



ORIGINAL PAPER

Fiscal performance, desideratum of public administration

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Abstract:

The field of finance has always aroused a remarkable interest, both among the politicians, the population, as well as among the specialists and researchers in the field. Therefore, the study of fiscal performance has recently become a concern among specialists, thus we could argue that, at present, it has even obtained an autonomous particularity of scientific research, based on its own approaches and concepts. The difficulty of increasing voluntary tax compliance and tax collection by the state are some of the most important targets to achieve for every tax administration. A high level of tax collection guarantees the indispensable financial resources of each Government, to have the ability to maintain the expenses to meet the general needs of society. Alongside with actions to combat and prevent tax evasion, the collection of due taxes supports, to a large extent, the provision of these needs.

Keywords: *fiscal performance, efficiency, effectiveness, levels of performance, behavior, compliance.*

JEL Classifications: G40, H21, H30.

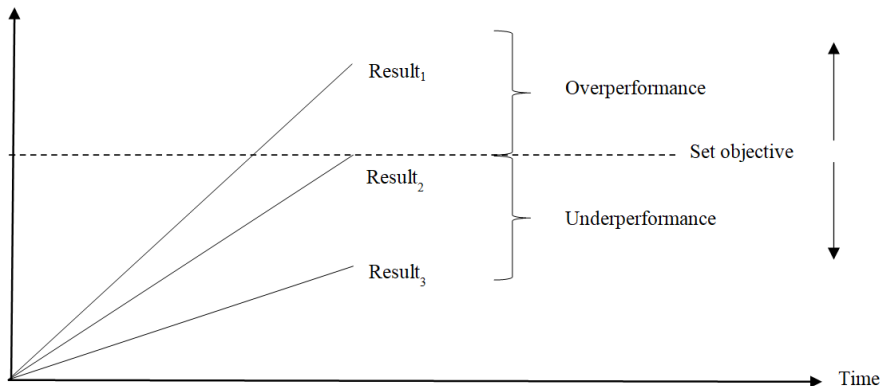
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Introduction

If we consider the linguistic form of the word, according to the explanatory dictionary of the Romanian language, performance is "a particularly good result [...], in a field of practical activity, etc.; the best result given by a machine, an apparatus, etc." (Breban, 1980). It is "a prestigious result achieved by an athlete or a team; by extension, outstanding achievement in a field of practical activity. The best result given by a technical system, a machine, a device, etc." (Stănciulescu, 2005). On the other hand, another very famous dictionary namely the Oxford English dictionary considers performance as "how well or badly you do something" or "how well or badly something works", it is also defined as "the act or the process of performing a task, action, etc., while the verb "perform" means to function well or poorly. Through the literature, scholars continually insist that there is no standardized or uniform definition of performance and argue that it is a multidimensional concept. However, Samsonowa (2012), claims that all the different definitions that the literature should review, regarding performance measurement, have a common feature; they are all related to two terms: effectiveness and efficiency; effectiveness as an indicator of an objectives' degree of achievement, and efficiency as an indicator of the resources that were consumed to achieve the level of achievement.

Grüning (2002), defined three levels of performance: level (-1) is the level of underperformance, in which one goes through a certain process of reaching predefined objectives and tries to achieve them; level (0) is the level of performance, in other words the level of achievement of the objective, it is the stage in which the predetermined objectives are successfully achieved; level (1) is the level of overperformance, which the author defines as the level of excellence, at this level expectations are exceeded to achieve the goals only, the expected results are exceeded and better results are achieved.

Figure 1. Performance as set objective



Source: Ghalem and colab., 2016

In the last ten years there has been an exponential interest in the development and definition of the concept of performance. According to (cf. Ilgen & Schneider, 1991; Motowidlo, Borman, & Schmit, 1997) Performance is not defined by the action itself, but by the processes of judgement and evaluation. (Campbell et al., 1993) argue that only measurable actions are considered constituents of performance. When we discuss outcome we refer to the consequence or result of an individual's behaviour. The

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behaviours mentioned above may lead to outcomes such as: quantity of parts bilt, sales figures or number of successful medical operations. Quite often, the behavioural and outcome aspects are empirically linked but are not completely overlapping.

Campbell (1990); McCloy, Oppler and Sager (1993); Kanfer (1990); Roe (1999), agree that when conceptualising performance, a distinction has to be made between an action (i.e. behavioural) aspect and an outcome aspect of performance. The behavioural aspect refers to what an individual does in the work situation. It includes behaviours such as selling personal gadgets, assembling the component parts of an aircraft, teaching children writing skills or performing a medical intervention. Only behaviour that is relevant to organisational goals is subsumed under the concept of performance, not any kind of behaviour. The outcome aspect refers to the consequence or result of the individual's behaviour.

The resulting aspects of performance also depend on factors other than those of the individual's behavior. For example, imagine a teacher who teaches a perfect reading lesson (the behavioral aspect of performance), but one or two of his students, nevertheless, fail to improve their reading skills because of their intellectual deficits (the outcome aspect of performance). In practice, it might be difficult to describe the action aspect of performance without any reference to the outcome aspect. Public sector efficiency is a crucial issue for both developed and developing countries in recent public finance reforms. To solve this problem, governments are looking for various reforms, especially related to the process of globalization.

Fiscal performance could be defined as all the ways implemented to ensure a sustainable global fiscal situation. We also consider here that tax rules are a tool to drive good tax performance. Determination of fiscal performance illustrates "fiscal performance" as a function of tax deferral and level of development (represented by recorded per capita income). Haldenwang (2010), expresses the fact that some countries fail to ensure that their citizens and businesses make an adequate contribution to the financing of public tasks. But not all countries with a low tax rate automatically fall into this category. Taking Haldenwang's (2010) observation, there is a well-established positive relationship between a countrys' ability to collect taxes and its level of development.

Fiscal performance, determinant element of voluntary compliance

The first relevant research became visible starting from the 1972 period - Allingham and Sandmo - they appreciated the following: "to increase tax compliance, a sanction based on the level of undeclared income must be applied". Understanding the taxpayer's fiscal behavior has become the subject of a study by the tax department in Ireland "Understanding Taxpayer Behavior - New Opportunities for Tax Administration", which emphasizes the idea that "in addition to the legal (tax) rules that suggest the taxpayer's fiscal behavior must be taken into account and other factors that can influence the tax behavior of taxpayers, among which one of major importance is trust in the tax administration".

The knowledge and ways of persuasion of the tax compliance behavior of the taxpayer revealed an interest also within the Organization for Economic Cooperation and Development (OECD), "Forum on Tax Administration-Understanding and Influencing Taxpayers Compliance Behaviour, November 2010", study which reveals the fact that research on taxpayer behavior is a new and indispensable field for determining strategies for increasing and strengthening voluntary taxpayer compliance. In the other countries, a

greater emphasis is placed on the analysis of the behavior of the taxpayer and the factors that can direct the increase in the degree of voluntary compliance of taxpayers, including by concluding a "psychological contract" between the tax authorities and taxpayers whereby both partners have rights and obligations, as stated in the research carried out by Feld and Frey, (2007). The theory-inspired model preferred by the Australian Taxation Authority is a proven fact that theory can be combined with practice.

So, it would be necessary to mention the role of taxes, from a social perspective, through which the state intervenes in the economy to apply different public policies. Thus, from the perspective of fiscal policy, taxes are given a fiscal leverage attribute. The use of tax as a fiscal lever differs from one country to another and is absolutely consistent with the public policies of each government. From a psychological point of view, Listhaug and Miller (1985) demonstrated that the unfolding of taxpayer behavior is achieved through two manners that are interconnected. A first explanation emphasizes the "rational" type, while the next type targets incidental symbolic or political factors. A large-scale debate had as its starting point the morality of the taxpayer, a fact that led to multiple researches in the field of psychology, especially in studies that refer to the taxpayer's behavior regarding the payment and declaration of taxes.

In Romania there is a small number of scientific research in this sphere of compliance. In the Ministry of Public Finance (MFP) and the National Agency for Fiscal Administration (ANAF) have not yet been treated with an analysis based on theoretical findings regarding the tax behavior of the taxpayer, the only approaches consisting of the application of sanctions or the collection of penalties and late fees for non-payment of taxes on time, respectively by imposing legal norms in this field. According to literature, there are numerous determinant factors of taxpayers's fiscal behavior.

1. Economic factors;

- Fiscal controls - Some of the main factors that influence the behavior of taxpayers are those of an economic nature, namely the measures aimed at taxpayers to be subject to a fiscal control, to be sanctioned by levying fines and penalties provided by the legislation in the field. Some studies support the fact that tax audit intervals have a positive impact on tax evasion (Jackson and Jaouen, 1989; Shanmugam, 2003; Dubin, 2004). These findings suggest that tax audit intervals can play an indispensable role, their essential role being to enhance voluntary compliance. The frequency and thoroughness of the audits could encourage taxpayers to be more cautious about completing tax returns and reporting all income. Conversely, taxpayers who have rarely been audited may be tempted to underreport current income. The probability of being audited is positively correlated with tax compliance. However, some studies identify conflicting results, concluding that a high level of probability of being controlled may decrease compliance (e.g. Slemrod et al., 2001; Braithwaite et al., 2009).
- Knowledge of government spending - According to Cullen et al. (2018), a smaller percentage of income tax is evaded when a larger percentage of taxpayers have a positive opinion of Government. Taxpayers who pay large amounts are more sensitive to how their taxmoney is spent by the Government. There is a higher change that voluntary compliance will increase when taxpayers notice their the Government spends national revenues cautiously, for example, on basic facilities like health, education, infrastructure, public transport and safety. At the other end of the spectrum, if taxpayers perceive that the Government spendings are high on something they deem unnecessary, then they might try to escape their tax obligations.

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2. Institutional factors;

- Role (efficiency) of tax authority/Government - For many aspects of tax compliance there is a debate in the literature about how effectively the tax system works. The role of the tax authority in minimizing the tax gap and increasing voluntary compliance is clearly very important. Hasseldine and Li (1999) illustrated tax compliance as placing the government and the tax authority as the main party that must be continuously effective in administering the tax system to reduce tax evasion. In addition, the study of Richardson (2006) also suggested that the role of a government has a significant positive impact in determining the attitude towards taxation.

3. Social factors;

- Social factors - Determinants of tax compliance from a social perspective refer to taxpayers's willingness to comply with tax laws in response to the behavior of other people and their social environment (eg: Government, friends and family members), (Torgler, 2008). On the other hand, Kirchler (2007) suggested that social factors should be viewed in a broader sense than Torgler's perspective, including the psychology of taxpayers.

- Perceptions of equity or fairness - One of the basic principles of tax system design is equity or fairness, which can be perceived through three-dimensional perspectives – horizontal equity (people with the same income or wealth categories should pay the same amount of taxes), vertical equity (taxes paid increase with the value of the tax base) and exchange equity (Wallschultzky 1984; Richardson, 2006). Certain conditions need to be met in order to be able to respect equity, according to Lazar, Inceu and Babici (2010), there should be a non-taxable minimum, it should be "universal, general", it should be decided "according to the contributory power" that he owns and that there is a "comparability of the fiscal burden", both horizontally and vertically. In order for a tax to be effective, it would be necessary to have an elastic character, to be sustainable and to have the cost of administration as low as possible. Tyler and Lind (1992), add other criteria to the concept of procedural fairness, such as decent attitude by the authorities and neutrality.

- Changes in government policies – According to Engida, and Baisa, (2014) an important role in determining tax avoidance behaviour is played by the political stability and ruling party of a country. For example, if a taxpayer favors the ruling party, they may choose to comply because they believe the government is trustworthy, efficient and fair. Conversely, if a taxpayer perceives that the opposition party is not on his or her side he or she might be non-compliant. Many studies have shown that policy changes and government decisions in line with the economic and political situation have a significant impact on compliance. As another example, it is likely that a positive government move such as an increase in tax relief (Hasseldine and Hite, 2003) will increase taxpayer compliance.

- Reference groups (family and friends) - Research establishing the importance of reference groups, such as family and friends, in tax compliance is limited, although Ajzen and Fishbein (1980), in "Theory of Rational Action and Theory of Behavioral Planning" theorized that reference groups play a significant role in determining people's intentions and behavior. Decisions whether or not to evade taxes are sometimes influenced by family members or friends, for example, Allingham and Sandmo (1972), although the extent of the influence was not clearly stated in this research. Therefore, the influence of reference groups is apparently important in making a decision, especially the involvement of monetary aspects and compliance with laws (tax compliance). There

are two salient factors that define behavioral intentions: a personal or "attitudinal" element and a social or "normative" element. As numerous researches have shown, individuals are actively involved in the influence they have on others (Swan, 1985).

4. *Social factors;*

- Individual factors – Decisions on evading or not their tax obligations depend, to a large extent, on the personal judgement of taxpayers. (Mohani, 2001).
- Personal Financial Constraints - Personal financial constraints are considered to have an impact on tax evasion because the financial difficulties faced by a person may encourage them to prioritize basic needs (food, clothing, housing, etc.) rather than tax obligations. People experiencing personal financial problems are likely to be more prone to evasion compared to people in less financial distress (Engida and Baisa, 2014).
- Awareness of offenses and punishments - A theoretical economic model introduced by Allingham and Sandmo (1972) clearly indicated that penalties as well as the likelihood of control have an impact on tax compliance. The greater the penalty and the potential likelihood of control, the greater the deterrent to potential tax evasion. If taxpayers are aware of the crimes they commit through tax evasion and the consequences of being non-compliant taxpayers, they could reduce their tendency to commit tax evasion.
- Fiscal knowledge - The influence of fiscal knowledge on compliance behavior has been described in various researches. The level of education received by taxpayers is an important factor that contributes to the understanding of taxation. According to Palil (2011), tax education is the knowledge of tax laws to determine the compliance behavior of taxpayers. Tax education promotes the taxpayer's understanding of tax systems, processes, the law and the associated penalties. This tends to increase people's inclination to comply with tax obligations. Asrinanda (2018), argues that the level of tax knowledge affects the tax attitude towards a fair tax system. Knowledge of tax laws by the taxpayer affects the compliance of the taxpayer himself in fulfilling his tax obligation and affects the tax revenues received by the state. The legislation is loaded with countless severe, ambivalent rules and exceptions, which often create a lack of functionality. Tax laws and regulations are legal documents with specific language that is complicated for ordinary taxpayers to understand. Tax laws should be simplified to save time and reduce administrative costs, thereby improving tax compliance (Kasipillai, 2005).

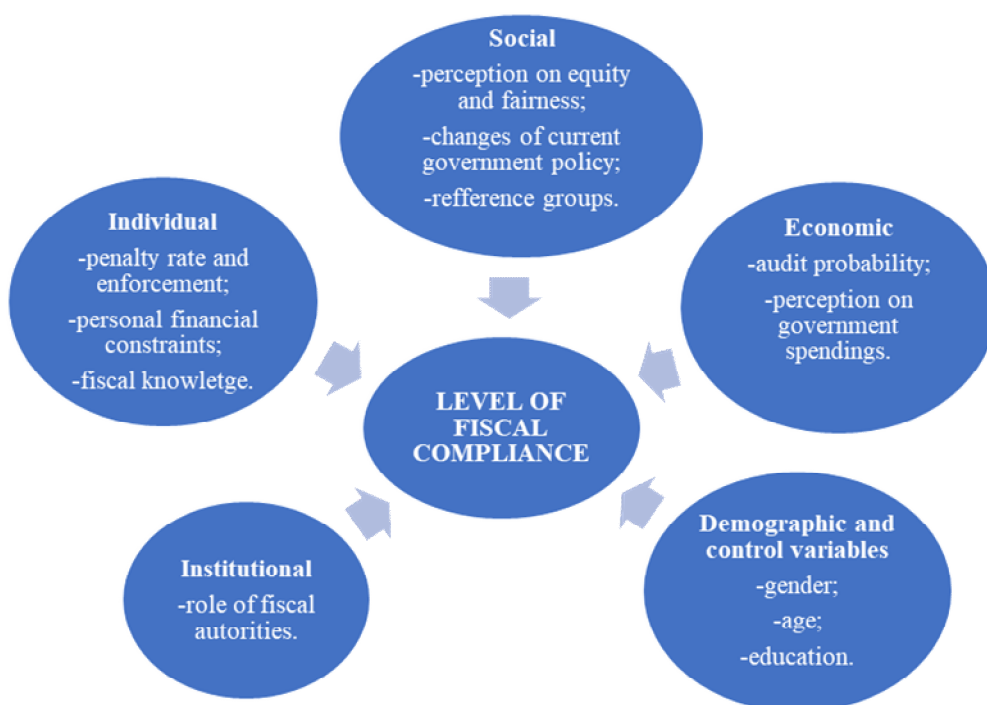
5. *Demographic factors.*

- Gender - Engida and Baisa, (2014) argue that some studies have found that men comply more easily, although other studies have revealed conflicting results or no significant difference. Studies done by Hasseldine, Hite (2003) and Tittle (1980) showed that a higher degree of compliance is shown by female taxpayers. A divergent opinion is presented by Richardson (2006); Amina, Sniy (2015) and Niway (2016) who reinforced the fact that gender does not have a significant role on taxpayer's compliance attitude.
- Source of income - Jackson and Milliron (1986) found that income level has a mixed and unclear impact on compliance, and some subsequent research agrees with this statement (Christian and Gupta, 1994). For example, progressive tax rates might encourage higher income groups to commit evasion rather than the lower income group because the tax rate and taxable income are high (for the higher income group) and consequently tax liabilities are higher than those for the lower income group. In a country where income redistribution is unsatisfactory, the higher income group tends to evade more (Mohani, 2001).

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- Age - Age is a demographic factor that has been the subject of a lot of research. Authors such as Wahlund (1992); Title (1980); Wärneryd and Walerud (1982), have argued that older people are more non-compliant than younger people.
- Education - Chan, Troutman and O'Bryan (2000) argue, that the level of education is directly related to the likelihood of compliance. Educated taxpayers may realize the opportunities for noncompliance, but may better understand the tax system. Higher levels of intellectual and moral development promote a more advantageous attitude and greater taxpayer compliance. Education refers to the ability to understand the importance and purpose of taxpayers paying taxes, complying with regulations and voting. According to Jackson and Miliron (1989), there is a positive and direct relationship between the level of education and taxpayer's responsibility, this relationship being backed up by previous literature.

Figure 2. Variables description, expected effect of the determinant and control variables



Source: own design

Conclusions

Regarding the concept of fiscal performance, we can state the following: although the term performance is widely used, defining it as a concept is quite difficult, this having as its main cause the multiple meanings it carries. Thanks to these meanings of the concept of performance, we can state with certainty the following fact: there is no general and exhaustive definition of the term performance, it being defined differently over time according to the meanings and purposes. Often, according to many authors, performance is identified or equated with efficiency or effectiveness. On the other hand,

in the case of other authors, as we could see, this term is equivalent to financial results. At the same time, the term "performance" is a relative concept that requires and demands both interpretation and judgement. The definition of this concept is influenced by the situation and the interpretive context of the types of information and the types of key parameters of the actual conjunctural situation. From this point of view we can affirm that regardless of the type and variant of the stated definition, the concept of performance is more than something observable or measurable, being a fact, the result of a deliberate mental construction. The concept of performance, in fact, is an extremely relative concept, it being defined and interpreted in terms of an evaluator who identifies and causally relates, through a coherent set, certain indicators with certain processes or activities, in the desire to highlight certain results present, necessary for the future achievement of other new results and to interpretively link future results in accordance with present or current activities and processes.

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