



## Factors affecting online tax filing – An application of the IS Success Model and trust theory



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### ABSTRACT

This study examines citizens' propensity to use e-governmental website services through the lens of the IS Success Model in general, and in the context of the Philippine online tax filing system. Additionally, attributes such as trust in technology, trust in government, trust in e-government websites, and prior experience with government services which act as important antecedents to the model are analyzed in this study. The results show that trust in technology, trust in government, and prior experience directly affected the trust in e-government websites, which in turn directly influenced all three IS quality dimensions. Of these three dimensions, information quality was found to be the most consistently and significantly influence perceptions of usefulness and satisfaction, implying that this dimension is the most critical one beyond the service quality and system quality for taxpayers to use the system. Generally speaking, Philippine taxpayers do value the online system, indicating the fact that the current system does have some potential to elicit favorable perceptions on usefulness, satisfaction, and subsequent net benefits. Other theoretical and managerial implications are further discussed.

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## 1. Introduction

### 1.1. Research background

Like businesses, governments have also been extending their services through Internet technology (Lee, Kim, & Ahn, 2011; Schaupp, Carter, & McBride, 2010; Shareef, Kumar, Kumar, & Dwivedi, 2011) increasing effectiveness, efficiency (Cegarra-Navarro, Pachón, & Cegarra, 2012; Karkin & Janssen, 2013; Rowley, 2011), and convenience (Shareef et al., 2011), especially at the transaction level (Horst, Kuttschreuter, & Gutteling, 2007). One interesting example of e-government services is online tax processing, a government to customer (G2C) and government to business (G2B) service (Chang, Li, Hung, & Hwang, 2005; Floropoulos, Spathis, Halvatzis, & Tspouridou, 2010). In the context of developing countries, this is a very interesting proposition (Venkatesh, Sykes, & Venkatraman, 2013), since such countries' governments are typically bogged down in bureaucracies and red

tape. In the Philippines, the government has adopted a gradual implementation of the online tax processing system, first making it required for insurance companies, stock brokers and the Top 10,000 corporations in the country in 2004. To date, there has been no move from the government to expand this requirement to all taxpayers in the country, opting instead to simply encouraging non-mandated taxpayers to enroll and use the system. However, taxpayers hesitate since it is uncertain that the system can meet their expectations regarding costs, time, effort, prior experiences, and perceptions of government competencies, reflecting the continuous struggle of e-government systems to get citizens to adopt (Schaupp et al., 2010) and to continuously use it (Beldad, Jong, & Steehouder, 2011).

Few studies explored how trust affects e-government success (Belanger & Carter, 2008; Srivastava & Teo, 2009), where trust in government and trust in technology have become key success factors (Belanger & Carter, 2008; Lee et al., 2011; Teo, Srivastava, & Jiang, 2008). If people trust that their government could provide excellent services, they will also trust other forms of alternative services their government will offer (Schaupp et al., 2010). Moreover, if people trust that the technology as a channel for their transactions, then they will trust government services provided online.

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### 1.1.1. Online tax filing in the Philippines

The Bureau of Internal Revenue (BIR) of the Philippines has developed an Electronic Filing and Payment System (eFPS), which has two major functions: e-filing and e-payment via Internet banking. However, problems hounded the system, bogging down twice in 2008, impeding operations and causing delays in filing and payments. Furthermore, some taxpayers reported with experiencing a very bureaucratic process of enrolling to the system. Also, to date, there are still some offices and branches that are not integrated to the BIR head office.

### 1.2. Research objectives

It is very important to continuously monitor such e-government systems, since taxes are the primary source of funds for the government to render its national, regional, and local services to its citizens. Especially amidst inefficiencies and corruption that are prevalent in developing countries, making the tax collection process as smooth as possible is of primary importance. Therefore, as with any other context, the use and adoption of IT is an obvious alternative to address these problems and concerns.

This study adopts a behavioral approach to analyze e-government adoption in a particular context (Venkatesh, Chan, & Thong, 2012). While previous research examined the trust constructs influencing perceived quality (Belanger & Carter, 2008; Srivastava & Teo, 2009; Teo et al., 2008) in the context of the IS Success Model (DeLone & McLean, 1992, 2003), this study proposes adding a moderating variable on prior experience from government offline services on the relationship between trust in government and e-government. Prior experience from offline services has been found to be an interesting variable since it has competing effects depending on the research context (Beldad, Jong, & Steehouder, 2010; Beldad et al., 2011; Horst et al., 2007; Lee et al., 2011; Mostafa & El-Masry, 2013). Regardless if they were mandated or not, they still have considerable prior experience with the BIR. Additionally, this research uses the context of a developing Asian country, which has less resources and infrastructure (United Nations, 2008, 2010), to examine the factors that determine e-government success (Venkatesh et al., 2013).

Thus, the following research objectives of this study are:

1. To describe how prior experience can be an interesting factor in analyzing e-government adoption issues.
2. To use a developing country as a case study in analyzing some factors surrounding e-government adoption issues and identifying which ones should take priority.

## 2. Literature review

### 2.1. E-government success

In implementing and developing e-government, it is important to note the technological awareness and readiness of a country and its citizens (Srivastava & Teo, 2009; Teo et al., 2008; Venkatesh et al., 2013). Because of technical, economic, and political reasons, e-government projects take time (Cegarra-Navarro et al., 2012; Rowley, 2011). Major issues such as design inadequacies (Aladwani, 2013), insufficient system capabilities, low network security, shortage of information technology literacy (Venkatesh et al., 2012), lack of security policies and regulations, absence of implementation guidelines, associated social, management, and financial issues (Aladwani, 2013; Lee et al., 2011), and ultimately citizen adoption issues (Schaupp et al., 2010) hound e-government development and use. Furthermore, e-government perceptions vary across countries (Weerakkody, El-Haddadeh, Al-Sobhi, Shareef, & Dwivedi, 2013) because of different legislative issues,

public access to government information, and service deliveries (United Nations, 2008).

### 2.2. Trust on e-government website

Trust is always an important component, given the inherent risks of online interactions and transactions (Mostafa & El-Masry, 2013; Weerakkody et al., 2013), and its dependence on the context (Gefen, Benbasat, & Pavlou, 2008; Gefen, Karahanna, & Straub, 2003; McKnight & Chervany, 2002). Typically, trust can be broken down into two components: trust in the entity providing the service, (the government), and trust in the tools used to deliver the service, (the technology) (Beldad et al., 2011; Weerakkody et al., 2013), which are significant factors influencing trust in e-government websites (Belanger & Carter, 2008; Beldad, Geest, Jong, & Steehouder, 2012; Lee et al., 2011; Srivastava & Teo, 2009; Teo et al., 2008). Different governments may have different structures, limiting the ability to generalize findings about antecedents of trust in e-government websites. Nevertheless, it is equally important to realize that trust between different transacting parties evolves over time (Beldad et al., 2012; Srivastava & Teo, 2009; Teo et al., 2008).

#### 2.2.1. Trust in government

Trust in government arises if citizens have confidence in the government (Reddick & Roy, 2013), reinforcing perceptions of integrity and reliability (Belanger & Carter, 2008; Benbasat, Gefen, & Pavlou, 2008; Lee et al., 2011; Srivastava & Teo, 2009). Trust building is an evolutionary process (Srivastava & Teo, 2009), suggesting that trust in government can quickly change depending on how the government actually works (Karkin & Janssen, 2013). But few studies explored trust in the context of e-government (Beldad et al., 2012; Lee et al., 2011; Schaupp et al., 2010). Some studies considered trust in technology as a significant factor in the context of e-government but few studies included trust in government as a significant antecedent (Belanger & Carter, 2008; Jafari, Ali, Sambasivan, & Said, 2011; Teo et al., 2008). Trust in e-government websites will exist if the citizens have trust in their government (Belanger & Carter, 2008; Lee et al., 2011; Schaupp et al., 2010; Teo et al., 2008), leading to trusting government programs (Lee et al., 2011; Srivastava & Teo, 2009; Teo et al., 2008). In other words, the willingness to adopt e-government depends on both trust in technology and trust in the government (Beldad et al., 2011, 2012; Lee et al., 2011; Reddick & Roy, 2013).

**Hypothesis 1.** Trust in government positively affects trust in e-government website.

Prior experience with offline government services can be influential (Mostafa & El-Masry, 2013), because e-government service is simply an online version of an existing, offline one (Horst et al., 2007), reflecting the argument that offline trust can spill over to online trust within the same context (Beldad et al., 2010). Past researches have implied that users might switch to online channels if e-government proves to be more beneficial (Lee et al., 2011; Weerakkody et al., 2013), such as realizing time savings, error reductions, and increased convenience. Additionally, prior experiences of existing offline government services reflects the quality of performance citizens anticipate from the online service encounter (Lee et al., 2011), suggesting that there is a significant connection between performance expectations and prior experiences with government transactions.

This study argues that the effects of trust in government can be influenced further by prior experiences in dealing with the government. Citizens' perceptions on their experiences with physically

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