

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

This chapter will describe the research methodology adopted in this study including the research design, sampling, measurements, data collection and analysis. The research design serves as a blueprint in conducting the research to achieve valid findings and data.

Information was obtained from tax auditors in the RMCD to gather their views and opinions on the challenges faced in performing tax audit. This research is based on the perceptions of tax auditors in the RMCD on their jobs that could have a significant impact to the performance efficiency of tax audit.

This chapter will explain about the research methodology that will be used in this research. It includes the research design, research instrument and measurements, sampling procedure, data collection method and analysis techniques. There is also a pilot test in this chapter.

3.2 Research Design

Through the literature review and the feedback from the initial interview with RMCD tax auditors, tax auditors' performance efficiency can be influenced by several determinants. They are categorized under characteristics of tax auditors, attributes of auditees, and organizational management of tax authority, which are referred to as the dimensions of the independent variables in this study. This study aims to explore and

understand the relationships between the factors behind the performance efficiency of tax audit by tax auditors in RMCD.

This research involves both literature and field research, where several methods of gathering information were used. The literature research included the examinations of related documents such as academic literature, news, and government and RMCD reports and circulars, etc. The field research includes the distribution of questionnaires towards the respondents which are the tax auditors in the RMCD to gather data for this study. As this study is using the questionnaire as a tool to collect data, it is considered the quantitative method of study. Additionally, the study also obtains information from informal conversations and direct observations of tax auditors in the RMCD.

The questionnaire consists of several questions which are used to collect data and feedback from the respondents in examining their perceptions towards the independent variables (i.e.: characteristics of tax auditors, attributes of auditees, organizational management in RMCD), and dependent variable (i.e.: efficiency of RMCD's tax auditors in performing tax audit) in order to study the relationships between the independent variables and their dimensions, with the dependent variable. The research is expected to help establish the advice and recommendations to assist the tax auditors to improve the performance efficiency on tax audit in the RMCD.

3.3 Population and Sample

This study was carried out by examining the main challenges faced by tax auditors in the RMCD which can be viewed to affect their performance efficiency in tax auditing. The population of the study is composed of the RMCD's officers all over

Malaysia who are currently serving in the Compliance Division of the RMCD, where the tax audit is their main task and responsibility.

From the population identified, a simple sampling method was used, in which only tax auditors in the Compliance Division were investigated. This is because the tax auditors are directly responsible to carry out tax audit tasks while the remaining officers in the Division are responsible in the management, supervising affairs, and other duties. The RMCD has approximately around 500 tax auditors across Malaysia. Hence, the questionnaires were distributed out to sample population consisting of tax auditors in the Compliance Division, RMCD.

3.4 Research Instrument and Measurement

The questionnaire that was employed for the purpose of collecting data for this thesis would try to answer the research questions stated in Chapter 1. A standard questionnaire needs to be developed to ensure that the data is consistent and reliable for the analysis. A well-developed questionnaire is a crucial tool to obtain the necessary information from respondents (Malhotra, 2010).

The first section of the questionnaire would first look at the demographic makeup of the respondents, in terms of age, gender, education level, education background, years of working experience and employment level. The next section of the questionnaire then examines the view of the respondents regarding the characteristics of tax auditors in the RMCD in general. The following section examines the view of respondents in general regarding the attributes of auditees (clients) which have been assigned to audit previously. The subsequent section examines the view of the respondents regarding the organizational management of the

RMCD as a tax authority. The last section of the questionnaire surveys the view of the respondents on the performance efficiency of tax auditors in RMCD in general.

The items of the variables in the questionnaire were adapted from previous studies (Nadiyah et al., 2017), (Siriwardine et al., 2014), (McManus, 2016), (Kazmi et al., 2008), (Alzeban and Gwilliam, 2014) and (Bright et al., 1988) related to the characteristics of tax auditors, attributes of auditees, organizational management of tax authority, and efficiency of tax auditors' performance to suit with the research objectives of this study. The questionnaire consists of thirty items divided into five sections.

To record the degree of the respondents' views and perceptions on each item, the four-point Likert scale is used ranging from one (strongly disagree) to four (strongly agree). The Likert scale is used to ease the respondents in reading, understanding and reporting their perceptions on the matter inquired. There are eight items in Section A which is the respondents' demographic profiles, and twenty-two items are in Section B, C, D, and E which are the variables of this study. The details of each dimension and items in Section B to E in the questionnaire are further elaborated as follows.

3.4.1 Characteristics of Tax Auditors

Characteristics of tax auditors are elaborated by three dimensions (determinants) which are knowledge and skills, communication ability, and attitudes. Eight items are developed for this variable to obtain the views and responses from the respondents.

Table 3.1 shows the dimensions, items and sources of adaptation of the items for the characteristics of tax auditors.

Table 3.1: Dimensions and items for Characteristics of Tax Auditors

Dimensions		Items	Sources of Adaptation
Knowledge Skills	Q1 & Q2	RMCD's tax auditors have sufficient knowledge and understanding in tax legislation.	
	Q3 & Q4	RMCD's tax auditors have sufficient knowledge and skills in tax auditing.	(Nadiyah, Hajar, & Zarinah, 2017)
Communication ability	Q5 & Q6	RMCD's tax auditors have good communication ability.	
Attitudes	Q7	RMCD's tax auditors are highly motivated and committed in performing audit tasks.	(Siriwardane, Hu, & Low, 2014)
	Q8	RMCD's tax auditors demonstrate professional ethics in performing audit tasks.	

3.4.2 Attributes of Auditees

Attributes of auditees are expanded to five dimensions (determinants) which are size, complexity, distance, cooperation, and record keeping. There are five dimensions on the attributes of auditees which consist of one item for each dimension as summarized in Table 3.2.

Table 3.2: Dimensions and items for Attributes of Auditees

Dimensions		Items	Sources of Adaptation
Size of business	Q1	I frequently received big size businesses as clients in my audit tasks.	Developed/ proposed by the author
Complexity of business	Q2	I frequently received the complex nature of businesses in my audit tasks.	
Distance of premise	Q3	I frequently received audit tasks which the distance of the clients' premises was far from the Customs' offices.	

Dimensions	Items	Sources of Adaptation
Cooperation	Q4 My clients normally give good and full cooperation when I perform my audit tasks.	(McManus, 2006)
Record keeping	Q5 My clients usually keep a proper and systematic record keeping.	(Nadiyah, Hajar, & Zarinah, 2017)

3.4.3 Organizational Management of Tax Authority

Three dimensions elaborate on the organizational management of tax authority which are non-audit tasks (unrelated, out-of-scope, or not in job description), management's support and encouragement, and the provision of audit resources. Six items are developed for the organizational management of the tax authority to get the views from the respondents. Table 3.3 shows the dimensions, items and sources of adaptation of the items for the organizational management of tax authority.

Table 3.3: Dimensions and items for Organizational Management of Tax Authority

Dimensions	Items	Sources of Adaptation
Non-audit tasks	Q1 Tax auditors are usually assigned with non-audit tasks.	(Kazmi, Amjad, & Khan, 2008)
Management's Support and encouragement	Q2 RMCD provides sufficient training for tax auditors to gain relevant knowledge and understanding in tax legislation as well as knowledge and skills in tax auditing to perform audit tasks.	(Alzeban & Gwilliam, 2014)
	Q3 RMCD provides encouragement, such as rewards to tax auditors for the outstanding performance in audit tasks.	
Audit resources	Q4 Tax auditors are provided with sufficient reference materials on tax legislation (such as Acts, Regulations, etc) and audit manuals (such as guidelines, Standard Operating Procedures, <i>Perintah Tetap</i> , etc).	(Bright, Kadane, & Nagin, 1988)

Dimensions	Items	Sources of Adaptation
	Q5 Tax auditors are provided with sufficient transport and driving assistance to perform field audit.	
	Q6 Tax auditors have easy access to the tax information system (example: SMK and MySST) to perform audit tasks.	

3.4.4 Performance Efficiency of Tax Auditors

The performance efficiency of tax auditors is the dependent variable in this study, and it was assessed using three items adapted to form three questions as shown in Table 3.4.

Table 3.4: Items for Performance Efficiency of Tax Auditors

Dependent Variable	Items	Sources of Adaptation
Performance Efficiency of Tax Auditors	Q1 In general, RMCD's tax auditors achieved their individual target set by management.	(Nadiyah, Hajar, & Zarinah, 2017)
	Q2 In general, RMCD's tax auditors completed their audit tasks within the allocated or shorter period of time.	
	Q3 In general, RMCD's tax auditors are efficient in performing tax audit tasks.	

3.5 Pilot Test

Pilot test seeks to enhance the reliability and validity of the questionnaire in the context of this study. The ultimate goal for the pilot test of a questionnaire is for the researcher to test the misunderstandings, inconsistent understandings, incorrect concept, and others (Collins, 2001).

Once the questionnaire was finalized, a pilot study was conducted. A sample of 10 individuals similar to the population of the study was selected to determine if the respondents understand the questionnaire, to get feedback for perfecting the questionnaire, and also to test and determine the time required for the respondents to complete the survey.

3.6 Data Collection Procedures

Initial information in this study was collected from various sources such as through officially published government documents, academic literature, and online news, while the main data were from the questionnaires distributed. Observations and interviews were conducted to supplement the initial data collected and to ascertain specific views and perception of tax auditors on the determinants that may affect their performance efficiency.

Questionnaires were used to collect the data in this study because they allow the gathering of the main data from the targeted sample. Respondents voluntarily participated in this study by answering the questionnaire with no financial reward offered. The respondents are from several RMCD's stations across Malaysia which comprise of big and small stations. This would represent the overall tax auditors in RMCD throughout the country. A total of 220 questionnaires was distributed to respondents.

3.7 Data Analysis Techniques

The data collected were then analysed using Statistical Package for the Social Sciences (SPSS) software. SPSS is chosen as it is believed to be a sufficient way to analyse based on the framework of this study. A basic demographic analysis was first carried out to illustrate the subjects in which the result of the thesis is based on.

The demographic data of the respondents that are obtained in the first part of the questionnaire are analysed which included gender, age, education level, education background, current position in RMCD, working experience in RMCD, and working experience as RMCD's tax auditor. The frequency and percentage of the items will be elaborated and presented in a table format for the demographic data.

Next, descriptive statistics and multiple regression analysis are carried out to determine the responses in each prevalent section of the questionnaire. In this research, SPSS has analysed the data collected from the questionnaire answered by respondents. Data analysis techniques must be correctly used to give sufficient evidence in answering the research questions that have been developed in the previous chapter. Descriptive analysis and inferential analysis were employed to analyse the data in the present research.

3.7.1 Descriptive Analysis

The mean and standard deviation will be calculated, and the information will be presented in a table format in the next chapter. The main purpose of this analysis is to acquire a suitability of the collected data and to present the responses of major variables in this study.

3.7.2 Multiple Regression Analysis

Multiple regression analysis is used to statistically analyse the relationships between dependent variable with the independent variables and dimensions. In other words, it is used to test all the hypotheses in this study. The relationships of the dependent variable with the independent variables and dimensions are considered significant when the result of 'p value' is lower than 0.05 (<0.05) and 't stat' is higher than 2.0 (>2.0).

Furthermore, to recognise the direction and correlation of the relationships, the positive or negative value of coefficient is observed. This is to determine the positive or negative relationships of the dependent variable with the independent variables and dimensions.

The model of analysis is:

$$\text{TAEFF} = \beta_0 + \beta_1 \text{CTA} + \beta_2 \text{AA} + \beta_3 \text{OM} + \varepsilon \quad (3.1)$$

Where:

TAEFF = Tax Audit Efficiency

β_0 = Intercept

β_1 = Coefficient for Characteristic of Tax Auditors

β_2 = Coefficient for Attributes of Auditees

β_3 = Coefficient for Organizational Management of Tax Authority

CTA = Characteristic of Tax Auditors

AA = Attributes of Auditees

OM = Organizational Management of Tax Authority

ε = Error term

3.8 Chapter Summary

This chapter explains the research methodology used to conduct this study. This research is considered as a quantitative study as it uses primary data. A survey or questionnaire is used as a tool to collect this data. This chapter provides some explanation on the target population, sampling frame, instrument design and measurement. Moreover, this chapter discusses in detail the methodology adopted in collecting the data and techniques for the purpose of analysis. The analysis of data, findings, results and discussion for this study will be presented in the next chapter.

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