

Analysis of Administrative Procedure towards the Performance of the Assessment Tax Generation in Colombo Municipal Council (CMC), Sri Lanka

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Abstract

This study aimed to assess the performance of the assessment tax administration in the Colombo Municipal Council (CMC) in Sri Lanka. Employing a quantitative research approach, data were gathered from the entire pool of assessors engaged in the CMC's assessment tax administration. Employing a structured questionnaire, utilizing a five-point Likert scale, data was gathered from a subset of 32 actively participating assessors. The amassed data were subjected to correlation and regression analyses. The study's outcomes underscore the substantial impact of staff deployed for assessment tax and technology used on the procedural efficacy of assessment tax administration within the CMC. Conversely, the influence of motivation to perform and time allocation was deemed negligible. Consequently, it is advisable for pertinent authorities to accord precedence to bolstering staff and technological resources, with a view to optimizing the assessment tax administration process.

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Introduction

Governments globally depend on taxation to secure vital financial resources for public service sustenance. An illustration of this paradigm is the assessment tax, commonly denoted as property tax, enforced by local governmental bodies (Abdullah et al., 2021). This levy pertains to land and building within designated local jurisdictional domains (Milhana & Nufile, 2016). Undoubtedly, it constitutes a substantial revenue stream, constituting 40% to 80% of local government earnings in numerous nations.

Assessment taxes diverge in assessment methodologies across countries. The UK employs capital value, whereas Canada, the US, Australia, Indonesia, and Japan employ market value. Conversely, Sri Lanka assesses assessment taxes based on annual value (Wasantha et al., 2012).

Efficient tax administration is vital for government fiscal coverage (Adnan et al., 2017). The Colombo Municipal Council (CMC) faces challenges in administering assessment taxes, struggling due to limited resources. As per CMC budget reports (2017-2021), projected assessment tax revision revenue ranged annually from Rs. 3,960 to 4,810 million. Actual income by the Assessor's Department during the same period was Rs. 3,547 to 4,320 million, resulting in substantial shortfalls of Rs. 413, 509, 541, 633, and 490 million. This disparity accounts for 10% to 13% loss of CMC's annual budgeted revenue. Hence, urgent action is essential to address this and ensure budget fulfilment (Fernando, 2013; Internal data of CMC, 2022).

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Despite international property tax studies, empirical evidence specific to Sri Lanka is lacking (Wasantha et al., 2012). Therefore, further research is warranted to address CMC's issues and enhance the administrative procedure for assessment tax generation.

The Objective of the Study

To investigate factors affecting the performance of the assessment tax administration in CMC.

Literature Review

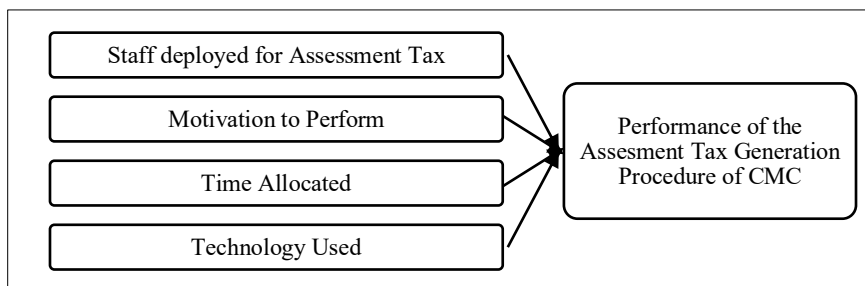
Assessment tax is crucial in raising revenue for government expenditures in almost every country (Britannica, 2020; Pawi et al., 2012). The assessment tax systems vary across countries. Some countries allow local governments to independently determine tax rates and aspects of assessment tax, while others have centralized control to prevent corruption and distortions. Property taxes remain a significant source of income for localities in the United States, despite criticism of their fairness (Clapp, 1990). Korea utilizes the Aggregate Land Tax, which aims to encourage productive land use and reduce disparities in land ownership (Bahl, 2001). The rating system for property taxes in New Zealand has evolved over time. Accordingly, various assessment systems have been adopted, and those were based on capital improved value, land value only, and annual rental value (Mccluskey et al., 2002). However, efficient assessment administration is essential for the development process as it greatly impacts the funds available for services and projects (Soeb et al., 2011).

Theories related to tax administration, such as goal-setting theory and governance theory, provide valuable insights into the factors that influence tax administration efficiency. The goal-setting theory highlights the role of purpose in driving action and emphasizes the importance of factors like goal recognition, characteristics, difficulty, and feedback in achieving successful goals (Miko & Abubakar, 2020; O'Neil, Harold F; Drillings, 1994). On the other hand, governance theory focuses on decision-making processes and emphasizes the significance of good governance mechanisms, accountability, and transparency in ensuring effective tax administration (Rainer & Gloppen, 2003 cited in Miko and Abubakar, 2020; Stoker, 2007).

Empirical findings from studies on tax administration procedures further support these theories. Research on property tax administration in Francophone Africa emphasizes the importance of tax policies, improved administration, and strong political loyalty for successful tax reforms (Bahl, 2001). The study on the impact of information technology on tax administration in Nigeria highlights the role of technology in enhancing tax collection efficiency and administration (Olatunji & Ayodele, 2017). Moreover, a study conducted in Nigeria expands the understanding of tax administration determinants by establishing a significant relationship between accountability, organizational approach, tax laws, technology, and tax administration efficiency. However, the study found no significant effect of motivation in this context (Miko & Abubakar, 2020).

These theoretical frameworks, along with the empirical findings, enhance comprehension of tax administration and offer substantial contributions to future research endeavors and the formulation of efficacious strategies. Ultimately, by considering the factors identified in the literature review, the researcher has established a comprehensive conceptual framework to serve as the foundation for the present study.

Figure 01 : Conceptual Framework



Source; Compiled by Author (2023)

The literature synthesis underpinning the aforementioned conceptual framework is presented in Table 01 below.

Table 01: Literature Summary

Variable	Source
Staff deployed for Assessment significantly influences the performance of the assessment tax administration procedure.	(Kibret, 2021)
Motivation to perform significantly influences the performance of the assessment tax administration procedure.	(Miko & Abubakar, 2020)
Time allocated significantly influences the performance of the assessment tax administration procedure.	(Miko & Abubakar, 2020)
The technology used significantly influences the performance of the assessment tax administration procedure.	(Kibret, 2021; Miko & Abubakar, 2020; Olatunji & Ayodele, 2017)

Source; Compiled by Author (2023)

Methods

This research adopted a positivist philosophical orientation and employed a deductive research approach. Accordingly, quantitative research techniques were employed to investigate the assessment tax administration process within the context of the Colombo Municipal Council (CMC) in Sri Lanka. The study encompassed the entire population of assessors engaged in the administration procedure of assessment taxes within the CMC. Data were gathered through a meticulously structured questionnaire, utilizing a five-point Likert scale, administered to a sample of 32 assessors actively participating in the assessment tax procedure. To effectively address the research objectives, correlation and regression analyses were conducted using the Statistical Package for the Social Sciences (SPSS) software. The study was delimited to the four independent variables outlined within the conceptual framework.

Results and Discussion

As depicted in Table 02, the descriptive analysis of the demographic profile of the respondents provides valuable insights into the Assessor Department of CMC. The gender composition reveals a significant gender imbalance, with a higher proportion of males (66%) compared to females (34%). The age distribution highlights that the majority of respondents (50%) belong to the 34-44 age range, followed by 38% in the 25-34 age range and 12% aged 45 and above. This suggests that the department is predominantly staffed by individuals in their middle-age years, potentially indicating a certain level of experience and expertise. The length of service in assessment tax revision, revealing that 47% of respondents have 6-10 years of experience, 41% have 21-25 years of experience, and 12% have over 26 years of experience. This implies that the majority of officers in the department have a considerable range of experience, primarily falling within the 6-25 years bracket.

Table 02: Demographic Profile of the Respondents

Demographic Profile		Percentage
Gender		
Male		66%
Female		34%
Age		
Between 25 – 34 years		38%
Between 35 – 44 years		50%
Above 45 years		12%
Length of the Service		
Between 6-10 years		47%
Between 11-15 years		0%
Between 16-20 years		0%
Between 20-25 years		41%
Above 25 years		12%

Source: Compiled by Author (2023)

Table 03: Correlation Analysis

Factors	Performance of the Assessment Tax administration Procedure of CMC	
	Pearson Correlation	Sig. (2-tailed)
i. Staff deployed for Assessment Tax	0.987**	0.000
ii. Motivation to Perform	0.178	0.331
iii. Time Allocated	0.360*	0.043
iv. Technology Used	0.973**	0.000

Source: Compiled by Author (2023)

Correlation is a technique for investigating the relationship between two quantitative, continuous variables. Pearson's correlation coefficient (r) is used to measure the strength of the association between two variables, such as independent and dependent, while the decision is confirmed in terms of the (p -value < 0.05). As depicted in Table 03, with a 95% confidence level, the researcher can conclude that there is a significant association between the performance of the assessment tax administration procedure and these independent variables excluding "motivation to perform". Furthermore, it can be suggested that there is a strong positive correlation between the performance of the assessment tax administration procedure and both "Staff deployed for assessment tax" and "Technology used," while a weak positive correlation can be found between the performance of the assessment tax administration procedure and "Time allocated." However, it should be noted that the "Motivation to perform" does not demonstrate a significant association with the dependent variable, as the significance value exceeded 0.05.

Table 04: Model Summary

R	R Square	Adjusted R Square
0.991	0.982	0.979

Source: Compiled by Author (2023)

As reflected in Table 04, the four independent variables explain approximately 97% of the variance in the performance of the assessment tax administration procedure, as indicated by the high values of R-squared (0.982) and Adjusted R-squared (0.979). Consequently, the model can be considered a good fit for the data.

Table 1: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
(Constant)	-1.672E-018	.026		.000	1.000
i. Staff deployed for Assessment Tax	.714	.106	.714	6.702	.000
ii. Motivation to Perform	-.014	.037	-.014	-.378	.709
iii. Time Allocated	.064	.038	.064	1.671	.106
iv. Technology Used	.264	.108	.264	2.453	.021

Source: Compiled by Author (2023)

According to Table 05 the unstandardized coefficients provide insights into how independent variables cause or influence dependent variables. The β coefficients are used to determine the relationship between independent and dependent variables. In the table, the β value represents the extent to which a particular independent variable affects the dependent variable while holding other variables constant. The results indicate that the staff deployed for assessment tax and the technology used have a positive impact on the performance of the assessment tax administration procedure. However, the factors of Motivation to perform and Time allocated show an insignificant impact at a 95% significance level. The standardized coefficients (Beta) reveal that staff deployed for assessment tax has the highest positive impact on the assessment tax administration procedure, with a coefficient of 0.714. On the other hand, technology used shows a weak positive impact on the performance of the assessment tax administration procedure in the Colombo municipal council.

The outcomes of the data analysis align with the research conducted by Olatunji & Ayodele (2017) as well as Miko & Abubakar (2020). These previous studies similarly determined that information technology bolsters performance of tax administration, while motivation does not exhibit a noteworthy impact.

Conclusion

The research revealed that the CMC's assessor department is predominantly composed of experienced middle-aged male professionals. The results highlight the significant impact of workforce allocation and technological utilization on assessment tax administration effectiveness within the CMC. Interestingly, motivation and time allocation had minimal effects. Therefore, managing personnel and technology is crucial for enhancing tax administration. These findings align with previous research emphasizing the positive role of information technology in tax efficiency (Miko & Abubakar, 2020; Olatunji & Ayodele, 2017).

The study contributes theoretically by empirically confirming the importance of human resource deployment and technological integration in assessment tax administration. It also emphasizes the limited influence of motivation and time allocation on procedural performance. Accordingly, it's recommended that the CMC promptly address staffing gaps and optimize staff deployment for improved productivity. Simultaneously, enhancing IT infrastructure and creating a comprehensive digital repository can enhance real-time data integration and stakeholder collaboration, thus boosting the efficiency of tax administration.

For future research, a longitudinal analysis tracking the sustained effects of these enhancements could offer insights into long-term efficacy. Additionally, a comparative study across various municipalities might provide a broader perspective on effective tax administration strategies, accounting for regional variations and governance intricacies.

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