total tax amounting to above U$750,550.33 with reference to the preceding year. The sample population composed of both corporate companies and individuals. However, the corporate companies and individuals were those under the large taxpayer category. There was a population of 500 taxpayers under LTO as at the date of data collection (MRA, 2015). Therefore, the 500 taxpayers formed the population sample frame.

3.9 Sampling and sample size determination

A sample is a subgroup, subset or part of a larger population (Saunders et al., 2005). Systematic random sampling was used to select study participants from a sampling frame of 500 large taxpayers based on the updated list o b t a i n e d from t h e Large Taxpayer Office. The sampling method was opted for as opposed to the others considering that the taxpayers are

arranged on the list in order of the largest to the least large. Therefore, the method ensured systematic coverage of participants from the list. The sampling was done by choosing the subjects in a logical way from the targeted population since it is a well-organised list. The study used the Cochran's (1977) formula to determine the number of large taxpayers to be included from the database as indicated below:

$$n_0 = \frac{Z^2 * p(1-p)}{e^2}$$

Where n_0 is the maximum sample size; Z is the selected critical value of the desired confidence level and e is the margin of error or the desired level of precision, the level of precision at 95% confidence level, p is an estimated proportion of attribute that is present in the population and $q = (1-p)$. Taking p as 0.5, the determined sample size used in this study is as demonstrated below:

$$n_0 = \frac{196^2 * 0.5(0.5)}{0.5^2}$$

$n_0 = 385$

Now, to get the sample size from the population of 500 taxpayers:

Sample size= Z/(1+{(Z-1)/N}

385/{1+(385-1)/500}

385/1.768

Sample size 218

Where Z= $n_0 = 385$

N= is the population of large taxpayers

A total of 218 large taxpayers were targeted as a sample size in this study. The adjustment of the

30

sample provided for lost mails and uncooperative subjects. Thereafter, the systematic sampling technique was applied to identify the actual subjects.

3.10 Assessing the effects of CRM on tax compliance and collection

The effects of the CRM programme on tax compliance were assessed using the Chow procedure. Two separate chow tests were conducted against CRM for tax return submission and tax collection. The Chow test examines whether parameters of one group of the data are equal to those of an other group. In this case the groups were subdivided based on CRM programme implementation before and after programme implementation. The test checks whether the data can be pooled only when intercepts are different across groups.

Let us consider two groups

$$y = \alpha + \beta x + \varepsilon \qquad \text{.......for all observations}$$

$$y = \alpha_1 + \beta_1 x + \varepsilon_1 \qquad \text{.........} \quad n_1 \text{ observations in group 1: before CRM programme}$$

$$y = \alpha_2 + \beta_2 x + \varepsilon_2 \qquad \text{...for } n_2 \text{observations in group 2: After/During CRM programme}$$

Chow test statistic is calculated as follows:

$$F(J, n_1 + n_2 - 2K) = \frac{(e'e - e'_1 e_1 - e'_2 e_2)/J}{(e'_1 e_1 + e'_2 e_2)/(n_1 + n_2 - 2K)}$$

$$= \frac{(SSE - SSE_1 - SSE_1)/J}{SSE_1 - SSE_1/(n\_1 + n\_2 - 2K)}$$

$e'e$ is the SSE of the pooled model and J is the number of restrictions (often equal to K—all parameters). According to Lee (2008) the procedure to conduct a Chow test starts with running a pooled OLS to get SSE_{Pooled}, then run a separate OLS to get SSE_1 and SSE_2, then the above formula was applied. However, it is imperative to note that in Stata, there are commands that could be used to conduct the Chow test without using the above formula.

3.11 Analytical techniques

The data was analysed using Stata14 into charts, figures, tables and graphs. This was done for easy interpretation of the results. Apart from the chow test, another analytical technique that this study used was chi-square analysis.

3.11.1 Chi-Square test of independence

This study also used the chi-square test of independence to show the relationship between key categorical variables of Client Relationship Management programme. The Chi-Square test of independence determines whether there is an association between categorical variables: i.e., whether the variables are independent or related. The regression analysis assisted to determine the effects of the variables in the study. It is a nonparametric test and is also known as Chi-Square test of association. The following assumptions underlie the chi-square test:

    i.   Two categorical variables.
    ii.   Two or more categories (groups) for each variable.
    iii.   Independence of observations.
    iv.   Relatively large sample size.

3.12 Ethical considerations

Ganiza (2015) states that upholding of research ethics is considered paramount to successful compilation of findings and results. The ethical consideration becomes paramount when dealing with subjects in form of human beings. There was adherence to ethical standards throughout the data collection process. Informed consents were sought by providing the participants with sufficient knowledge about the purposes and intentions of the study (refer to Appendix 1). Furthermore, the research also protected the participants by ensuring anonymity. No use of personal names was made throughout the research. Participants were assured that the questionnaire data would remain confidential and, if appropriate stay anonymous, hence a good response rate.

The anonymity of participants in this research assisted the participants to respond freely to the questionnaire. The researcher is an officer at the Malawi Revenue Authority and that brings an ethical issue.

However, participants were advised to give honest answers without bias to the relationship between the officer and the participants. The participants were advised that their responses would assist MRA to redesign quality service delivery standards that can meet their expectation, therefore, unbiased responses were key.

3.13   Chapter summary

The study adopted the research onion by outlining the research philosophy, the approach, design, technique and time horizon. Cochran`s formula was used to derive the sample size whereas the systematic random sampling assisted to identify the research subjects. The questionnaire was used to collect data while secondary data was collected from reports. While STATA 14 was key to analyse data, Chow test and Chi-square analysis were used for data analysis

CHAPTER FOUR: RESULTS AND DISCUSSION

4.0   Introduction

The previous chapter presented the methodology that was employed in assessment of the effectiveness of CRM initiative on tax compliance in Malawi. This chapter presents and discusses the study findings while presenting general characteristics of the respondents. It further presents and discusses key Client Relationship Management engagement activities. The chapter also discusses clients rating on CRM service aspects as well as the effects of CRM service determinants on Client Satisfaction Levels (CSL). Furthermore, the chapter presents and discusses results on the trend analysis on advisory visits and enquiries conducted by CRM officers. The last part of this chapter presents and discusses the results on the effects of CRM on tax return submission and tax collection using the chow test procedure. These areas of discussion assist to prove the effectiveness of CRM activities in driving taxpayer compliance.

4.1   Respondents' general information

This study assessed the effectiveness of the CRM initiative that focuses on large taxpayers across the country. However, 143 taxpayers responded to the questionnaire while 75 respondents did not return the questionnaires. Therefore, the study had a non-response rate of 34 percent. Basing on the population sample available, Figure 4 presents the proportional distribution of clients engaged in this study whilst Figure 5 presents results on the position held by the respondents in the organisation that is considered as a large taxpayer. Results in figure 4 indicate that 47% of the large taxpayers were drawn from the southern region, with 45% being drawn from central region and 8% from the northern region.
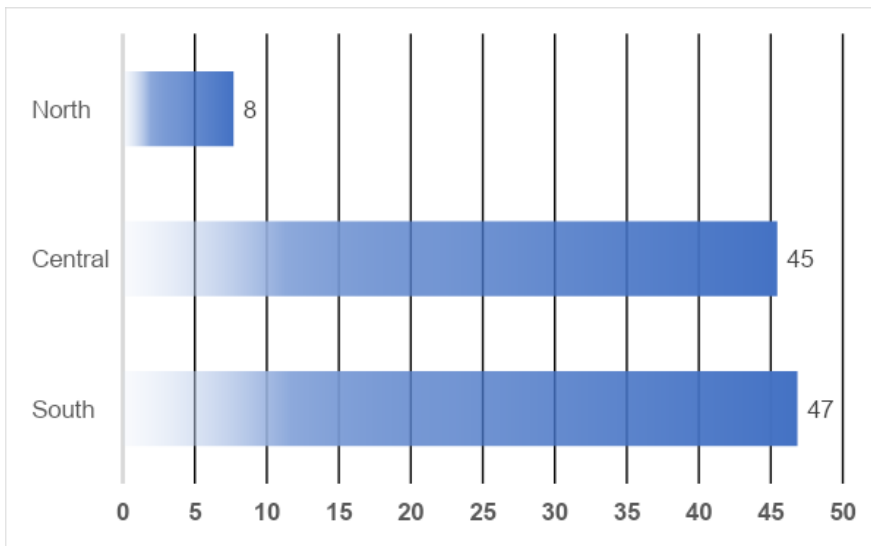
Figure 3: Location of the business firm

The proportions are in line with the numbers available in the respective regions. Many large taxpayers are in the southern region followed by central region and the northern region has the least number of large taxpayers. Southern region has higher number of large taxpayers than the other regions because the region was historically declared to host a commercial city known as Blantyre. Therefore, the declaration of Blantyre as a commercial city attracted more investors than the other regions. It is on that dominance of distribution that resulted into the southern region having more representation in the sample than the other regions. Understanding the taxpayer distribution assisted to take into consideration the composition of sample population and its impact on tax compliance.

Regarding the position held by the actual respondents, the results in Figure 5 indicate that the majority of the respondents from large tax payers were senior managers followed by middle managers, representing 49% and 29%, respectively. Those from the executive level represented 17% with the least represented being those respondent officers, representing 4%. This reveals that there is high traffic of interaction at senior manager level than at executive level in tax matters. It is important to mention that it is a legal requirement for all companies to choose their tax representatives.
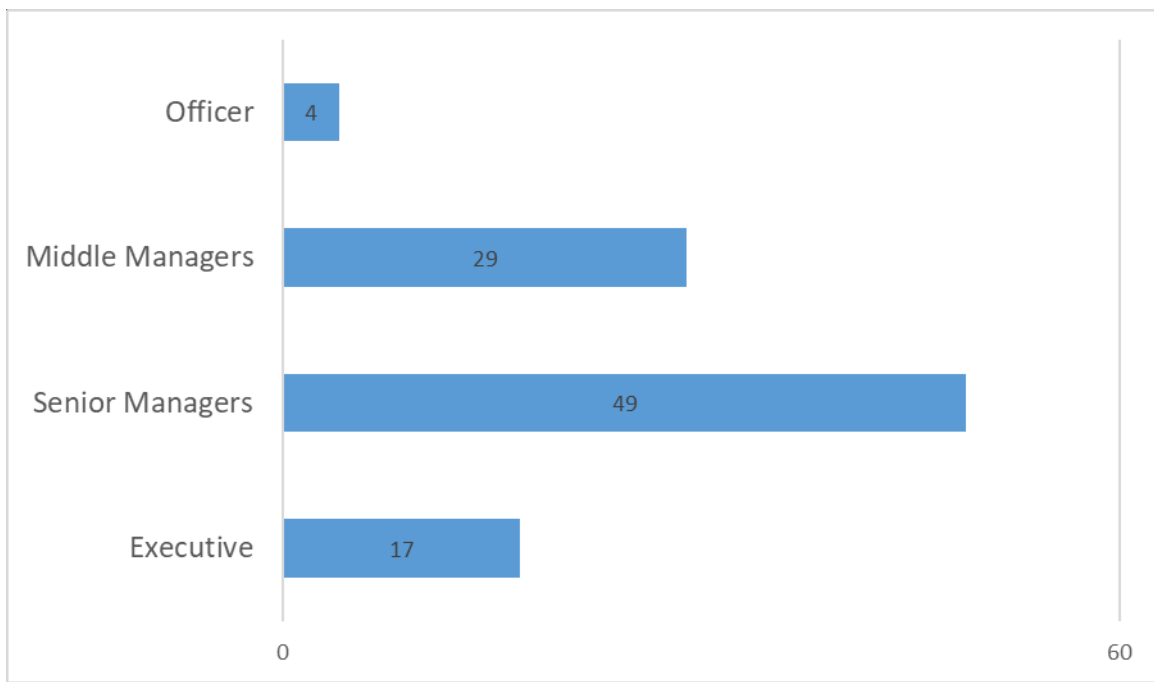
Figure 4: Position held by respondents

The tax representative can be chosen from any profession whether legal, accountancy, auditing or management. Usually, companies choose officers with an accounting background. Therefore, these tax representatives are the ones that interact much with Malawi Revenue Authority on all tax matters and the Authority has all their contact details. These representatives are legally called public officers. It is on that basis that the questionnaire was sent to the tax representatives of the selected sample using the existing contact details. The law recommends a representative to be appointed from the managerial position for proper decision making.

It is against that background that the researcher was interested to know the position of the officer responding to the questionnaire. Therefore, there was a question for the respondent to indicate the position they held in the company. The positions were categorised in form of executive level, senior management, middle management and officers. Following the responses to the questionnaire, it was established that most of the questionnaires were responded to by senior management and the least were responded to by officers. The responses by officers revealed that there were also circumstances that officers might be delegated by their seniors to act on tax matters. Delegation is one source that causes errors in tax returns, forms or documents that are submitted to Malawi Revenue Authority.

4.2 Client relationship management engagements

This study sought to ascertain whether the CRM officials indeed perform the required functions and services with the targeted clientele. Figures 6 to 11 present results of the services. Regarding the number of days taken by MRA officials to respond to clients, the results in Figure 6 reveal that the majority of the clients (79%) received a response between 3 to 14 days while those who received a response between 14 to 30 days represented by 6% with the fastest to receive a response within three days representing 10%. Those who received the response above 30 days represented by 5%. The response rate was categorised in number of days as indicated above.
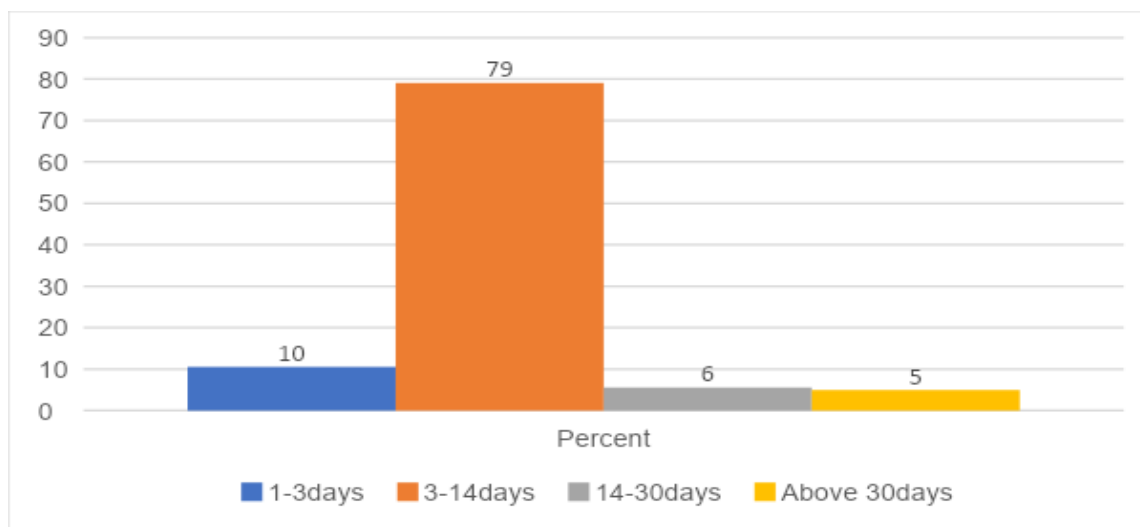
Figure 5: Number of days taken by CRM to respond to clients

CRM programme recommends that responses to any query should be dealt with within three days. The three days represent a standard period for action on any enquiry or request from the taxpayer. However, the study revealed that 10% of the respondents' received responses on their enquiries within three days implying that a lower number of taxpayers were assisted according to standard procedures and these are the ones that might have been satisfied with the service delivery as opposed to the rest. The situation represents poor service delivery. However, those that received responses after 30 days were 5% representing the least number of taxpayers that waited for a longtime for their tax issues to be resolved. Therefore, it is imperative for Malawi Revenue Authority to improve its response rate to be within three days. The improved response rate can ensure that the 90% of large taxpayers receive their responses on resolution of their tax matters within the three-day time frame.

The improved response rate can achieve satisfactory levels of taxpayers, hence CRM officers are required to actively work on this activity.

4.3 Advisory visits by CRM officers

Regarding whether the clients were ever visited by MRA officials during their routine advisory visits, the results in Figure 7 reveal that a majority of the clients had not been visited as seen from 55% compared to those that were visited representing 45%. The CRM programme requires that taxpayers should be visited to give them update and developments that have happened in any period of the year. The standard timeframe for visits is designed to be quarterly. However, advice to taxpayers can be done at any point when the need arises.
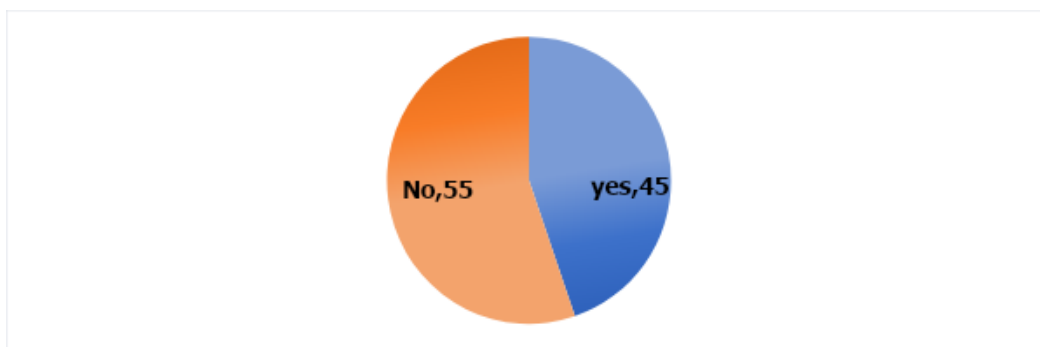
Figure 6: Whether visited by CRM officers

Basing on the requirement above, the respondents were questioned whether they had been visited within the period of six months. The selected period was July to December, 2021. The period was chosen because it was associated with the passing of new tax measures by Parliament before the government financial year was changed to begin from April instead of July. Therefore, there was an obvious reason that the CRM officer would have visited the taxpayers to sensitize or advise taxpayers on new tax measures. However, the response rate indicated that 45% were visited meaning they were made aware of the new tax measures leaving out the 55%. In that regard, 55% were left out without being given necessary information on new tax measures. The situation might have left a gap in information sharing to taxpayers leading to non-compliance due to an unawareness of the changes in tax matters. Advisory visits encourage taxpayers by building trust

and confidence from the tax Authority. Therefore, the expectation was that all taxpayers would be sensitised on tax changes to ensure that they complied according to the prevailing laws. It is on that basis that advisory visits should be enhanced to reach out to all large taxpayers with necessary information.

4.4 Tax reminders sent by CRM officers

On whether the large taxpayers received reminders to submit tax returns or that their tax payment was due, results in Figure 8 indicate that a majority of the clients had received reminders to submit tax returns representing 71% with the rest reporting not to have received the tax return reminders, representing 29%. There are tax returns that are expected to be submitted on monthly basis such as Pay As You Earn (PAYE), Withholding tax, Value Added Tax (VAT) and others. Additionally, there is one tax return that is required to be submitted annually, corporate tax return. The CRM programme is designed to remind taxpayers of their obligation to submit tax returns before the targeted return is due for submission. Therefore, tax return reminder is an important aspect in CRM programme as it encourages taxpayers not to miss the submission date. The reminders awaken taxpayers of their obligation.
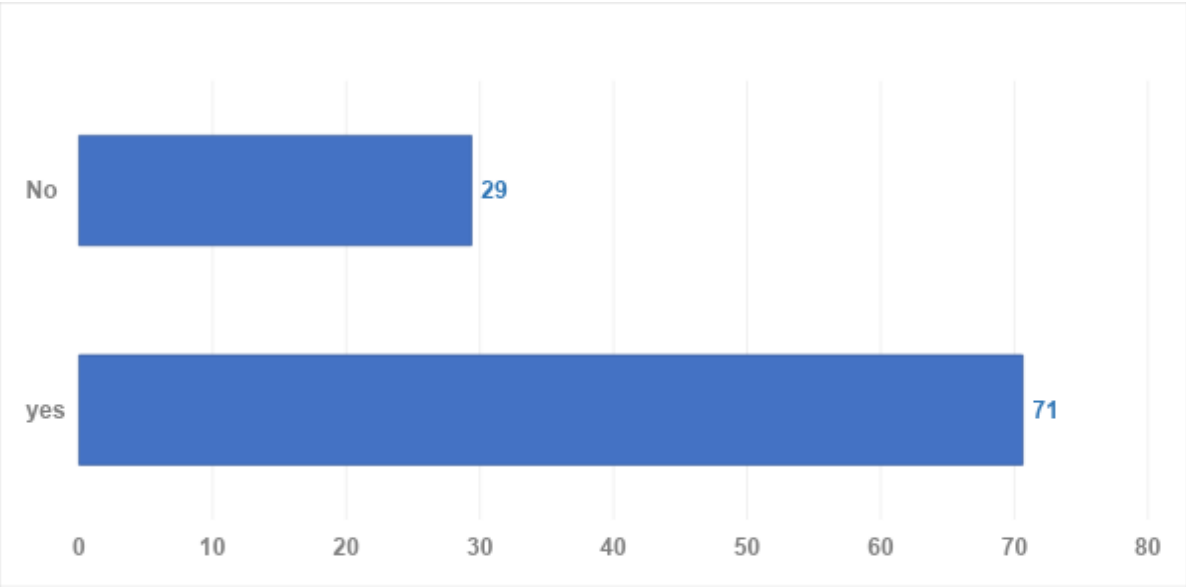
Figure 7: Reminders for tax return submission and payment by business firms

However, having 71% of the taxpayers being reminded is a good development in respect to achieve the required tax compliance. On the other hand, CRM officers should ensure that the 29% are covered with reminders since failure to reach out to 29% can create a great tax compliance gap. Failure to submit a return may result into failure to pay tax too.

4.5 Availability of contact details for CRM officers to taxpayers

Regarding availability of contact details for MRA officers managing the CRM, the results in Figure 9 indicate that 73% of the large taxpayers had contact numbers of the MRA officials managing the CRM initiative with only 27% indicating not having them. This is against the background that all large taxpayers must have close contact with MRA officers managing the CRM initiative.
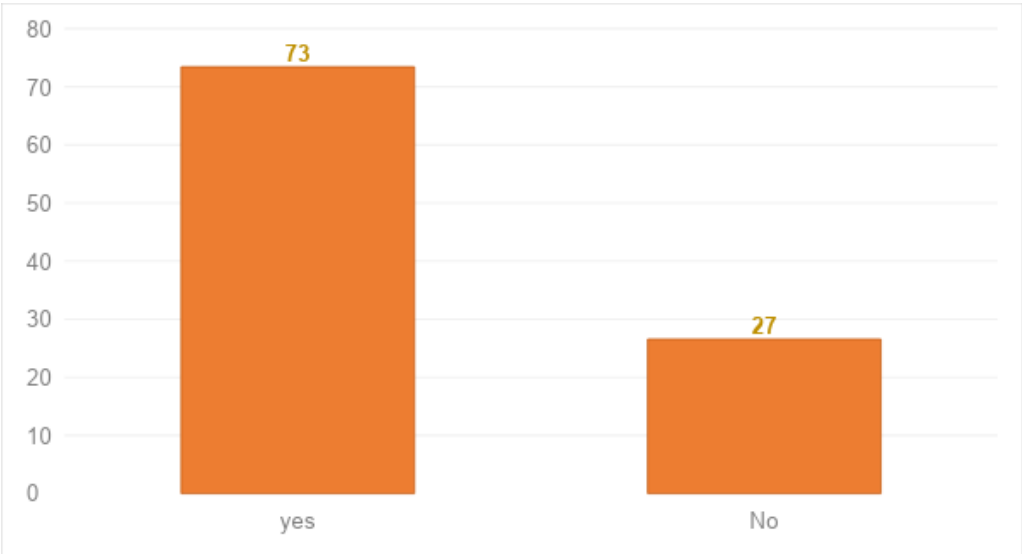
Figure 8: Availability of contact numbers for CRM officers

The CRM programme creates a platform where MRA officers and taxpayers may interact and build a working relationship in tax administration. One of the requirements is that taxpayers should have the contact details more especially the phone number for the CRM officers. Having the contact details of the CRM officer will ease the taxpayer to reach out to MRA officer in case of need. Therefore, the study revealed that 27% of the respondents did not have the contact details of the CRM officers meaning that they were subjected to difficult situations to reach out the MRA officer in case of need. Such a situation may push a taxpayer to non-compliance by failing to get

the needed support on tax matters. Therefore, all large taxpayers, more especially under CRM programme, should know their contact person and have details of the contact person for easy communication on tax matters. It is mandatory in CRM programme that every large taxpayer is attached to MRA contact person, hence the need for contact details.

4.6 Outreach programmes for tax advisory services

The CRM initiative seeks to provide tax advisory services to the large taxpayers as a way of providing clarity on tax administration. This study assessed whether the clients received tax advisory services through the CRM initiative. Results in Figure 10 reveal that a majority of the firms had indicated that they had received tax advice from MRA officers through the CRM initiative representing 52%, with 48% not having received any tax advice.

However, it is expected that all large taxpayers received tax advisory service through CRM initiative on different tax matters. Unavailability of tax advisory services results to low tax compliance levels.
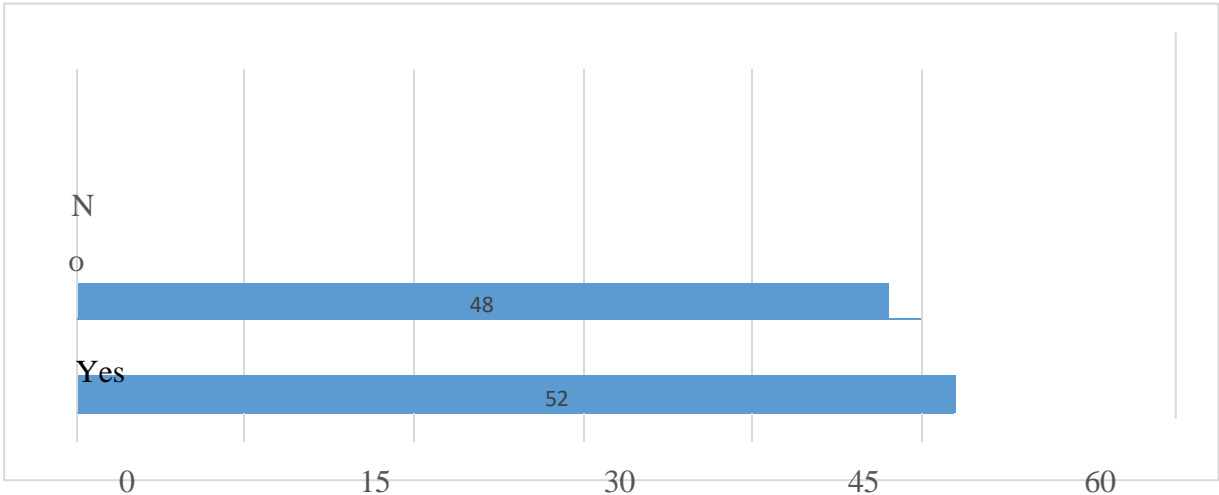
Figure 9: Whether firms receive tax advice

The study on provision of tax advice under CRM programme was meant to qualify the responses on advisory visits as indicated in Figure 7. The advisory visits were meant to test the physical availability of CRM officers to taxpayers. However, the researcher took cognizant of the situation where tax advice may be provided through emails, phone or normal letters. Therefore, this

question was meant to capture situations where taxpayers had been reached out by means other than physical presence. It was, therefore, revealed that slightly above half of the population sample were reached out with tax advice by means other than physical presence. The outcome indicates that overall tax advice is within half of the sample if we consider physical advice or electronic leaving out almost half of the same sample not being reached out through any other means. The situation entails that almost half of the sample were out of touch with CRM officers. It is important to realize that lack of information is a breeding dam for non-compliance. Therefore, sharing tax information should be considered as a key activity that can enhance tax compliance. The researcher observed the rates in advisory visits and the provision of tax advice as being similar and having a great impact on compliance level, therefore, requiring urgent attention.

4.7   CRM officer's willingness to help on tax services

This study also assessed the clients' perception on whether CRM officials were willing to assist their clients. Figure 11 presents results on the perceived willingness by CRM officials. The results indicate that 72% of the clients perceived that CRM officials at MRA were readily available and willing to provide tax services with the rest perceiving otherwise.
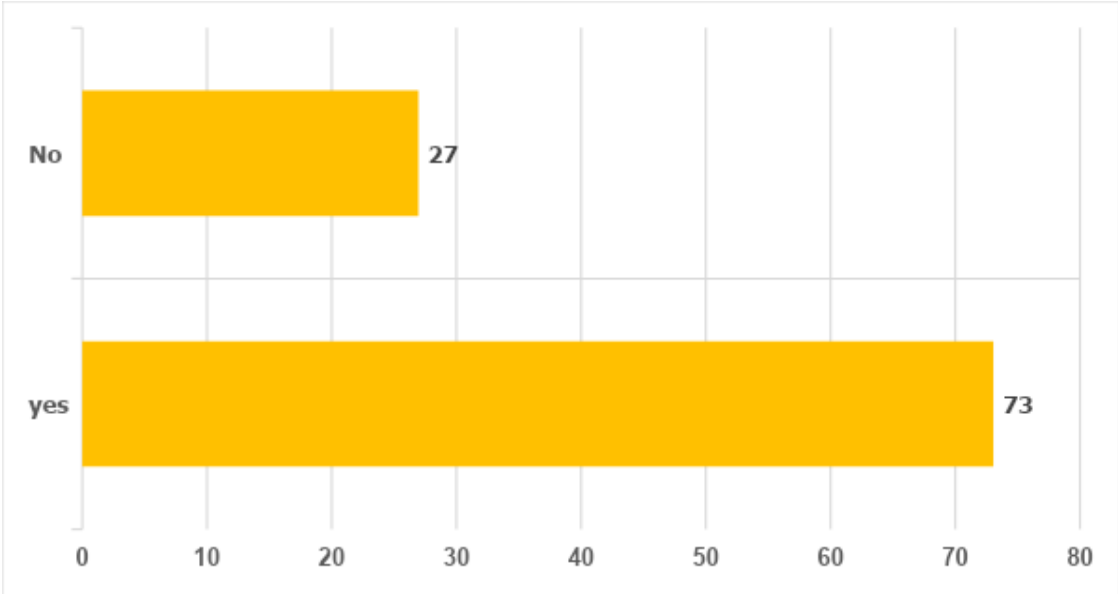
Figure 10: CRM officers` willingness to assist taxpayers

The willingness should be demonstrated by the availability of officers and assistance provided on all taxpayers` inquiries. This implies that the majority of large taxpayers held the view that MRA officials were helpful in their line of work. It is also helpful to CRM management team to address issues that made the 29% of clients from the population sample to see unwillingness of CRM officers since it may lead to unsatisfactory situation in taxpayers.

4.8   Perceived performance of MRA officials in CRM Initiative

This study assessed the perceived performance of MRA officials managing the CRM initiative from the clients' perspective. The results have been presented in Figure 12. The results indicate that most of the clients (83%) perceived that MRA officials managing the CRM initiative had performed well as seen from those who rated them 40% and 43% for exceptional and average performances with 13% and 4% rating them below average and poor on performance which identifies the gap for improvement.
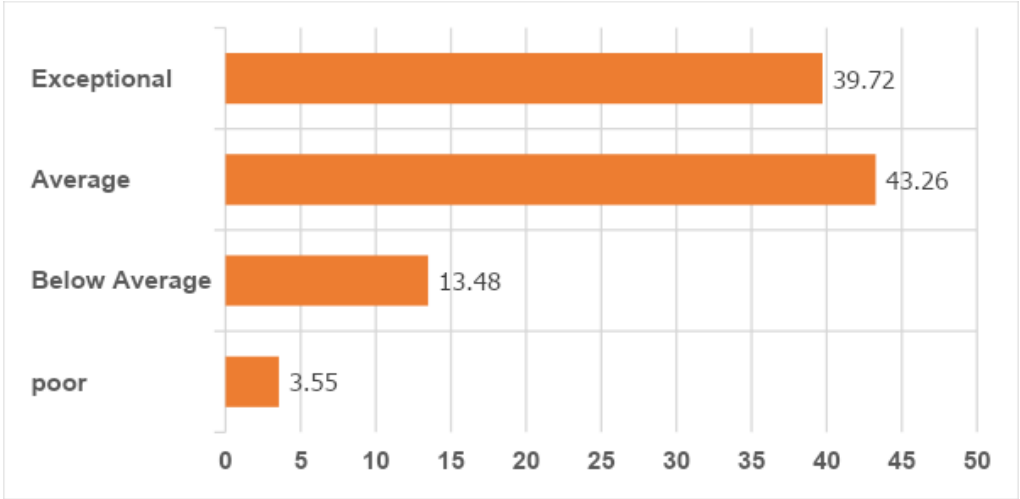
Figure 11: General perception of the performance of CRM officers

The outcome of this question revealed that management of CRM activities was at 'average' of implementation level. The response rate was higher at 'average' as compared to 'exceptional', thereby leaving a good number of large taxpayers still hoping for better treatment. It is on that basis that the researcher observed the need to improve on service delivery under CRM initiate to achieve good perception levels.

4.9   Clients' satisfaction rating with CRM Services

Within the CRM initiative there are different services that are provided to large taxpayers ranging from emails to issuance of certificates. This study also sought to assess the client's satisfaction rating with different CRM services provided. Table 1 presents results on the ratings. The results indicate that a majority (greater than 50%) of the clients in the population sample were satisfied with all the services offered to them under the CRM initiative by MRA which included the following: emails, face-to-face interfacing, letters, phone calls, advisory visits, tax advisory, education and awareness materials, response on enquiries and issuance of certificates. However, it is imperative to note that the ratings range from as high as 92% to as low as 55% of those that were at least satisfied with the service. Additionally, the highest rating of client satisfaction with CRM services was observed on the email service followed by face-to-face interfacing and issuance of certificates which registered 92%, 85% and 85% satisfaction rating respectively. The least rated were advisory visits followed by education and awareness materials which registered 55% and 44%, respectively. This implies that the two services are a cause for concern for MRA officers managing the CRM initiative. Overall, 79% of the large tax payers were satisfied with CRM services as can be seen in Table 1 with 21% being dissatisfied.

Table 1: Satisfaction rating with CRM Services

CRM Service	Service Rating	Frequency	Percentage
Emails	Very Dissatisfied	1	1%
	Dissatisfied	10	7
	Satisfied	80	56
	Very Satisfied	52	36
	Total	143	100
	Very Dissatisfied	4	3
	Dissatisfied	17	12
	Satisfied	80	56
	Very Satisfied	42	29
Face to face interfacing	Total	143	100
	Very Dissatisfied	11	8
	Dissatisfied	38	27
	Satisfied	73	51
	Very Satisfied	21	15
Letters	Total	143	100
	Very Dissatisfied	5	4
	Dissatisfied	32	22
Phone calls	Satisfied	56	39
	Very Satisfied	50	35
	Total	143	100
	Very Dissatisfied	20	14
	Dissatisfied	44	31
Visits	Satisfied	52	36
	Very Satisfied	27	19
	Total	143	100
	Very Dissatisfied	16	11
	Dissatisfied	47	33
Education and awareness Materials	Satisfied	61	43
	Very Satisfied	19	13
	Total	143	100
Response on Enquires	Very Dissatisfied	16	11
	Dissatisfied	14	10
	Satisfied	85	59
	Very Satisfied	28	20
	Total	143	100
	Very Dissatisfied	8	6
Issuance of Certificates	Dissatisfied	21	15
	Satisfied	66	46
	Very Satisfied	48	34
	Total	143	100

It is not surprising to have the least rating of satisfaction on advisory visits and awareness activities.

The assessment of similar attributes in the above discussions scored very low. This means that there is much need to focus on their improvements.

The study under satisfactory rating of CRM services was meant to have a 360 degrees assessment of service delivery standards. The assessment of the following areas: emails, face to face interfacing, letters, phone calls, advisory visits, tax advisory, education and awareness materials, response on enquiries and issuance of certificates makes a holistic view of service delivery. The area of emails considered the timeframe taken, face-to-face interaction considered the attention given to physical presence and letters considered quality of grammar and tone. Further to that, phone calls considered the time taken to pick a call. Therefore, the responses indicated that emails, face-to-face interaction and issuance of certificates were rated high.

It is clear that only three areas performed well out of the nine areas that were marked as areas of study. The results reveal that there are six areas that require great improvement. In that regard, it is advisable that CRM officers work on the areas of advisory, awareness, education, response rate, phone call and quality of letters to achieve good satisfactory rating from the taxpayers. It is the satisfied taxpayer that can easily comply voluntarily with the tax obligation. Therefore, it is mandatory to fill the gaps that the taxpayers have shown through their response that they were not satisfied with.

4.10   Clients rating on CRM service determinants

This study assessed the clients rating of the five key attributes of the CRM service determinants on a scale of 1 to 5: from very poor to very good. The five key aspects of CRM that were assessed are reliability, assurance, tangibility, empathy and responsiveness. Table 2 presents results on the clients rating of the five key attributes of CRM. In the realm of CRM, reliability entails that accurate information or indeed information about tax and associated services and obligation is provided to the clients by CRM officers. The expectation of taxpayers is that the information provided by CRM officers should be accurate and assist them to submit documents that are complete in their nature. CRM officers should not provide information to taxpayers and later when taxpayers submit the related documents, they find the submitted documents being subjected to penalties. Such situations reduce trust in the CRM programme.

Table 2: Rating of CRM service Aspects

CRM Service Aspect	Service Rating	Frequency	Percentage
Reliability	Very Poor	0	0
	Poor	47	33
	Good	60	42
	Very Good	36	25
	Total	**143**	**100**
Assurance	Very Poor	0	0
	Poor	22	15
	Good	95	66
	Very Good	26	18
	Total	**143**	**100**
Tangibles	Very Poor	0	0
	Poor	16	11
	Good	109	76
	Very Good	18	13
	Total	**143**	**100**
Empathy	Very Poor	18	13
	Poor	38	27
	Good	65	45
	Very Good	22	15
	Total	**143**	**100**
Responsiveness	Very Poor	4	3
	Poor	25	17
	Good	87	61
	Very Good	27	19
	Total	**143**	**100**

The results indicate that most clients (67%) perceived that MRA provides accurate information about tax and related obligations whilst the rest (33%) believe otherwise. Therefore, the 33% in this regard shows that there is expected error rate of the tax information provided. In a case that the rate matches with existing errors in tax documents of various taxpayers then there would be more penalty charges. Penalty charges in the population sample of 33% is significant to show that CRM activities were not working properly since the purpose for having CRM programme is to be proactive and reduce or eliminate errors. Charging of penalties is reactive whereas the purpose of CRM is to be proactive, hence the results show that there is need for technical capacity in CRM officers to totally eliminate errors in taxpayers` documents.

Regarding assurance which assesses whether MRA employees were trustworthy in their line of work, the results indicate that a majority of the clients (75%) perceived that MRA officials were trustworthy in their line of work when dealing with large taxpayers with a 25% perceiving otherwise. It is taxpayers` expectation that CRM officers will strive to meet all their promises. For instance, if a CRM officer indicates that the response to a particular query would be ready in two days and that should be honoured. It should not take more than two days before the taxpayer is communicated to on the readiness of the response. Therefore, the study reveals that 25% of the sample had been cheated at one point on promises. It should attract CRM officers to give reasonable and realistic promises and commitments to taxpayers.

Furthermore, regarding tangibility in the CRM initiative which entails attractiveness of the office setup and the MRA officials, the results indicate that a majority of the clients (89%) perceived that the office setup and indeed the MRA staff were attractive enough whilst only 11% perceived otherwise. Tangibility targeted the respondents to rate the physical aspect of the environment that taxpayers had ever been served in. Therefore, analysis of the results is more aligned to distribution of large taxpayers in all regions of Malawi. As outlined above, there is a highest number of large taxpayers in the southern region as compared to the other two regions. In that regard, more respondents were from the southern region where the operating centre is at Msonkho House where head office of Malawi Revenue Authority is located. The building is magnificent and officers are usually in uniform that enhances their appearance. Therefore, the positive rate of 89% is expected. However, the negative rate of 11% should be worked towards improvement. Poor infrastructure cannot be ignored in the centre and north where there is a desk

office in the centre and no specific office in the north. All large taxpayers in the northern region are served in the same office where any other taxpayer is served. Therefore, improvement of offices in the two regions can improve the satisfaction rate on tangibility.

As to whether the CRM officials had the best interest of their clients in mind, the results indicate that 60% of the clients perceived CRM officials were empathetic enough compared to 40% of the clients who perceived otherwise. Taxpayers' expectation when dealing with CRM officers is to be treated as human beings. They deserve respect. However, the results of the study show that 40% were ill-treated at one point. Therefore, it calls for courtesy in CRM officers. It should be known that there is great value in one compliant taxpayer than in hundred thousand non-compliant taxpayers. It is on that basis that 40% of the clients are significant to realize good compliance levels. The results call for CRM officers to treat every taxpayer as a king.

Additionally, on whether the MRA officials had the willingness to help their clients, the results indicate that 80% of the large taxpayers perceived MRA officials as responsive to their needs and were always geared to help them whilst only 20% perceived otherwise. The 'willingness' considered the rate at which responses were issued. In that regard, 20% of the respondents showed that they were not assisted timely. However, 80% represents timely response. The positive rate supports the average response rate as provided in Figure 6 where the average rate is 90%. Therefore, the results show that CRM officers were putting much efforts to meet the timeframes as set in the standards of the CRM programme. However, there is need to improve since much of the responses were within the timeframe of 'above three days' and 'less than 30 days'. The CRM programme requires the timeframe to respond to be less than three days. It is on that basis that there is need for improvement to achieve less than three-day response timeframe.

Although from the discussion above indicates that clients had rated MRA officials well on all the CRM service determinants, it is worrying to note that a substantial proportion (40%) of clients perceived that MRA officials were not empathetic enough and, therefore, not having the best interest.

Being empathetic shows respect, willingness to assist and it is a key attribute in customer care.

Therefore, CRM officers should strive and be trained to change their attitude towards taxpayers. Every taxpayer should be valued and be given the necessary attention. The rest of the attributes can follow automatically if the empathy is instilled in the CRM officers.

4.11   Assessing the effects of CRM attributes on client satisfaction levels

This study assessed the effects of CRM attributes on overall client satisfaction using a multiple regression model. Table 3 presents regression analysis results. The results on goodness of fit indicate that the overall model is significant at 99% confidence interval as can be seen from the p-value of the F-test which is 0.0000 (less than 0.01). Furthermore, the results indicate that 49% of the variations in client satisfaction can be explained by the variations in service reliability, assurance, tangibles, empathy and responsiveness. The results reveal that the only CRM attribute that was not important in influencing client satisfaction is responsiveness. All the four significant attributes of CRM show a positive relationship with client satisfaction which entails that an increase in the magnitude of the service attribute can lead to an increase in the client satisfaction levels. However, there is a difference in the magnitude. The most intense is service tangibility which entails attractiveness of the office setup and the MRA officials followed by assurance which entails the trustworthiness of the MRA officials. The least significant effect was observed on service reliability which entails accuracy in the information provision. These findings entail that MRA officials managing the CRM initiative needed to focus on the significant attributes starting with tangibility of the services to provision of accurate information to enhance client's satisfaction. The findings are in line with Gachiku (2015) and Korir et al. (2015) who found a positive relationship between customer management initiative and customer satisfaction levels amongst taxpayers. The regression model with a significance level of 99% proves that the service determinants are key to taxpayer satisfaction. It is the satisfied taxpayer that can contribute to national development voluntarily through tax compliance.

Table 3: Regression analysis results

Client Satisfaction	Coefficient	Robust Std. Error.	t	P>t	99% Confidence Interval	
Service Reliability	0.1778087**	0.0771609	2.3	0.023	0.0252283	0.3303892
	0.4518175***	0.0987141	4.58	0.000	0.2566171	0.6470179
Service Assurance	0.7754353***	0.1127466	6.88	0.000	0.5524865	0.998384
Service Tangibles	0.289823***	0.0694077	4.18	0.000	0.4270723	0.525746
Service Empathy	0.0136142	0.0734229	0.19	0.853	-0.1315746	0.158803
Service Responsiveness	-0.5920909*	0.3041417	-	0.054	-1.19351	0.0093285
Constant						

Number of Obs = 143

F (5, 137) = 37.69

Prob > F = 0.0000

4.12 Assessing the trends in advisory visits and enquiries

The number of visits and enquiries by MRA officials to large taxpayers tend to directly influence taxpayers to fulfil their tax obligations. This study assessed the trends in visits and enquiries made by MRA officials before (2008-2014) and after the introduction of the CRM initiative (2015-2021). The results have been presented in Figure 14. The results indicate a sharp increase in the number of visits and enquires from 76 enquiries and 74 advisory visits to 137 and 130 in 2014 and 2015 respectively. Furthermore, the results indicate that in 2021, 4649 enquiries and 1481 visits by MRA officials were made, representing a huge increase after the introduction of CRM. Overall, there is a positive change that can be observed in these activities. The increase in numbers as observed in the period 2008-2014 and 2015-2021 can be explained by the activities of CRM. Therefore, the service aspects have proved to some extent that they can
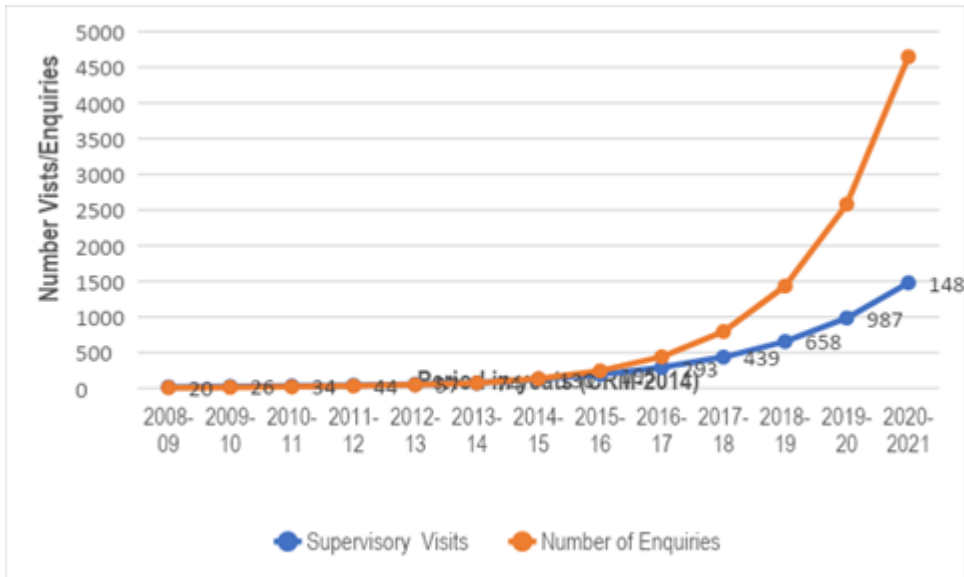
attract taxpayers to comply with tax obligation.

Figure 12: Trend of Advisory visits and enquiries

4.13   Assessing tax collection trends with respect to large taxpayers

MRA has the duty to collect tax on behalf of the government, for provision of essential services and for the implementation of development projects. This study assessed the trends in tax collection from large taxpayers from 2008 to 2021. Figure 13 presents the results on the trend of tax collection. The results indicate an increasing trend in tax revenue collection from large taxpayers. However, a sharp rise can be observed between 2015 to 2016 where MK180.5 billion was collected in 2014 while MK254 billion was collected in the year 2016. It is imperative to note that tax revenue collection continued to increase greatly from 2016. Overall, there was a sharp rise in revenue collection after the introduction of CRM and this is attributable to the CRM initiative in LTO.

The growing trend in tax collection is an indicator that CRM activities were bearing the needed results. However, it requires further efforts to ensure that all large taxpayers pay their taxes accordingly. The efforts should be invested in making sure that the outreach programmes are designed to cover all the large taxpayers unlike in the current situation where some of the large taxpayers have been left out in terms of receiving tax reminders, being visited and also receiving
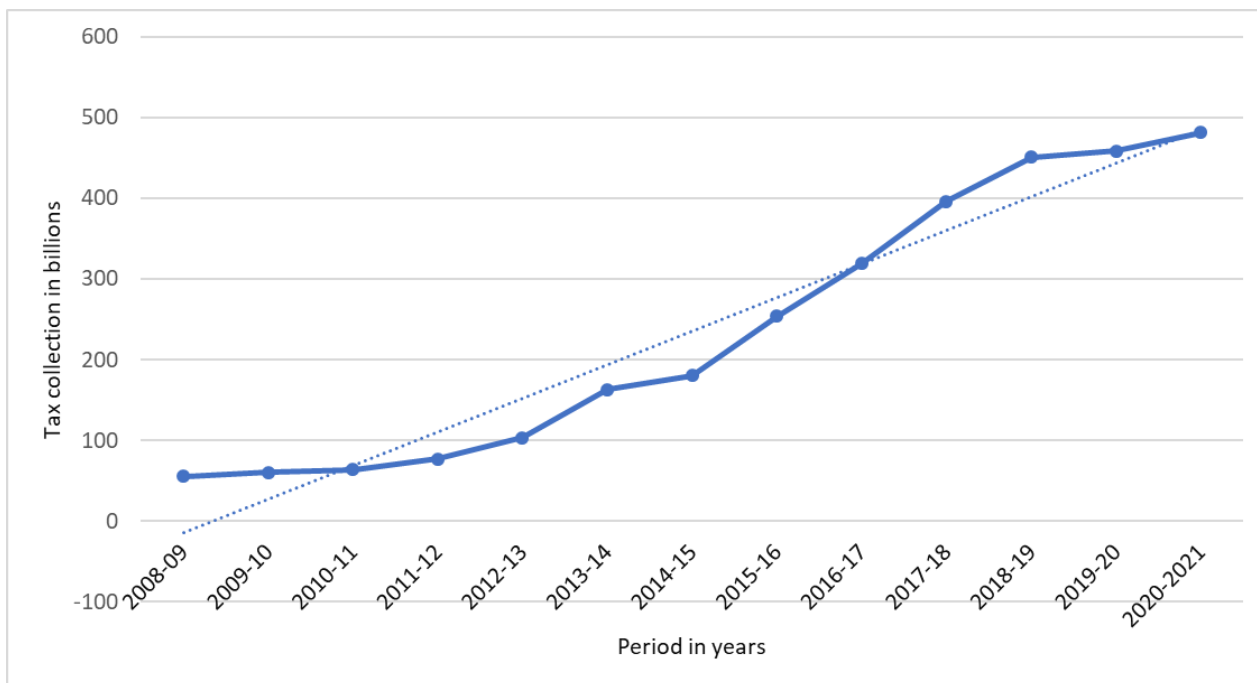
52

tax advice.

Figure 13 Trend in Tax collection from firms over the years

4.14   Assessing the effects of customer relationship management on tax collection

The study assessed the effects of Customer Relationship Management on tax collection by testing the presence of a structural break in tax collection between 2008 to 2021 with respect to the introduction of CRM in 2015. A regression analysis was used to assess the effects of key attributes of CRM on tax collection. Table 4 presents results on both the regression analysis and the Chow test on the presence of a structural break in the data and these are discussed in the sections that follow.

Foremost, the regression results on the overall model indicate that the model is significant at 95% confidence interval as can be seen from the F- test p-value of 0.046 (less than 0.05) signifying the statistical significance of the model. Additionally, the adjusted R-squared indicates that 99% of the variation in tax collection from large tax payers can be explained by the variation in advisory visits and response to enquiries in CRM initiative.

Regarding the effects of CRM on tax collection from large taxpayers, the results indicate a statistically significant relationship at 5% level of significance as seen from the p-value of less than 0.1. This implies that tax collection was significantly higher after the introduction of CRM than before. Furthermore, the number of advisory visits is also statistically significant at 10% level of significance as seen from a p-value of less than 0.1. The results imply that an increase in the number of advisory visits is associated with an increase in tax collection from large taxpayers. The findings agree with Gachiku (2015) and Korir et al. (2015) who found a positive relationship between advisory visits and tax revenue collection. Furthermore, the Chow procedure was used to test for the presence of a structural break with respect to the introduction of CRM initiative. Technically, the Chow test examines whether parameters of one group of the data are equal to those of the other group. In this study the data for group one was from 2008 to 2014 whilst the data for group two was from 2015 to 2021 in accordance to the CRM initiative implementation before and after (during) the initiative implementation. Simply put, the Chow test checks whether the data can be pooled.

The results in Table 4 confirm the presence of a structural break in tax collection before and after the introduction of CRM at MRA. This means that there is sufficient evidence pointing to a presence of a structural break in the data implying that the two regression lines can fit the data better than one. This further implies that the data generating processes for tax collection before and after the introduction of CRM at MRA were different. The presence of a structural break in tax collection can be attributed to the introduction of CRM and thus bringing to light the effects of CRM on tax collection at MRA. The findings are consistent with Ekundina (2018) and Mwangi (2014) who argued that deliberate initiatives that are aimed at taxpayers tend to be effective in improving tax revenue collection. In fact, Korir et al. (2015) who found a positive correlation in tax collection with respect to the introduction of a client relationship management and complaints initiative, argued that in Kenya, large taxpayers were perceived to be more open to dealing with revenue officers from Kenyan Revenue Authority because of the timely approach in dealing with tax revenue matters that were brought to their attention than tax consultants. Therefore, it is advisable for CRM officers to improve service delivery to increase tax collection. The taxpayers are charged for any enquiry that they take to tax consultants. Therefore, it is costly to frequent tax consultants with tax enquiries. In that regard, taxpayers opt to enquire from tax

Authorities where tax advice is free. Whenever, taxpayers are assisted as expected by the CRM officers it becomes encouraging for them to honour tax liabilities. That is the reason, there is a positive growth in tax collection following CRM activities.

Table 4: Chow test results for Tax collection

Tax Collection	Coef.	Std. Err.	t	P>t	95% Confidence Interval	
Advisory Visits	43200.00*	5400.00	1.0	0.085	-99160.00	20384.00
Number of Enquires	-26483.60	4430.18	-0.7	0.479	-184920.00	8008.00
	1092000.00**	84500.0	1.6	0.020	-844200.00	376320.0
	-36073.04*	5400.00	-0.8	0.080	-231820.00	9296.00
	25432.44	4430.44	0.7	0.496	-97820.00	15288.00
CRM2	660000.00	79500.00	1.04	0.332	-1400300.0	302400.0
CRM2AdvisoryVisits	Number of Obs = 20					
	F (5, 14) = 261.32					
	Prob > F = 0.046					
	R-squared = 0.9947					

Chow Test Analysis

	(1) CRM2 = 0
Chow Test Statistics	(2) CRM2 Advisory Visits = 0
	(3) CRM2NumberofEnquries = 0

F (3, 16) = 5.93

Prob > F = 0.04

4.15 Assessing the trends in tax returns submission

Submission of tax returns to MRA by large taxpayers is an indicator of compliance to their tax obligations. This study assessed the trends in submission of tax returns before (2008-2014) and after (2015-2021) the introduction of the CRM initiatives. Under normal circumstances, the large taxpayers are supposed to submit a total of 47 tax returns in a year. The tax return submission is in the form of monthly, quarterly and annual report. For instance, Pay As You Earn, Value Added Tax, and Withholding tax returns are required for submission on monthly basis whereas Fringe Benefit Tax return is for quarterly while corporate tax return is submitted annually. Therefore, data was collected in respect of the obligation for every taxpayer`s tax return submission. Figure 15 presents results on the trends in tax returns submission out of the total of 47 required per year.

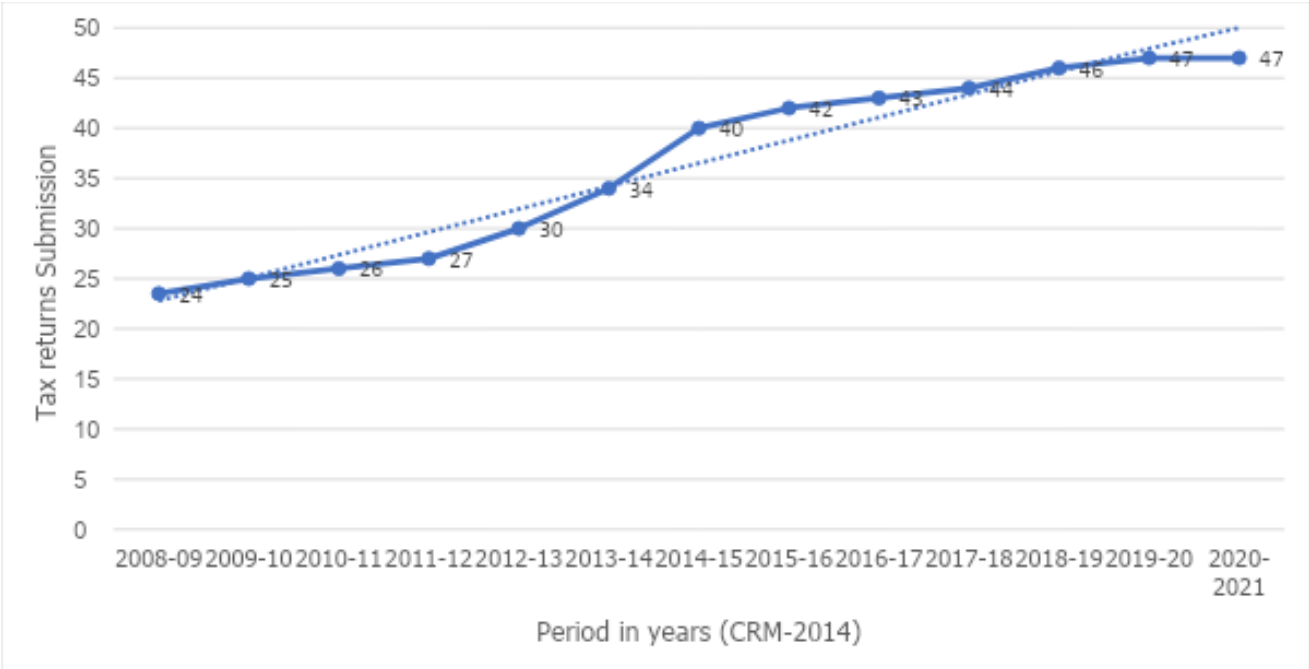**Figure 14**: Trends in Tax Return Submission

The results indicate a sharp increase in the number of the tax returns submitted 34 out 47 to 40 out of 47 in 2014-2015, respectively. The period 2019 to 2021 saw compliance in tax returns submission as evidenced by the increase in tax returns that were submitted. This could be attributable to the introduction of the CRM initiative through which frequent reminders were

being sent.

Suffice to say that the introduction of the CRM initiative by MRA greatly improved compliance of large tax payers.

There is a positive relationship between submission of tax return and tax collection. The tax return informs the tax Authority as to how much tax is expected to be paid by the taxpayer. Simply put, the tax return indicates tax liability. If a taxpayer has not submitted a tax return, then no liability will be determined, hence no tax collection. Therefore, compliance to tax is determined by submission of tax returns followed by payment of taxes. That is the reason non-submission of tax returns is punishable bylaw.

4.16 Assessing the effect of customer relationship management on taxpayer compliance on tax return submission

The study assessed the effects of Customer Relationship Management (CRM) on taxpayer's compliance by testing the presence of a structural break in taxpayer's compliance between 2008 to 2021 with respect to the introduction of CRM in 2015. A regression analysis was used to assess the effects of key attributes of CRM on taxpayer's compliance. Table 5 presents results on both the regression analysis and the Chow test for the presence of a structural break and these are discussed in the sections that follow.

Table 5: Chow test results for Taxpayer Compliance

Compliance	*Coef.*	*Std. Err.*	*t*	*P>t*	*95% Confidence Interval*	
Advisory Visits	-0.01834	0.098909	-0.19	0.858	-0.25222	0.2155421
	0.167938*	0.080966	2.07	0.077	-0.02352	0.3593919
Number of Enquiries	15.51647	1.541894	10.06	0.000	11.87047	19.16247
	0.043664	0.098953	0.44	0.672	-0.19032	0.2776493
CRM2	-0.1741*	0.080971	-2.15	0.069	-0.36556	0.0173702
	22.5474	1.448419	15.57	0.000	19.12244	25.97237

CRM2AdvisoryVisits
CRM2NumberofEnquries
Constant

Number of Obs   = 20

$F(5, 14)$ = 1114.75

Prob > F   = 0.00005

Regression Summaries

(1) $CRM2 = 0$

(2) $CRM2SupervisoryVisits = 0$

(3) $CRM2NumberofEnquries = 0$

$F(3, 16) = 256.66$

Foremost, the regression results on the overall model indicate that the model is significant at 99% confidence interval as can be seen from the F- test p-value of 0.00005 (less than 0.01) signifying the statistical significance of the model. Additionally, the adjusted R-squared indicates that 99% of the variation in taxpayer's compliance from large taxpayers can be explained by the variation in advisory visits, frequency of reminders and the introduction of the CRM initiative.

Regarding the effects of CRM on tax compliance from large taxpayers, the results indicate a statistically significant relationship at 1% level of significance, as seen from the p-value of less than 0.01. This implies that taxpayer's compliance was significantly higher after introduction of CRM than before. Furthermore, the number of enquiries is also statistically significant at 10% level of significance as seen from the p-value of less than 0.1. The results imply that an increase

in the number of tax reminders by MRA officers can increase compliance levels of large taxpayers. The findings agree with Gachiku (2015) and Korir et al. (2015) who found a positive relationship between advisory, response to enquiries and tax payer's compliance levels.

Furthermore, the Chow procedure was used to test for the presence of a structural break in tax payer's compliance with respect to the introduction of CRM initiatives as in earlier discussion. In this study, the data for group one was from 2008 to 2014 whilst the data for group two was from 2015 to 2021 in accordance with the CRM initiative implementation before and after (during) the initiative implementation. The chow test intends to verify if the data can be pooled.

The results in Table 4 on the F-statistic for chow test confirms the presence of a structural break in the taxpayer's compliance before and after the introduction of CRM at MRA. This means that there is enough evidence pointing to a presence of a structural break point in the data and that two regression lines can fit the data better than one regression line. This further implies that the data generating processes for taxpayer's compliance before and after the introduction of CRM at MRA were different. The presence of a structural break in taxpayer compliance can be attributed to the introduction of CRM and thus bringing to light the effects of CRM on large taxpayer's compliance in MRA. The findings are consistent with Ekundina (2018) and Mwangi (2014) who argued that deliberate initiatives that are aimed at taxpayers tend to be effective in improving tax compliance and tax collection. The findings are also similar with Korir et al. (2015); Ekundina (2018) and Ayuba (2018) who found a positive correlation in taxpayer's compliance after introduction of various service delivery approaches and complaints initiative. It is against the above analysis that CRM officers should enhance advisory visits and tax reminders. The two service attributes can encourage taxpayers to submit their tax returns that will create tax debt for collection.

4.17   Chapter summary

The data was analysed by using different tools. The graphs and tables assisted to simplify the understanding of the data and its interpretation. The Chow test analysis revealed the presence of a structural break where two different regression lines were observed and revealed that the data was not poolable. The existence of the structural break confirmed that there was a significant change between two time-horizons, before introduction of CRM and after introduction of CRM. The improvement in tax compliance levels were attributed to CRM service activities as reflected from

the regression analysis. It is imperative to point out that graphical representation of the changes attest to the improvement in tax compliance both in tax return submission and tax payment.

CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This chapter presents study conclusions based on the outcomes on the assessment of the effectiveness of CRM on tax compliance in Malawi. Based on the conclusions, the chapter outlines the recommendations that are up for consideration by MRA. The conclusion is based on the objectives of assessing the perception of taxpayers towards CRM, determine the effectiveness of CRM towards tax return submission and also towards tax payment. Tax return submission and tax payments are the attributes that were used to assess tax compliance of large taxpayers.

5.1 Summary of the findings

The respondents were drawn from all three regions: northern, central and southern to prove the effectiveness of CRM on the degree of tax compliance. The proportions were more balanced for central and southern regions. The results have also shown that most of the clients (83%) perceived that MRA officials managing the CRM initiative had performed well as seen from those who rated them 40% and 43% for exceptional and average performances. The participants highly rated the CRM initiative officials and 79% of the participants were satisfied with the CRM services being offered through the initiative. The results have revealed that the following CRM aspects are important in influencing client satisfaction: service reliability, assurance, tangibility and empathy. Regarding advisory visits and enquires, the results have revealed a sharp increase in the number of advisory visits and enquires from 76 enquiries and 74 advisory visits to 137 and 130 in 2014-2015 respectively. Additionally, the results have indicated that in 2021, 4649 enquiries and 1481 advisory visits by MRA officials were made. Furthermore, the results have shown evidence that the number of advisory visits has a positive effect on tax collection since its increase after introduction of CRM has been associated with an increase in tax collection from large tax payers.

Results on revenue collection from large taxpayers` point to an increasing trend with a sharp rise being observed from 2015 where MK180.5 billion was collected before the introduction of CRM with MK254 billion being the collection after the introduction of CRM. The increase is compared to MK163.2 billion as collected in 2014, that is before the introduction of CRM.

The results have also revealed that tax collection from large taxpayers increased greatly in the CRM era from MK451.2 billion in 2018 to MK481.2 billion in 2021.

As revealed by the study results, there is evidence of a structural break in tax collection from large tax payers after the introduction of the CRM at MRA. On submission of tax return which implies compliance, results have pointed to an increase from 37 to 40 out of 47 after the introduction of the CRM initiative implying an increase in tax compliance. Furthermore, the compliance levels reached the peak from 2019 to 2021 as all the required tax returns were submitted by all the large tax payers. Additionally, the number of enquires depicted a positive effect on tax compliance since its increase after the introduction of CRM, a situation which has been associated with an increase in compliance of large taxpayers. Furthermore, the results have shown evidence of a structural break in tax payer's compliance after the introduction of the CRM in MRA.

5.2 Conclusions

There is a positive perception by large taxpayers towards MRA as reflected by the increased number of enquiries that taxpayers raise to CRM officers. Increased number of advisory visits have improved the perception that promoted service reliability, assurance, tangibles and empathy in the CRM programme. Therefore, CRM activities have influenced taxpayers` satisfaction levels, hence improving tax compliance. This is addressing objective number one as satisfied taxpayers are easily attracted to comply with taxes.

Tax collection from large taxpayers increased after the introduction of the CRM initiative. This is noted by the sharp increase in tax revenues from 2015 as compared to prior years of 2014 before the introduction of CRM. Therefore, the increase in tax revenues collection is attributed to CRM activities.

Compliance levels of large taxpayers increased after the introduction of CRM by MRA. The presence of a structural break in return submission with respect to introduction of CRM implies that the CRM initiative at MRA has improved compliance and return submission from large taxpayers. The conclusion indicates that improved return submission was achieved due to CRM activities that include sending frequent reminders to taxpayers.

5.3   Recommendations

The following policy recommendations have been made:

MRA officials ought to concentrate on improving service reliability and empathy, while service assurance, tangibles and responsiveness should be enriched to improve client satisfaction in order to achieve a positive perception for satisfied taxpayer.

MRA should also design frequent effective trainings on customer care to address gaps in service determinants such as empathy in all CRM officers. The Client Relationship Management system should be automated for accurate data management. Advisory visits and enquires (key attributes of CRM) have proved effective in improving return submission and tax collection. Therefore, there is a need for MRA to extend and use these tools for medium and small category of taxpayers to improve tax compliance in all categories of taxpayers.

Further studies should focus on the effectiveness of CRM services on medium and small taxpayers` category. However, a study on the same category of the large taxpayers by applying different methodology may assist to prove the validity of this study results.

The researcher has developed a model for Client Relationship Management based on the findings and analysis. Below is the description of the model;

5.3.1 General description of haps client relationship management model.

Data base: - Create a taxpayer database whether manual or automated system and classify them basing on their similarities. Ensure continuous updates are made.

Communication: - Design effective communication mode tailored to individual taxpayers.

Services: -

a. Be able to categorize the services provided into two i.e., proactive and reactive. These categories will define the urgency and responsiveness rate.

b. The communication mode and the types of services provided will define the service quality required in terms of reliability, assurance, tangibility, empathy and responsiveness.

c. Effective communication will make the taxpayer satisfied and pull the taxpayer into voluntary tax compliance.

Tax compliance level

The voluntary tax compliance will improve the tax return submission and tax payment with minimal collection cost. The figure below demonstrates the relationship of the elements in the model.
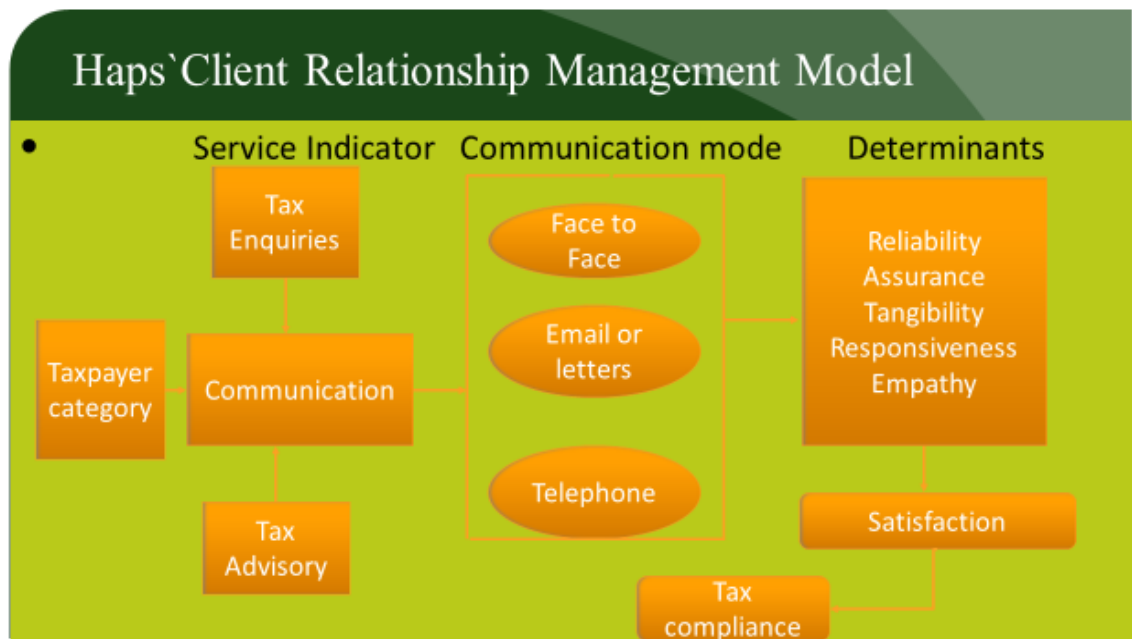

Figure 15: Haps Client Relationship Management Model

The model describes the link between category of taxpayers and service delivery that can make the taxpayer satisfied. Taxpayers can be categorised by sectors, size of business or location depending on the dominating attributes on a particular list of taxpayers. However, when a category is identified, the services should be designed to fit the requirements of a particular category. Services can be triggered through proactive or reactive approach. Different taxpayers prefer difference standard of service delivery for them to rate a service as satisfactory. Proactive is when MRA has decided to carry out advisory services while reactive is an approach of service delivery when the taxpayer has requested for the service. In either cases of proactive or reactive, service can be delivered through email, phone, letters or face to face. Therefore, CRM officers should ensure that

the choice of the mode of service delivery creates a conducive environment for the taxpayer. In that regard, the service determinants of reliability, assurance, tangibility, responsiveness and empathy should be considered as key to create conducive environment. It is basing on that understanding that tax authority can achieve satisfied taxpayers and in return achieve high level of tax compliance.

It is only a satisfied taxpayer that can easily comply to taxes. Therefore, the model describes how tax authority can achieve compliant taxpayers through improved service delivery.

5.4 Study limitations and areas for further research

The study was limited to the CRM initiative and large taxpayers; therefore, caution must be exercised in the application of the study findings. This implies that further studies need to focus on covering other sections of taxpayers such as small taxpayers or taxpayers of a particular industry or sector. These areas of further studies will be interesting as the behaviour of large taxpayers is quite different from that of small taxpayers while industry or sector will have common business environment. Therefore, it will be important to assess the impact of CRM activities on small taxpayers with respect to improved tax return submission and tax payment or in specific industry or sector.

REFERENCES

Ajzen, I. (1991). The theory of planned behaviour: Organizational behaviour and human decision processes. Springer-Verlag.

Alm, J., & Mc Clellan, C. (2012, 11). *Tax morale and tax compliance from the firm`s perspective*. https://idea.respec.org/p/tul/wpaper/1211 html

Alshirah, A., & Hijattulah, A. (2020). Moderating role of patriotism on sales tax compliance among Jordanian SMEs. *International Journal of Islamic and Middle Eastern Finance and Management, 13*(3), 389-415.

Alshirah, A., & Hijatullah, A. (2019). A conceptual model of sales tax compliance among Jordanian SMEs and its implications for future research. *International Journal of Economics and Finance*, *11*(5), 114-144.

Alshirah, F., Hijatullah, A., & Samsudin, R. (2016). Determinants of sales tax compliance in small and medium enterprises in Jordan: A call for empirical research. *World Journal of Manageement and Behavioural Studies*, *4* (1), 41-46. 10.5829/idosi.wjmbs.2016.4.1.1327

Ayuba, A. (2018). Testing the assumptions of slippery slope framework on tax compliance. evidence from Nigeria SMEs. *Business & Economic Review, 27*(2), 166-178.

Ayuba, A., Saad, N., & Ariffin, Z. (2015). Interacting role of perceived service orientation on work family conflict, fuel subsidy removal and tax compliance behaviour. Evidence from Nigerian SMEs. *Asian Social Science, 11*(28), 226-239.

Ayuba, A., Saad, N., & Ariffin, Z. (2016). Does perceived corruption moderate the relationship between economic factors and tax compliance? A proposed framework for Nigerian small and mediun enterprises. *Mediterranean Journal of Social Sciences, 7*(1), 402-409.

Baharun, R., Ghotbabadi, A.R., & Feiz, S. (2012, June 11-12). *A review of service quality models* [Paper presentation]. 2nd International Conference on Management. University of Technology Malaysia, Langkawi Kedah. https://www.academia.edu/31701074/A_Review_of_Service_Quality_Models

Chafuwa, C., Kenani, J., & Kaunda, S. (2017, June 23). *Malawi Revenue Authority working paper*: *Tax policy and administration evolution and revenue performance in Malawi* [Paper presentation]. Malawi Revenue Authority. *https://www.mra.mw/assets/upload/downloads/Tax_policy_Admin_Evolution_and_Revenue_Performance_in_Malawi.pdf*

Chatterjee, S. S., & Nguyen, B. (2019). Are CRM systems ready for AI integration? A conceptual framework of organizational readiness for effective AI-CRM integration. *The Bottom Line*, *32*(2), 144-157.

Chau, G., & Leung, P. (2009). A critical review of fischer tax compliance model: A research synthesis. *Journal of accounting and taxation,* 1(2), 34.

Chetioui, Y. A., & Benabbou, Z. (2017). The impact of CRM dimensions on customer retention in the hospitality industry: Evidence from the Moroccan Hotel Sector. *Journal of Research in Marketing, 8*(1), 652-660.

Creswell, J. (2013). *Research design: Qualitaive, quantitative and mixed method approaches.* Sage publication.

Cronin, J., & Taylor, S. (1992). Measuring service quality. A re-examination and extension. *Journal of Marketing, 56*(3), 55-68.

Derwent, J. (2000). Dismantling the barriers. A Pan-European survey on use of patents in SMEs.

Ekundina, R. (2018). *Factors influencing online tax returns on tax compliance in Kenya.* [Bachelor`s thesis, Magament University of Africa].Nairobi. https://core.ac.uk/download/pdf/224836819.pdf

Elfarmawi, W. (2019). The relationship between Customer Relationship Management (CRM) and product innovation. *Journal of System Integration* (1804-2724), 10(4), doi:10.20470/jsi.v10i4.383

Elfarmawi, W. (2019). Correlation between customer relationship management system usage, product innovation, and customer satisfaction. *Foundation of Management,* 11(1) 23-32.

Gachiku, M. (2015). Tax compliance by Small and Medium Enterprises (SMEs) in Nairobi north tax region. *School of Humanities and Social Sciences* (Unpublished Master's thesis). Kenyatta University.

Hailey, V. (2015). *A correlation study of customer relationship management resources and retailer omni channel strategy performance* (publication No. UMI NO.3687831) [Doctoral dissertation, Northcentral University- Arizona]. ProQuest Dissertations and Theses Global.

Haislip, V., & Richardson, J. (2015). The effective of customer relationship management systems on firm performance. *International Journal of Accounting Information Systems*, *27*(3), 16-29.

Horodnic, I. (2018). Tax Morale and institutional theory: a systematic review. *International Journal of Sociology, 38*(9), 868-886. doi:10.1108/IJSSP-03-2018-0039

Horodnic, I. A. (2018). Tax morale and institutional theory: a systematic review. *International Journal of Sociology and Social Policy, 38*(9/10), 868-886. doi:10.1108/IJSSP-03-2018-0039

Hunger, J., & Wheelen, T. (2011). *Essentials of Strategic Management.* Pearson Publishing Inc.

Ismail, A., & Ridzuan, A. R. (2013). Examining the relationship between service quality and customer satisfaction in military peacekeeping missions. *Journal of Industrial Engineering and Management, 6*(2), 654-667.

Ismail, A., & Yunan, Y. (2016). Service quality as a predictor of customer satisfaction and customer loyalty. *Scientific Journal of Logistics, 12*(4), 269-283.

Jana, A. (2014). Impact of the attributes of service quality on customer satisfaction and the inter relationship among service quality, customer satisfaction and customer loyalty: A study of casual dining restaurants of Ranchi. *Journal of Hospitality Application & Research, 9*(2).

Jimenez, S. A., & Padilla, R. (2017). Customer Relationship Management systemic model in hotelier sector: Are the hotel companies gaining benefits with practices oriented to the relationship with the clients? *Computacion y Sistemas, 21*(3), 527-535

Kaldor N. (1955). Alternative theories of distribution. *The Review of Economic Studies,* 23(2), 83-100.

Khedkar, E. (2015). Effect of customer relationship management on customer satisfaction and loyalty. *International Journal of Management (IJM), 6*(5), 01-07.

Lee, H., & Kim, M. (2020). Structural modelling of dissatisfaction, compaint behaviour, and revisting intention of hairdressing services. *Fashion and Textiles, 7*(1), 1-18.

Lois, P. D., & Chlorou, A. (2019). Tax compliance during fiscal depression periods: the case of Greece. *EuroMed Journal of Business, 14*(3), 274-291.

Malawi Revenue Authority (2016). *Annual performance report*. Unpublished

Malawi Revenue Authority (2019). *Annual performance report*. Unpublished

Marandu, E., Mbekomize, C., & Ifezue, A. (2015). Determinants of tax compliance, A review of factors and conceptualizations. *International Journal of Economics and Finance, 7*(9), 207-218.

Mascagni, G., Monkam, N., & Nell, C. (2016).Unlocking the potential of administrative data in Africa: Tax compliance and progressivity in Rwanda. https://www.ictd.ac/publication/unlocking-the-potential-of-administrative-data-in-africa-tax-compliance-and-progressivity-in-rwanda/

Medberg, G., & Gronroos, C. (2020). Value-in-use and service quality: do customers see a difference. *Journal of Service Theory and Practice, 30*(45), 507-529. doi:https://doi.org/10.1108/JSTP-09-2019-0207

Malawi Revenue Authority. (2015). *Large Taxpayer Office`s Concept Paper.* Malawi Revenue Authority

Muhammad, I., Al-zaqeba, M., & Hamid, S. (2018). Tax compliance of individual taxpayers: A systematic literature review. *International Journal of Management and Applied Science*, 4(6), 47-57

Muhwezi, M., Akankunda, B., & Nalukenge, I. (2017). Tax Compliance in small and mediun enterprises; developing countries perspective. *Journal of Financial Regulation and Compliance, 25*(2), 149-175. doi:10:1108/JFRC0820160065

Munene, S. (2020). *Differentiation strategies and customer retention in Kenyan commercial banks; A survey of tier one banks.* United States International University-Africa.

Organisation for Economic Co-operation and Development. (2009). *Forum on tax administration :Compliance sub-group. https://www.oecd.org/tax/forum-on-tax-administration/publications-and-products/42490764.pdf*

Osambo, A. (2009). Effects of taxation on SMEs. [Unpublished master`s thesis].Kenyatta University.

Parasuraman, A., Zeithaml, V., & Berry, L. (1985). A conceptual model of service quality and its impliaction for future research. *Journal of Marketing, 49*(4), 41-50.

Payne, A., & Frow, P. (2005). A strategic framework for customer relationship management. *Journal of Marketing, 69*(4), 167-176.

Randlane, K. (2016). Tax compliance as a system: Mapping the field. *International Journal of Public Administration 39*, 515-525.

South African Revenue Services. (2020). Customs external user manual relationship management. *South African Revenue Services*.

Saunders, F., Lewis, K., & Thornhill, P. (2009). *Research Methods for Business Students* (5th ed.). Prentice Hall.

Seth, N., Deshmukh, S., & Vrat, P. (2005). Service quality models: a review. *International Journal of Quality and Reliability Management, 22*(9), 913-949.

Sigala, M. (2018). Implementing social Customer relationship management: A process framework and implications in tourism and hospitality. *International Journal of Contemporary Hospitality Management, 30*(7), 2698-2726.

Simmons, R. (2015). *The relationship between customer relationship management usage, customer satisfaction and revenue* [Unpublished doctoral thesis].Walden University.

Appendix 1: Research   Questionnaire.

Dear Respondent,

Background

Client Relationship Management (CRM) was introduced by the Malawi Revenue Authority (MRA) into the tax administration system with an intention to improve service delivery. In that regard, every taxpayer under Large taxpayer office (LTO) was allocated a desk officer/CRM officer to attend to all tax matters coming from the assigned taxpayers.

This questionnaire intends to gather feedback on the degree of service provision that you taxpayers, as our client are receiving from the desk officers (CRM). Your response will remain anonymous as it will add academic literature while improving the service delivery and making your tax compliance much easier. Therefore, you are being requested to answer the questions with your inner most honesty.

The questionnaire should take you around 15 minutes to complete. Thank you for sparing this valuable time to partake this study.

Part 1

Demographics of the respondent

1. Location of the company (Head office): Southern Region ☐ Central Region☐ Northern

Region☐

2. Position of the respondent in the company: Executive Management ☐

Senior management ☐ Middle management ☐ Officer ☐

Part II: Answer question 1 to 10 by ticking in the appropriate box

    1. Do you know your Client Relationship Management officer (CRM officer)/desk officer?

☐ Yes ☐ No

    2. How long does it take by average number of days for the CRM officer to respond to your

tax inquiry?

☐ 1-3 days   ☐ 4-14days ☐ 15-30days   ☐ Above 30 days

3. Have you been visited by the CRM officer in the between July, 2021 and December, 2021?

☐ Yes   ☐ No

4. Have you received any reminder on tax return submission between July, 2021 and December, 2021?

☐ Yes ☐ No

5. Have you received any reminder on tax payment between July, 2021 and December, 2021?

☐ Yes   ☐ No

6. Do you know the phone number of your CRM officer?

☐ Yes ☐ No

7. Have you ever received tax advice from your CRM officer?

☐ Yes ☐ No

8. Do you think you struggle to access tax service from the CRM officer?

☐ Yes ☐ No

9. Does your CRM officer show willingness to assist?

☐ Yes ☐ No

10. What is your perception of the CRM programme?

Exceptional, Average, Below Average, Poor

☐   ☐   ☐   ☐

11. What is your expectation of quality tax service delivery?

General comment on service standard with MRA, if any:

For question **12 to 14**, use the ranks as below to mark in the appropriate box;

1. Very satisfied, 2. Satisfied, 3. Dissatisfied, 4. Poor

12. Rank your satisfaction of the services provided through the following mode;

	Mode	**Rank**

i.   Email   1☐   2☐   3☐   4☐

ii. Face to face   1☐   2☐   3☐   4☐

iii. Letters   1☐   2☐   3☐   4☐

iv. Phone calls   1☐   2☐   3☐   4☐

v.   Visit by tax officers 1☐   2☐   3☐   4☐

13. How can you rank the following service quality factors with reference to your experience in dealing with Malawi Revenue Authority? (Mark in the box, the relevant number)

i.   Reliability (Information given is free from errors)

     1☐   2☐   3☐   4☐

ii.   A s s u r a n c e   (Employees   are trustworthy)

     1☐   2☐   3☐   4☐

iii. Tangibles (The office set-up and employees` appearance is attractive)

     1☐   2☐   3☐   4☐

iv. Empathy (Employees have the best interest of the customers in mind)

     1☐ 2☐   3☐   4☐

v. Responsiveness (Willingness of employees to help)

1☐ 2☐   3☐   4☐

14. How would you rank the following services that you received from Client Relationship?

Management Officers? (Mark in the appropriate box)

i.   Advisory services   1☐   2☐ 3☐   4☐

ii. Educational and awareness materials   1☐   2☐ 3☐   4☐

iii. Response to inquiries   1☐   2☐ 3☐   4☐

iv. Issuance of tax certificates   1☐   2☐ 3☐   4☐

Thank you so much for responding to the questionnaire