

**THE RELATIONSHIP BETWEEN CITIZEN SATISFACTION
WITH ASSESSMENT RATES & RATE-RELATED SERVICES.
A CASE STUDY, MUKAH DIVISION, SARAWAK**

JUNAIDI @ SAUDI BIN NARANI

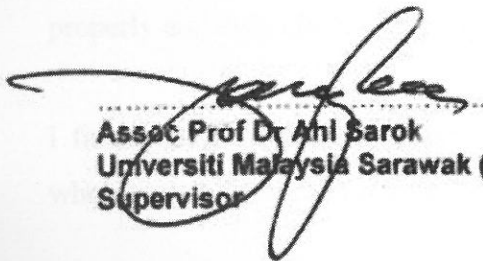
**A Dissertation Submitted to the School of Management,
Asia e University in Fulfilment of the
Requirements for the Degree of
Doctor of Business Administration**

May 2016

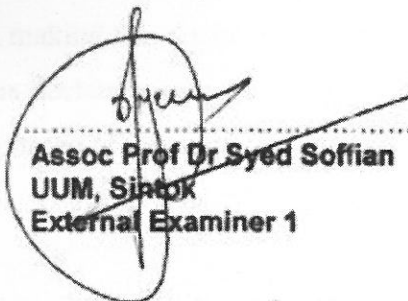


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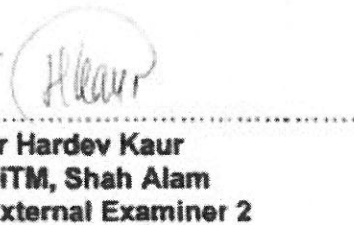
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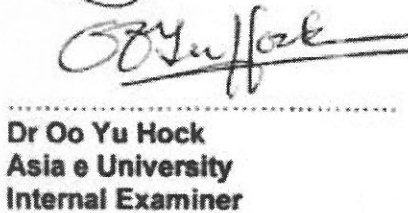
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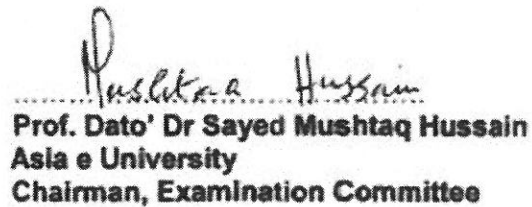
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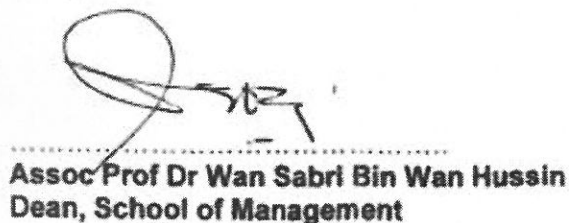


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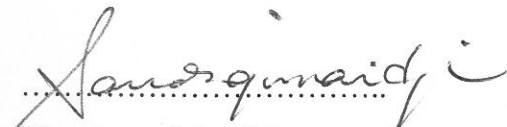
DECLARATION

I declare that this dissertation entitled **“THE RELATIONSHIP BETWEEN CITIZEN SATISFACTION WITH ASSESSMENT RATES & RATE-RELATED SERVICES. A CASE STUDY, MUKAH DIVISION, SARAWAK”** submitted in partial fulfilment of the degree of Doctor of Business Administration is the result of my own work and that all contributions from any other sources are properly and duly cited.

I further declare that this dissertation has not been submitted or accepted either in whole or in part in candidature for other degree at any other university

In making this declaration, I understand and acknowledge any breach or negligence in this declaration constitute academic misconduct, which may result in my expulsion from the program and /or exclusion from the award of the degree.

Junaidi @ Saudi Bin Narani


Signature of Candidate

Date: 15th May, 2015

DEDICATION

To my beloved father and mother

Haji Narani B Abg Mat & Hajjah Dolly Bt Willie

Nineteen sixty-six
I was then six
You refuged me to a remote village school
...that was the begining of this journey
-difficult and strenuous path indeed!

Only now at fifty-six
I begin to reach the scroll
Bapak, in sorrowful tears as always
...my endless recitation for you -*Al-Fatihah*
Emak, I love you so very much!

My *dua'a* shall always be onto you
"My Lord! Bestow on them Your Mercy
as they did bring me up when I was young".

ACKNOWLEDGEMENT

It is a common practice to express thanks and gratitude to all those persons, authors, colleagues and supervisor toward the success of this research. I would never have been able to finish this dissertation without their guidance and help.

First and foremost I would like to express my most sincere and deepest gratitude to my supervisor, Associate Professor Dr. Ahi Sarok, who has been very kind supporting and guiding me with great patience throughout my journey of research, and also giving me the motivation to complete this study within the given time-frame. Dr. Ahi Sarok has provided excellent guidance with valuable advice and insights right from the beginning until the end.

I am very grateful to Professor Dr. Andrew Tiong Hock Seng , the Chief Executive of Institut Teknologi Maklumat Nusantara, Kuching who has lectured Advanced Statistics at the university. He has also extended his valuable assistance in proof reading and editing the final text of this dissertation with possibly handfuls of structural, grammatical and typographical errors.

My sincere appreciation is also extended to Mr. Lade Abo, who has consistently provided second opinions especially in the analysis and interpretations of statistical output data.

This dissertation was also possibly accomplished with the help from staff of Dalat and Mukah District Council. I am thankful to the *Walikota* of the Council, Tuan Haji Ali Bin Suhaili and the Secretary, the late Mohd. Johari Haji Ibrahim for their generous support, and of course not forgetting Mrs. Fatin Flora Abdullah, Head of Rating and Valuation Unit and her staff for their great assistance and providing conducive environment for research.

I appreciate my parent and immediate family members for their encouragement, patience, and enthusiasm during the tenure of my study. Finally, I wish to thank all of those who have contributed in one way or another in making this research successful.

Thank you.

Junaidi @ Saudi Bin Narani.

ABSTRACT

This study investigates the relationship between citizen satisfaction with assessment rates and rate-related services provided by Dalat and Mukah District Council (DMDC) in Mukah Division, Sarawak. These services namely the general purpose services, the street lighting services, the scavenging services, and the road maintenance services are charged in the annual assessment bills. The current trend of high defaults in payment of rates is leading to substantial arrears. Data collection methods were the mainly personal survey method based on structured questionnaire and semi-structured interviews. The analysis were based on two hundred (200) respondents. Twenty (20) respondents were interviewed using semi-structured interview questions. The Cronbach's Alpha levels for the overall constructs were above 0.80, which proved that the scores obtained from the instrument were reliable. The result from EFA shows that the KMO for overall services range from 0.78 to 0.85 with Bartlett Test of Sphericity which recorded significant value at 0.00 and Eigen values range between 0.81 to 4.50 respectively. The study shows that there are significant relationships between citizen satisfaction on AR with GP Services ($r=0.49$, $p=0.00$) and SC services ($r=0.28$, $p=0.00$). However, the study has revealed that there was no significant relationship between AR with SL ($r=0.15$, $p=0.04$) and RM services ($r=-0.01$, $p=0.85$). Statistics of the study finding reveals that there were significant differences between assessment rates with General Purpose and Scavenging services, and no significant difference with Street Lighting and Road Maintenance services. The general citizen satisfaction level with related rate-services within the jurisdictions of DMDC in the study year (2012) based on Saudi General Satisfaction Formula® was at 72.1 percent. The citizenry of Dalat and Mukah Districts are generally satisfied at almost the third quarter percentile. When DMDC were to place emphasis on improving citizen satisfaction on the rate-related services, focus should be on General Purpose and Scavenging services. From findings and discussions, four recommendations were suggested to be adopted by the authority to enhance the citizen satisfaction level on assessment rates and rate-related services.

Lists of Abbreviations

ACSI	American Customer Satisfaction Index
ANOVA	Analysis of Variance
APR	Annual Percentage Rate
AR	Assessment Rates
ARV	Annual Rateable Value or Annual Rental Value
BDC	Bau District Council
BTS	Bartlett's Test of Sphericity
DBKU	Dewan Bandaraya Kuching Utara
DMDC	Dalat and Mukah District Council
ECT	Expectation Confirmation Theory
EDT	Expectation Disconfirmation Theory
EFA	Exploratory Factor Analysis
GP	General Purpose
INSPEN	<i>Institut Penilaian Negara</i> (National Institute of Valuation)
IT	Information Technology
JKR	<i>Jabatan Kerja Raya</i> (Public Works Department)
JPJ	<i>Jabatan Pengangkutan Jalan</i> (Land Transport Department)
KMO	Kaiser-Meyer-Oklin
LAO	Local Authorities Ordinance, 1996 (Laws of Sarawak ; Chapter 20)
MAMPU	Malaysia Administrative Modernization and Management Planning Unit
MCSI	Malaysia Customer Satisfaction Index
MDDC	Matu and Daro District Council
MHLG	Ministry of Housing and Local Government
n	Number of Respondents
NPM	New Public Management
PMC	Padawan Municipal Council
R&DO	Resident and District Office
R&V	Rating and Valuation
RM	Road Maintenance
RP	Rating Percentage
RRS	Rate-Related Services
SC	Scavenging
SD	Standard Deviation
SDC	Serian District Council
SEB	Sarawak Energy Berhad
SESCO	Sarawak Electricity Supply Corporation (Now SEB)
SL	Street Lighting
SPSS	Statistical Package for Social Sciences
TQM	Total Quality Management
TRR	Total Revenue Receivables
VL	Valuation List

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CHAPTER I

INTRODUCTION

1.1 Background of the Study

This study aims to examine the issue of citizen satisfaction with assessment rates and the services provided by a local authority in Mukah Division in Sarawak. Specifically, this study is to investigate citizen satisfaction with assessment rates and rate-related services provided by the Dalat and Mukah District Council (DMDC). So, the approval letter to conduct this research from the Ministry of Local Government and Community Development, Sarawak was obtained on 5th November, 2012 as attached in *Appendix I*.

The issue of citizen satisfaction is an important subject, for it reflects or implies the efficiency at which the local authorities implement their numerous policies and functions. It is the obligation of government of the day to fulfill the diverse needs and expectations of the citizenry and with the resources available at their disposals to meet or exceed these needs and expectations. Just like in a business environment, the citizens are their customers. Therefore, it is easier for the government to fulfill the needs of the citizens and make them satisfied as and when the government has the ability to understand their diverse needs and requirements.

Moreover, in a citizen-driven society, it is important for the local authorities to understand the expectations of citizens and provide them with quality services. Goetsch and Davis (2006) make it clear that customers usually apply a number of criteria determining citizen satisfaction. Among the criteria are the costs they have to pay for goods and services, response time, environment, and selection of the products or services. With respect to the assessment rates and rate-related services, local

authorities must have a fair assessment of rates and provide quality services that commensurate with the amount of rates they pay to the local authorities.

Mukah Division comprises of four administrative districts namely, Mukah, Dalat, Matu, and Daro. The division has an area of approximately 6,997.6 square kilometers and a total population of 110,024 people (SPU 2012). However, this study is only devoted to the Dalat and Mukah District which is being administered by a local authority called Dalat and Mukah District Council (DMDC) or *Majlis Daerah Dalat dan Mukah*.

The main reason why DMDC is chosen over other District Councils in Sarawak as an area for this study is mainly the homogeneity in the rates assessment variables. The four basic components in assessment rates, namely general purpose, scavenging, street lighting, and road maintenance are the same in DMDC as with other local authorities of the same category in Sarawak. Municipalities and city councils have other additional components such as sewerage and disludging services. Besides, there are also homogeneity and similiarity in the pattern of population distribution where most citizens who pay all the four basic components of rates are residing in the urban and sub-urban areas. The finding of the study with DMDC is by means of sampling theory to represent other local authorities of the same category.

The jurisdiction of DMDC covers two administrative districts namely Dalat and Mukah. The Dalat District covers an area of 905.29 square kilometers with a population of 24,152 people (SPU 2012). This district also includes the sub-district of Oya. On the other hand, Mukah District covers an area of 2,536 square kilometers with a population of 446,182 people (SPU 2012). Mukah district also covers the sub-district of Balingian. Based on the 2012 Census, the total population residing in the area under the jurisdiction of DMDC is 70,334 which are 64 percent of the total

population of the Mukah Division. The total area under the jurisdiction of DMDC is 3,441 square kilometers, and this is 49 percent of the total land area in the whole division.

1.1.1 Assessment Rates

Assessment rates can be referred to as assessment taxes or property taxes, payable on any property or holding, and the taxes are collected by the local government. The basis of tax assessment should be uniform and comprehensive for the government to cover expenses for services and development (Bardai, 1987). A review from Youngman and Malme (1994) pointed out that two distinct assessment methods are universally used which are property tax area-based assessment and value-based assessment, with the latter being divided into capital and rental value approaches. However, in Sarawak as in most of the states in Malaysia, the market value of properties is not the basis for the calculation of assessment rates.

The property tax is a compulsory contribution to be paid by the tax payers, where the tax payers in return will receive benefits from the local authorities in the form of tangible and intangible services such as community facilities, infrastructures and development projects (Smith & Buang, 2000). In other words, a property tax imposed on the tax payer is given back by local authorities in the form of services in their respective administrative areas. In the context of property tax, enforcement of the tax is intended as a tool to drive the development of areas administered by local authorities. The imposition of property tax is related to the role of local authorities in developing the area and providing the necessary services and facilities. So as for the DMDC, assessment rates are charged based on the services provided.

According to Section 127 to section 163 of the Local Government Act of 1976, local authorities are empowered to impose property tax on property owners to carry out the functions and roles of local authorities as an institution which has autonomy over the local populace. Thus, local authorities should ensure that the management of tax collection can be implemented effectively in the development process and services provided appropriately (Local Government Act, 1976). Section 61(1) of Local Authorities Ordinance of 1996 in Sarawak empowers local authorities including the DMDC to assess for rates on all holdings within its area, and make and levy any separate or consolidated rates.

Local authorities have important responsibilities in their functions and roles, especially in property tax management to ensure the welfare and amenity of residents can be realized. When the local government is weak and incompetent in handling the management of the property tax it would certainly affect the results of tax collection which will be used for financing development projects and services to be provided. The arrears in property tax will increase due to poor management and will burden the local authorities. This will have an impact on the quality of services performed. The prevalent issue of lower tax revenue in local authorities throughout Malaysia continues to pose a very serious predicament (Gibson, 1988). So as anywhere in other parts of the world including the DMDC, when assessment rate is not properly administered, arrears uncollected, defaults in payment of rates are prevalent, there shall be problems in financing development projects and the maintenance of services within the DMDC area.

The imposition of assessment rates by local authorities to all rate payers on all rateable holdings under their jurisdictions in Sarawak and in DMDC, particularly are calculated based on the Annual Value of the property and the Annual Percentage Rate

imposed by the local authority. The annual value of the property or holding, which is defined in Section 2 of the Local Authorities Ordinance of 1996, is the estimated annual rent at which the holding might reasonably be expected to let with the owner paying the cost of repair, insurance and other expenses necessary for the maintenance of the holding. This annual value is also referred to as Annual Rateable Value or Annual Rental Value or in short as ARV.

The annual percentage rate is fixed annually by the Finance Standing Committee of the Council, supported by the Full Council, and finally endorsed by the State through the Ministry of Local Government and Community Development before the rate can be effective. The annual percentage rate is calculated based on the cumulative percentage of the related services charged on general purposes, scavenging, street lighting, and road maintenance. This annual percentage rate is also known as Rating Percentage or RP. Once the rate is approved, it is effective for the whole year unless appeal made against it by the rate payers. All assessment rates imposed by local authorities in Sarawak is payable twice a year to the respective local authorities.

The first payment for a prescribed period from January to June must be paid before the end of May, and the second payment for a prescribed period from July to December must be paid before the end of October each year (Rating Valuation Manual, 2001). Subsequently, it is equally imperative or essential for citizens who are tax payers to understand how an assessment rate is being derived or calculated by a particular local authority. In the case of DMDC in 2012, the calculation is based on an annual value of the property and the annual percentage rate of related services as per gazette in Annual Rates Notification, 2012. *Appendix II* is Annual Rate Notification for 2012 issued to the DMDC by the State Government of Sarawak for public view to

formalize the annual percentage rate. A basic example for the calculation of assessment rate at DMDC for the year 2012 is as follows:

a)	Estimated annual rental value of property		
	@ RM 200.00 per month x 12 months		= RM 2,400.00
	Less Estimated cost of annual repair, insurance, etc.		= RM 400.00
	Annual Rateable Value (ARV) of property		= RM 2,000.00
b)	Annual Rating Percentage (RP):		
		General Purposes	6 %
		Street lighting	8 %
		Scavenging	6 %
		Road Maintenance	5 %
		<u>Total</u>	<u>25%</u>

Therefore, the assessment rate in respect of property is RM 2,000 x 25percent = RM 500.00 per annum or RM250 for every 6 months due in May and October each year.

1.1.2 Rate-Related Services

Rate-related services are the services provided by the local authority that are directly charged to the assessment rates. For the purpose of this study at DMDC, the rate-related services are the General Purpose services, Street Lighting services, Scavenging services, and Road Maintenance services. Other services that are not charged under the components of assessment rates, though provided by the Council are not considered as rate-related services.

1.1.3 The Valuation Process

The earliest literature in Sarawak that spoke of assessment and the valuation process is John Wood in his book *Local Government in Sarawak: 'An Introduction to the nature and working of District Council in the State'*. In the words of Wood (1968), he described the valuation process in the local authority as:

“Rates are arrived at by the process known generally as ‘assessment’. When we refer to an assessment of a property, we are usually talking about two separate things and it is important to distinguish carefully between these;-

First, we mean the value which is put on a property in order to classify it in relation to other properties in the neighbourhood. Rateable valuation is a technical matter and the law specifies the authority responsible for such valuation and the manner in which this must be calculated; and

Second, we mean percentage which must be applied to the value of each property in order to raise the amount of rate revenue a District Council requires to meet its share of the cost of local services. Subject to the approval of the Minister for Local Government, the fixing of rate percentages is a matter entirely within the discretion of each local authority” (p.37-38).

The valuation of property is not an easy task for the local authority. Although, the definition as stipulated by the Local Authority Ordinance specified that the annual value of property or annual rateable value is based on annual rental, the process of real valuation by the local authority is indeed a strenuous exercise which involves a diverse work procedure in the Rating and Valuation Unit of Local Authorities (Rating Valuation Manual, 2001). The ultimate aim of such rigid procedures is to ensure uniformity and compliance with professional valuation standards and most importantly is the outcome of the valuation exercise, namely the Valuation List (VL). The Local authority shall cause a VL of all holdings to be prepared containing the fair and acceptable Annual Rateable Value (ARV) of the holding for the basis of calculating assessment rates.

The Local Authorities Ordinance of 1996 (Laws of Sarawak, Chapter 20) has provision for citizens who are aggrieved by the VL to make an official objection to a particular local authority in writing at any time not less than fourteen days before the time fixed for the revision of the VL. Any citizen who makes an official objection will be heard either in person or by an authorized agent. Section 67 of the Local Authorities Ordinance of 1996 provides five main grounds for the objections as follows:

- “...*(a) that any holding for which he is rateable is valued beyond its rateable value;*
(b) that any holding valued is not rateable;
(c) that any person who, or any holding which, ought to be included in the Valuation List is omitted there from;
(d) that any holding is valued below its rateable value; or
(e) that any holding or holdings which have been jointly or separately valued ought to be valued otherwise...” (p. 44).

The Rating Valuation Manual printed and circulated by the Ministry of Environment and Public Health, Sarawak dated 27 July 2001 (unpublished) which are being used by the local authorities in Sarawak has outlined the various valuation processes to determine the ARV. The Rating Valuation Manual has explained all the necessary steps succinctly, and the steps as summarized below.

Step 1: The needs for valuation or a revaluation of property

The R&V Section of local authority investigate the need for valuation or revaluation in the following circumstances:

- (i) when there is a new holding to be valued,
- (ii) when there is a revaluation exercise, which may be at least once in five years or within such extended period as the *Majlis Mesyuarat Kerajaan Negeri* may determine, and/or
- (iii) when the existing Valuation List need to be ammended.

Step 2: The title and planning investigation stage

This involves the title search at Land and Survey Department to confirm the ownership, tenure, land size, locality, category, and classification of land use as well as title conditions. Potential use of the land may influence the value.

Step 3: Data management

This includes the collection, organization and analysis of rental and capital value evidence as at or around the date of valuation.

Step 4: Referencing

This is a must in the process of valuation as it involves the onsite-collection of data such as the measurement of building and usage, description of land and building, and neighbouring properties. Referencing must adhere to uniform methods of measurement as stipulated by the Institution of Surveyors Malaysia, a practice that is widely accepted by the valuation profession.

Step 5: Analysis and adjustments

The common valuation method is by means of comparison with open market value, contractor's test / costing method, and by means of profit method.

Step 6: Preparation of Valuation Report

This report conveys the opinion of annual rateable value as expressed by the valuation officer, the basis of valuation, the assumptions and information on which valuation is based. There are two kinds of reports:

- (i) standard report using standard valuation form for standard properties, and
- (ii) comprehensive valuation report for reporting of complex properties and properties which are referred to Rating Appeals Tribunal and High Court.

Step 7: Preparation of the Valuation List.

This is the requirement of the Ordinance that a VL of all holdings not exempted from payment of rates to be prepared containing:

- (i) the name and street or locality in which such holding is situated,
- (ii) the designation of the holding either by name or number sufficient to identify it, and
- (iii) the names of the owner and occupier if known, and (iv) the annual rateable value of the holding.

1.1.4 Exemption and Objectives of Rates

The Ordinance has also provided that all local authorities with the approval of the Minister of Local Government and Community Development can assess for rates on all holdings within its local authority area, and may make and levy any separate or

consolidated rates on any holdings. Section 62 of the Ordinance specify the following buildings or holdings exempted from payment of rates:

1. buildings for religious worship such as mosque or church,
2. buildings for public burial or crematorium,
3. buildings for educational purposes such as kindergarten, school, or college,
4. buildings for charitable purposes,
5. buildings belonging to state or federal government,
6. building belonging to local authority, and
7. any building by official notification exempted by the Minister.

Generally, the objectives for collection of assessment rates are to finance the provisions and maintenance of services provided by the local authorities. The Ordinance under Section 61(2) have mentioned the following services:

1. the maintenance, repair and lighting of public roads,
2. the supply of utilities to the local authority,
3. the maintenance of public parks, greens and other amenities,
4. the maintenance of public drainage system,
5. the maintenance of a system of refuse or waste disposal,
6. the provision of housing scheme approved by the government,
7. the improvements of any insanitary area that is dangerous to health,
8. the performance of any duties imposed by the local authority,
9. the general purpose services, and
10. any purposes approved by the government.

1.1.5 Rates Collection and Arrears of Rates

Many researchers who studied local government finance confirmed that assessment rate is the major source of local government revenue (Ahmad Attory Hussain, 1991; Phang, 1992; Sarok, 2006). In the case of Sarawak, the Local Authorities Ordinance, 1996 has outlined that taxes, rates, license fees, rentals and other dues including returns from investments and income from trading are the

sources of revenues for local authorities. Section 39 of the Ordinance outlines the revenue of the local authorities.

“The revenue of a local authority shall consist of the following:

- a) *all taxes, rates, levies, rents, license fees, dues and other sums or charges payable to the local authority by virtue of this Ordinance or any other written law;*
- b) *all charges or profits derived from services rendered or undertaking carried on by the local authority under the powers vested in it;*
- c) *all interest accrued on any monies invested by the local authority and all income arising from or out of the property, both moveable and immovable, of the local authority;*
- d) *all other revenue accruing to the local authority from the Government of the Federation or of the State Government of Sarawak or from any statutory body, other local authority, or from any other source, as grants, loans, contributions, endowments or otherwise; and*
- e) *such other revenues as the Majlis Mesyuarat Kerajaan Negeri may, with the approval of Dewan Undangan Negeri signified by resolution, declare to be the revenue of the local authority”* (p.32).

In Sarawak, the trend has been and will continue in future that the collection from assessment rates is one of the major sources of revenue for the local authorities. DMDC is no exception and the major portion of DMDC’s revenues is derived from assessment rates. Table 1.1 below shows the revenues of DMDC collected from assessment rates for the past five years from 2007 until 2011.

Table 1.1
Statement of Rate Collection 2007-2011

Month	Ringgit Malaysia				
	2007	2008	2009	2010	2011
January	8,708.73	8,810.24	5,633.40	4,238.10	4,879.70
February	6,751.42	3,242.55	9,830.85	13,639.35	9,728.75
March	10,621.33	9,226.40	25,681.15	48,701.20	119,810.75
April	22,697.47	18,370.67	62,112.85	41,340.20	86,431.05
May	57,294.86	55,556.87	88,189.50	85,795.30	250,389.05
June	79,444.16	123,457.29	180,230.23	178,053.62	70,798.30
July	25,880.32	26,660.02	28,903.85	109,230.95	31,981.85
August	1,664.95	13,630.18	25,066.20	27,476.75	52,707.20
September	16,459.40	39,131.38	31,112.30	17,434.76	34,283.95
October	23,285.60	36,608.85	35,693.75	92,491.95	53,777.99
November	52,017.50	49,767.68	50,332.15	51,143.24	183,126.70
December	314,420.20	401,117.90	400,254.40	387,133.09	263,920.71
TOTAL	619,245.94	785,580.03	943,040.63	1,056,678.51	1,161,836.00

Source: Rating and Valuation Section, Dalat and Mukah District Council, 2012.