

**EFFECT OF CUSTOMER SERVICE REFORMS ON TAX REVENUE  
COLLECTION A CASE OF MANDERA COUNTY IN KENYA**

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GRADUATE DIPLOMA IN TAX ADMINISTRATION AT JOMO KENYATTA  
UNIVERSITY OF AGRICULTURE AND TECHNOLOGY.**

**2020**

## DECLARATION

This research project is my original work and to the best of my knowledge it has not been submitted for a post graduate diploma in any other academic institution or non-institution.

Signed.....

Date.....

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**HDB336-C016-2267/2019**

This research project is submitted for examination with my approval as the supervisor.

Signed.....

Date.....

Dr. Marion Nekesa, PhD

## **DEDICATION**

I dedicate this research project to my family for providing unwavering support throughout the course of my research and study.

## **ACKNOWLEDGEMENT**

Foremost, I thank the Almighty God for His sufficient grace. It is through His providence that all this is possible. Secondly, I am indebted to my supervisor for her scholarly guidance throughout the duration of conducting this research project.

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## **LIST OF ABBREVIATIONS**

<b>KRA</b>	Kenya Revenue Authority
<b>VAT</b>	Value added tax
<b>ANOVA</b>	Analysis Of Variance
<b>CBK</b>	Central Bank of Kenya
<b>GNP</b>	Gross National Product
<b>DTD</b>	Domestic Tax Department
<b>ICT</b>	Information and Communication Technology

## **DEFINITIONS OF TERMS**

<b>Customer service"</b>	to the relationships among those who work within the organization (Friedman, 2014)
<b>Tax</b>	It is a compulsory contribution by an individual to a state or government. There are various sources of tax including, income tax; value added tax, excise duty and also the customs duty. (Merriam, Webster, 1993)
<b>Tax Policy Reforms</b>	It refers to the process of changing the way taxes are collected and administered with an aim of producing a desired change in the tax system. (Brys, 2011).
<b>Tax evasion</b>	It refers to the use of illegal methods to either underpay or fail to pay taxes due by a tax payer.

## **ABSTRACT**

Customer service policy reforms have been implemented so as to enable simplification and compliance through the attainment of international standards. Tax authorities around the world are mainly using the electronic systems to enhance tax revenue collection, by implementing systems that are accurate in provision of secured and efficient systems. The aim of the study was to determine the effect of Customer service reforms on the tax revenue collection over the years in, Mandera County . The specific objectives were as follows; to assess the effect of KRA calls centres on tax revenue collection, evaluate the Huduma centres on tax revenue collection, investigate the mobile service policy reform on tax revenue collection, to determine and to determine the taxpayers education reforms on tax revenue collection. The study adopted descriptive research design to guide the study. The study used both primary data by use of questionnaire and secondary data obtained from relevant materials which represent academic research. The research instrument for this research was a closed structure questionnaire. The target population were 100 individuals who were selected by the stratified method of sampling. The study analysed the data by the use of both descriptive and inferential statistics. The inferential statistics included the use multiple regression, ANOVA and correlation analysis. Data was analysed by the use of SPSS (Statistical Package for Social Sciences) Version 24. The finding of the study revealed that KRA call centre, Huduma centre, mobile service, taxpayer affects tax revenue collection and the study was statistically significant. The study recommends that the KRA call centre should be enhanced for taxpayer satisfaction, Huduma center KRA staff should keep customers more informed, KRA mobile payment systems be enhance to improve in compliance. And on taxpayer education should be carried out more times in a year for improvement on tax revenue collection In conclusion, KRA call centre, Huduma centre, mobile service and taxpayer education had positive significant effect on tax revenue collection in Mandera County Therefore, the study suggests the need for more studies that are national based to understand the effect of customer service reforms on tax revenue collection in Kenya

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background**

##### **1.1.1 Global Perspective**

The major concern of tax policy reformers has mainly been the urgent need to improve the quality of the tax structure so as to make it comply with prevailing views of what includes a fair distribution of the tax burden and increase the tax revenue (Musgrave, 2004). Customer service policy reforms have been implemented so as to enable simplification and compliance through the attainment of international standards. Tax authorities around the world are mainly using the electronic systems to enhance tax revenue collection, by implementing systems that are accurate in provision of secured and efficient systems.

According to a study done by the international monetary fund, Fiscal policies play a major role in correcting the effects of a country's financial crisis and problems, because they are followed by growth acceleration. Lack of International co-operation can in some cases erode the tax base. For example national tax policies can lead to spill-over thus reducing the Foreign Direct Investments. IMF Report (2015). (Musgrave, 2004), explains that the existing tax structure provides a continual if fluctuating flow of revenue, without further legislation being taken. Action may be taken however, to adjust overall revenue to changing expenditure requirements and economic conditions. There may also be structural reforms to deal with taxation effects on the private sector and to adjust the distribution of the tax burden.

### **1.1.2 Kenyan Perspective**

Kenya Revenue Authority was established under the Act of Parliament cap 469 of the laws of Kenya, which became effective 1<sup>st</sup> January 1995. The Kenya Revenue Authority is mandated to assess, collect, administer and enforcement laws relating to revenue. Kenya Revenue Authority is structured according to the major types of taxes collected by those departments or structures .Tax is administered by the Kenya Revenue Authority in accordance with the Acts in place. The authority administers written laws relating to tax tax revenue collection. (KRA Website). Kenya revenue authority has implemented policies that include systems meant to simplify and secure and improve tax tax revenue collection and thus improve service delivery. (Kipkemoi, 2015)

The Kenya Revenue Authority was established by an Act of Parliament (Cap 469) on 1st July 1995 as a central body for the assessment and collection of revenue, for the administration and enforcement of the laws relating to revenue and to provide for connected purposes. In particular, the functions of the Authority are: To assess, collect and account for all revenues in accordance with specific laws set out in the first part of the First Schedule and the revenue provisions of the second part of the First Schedule, To advise on matters relating to the administration of, and collection of revenue under the written laws or the specified provisions of the written laws. To perform such other functions in relation to revenue as the Minister (for Finance) may direct.

### **1.2 The Organizational Governance and Management.**

The Board of Directors (BoD) is the governing Body of KRA as set out in the KRA Act. It has two exofficio members from the Government (representative of the Cabinet Secretary to the National Treasury and the Attorney General), the Commissioner General and six other members from private sector. The BoD is responsible for the review and approval of policies and monitoring the functions of KRA.

The day to day management of the Authority is the responsibility of the Commissioner General, assisted by Commissioners in charge of Customs and Border Control, Domestic Taxes, Investigations and Enforcement, Corporate Support Services, and Strategy, Innovation and Risk Management department and Internal Audit Department. 1.3 Current Situation at KRA Over the period of 1995/1996 to 2016/17, tax revenue collection rose from Kshs. 122 billion in 1995/96 to 1.365 Trillion. This strong revenue performance has been matched by improvements in customer service, primarily driven by initiatives in automation, integrity and enhancing professionalism in service delivery. During the sixth corporate plan period, KRA seeks to achieve revenue mobilization targets through automation and modernization in a way that enhances customer services. Customer Satisfaction Survey For: Kenya Revenue Authority 2017-2018 From the past survey (2013/2014) the following were some of service delivery challenges which included Existence of bureaucratic processes that prolongs service delivery turn-around times, Lack of integration of customer information from disparate business systems and processes hindering first contact resolution, recurrent system downtimes leading to discontinuity of service and existence of disjointed and disparate service touch points, leading to inconsistency of service delivery. Further, the study also highlighted communication and complaints handling challenges. These were said to lead to limited awareness on existing legislative-driven processes and role of the Exchequer on disbursement of tax refunds.

Other challenge included lack of a forward looking strategy for stakeholder engagement when rolling out tax administration and trade reforms and a proactive go-to market approach to enhance uptake of services across existing and new service touch points. According to The KRA 6th corporate plan (2015/2016- 2017/2018, Revenue authorities are expected to be responsive to taxpayers while simultaneously being consistent in the application of tax laws.

Responsiveness requires accessibility, provision of accurate and timely information, accurate and timely treatment of requests and appeals. This requires the creation of customer oriented systems as opposed to systems targeted at the needs of tax administrations. It also requires emphasizing single point of contact, self-service and electronic services especially focused on filing, payment and electronic access to account balances. Despite its considerable achievements in minimizing customer compliance costs over the time, there is need for KRA to continue enhancing its service levels. Over the past years, various surveys and reports have exposed the weaknesses in service delivery. KRA is cognizant of the fact that the first step to improving customer compliance is by building trust through facilitation. In the Sixth Corporate Plan KRA aims to raise customer satisfaction level to 80% from 65% in 2013/14. This requires a significant improvement in employee satisfaction.

Tax policies have been formulated and implemented over the years so as to enhance tax revenue collection in Kenya. A board of directors, including the private and the public sectors are in charge of the policy decisions to be implemented by the Kenya Revenue Authority. The chairman of the board is the president of the republic of Kenya, while the chief executive Authority is the Commissioner General appointed by the minister of Finance. (KRA Website) Tax revenues have changed significantly due to various factors and thus the need to investigate the relationship between the tax policies and the change in tax revenues. The economy depends on the tax revenues of a country, in that it enables the government to work on its budget and thus not to rely on foreign aid and loans therefore reducing debts. The structure of Kenya Revenue Authority has continually changed over the years with also change in various reforms so as to enhance tax revenue collection. Revenue collected has also significantly increased over the past years with new targets being set so as to enhance collection.

Consider wages for example, a significant amount of what the employer pays employee in wages, the employee has had to give the government inform of personal income taxes so these direct taxes do definitely get included in the in the revenue collected by the Revenue Authority. The responsibility of introduction and implementation of tax polices lies on the Kenya Revenue Authority among other stakeholders like the national treasury and the general public. Fiscal Policies are thus implemented by Kenya Revenue Authority. Over the years Kenya Revenue Authority comes up with the various reforms to be implemented and most which have been successfully implemented to increase tax base, reduce negative externalities and more so to increase the revenue collected. One of the responsibilities of the Kenya Revenue Authority is to streamline procedures and improve tax payer service and education, eliminating evasion. (KRA Website)

According to a research done by ICPAK Kenya Revenue Analysis (2010-2015), globalization has had a major impact on taxation. This is due to the emergence, operation and the increase in the number of multinationals in different countries. The study further explains that, large revenues are lost because multinationals transfer their profits to countries in low tax jurisdictions which are a major problem to tax authorities. Countries are thus coming up and implementing rules of transfer pricing to counter this problem. Tax revenue collection is very important to governments around the world in that in enables the government to develop and acquire assets which are not liable to debts (Joyce, 2016). Tax reforms refer to measures to increase the tax base by removing special treatment on various types of incomes or even changing the rates. (William, 2014). A study done by the Bookings Institution explains that not all tax reforms have the same impact on revenue

This policy reforms have over the years been implemented by increasing the capacity and skills of the staff working at the Kenya Revenue Authority, reducing corruption by provision of good salaries and also integrating systems at the Kenya Revenue Authority that

are efficient and secure. The tax structure is majorly focused on Value added tax and Income tax as the two largest sources of income (Kanyi, 2014). The tax base in Kenya so far is narrow and has the capacity to be expanded. Attempts to increase the tax base have been implemented in the country. This has been attained by efforts by KRA to simplify the tax system.

### **1.1.3 Customer Service Reforms in Kenya Revenue Authority**

Tax policy entails tax laws and all other matters of tax administration that are implemented by Kenya Revenue Authority and other stakeholders. Customer service policy Reforms are used majorly for distribution and stabilization functions in Kenya thus different government stakeholders perform their roles in ensuring that tax policies are implemented efficiently and effectively. (Chilibasi, 2014). Customer Service reforms have been implemented and change over the years and affect the economy in various ways mainly positively. A tax is either called proportional, progressive or regressive depending on if it takes from high-income people the same amount as low-income people.

The outcome in the economy will largely depend on the classification and even the implementation of specific policies. (Mutua,2012), explains the increase economic performance has been brought about by the growth of Income Tax due to the Implementation of new policies. This growth of revenue streams has enabled the government to finance its projects and thus finance the national budget.

These customer service policy reforms include, Mobile services that include; short messaging services and mobile payment, Itax support regional centres, customer satisfaction surveys policy reforms and customer education policy reforms. These tax policies have been implemented so as to attain efficient, effective and equitable revenue assessment and collection. Regulations are issued and implemented on a continual basis,

thus tax reforms are implemented on a continual basis. Governments implement customer service policy reforms so as to attain various targets which may include; simplification of the tax system, to ensure that there is equal distribution of the tax burden, to ensure proper and efficient administration, and more so to increase tax revenue collection. The current Kenyan tax system has majorly been focused on the realization of new taxes, implementation or change of the tax rates and also increases of the tax base (Mutua, 2012).

KRA in its bid to improve service delivery to its clients, the taxpayers has implemented mobile phone based service platform. The KRA M-service includes: Mpesa, Business Number, Account number, Amount, PIN, payment details, Mpesa message and KRA feedback. This implies no office visits, and no paper: provided you have a mobile phone you can make inquiries, know your tax status and pay your tax obligations. The Kenya Revenue Authority through its M-service platforms has made it easier and convenient for the taxpayers to access KRA services. Today you can use the KRA MPESA paybill number to pay your tax bills. KRA classifies all its mobile base services as the KRA M-service. The primary service components of the M-service are the USSD and SMS informational services, and mobile payments. Some of the reforms that were implemented according to the 6<sup>th</sup> corporate plan mainly included the uptake of electronic services by implementation of KRA Mobile services that include the call centres and also short messaging system.

These reforms however faced various constraints as stated in the KRA 6<sup>TH</sup> Corporate plan. These challenges included funding constraints for the planned initiatives, targets setting which led to targets not being achieved, and the ICT constraints that showed Kenya to be below other developed economies.

According to the 2013 Enterprise Survey, the areas KRA will need to act on to improve the business in Kenya as well as are: Integrity, Kenya's integrity related challenges are at par with SSA countries, but medium firms face higher levels of integrity related problems. Tax inspection thus number of visits required to tax officials are well below the SSA average, but there is more emphasis on large firms. Large firms are significantly more dependent on imported inputs and take longer than the average SSA firm to clear customs, while large and medium firms take longer than the SSA average to clear customs in Kenya when exporting.

All these challenges can be addressed through a Customer service improvement framework, improving border management to reduce the level of illicit trade, implementing a paying taxes programme focusing on automation and the transformation and implementing a trading across borders programme and finally restructuring VAT refunds management along best practice lines.

Furthermore, the attainment of Customer Service improvement framework initiatives is centred on four themes, namely, Service Access Expansion strategy, Customer intimacy, Business Value and Operational Excellency. Service Access Expansion strategy involves availing services to all counties and sub counties through Service Centres, Customer Care Desks, Alternative Contact Centres and Huduma Centres. Customer Intimacy involves gaining unique value proposition edge in building ever lasting relationships thus designing and implementing a customer engagement framework and tax awareness strategy for different taxpayers segments.

In addition, by establishing and implementing an interactive communication strategy which is customer oriented and adapted to customer sentiments. In the wake of devolution, it is now possible to access KRA services in various parts of the country, courtesy of KRA offices and KRA contacts. Considering recent trends in the global economy, every Kenyan

is bound to use KRA services every other time making KRA iTax contacts, which is the organizations online platform, inevitable. KRA executes its mandate in assessing, collecting, and accounting for state revenue under strict observance of the Kenyan laws. Since inception in 1<sup>st</sup> July 1995, the Kenya Revenue Authority has grown to extend its services to millions to Kenyans running businesses and organizations in various parts of the country. To provide quality and timely services to all these individuals, it is therefore necessary to know where KRA open offices are located as well as other customer care contacts such as email address and phone numbers that will enable the organization to engage with its clients regardless of their place of residence or time of the day.

Gone are the analogue days when long queues limited to weekdays for a few hours say 8.00 to 5pm was the only way of accessing KRA services. With the present day modernity being a reality, KRA telephone number, address, mail and fax are not available for prompt communication and accessing essential services without necessarily visiting the block and mortar premises, unless it is mandatory for you to go their in person to access a specific service.

KRA has in recent years sustained a campaign to make paying taxes easier by implementing an online platform, iTax for filing and paying corporate income tax and the standards levy. Last year, the iTax platform saw 5.73 million taxpayers registered on iTax compared to 4.2 million enrolled the previous year. Over the period of 1995/1996 to 2016/17, tax tax tax revenue collection rose from Kshs. 122 billion in 1995/96 to 1.365 Trillion.

This strong revenue performance has been matched by improvements in customer service, primarily driven by initiatives in automation, integrity and enhancing professionalism in service delivery. Customer Satisfaction Survey For: Kenya Revenue Authority 2017-2018 From the past survey (2013/2014) the following were some of service delivery challenges which included Existence of bureaucratic processes that prolongs service delivery turn-

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Over the past years, various surveys and reports have exposed the weaknesses in service delivery. KRA is cognizant of the fact that the first step to improving customer compliance is by building trust through facilitation. In the Sixth Corporate Plan KRA aims to raise customer satisfaction level to 80% from 65% in 2013/14. This requires a significant improvement in employee satisfaction.

#### **1.1.4 Kenya Revenue Authority**

Kenya Revenue Authority is in charge of the assessment and collection of revenue, administration and enforcement of laws relating to and accounting for tax revenue collected under law. This revenue is used by the government for budgetary allocation and settling of debts of the country incurred from loans. (KRA)

(Gachanja, 2012), suggests that from studies done some of the tax reforms have had various impact on tax revenue collection and thus suggests that further research should be done to establish specific impact of the policy reforms. However he further suggests that in a country like Malawi as tax reforms had led to revenue productivity. Various studies have been done in Kenya on the impact of this tax policy reforms and have indicated a positive impact of those tax reforms. However more research should be done to indicate and differentiate the policy reforms implemented yearly and how they impact the revenue collected.

Kenya Revenue Authority is divided into various divisions in charge of various functions, for example, office of the commissioner general, the domestic taxes department, customs services and border control department, corporate support services department and the investigations and enforcement department. These divisions are responsible for the implementation of policies and reforms that are very important in enhancing tax revenue collection by the Kenya Revenue Authority, as per the Acts. Revenue is also collected under those various divisions, with target set for each division so as to attain efficiency and to achieve objectives. Financial statements as at June 2015 indicted a revenue growth in that financial year, despite macro-economic challenges. Financial Year 2014/15 realized 11% growth as per the KRA Financial statements.

Kenya Revenue Authority is on a transformation agenda to bring about efficiency, effectiveness and high performance and attain the objectives set. (Gachanja,2012) states that Kenya modernized its tax systems so as to enhance tax revenue collection

### **1.1.5 Mandera County**

Mandera County is one of the 47 counties in Kenya that was established in March 2013 following the promulgation of the Constitution of Kenya, 2010. It measures about 25,991 km<sup>2</sup> and is located at the extreme end of North Eastern Kenya, bordering Somalia and Ethiopia. According to the 2009 population census, the county had an estimated population of 1,025,756 persons with 125,497 households and a density of 39 persons per km<sup>2</sup>. The population was projected to be 1,399,503 and 1,699,437 in 2017 and 2022 respectively, with a corresponding density of 50 and 64 persons per km<sup>2</sup>. The main economic activity in Mandera County is pastoralism, contributing approximately to 72 percent of the total household income. Mandera County is located in the North Eastern part of Kenya. It borders Ethiopia to the North, Somalia to the East and Wajir County to the South-West. The county lies between latitudes 20 11` North, and 40 17` North, and longitudes 390 47` East and 410 4.8` East. It covers an area of 25,991.5km<sup>2</sup>.

### **1.2 Statement of the problem**

The Kenyan tax code remains unwieldy and complicated, with unfair and high tax rates being implemented to a very narrow tax base. In addition, there is very low compliance. Tax policy reforms have also been implemented with both positive and negative effects on tax revenue collection. According to (Ronge,2006), about 62.5% tax payers hire accountants to prepare their VAT returns and about 64.9% tax payers hire accountants to prepare Income tax returns

From the past survey (2017/2017) the following were some of service delivery challenges which included Existence of bureaucratic processes that prolongs service delivery turn-around times, Lack of integration of customer information from disparate business systems and processes hindering first contact resolution, recurrent system downtimes leading to discontinuity of service and existence of disjointed and disparate service touch points, leading to inconsistency of service delivery. Further, the study also highlighted communication and complaints handling challenges. These were said to lead to limited awareness on existing legislative-driven processes and role of the Exchequer on disbursement of tax refunds.

Other challenge included lack of a forward looking strategy for stakeholder engagement when rolling out tax administration and trade reforms and a proactive go-to-market approach to enhance uptake of services across existing and new service touch points. According to The KRA 6th corporate plan (2015/2016- 2017/2018, Revenue authorities are expected to be responsive to taxpayers while simultaneously being consistent in the application of tax laws. Responsiveness requires accessibility, provision of accurate and timely information, accurate and timely treatment of requests and appeals

Tax policy reforms change the way taxes are collected, managed and assessed by the tax agents and government and effectively commenced in 1986. Kenya's budgetary resources are largely from taxation and in fact, tax revenues made up 80.4% of total government revenue in the period between 1995 and 2004. According to the World Bank, Kenya is a high tax burden country with tax revenue/GDP at 16.32 % in 2018, which is actually on the decline, down from 21.1% in 2005. The share of total tax revenue in GDP has actually been on the decline from 1996 when it was at 24%, to 21.1% in 2005 (Ronge, 2006). However, Kenya progressively faces a growing need for more tax revenues to cater for public services. It was reported that 35% and 33.1% of total potential income tax revenue escaped

the tax agents grasp in the fiscal years of 2000/2001 and 2001/2002 respectively. Customer service policy reforms implemented over the past few years include; mobile system that includes short messaging services and mobile payments, customer satisfaction research policy reforms and taxpayer education reforms.

Various studies have been done by other researchers, with some revealing a positive impact while others reporting that the impact is negative. For instance, Walter Kipkemoi's study in his Masters Research paper, to determine whether electronic filing of returns and computerization of KRA procedures bore an improvement in revenues collected, was in the affirmative.

There have also been efforts by the government in financing studies on how to implement policies that are effective. It is therefore against this background that the researcher intends to determine the effect of customer service reforms on tax revenue collection in Mandera County.

### **1.3 Objectives of the Study**

#### **1.3.1 General objective**

The general objective is to investigate the effect of customer service reforms on tax revenue collection in Mandera County.

#### **1.3.2 Specific Objectives**

- i) To investigate the effect of KRA call centres on tax revenue collection in Mandera county.
- ii) To determine the effect of Huduma centres on tax revenue collection on Mandera county.
- iii) To assess the effect of Mobile service reform on tax revenue collection in Mandera County.

iv) To find out the effect of tax payer education reform on tax revenue collection in Mandera County.

#### **1.4 Research Questions**

- i) How does KRA call centres affect tax revenue collection in Mandera county.?
- ii) How does Huduma centres affect tax revenue collection in Mandera county?
- iii) How does Mobile service reform affect tax revenue collection in Mandera County?
- iv) How does tax payer education reform affect tax revenue collection in Mandera County?

#### **1.5 Significance of the Study**

The study is very important to the government, researchers, scholars and Central Bank of Kenya. They will benefit from the study in the following ways;

##### **1.5.1 Kenya Government**

The Kenyan government will use the study to ensure proper implementation of customer service policy reforms in Kenya, so as to attain the desired revenues thus; the government will be able to determine the specific effective policies and their effects on economic stability. The government will use the study for their taxation purposes; in determining the specific tax rates to charge tax and even specific commodities.

##### **1.5.2 Central bank of Kenya**

After analyzing the effect of inflation at specific market conditions and the implementation of tax policies at those conditions Central Bank of Kenya will effectively direct the appropriate open market operations that can effectively control the rate of inflation. The central bank needs information about inflation levels to put in place measures that will lead to economic stability.

### **1.5.3 KRA management**

The KRA management will find this study useful as a point of reference as far as assisting in decision making regarding the tax revenue collection strategies. The study will help the Authority on the effectiveness of the tax incentives and establish the effect of customer service reforms on tax revenue collection. This will lead to informed decision making on various customer service reforms.

### **1.5.4 Future Researchers**

The study will enable researchers to understand the impact of customer service policy reforms by understanding how those policies affect the various departments, tax base and also the compliance levels.

### **1.6 Scope of the Study**

The study used primary data from questionnaires which filled by tax payers in Mandera County. The target population were 100 which comprised of small tax payers, medium tax payers and large tax payers, and clearing and forwarding will be selected by use of stratified method of sampling. The study covered two financial years, that is 2017/2018 and 2018/2019.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter reviews literature based on the objective of the study which is to determine the effect of customer service reforms on tax revenue collection. The chapter compares different ideologies and views of different researchers and scholars, theories of taxation and customer service reforms implemented and the relationship with tax revenue collection.

#### **2.2 Theoretical Framework**

The theoretical framework clearly explains the various theories and models that economists have developed to explain the changes in tax revenue collection in Kenya. The effect of tax reforms on tax revenue collection in Kenya has been done by various scholars who seek to find the relationship between the policies implemented and the tax revenue collection in various years.

##### **2.2.1 Customer Satisfaction Theory Expectancy-**

Drawing on the shortcomings of the early theories of consumer satisfaction, Oliver (1977, 1980) proposed the Expectancy-Disconfirmation Paradigm (EDP) as the most promising theoretical framework for the assessment of customer satisfaction. The theory implies that consumers buy goods/ services with pre-purchase expectations about the anticipated performance.

The expectation level hence becomes a standard against which the product/service is evaluated. That is, once the product or service has been used, outcomes are compared against expectations. Where the outcome matches the expectation confirmation occurs. Disconfirmation occurs where there is a difference between expectations and outcomes. A customer is either satisfied or dissatisfied as a result of positive or negative difference

between expectations and perceptions. Thus, when service performance is better than what the customer had initially expected, there is a positive disconfirmation between expectations and performance which results in satisfaction, while when service performance is as expected, there is a confirmation between expectations and perceptions which results in satisfaction. On the contrary, when service performance is not as good as what the customer expected, there is a negative disconfirmation between expectations and perceptions which causes dissatisfaction

Customer Satisfaction Survey For: Kenya Revenue Authority 2017-2018 Howards & Sheth (1967) concur with the theory, that satisfaction is a function of the degree of congruency between aspirations and perceived reality of experiences. This model has found great degree of support from researchers in various disciplines, and has been widely used to evaluate satisfaction with different products and services. This theory therefore, anchored the survey on customer satisfaction at KRA. The KRA commitment to the provision of effective, efficient and ethical tax services for social economic development continues to be the driving force behind many customer satisfaction initiatives. Significant improvement in customer satisfaction since 2013, KRA is yet to achieve the target of 80% satisfaction level. This survey has highlighted the various taxpayers' category levels of satisfaction that may a mix initiative to meet the need by the different categories

### **2.2.2 Customer Satisfaction Models theory - The performance model**

The Performance Model depict that, the theory that a customer's perception of a product or service performance, and their expectations of that performance have a positive effect on customer satisfaction, Spreng and Mackey (1996). Performance is defined as the level of quality of the product, or service, as perceived by the customer, relative to the price paid. This perceived performance is described as value. The perceived performance may have a stronger effect on customer satisfaction than expectations, Tse and Wilton (1988).The

assessment of satisfaction is closely related to expectations. The Performance Model depicts expectations having a direct and positive impact on satisfaction as a result of the part they play as a foundation in the satisfaction evaluation process. The stronger a customer's expectation, relative to performance information, the greater the impact of expectations as an anchor on satisfaction. The stronger the performance information of the construct, the greater the relative positive effect will be on customer satisfaction. The Performance Model also shows a positive effect of expectations on perceived performance that is the ability of customer expectations to predict performance. This is felt to be greatest when customers have a lot of experience with a performer who is either predictable or has low variance. The extent of the effect will vary from products to services. Given that KRA service is routine and repetitive, the model of performance therefore, may partially apply in efforts to meet customer expectations. Customer Satisfaction Survey For: Kenya Revenue Authority 2017-2018 The expectations-artefact model Johnson et al. (1996) argue that expectations should not have either a positive or a negative effect on satisfaction, in a unique service like KRA's. This is because in this context expectations do not act as an anchor, as in the Performance Model. Performance will give rise to the expectations reported by customers. The Expectations-Artifact Model shows the direct positive effect of perceived performance on satisfaction, and a positive relationship between performance and expectations. Expectations are not linked to satisfaction; this illustrates the fact that this construct does not have an effect upon satisfaction.

The implications of this Model are simply that to focus on the expectations construct, would be counterproductive to the improvement of customer satisfaction. The argument that expectations are only a by-product of the service production process, and have no effect on customer service, would make any efforts to meet or exceed customer expectations pointless. Instead this Model posits that to improve customer service, service personnel

should focus on the improvement of performance. This model resonates with KRA's service delivery anchors. In order to measure the levels of satisfaction, a quantitative approach using a Likert scale is used to measure level of satisfaction across various touch points. Further, in trying to explain the impact of customer loyalty to a business, Reichheld in his 2003 Harvard Business Review article "One Number You Need to Grow" introduced Net Promoter Score. This number is computed by netting off those customers who are highly unlikely (detractors) from those likely to strongly recommend an institution (Promoters). If the net value is positive, the measure indicates more customers are likely to positively endorse a business leading to growth. Customer satisfaction is generally described in terms of "an evaluative, affective or emotional response".

The literature on satisfaction focuses on the idea that the customer will make a comparison between the performance of the product or service and a certain standard (Ganning, 2000).

Parasuraman et al. (1988, 1993) also argue this point; they claim that the standard of comparison is that of predictive expectations, what the customer believes will happen. Oliver (1981) defines satisfaction as "a summary psychological state resulting when the emotion surrounding disconfirmed expectations is coupled with the consumer's prior feeling about the consumption experience". Churchill and Serprenant (1982) explain customer satisfaction as a function of pre-purchase expectations and post-purchase product/service performance. The pre-purchase expectation held might be conscious, active or sub-conscious, passive expectations.

Customer Satisfaction Survey For: Kenya Revenue Authority 2017-2018 Customer satisfaction or dissatisfaction is a recognized function of the disconfirmation which arises from discrepancies between prior expectations and actual performance. The presumption that a customer's pre-purchase expectations determine customer satisfaction is based on the assumption that the expectations are formed on the basis of past experience. In cases where

customers have no experience, customer expectations are believed to be more an artefact of the service production process and to have no effect on satisfaction Gable, (1996). There are two general conceptualizations of customer satisfaction; these are transaction-specific and cumulative satisfaction. Fornell (1992) proposes that critical gains of customer satisfaction include loyalty, as loyal customers can create a steady stream of future cash flow for a firm. Lower costs can be achieved in future transactions because a firm that provides high customer satisfaction will devote fewer resources to handling returns, managing complaints and reworking defective items. It promotes insulation of current customers from competition, reduced failure costs, lower costs in attracting new customers and the enhancement of the firm's reputation. Satisfied customers are more likely to recommend the firm thus promoting its image and reputation. A long term perspective is required. The above gains resonate with KRA service delivery outcomes.

### **2.3 Empirical review of variables**

Empirical evidence clearly shows that studies focusing on this sector are still scanty and limited and thus create a need for further research and study on the impact of customer service policy reforms on tax revenue collection. Customer satisfaction is the key factor for successful and depends highly on the behaviors of frontline service providers.

Customers should be managed as assets, and that customers vary in their needs, preferences, and buying behavior. A study applied the Taiwan Customer Satisfaction Index model to a tourism factory to analyze customer satisfaction and loyalty. The results showed that perceived quality had the greatest influence on the customer satisfaction for satisfied and dissatisfied customers. In terms of customer loyalty, the customer satisfaction is more important than image for satisfied and dissatisfied customers. CSI was found appropriate for making decisions about allocating resources and for assisting managers in establishing appropriate priorities in customer satisfaction management Anderson and Sullivan (1993).

Service quality is frequently used by both researchers and practitioners to evaluate customer satisfaction. It is generally accepted that customer satisfaction depends on the quality of the product or service offered Anderson and Sullivan, (1993). Numerous researchers have emphasized the importance of service quality perceptions and their relationship with customer satisfaction by applying the NCSI model (e.g., Ryzin et al. (2004); Hsu (2008); Yazdanpanah et al. (2013); Chiu et al. (2011); Temizer and Turkyilmaz (2012); Mutua et al. (2012); Dutta and Singh (2014). Ryzin et al. (2004).

Customer Satisfaction Survey For: Kenya Revenue Authority 2017-2018 applied the ACSI to U.S. local government services and indicated that the perceived quality of public schools, police, road conditions, and subway service were the most salient drivers of satisfaction, but that the significance of each service varied among income, race, and geography. Hsu (2008) proposed an index for online customer satisfaction based on the ACSI and found that e-service quality was more determinative than other factors (e.g., trust and perceived value) for customer satisfaction. To deliver superior service quality, an online business must first understand how customers perceive and evaluate its service quality.

This study borrowed from e-service quality measures based on the theoretical model comprised constructs to include image, customer expectations, perceived quality, perceived value, customer satisfaction, and loyalty. A crop insurance study proposed an index for measuring farmer's satisfaction levels with crop insurance. The index was based on the American Customer Satisfaction Index (ACSI), having been adapted to the specific needs of this research. Perceived quality, perceived value and farmer's attitude toward crop insurance was found to have strongest effects on farmer's satisfaction levels. The study further confirmed that customer satisfaction is the leading factor that determines farmers' loyalty. The results suggest that the proposed model can also be used on past insured clients and can give insights on which dimensions to focus most, eventually bringing them back

into insurance arrangements. This can as well apply to tax evaders to onboard them again. Another national wide research, investigated the antecedents and consequences of customer satisfaction. The study found that satisfaction is best specified as a function of perceived quality and “disconfirmation”—the extent to which perceived quality fails to match pre-purchase expectations.

Surprisingly, expectations did not directly affect satisfaction, as is often suggested in the satisfaction literature. In addition, the study found quality which falls short of expectations has a greater impact on satisfaction and repurchase intentions than quality which exceeds expectations. Moreover, the researchers found that disconfirmation is more likely to occur when quality is easy to evaluate. Finally, in terms of systematic variation across firms, it was found that elasticity of repurchase intentions with respect to satisfaction to be lower for firms that provide high satisfaction. This implies a long-run reputation effect insulating firms which consistently provide high satisfaction.

Even those which have been carried out point to a need for further investigation of the factors that affect tax revenue collection particularly the policy reforms implemented have not clearly shown the relationship between these two variables. Whether or not the impact is positive remains a concern and area to be investigated further. The following shows the different studies and research done on different countries and even in Kenya to determine how customer service policy reforms have been implemented overtime in an aim to influence tax revenue collection.

### **2.3.1 KRA Call Centres and Tax Revenue Collection**

A contact center (also referred to as a customer interaction center or e-contact center) is a central place in an organization from which all customer contacts are managed. This section sought to determine whether customers had contacted KRA, the issue to KRA, whether

received any feedback and channels used, time taken to resolve issues and awareness of the contact number

Largely due to the technological development in the field of telecommunications, as well as the integration of telecommunications and information technology, the call centre industry has shown remarkable growth worldwide (Burgess & Connell, 2004; Holman, 2003; Moller, Crous & Schepers, 2004; Paulet, 2004; Russel, 2004). Especially since the 1990s, call centres have become the latest and clearest expression of efforts aimed at rationalizing the provision of service through the use of communication and information technologies (Russel, 2004). This is commonly regarded as a direct result of organisations' attempts to provide customer service at a significantly lower cost (Paulet, 2004) in response to information and communication technology developments, business outsourcing practices, and internal reorganisation of enterprises (Burgess & Connell, 2004). Burgess and Connell (2004) contend that call centres are progressively becoming globalised operations and that call centre jobs are increasingly found outside the wealthy economies. In addition to this, these authors note a trend that is becoming more and more apparent, namely the relocation of call centres to countries with large pools of skilled and relatively cheap labour. As a consequence, a significant number of call centres are being relocated from Europe, North America and Australia to India, the Philippines and South Africa.

According to Van Gass (2003), South Africa became attractive as a place to host call centres, particularly since the establishment of a second undersea fibre optic telephone link with Europe in February 2003. He further states that the world-class service levels of call centre staff in South Africa results in this country providing better opportunities than India. However, as Fielding (2004) reports, call centres that began to emerge in the 80s became victims of their own success by fuelling an increase in the quantity of

customer demand for immediate better service. This resulted in working conditions not always being conducive to optimal consulting performance, and has led to call centres being labelled as “sweat shops” of the nineties (Moller et al., 2004); “electronic sweatshops” (Healy & Bramble, 2004; Holman, 2003; Russell, 2004; Wickham & Collins, 2004); “dark satanic mills of the twenty first century” (Holman, 2003); “modern factories” (Bagnara, Gabrielli & Marti, 2000); modern forms of Taylorism (Zapf, Isic, Bechtoldt & Blau, 2003), and “white collar factories” (Wickham & Collins, 2004). To date, most call centre research focused on aspects such as causes of burnout, employee stress and well-being (Grandey, Dickter & Sin, 2004; Grebner, Semmer, Faso, Gut, Kälin & Elfering, 2003; Harris, Daniels & Briner, 2003; Healy & Bramble, 2003; Holman, 2003), as well as literature reviews on call centre research and trends from various perspectives (Bagnara et al., 2000; Burgess & Connell, 2004; Mascia, Marx & Arbix, 2000; Paulet, 2004; Read, 2005; Russell, 2004; Sznalwar, Zilbovicius & Soares, 2000; Wickham & Collins, 2004; Workman & Bommer, 2004; Zapf et al., 2003). Yet, the majority of studies are quantitative in nature, with a focus towards specific aspects in call centre settings compared to other work settings. This study aims to describe the general experience of work in a call centre environment, without emphasising a certain issue or stressor. The objective behind this approach is to determine aspects that are not necessarily stress related or negative in their environment but also potentially related to positive experiences. For the purpose of this study, a call centre is defined as a place where as little as three telephones handle organisational issues (Rademeyer, in Moller et al., 2004). It is therefore a business that integrates advanced technology with an effectively designed business process and human resources.

Taylor (in Paulet, 2004) suggests a number of aspects that differentiate call centres from other industries. These include the use of technology to control the nature of work, service activities that can be provided from any location, a geographically mobile industry, employees that have access to any information by the “touch of a button,” and the substantial amount of control and surveillance over employees, resulting in distinctive work relationships and labour processes. Healy and Bramble (2003) delineated call centres according to three criteria. Firstly, employees are in direct contact with clients, either through dealing with inbound calls, initiating outbound calls, or performing some combination of these roles. Secondly, call centres combine telecommunications and information systems technologies in a way that allows employees to interface with customers on the phone, while simultaneously entering information into a specialized computer programme.

### **2.3.2 Huduma Centres and Tax Revenue Collection**

Kenya Revenue Authority (KRA) has extended its iTax support services to an additional 16 Huduma centres bringing the total number of service centres to 22. The expansion has increased KRA’s presence to at least 13 counties with easy access to tax services for taxpayers. KRA’s iTax Support Centres are present in Mombasa, Kisumu, Eldoret, Nyeri, Nairobi and Thika. The Authority is servicing an average of 2,500 customers per day through its support centres. KRA’s Commissioner General, John Njiraini said KRA’s main focus is making the iTax system more beneficial and convenient to the taxpayer. “KRA is making the iTax system more beneficial and convenient to the taxpayer through setting up a comprehensive support network countrywide,” said Njiraini.

The Authority has been engaged in various tax awareness programmes aimed at creating awareness among various taxpayers. The activities include tax clinics, tax education sessions and hands on trainings for various stakeholders. KRA has been conducting

trainings and sensitization programmes through tax education programmes that are being run countrywide. KRA has also partnered with appointed licensed and trained intermediary agents who assist taxpayers register and file their returns through the iTax system.

iTax system provides an integrated view of a taxpayer making it easier for taxpayers to access various tax administration services. The system enables taxpayers update their registration details, file returns, make payments, enquire about tax status, apply for a Tax Compliant Certificate (TCC) and lodge a refund claim online. KRA is currently running a campaign to get taxpayers to file their Individual Income tax ahead of the June 30, 2015 deadline. However, for taxpayers who might experience challenges in accessing online services to file their returns, KRA will accept manual returns which can be dropped at various KRA offices countrywide.

### **2.3.3 Mobile Service Reform and Tax Revenue Collection.**

Kenya Revenue Authority in the aim to increase tax revenue collection in the country implemented M-services that were mainly meant to improve service delivery thus improve tax revenue collection. Some of the reforms in m- service are the implementation of the SMS and the USSD information services (KRA Website). KRA also has implemented the collection of vital contact information of the tax payers so as to enhance KRA, tax payer information system. The SMS services are there to enable the tax payers to gain access to questions that they may have as soon as possible. This was mainly done to increase efficiency in the information system and thus increase compliance and reduce visits to KRA offices.

The USSD Code also enables the tax payer to access the services required through the M-service which was also meant to improve service delivery. Mobile payment of taxes was

also recently implemented to increase the efficiency in the payment of taxes via MPESA using the pay bill option which applies to taxes less than seventy thousand (KRA Website). The first KRA ICT reforms were initiated in the year 2005 from November as a roadmap modernize and transform the Management Information Systems (MIS) Department parallel to the emerging trends in technology. The various projects were started to run till 2010 but still continued to be implemented till 2014. (Ronge, 2006) Another was the Simba 2005, web based and online value declaration customs system. It however faced resistance, due to corruption and collusion between importers and customs official.

KRA has invested in a Data Centre with servers and a well-structured and tiered IPv6 network, running critical databases and communication links with major redundancy connections to the main or primary site and the backup site (KRA, The KRA Second ICT Strategy 2014/2018, 2014). Over 90% of the KRA stations have ICT infrastructure, enabling automation of services, and also enabling easier access to the latest IT services. There are various challenges such as poor infrastructure capacity planning, inefficient and poorly-made applications, inadequate maintenance arrangements, divergence in technology and standards among stakeholders which will hamper integration, information security challenges, as well as poor vendor management and inadequate clean power. This greatly undermines and hampers service delivery. Integrated Tax Management System (ITMS) uses electronic tax registration, e-tax filing, electronic payments, online electronic tax statement enquiries, an online web question and answer page, and email.

#### **2.3.4 Tax Payer Education Reform and Tax Revenue Collection**

The level of education and information received by taxpayers is a very important indicator that contributes to the understanding about the tax system especially with regards to the laws and regulations of taxation which are to the tax payers hard to understand and

interpret, very contradictory and difficult to locate. (Margaret Adeke, 2011) determines factors that influences tax compliance is the knowledge that tax payers have with regard to the tax systems and the rules and laws that govern taxation in Kenya.

The attitude of tax payers towards compliance can definitely be improved through the increase and improvement of taxation knowledge by tax payers. Knowledge on taxation is important so as to increase public awareness on taxation laws and the role of tax in national and development and improvement of the economy, most important in explaining how tax revenues are used by the government.

The tax system is continually changing and becoming more complicated to tax payers creating need for tax payer education provision so as to increase tax compliance. (Kanyi, 2014) , explains that tax reforms must be implemented effectively in order for the country to be internationally ranked among the improved countries. He further explains the need to review and restructure the tax system in order to ensure sustained development in the country. He further emphasizes that for sustainable development, the structure of the tax system should be customer oriented, business oriented and also not forgetting employee oriented. Compliance is no longer a burden when tax laws are simplified and tax payers are educated and the tax return forms are simpler and easier to understand and taxpayers do not require specialized skills or need actual tax specialists to help them file their returns.

### **2.3.5 Tax Revenue Collection**

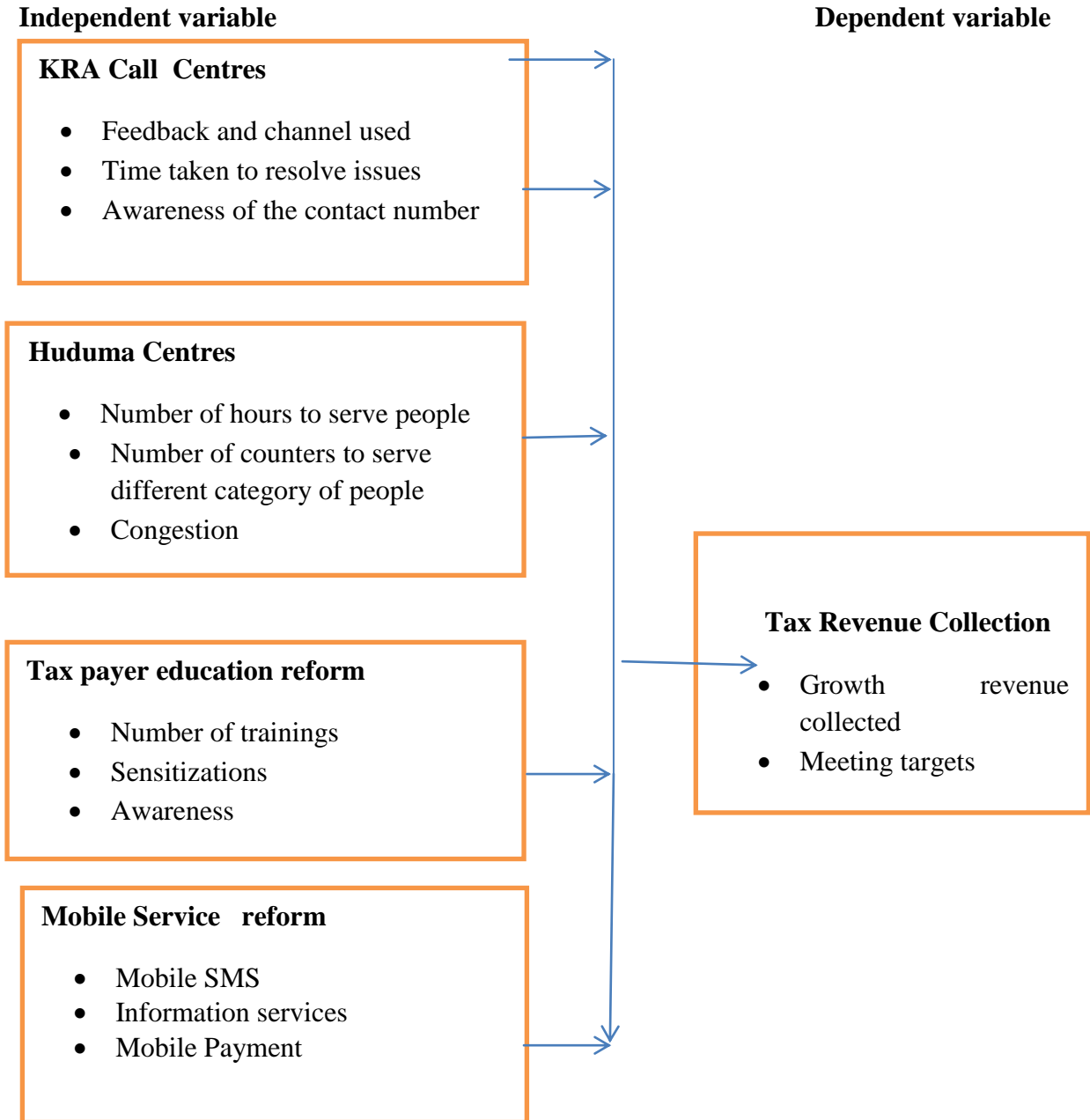
Holzer and Kimes (2002) mainly defined revenue as the gross receipts received during a period of time. KRA has mainly defined revenue to mean taxes, duties, fees charged, levies, penalties, fines or other amounts collected as per the Income Tax Act. Over the years Kenya Revenue Authority has been surpassing targets as set by the Ministry of Finance. The only anomaly was in 2008 that was mainly because of the effects of post election violence. This

meeting of targets can be mainly accredited to measures and policies that have been implemented over the years. Moreover, there is still room for improvement by the implementation of policies that will enhance tax revenue collection. (Gachanja.D, 2012), suggests that collection efficiency is mainly affected by political economy considerations greater polarization and political instability in the country. This is because it would reduce the efficiency and effectiveness of the tax collection. In addition, collection is also affected by structural factors that affect the ease of tax evasion.

According to the 16/17 KRA press release on the KRA Website, Corporate/ business taxes grew by 18.2% compared to the annual growth of 13.7% this clearly indicates the countries increasing potential in tax revenue collection especially for indirect taxes. The banking sector recorded a 20.1% growth even after the implementation of the interest rate capping. Other parts and sectors noted good performing sectors included the ICT, construction and the transport industry according to the press report by KRA. The weakest sectors being the manufacturing industry due to large investment deduction claims. The government is under a lot of pressure to improve service delivery and customer satisfaction which is key in improving compliance according to a study by Kipkemoi despite having numerous challenges of ensuring it is cost effective. (Kipkemoi, 2015)

## 2.4 Conceptual framework

The conceptual framework seeks to clearly illustrate the measures of the variables. It seeks to illustrate the dependant variable which is tax revenue collection and the independent Customer Service reforms and their indicators as illustrated below



**Figure 2.1: Conceptual framework**

## **2.5 Critiques of Existing Literature**

(Margaret Adeke, 2011) determines factors that influences tax compliance is the knowledge that taxpayers have with regard to the tax systems and the rules and laws that govern taxation in Kenya. The attitude of tax payers towards compliance can definitely be improved through the increase and improvement of taxation knowledge by tax payers.

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(Gachanja.D, 2012), suggests that collection efficiency is mainly affected by political economy considerations greater polarization and political instability in the country.

This is because it would reduce the efficiency and effectiveness of the tax collection. In addition, collection is also affected by structural factors that affect the ease of tax evasion. Most researchers have not clearly shown the effect of the customer service policy reforms on tax revenue collection.

They have not states if the impact is significantly positive or negative. Implementation of these policy reforms is very costly creating a need for more research in order to determine if the customer service policy reforms are really cost effective and if they really affect tax revenue collection positively. Most researches have not clearly explained this.

## **2.6 Research Gap**

Various studies have been done on the impact of customer service policy reforms on tax revenue collection in Kenya. The various research done have not however clearly stated whether the effect is positive or negative with some explaining a positive impact and others a negative impact therefore creating a research gap. The various sources have in most cases have used secondary data creating the need to use primary data and especially questionnaire to establish the relationship between the variables. Research done on this topic is limited and very scanty creating need for more research.

## **2.7 Summary**

The above studies have clearly explained that tax revenue collection in Kenya has been affected by customer service policy reforms that have previously been implemented. Majority of studies done in Kenya related to the topic have not clearly revealed the impact of the customer service policy reforms on tax revenue collection.

These studies and research done will provide guidance in the research of how policy reforms have influenced tax revenue collection. Various researchers have also not clearly stated if the impact is significantly positive or negative. This clearly creates the need to carry out more research on the field to clearly determine the impact of tax policies on tax revenue collection.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.0 Introduction**

This chapter presents the methodology carried out the study. It describes and explains the type and the sources of data, data collection, data analysis, data validity and reliability determination techniques that to be used to investigate the relationship between variables.

#### **3.1 Research Design**

According to Kothari (2004) a research design informs decisions concerning a research study and arrangement of conditions for collection and analysis of data so as to combine relevance to the research purpose with the economy. The study employed a descriptive research design to conduct the study which also involves both primary and secondary data.

#### **3.3 Target Population**

Cohen, Manion, and Morrison (2007) define a target population as a specific proportion of the entire population that can be narrowed to achieve research objectives. A Population is a complete set of elements for which the study was conducted. It is that group from which samples are specifically taken measurements James (2016). Target population refers to the people or things of interest James (2016). The target population were 100 taxpayers selected from Mandera county.

**Table 3.1 Target population**

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<b>Taxpayers</b>	<b>Target Population</b>
MTOs	20
LTOs	10
SMEs	40
Suppliers	20
Clearing and Forwarding agents	10
<b>TOTAL</b>	<b>100</b>

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### **3.4 Sampling Frame**

A list of all elements that are to be studied forms the sampling frame of a research. This means that a sample is that unique list of elements from which a sample is taken from which facilitates making of inferences. This study had a sampling frame of 1002 taxpayers of Mandera County as held by the Commissioner of Domestic Taxes at Mandera County Tax Service Office.

### **3.4 Sample size and Sampling Technique**

In most cases, it is not feasible to undertake a census of all items which then makes it necessary to select a part of the population of interest for data collection. It is this small part of the target population that is known as a sample and the how much units is known as the sample size. The method or mechanism that is used to yield the right sample size is known as the sampling technique.

#### **3.5.1 Sample Size**

A sample size was conducted in taxpayers in Mandera county .The Questionnaire was According to Mugenda and Mugenda, (2003), a study sample should be in the range of 1-

10% of the target population which is 1002. Therefore, the study conducted on 100 respondents, randomly selected and 10 taxpayer of Mandera County

### **3.6 Data collection Methods**

Data mainly was obtained from Primary and secondary data. Secondary data was used to complement primary data.

#### **3.6.1 Primary Data**

Primary data refers to the first hand data or from the authentic and original source (Wikipedia). The data obtained from questionnaires. The questionnaires were closed-ended structure that was systematically set to obtain information on the relationship between the variables. The data was mainly collected from people in Mandera County.

#### **3.6.2 Secondary Data**

Secondary data was mainly obtained from books, various dissertations and KRA Corporate plans and also the internet. This data refers to data collected by an individual other than the original or authentic user.

### **3.7 Data Collection Instrument**

The study adopted questionnaires that systematically set as closed-ended questionnaires. A questionnaire refers to a set of questions that are mainly produced for the purpose of a statistical study. A questionnaire is the most effective research instrument because of its advantages like efficiency, speedy results and speedy results. The advantage of the closed ended questionnaires specifically is that they are easier for the respondents to answer and they are quicker. The analysis of these questionnaires is also very easy and quick. The questionnaires were directly administered to the respondents.

### **3.8 Data Collection Procedures**

The relevant data was collected from the field with the aid of a research assistant, as the questionnaires were distributed on a drop and pick later method to allow the respondents time to sufficiently go through them and give feedback.

### **3.9 Pilot Test**

A pilot study was conducted to test the validity of the data collection instruments. A pilot study refers to a preliminary study that is done to test the reliability of the research instrument (Wikipedia). The researcher sampled a few questionnaires and selected a few respondents to test the validity of the questionnaire. This was conducted to test the reliability and the validity. A pilot study was important to determine if the research instrument was reliable and workable. Reliability is mainly determined by the use of a pilot test so as to measure the accuracy and the precision of the instrument.

#### **3.9.1 Validity of Research Instruments**

Kothari (2008) defines validity as a sound measurement that indicates the degree to which an instrument measures what it purports to measure. This study adopted content validity which is the extent to which a measuring instrument provides adequate coverage of the topic under study. So as to establish content validity and make adjustments to the research instruments, consultations and discussions with the supervisor.

#### **3.9.2 Reliability of the Research Instruments**

Reliability of an instrument is the measure of the degree to which a research instrument yields consistent results or data after repeated trials (Cooper, 2003). Instrument reliability is the dependability, consistency or trustworthiness of a test. Cronbach's Coefficient Alpha approach was used to measure internal consistency of the research instruments. Cronbach's Coefficient Alpha is a scale measurement tool appropriate in measuring internal consistency

in descriptive survey researches as recommended by Cohen, Manion and Morrison (2007). Computation of Cronbach's Alpha was conducted using statistical package for social sciences (SPSS Version.24).

**Table 3.2: Reliability tests results**

<b>Constructs</b>	<b>Reliability Cronbach's alpha</b>	<b>Comment</b>
KRA call centres	0.763	Accepted
Huduma centres	0.751	Accepted
Mobile service reforms	0.765	Accepted
Taxpayer education reform	0.741	Accepted
Tax revenue collection	0.703	Accepted

The results of the reliability test produced an overall Cronbach Alpha correlation coefficient of 0.74 while specific findings indicated that, KRA call centres had a coefficient of 0.763, Huduma centres had a coefficient of 0.751, Mobile service reforms had a coefficient of 0.765, Taxpayer education reforms has a coefficient of 0.741 and tax revenue collection had a coefficient of 0.703. Table 4.2 shows that all the study variables yielded Cronbach alpha coefficients values of more than 0.7, which is the recommended value. This indicates that the instrument was reliable to obtain data on effect of customer service reforms on tax revenue collection.

### **3.10 Data analysis and presentation**

The data collected was mainly analysed by the use of SPSS (Statistical package for social sciences), which is a data mining and analysis software (Wikipedia). This package can effectively analyse large sets of data. The analysis was mainly include correlation analysis that aided the study in determining the relationship between the variables and the use of

ANOVA (analysis of Variance), to analyse the degree of the relationship between variables. The analysis included regression analysis. The analysis mainly aims to clearly answer the research questions and determine nature of the association between the variables.

Likert scale was used in calculating the score of the respondents. The advantage of the likert scale is that it is more reliable, in that, the respondents answer each statement in the questionnaire. The data collected from the Likert-type scale can be evaluated easily through measure of the variable indicators on the likert scale.

Descriptive analysis enabled the in-depth understanding of the relationship between the variables. Frequency and percentage analysis was used in the analysis of the data. A content analysis was conducted to allow for further understanding of the variables.

. The regression model that was as follows:

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

Where:

Y = Tax revenue collection

$\beta_0$  = Constant Term

$\beta_{1,2,3,4}$  = Beta coefficients

$X_1$  = KRA Call centres

$X_2$  = Huduma centres

$X_3$  = Mobile services reforms

$X_4$  = Taxpayer education reforms

$\varepsilon$  = Error

### 3.11 Operationalization of Variables

Operationalization facilitates reduction of abstract notions of construct into observable behavior or characteristics so that they can be measured (Sekaran, 2012). Tax revenue collection was operationalized using KRA call centre, Huduma centre. Mobile service and taxpayer education

**Table 3.3: Operationalization of Study Variables**

<b>Variables</b>	<b>Source/Authors</b>	<b>Data collection instrument</b>	<b>Measurement scale</b>	<b>Types of Analysis</b>
<b>Independent variable</b>				
KRA call centre	Van Gass (2003)	Questionnaire	5 point likert scale	Quantitative Regression analysis
Huduma centre	John Njiraini (2015)	Questionnaire	5 point likert scale	Quantitative Regression analysis
Mobile service	(Ronge, 2006)	Questionnaire	5 point likert scale	Quantitative Regression analysis
Taxpayer education	Kanyi (2014)	Questionnaire	5 point likert scale	Quantitative Regression analysis
<b>Dependent Variable</b> Tax revenue collection	(Gachanja.D, 2012),	Questionnaire	5 point likert scale	Quantitative Regression analysis

## CHAPTER FOUR

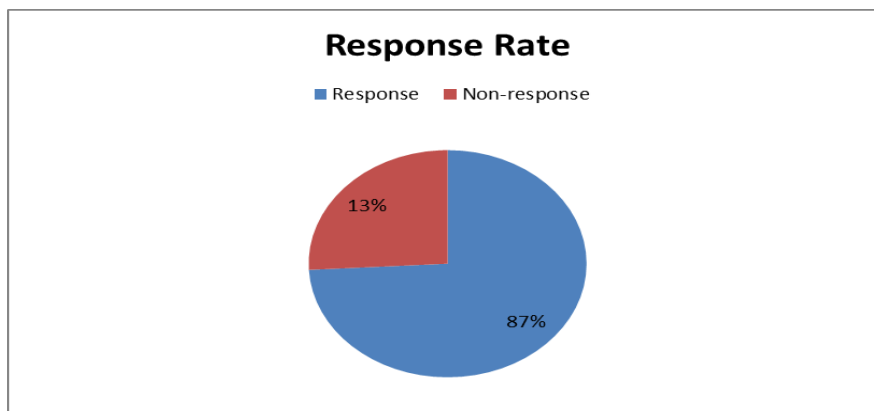
### RESEARCH FINDINGS AND DISCUSSIONS

#### 4.1 Introduction

This chapter represents the findings, results and interpretation of the variables including the response rate, inferential and descriptive statistics. Correlation analysis, multiple regressions was performed. The independent variables of the study were KRA call centre, Huduma centre, Mobile service, taxpayer education and how they influence Tax revenue collection in Mandera County

#### 4.2 Analysis of Response Rate

The number of questionnaires that were administered was 100 and a total of 87 questionnaires were properly filled and returned but some of the respondents returned the questionnaires half-filled while others did not return them completely despite a lot of follow up. This response rate is considered satisfactory to make conclusions for the study. Bailey (2000) stated that a response rate of 50% is adequate while a response rate greater than 70% is very good. This implies that based on this assertion, the response rate in this case of 87% is therefore very good. The response rate result is shown in chart 4.1.



**Figure 4.1: Response Rate**

Survey Data (2020)

## 4.2 Demographic Characteristics

### 4.2.1 Gender of the Respondents

As shown in Table 4.1, of the total respondents, 55 were males (63.2%) and 32 were females (36.8%). The findings imply that most property owners are male. There was need to establish the educational levels of the respondents. This was meant to establish any relationship between educational level and taxpayers

**Table 4.1: Gender**

<b>Gender</b>	<b>Frequency</b>	<b>Percent</b>
Male	55	63.2
Female	32	36.8
<b>Total</b>	<b>87</b>	<b>100</b>

### 4.2.2 Highest Level of education

The findings in Table 4.2 indicated that, majority 58.6% of the total respondents had tertiary level of education, 16.1% of the respondents had secondary level, 13.8% had primary level while 11.5% had no educational at all. The results imply that education level influence the ability of taxpayers.

**Table 4.2 : Education level**

<b>Highest Level of education</b>	<b>Frequency</b>	<b>Percent</b>
None	10	11.5
Primary	12	13.8
Secondary	14	16.1
Tertiary	51	58.6
<b>Total</b>	<b>87</b>	<b>100</b>

### 4.2.1 Annual Turnover Estimates

From the findings majority of the business in Mandera County turnover is 39 % of them show that they have an average annual turnover between 1,000,001 – 3M. 32.2 % have an average annual turnover of above 500,000-1M. While 13.7% had average annual turnover of between above 5M and lastly 4.6% have annual turnover of between 3,000,001 – 5M. This shows that most businesses have 1,000,001-3M sales turnover.

**Table 4.3: Annual Turnover**

<b>Years of operation</b>	<b>Frequency</b>	<b>Percentage</b>
500,000- 1M	28	32.2
1,000,001-3,000,000	34	39
3,000,001- 5M	4	4.6
Above 5M	12	13.7
<b>Total</b>	<b>87</b>	<b>100</b>

### 4.3 Statistical Assumptions

Statistical tests rely upon certain assumptions about the variables used in the analysis. Osborne and Waters (2014), opine that when these assumptions are not met the results may not be valid. They further argue that this may result in a type I or type II error, or over or under-estimation of significance or effect size(s). It is therefore important to pretest for these assumptions for validity of their results. Osborne, Christensen, and Gunter (2001) observed that few articles report having tested assumptions of the statistical tests they rely on for drawing their conclusions.

According to Osborne and Waters (2014), not pretesting for these assumptions has led to a situation where there is rich literature in education and social science, but questions in to the validity of many of these results, conclusions, and assertions still exist. Testing for

assumptions is beneficial as it ensures that an analysis meets the associated assumptions and helps avoid type I and II errors (Osborne and Waters, 2014; Owino, 2014). Prior to data analysis, assumptions for normality and multicollinearity were checked.

### 4.3.1 Normality Test

The normality of data was tested using the Shapiro Wilk test. Thus, on the one hand, if the p value is less than the chosen alpha level, then the null hypothesis is rejected and there is evidence that the data tested are not normally distributed. On the other hand, if the p value is greater than the chosen alpha level, then the null hypothesis that the data came from a normally distributed population cannot be rejected. The null-hypothesis of this test is that the population is normally distributed. Results of the normality test are presented in Table 4.5.

The normality results showed that KRA call centre had p value  $.084 > 0.05$  hence the data is normally distributed. It was also established that the p value for Huduma centre was  $.061 > 0.05$ , mobile service had p value  $.137 > 0.05$ , Taxpayer education had p value  $.375 > 0.05$ . While tax revenue collection had p value  $.205 > 0.05$  The results of the normality test revealed that the data was normally distributed and hence further analysis was conducted.

**Table 4.4: Tests of Normality**

	Statistic	Shapiro-Wilk df	Sig.
KRA call centre	.975	87	.084
Huduma centre	.896	87	.061
Mobile service	.978	87	.137
Taxpayer education	.984	87	.375
Tax revenue collection	0.840	87	.205

### **4.3.2 Multicollinearity Test**

Multicollinearity exists when two or more of the predictors in a regression model are moderately or highly correlated thereby limiting the research conclusions to be drawn. According to Zainodin, Noraini, and Yap (2011), multicollinearity refers to the presence of correlations between the predictor variables. In severe cases of perfect correlations between predictor variables, multicollinearity can imply that a unique least squares solution to a regression analysis cannot be computed (Field, 2009). According to Field (2009) VIF values in excess of 10 is an indication of the presence of Multicollinearity. Multicollinearity inflates the standard errors and confidence intervals leading to unstable estimates of the coefficients for individual predictors. Multicollinearity was assessed in this study using the Variance Inflation Factor (VIF) as shown in Table 4.5.

Results were presented in Table 4.5. A variance inflation factor test was conducted to test for multicollinearity of the predictors and a value less than 10 is acceptable KRA call centre had V.I.F value of 1.641 which is less than 10 implying there is no multicollinearity. Huduma centre had a V.I.F value of 1.936 means that there is no multicollinearity since VIF is less than 10. The results indicated that mobile service had a V.I.F value of 1.471 implying there is no multicollinearity since VIF is less than 10. Lastly, taxpayer education had a V.I.F value of 1.586 means that there is no multicollinearity since VIF is less than 10 Regression could thus be conducted to investigate effects of customer service reforms on tax revenue collection in Madera County.

**Table 4.5: Multicollinearity Test**

<b>Variable</b>	<b>Collinearity Statistics</b>	
	<b>Tolerance</b>	<b>VIF</b>
KRA call centre	0.708	1.641
Huduma centre	0.889	1.936
Mobile centre	0.658	1.471
Taxpayer education	0.823	1.586

#### **4.4 Descriptive Statistics**

##### **4.4.1 KRA Call Centre and Tax revenue collection**

The study sought to understand the role of KRA call centre on tax revenue collection. The study findings revealed that respondents agreed that there is Effectiveness of KRAs contact centres with a mean score of (3.85). Further the study found out that respondents were in agreement that The KRA call centres enhance taxpayers satisfaction with a mean score of (2.94) and the The KRA staff strive to exceed customers' expectations with a mean score of (4.89). The results showed that the respondents were in agreement that KRA staff respond to customers queries and problem promptly with a mean score of (3.73). These findings imply that KRA call centres has brought significant benefits to tax revenue collection at KRA.

**Table 4.6: KRA Call Centre and Tax revenue collection**

**1 – Strongly Agree, 2 – Agree, 3 – Neutral, 4 - Disagree or 5 - Strongly Disagree**

<b>Statements</b>	<b>Mean</b>	<b>SD</b>
Effectiveness of KRAs contact centres	3.85	1.12
The KRA call centres enhance taxpayers satisfaction	2.94	1.11
The KRA staff strive to exceed customers expectations	4.89	0.97
KRA staff respond to customers queries and problem promptly	3.73	1.34
<b>KRA call centre</b>		<b>3.85</b>

#### **4.4.2 Huduma Centre and Tax revenue collection**

The study sought to understand the role of Huduma centres on tax revenue collection. The study findings revealed that respondents agreed that KRA staff attends to customers promptly with a mean score of (3.71). Further the study found out that respondents were in agreement that KRA staff are trustworthy with a mean score of (3.24) while The KRA staff keeps customers adequately informed with a mean score of (2.18). Lastly, the results showed that the respondents were in agreement that KRA staff keeps customers fairly well informed with a mean score of (4.02). This finding shows that Huduma centre plays a significant role in tax revenue collection at KRA.

**Table 4.7: Huduma Centre and Tax Revenue Collection**

<b>Statements</b>	<b>Mean</b>	<b>SD</b>
KRA staff attends to customers promptly	3.71	1.11
KRA staff are trustworthy	3.24	1.26
The KRA staff keeps customers adequately informed	2.18	1.25
KRA staff keeps customers fairly well informed	4.02	1.26
<b>Huduma centre</b>	<b>3.28</b>	

#### **4.4.3 Mobile Service and Tax Revenue Collection**

The study findings revealed that respondents agreed that the KRA SMS system has is efficient and effective for the tax payers with a mean score of (3.77). The KRA USSD system is efficient and effective for tax with a mean score of (3.60).Further the study found out that respondents were in agreement that The KRA Mobile payment system enhances compliance with a mean score of (2.32) while, The KRA Mobile system is efficient and effective had a mean score of (.391).Lastly, the results showed that the respondents were in agreement that The SMS and USSD systems have enhanced compliance with a mean score of (3.89). This finding shows that Mobile service plays a significant role in tax revenue collection at KRA.

**Table 4.8: Mobile Service and Tax Revenue Collection**

<b>Statements</b>	<b>Mean</b>	<b>SD</b>
The KRA SMS system has is efficient and effective for the tax payers	3.77	1.23
The KRA USSD system is efficient and effective for tax payers	3.60	1.37
The KRA Mobile payment system enhances compliance	2.32	1.37
The KRA Mobile system is efficient and effective	3.91	1.18
The SMS and USSD systems have enhanced compliance	3.89	1.26
<b>Mobile service</b>	<b>3.26</b>	

#### **4.4.4 Taxpayer Education and Tax Revenue Collection**

The study sought to understand the role of taxpayer education on tax revenue collection. The study findings revealed that respondents agreed that Taxpayer education has enhanced revenue collection with a mean score of (2.97). Further the study found out that respondents were in agreement that taxpayer education by tax agents is effective and satisfactory to tax payers with a mean score of (3.07) and the Taxpayer education has enhanced tax agent, tax payer relationship with a mean score of (4.22). The results showed that the respondents were in agreement that taxpayer education has increased understanding of the tax system by the tax payer with a mean score of (3.88). While, Taxpayer education should be carried out more time this year with a mean score of (2.51). Lastly, taxpayer education has enhanced compliance with a mean score of (4.06) These findings imply that taxpayer education has brought significant benefits to tax revenue collection at KRA.

**Table 4.9 : Taxpayer Education on Tax Revenue Collection**

	<b>Mean</b>	<b>Std. Dev</b>
Taxpayer education has enhanced revenue collection	2.97	0.525
Taxpayer education by tax agents is effective and satisfactory to tax payers	3.07	0.702
Taxpayer education has enhanced tax agent, tax payer relationship	4.22	0.624
Taxpayer education has increased understanding of the tax system by the tax payer	3.88	0.815
Taxpayer education should be carried out more times in a year	2.51	0.568
Taxpayer education has enhanced compliance	4.06	0.921
<b>Taxpayer Education</b>	<b>3.42</b>	

#### **4.4.5 Tax revenue collection**

Table 4.10 illustrates the tax revenue collection in Madera County. From the data findings, respondents agreed with the statement that KRA call centres enhances tax revenue collection with mean score of (3.69). It was followed by the agreement that KRA huduma centres enhances compliance with a mean score of (3.52). Taxpayer education has enhanced tax revenue collection with a mean score of (4.62). The statement Mobile service enhances tax revenue collection had a mean score of (3.43). On Taxpayer education should be carried out more times in a year had a mean score of (3.81). While, Taxpayer education has enhanced compliance with a mean score of (3.56).

**Table 4.10: Tax Revenue Collection**

	<b>Mean</b>	<b>Std. Dev</b>
KRA call centres enhances tax revenue collection	3.69	0.764
KRA huduma centres enhances compliance	3.52	0.875
Taxpayer education has enhanced tax revenue collection	4.62	0.657
Mobile service enhances tax revenue collection	3.43	0.903
Taxpayer education should be carried out more times in a year	3.81	0.705
Taxpayer education has enhanced compliance	3.56	1.054
<b>Tax revenue collection</b>		<b>3.68</b>
Survey Data (2020)		

#### 4.5 Correlation Analysis

Correlation analysis as aforesaid measures the degree of association between variables. Pearson correlation analysis was done to determine the relationship between study variables. A correlation coefficient value (r) in the range of 0.1 to 0.29 is considered weak, 0.3 to 0.49 is considered moderate while 0.5 to 1.0 is considered strong extracts from O'Brien, 2007. Table 4.8 indicate that Huduma centre had the highest correlation with tax revenue collection (r= 0.392), KRA call centre is positively correlated with tax revenue collection (r= 0.259), Mobile service is positively correlated with tax revenue collection (r= 0.242), Taxpayer education is positively correlated with tax revenue collection (r= 0.110). Thus Huduma centre had a more statistically significant strong positive relationship with tax revenue collection.

**Table 4.11: Summary of Correlations Statistics of Independent and Dependent Variables**

	RC	KCC	HC	MS	TPE
Tax revenue collection	1				
KRA call centre	0.259**	1			
Huduma centre	0.392**	0.486**	1		
Mobile service	0.242**	0.606**	0.521**	1	
Taxpayer education	0.110**	0.370**	0.195**	0.291**	1

Correlation is significant at the 0.05 level (2-tailed).  
Survey Data (2019)

#### **4.6 Regression Analysis between KRA Call centre and Tax revenue collection**

##### **4.6.1 Model Summary**

The results in Table 4.12 indicated that KRA call centre had a positive correlation with revenue collection up to 62.8% or ( $R = 0.628$ ). The results reveals that KRA call centre caused a variation of 39.4% or ( $R^2 = 0.394$  and adjusted  $R^2 = 0.381$ ) on tax revenue collection. This implies that the remaining 60.6 % of the change was caused by other factors not included in the model.

Further ANOVA tests were conducted to determine whether the model works in explaining the relationship among variables as postulated in the conceptual model. The findings from Table 4.12 show an F value of 29.244 with a significance level of 0.000 which is far lower than the confidence level of 0.05, hence establishing the model is statistically significant. The implication is that KRA call centre contributes significantly to changes in the tax revenue collection

**Table 4.12: Effect of KRA Call Centre on Tax Revenue Collection  
Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.628 <sup>a</sup>	.394	.381	36.793

**ANOVA<sup>a</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	11.050	1	11.050	29.244	.000 <sup>b</sup>
1 Residual	36.573	86	.425		
Total	47.623	87			

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.446	0.403		3.588	.000
1 KRA call centre	0.619	0.161	0.628	3.844	.000

a. Dependent Variable: Tax revenue collection

b. Predictors: (Constant), KRA call centre

#### 4.7 Regression Analysis of Huduma centre on Tax revenue collection

The results in Table 4.13 indicated that Huduma centre had a positive correlation with revenue collection up to 85.2% or (R= 0.852). The results reveals that Huduma centre caused a variation of 72.6% or (R<sup>2</sup>=0.726 and adjusted R<sup>2</sup> =0.720) on tax revenue collection. This implies that the remaining 27.4 % of the change was caused by other factors not included in the model.

Further ANOVA tests were conducted to determine whether the model works in explaining the relationship among variables as postulated in the conceptual model. The findings from Table 4.13 show an F value of 34.411 with a significance level of 0.000 which is far lower

than the confidence level of 0.05, hence establishing the model is statistically significant. The implication is that Huduma centre contributes significantly to changes in the tax revenue collection

**Table 4.13: Effect of Huduma Centre on Tax Revenue Collection  
Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.852 <sup>a</sup>	.726	.720	41.27741

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	18.700	1	18.700	34.411	.000 <sup>b</sup>
1	Residual	45.361	86	0.527		
	Total	64.061	87			

**Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.894	0.213		8.892	.000
	Huduma centre	0.465	0.061	0.852	7.622	.000

a. Dependent Variable: Tax revenue collection

b. Predictors: (Constant), Huduma centre

#### 4.8 Regression Analysis of Mobile Service on Tax Revenue Collection

The results in Table 4.14 indicated that mobile service had a positive correlation with revenue collection up to 56.3% or (R= 0.563). The results reveals that mobile service caused a variation of 31.7% or (R<sup>2</sup>=0.317 and adjusted R<sup>2</sup> =0.313) on tax revenue collection. This

implies that the remaining 68.3 % of the change was caused by other factors not included in the model.

Further ANOVA tests were conducted to determine whether the model works in explaining the relationship among variables as postulated in the conceptual model. The findings from Table 4.14 show an F value of 15.925 with a significance level of 0.000 which is far lower than the confidence level of 0.05, hence establishing the model is statistically significant. The implication is that mobile service contributes significantly to changes in the tax revenue collection

#### 4.8.1 Model Summary

**Table 4.14: Effect of Mobile Service on Tax Revenue Collection**  
Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.563 <sup>a</sup>	.317	.313	31.67525

#### ANOVA<sup>a</sup>

Model		Sum of Squares	df	Mean Square	F	Sig.
	Regression	29.044	1	29.044	15.925	.000 <sup>b</sup>
1	Residual	31.324	86	0.364		
	Total	60.386	87			

#### Coefficients<sup>a</sup>

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	
	B	Std. Error	Beta			
	(Constant)	1.489	0.331	4.498	.000	
1	Mobile service	0.571	0.102	0.363	5.598	.000

a. Dependent Variable: Tax revenue collection

b. Predictors: (Constant), Mobile service

#### 4.8 Regression Analysis of Taxpayer Education on Tax Revenue Collection

The results in Table 4.15 indicated that taxpayer education had a positive correlation with revenue collection up to 62.9% or ( $R = 0.629$ ). The results reveals that taxpayer education caused a variation of 39.5% or ( $R^2 = 0.395$  and adjusted  $R^2 = 0.391$ ) on tax revenue collection. This implies that the remaining 60.5 % of the change was caused by other factors not included in the model.

Further ANOVA tests were conducted to determine whether the model works in explaining the relationship among variables as postulated in the conceptual model. The findings from Table 4.15 show an F value of 69.342 with a significance level of 0.000 which is far lower than the confidence level of 0.05, hence establishing the model is statistically significant. The implication is that taxpayer education contributes significantly to changes in the tax revenue collection

**Table 4.15 : Effect of Taxpayer Education on Tax Revenue Collection**

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.629 <sup>a</sup>	.395	.391	69.36185

a. Predictors: (Constant), taxpayer education

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.669	1	5.669	69.342	0.000
	Residual	12.672	86	0.147		
	Total	18.341	87			

a. Dependent Variable: Tax revenue collection

b. Predictors: (Constant), Taxpayer Education

Coefficients <sup>a</sup>						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.7681	.421		4.199	.000
	Taxpayer Education	.325	.089	.629	3.651	.000

a. Dependent Variable: Tax revenue collection

## Joint Effect Analysis of Variance Between Customer Service Reforms and Tax

### Revenue Collection

The findings in Table 4.16, revealed that customer service reforms correlate with tax revenue collection up to 80.7% ( $R=0.807$ ) and accounts for a variation of 65.1% ( $R^2=0.651$ ). This implies that 34.9% of the change in tax revenue collection was caused by other factors which were not included in the model. The findings further reveal that even if the results adjust, the model would still account for 64.6% (Adjusted  $R^2$ , 0.646) variation of tax revenue collection. The findings from Table 4.16 an F statistics value of 37.659 with a significance level of 0.000 which was less than 0.05 significance level and it implies model is statistically significant

**Table 4.16: Analysis of Variance between customer service and Tax revenue collection**

	Unstandardized		Standardized Coefficients				Statistics	
	B	Std. Error	Beta	T	Sig	Tolerance	VIF	
(Constant)	0.822	0.375		2.192	0.006			
KRA call centre	0.305	0.080	0.298	3.812	0.000	0.708	1.641	
Huduma centre	0.299	0.096	0.071	3.114	0.014	0.889	1.936	
Mobile service	0.528	0.139	0.539	3.798	0.001	0.658	1.471	
Taxpayer education	0.390	0.046	8.478	1.302	0.002	0.823	1.586	
R	<b>0.807<sup>a</sup></b>							
R Square	0.651							
Adjusted R Square	0.646							
F Value	37.659							
Sig	<b>0.000<sup>b</sup></b>							

**a Dependent Variable: Tax revenue collection**

**b Independent Variables: (KRA call centre, Huduma centre, Mobile service and taxpayer education)**

#### **4.8.2 Regression Coefficient**

Multiple regression analysis was conducted as shown in Table 4.16 Substituting the values in the Equation;  $Y = 0.822B + 0.305X_1 + 0.299X_2 + 0.528X_3 + 0.390X_4 + e$

The Regression equation shows that the independent variables and dependent variable were statistically significant. A unit change in KRA call centre, Huduma centre, Mobile service and taxpayer education and increase Tax Revenue Collection by 30.5%, 29.9%, 52.8% and 39% respectively

#### **4.8.3 Analysis of Variance**

Further ANOVA tests were conducted to determine whether the model works in explaining the relationship among variables as postulated in the conceptual model. The findings from Table 4.16 an F statistics value of 37.659 with a significance level of 0.000 which was less than 0.05 significance level and it implies model is statistically significant. The overall of implication of the model is that independent variables contribute significantly to changes in the dependent variable.

#### **4.9 Discussion of the Findings**

This chapter presents discussion of the results of various tests carried out on the study. The results of each of the questions in this study will be discussed.

##### **4.9.1 Effect of KRA Call Centre on Tax Revenue Collection**

First objective of the study was to establish the effect of KRA call centre on tax tax revenue collection and from the findings this study was statistically significant at a p value of 0.000 which is less than 0.05 the convectional probability significance level. Similar findings were revealed by Van Gass (2003), South Africa became attractive as a place to host call

centres, particularly since the establishment of a second undersea fibre optic telephone link with Europe in February 2003. He further states that the world-class service levels of call centre staff in South Africa results in this country providing better opportunities than India. However, as Fielding (2004) reports, call centres that began to emerge in the 80s became victims of their own success by fuelling an increase in the quantity of customer demand for immediate better service.

#### **4.9.2 Effect of Huduma Centre on Tax Revenue Collection**

Second objective of the study was to establish the effect of Huduma centre on tax revenue collection and from the findings this study was statistically significant at a p value of 0.014 which is less than 0.05 the conventional probability significance level. Kenya Revenue Authority (KRA) has extended its iTax support services to an additional 16 Huduma centres bringing the total number of service centres to 22. The expansion has increased KRA's presence to at least 13 counties with easy access to tax services for taxpayers. KRA's iTax Support Centres are present in Mombasa, Kisumu, Eldoret, Nyeri, Nairobi and Thika. The Authority is servicing an average of 2,500 customers per day through its support centres. KRA's Commissioner General, John Njiraini said KRA's main focus is making the iTax system more beneficial and convenient to the taxpayer

#### **4.9.3 Effect of Mobile service on Tax Revenue Collection**

Third objective of the study was to establish the effect of mobile service on tax revenue collection and from the findings this study was statistically significant at a p value of 0.001 which is less than 0.05 the conventional probability significance level. Kenya Revenue Authority in the aim to increase tax revenue collection in the country implemented M-services that were mainly meant to improve service delivery thus improve tax revenue collection. Some of the reforms in m- service are the implementation of the SMS and the USSD information services (KRA Website). KRA also has implemented the collection of

vital contact information of the tax payers so as to enhance KRA, taxpayer information system.

#### **4.9.4 Effect of Taxpayer Education on Tax Revenue Collection**

Fourth objective of the study was to establish the effect of mobile service on tax tax revenue collection and from the findings this study was statistically significant at a p value of 0.002 which is less than 0.05 the convectional probability significance level. The results concurred with (Kanyi, 2014),who explains that tax reforms must be implemented effectively in order for the country to be internationally ranked among the improved countries. He further explains the need to review and restructure the tax system in order to ensure sustained development in the country. He further emphasizes that for sustainable development, the structure of the tax system should be customer oriented, business oriented and also not forgetting employee oriented.

## **CHAPTER FIVE**

### **SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

This chapter provides a discussion on the thesis summary based on the earlier established research questions. It further discusses major study findings, conclusions and eventually provides directions in the form of recommendations.

#### **5.2 Summary of Findings**

The overall objective of this study was to investigate the effect of customer service reforms on tax revenue collection in Mandera County. In particular the study sought to determine the influence of KRA call centre on tax revenue collection, Huduma centre on Tax revenue collection, Mobile service on tax revenue collection and lastly on Taxpayer education on tax revenue collection

##### **5.2.1 Effect of KRA Call Centre on Tax Revenue Collection**

The objective was to determine the influence of KRA call centre on Tax revenue collection. Correlation analysis showed that KRA call centre and Tax revenue collection are positively and significantly associated. Also the Regression analysis shows there was a positive significant relationship between KRA call centre and Tax revenue collection.

##### **5.2.2 Effect of Huduma Centres on Tax Revenue Collection**

The objective was to establish the influence of Huduma centre on Tax revenue collection. Correlation analysis showed that Huduma centre and Tax revenue collection are positively and significantly associated. Also the Regression analysis shows there was a positive significant relationship between Huduma centre and Tax revenue collection.

### **5.2.3 Effect of Mobile Service on Tax Revenue Collection**

The objective was to determine the influence of mobile service on Tax revenue collection. Correlation analysis showed that mobile service and Tax revenue collection are positively and significantly associated. Also the Regression analysis shows there was a positive significant relationship between mobile service and Tax revenue collection.

### **5.2.4 Effect of Taxpayer Education on Tax Revenue Collection**

The objective was to determine the influence of taxpayer education on Tax revenue collection. Correlation analysis showed that taxpayer education and Tax revenue collection are positively and significantly associated. Also the Regression analysis shows there was a positive significant relationship between taxpayer education and Tax revenue collection.

## **5.3 Conclusions**

The study concludes that: KRA call centres affect tax revenue collection in Mandera County. This is because KRA staff strive to exceed customers' expectations, effectiveness of KRAs contact centres and KRA staff respond to customers queries and problem promptly on Tax revenue collection. On Huduma centre the study found out that KRA staff keeps customers fairly well informed and KRA staff attends to customers promptly. The study concluded the KRA Mobile system is efficient and effective and The SMS and USSD systems have enhanced compliance. Further study concluded that Taxpayer education has enhanced tax agent, tax payer relationship and Taxpayer education has enhanced compliance

## **5.3 Recommendation**

Based on the objectives of the study, that the government should have policy of KRA Mobile system, being efficient and effective, to improve on tax revenue collection by the KRA. From the findings, study recommends that the KRA should budget for more taxpayer

education since it enhances compliance. The study also recommends Taxpayer education which has enhanced tax agent, taxpayer relationship

#### **5.4 Limitations of the Study**

The study was limited by various ways since it was done in Mandera County. This means that most roads were impassable for long hence it posed difficulties in accessing the respondents. The study was constrained by unwillingness of the respondents in giving information as consequence of unexplained fear especially by tax administrators due to the crack down that has been going on about tax evasion. However, some of the limitations were overcome by employing strategies such as visiting respondents on motorbikes, operating within budget and also informing the respondents on the importance of the study.

#### **5.5 Suggestions for Further Research**

The study recommends the needs for more studies focusing on other factors not included in the study. The study was only limited to Mandera County and this calls the need for more studies that are national based to understand the effect of customer service reforms on Tax revenue collection in Kenya. The study was based on quantitative methodology that has limitation on exploring the study variables in detail. There is need for more qualitative studies to explore the contribution of customer service reforms on tax tax revenue collection in more detail

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## **APPENDICES**

### **Appendix I: Cover Letter**

Jama Musa

KENYA SCHOOL OF REVENUE ADMINISTRATION

P.O. BOX 43200

NAIROBI

Dear Respondent,

I am carrying out research on the effect of customer service reforms on tax revenue collection in Kenya, Case Mandera County. This is in partial fulfilment of the requirement of the Post Graduate Diploma in Tax Administration. The study is to be filled by the respondents in Nairobi County. This study will be used by the Government, other researchers and stake holders to improve the implementation of tax policy reforms in Kenya and thus aid the government in equitable and effective tax revenue collection.

The findings will not be directed to a specific individual. This is a research for academic purposes and you are required to answer honestly and truthfully. The information provided will be confidential and will be analyzed appropriately and conclusions and recommendations will be reported. I would appreciate if you would spare a few minutes to answer the questionnaire.

Thank you in advance,

Yours sincerely,

**Jama Musa**

## Appendix II : Questionnaire

This questionnaire is designed to collect data on the effect of customer service reforms on Tax tax revenue collection. The data shall be used for academic purposes only and it will be treated with the confidentiality it deserves.

### Section 1: Demographic Information

#### 1. Gender

Female [ ]

Male [ ]

#### 2. Level of Education

None [ ]

Primary [ ]

Secondary [ ]

Tertiary [ ]

#### 3. What is the average annual turnover of the business?

Between Kes 500,000 and 1,000,000 [ ]

Between Kes 1,000,001 and 3,000,000[ ]

Between Kes 3,000,001 and 5,000,000[ ]

Over Kes 5,000,000 [ ]

## SECTION 2: KRA CALL CENTRES

2. Evaluate the following statements and tick where appropriate under the choices below

Where: 1 – Strongly Agree, 2 – Agree, 3 – Neutral, 4 - Disagree or 5 – Strongly

Disagree

Statement	1	2	3	4	5
Effectiveness of KRA contact centres					
The KRA call centres enhance taxpayers satisfaction					
The KRA staff strive to exceed customers expectations					
KRA staff respond to customers queries and problem promptly					

## SECTION 3: HUDUMA CENTRES

2. Evaluate the following statements and tick where appropriate under the choices below

Where: 1 – Strongly Agree, 2 – Agree, 3 – Neutral, 4 - Disagree or 5 – Strongly

Disagree

Statement	1	2	3	4	5
KRA staff attends to customers promptly					
KRA staff are trustworthy					
The KRA staff keeps customers adequately informed					
KRA staff keeps customers fairly well informed					

## SECTION 4: MOBILE SERVICE REFORM

2. Evaluate the following statements and tick where appropriate under the choices below

Where: 1 – Strongly Agree, 2 – Agree, 3 – Neutral, 4 - Disagree or 5 – Strongly Disagree

Statement	1	2	3	4	5
a. The KRA SMS system has is efficient and effective for the tax payers					
b. The KRA USSD system is efficient and effective for tax payers					
c. The KRA Mobile payment system enhances compliance					
d. The KRA Mobile system is efficient and effective					
e. The SMS and USSD systems have enhanced compliance					

## SECTION 5: TAXPAYER EDUCATION REFORM

2. Evaluate the following statements and tick where appropriate under the choices below

Where: 1 – Strongly Agree, 2 – Agree, 3 – Neutral, 4 - Disagree or 5 – Strongly Disagree

Statement	1	2	3	4	5
a. Taxpayer education has enhanced tax revenue collection					
b. Taxpayer education by tax agents is effective and satisfactory to tax					
c. Taxpayer education has enhanced tax agent, tax payer relationship					
d. Taxpayer education has increased understanding of the tax system by					
e. Taxpayer education should be carried out more times in a year					
f. Taxpayer education has enhanced compliance					

## SECTION 6: TAX REVENUE COLLECTION

2. Evaluate the following statements and tick where appropriate under the choices below

Where: 1 – Strongly Agree, 2 – Agree, 3 – Neutral, 4 - Disagree or 5 – Strongly Disagree

Statement	1	2	3	4	5
a. KRA call centres enhances tax revenue collection					
b. KRA huduma centres enhances compliance					
c. Taxpayer education has enhanced tax revenue collection					
d. Mobile service enhances tax revenue collection					
e. Taxpayer education should be carried out more times in a year					
f. Taxpayer education has enhanced compliance					

**Thank you very much for your patience, cooperation and support in my research.**

### Appendix III: Budget

DESCRIPTION	COST PER ITEM	TOTAL AMOUNT (Kshs)
<b>Stationery</b>		<b>6,000.00</b>
Photocopying papers	10 reams @ 600/=	
Pens, pencils, rubbers		
Ink cartridge (Printer)		
Files (12 rim binders)		
<b>Personnel</b>		<b>25,000.00</b>
Questionnaires administrators		
Stastician		
<b>Transport and subsistence</b>		<b>4,000.00</b>
Vehicles		
Subsistence allowance		
<b>Communication</b>		<b>20,000.00</b>
Telephone		
Internet		
<b>Other Services</b>		<b>20,000.00</b>
Library services		
Purchase of periodicals and books		
<b><u>Total expected cost</u></b>		<b><u>69,000.00</u></b>

### Appendix IV: Work Plan

<b>ACTIVITY (2018)</b>	<b>DECEMBER (2019)</b>	<b>FEBRUARY( 2020)</b>	<b>APRIL (2020)</b>
Draft proposal			
Proposal presentation			
Designing the research instrument			
Proposal defense			
Field work & data Collection			
Data Entry / Analysis			
Report Writing			
Presentation of 1 <sup>st</sup> draft			
Presentation of 2 <sup>nd</sup> draft			
Submission of final report			

## Appendix V: List of Tax Payers

### LIST OF MANDERA TAXPAYERS

1. Dido Trading Company
2. Elwak Service Station
3. Takbir Petrol Station
4. Manderia Palace
5. Hill view Hotel
6. Billow Hardware
7. Takbir Hardware
8. M.K Osman
9. Green view Hotel
10. Red sea Hotel
11. Riverside Hotel
12. Manderia Drug mart
13. Bluelight Hotel
14. Super Petroleum LTD
15. Salsal LTD
16. Madina Hardware
17. Hassan & Ali Hotel
18. Mohamed Ali & Sons
19. Hajji Jeylani Mubarak
20. Nomad Hotel
21. Solo Travel Agency
22. Azuri Cyber cafe
23. Al Rayan Restaurant
24. Jamia Mall
25. East Mart Supermarket
26. Al Fajri cyber
27. New Manderia shopping
28. Kilian Travel Agent
29. Ice Cool Beverages
30. Ikran Fruits
31. Hass petroleum LTD
32. Crown Bus LTD
33. Halima Fashion
34. Al Bushra Wholesalers
35. Tawakal Wholesalers
36. Zayan Wholesalers
37. Ifrah Café
38. Airport view Hotel
39. Skymall shop
40. Ahlam retail shop
41. Al Ameen logde
42. Sayid Ali
43. Omar Ali
44. Sheikh Osman & Sons
45. Halwa Macan
46. Hiram Daqane
47. Sirad Ali
48. Zamzam Musa Abdi
49. Abdullahi Abdi Shukri
50. Farah Hassan Ali
51. Twenty Two Mall
52. Fardowsa Farah
53. Dahir Duale
54. Farido Sheikh Hassan
55. Fathi Fruits
56. Ali Hassan Mohamed
57. Brothers shops LTD
58. Abdi Abdulle
59. Diriye Ali
60. Stationers LTD
61. Hussein Hassan
62. Ayan Stationeries
63. Fatuma Abdi
64. Halima Issaac
65. Kenya Electirical shop
66. Fatuma Construction LTD
67. Hamida Building company
68. General Aluiminium Fabricators
69. Amir pharmacy
70. Kafia Hassan
71. Abdi Hussein
72. Abdul Masud
73. Amina Abdul
74. Adna Ahmed
75. Issa Chemist
76. Abdulrahim Auto Spares LTD
77. East Leigh Mattresses
78. Noor Wholesalers
79. Jamal Enterprises LTD
80. Halal Butchery
81. Car & General LTD
82. Aqua Bora water
83. Saadia café
84. Azam Waters
85. Asma Ibrahim
86. Five Star LTD
87. Nasteha Cosmetics
88. Good barbar shop
89. Sucdi Saloon
90. Food Express
91. Manderia beauty point
92. Facilitator LTD
93. Hometown Butchery
94. Beauty Spa
95. Hussein Ahmed
96. Yussuf Ibrahim
97. Abdirahman Mohamed
98. Taqwa Housing Company
99. Imran Shop
100. Home Pizza palace

