EFFECT OF EXCISE STAMPS ON MONITORING TAX REVENUEIN KENYA

A CASE OF SPIRIT MANUFACTURERS IN THE LARGE TAX PAYERS OFFICE

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A RESEARCH PROJECT SUBMITTED TO THE DEPARTMENT OF ECONOMICS, ACCOUNTING AND FINANCE, SCHOOL OF BUSINESS IN PARTIAL FULFILMENT OF THE REQUIREMENT FOR THE AWARD OF POSTGRADUATE DIPLOMA IN TAX ADMINISTRATION AT JOMO KENYATTA UNIVERSITY OF AGRICULTURE AND TECHNOLODY.

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DECLARATION

This project is my original work and has not been presented for a degree/post graduate diploma in any other University. To the best of my knowledge and belief, the project contains no material previously published or written by another person except where due reference is made in the project itself.

Signature ……..Date ……..……..

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This project has been submitted for examination with my approval as University Supervisor

Signature ……..Date ……..……..

DR.MARION NEKESA

DEDICATION

I dedicated this research work to my wife and children. Thank you for your love and support.

ACKNOWLEDGEMENT

I thank God Almighty for His Grace and Favor. I thank my supervisor Dr. Marion Nekesa for her patience and guidance through this research.

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ACRONYMS

GDP	Gross Domestic Product
LTO	Large Tax Payers Office
KRA	Kenya Revenue Authority

DEFINITION OF TERMS

Excise Duty	Excise duty according to the Excise Duty Act, 2015 means a duty imposed under the Excise Duty Act, 2015 on goods and services manufactured or imported into Kenya and those listed under the 1st schedule to the Excise Duty Act, 2015.
Excise Stamps	An excise stamp is a type of revenue stamp affixed to some excisable goods to indicate that the required excise tax has been paid by the manufacturer (Nyaga, 2014)
Monitoring Tax Revenue	This refers to the ways and manner by which revenue from tax is collected monitored (Moyi & Ronge, 2006).

ABSTRACT

Tax monitoring and revenue is of great importance to a country especially a country like Kenya which is highly dependent on tax revenue. The Kenya Revenue Authority introduced the use of stamps under its EGMS, which kicked off three years ago, as part of a wider scheme to combat illicit trade, seal revenue leakages and boost collection. "In order to ensure compliance, licensed manufacturers and registered importers of the affected products are advised to facilitate KRA's technical teams to access the production lines for purposes of determining installation requirements". The study sought to determine the effect of excise stamps on monitoring tax revenue in the alcohol industry in Kenya (case of spirit manufacturers in the large taxpayers' office). The specific objectives are to determine the effect of demand of excise stamps on monitoring tax revenue in Kenya. To evaluate the effect of counterfeiting of excise stamps on monitoring tax revenue in Kenya. To assess the effect of declaration of excise stamps on monitoring tax revenue in Kenya. Lastly, to analyse the effect of enforcement on usage of excise stamps on monitoring tax revenue in Kenya. Ability to Pay Theory, Optimal Tax Theory and Theory of Tax Evasion were utilized in the study. The target population consists of all the firms in the large taxpayers' office which are 6 in number. Purposive sampling was used where ten respondents from each firm in the large taxpayers' office and the head of large tax payer office in the Kenya Revenue Authority (KRA) made up the sample of the study. Therefore, the sample size of the study was 61. The study was be based on descriptive research design. The research instrument of the study was questionnaire where closed ended questions were utilized. The reliability and validity of research instrument was ensured before the analysis of data. The data analysis of the study was based on descriptive and inferential analysis. Multiple regression model was be utilized in the inferential analysis of the study. The study established that the demand for excise stamps has a positive and significant effect on the monitoring tax revenue in the alcohol industry in Kenya. Also, the study showed that counterfeiting of excise stamps significantly affects the monitoring of tax revenue in the alcohol industry in Kenya. Furthermore, the analysis of study revealed that declaration of excise stamps significantly affects monitoring of tax revenue in the alcohol industry in Kenya. Lastly, the study provided evidence of a significant effect of enforcement of usage of excise stamps on the tax revenue monitoring in the alcohol industry in Kenya. The study recommends that government should come up with more effective measures relating to demand of excise stamps and monitoring of tax revenue as this will in turn enhance tax revenue. Also, government should come up with unique excise stamps as this will make counterfeiting difficult. This will ultimately discourage such practices and increase tax revenue. Government should come up with more effective tax monitoring system as this will also boost tax revenue. Lastly, the government of Kenya through the Kenya Revenue Authority should encourage the use of excise stamps as this will greatly impact on tax revenue. The study suggests that further research can be done on Spirit Manufacturers in the small tax payers office. Similarly, further studies can be carried out in the other sectors of the Alcohol industry. Lastly, further research can focus on tax payer education and monitoring of tax revenue in the large tax payers office.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Tax can be defined as the charge levied by the government of a given country upon its habitants for its support or for the purpose of facilitating the public of that country. Tax is an enforced payment to the government of which non-payment of it, the tax payer will be punishable by law Musgrave and Musgrave (2004). The purpose of taxes is to create welfare for the society by providing public services, protection to properties, defence expenses, and economic infrastructure. Kenya since independence had income tax. corporation tax, trade taxes and excise taxes while Value-added taxes were introduced later. Personal and corporate income tax is levied on individuals, corporations and certain specified earnings. It takes the form of tax on actual earned income in the case of individuals and on company profits (Asirigwa, 2011). A withholding tax is charged on other sources of income including royalties, dividends and rental income among others. These taxes generally capture formal sector business profits and employment income only.

The best international practice is to impose excises on the destination basis, under which imports are taxed and exports are freed of tax. Moreover, excises should apply equally to goods that are imported or domestically produced. This ensures that the excises apply uniformly to all domestic consumption of the excisable goods. Most countries follow the practice of excising imports and not taxing exports, although a few countries (Pakistan, for example) follow the old Commonwealth tradition that excises are levied on domestic production alone. Excises can be

either specific taxes (based on quantity) or *ad valorem* (based on value). Many countries impose specific rates on certain excisable goods and *ad valorem* rates on other excisable goods, particularly for goods varying widely in quality, such as jewellery or fur coats, that would be difficult to assess under specific rates.

1.1.1 Global Perspective

Excise duty is a tax imposed on specific local and imported goods (Naibei, Momanyi & Oginda, 2012). Excise duty on imports is collected at the time of importation together with other import taxes like import duty and VAT (Cherogony, 2013). Excise tax is also a trade tax applied to either production or sale, to domestic output or imported, with either ad valorem or specific rates.

Unlike their developed counterparts, most developing countries rely heavily on taxes to finance their budgetary expenditures. In Kenya, taxation is the single largest source of government budgetary resources (Moyi & Ronge, 2006). One of the striking characteristics of Kenya is that unlike many other sub-Saharan countries today, it is a high tax-yield country with a tax-to-GDP ratio of over 20 per cent (KIPPRA, 2006).The Kenya Revenue Authority (KRA) is the predominant government revenue collection agency accounting for over 96% of government ordinary revenue. KRA administers 17 revenue Acts, with the key ones (in terms of revenue importance) being Value Added Tax (VAT Cap 476), Income Tax Act (Cap 470), East Africa Community Customs Management Act (EACCMA), The Customs and Excise Act (Cap 472) and the Traffic Act Cap 403 (Cherogony, 2013).

1.1.2 Kenyan Perspective

In Kenya government expenditures are funded using revenue. Revenue is the receipts collected from taxes, appropriation of aid, borrowings, grants and revenue from public investments. Tax Revenue is a percentage of total government collected to finance the government total expenditure (Ndumia, 2015). Treasury is a department which is under ministry of Finance that is responsible with assessing and accounting of revenue collected. Treasury has several departments that are used to collect revenue including income tax (Irungu, 2013). Custom and Exercise and Sales departments. In Kenya revenue collected from taxation remains the single largest source of government budgetary resources (Nyaga, 2014). For the last one decade tax revenue is made up 80 % of total government revenue (including grants). In the last five years, the contribution of tax to total government recurrent revenue (excluding grants) has averaged 93% (Ndumia, 2015).

Kenya's excisable commodities at the moment are alcoholic beverages, soft drinks, mobile air time, bottled water, tobacco, fuel, cosmetics, jewellery and motor vehicles. Excise tax rates are particularly high in cases where a negative impact results from consuming harmful goods or services, or in cases of luxury goods that have a lesser substitution effect even with higher tax rates. On the other hand, local excise duty is collected monthly. Some of the goods subject to payment of excise duty include wines and spirits, beer, bottled water, soft drinks and cigarettes.

In Kenya revenue collected from taxation remains the single largest source of government budgetary resources. For the last one decade tax revenue is made up 80 % of total government revenue (including grants) (GOK, 2017). In the last five years, the contribution of tax to total government recurrent revenue (excluding grants) has averaged 93 %.Comparison of various taxes shows that direct taxes compared to indirect taxes contribute a greater share of overall tax

revenues. In the year 2011/2012, the highest tax contribution came from VAT followed by Personal Income Tax and then Corporate Income Tax. The ratio of tax revenue to GDP has gradually increased from 14 % in last one decade to 22 % in 2011. The current ratio of 22 % is relatively high compared to most of the other countries in the region; like Uganda reported an average tax to GDP ratio of I I.I % and in Rwanda it was 9.2 % Deloitte Kenya (2012) budge analysis.

1.1.3 Excise Stamps

Alcoholic beverage makers have now endorsed the new generation excise stamps for wines, spirits, tobacco and beer despite a procurement row surrounding its acquirement and initial opposition by bottlers. The Excise Tax Stamp is a specially designed digital stamp with security features which will be affixed on specified excisable goods in Kenya whether locally manufactured or imported to show that taxes and duties have been paid or will be paid on them. Excise duty according to the Excise Duty Act, 2015 means a duty imposed under the Excise Duty Act, 2015 on goods and services manufactured or imported into Kenya and those listed under the 1st schedule to the Excise Duty Act, 2015.

Use of the stamps is one way that the Treasury is counting on to seal tax leakages (Ndumia, 2015). The East African Breweries Limited (EABL) and the Kenya Wines Agencies Limited (Kwal) have now embraced the taxman's move. The Kenya Wines Agencies Limited (Kwal) is of the view that the new system would help deal a blow to counterfeiters (Irungu, 2013). "The mobile app platform, which is part of the EGMS enables the industry to ascertain authenticity of alcoholic beverages, which helps weed out parallel importers and counterfeiters," The Alcoholic Beverage Association of Kenya (Abak) draws its membership from Africa Spirits Ltd, Kenya

Breweries, United Distillers and Vintners (UDV) Kenya, Kenya Wines Agency, Wines of the World and Keroche Industries.

In practice, there are two possibilities to solve the case of excise stamps. In the most common way, an importer sends excise stamps to an exporter who sticks them to the bottles/boxes and sends them as such to their destination country. A less popular solution is to send the bottles/items without excise stamps. If so, they might be stamped before receiving marketing authorization to the market, but at the same time when items are physically on the territory of a country. They shall wait in a customs warehouse until the exporter will come and personally attach the excise stamps. This second solution is possible only in a free zone, duty-free warehouse or a customs warehouse and is practical when the counterparty is still not sure about what exactly to do with the sent goods.

Excise Tax Stamp seeks to achieve the following objectives: Control the importation and local production of excisable goods for revenue purposes, Check illicit trading, smuggling and counterfeiting of excisable products, check under-declaration of goods, and Protect and increase tax revenue. In general, the main objective of the excise stamps is to monitor excise duty.

Over the years, the issue of counterfeiting of excise stamps has been in the limelight. Illicit trade grew with stamps easily counterfeited. Counterfeit stamps or genuine stamps affixed to counterfeit can fool consumers and endanger public health. This led to some stamps to have specialised security design features to guard against counterfeiting as most types of paper tax stamps have been counterfeited within weeks of issue. Similarly, Kenya Revenue Authority (KRA) has introduced new generation excise stamps for all wines, tobacco, spirits, ready-to-drink alcoholic drinks and beers. The new excise stamps bear a Quick Response Code that will

enable distributors, retailers and consumers to authenticate the legitimacy of excisable products using a Smartphone (Kenya Revenue Authority, 2018).

1.2 Statement of the Problem

Since independence Kenya has been faced with budget deficit because revenue collected has a shortfall which increases year after year. In Kenya fiscal structure reveals that government expenditure and revenue have maintained consistent growth patterns with expenditures always exceeding revenues (Ndumia, 2015). The imbalance between revenue and expenditure results in large fiscal deficits. Tax reforms have been undertaken but taxes have not been as productive as desired. A poor tax performance, in terms of raising revenue can either mean deficiencies in tax structure or an inadequate effort on the part of the government, both of which are influenced by various factors (Nyaga, 2014).

Tax monitoring and revenue is of great importance to a country especially a country like Kenya which is highly dependent on tax revenue (Asirigwa, 2011). The KRA introduced the use of stamps under its EGMS, which kicked off three years ago, as part of a wider scheme to combat illicit trade, seal revenue leakages and boost collection (KAM, 2017). "In order to ensure compliance, licensed manufacturers and registered importers of the affected products are advised to facilitate KRA's technical teams to access the production lines for purposes of determining installation requirements,"

Other excisable products, including beer, opaque beer, potable spirits and wines, ethyl alcohol, tobacco and tobacco products are already covered. In a country where the economy is highly dependent on tax revenue, therefore, monitoring of tax revenue is equally important. This is

because the more effective and efficient the monitoring of tax revenue is, the higher the revenue and vice versa.

Most studies on tax revenue were centered on tax compliance. These studies include Mararia (2014) who studied the effect of Integrated Tax Management System (ITMS) on tax compliance by the small and medium enterprises in Nairobi central district and Nyaga (2014) who conducted a study on tax compliance, enforcement and taxpayer service in Kenya purposed to explore the relationship between enforcement policies and taxpayer service on tax compliance. This study sought to establish the effect of excise stamps on monitoring tax revenue in Kenya (case of spirit manufacturers in the large taxpayers' office). Specifically, the study sought to determine the effect of demand of excise stamps, supply of excise stamps, declaration of usage of excise stamps and enforcement on usage of excise stamps on monitoring tax revenue in Kenya.

1.3Objectives of the Study

1.3.1 General Objective

The general objective of the study is to determine the effect of excise stamps on monitoring tax revenue in Kenya (a case of spirit manufacturers in the large taxpayers' office).

1.3.2 Specific Objectives

i) To determine the effect of demand of excise stamps on monitoring tax revenue in Kenya.

ii) To evaluate the effect of counterfeiting of excise stamps on monitoring tax revenue in Kenya.

iii) To assess the effect of declaration of excise stamps on monitoring tax revenue in Kenya.

iv) To analyse the effect of enforcement on usage of excise stamps on monitoring tax revenue in Kenya.

1.4 Research Questions

The study sought to answer the following research questions:

i) What is the effect of demand of excise stamps on monitoring tax revenue in Kenya?

ii) What is the effect of counterfeiting of excise stamps on monitoring tax revenue in Kenya?

iii) What is the effect of declaration of stamps on monitoring tax revenue in Kenya?

iv) What is the effect of enforcement on usage of excise stampson monitoring tax revenue in Kenya?

1.5 Significance of the Study

The study is of significance to many groups. These groups include policy makers, Kenya Revenue Authority Management and future researchers.

1.5.1 Policy Makers

It is beneficial to policy makers as it provides them with policy recommendations which will help in ensuring proper monitoring of revenue for the government. The proper monitoring of revenue will in turn boost government's tax revenue.

1.5.2 Kenya Revenue Authority Management

The study is also of importance to the top management of Kenya Revenue Authority as it will help them in the monitoring of tax revenue. It provides them with the link between excise stamps

and monitoring of tax revenue in Kenya, thus, presenting suggestions on how to go about effective monitoring of revenue.

1.5.3 Future Researchers

Furthermore, to the academicians, the study lays foundation for future researchers who wish to carry out further research in similar field of study. Researchers who wish to carry out further studies on excise stamps and monitoring of tax revenue will have a basis to build on.

1.6 Scope of the Study

The study focused on the alcohol industry in Kenya specifically spirit manufacturers in the large taxpayers office which are six in number. The analysis of the study was conducted within the framework of a multiple regression model.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review of the study; this includes the theoretical review and empirical review.

2.2 Theoretical Framework

In carrying out the study, Ability to Pay theory, Optimal Theory and Prospect Theory of Tax Evasion were adopted to underpin the study. The prepositions of these theories support the study variables as the provide the link between excise stamps and monitoring tax revenue in Kenya.

2.2.1 Ability to Pay Theory

Ability to Pay Theory was propounded by Slade Kendrick (1939). The Theory of Ability to Pay considered tax liability in its true form and compulsory payment to the state without quid pro quo. It does not assume any commercial or semi-commercial relationship between the state and the citizens. According to this theory, a citizen is to pay taxes because they are able and his relative share in the total tax burden is to be determined by his relative paying capacity .This doctrine has been in trend for at least as long as the benefits theory. The basic principle of this theory is that the burden of taxation should be shared by the members of society on the principles of justice and equity and that these principles necessitates that the tax burden is apportioned according to their relative ability to pay theory.

According to the ability to pay theory also known as voluntary exchange theory, taxes are based on taxpayers' capacity to pay; there is no quid pro quo. Paid taxes are seen as sacrifices by the taxpayer that brings up the issue of what the sacrifice of each taxpayer should be and how it should be measured. According to Chigbu, Eze and Ebimobowei (2012) ability to pay theory was developed due to inadequacies in benefit and sacrifice theories of taxation. This is the most recognized and accepted principle of taxation, that is, people should be taxed on their ability to pay. It's only reasonable and fair that taxes should be levied on people on their ability of paying. This theory suggests that the payers of TOT should pay unconditionally and according to paying capacity (Chigbu *et al*., 2012). The ability to pay theory motivates citizens to pay tax hence increase tax collection by the KRA.

2.2.2 Optimal Tax Theory

According to Ramsey (1927) and Mirrlees (1971) optimal tax theory is concerned with the ideal level and form of economic redistribution. The optimal tax theory seeks to determine how government can maximize social welfare through taxes and transfers, without increasing the sacrifice on the part of tax payers. Whether conscious or not, optimal tax theory actually embodies a resource egalitarian view of distributive justice to a large extent. However, the reasoning behind the theory's principles emphasizes incentives, efficiency, and the information that choices reveal about individual well being. This theory indicates that optimal taxation is a function of tax charge and how this tax is collected to ensure fair redistribution of welfare.

It has been assumed that lump-sum taxation, as it happens quite unnecessarily, looks at optimal pricing by public enterprises subject to a budget constraint. Work on discount rates for public investment during the sixties often implicitly assumed imperfections, such as absence of lump-

sum taxation. Many-consumer economy has been introduced without lump-sum taxes, stated, and proved the efficiency theorem. The chapter provides a discussion of existence and a case where the optimum can be obtained explicitly. The treatment of lump-sum taxation as based on individual information is related to the work on signaling and screening.

2.2.3 Prospect Theory of Tax Evasion

This theory describes the way people choose between probabilistic alternatives that involve risk. Under the prospect theory, the carriers of utility are gains and losses relative to some reference point (Dhami & al-Nowaihi, 2006). An important application of prospect theory is to the equity-premium puzzle in finance which is similar in spirit to the tax evasion puzzle in that both can be formulated in terms of a portfolio choice problem. Alm, Jackson and McKee (1992), suggest that one possible explanation for why people pay taxes might potentially be based on non-linear transformation of probabilities to overweigh the probability of a tax audit, which provides for an obvious deterrent to tax evasion activity. Restricted prospect theory has been used in "advance tax payments" in an attempt to deter tax evasion. Where advance tax payments exceeds actual tax liability, in which case the taxpayer correctly reports income, the taxpayer gets a refund, a gain. Therefore, the taxpayer's utility function is concave to gains. On the other hand, if the advance payment were lower than the actual tax liabilities, the taxpayer's utility function would be convex for losses and might be more willing to take a gamble of evading taxes (Elffers & Hessing, 1997).

2.2.3 Conceptual Framework

Conceptual framework is a diagrammatic representation of the relationship among research variables (Mugenda & Mugenda, 2013). It helps the researcher to see the proposed relationship between the study variables, i. e independent and dependent variables.

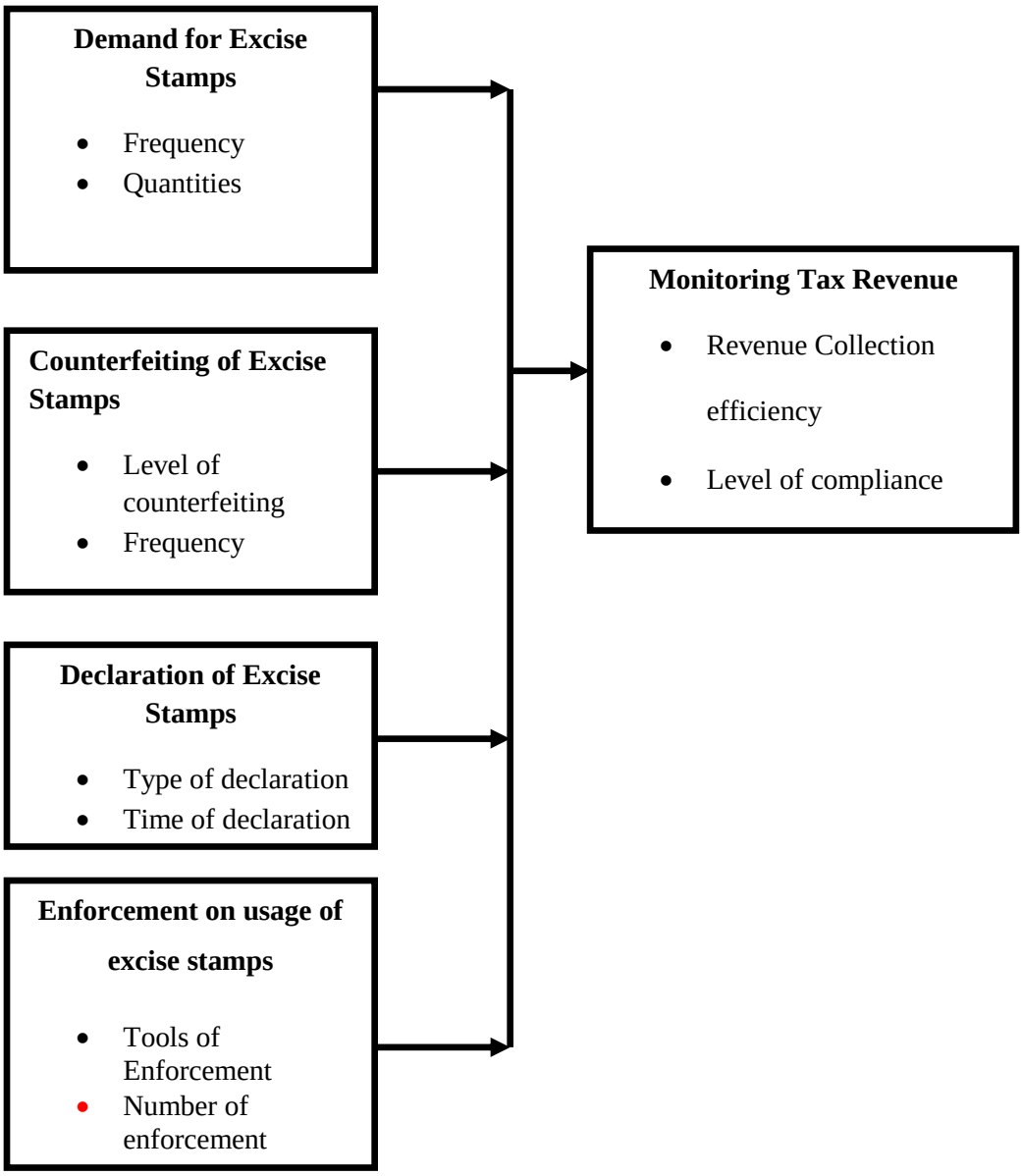


Figure 2.1 Conceptual Framework

2.4 Critic of Existing Literature Relevant to the Study

Bergman (2003) investigated tax compliance behavior in Argentina using two approaches; the measures to enhance commercial taxpayers and extensive campaigns and audits which will increase the probability of detection among taxpayers. The results suggested that as the number of audits and the probability of detection increased, taxpayers were encouraged to comply with tax laws and accurately report their income which had a positive impact on tax revenue. This suggests that unintentional evasion may occur rather than intentional evasion. He also claimed that the lack of audits and investigations implemented by tax authorities in the 1980s in Argentina had driven taxpayers to behave 'recklessly'. Moreover, as taxpayers were aware that they would not be detected due to lack of investigations, they incorporated more complex tax evasion strategies and less traceable documentations so that they could pay less tax. Findings by Bergman are consistent with the theoretical proposition that the fear of detection influences the level of compliance behavior, suggesting that the evaders take precautionary measures when the perceived risk of detection is high. Findings from Bergman have also evidenced that probability of being detected plays a significant role in inducing compliance behavior.

Slemrod, Blumenthal and Christian (2001), conducted a research on taxpayers response to an increased audit probability – evidence from controlled experiment in Minnesota. They selected a group of 1724 taxpayers and informed them through letters that the tax returns that they were about to file would be closely examined and compared this to a control group that did not receive the letter. They observed that the low and middle income taxpayers in the treatment group on average increased tax payments compared to the previous year.

Mararia (2014) studied the effect of Integrated Tax Management System (ITMS) on tax compliance by the small and medium enterprises in Nairobi central district. The target population

for the study comprised of 200 taxpayers out of which 100 taxpayers were picked as a representative sample. Data was analyzed by use of Statistical Package for Social Sciences. Although the study was mainly on ITMS effect on tax compliance, Mararia found that penalties and fines had a significant positive relationship with tax compliance. This resulted to an overall increase in collections as penalties and fined deterred tax evasion by taxpayers.

Nyaga (2014) conducted a study on tax compliance, enforcement and taxpayer service in Kenya purposed to explore the relationship between enforcement policies and taxpayer service on tax compliance. The study used simple regression analysis of aggregate variables representing enforcement measures against audit, penalties, criminal sanctions and taxpayer service. A sample frame list of self-employed individual taxpayers was used for 2003 to 2012. Nyaga found that audit and penalty had a positive relationship with tax compliance and hence tax revenue and taxpayer service and criminal sanctions had a negative relationship. With the variability in audit rate accounting for only 31% of the variability in tax compliance, she concluded that why Kenyans pay taxes remains an interesting question that required further research.

2.4 Summary

From the review of empirical literature relating to the impact of excise stamps usage on monitoring tax revenue,there is evidence that little has been done concerning the subject matter. Furthermore, most of the studies were centered on other countries. However, the findings from such studies cannot be applicable to Kenya as a result of different cultures and economic conditions in different countries. Other studies were centered on tax compliance in which the current study will be centered on monitoring tax revenue. For example, Mararia (2014) studied the effect of Integrated Tax Management System (ITMS) on tax compliance by the small and

medium enterprises in Nairobi central district. Similarly Nyaga (2014) conducted a study on tax compliance, enforcement and taxpayer service in Kenya purposed to explore the relationship between enforcement policies and taxpayer service on tax compliance.

2.5 Research Gaps

The review of literature provides evidence of research gaps. Most studies were done in other context other than the alcohol industry. The studies did not look at demand for excise stamps, supply of excise stamps and how they affect monitoring of tax revenue in the alcohol industry in Kenya. This study sought to address these gaps by establishing the effect of excise stamps usage on monitoring tax revenue in the alcohol industry in Kenya (a case of spirit manufacturers in the large taxpayers' office).

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides details on the methodology to be used in the study. It provides insight on the research design, target population, data collection instruments and data analysis for the study in order to generate research findings for reporting**.**

3.2 Research Design

According to Cooper and Schindler (2009) research design constitutes the blueprint for the collection, measurement and analysis of research data. Research design refers to an outline plan which is adopted in a study by a researcher to generate answers to research questions (Mugenda & Mugenda, 2013). Research design is a configuration of the research which constitutes how the research is structured; it is the logical thread which holds together all the crucial aspects of the research so that they can derive meaning. Descriptive design could be either longitudinal or cross-sectional. Descriptive cross sectional design is appropriate for studies where data is collected from a large sample with several variables being studied at the same point in time while descriptive longitudinal design is appropriate for studies where variables are studied over a period of time. Therefore, descriptive cross-sectional design will be adopted for the study. Descriptive design is appropriate when the purpose is describing characteristics of certain groups and the study of variables occurs at a single point of time; the design facilitates description of trends, attitudes or opinions of a large group in terms of asking questions of who, what, when, where and how of the topic.

3.3. Target Population

The target population refers to a group of individuals, objects or items from whichsamples are taken for measurement (Mugenda and Mugenda, 2013). The targetpopulation consist of all the firms in the large tax payers office which are 6 in number.

3.4 Sample Size and Sampling Technique

Sampling is the process of selecting a subset of a population in a research. The study adopted purposive sampling technique. Mugenda and Mugenda (2013) assert that purposive sampling is adopted in a study where a researcher selects sample members to conform to some criterion. Furthermore, purposive sampling allows the researcher to use cases that have the required information with respect to the objectives of his or her study. Therefore, ten respondents from each firm in the large tax payers office and the head of large tax payer office in the Kenya Revenue Authority (KRA) made up the sample of the study. Therefore, the sample size of the study was 61.

3.5 Research Instruments

The research instruments of the study were questionnaires. Questionnaires were used in the study because it is easy to analyze. Furthermore, questionnaire reduces biasness since there is uniform question presentation. In this study, closed ended questions will be used which will be expected to offer uniformity in answering the questions.

3.6 Data collection procedure.

The study will use a questionnaire administered to each member of the sample population. The questionnaire will have make use of closed-ended questions. The closed-ended questions provide more structured responses to facilitate tangible recommendations. The closed ended questions will be used to test the rating of various attributes and this helps in reducing the number of related responses in order to obtain more varied responses.

3.7 Validity and Reliability

In carrying out the study, the researcher will ensure that the validity and reliability of the research instruments are achieved before data collection and making conclusions.

3.7.1 Validity

Validity refers to the accuracy of measurement. Validity measures the accuracy of the research instruments, in this case, the questionnaire. The questionnaire will be well structured and tested prior to the research study in order to ensure that the research findings will be accurate and valid. Construct validity will be ensured by reviewing literature relating to excise stamps and monitoring tax revenue. Furthermore, content validity will be ensured by involving the supervisor of the study and/ or other experts in the field of marketing.

3.7.2 Reliability

A test is reliable only if it consistently measures what it is intended to measure. That is, when the test yields same results over repeated trials. Reliability refers to the consistency of a research measurement and the degree to which an instrument measures and gives the same results every

time when it is used under the same condition with the same subjects in the process. It is therefore, the repeatability of a research measurement.

A pilot study was conducted in order to test whether the questionnaire was valid. It was carried out by researcher with assistance from research assistants. The pilot study was be based on 10 respondents from the large tax payers office in Kenya. The respondents involved in the pilot study did not participate in the main study. The purpose of a pilot study is to identify any errors in the questionnaire and correct them before data collection. Thereby, ensuring the questionnaires are adequate for data collection (Brotherton, 2008).

The results are presented in table 3.1 below

Table 3.1 Reliability test

Variable	Cronbach alpha	No. of items	Comment
Demand of excise stamps	0.789	5	Reliable
Counterfeiting of excise stamps	0.743	5	Reliable
Declaration of excise stamps	0.827	5	Reliable
Enforcement of usage of excise stamps	0.791	5	Reliable
Monitoring of tax revenue	0.728	5	Reliable
Overall reliability coefficent	**0.776**	**25**	**Reliable**

Source (Survey data, 2018)

From the findings, on the reliability test, all the variables under study were reliable as the cronbach alpha was more than 0.70.

3.8 Data Processing and analysis

After the data is collected, it was sorted for order. The data was edited to remove errors and spot any inconsistencies and identify any problems resulting from the use of the questionnaire.

Editing made coding more objective. The assigned codes allowed the researcher to minimize errors during data entry and processing and provide easy interpretations of results. After coding, the data was carefully keyed in according to the assigned codes and a final check done on the data file for accuracy, erroneous data, completeness and consistency. The study adopted both descriptive and inferential statistics for the analysis of the study.

Descriptive statistics provides the general description of the characteristics of the research variables. The descriptive analysis was used of tables and charts to present statistics such as frequencies, percentages, mean score and standard deviation. Furthermore, the inferential analysis provided statistics which were used to make inferences and conclusions about the study population, thereby, answering the research questions. The questionnaire are based on closed ended questions

The study made use of multiple regression models to examine the effect of excise stamps on monitoring tax revenue in Kenya. The regression equations are as follows;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where:

Y = Monitoring Tax Revenue

X_1 = Demand of Excise Stamps

X_2 = Counterfeiting of Excise Stamps

X_3 = Declaration of Excise Stamps

X_4 = Enforcement on usage of Excise Stamps

$\beta_1, \beta_2, \beta_3 \beta_4$=Regression Coefficients

ε = Error term

3.9 Measurement of Variables

The research variables were measured as indicated in table 3.1.

Table 3.1 Measurement of Variables

Variables	**Indicator**	**Likert Scale**
<u>Independent Variables</u> Demand of excise stamps	High/low	5 point PointLikert
Counterfeiting of excise stamps	High/low	5 point PointLikert
Declaration of excise stamps	High/low	5 point PointLikert
Enforcement on usage of excise stamps	High/low	5 point PointLikert
Dependent Variable Monitoring Tax revenue	Level of compliance/Efficiency	5 point PointLikert

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

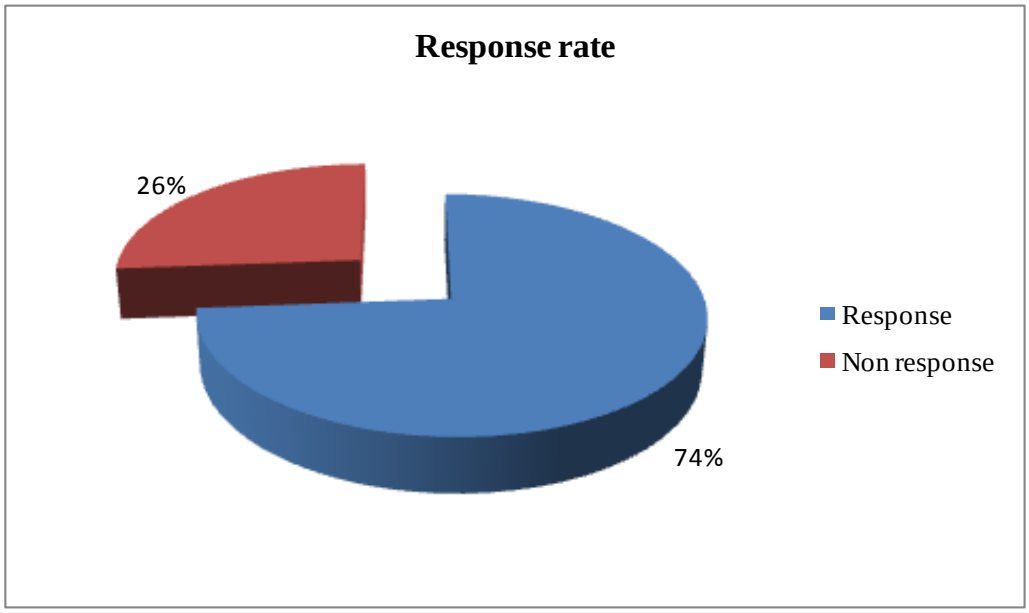
4.1 Introduction

This chapter represents the analysis of descriptive and inferential statistics deriving illustrates the findings obtained from the analysis of the primary data using regression and analysis of variance. It further presents the results of analysis, interpretation and discussion of the findings with the reference to the theoretical and empirical literature review

4.2 Response rate.

The response rate was analyzed on the basis of the proportion of the questionnaires that were duly filled and returned as presented in Figure 4.1 below.

Figure 4.1: Response rate



Source: Survey Data (2018)

The results in Figure 4.1 shows the response rate was 74% which was good and representative. This is consistent with Mugenda and Mugenda (2013) that a response rate of 50% and above is adequate for analysis and drawing conclusion.

4.3 Background information of the respondents.

The study sought to determine the background characteristics of the respondents in terms of the gender, age and education level.

4.3.1 Gender

The table 4.2 below indicates the demographic characteristic based on the gender

Table 4.2: Gender of the respondents

Gender	Frequency	Percent
Male	31	68.9
Female	14	31.1
Total	**45**	**100.0**

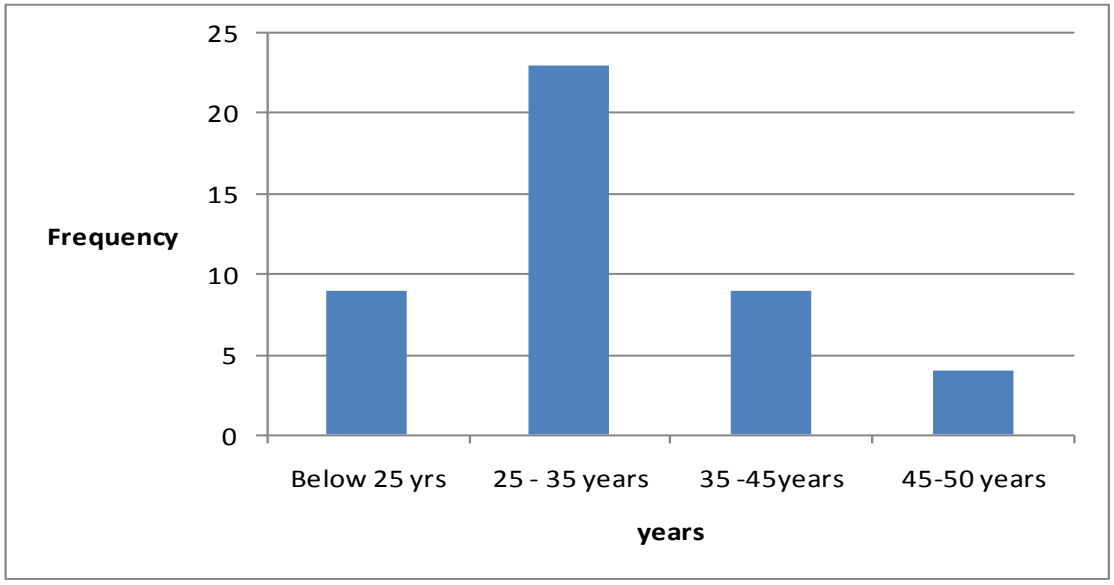
Source: Survey Data (2018)

According to the findings, majority of the respondents were male at 68.9% while female constituted 31.1%. However the two types of gender were fairly represented in the study.

4.3.2 Age bracket

The study also sought to determine the age brackets of the respondents. The results are presented in figure 4.2 below;

Figure 4.2: Age brackets of the respondents



Source: Survey Data (2018)

From the findings, majority of the respondents were between the age of 25-34 years at frequency 23, followed by those below the age of 25 years and those between the age of 35-45 years at 9 each then 45-50 years at 4.

4.3.3 Level of education

The study sought to determine the levels of education for the respondents and the results presented in table 4.3 below;

Table 4.3: Levels of Education

	Frequency	Percentage
Diploma	13	28.9
Undegraduate	25	55.6
Masters	6	13.3
Phd	1	2.2
Total	**45**	**100.0**

Source: Survey Data (2018)

From the findings, the support staffs were the majority of respondents were undergraduates at 55.6%, followed by diploma at 28.9%, masters at 13.3% and Phd at 2.2%.

4.4 Descriptive Analysis

The researcher used mean and standard deviation to present the summary measures of the sample that was observed. Analysis of descriptive statistics was conducted on the basis of the data collected on the variables that were at the core of this study. The basic feature of the observed sample formed the basis for quantitative data analysis for this study.

4.4.1 Demand for excise stamps.

The researcher analyzed the data collected on the measures of demand of excise stamps in monitoring tax revenue in Kenya and presented the results in Table 4.4.

Table 4.4: Descriptive Statistics on demand for excise stamps

	N	Minimum	Maximum	Mean	Std. Deviation
There is high demand for excise stamps	45	3.00	5.00	4.1778	.68387
There is frequent demand for excise stamps	45	3.00	5.00	4.0667	.65366
Frequent demand for excise stamps impacts on tax revenue	45	1.00	5.00	4.0889	.92496
Excise stamps is vital form of monitoring tax revenue	45	1.00	5.00	3.9333	.78044
Demand for excise stamps affects monitoring of tax revenue	45	1.00	5.00	3.4444	.94281
Average scores				**3.9422**	**.79715**

Source: Survey Data (2018)

From the findings, demand for excise stamps had the highest mean of 4.1778, followed by impact of frequent demand on tax revenue at 4.0889, followed by frequent demand for excise stamps at 4.0667, vitality of excise stamps in monitoring tax revenue at 3.9333 and how demand for excise stamps affects tax revenue at 3.4444. The average mean is 3.9422 meaning that most respondents agree that the demand of excise stamps affect tax revenue in Kenya.

4.4.2 Counterfeiting of excise stamps.

The researcher conducted the analysis of the data collected on the descriptive statistics of the counterfeiting of excise stamps and displayed the results in Table 4.5

Table 4.5: Descriptive Statistics on Counterfeiting of excise stamps.

	N	Minimum	Maximum	Mean	Std. Deviation
There is high level of counterfeiting of excise stamps	45	3.00	5.00	4.3111	.73306
Excise stamps are easily counterfeited	45	2.00	5.00	4.5556	.54588
There is measures put in place to curb counterfeiting of excise stamps	45	2.00	5.00	4.4222	.54309
Frequency of counterfeiting of excise stamps affects monitoring of tax revenue	45	1.00	5.00	4.0222	1.15776
Counterfeiting of excise stamps affects tax revenue	45	3.00	5.00	4.5111	.58861
Average scores				**4.3644**	**.71368**

Source: Survey Data (2018)

From the findings most of the respondents on agree that counterfeiting of excise stamps affects the process of tax revenue monitoring in Kenya positively. The excise stamps were found to be easily counterfeited at a mean of 4.5556. Counterfeiting of excise stamps was also found to have an adverse impact as shown by the mean of 4.5111. The respondents were also of the opinion that there are measures put in place to curb counterfeiting of excise stamps with a mean of 4.4222. Last but not least the findings show that the level of counterfeiting of excise stamps was high with a mean of 4.311. Lastly, the study findings also indicate that the frequency of counterfeiting of excise stamps affected the monitoring of tax revenue with a mean of 4.0222.

The average mean of 4.3644 indicates that counterfeiting of excise stamps affects monitoring of tax revenue in alcohol industry in Kenya.

4.4.3 Declaration of excise stamps

The researcher analyzed the data collected on the measures of the effect declaration of excise stamps on the monitoring of tax revenue in the alcohol industry in Kenya and presented the results in Table 4.6.

Table 4.6: Descriptive Statistics on Declaration of excise stamps.

	N	Minimum	Maximum	Mean	Std. Deviation
Declaration of usage of excise stamps is done frequently	45	2.00	5.00	3.0444	1.26051
Declaration of usage of excise stamps affects monitoring of tax revenue	45	3.00	5.00	3.5111	.92004
The time declaration of usage of excise stamps affects monitoring of tax revenue	45	3.00	5.00	4.1778	.83364
The type of declaration of usage of excise stamps affects monitoring of tax revenue	45	3.00	5.00	4.0214	.78303
Monitoring of tax revenue enhances revenue growth	45	2.00	5.00	4.8667	.84208
Average scores				**3.9244**	**0.92786**

Source: Survey Data (2018)

From the findings it is apparent that most of the respondents on agreed that monitoring of tax revenue enhances revenue growth at a mean of 4.8667. Secondly, the respondents agreed that the time of declaration of usage of excise stamps affect tax revenue monitoring as shown by the mean of 4.1778. Thirdly, the respondents also agreed that the type of declaration done on the usage of excise stamps do affect tax revenue monitoring at a mean of 4.0214. Fourthly, the respondents agreed that the declaration process of tax revenue affect monitoring of tax revenue at a mean of 3.5111. Finally, the respondents were neutral on whether the declaration of the usage of excise stamps is done frequently as shown by the mean of 3.0444. Overally, most respondents do agreed that the declaration of excise stamps affect the monitoring of revenue in Kenya.

4.4.4 Enforcement of usage of excise stamps

The researcher analyzed the data collected on the measures of the enforcement of the usage of excise stamps and its effect on tax revenue monitoring in the alcohol industry in Kenya and presented the results in Table 4.7.

Table 4.7: Descriptive Statistics on enforcement of usage of excise stamps.

	N	Minimum	Maximum	Mean	Std. Deviation
There is enforcement of usage of excise stamps	45	1.00	5.00	4.5212	.72683
There are sufficient tools for enforcing usage of excise stamps	45	2.00	5.00	3.7333	.71985
There are adequate officers to enforce the usage of excise stamps	45	2.00	5.00	3.7556	.80214
Tools available for enforcement of usage of	45	2.00	5.00	3.4000	.96295

excise stamps affects monitoring of tax revenue.					
Monitoring of tax revenue is influenced by the enforcement on the usage of excise stamps	45	3.00	5.00	4.1311	.64745
Average scores				**3.9022**	**0.80422**

Source: Survey Data (2018)

From the findings most of the respondents on agree that the enforcement of the usage of excise stamps affect the monitoring of tax revenue in the alcohol industry in Kenya positively as shown by the average mean of 3.9022. In terms of the specific enforcement measures, most respondents agreed that there is enforcement of the usage of excise stamps at a mean of 4.5212. Secondly, the respondents were of the agreement that the monitoring process is influenced by the enforcement of the usage of excise stamps at mean of 4.1311. Thirdly, the respondents agreed that there were adequate officers to enforce the usage of excise stamps as manifested by the mean of 3.7556. Fourthly, the respondents agreed that there were sufficient enforcement tools of usage of excise stamps with a mean of 3.7333. Lastly, the respondents were neutral as to whether the tools currently available for enforcement of usage of excise stamps were sufficient as shown by the mean of 3.4000.

4.4.5 Monitoring of tax revenue

The researcher analyzed the data collected on the measures of the monitoring of tax revenue in the alcohol industry in Kenya and presented the results in Table 4.8.

Table 4.8: Descriptive Statistics on monitoring of tax revenue.

	N	Minimum	Maximum	Mean	Std. Deviation
Monitoring of tax revenue is associated with demand for excise stamps	45	2.00	5.00	3.9422	.79715
Monitoring of tax revenue is hampered by counterfeiting of excise stamps	45	2.00	5.00	4.3644	.71368
Monitoring of tax revenue is associated with declaration of excise stamps	45	2.00	5.00	3.9244	.92786
Monitoring of tax revenue is associated with enforcement of usage of excise stamps	45	2.00	5.00	3.9022	.80422
There is efficient system for monitoring of tax revenue.	45	3.00	5.00	3.2444	1.09036
Average scores				**3.9022**	**0.866654**

Source (Survey data, 2018)

The results from the analysis indicate that the respondents agree that monitoring of tax revenue is hampered by counterfeiting of excise stamps with an overall mean of 4.3644. The respondents also agree that there is an association between the demand for excise stamps and the tax revenue monitoring with a mean of 3.9422. In addition, the respondents agreed that there is an association between the declaration of excise stamps and the tax revenue monitoring with a mean of 3.9244. Further, most respondents agree that the enforcement of usage of excise stamps is associated with tax revenue monitoring. Lastly, it is apparent that the respondents were neutral regarding the efficiency of the monitoring system as depicted by the mean of 3.2444.

4.5 Inferential Analysis

This section focused on the model summary, ANOVA, and multiple regression analysis on the effect of stamps usage on the monitoring of tax revenue in Kenya. The predictor variables in the study were the demand for excise stamps, counterfeiting of excise stamps, declaration of excise stamps and the enforcement of usage of excise stamps.

4.5.1 Model summary.

The model summary was carried out to determine the percentage of variation in the dependent variable as a result of a percentage change in the predictor variables. The results are presented in table 4.9 below;

Table 4.9: Model summary.

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.849[a]	.721	.708	2.51908

a. Predictors: (Constant), Demand of excise stamps, Counterfeiting of excise stamps, Declaration of excise stamps, Enforcement of usage of excise stamps

Source (Survey data, 2018)

The model had an adjusted R-square value of 0.708. The R-square value of 0.708 implies that the predictor variables explain 70.8% of the changes in the tax revenue monitoring in the alcohol industry in Kenya.

4.5.2 Analysis of Variance (ANOVA)

This study made use of the ANOVA statistics to find out the significance of the association between the tax revenue monitoring and the usage of excise stamps in the alcohol industry in Kenya. The results are presented in table 4.10 below;

Table 4.10: Analysis of variance (ANOVA)

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	22.942	4	5.735	21.286	.000[b]
	Residual	31.525	41	.269		
	Total	54.467	45			

a. Dependent Variable: Tax revenue monitoring

b. Predictors: (Constant), Demand of excise stamps, Counterfeiting of excise stamps, Declaration of excise stamps, Enforcement of usage of excise stamps

Source (Survey data, 2018)

From the findings, the model was significant with a p-value of 0.000 which implies that the model was good for estimation.

4.5.3 Regression Analysis

This study further sought to determine the multiple regression effect of excise stamps usage on tax revenue monitoring in Kenya. Table 4.11 exhibits the regression analysis results.

Table 4.11: Multiple Regression Analysis without the moderating variable

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	-2.023	.856		-2.362	.020	-3.719	-.327
	X1	1.059	.182	.475	5.826	.000	.699	1.419
	X2	-.532	.168	-.248	-3.157	.002	-.865	-0.199
	X3	.260	.107	.172	2.419	.016	.047	.472
	X4	1.049	.181	.481	5.939	.000	.715	1.431

a. Dependent Variable: Tax revenue monitoring

Source: Survey Data (2018)

The regression model that was estimated through the results of regression analysis is presented below.

$$\mathbf{Y=-2.023+1.059X_1-0.532X_2+0.260X_3+1.049X_4+\varepsilon}$$

The regression results show that without the inclusion of the predictor variables, the tax revenue monitoring declines by 2.023 times. A unit increase in the demand of excise stamps (X1) results in the increase in the tax revenue monitoring in the alcohol industry by 1.059 times other things held constant. Secondly, a unit increases in counterfeiting of excise stamps (X2) other factors held constant, results in a decrease in the monitoring of tax revenue by 0.532 times. Thirdly, a one unit increase in the declaration of excise stamps (X3) other things held constant, results in an increase in the tax revenue monitoring by 0.260 times. Finally, for a unit increase in the enforcement of usage of excise stamps, there is an increase in tax revenue monitoring by 1.049 times other things held constant. The p values also indicate that all the variables, are significant at 0.05 level of significance with p values of less than 0.05.

4.6 Interpretation of the findings.

The study sought to achieve the following objectives;

4.6.1 Specific Objective One

The researcher sought to establish the effect of demand for excise stamps on the tax revenue monitoring in the alcohol industry in Kenya. The results of regression analysis in Table 4.11 demonstrate that a unit increase in the demand of excise stamps (X1) results in the increase in the tax revenue monitoring in the alcohol industry by 1.059 times other things held constant. The p value also indicate that the demand for excise stamp was significant at 0.05 level of significance with p values of 0.000.

The findings of study on the effect of demand for excise stamps on the tax revenue monitoring in the alcohol industry in Kenya is in line with empirical literature. Mararia (2014) studied the effect of Integrated Tax Management System (ITMS) on tax compliance by the small and medium enterprises in Nairobi central district. The study was found to be in agreement with the findings from this study in the sense that it underscores the demand for the Integrated Tax management system as a tool of ensuring tax compliance. The study found a positive correlation between the demand for ITMS and tax compliance.

4.6.2 Specific Objective Two

The researcher sought to ascertain the effect of counterfeiting of excise stamps on the tax revenue monitoring in the alcohol industry in Kenya. The results of regression analysis in Table 4.11 demonstrate that a unit increase in counterfeiting of excise stamps (X2) other factors held constant, results in a decrease in the monitoring of tax revenue by 0.532 times. The p values also

indicate that the counterfeiting of excise stamps was significant at 0.05 level of significance with p values of 0.002.

The findings are related to the findings by Bergman (2003) who in his study established that the lack of compliance led to low compliance to tax laws. In this study, the researcher established that with increase in counterfeiting of excise stamps, there was decreased tax monitoring to curb the vice. This implies that counterfeiting is an impediment to tax monitoring in the Kenyan alcoholic industry.

4.6.3 Specific Objective Three

The researcher sought to establish the effect of declaration of excise stamps on the monitoring of tax revenue in the alcohol industry in Kenya. The results of regression analysis in Table 4.11 demonstrate that a one unit increase in the declaration of excise stamps (X3) other things held constant, results in an increase in the tax revenue monitoring by 0.260 times. The p value obtained was 0.16 which implies that the effect of declaration of excise stamps on tax revenue monitoring was significant at 0.05 significance level.

Slemrod, Blumenthal and Christian (2001), in their study found a positive relationship between the tax returns and tax compliance. In their study filing of tax returns was identified as a tool for declaration of taxes. Their findings are thus in agreement with the findings from this study that establishes a positive correlation between declaration of excise stamps and tax monitoring in the Kenyan alcohol industry. The findings can be attributed to the fact that as excise stamps are declared, the more the monitoring of tax revenue and thus, the realization of higher revenue by the revenue authority.

4.6.4 Specific Objective Four

Finally, the researcher sought to determine the association between the enforcement of usage of excise stamps on the tax revenue monitoring in the alcohol industry in Kenya. The results of regression analysis in Table 4.11 demonstrate that for a unit increase in the enforcement of usage of excise stamps, there is an increase in tax revenue monitoring by 1.049 times other things held constant. The p value of 0.000 also indicates that all the enforcement of usage of excise stamps on the tax revenue monitoring was significant at 0.05 level of significance.

The findings are consistent with that of Nyaga (2014) who in his study on tax compliance, enforcement and taxpayer service in Kenya established a positive correlation between the enforcement and tax compliance which ultimately improve tax revenues. The enforcement measures included audit and penalties for non compliance.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This section of the study comprises of the summary, conclusion and recommendation of the study.

5.2 Summary of the Study

Most countries depend on tax revenue which is utilized to finance government expenditures. In Kenya revenue collected from taxation remains the single largest source of government budgetary resources. In many countries including Kenya, revenue collected from taxation remains the single largest source of government budgetary resources. Therefore, the monitoring of tax revenue is equally vital for a country. Excise Tax Stamps are utilized to control the importation and local production of excisable goods for revenue purposes. Similarly, they are used to check illicit trading, smuggling and counterfeiting of excisable products, check under-declaration of goods, and Protect and increase tax revenue.

The researcher sought to ascertain the effect of demand for excise stamps, counterfeiting of excise stamps, declaration of excise stamps and enforcement of usage of excise stamps on the tax revenue monitoring in the alcohol industry in Kenya. The study findings indicated that demand for excise stamps has a positive and significant effect on monitoring of tax revenue in the alcohol industry in Kenya. Also, the results of the analysis showed that counterfeiting of excise stamps has a negative but significant effect on monitoring of tax revenue in the alcohol industry in Kenya. In addition, for the effect of declaration of excise stamps on the monitoring of tax

revenue in the alcohol industry in Kenya was found to be positive and significant. Lastly, the findings of the study showed that the enforcement of usage of excise stamps has a positive and significant effect on monitoring tax revenue in the alcohol industry in Kenya.

Ability to Pay Theory, Optimal Theory and Prospect Theory of Tax Evasion were used to provide the theoretical link between the study variables. Descriptive design was used in the study where the target population of the study consist of all the firms in the large tax payers office which are 6 in number. Similarly, the study adopted purposive sampling technique. Mugenda and Mugenda (2013) assert that purposive sampling is adopted in a study where ten respondents from each firm in the large tax payers office and the head of large tax payer office in the Kenya Revenue Authority (KRA) made up the sample of the study. Therefore, the sample size of the study was 61. The research instruments of the study were questionnaires which were based on closed ended questions. The study had a response rate was 70% which was good and representative which is considered sufficient for a study.

Using multiple regression analysis, the study established that the demand for excise stamps has a positive and significant effect on the monitoring tax revenue in the alcohol industry in Kenya. Also, the study showed that counterfeiting of excise stamps significantly affects the monitoring of tax revenue in the alcohol industry in Kenya. Furthermore, the analysis of study revealed that declaration of excise stamps significantly affects monitoring of tax revenue in the alcohol industry in Kenya. Lastly, the study provided evidence of a significant effect of enforcement of usage of excise stamps on the tax revenue monitoring in the alcohol industry in Kenya

5.3 Conclusion

The conclusion of the study is in line with the findings of the study with respect to demand for excise stamps on the tax revenue monitoring in the alcohol industry in Kenya. The study concluded that the demand for excise stamps has a significant effect on monitoring of tax revenue in the alcohol industry in Kenya. Therefore, as demand for excise stamps goes up so is the level of monitoring of tax revenue and vice versa.

In relation to the effect of counterfeiting of excise stamps on monitoring of tax revenue in the alcohol industry in Kenya. Based on the findings from the regression output, the study concluded that counterfeiting of excise stamps is significant but negative in determining the monitoring of tax revenue in the alcohol industry in Kenya.

Similarly, for the effect of declaration of excise stamps on the monitoring of tax revenue in the alcohol industry in Kenya, the study concluded that declaration of excise stamps significantly predicts monitoring of tax revenue in the alcohol industry in Kenya. Finally, the study concluded that the enforcement of usage of excise stamps significantly affects monitoring tax revenue in the alcohol industry in Kenya.

5.4 Recommendations

The policy recommendations of the study are in line with the conclusions of the study. The study concluded that the demand for excise stamps has a significant effect on monitoring of tax revenue in the alcohol industry in Kenya. As such government should come up with more effective measures relating to demand of excise stamps and monitoring of tax revenue as this will in turn enhance tax revenue.

Secondly, the study concluded that counterfeiting of excise stamps is significant in determining the level of monitoring of tax revenue in the alcohol industry in Kenya. Therefore, government should come up with unique excise stamps as this will make counterfeiting difficult. Furthermore, those engaged in the counterfeiting of excise stamps should be brought to book. This will ultimately discourage such practices and increase tax revenue.

Thirdly, the study concluded that declaration of excise stamps significantly predicts monitoring of tax revenue in the alcohol industry in Kenya. Government should come up with more effective tax monitoring system as this will also boost tax revenue. Lastly, the study concluded that the enforcement of usage of excise stamps significantly affects monitoring tax revenue in the alcohol industry in Kenya. In line with this, the government of Kenya through the Kenya Revenue Authority should encourage the use of excise stamps as this will greatly impact on tax revenue.

5.5 Suggestions for Further Research

The study sought to determine the effect of excise stamps on monitoring tax revenue in Kenya as it focused on spirit manufacturers in the large taxpayers' office. Further research can focus on Spirit Manufacturers in the small tax payers office. Similarly, further studies can be carried out in the other sectors of the Alcohol industry. Lastly, further research can focus on tax payer education and monitoring of tax revenue in the large tax payers office. This will help in ascertaining the level of tax education and enlightenment these tax payers posses as this greatly determines tax revenue.

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APPENDIX I: Questionnaire

This questionnaire is designed to collect data on the effect of excise stamps usage on monitoring tax revenue in Kenya (case study: spirit manufacturers in the large taxpayers office). The responses shall be used for academic purpose only and it will be treated with utmost confidentiality. The respondents are highly encouraged and persuaded to respond to the statements in this questionnaire in the most truthful and objective way possible. Your participation in facilitating this study will be highly appreciated. Kindly tick in the space provided with the answers or responses you view as best for each question.

SECTION A: Demographic Information

1. What is your gender?

Male [ ] Female [ ]

2. What is your highest level of education?

Certificate/Diploma [ ] Undergraduate degree [ ] Masters [ ] PhD [ ]

3. What is your age bracket?

Below25 [ ]

25-34[ ]

35-44[ ]

45-50 [ ]

Above 51[ ]

SECTION B

DEMAND OF EXCISE STAMPS

To what extent do you agree or disagree with the following statement concerning the effect of demand for excise stamps on monitoring tax revenue in the alcohol industry in Kenya? Please indicate how strongly you agree or disagree with the following statements (Tick appropriate: strongly agree=5, Agree=4 Neutral=3, Disagree=2 and strongly Disagree=1)

No	**Statement for demand of excise stamps**	**1**	**2**	**3**	**4**	**5**
1	There is high demand for excise stamps					
2	There is frequent demand for excise stamps					
3	Frequent demand for excise stamps impacts on tax revenue					
4	Excise stamps is a vital form of monitoring tax revenue					
5	Demand for excise stamps affects monitoring of tax revenue					

COUNTERFEITING OF EXCISE STAMPS

Please indicate how strongly you agree or disagree with the following statements as relates to the effect of counterfeiting of excise stamps on monitoring tax revenue in the alcohol industry in Kenya. (Tick appropriate: Strongly agree=5, Agree=4 Neutral =3, Disagree=2 and strongly Disagree=1)

No	Statement on counterfeiting of excise stamps	1	2	3	4	5
1	There is high level of counterfeiting of excise stamps					
2	Excise stamps are easily counterfeited					
3	There are measures put in place to curb counterfeiting of excise stamps					
4	Frequency of counterfeiting of excise stamps affects monitoring of tax revenue					
5	Counterfeiting of excise stamps affects tax revenue					

DECLARATION OF EXCISE STAMPS

Please indicate how strongly you agree or disagree with the following statements as relates to effect of declaration of excise stamps on monitoring tax revenue in the alcohol industry in Kenya. (Tick appropriate: Strongly agree=5, Agree=4 Neutral =3, Disagree=2 and strongly Disagree=1)

No	Statement on declaration of excise stamps	1	2	3	4	5
1	Declaration of usage of excise stamps is done frequently					

2	Declaration of usage of excise stamps affects monitoring of tax revenue					
3	The time of declaration of usage of excise stamps affects monitoring of tax revenue					
4	The type of declaration of usage of excise stamps affects monitoring of tax revenue					
5	Monitoring of tax revenue enhances revenue growth					

ENFORCEMENT OF USAGE OF EXCISE STAMPS

Please indicate how strongly you agree or disagree with the following statements as relates to the effect of enforcement on usage of excise stamps on monitoring tax revenue in the alcohol industry in Kenya.. (Tick appropriate: Strongly agree=5, Agree=4 Neutral =3, Disagree=2 and strongly Disagree=1)

No	**Statement on enforcement on usage of excise stamps**	**1**	**2**	**3**	**4**	**5**
1	There is enforcement of usage of excise stamps					
2	There are sufficient tools for enforcing usage of					

	excise stamps					
3	There are adequate officers to enforce the usage of excise stamps					
4	Tools available for enforcement of usage of excise stamps affects monitoring of tax revenue					
5	Monitoring of tax revenue is influenced by enforcement on usage of excise stamps					

MONITORING OF TAX REVENUE

Please indicate how strongly you agree or disagree with the following statements as relates to monitoring of tax revenue. (Tick appropriate: Strongly agree=5, Agree=4 Neutral =3, Disagree=2 and strongly Disagree=1)

No	**Statement on monitoring of tax revenue**	**1**	**2**	**3**	**4**	**5**
1	Monitoring of tax revenue is associated with demand for excise stamps					
2	Monitoring of tax revenue is hampered by counterfeiting of excise stamps					
3	Monitoring of tax revenue is associated with declaration of excise stamps					
4	Monitoring of tax revenue is associated with enforcement on usage of excise stamps					

5	There is efficient system for monitoring of tax revenue					

Thank you

APPENDIX II: WORK PLAN OF RESEARCH STUDY

Month	**Activity**
May, 2018	**Proposal Writing**
August, 2018	
September, 2018	**Proposal defense**
September, 2018	**Research amendments**
September, 2018	**Data Collection, Processing, Analysis and Interpretation**
October, 2018	**Report Writing and Submission of the report**

APPENDIX III: ESTIMATED BUDGET OF RESEARCH STUDY

Item	**Quantity**	**Per Unit Cost**	**Total Cost (Ksh)**
Purchase of a Laptop.	1	35,000	35,000
Purchase of a Modem	1	3,000	3,000
Modems Monthly Charges	12	2,500	30,000
Travelling Expenses			10,000
Printing Services			25,000
Miscellaneous Expenses			12,000
Fool Scaps	1 ream.	500	500
Pens	5	20	100
Stapler and Staple Pins	1	500	500
Total Cost			**116,100**