

**FACTORS AFFECTING CUSTOMER SATISFACTION AT THE KENYA  
REVENUE AUTHORITY IN MOMBASA**

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

**2019**

**DECLARATION**

This project is my original work and has not been presented for any award in any other academic or non-academic institution

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**HDB336-C016-2367/2016**

This project has been submitted for examination with my approval as the supervisor

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## **DEDICATION**

I dedicate this research project to my workmates, classmates, and family for their unrelenting support.

## **ACKNOWLEDGMENT**

I thank god for the grace and strength He gave me throughout my studies. My senior appreciation to my supervisor and moderator for their guidance and patience. I also want to express my gratitude to the Kenya School of Revenue Administration Mombasa campus for providing the opportunity to school, and for creating a conducive environment.

## TABLE OF CONTENTS

<b>DECLARATION</b> .....	<b>ii</b>
<b>DEDICATION</b> .....	<b>iii</b>
<b>ACKNOWLEDGMENT</b> .....	<b>iv</b>
<b>LIST OF APPENDICES</b> .....	<b>viii</b>
<b>LIST OF TABLES</b> .....	<b>ix</b>
<b>LIST OF FIGURES</b> .....	<b>x</b>
<b>ACRONYMS AND ABBREVIATIONS</b> .....	<b>xi</b>
<b>DEFINITION OF TERMS</b> .....	<b>xii</b>
<b>ABSTRACT</b> .....	<b>xiii</b>
<b>CHAPTER ONE</b> .....	<b>1</b>
<b>INTRODUCTION</b> .....	<b>1</b>
1.1 Background of the Study .....	1
1.2 Statement of the Problem.....	4
1.3 Objective of the Study .....	4
1.3.1 General Objective.....	4
1.3.2 Specific Objectives.....	5
1.4 Research Questions .....	5
1.5 Justification of Study .....	5
1.6 Scope of Study .....	6
1.7 Limitations of the Study .....	7
<b>CHAPTER TWO</b> .....	<b>8</b>
<b>LITERATURE REVIEW</b> .....	<b>8</b>
2.1 Introduction.....	8
2.2 Theoretical Review .....	8
2.2.1 Disconfirmation Paradigm Theory.....	8
2.2.2 Arthur Lewis Theory of Two-Sector Development .....	9
2.2.3 The Dissonance Theory.....	10
2.4 Review of Variables.....	12
2.4.1 Policy Formulation.....	12
2.4.2 Resource Allocation .....	13
2.4.3 Training .....	14
2.5 Empirical Literature .....	15

2.6 Critique of Literature Review .....	16
2.7 Research Gaps.....	17
2.8 Summary .....	17
<b>CHAPTER THREE.....</b>	<b>18</b>
<b>RESEARCH METHODOLOGY .....</b>	<b>18</b>
3.1 Introduction.....	18
3.2 Research Design .....	18
3.3 Population .....	19
3.4 Sample Frame .....	19
3.5 Sample size and Sampling Technique .....	20
3.6 Data Collection Instruments .....	21
3.7 Data Collection Procedure .....	21
3.8 Pilot Testing.....	21
3.8.1 Reliability.....	22
3.8.2 Validity .....	22
3.9 Data Analysis .....	22
<b>CHAPTER FOUR .....</b>	<b>24</b>
<b>RESEARCH FINDING AND ANALYSIS.....</b>	<b>24</b>
4.1 Introduction.....	24
4.2 Response Rate.....	24
4.3 Reliability and Data Validity .....	25
4.4 Demographic Analysis.....	25
4.4.1 Education Level.....	25
4.4.2 Period of operation.....	26
4.4.3 Nature of employment or business operated .....	27
4.4.4 Yearly turnover and income.....	28
4.5 Descriptive Analysis .....	29
4.5.1 Policy formation.....	29
4.5.2 Resource allocation .....	30
4.5.3 Staff Training .....	31
4.5.4 Customer satisfaction .....	32
4.6 Correlation Analysis .....	33

4.6.1 Coefficient of Correlation .....	33
4.7 Regression Analysis.....	35
4.7.1 Coefficient of Determination $R^2$ .....	35
4.7.2 Analysis of Variance ANOVAa.....	36
4.7.3 Coefficients .....	36
<b>CHAPTER FIVE .....</b>	<b>38</b>
<b>SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....</b>	<b>38</b>
5.1 Introduction.....	38
5.2 Summary of Findings.....	38
5.3 Conclusions.....	41
5.4 Recommendations.....	41
5.5 Recommendations for Further Research.....	42
<b>REFERENCES .....</b>	<b>43</b>
<b>APPENDIX .....</b>	<b>46</b>

## LIST OF APPENDICES

<b>APPENDIX I: LETTER OF INTRODUCTION</b> .....	46
<b>APPENDIX II: QUESTIONNAIRES</b> .....	47

## LIST OF TABLES

<b>Table 3.1:</b> Target Population.....	20
<b>Table 3.1:</b> Sample Size.....	21
<b>Table 4.2</b> Response rate .....	24
<b>Table 4.3</b> Reliability Results .....	25
<b>Table 4.3</b> Education Level .....	26
<b>Table 4.4</b> Numbers of years .....	27
<b>Table 4.5</b> Respondents kind of employment or business operated .....	28
<b>Table 4.6</b> Respondents yearly turnover and income .....	29
<b>Table 4.7</b> Policy formation .....	30
<b>Table 4.8</b> Resource allocation .....	31
<b>Table 4.9</b> Staff training .....	32
<b>Table 4.10</b> Customer Satisfaction .....	33
<b>Table 4.11</b> Karl Pearson’s Coefficient of Correlation .....	34
<b>Table 4.12</b> Model Summary .....	35
<b>Table 4.13</b> ANOVAa .....	35
<b>Table 4.14</b> Coefficients .....	36

## LIST OF FIGURES

<b>Figure 2.1:</b> Conceptual framework .....	13
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## **ACRONYMS AND ABBREVIATIONS**

**ROI** – Return On Investment

**KRA** – Kenya Revenue Authority

**IPSOS** – Institut de Publique Sondage d’Opinion Secteur

**BMS** – Block Management System

**PIN** – Personal Identification Number

**SLA** – Service Level Agreement

## DEFINITION OF TERMS

### **Kenya Revenue Authority**

Kenya Revenue Authority is an agency of the Kenyan government, established under Chapter 469 by an Act of Parliament, which is obligated to assess, collect, and account for all incomes that are due to the government as per the guidelines of the Kenyan law (KRA, 2006).

### **Customer satisfaction**

Customer satisfaction is an evaluation utilized to measure how well the customers' expectations about a service or a product given by an institute or company have been achieved. As a matter of fact, it is an abstract idea and consists of aspects such as quality, atmosphere and price of a product or service (Giese, 2000)

### **Resource allocation**

Resource allocation is broadly known as a procedure of assigning as well as controlling assets in a way that supports a company's strategic objectives. Specifically, it comprises controlling concrete possessions such as hardware to ensure the best utilization of softer assets such as human capital (Pallas, 2014).

### **Policy formation**

Policy formulation is known as the establishment of effective as well as satisfactory options of actions for addressing what has been retained on the strategy agenda. In simple terms, it is the process of setting obligations, determining the cost and predicting the effect of solutions, selecting from a list of available solutions (Yüksel, 2008).

### **Taxpayer psychological factors:**

Taxpayer's moral values, norms, perceptions and attitudes and believes in equity and fairness in the taxation system (Devos, 2014).

## ABSTRACT

The Kenya Revenue Authority is a robust tax-collecting agent of the Kenyan Government since its inception on 1 July 1995. The organization contributes greatly to the country's national budget. As a matter of fact, KRA realizes the need to modify its strategy towards tax collection by moving away from the conventional threat and whip approach to trust and facilitation. The seventh corporate plan noted that the target set to attain 80% satisfaction rate as per the sixth corporate plan was not met by 8.9%. The main intention of this research was to determine how customer satisfaction plays a critical role in the expansion of KRA. Specifically, for any company to remain relevant and competitive, customer satisfaction is an important area. One may regard KRA a monopoly and does not face competition; however, clients have the right to receive effective services. Due to this reason, the study at hand aimed at investigating the aspects affecting the varying customer experience and satisfaction by a customer who walks into KRA Mombasa as it has a direct relation to fostering trust and facilitation as an approach to increasing tax compliance. The study aimed to look at the various elements that constitute a satisfactory customer experience. The specific objectives were to investigate how policy formation, resource allocation and training contributes to the overall customer satisfaction at KRA in Mombasa. Specifically, the research focused on taxpayers who are located in Mombasa. A descriptive research design was adopted having a population of 155 respondents and the sample size was 133. Data were collected by the use of a structured questionnaire and analyzed using inferential statistics. A regression model using statistical package for social science, the study found out that policy formation has a strong influence on customer satisfaction. The regression model obtained showed policy formation affects customer satisfaction by 45.2%, and a strong correlation of coefficient  $r$  0.812. Resource allocation is strongly correlated to customer satisfaction given by the coefficient  $r$  0.582, supported by the linear regression model obtained whereby. Resource allocation affects customer satisfaction by 34%. KRA staff training levels affects customer satisfaction by 34.1%, a coefficient correlation of 0.808 showing a very strong correlation. The study recommends intensive effort towards policy formation, strategic allocation of resources and continuous training of KRA marketing staff in order to improve customer satisfaction levels if it intends to meet the seventh corporate plan goals.

## CHAPTER ONE

### INTRODUCTION

#### 1.1 Background of the Study

Customer satisfaction is the degree to which a service or product offered by a company either meets the expectations of the consumer or surpasses it all together. Therefore, customer satisfaction should be primary objective of every organization that is existent, especially for those dealing with a population which consumes its products or services. Over time, greater focus has been put on customer satisfaction as a key component in business models strategies as they have a direct effect on the consumption levels of a company's products or services (Pallas, Mittal, & Groening, 2014). It should be the goal of every forward-looking organization to measure the levels of customer satisfaction and keep track of its growth curve as an important indicator of success. The core business of Kenya Revenue Authority (KRA) is collection of taxes on behalf of the government (KRA, 2010).

Different scholars have given various perspectives concerning customer satisfaction and how this aspect influences marketing and consumer behavior. Some investigators indicate that client gratification is a relative idea and is adjudicated in correlation to a standard. As a matter of fact, a number of various theories grounded on different standards have been developed for explaining client gratification (Pallas, Mittal, & Groening, 2014). Some early theories of satisfaction concept assume that clients may exaggerate the adjusting of perceived disparity existing between the product performance as well as the initial anticipation or the norm. However, these theories have not been applied in the service industry; thus, the validity of their assumptions remains unclear. On the other hand, some theories are useful as they propose that customer expectation improvement is critical for companies to achieve high production evaluation (Bulgarella,2005). The preceding assumption is criticized since it does not consider the idea of tolerance degrees.

The satisfaction literature has not yet developed an accepted definition of satisfaction. Due to this reason, many organizations have restricted abilities to come up with appropriate measures as well as compare results across researches. An excellent provided definitional framework

offers guidelines for establishing consistent, delineated, and context-specific explanations of satisfactions (Giese & Cote, 2000). By giving adequate detail about the effective reaction, duration, and period of determination as well as the emphasis of the reaction, a detailed definition of gratification is fabricated. A number of explanations have favored the idea of customer fulfillment as a reaction to a diminution process. In particular, there is a superseding theme of customer gratification as an instantaneous idea, sentimental response, or a reaction to an evaluation procedure.

KRA need to understand that customers are the backbone of the organization. Numerous researchers have highlighted the importance of clients' satisfaction and many factors have emerged. Some of the aspects include helpful, knowledgeable, and friendly employees as well as competitive pricing, quality services, good value, accuracy of billing, and billing clarity. However, the company need to comprehend that having satisfied clients is not enough, they must be extremely satisfied, leading to customer loyalty (KRA, 2006). Various scholars assert that building customer loyalty is a mandatory as it is the solitary way of establishing maintainable modest edge. Accordingly, establishing allegiance with underlying clientele has developed into a fundamental advertising goal shared by major companies in all industries outfitting to business clients. KRA must adopt the strategic necessities for developing a trustworthy client base such as creating a value perception, establishing close ties with customers, focusing on key clients, and projecting customer needs as well as responding to them before the competition does (KRA, 2006). Grounded on the studies conducted by different investigators, it is evident that consumer fulfillment is vital to the success of any organization. Despite the fact that some scholars maintain that consumer gratification does not assure repurchase on the part of the clientele, the fact remains it plays an integral role in ensuring customer loyalty and retention.

As a matter of fact, customer management receives significant attention as clients are regarded an enterprise's most valuable resource. Nevertheless, in spite of prevalent study, there remains lack of an arrangement on how the resource should be accomplished and developed. Additionally, some researchers maintain that heightens in client fulfillment are linked with high consumption and loyalty in hedonic groups, but not in the serviceable groups. Therefore,

organizations delivering service categories with hedonic benefits can better distinguish their offerings towards their rivalries as the hedonic worth is regarded difficult to associate across different varieties (Giese& Cote, 2000). Moreover, it is important to comprehend that the link existing between client consummation and a company's ROI is non-linear; therefore, reaches a point at which further financing will not bring economic value. Precisely, keeping taxpayers satisfied is important for KRA's success. Nevertheless, the organization need to understand that the significance of client fulfilment differs grounded on the level of hedonic and serviceable remunerations entrenched in the firm's contributions. In this case, KRA should offer services in high hedonic categories in order to benefit from high degrees of customer delight.

The idea of customer service has been overlooked to have the potential to promote buyer satisfaction as well as change an individual's perception of a firm. It is unfortunate that in the modern world, many organizations are focused on how to increase their profitability; thus, their training revolving around sales staff and how they can close more deals (Gupta, Lehmann& Stuart, 2004). Nonetheless, it is time that companies, especially KRA, understand that customer service goes beyond the point of purchase. Specifically, it concerns the events before, during, and after a person makes a decision to purchase a service or product. Therefore, it is clear that customer service training is a considerable beneficial thing to invest in as it looks to improve the way a business serves what brings in money.

Nevertheless, a number of scholars assert that the significance of customer service differs depending on the product, service, company, customer, and industry. Hence, customer service representatives are required to assist to different personalities and characters. Additionally, they are needed to reflect the core values of the organization and follow the company culture. Accordingly, investigators argue that striking the right balance between the two traits is difficult, especially when members of the organization's staff require understanding product information as well as details pertaining critical customer questions (Gupta, Lehmann, & Stuart, 2004). Simply, because of the benefits imposed by customer services pertaining the success of an organization, KRA can utilize it to engage and motivate its members of the staff. It is incontestable that if employees are shown care, individual growth, and career progress, they are inspired to assist the taxpayers in any way they can.

## **1.2 Statement of the Problem**

A number of scholars such as Gupta, Lehmann, Stuart, Giese & Cote assert that customer satisfaction system can contribute to an organization to take significant strides towards success. On the contrary, shoddy customer satisfaction services can completely seal the outcome of an organization by creating misunderstanding as well as chaos from those at the helm of management to the bottom. In particular, KRA is a widely recognized organization that needs to develop an appropriate customer satisfaction strategy to ensure that the needs of its clients are met. Despite the fact that KRA has improved its customer satisfaction services over the past year, the level at which it has reached is not satisfactory (KRA, 2006). Therefore, more need to be done to improve the situation. A number of scholars assert that the focus of most companies on the importance of customer satisfaction diminishes with increased monopoly where KRA is one of them. It is essential to comprehend that the idea of client satisfaction is the backbone of any business whether monopoly or not. Due to this reason, KRA need to embrace innovative technology to ensure that its clients are fully satisfied across Kenya.

KRA acknowledged that they were unable to meet their set target out in their seventh corporate plan. They noted that the target set to attain 80% satisfaction rate as per the sixth corporate plan was not met by 8.9% (KRA, 2017). This clearly shows that there is a clear gap in the overall customer satisfaction that has proven to be elusive. This failure could be tied to lack of proper policies, staff gaps either customer handling or technical know-how, or even lack of adequate funding to creating a more ambient atmosphere. This study aimed to focus on the factors affecting customer satisfaction in KRA Mombasa.

## **1.3 Objective of the Study**

### **1.3.1 General Objective**

The purpose of this study is to investigate the factors affecting customer satisfaction at Kenya Revenue Authority Mombasa marketing division.

### **1.3.2 Specific Objectives**

The study will be guided by the following objectives:

- i. To find how policy formation has affected customer satisfaction at the Kenya Revenue Authority in Mombasa
- ii. To determine how resource allocation has by enhance customer satisfaction at the Kenya Revenue Authority in Mombasa
- iii. To examine how staff training has affected customer satisfaction at the Kenya Revenue Authority in Mombasa

### **1.4 Research Questions**

The study sought to answer the following questions

- i. How does policy formation affect customer satisfaction at the Kenya Revenue Authority in Mombasa?
- ii. How does resource allocation enhance customer satisfaction at the Kenya Revenue Authority in Mombasa?
- iii. How does staff training affect customer satisfaction at the Kenya Revenue Authority in Mombasa?

### **1.5 Justification of Study**

The main aim of this research is to determine how customer satisfaction plays a critical role in the expansion of KRA. Therefore, the findings of this study will aid KRA appraise levels of its customer satisfaction. Specifically, for any company to remain relevant and competitive, customer satisfaction is an important area. One may regard KRA a monopoly and does not face competition; however, clients have the right to receive effective services. It is evident that KRA has worked hard to ensure customer satisfaction for many years. Nevertheless, there is need for improvement, as many complaints have been received from different categories of its clients. As a matter of fact, the study at hand is important because it is trying to demonstrate how enhanced customer satisfaction will in turn increase KRA's productivity as well as growth of the country's economy (KRA, 2010). Moreover, policy makers are advised to move to an appropriate approach that can influence customer satisfaction.

Customer service has been a fundamental aspect of Kenya Revenue Authority's sustained growth on revenue collection over many years. Additionally, this factor continues to be paramount in current scenario of advanced technology. It is incontestable that KRA is a service organization; therefore, customer service as well as customer satisfaction is their concern (KRA, 2010). The company believes that offering adequate, efficient, and prompt service is key to attract taxpayers and ensure compliance of the prevailing taxpayers.

The study is dedicated to indicate how innovative technologies such as iTax and improved human resource management in the areas of customer satisfaction are paramount. Additionally, the study is proposed to help other organizations realize that the idea of customer satisfaction plays an integral part in improving their productivity as well as profitability. The Kenyan citizens may be interested in this area because they are the main stakeholders of KRA. Last but not least, the research will help other investigators who might have an undertaking research in the area under study. Following the preceding factors, it is clear that the main existence of any company is to satisfy client requirements. A matter of fact, customer service is one of the significant factors affecting organizational performance. Therefore, the research shows that an excellent customer satisfaction scheme is an important factor in different enterprises, especially KRA.

### **1.6 Scope of Study**

A satisfactory customer service meets client needs in a consistent and dependable way, and it is considered the lifeblood of any business. In most cases, organizations can provide promotions as well as slash prices to welcome many new customers, but unless the business works hard to make sure the customers return, the enterprise will not be profitable. Therefore, effective customer service is all about ensuring customers are satisfied to a point of voluntarily returning for assistance, and, about ensuring that their needs and wants are appropriately achieved. Due to this reason, this research develops an adequate model of the elements of consumer contentment in KRA, thus making a considerable contribution to the Kenyan economy. In spite of abroad recognition provided to customer satisfaction as the objective of service organizations such as KRA, study on the aspects contributing to customer satisfaction in KRA is sparse. A

number of investigators have oblique at the role of amenity quality delivery but in the process disregarded other possible aspects such as the degree of consumer orientation of the company.

KRA stakeholders need to comprehend that the issue emphasized in the current study about customer satisfaction is of great importance nowadays and is expected to be even more significant in the near future. Accordingly, the research on the idea of customer satisfaction is heightening along with the role quality in service and production areas. This paper bares practical as well as economic importance as the development of customer service in KRA's economies continues to dominate. Therefore, it is time that the Kenya Revenue Authority to excel not only in employee satisfaction but also customer satisfaction to achieve considerable growth and a positive public image. Research conducted by IPSOS (2016) indicates that KRA has been recognized by the institute of customer service as an organization with considerable creative expression during events to mark 2016's customer service week activities. In addition, KRA was recognized as having shown the unique as well as cleverly executed events. In simple terms, it was feted for excellence in customer service.

### **1.7 Limitations of the Study**

The anticipated limitations of this study may include resources and constrained time. The time available for data collection may be insufficient as the researcher is subject to stipulated timelines. In addition, the resources available to the researcher is limited to the funds at hand. The researcher may be strained financially to meet the budget.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The main aim of this section is to provide an all-encompassing overview of the correlated literature to comprehend customer satisfaction aspects such as waiting time for services, satisfaction factors with various KRA departments, and pricing. Particularly, this review consists of different sources of data including recent publications in a number of research journals, books, and relevant as well as credible materials. Additionally, numerous scholars have dedicated much of their time in understanding the concept of client consummation and how it influences the operation of an organization.

The chapter aims at demonstrating a theoretical as well as conceptual framework and preliminary method of customer satisfaction, which will be used by this study. Some of the theories used in the paper include Dissonance theory, Arthur Lewis theory of two-sector development, and disconfirmation paradigm theory.

#### **2.2 Theoretical Review**

A theoretical review is the base for the limits and boundaries of a study. Theories pertinent to this research study include disconfirmation paradigm theory by Lankton & McKnight, (2012), Arthur Lewis Theory of Two-Sector Development by Hosseini, (2012), and, The Dissonance Theory by Acharya, Blackwell, & Sen (2016).

##### **2.2.1 Disconfirmation Paradigm Theory**

The theory indicates that consumers associate an innovative service exposure with a standard established. The clients' believe concerning a service is identified by how well it measures up to this standard. The hypothesis assumed that clienteles make acquisitions grounded on their prospects, intentions, and attitudes. After consumption, a view of performance took place as clients assessed the experience. The process was accomplished when consumers equated the authentic service performance with their pre-experience standard or anticipation (Lankton & McKnight, 2012). The result of this process was satisfaction, dissatisfaction, or confirmation.

It was evident that there were four components to the theory included disconfirmation, satisfaction, expectations, and perceived performance.

To begin with, the level of expectations depicts pre-consumption expectation where performance represents perception of service. On the other hand, disconfirmation results in case there was an inconsistency existing between anticipations and enactment. Lastly, contentment was resolute by combining the gratification results for the different features of the service. It is clear that the first three elements affect fulfilment; however, it is not determined whether these contribute to fulfilment or discontent (Lankton & McKnight, 2012). Therefore, KRA need to look at the four components of this theory to ensure customer satisfaction. In this case, KRA was required to satisfy all the components to meet taxpayers' demands. It is important to understand that studies consisting of disconfirmation prospects were regarded the standard customers utilize and were associated to various things such as unbiased performance, perfect product or service presentation, experience-based norms, and relationship equality. Therefore, KRA should comprehend the preceding aspects in order to achieve the required customer satisfaction.

### **2.2.2 Arthur Lewis Theory of Two-Sector Development**

To begin with, Arthur's focus on symmetry occurred at a period when the work of Keynes, Harrod-Domar, or the later neoclassical production role of Solow was not relevant for emerging countries. Arthur's model rotted in the classical tradition and its numerous extensions, which generated a comprehensive literature at the center of expansion theory. Moreover, the method experienced strong criticism; however, a number of researchers spearheaded by neoclassical micro-economists raised some issues stressed on its labor market assumptions (Hosseini, 2012). It is important to note that Arthur Lewis played a significant role in different dimensions of current research for applications of prevalent theory to the challenges of the third world. As per the available research, he depended on existent world experience as well as surveillance he was fascinated in and led to the growth planning to the progressive role of education.

Lewis's model can be applied in customer satisfaction of KRA. Dualism arises when the two organizations and the taxpayers depend on each other. Nevertheless, KRA needs to work hard

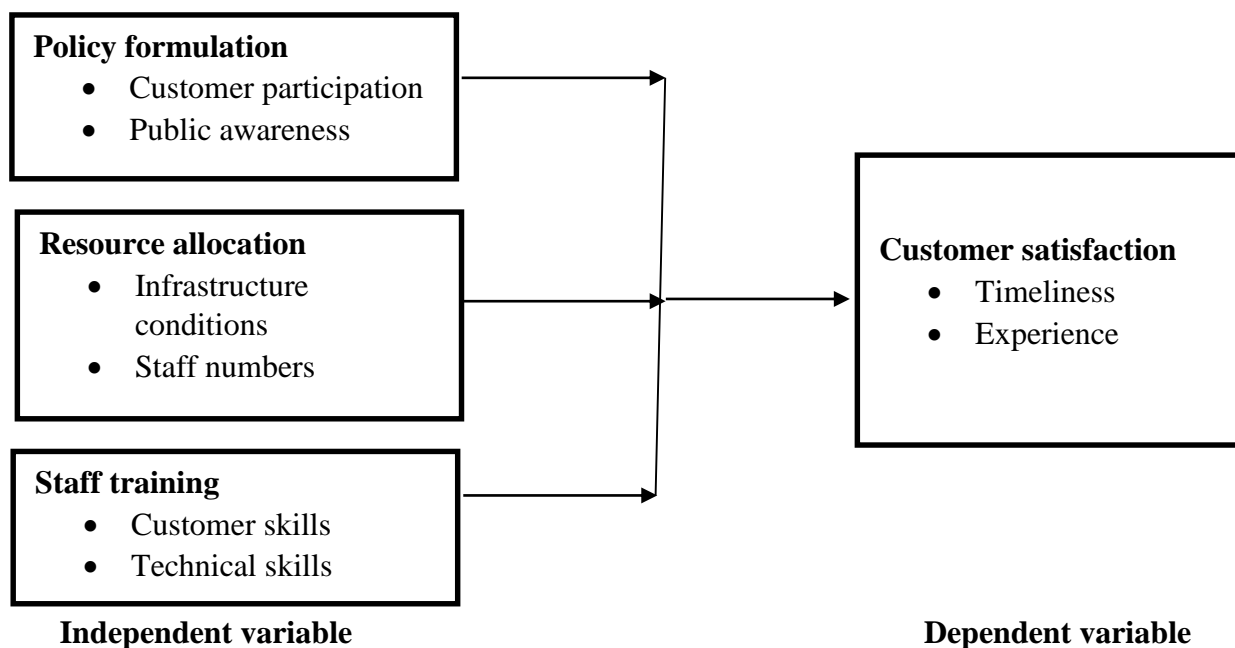
to ensure that the customers are satisfied to be willing providing taxes. In case the taxpayers are not satisfied, it is evident they will evade taxes, a situation that will contribute to the organization's failure. Therefore, KRA depends on the taxpayers' taxes as the clients depend on quality services provided by KRA. The Kenya revenue authority should focus on administrative symmetry and less on merchandise dualism. Here, KRA's main focus should be on allocation of quality services until the turning point is attained. The organization should understand that the terms of trade are important determinants of inter-sector services, finance, and product market authorization is not something that it should be concerned with (Hosseini, 2012). Overall, KRA should adopt the idea of Lewis model as its numerous offspring continue to be perceived as relevant in many countries across the world. It is noteworthy that the correlation between customer satisfaction and KRA customer services spills into an evaluation of technology choice, change, as well as the relationship between growth and poverty. To sum up, it is incontestable that the concept of dualism can play a significant role in improving KRA services as far as customer satisfaction is concerned. The inclusive of the iTax innovation can contribute to KRA's success pertaining satisfying the taxpayers. Apart from skilled employees concerning satisfactory customer services, the utilization of Arthur Lewis' model is vital in enhancing KRA's customer satisfactory drive.

### **2.2.3 The Dissonance Theory**

In particular, the theory proposed that a person who anticipates a high-value merchandise and obtains a low-value can determine the difference as well as identification of a cognitive dissonance. In this case, the disconfirmed prospects developed a state of dissension or what is called a psychological discomfort. The theory suggested that the prevalence of dissonance created pressure for its decrease, which could be attained through regulating the alleged difference (Acharya, Blackwell, & Sen, 2016). The Hypothesis holds claims that post experience ratings are a role of the anticipation degree as the task of identification disconfirmation is regarded as sensitively uncomfortable. For example, in case a difference prevails between service prospects and performance, customers may have a psychological pressure and try to mitigate it by altering their insights of the service.

The dissonance theory is linked to the case of KRA where taxpayers compared the organization performance and what they expected earlier. If a disparity is experienced, their confidence to the organization reduced and satisfaction would fall gradually. Therefore, it is the work of KRA to determine whether there is a difference in their services and what the clients want. In case of a difference, KRA need to work hard to bridge that gap. By doing this, it would be improving customer satisfaction. As a matter of fact, the organization requires understanding that satisfaction or dissatisfaction is thought to arise in the event of acknowledgement and recognition of dissonance (Acharya, Blackwell, & Sen, 2016). In simple terms, the dissonance theory holds that KRA should endeavor to raise clients’ prospects above the service performance to achieve a higher service assessment.

### 2.3 Conceptual Framework



**Figure 2.1: Conceptual framework**

The above figure shows a diagrammatic representation of the relationship between the variables. The variables on the left hand side will be treated as independent variables. They include: policy formation, resource allocation and training. They will be regarded as control

variables as they are important determinants of customer satisfaction. The variable appearing on the right hand side, customer satisfaction, is the dependent variable.

## **2.4 Review of Variables**

### **2.4.1 Policy Formulation**

It is important to understand that KRA's policy formulation function is shared with the domestic revenue department. Specifically, this deals with the policy framework in respect to different aspect including double tax agreements, legal queries, service standards, audit, and compliance as well as debt management. It is evident that matters about policy formulation are addressed to the commissioner's attention utilizing the details offered within contacts section. On the other hand, utilizing the potential of technology such as iTax to serve customers is an important policy formulation. As a matter of fact, using IT generates great benefits in the reform and modernization of the revenue sector. In particular, KRA is known as a high-risk entity in regards to reliability. The level of truthfulness is a major factor in influencing taxpayer satisfactory. Therefore, the organization's policy to tackle integrity concerns in the tax utilization improves Kenya's overall integrity profile. According to the Sixth Corporate Plan (2015), different implementation of revenue statues mitigates the enticement to involve in corrupt events because of the requirement to account for incomprehensible revenue.

According to the research conducted by the center for study of social policy (2007), achieving high degrees of customer satisfaction needs that companies monitor, as well as examine the opinions, suggestions, and experiences of their clients and individuals who are potential customers. Therefore, enhancing service quality to achieve customers' standards is an ongoing part of operating an enterprise. KRA need to formulate an effective policy where customers exercise ultimate influence because their satisfaction depends on their treatment and expectation. Through their selections, customers dedicate which kind of services they want and shape how they are given. Therefore, KRA should provide taxpayers with a chance to communicate their standards and preferences. Accordingly, KRA should come up with clear precepts concerning customer satisfaction by building a customer-oriented service.

#### **2.4.2 Resource Allocation**

Research indicates that KRA's funding was set at 1.5 percent of projected income target for a financial year at its inception in 1995. What is more, an augmentation of approximately 3 percent of any income gathered in excess of estimate in any three-month time given the fact that the combined funding did not go beyond 2 percent of the actual collection in that quarter. On the same note, the development funding is sourced from the Kenyan treasury or development partners. Similarly, KRA earns agency fees of about 1.5 percent for collecting revenue on behalf of other agencies.

According to Pallas and Groening (2014), customer management needs a significant attention because clients are regarded an organization's valuable resource. Nevertheless, numerous organizations in the Kenyan market lack of arrangement on how this resource should be controlled. A number of investigators assert that maximizing customer satisfaction is the optimal strategy to heighten customer revenue. For instance, satisfied taxpayers are willing to provide adequate tax to KRA as required by law. The authors of the article in question argue that upsurges in customer gratification are associated with high reliability as well as consumption in hedonic categories. However, in the case of KRA, utilitarian category is highly used because it is a service organization. In simple terms, KRA must ensure that taxpayers are satisfied whenever it allocates its resources. With that said, KRA need to achieve high levels of customer satisfaction and delight to be successful.

As a matter of fact, the provided funding is not adequate, especially under the income administration reform agenda. Due to this reason, KRA requires a strategic typology to enhance its ROI grounded on comprehending whether to dedicate supplementary resources to improve client satisfaction as well as heighten delight. The organization need to understand that customers seek two kinds of benefits, which include hedonic and utilitarian. Therefore, KRA require determining when resources allocated to client gratification as well as enchantment for a certain service generates adequate achievements in loyalty and recommendations, to mention but a few. In this case, KRA needs to emphasis on enhancing consumer satisfaction and delight as it can come up with prudent choices concerning their resource allocation to enhance not only customer gratification but also customer happiness.

### **2.4.3 Training**

It is incontestable that comprehending customer service concept is an important factor in various organizations. Accordingly, service is a considerable resource, and in case clients do not receive satisfactory services, they are likely to go elsewhere. Research indicates that firms with satisfied customers experience high economic returns. It is clear that high customer satisfaction contributes to great client loyalty, which in turn leads to significant future revenue. Some scholars maintain that companies with superior service quality lead the market with regards of sales as well as long-term client reliability and retention. Due to the preceding reasons, KRA trains its employees to ensure good time management, excellent attitude towards customers, ability to deal with stress, adequate authority, and good customer care. In particular, the mentioned aspects play an integral part in making sure that taxpayers are satisfied.

KRA possess a specialized team of trainers who ensure that employees have sufficient expertise to meet customers' expectations. Specifically, the organization is taking some of its workers to national and international seminars to acquire sufficient training on how to achieve superior customer performance. The organization needs to understand that customer service training is an important program to invest in. KRA has trained customer service representatives who provide assistance to different characters and personalities. What is more, the representatives reflect the core values of the firm as well as adhere to the organization culture. Despite the fact that the organization has trained its employees to this extent, it has a lot to do. For instance, should train its workers to act, as the company is theirs. The reason is that engaged employees aim to meet the organization's objectives, especially taxpayer satisfaction.

Different investigators argue that satisfied employees contribute customer satisfaction. Therefore, KRA must embrace the culture of motivating as well as inspiring their employees. It is well understood that motivation is external pressure to engage in something that one does not want to do. On the other hand, inspiration is when an individual is on purpose moving toward fulfilling his or her highest values. Therefore, work motivation and inspiration is a crucial factor in enhancing customer satisfactions. As a matter of fact, KRA can motivate its employees with the adequate training program and in turn enhancing workers skills improves customer satisfaction.

Overall, sufficient customer service skills via customer training enhance KRA's workers expertise. It is noteworthy that vital customer service training programs stress on enhancing problem-solving, excellent communication, organizational skills, and good listening. Therefore, KRA needs to train its personnel on similar same set of capabilities to ensure an ordinary procedure to deal with clients as well as develop a sense of team spirit. The reason is that enhancing the quality of the organization's consumer service via preparation contributes to an increase in client fulfilment, loyalty, not forgetting retention. What is more, technical operational training enables customer service agents heighten their capability to resolve issues and mitigate the amount of return calls. It is evident that trained workers can address an issue at the first point of contact that significantly raises customer satisfaction. Notably, the enhanced way that employees interact with clients contributes to the customer feeling respected and appreciated at the same time.

## **2.5 Empirical Literature**

According to Rahjim and JieYing (2009), a model for customer satisfaction is important. The authors of the article under review proposed a model that indicated customer satisfaction with internet banking applications, which consisted of 13 dimensions. Some of the dimensions include ease of navigation, accuracy, user-friendliness, online customer support, perceived convenience, sufficient, and up to date, to mention but a few. The scholars identified five relevant dimensions including user friendly, information tailored to customer preferences, up to date, customer and online support, as well as response time. Therefore, this literature is important in the case of KRA as the organization can utilized the proposed dimensions to improve its customer services. KRA need to introduce different forms of web-enabled customer service applications for their clients. It is clear that numerous interesting findings emerged from the study conducted by Rahjim and JieYing. Nevertheless, the understanding of the results should handle with attention because of the selection of a suitable and small illustration.

Caterina Bulgarella (2005) asserts that there is a resilient relationship existing amid employees and customer fulfillment in any organization. It is evident that the relationship between customer and employee satisfaction has experienced various empirical confirmation from

different studies. The author provides a variety of explanations why employee satisfaction influences customer satisfaction. For instance, the scholar maintains that satisfied employees are motivated; therefore, have the motivational resources to offer appropriate effort and care. Additionally, satisfied workers can offer clients with interpersonal sensibility as well as social account. The investigator proposed that the elements of interactional justice have an important effect on customer satisfaction. As a matter of fact, satisfied employees are empowered, thus possess the resources, responsibilities, and training to comprehend and serve customer requirements. Last but not least, workers that relate with clientele are in a position to establish responsiveness of as well as reply to consumer objectives and needs. In simple terms, the author of the article in question focused on the criticality of the correlation between employees' attitudes and customer satisfaction. Therefore, it is clear that how employees feel about their work directly affects their work experience, sales, profits, and customer satisfaction. Precisely, KRA need to satisfy their employees in order to achieve their customer satisfaction objective.

According to Harkiranpal Singh (2006), successful organizations look into the requirements and desires of their consumers. This is why many academicians as well as researchers have focused on the significance of client gratification, retention, and reliability. As a matter of fact, customer satisfaction is vital as many researchers have depicted that it has positive effects on a firm's profitability. The scholar of the article under review asserts that various aspects affect customer satisfaction. Some of the aspects include knowledgeable employees, friendly workers, competitive pricing, good value, service quality, and courteous as well as helpful employees. The writer argues that for a company to achieve customer satisfaction, they must be able to meet their clients' wants and needs. Therefore, KRA must work hard to achieve taxpayers' needs and wants to improve its customer satisfaction drive.

## **2.6 Critique of Literature Review**

Grounded on the research and views conducted by different investigators, it can be said that customer satisfaction is vital. However, customer satisfaction does not guarantee purchase of the part of the clients, it is crucial in making sure customer loyalty and retention. Notwithstanding the fact that an amount of factors have been presented by scholars to indicate how customer satisfaction is attained, a basic step to achieve customer satisfaction is to

comprehend customer requirements through research. Through this, an organization can understand the type of proportions of service eminence need to be scrutinized and used to establish customer satisfaction awareness, accountability, as well as customer oriented work behavior. Therefore, some dimensions such as credibility, security, reliability, competence, communication, and accessibility are critical in customer satisfaction.

## **2.7 Research Gaps**

Despite the fact that numerous research has been conducted on customer satisfaction, there is no adequate information pertaining customer satisfaction in KRA. The available study concerning KRA focuses on other aspects and forgets this critical concept. Due to this reason, the idea of customer has not been answered appropriately as far as KRA is concerned. Therefore, the research at hand is dedicated to curb the missing links and provide adequate information concerning the topic under review.

## **2.8 Summary**

As a matter of fact, a review of the existing literature review shows a broad array in the research of customer satisfaction. Following the insights offered by different scholars, KRA could propose a framework for establishing context-specific definitions of consumer satisfaction. What is more, it is incontestable that various factors contribute to a company's customer satisfaction. Nevertheless, employee satisfaction is considered the main aspect as it possesses a customer-centric method in their work as well as work-related interactions. In simple terms, KRA need to understand that customer gratification is the result of an all-inclusive strategy that consists of techniques such as determining the cause of discontent among clients, conduct target studies of preeminent practices in chosen other enterprises, and monitoring customer satisfaction on a regular basis. Additionally, KRA should establish meaningful taxpayer involvement and effective communication channels as well as introduce marginal accountability for taxpayer management.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Introduction

The methodology section represents the general approaches employed to perform the research. In particular, it pinpoints the research design, population, sampling strategy, data collection tools, data collection procedures, pilot study, and data processing, analysis, as well as presentation. The main aim to use the preceding methods was to determine responses to questions via the presentation of scientific processes. This chapter was employed to determine the truth which is concealed and which has not been exposed yet. It is important to understand that under this study, research questions and design are connected.

#### 3.2 Research Design

It is significant to comprehend that research design refers to approaches as well as procedures required to in carry out the research. The tenacity of this research was to determine the factors affecting customer contentment in KRA Mombasa. For this study, the research design was a case study since the unit of analysis is one organization. It was evident that the case study enables an examination to maintain the all-inclusive and expressive features of real life events. Additionally, it consisted of a careful and extensive observation of social entities. Many investigators maintain that research design is an approach of study in depth instead of breadth and area more emphasis on the full examination of a restricted number of activities (Kumar& Phrommathed, 2005). Primarily information gathered from such a research was considered more reliable and up to date. In simple terms, research design was well recognized as the blueprint for carrying out the study that optimizes control over aspects that could impede with validity of the results. Specifically, this concept helped the researcher to plan and enforce the study in a manner that assisted them acquire intended results; therefore, heightening the chances of obtaining data that could be linked to the real situation. This research design formulated the problem a detailed scrutiny and in this case was to explore the factors affecting customer satisfaction at KRA marketing division in Mombasa. It was also used in the research because of its appropriateness in establishing the relationship between variables and facilitated collection of data to determine population parameters. Inferential analysis techniques were

adopted to allow the use of samples to make generalizations about the populations from which the samples were drawn as it was imperative that the sample accurately represent the population.

### 3.3 Population

In this study, the population consisted of the KRA stakeholders in Mombasa. Some of the stakeholders that provided significant information to this research included employees, taxpayers, and the general public. Customers and employees of all genders, age groups, educational status, and socio-economic status were involved in the research. The number of taxpayers in the population was the daily average number of walk-ins.

<b>Categories</b>	<b>Target Population</b>
Taxpayers	202
Marketing customer service staff	18
KRA Mombasa BMS back-office staff	33
<b>Total</b>	<b>253</b>

**Table 3.1: Target population**

Source: Taxpayers – **Marketing Report, (August 2019)**

Marketing customer service staff – **Human Resource - Southern Region, (2019)**

KRA Mombasa BMS back-office staff – **Human Resource - Southern Region, (2019)**

### 3.4 Sample Frame

The study was carried out at KRA’s Customs House, in Mombasa. Mombasa is the top revenue collection region in KRA’s Southern Region. The study’s sampling frame involved walk-in taxpayers, marketing customer service staff and BMS back office staff forming a total of 253. The sampling strategy entailed the walk-in taxpayers, the customer service attendants, and the back-office KRA staff.

### 3.5 Sample size and Sampling Technique

Sampling is concerned with the selection of a part of the entire population. Berinsky (2008) defined sampling as a technique where investigators seek knowledge or information about a whole population, subject or event by observing a sample and extending to the entire population representation. The general goal of sampling method is to obtain a sample that is representative of the target population.

The Slovin's formula was used to determine sample size as shown below:

$$n = \frac{N}{1 + N(e)^2}$$

Where, N = Target Population size

n = Sample size

e = Merging error to be decided by the researcher

$$\begin{aligned} \text{Therefore, } n &= 253 / (1 + 253*(0.05)^2) \\ &= 253 / 1.6325 = 154.977 \\ &= 155 \end{aligned}$$

Categories	Sampling Size
Taxpayers	124
Marketing customer service staff	11
KRA back-office staff	20
<b>Total</b>	<b>155</b>

**Table 3:1: Sample Size**

Once the sample size was defined, stratified random sampling technique was used, where subsets or strata of the frame were given an equal probability (Dillman, 2011).

### **3.6 Data Collection Instruments**

To begin with, data collection is widely defined as a systematic manner of gathering information that is relevant to the research purpose. The investigators utilized a survey questionnaire to collect primary data. The Likert scale questionnaire was adopted. The structured questions will be preferred because they will minimize response variation and will take less time to code and transcribe. The questionnaire was highlighted because it allowed the investigator to be consistent in posing queries and hence the data generated was easy to assess with the help of some statistical tools of analysis. What is more, research respondents were interviewed directly to get rid of misinterpretation as well as making sure there is clarity on all issues pertaining customer satisfaction. On the other hand, a survey was conducted with a perspective of making inferences concerning the population under study. Precisely, the survey allowed respondents to answer the asked questions with candid and valid views.

### **3.7 Data Collection Procedure**

Questionnaires are relatively easy and inexpensive to administer for the simplest of designs hence they were used as data collection method. To collect data from customers, the researcher visited a number of taxpayer customers and direct client assessment was conducted. The process was untimed and carried out one-on-one with each customer. Questionnaires which include both open and closed ended questions relevant to the research objectives was prepared. The first Section contained general questions and second section carried questions pertaining variables of the objectives. The questionnaires included structured as well as unstructured questions so as to give respondents more freedom to address other issues relevant to the study. Basing on the sample set for testing questionnaires were used to carry out the exercise.

### **3.8 Pilot Testing**

A pilot study is a research performed before the intended study so as to get a feel of how the actual research may happen. The reliability of the instrument was ascertained by conducting a pilot study at Customs House, Mombasa where 15 questionnaires (10% of population) were distributed to each respondent (Taxpayers, Customer service attendants and back-office BMS staff). Internal consistency method was adopted following the analysis to ascertain the reliability and consistency of the research instrument using the SPSS where the Cronbach's

alpha index was above 0.700 therefore the data collection instrument was considered to be reliable

### **3.8.1 Reliability**

According to Abbott & McKinney (2013), Reliability is the degree to which to an examination measure gives a steady assessment of an idea. In order to ascertain the reliability of the questionnaires, the researcher used SPSS Cronbach's alpha to measure the data collection instruments reliability of 0.7 to be accepted.

### **3.8.2 Validity**

Validity is the degree to which a researcher measure actually captures the importance of the idea it is expected to quantify (Abbott & McKinney, 2013). This investigation utilized both construct validity and content validity. For construct validity, the poll was separated into a few segments to guarantee that each area surveyed data for a particular target, and furthermore guaranteed that the same was firmly attached to the applied structure for the study. To guarantee content validity, the poll was subjected to careful examination by 3 arbitrarily selected taxpayers at the customer service desk at KRA Mombasa, Customs House.

### **3.9 Data Analysis**

Before processing the answers from the respondents, the interview and questionnaire guide was edited for consistency and completeness. Data analysis was carried out to examine how customer services department will utilize customer service to enforce its customer satisfaction strategy. In addition, it consisted of determining challenges customer service department experience in its endeavor to offer sufficient service delivery as well as the benefits accruing thereof. It is important to understand that analysis is an excellent procedure for making implications by quantitatively and analytically finding out certain features of messages and utilizing the same to related trends. In like manner, the obtained information was be compared with prevalent literature to establish areas of agreement and disagreement.

Descriptive statistics was used to analyze the data and presenting them in the form of pie charts, bar charts and percentages to analyze the data. Descriptive statistics contains discrete data (Mugenda & Mugenda, 2003) the analyzed data will be used to summarize finding and describe population sample involved. Qualitative data is derived from open ended questions in the questionnaires. To establish the relationship between variables, correlation and regression analysis was conducted using Statistic Practice for Social Science version 25 (SPSS).

For analytical analysis the multiple linear regression model is specified as:

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

This is a multi linear regression model

where :

**Y** = Dependent variable of Customer Satisfaction

**$\beta_0$**  is the regression intercept, constant term, the intercept indicates level of Customer Satisfaction without other variables under the study

**$\beta_1$  to  $\beta_3$**  the regression coefficients, coefficients explaining the effects of independent variable **X<sub>1</sub>**, **X<sub>2</sub>**, and **X<sub>3</sub>** to dependent variable **Y**

**X<sub>1</sub>** = Policy Formation,

**X<sub>2</sub>** = Resource Allocation

**X<sub>3</sub>** = Training

**$\varepsilon$** - the error term, other factors that might affect the dependent variable outside the model

## CHAPTER FOUR

### RESEARCH FINDING AND ANALYSIS

#### 4.1 Introduction

This chapter demonstrates the discoveries of the study in question and the analysis of the information collected from the interview guide that was administered by the scholars. Section one deals with sample characters in relation to customer satisfaction. The characters include: policy formation, resource allocation and training.

The questionnaires section dealt with findings of the study objective using statistical tools. Graphs, pie charts and frequency percentage were used to further explain how the variables can be used to estimate and predict the extent to which independent variables explains customer satisfaction. Such elements entail analysis and correlations to establish the extend of relationship between variable.

#### 4.2 Response Rate

The interview guide was administered to collect independent and honest views and opinions of the taxpayers who interact with KRA's customer service staff on a daily basis. This research study targeted 133 respondents in collecting data with regard to factors affecting customer satisfaction at the Kenya Revenue Authority Marketing Division in Mombasa. Out of the 133 targeted respondents, those who answered back were 99 out of the 133 sample respondents. This constituted a response rate of 75% which is a noteworthy sample as in Table 4.1 below.

<b>Response</b>	<b>Frequency</b>	<b>Percentage</b>
Respondents	99	75%
Non-Respondents	34	25%
<b>Total</b>	<b>133</b>	<b>100%</b>

**Table 4:1 Response rate**

Source: Research data, (2019)

### 4.3 Reliability and Data Validity

Reliability is the capability of an instrument to be consistent in offering similar results when subjected to the same measurement over and over. Bagozzi (2000) stated that reliability is the degree of inaccuracy or accuracy. Reliability of the data collection instrument was established by the use of the Cronbach's alpha from the SPSS version 25.

Scale	Cronbach's Alpha	Comments	Number of Items
Policy Formation	0.711	4	Accepted
Resource Allocation	0.767	4	Accepted
Staff Training	0.745	4	Accepted
Customer Satisfaction	0.733	4	Accepted

**Table 4:2 Reliability Results**

Source: Research data, (2019)

### 4.4 Demographic Analysis

#### 4.4.1 Education Level

The level of education was also questioned. This was necessary in order to see if there is any connection between the level of education and customer satisfaction. This is shown by figure 4.3.

<b>Education</b>	<b>Respondents</b>	<b>Percentage%</b>
Certificate	49	49%
Diploma	14	15%
Degree	22	22%
Others if any	14	14%
<b>Totals</b>	<b>99</b>	<b>100%</b>

**Table 4:3 Education Level**

Source: Research data, (2019)

The results showed that most of the respondents were certificate holders constituting 49% of respondents while those who were degree holders made up 22%. Diploma holders constituted 15% while other professionals constituted 14%. It's quite a difference and this showed that the persons seeking customer service services are mostly certificate and diploma holder. This further indicated that most of respondents were educated. In addition the research study confirmed that tax matters are sensitive and staff with access to such information need to handle it with great discretion.

#### **4.4.2 Period of operation**

The respondents from the customer service area were asked to indicate the number of years they have been having a PIN. This was necessary so as to find out if years of usage of the PIN, were factors in determining the level of customer experience. The response was presented in Table 4.4

<b>Period</b>	<b>Frequency</b>	<b>Percentage</b>
0-3 years	46	47%
4-8 years	30	30%
9- 13years	13	13%
14 and above years	10	10%
<b>Total</b>	<b>99</b>	<b>100%</b>

**Table 4:4 Numbers of years**

In relation to the number of years that the taxpayer has been having a PIN, (46) 47% of the respondents have been having a PIN for the between 0-3 years, (30) 30% of respondents had been having a PIN between 4-8 years , 9-13 years constituted (13) 13%, while (10) 10% were 14 years and above. Out of the respondents, the majority of the recipients of the customer service services have been in possession of a PIN for between 0 to 8 years. This representation shows that taxpayers from the eighth year of PIN usage rarely come to receive services from the customer service attendants.

#### **4.4.3 Nature of employment or business operated**

The researcher also inquired on the principal activity of the taxpayers for every respondent. This was necessary to find out whether the study has covered all sectors and how they respond to customer services. Figure 4.5 below shows the finding.

<b>Period</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Business</b>	46	46%
<b>Employed</b>	30	31%
<b>Neither of the above</b>	23	23%
<b>Total</b>	<b>99</b>	<b>100%</b>

**Table 4:5 Respondents kind of occupation**

Indication from the study showed that most of the respondents at the customer service area were persons engaged in business. Business persons constituted 46% while those employed were made up of 31% and those that were neither in business or employment (e.g. students, job seekers, retired) were 23%. This implied that doing businesses were more dependant on customer service assistance. The reason may be that those respondents that do business dealt with various technical emerging issues that they needed assistances in resolving.

#### **4.4.4 Yearly turnover and income**

The researcher also asked respondents to indicate their recent average yearly turnover or income for the periods they have been having a PIN. This information was necessary in assessing the pattern of how persons or businesses within a different income brackets require marketing customer services. The results are as in figure 4.6

<b>Period</b>	<b>Frequency</b>	<b>Percentage</b>
<b>0-0.5M</b>	34	33%
<b>0.5-2M</b>	31	31%
<b>2-5M</b>	27	27%
<b>Above 5 M</b>	8	8%
<b>Total</b>	<b>99</b>	<b>100%</b>

**Table 4:6 Respondents yearly turnover and income**

Regarding yearly turnover and income: 33% of the respondents have been operating below turnover or income of 0.5 million, 31% of respondents had been operating a turnover or income of between 0.5 – 2 Million. 27% of the respondents were having businesses or yearly income with a turnover of 2-5Million, while 8% of the respondents yearly income or turnover were operating above 5 Million. The majority of respondents operated below the 2million cut-off. This means that as turnover increases there is a decrease of the frequency of seeking customer service assistance as shown with the level of response within enterprises sampled.

## **4.5 Descriptive Analysis**

### **4.5.1 Policy formation**

The respondents were asked about the policy formation with relation to the marketing customer service experience. It was prudent that the researcher gets to understand if the policies that have been implemented affect customer satisfaction or have the ability to improve it all together. Their response was as shown in table 4.7 and from the study the researcher found out that the policy formation is a key component in improving customer satisfaction.

<b>Policy formation</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev</b>
You satisfied by your involvement in the policy formation process	99	3.33	.951
The way policies have been implemented has helped to improve your experience at KRA Mombasa	99	3.40	.978
You are aware of the KRA service-level agreement (SLA)	99	3.85	.709
The introduction of training session as a tax education policy has meet your expectations	99	3.73	.778

**Table 4:7 Policy formation**

Majority of the respondents agreed that aspects of policy formation that affects customer satisfaction at KRA marketing division in Mombasa include: KRA service-level agreement which scored a mean of 3.85 with a standard deviation of 0.709, introduction of training session as a tax education policy which scored a mean of 3.73 with a standard deviation of 0.778, policy implementation process which scored a mean of 3.40 with a standard deviation of 0.978 and involvement in the policy formation process which scored a mean of 3.33 with a standard deviation of 0.951.

#### **4.5.2 Resource allocation**

Respondents were asked on their view of how they see resources have been allocated at KRA marketing division. This was necessary so that the researcher would be able to know if adequate allocation of resources improved customer satisfaction. The results are as in Table 4.8 and from the study the researcher found out that majority of the respondents quite agreed that resource allocation greatly affected customer satisfaction.

A majority of the respondents were in agreement that the customer service lobby has sufficient seats which scored a mean of 3.87 with a standard deviation of 0.650, that there are adequate number of KRA staff to attend to taxpayers which scored a mean of 3.57 with a standard deviation of 1.110, also that the KRA staff have enough equipment to offer the services required

at any given time which scored a mean of 3.35 with a standard deviation of 1.233 and that KRA building is appealing and presentable which scored a mean of 2.68 with a standard deviation of 1.081.

<b>Resource allocation</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev</b>
The customer service lobby has sufficient seats	99	3.87	.650
KRA building is appealing and presentable	99	2.68	1.081
There are adequate number of KRA staff to attend to taxpayers	99	3.57	1.110
The KRA staff have enough equipment to offer the services required at any given time	99	3.35	1.233

**Table 4:8 Resource allocation**

### **4.5.3 Staff Training**

Further, the researcher asked the respondents the aspect of KRA staff training that affected customer satisfaction. This question was important to the research as it gave the researcher a guide on how the taxpayer perceived customer satisfaction based on the level of training of KRA staff.

The current organization structure makes it that the taxpayer who is the KRA customer meets the marketing staff as their first contact point before matter are escalated to the next level. It was therefore important to understand if the training of the marketing staff affected the customer satisfaction of the customers. The results are clearly shown in table 4.9.

<b>Staff Training</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev</b>
The KRA customer service attendants have great etiquette and communication ability	99	3.63	.974
KRA staff are promote to attend to issues	99	3.43	1.045
The KRA staff have great understanding of the iTax system	99	3.50	.924
The KRA staff have a firm understanding of the Law	99	3.61	.913

**Table 4:9 staff training**

The results in the table shows that a majority of those that responded quite agreed that Taxpayers' believed that training of KRA staff greatly affects customer satisfaction. Majority of the respondents agreed that the KRA customer service attendants have great etiquette and communication ability scoring a mean of 3.63 with a standard deviation of 0.974, that the KRA staff have a firm understanding of the Law with a mean score of 3.61 with a standard deviation of 0.913, that the KRA staff have great understanding of the iTax system which scored a mean of 3.50 with a standard deviation of 0.924, and also that KRA staff are promote to attend to issues which scored a mean of 3.43 with a standard deviation of 1.045.

#### **4.5.4 Customer satisfaction**

The Respondents' opinions on customer satisfaction as captured in the result in table 4.10. The results in the table shows that a majority of the respondents were in agreement that policy formation, resource allocation and staff training greatly influence customer satisfaction at KRA Mombasa. A majority of the respondents agreed that the customer service attendant properly educated you on your tax requirements which scored a mean of 3.77, with a standard deviation of 0.851. A majority also agreed that customer service attendants at Mombasa give them a high degree of customer satisfaction and they enjoyed the service with a mean of 3.38 with a standard deviation of 1.027. A greater number were also of the opinion that the customer service

attendant resolved their problem which scored a mean of 3.18 with a standard deviation of 1.157, and finally, the respondents agree with the statement that the services they were seeking were delivered as per the timelines of the service-level agreement (SLA), scoring a mean of 2.50 having a standard deviation of 1.237.

<b>Tax compliance statements</b>	<b>N</b>	<b>Mean</b>	<b>Std. Dev</b>
Customer service attendants at Mombasa give you a high degree of customer satisfaction. (You enjoy their services)	99	3.38	1.027
The services you were seeking were delivered as per the timelines of the service-level agreement (SLA)	99	2.50	1.237
The Customer service attendant resolved your problem	99	3.18	1.157
The customer service attendant properly educated you on your tax requirements	99	3.77	.851

**Table 4:10 Customer Satisfaction**

#### **4.6 Correlation Analysis**

The researcher carried out correlation analysis, which included coefficient of correlation and coefficient assurance with a exact end goal to set up the relationship between independent variables and dependent variables in the study.

##### **4.6.1 Coefficient of Correlation**

The study conducted correlation analysis and as indicated in the Table 4.11,

	Customer_Satisfaction	Policy_Formation	Resource_Allocation	Staff_Training
Customer_Satisfaction 1				
Sig. (2-tailed)				
Policy_Formation	.812**	1		
Sig. (2-tailed)	.000	.000		
Resource_Allocation	.582**	.532**	1	
Sig. (2-tailed)	.000	.000	.000	
Staff_Training	.808**	.690**	.423**	1
Sig. (2-tailed)	.000	.000	.000	

\*\* Correlation is significant at the 0.01 level (2-tailed).

**Table 4:11 Karl Pearson’s Coefficient of Correlation**

The study indicates that, all independent variables have a positive effect on customer satisfaction as shown by a coefficient of 0.812 at significant level of 0.00. The p-value obtained is 0.000, which is less than 0.01. This implies that at 95% confidence level, the positive relationship is statistically significant. Policy formation had a very strong positive correlation to customer satisfaction of 0.812. This showed that policy formation plays a critical part in improving customer satisfaction at KRA Mombasa marketing division.

Resource allocation had a strong correlation with customer satisfaction of 0.582. The amount of resources allocated to the KRA Mombasa marketing division is strongly correlated to the level of customer satisfaction given by the coefficient  $r = 0.582$  indicating a positive relationship with a p-value of 0.000 that is  $< 0.01$ . This implies that at 95% confidence level, the positive relationship is statistically significant.

The correlation between the level of training of KRA staff attending to the customers and customer satisfaction indicated a coefficient correlation of 0.808 with a P-value of 0.000, which is less than 0.01 and giving a positive relationship between independent variables and dependent variable at KRA Mombasa marketing division. The training of KRA staff was of with regards to their customer handling skills and the technical skills of the staff that give them the ability to

resolve the queries raised by the taxpayers who are their customers evidenced by a coefficient of correlation  $r$  of 0.808. the significance level of the model was at 0.01. and with a 95% confidence level, the positive relationship is statistically significant.

The results show that all variables correlation was accepted to explain the relation between the independent variables under study to the customer satisfaction at KRA Mombasa marketing division. This implies that at 95% confidence level, the positive relationship is statistically significant.

#### 4.7 Regression Analysis

##### 4.7.1 Coefficient of Determination $R^2$

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
	.856 <sup>a</sup>	.733	.719	.195

**Table 4:12 Model Summary**

(R) explains the variance shared between the independent and dependent variables, in the case above is 0.856 indicating the presence of variance shared by the independent variables, policy formation, resource allocation and staff training, and the dependent variables, customer satisfaction. The coefficient of determination  $R^2$  defines the amount of variation of the customer satisfaction that can be explained by policy formation, resource allocation and staff training. Regression analysis was run so as to analyse the variables and the three (3) independent variables that were studied were found to explain 73.3% of customer satisfaction as represented by the adjusted R square. This means, therefore, that factors other than those in the study of this research contribute 26.7% of the customer's satisfaction.

#### 4.7.2 Analysis of Variance ANOVAa

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	583.254	3	194.521	51.364	.000 <sup>b</sup>
Residual	212.230	95	3.875		
Total	795.484	98			

**Table 4:13 ANOVA<sup>a</sup>**

The significance value is 0.000 which is less than 0.05 thus the model is statistically significant in predicting how various factors affect customer satisfaction at the Kenya Revenue Authority marketing division in Mombasa. This shows that the overall model was significant  $F=51.364$   $p=0.00$ .

#### 4.7.3 Coefficients

Model	Unstandardized Coefficients			t	Sig.
	B	Std. Error	Beta		
(Constant)	1.404	.316		1.281	.001
Policy formation	.452	.068	.481	6.674	.000
Resource allocation	.340	.044	.564	7.769	.000
Staff Training	.341	.066	.372	5.140	.000

**Table 4:14 Coefficients**

The researcher analyzed the contribution of each independent variable (policy formation, resource allocation and staff training) to dependent variable (Customer satisfaction) by conducting a multiple regression analysis. As per the SPSS generated table above, the equation  $Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$

**Y** = Dependent variable of customer satisfaction

**$\beta_0$**  is the regression intercept, constant term, the intercept indicates level of customer satisfaction without other variables under the study

**$\beta_1$ ,  $\beta_2$  &  $\beta_3$**  are the regression coefficients, coefficients explaining the effects of independent variable X1, X2, and X3 to dependent variable Y

**X<sub>1</sub>** = policy formation,

**X<sub>2</sub>** = resource allocation

**X<sub>3</sub>** = staff training.

Becomes:  **$Y = 1.404 + 0.452X_1 + 0.340X_2 + 0.341X_3$**

The regression equation above has established that taking all independent variables (policy formation, resource allocation and staff training) constant at zero, dependent variable (customer satisfaction) will be performing at 1.404. The Y-intercept explains the customer satisfaction when other variables under the study are zero, this means that there is still customer satisfaction.

Policy formation was found to have 0.452. The findings presented also shows that taking all other independent variables at zero, a unit increase in policy formation will lead to a 0.452 increase in customer satisfaction at KRA marketing division in Mombasa; therefore policy formation affects customer satisfaction by 45.2%. Resource allocation affect customer satisfaction by 34%. A unit increase in resource allocation will lead to a 0.340 increase in customer satisfaction at KRA marketing division in Mombasa. KRA marketing staff levels of training affects customer satisfaction by 34.1%. Improvement in technical and customer skills of the KRA marketing staff will lead to a 0.341 increase in customer satisfaction in KRA Mombasa. This shows that policy formation contribute most to customer satisfaction at KRA marketing division at Mombasa, followed by staff traing, while resource allocation contributed the least to customer satisfaction. Further scrutiny of the analysis shows that at 5% level of significance and 95% level of confidence, policy formation had a 0.000 level of significance; resource allocation showed a 0.000 level of significance and staff training showed a 0.000 level of significance. This shows that all the variables were significant ( $p < 0.05$ ).

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

Chapter five offers the summary of fundamental discoveries, conclusion haggard from the results selected as well as recommendation made thereafter. It is important to note that the assumptions and commendations drawn are in pursuit of addressing the research question or obtaining the research goal, which is factors affecting customer satisfaction in KRA, Mombasa. The aim was to investigate how policy formation, resource allocation and staff training affect customer satisfaction at KRA marketing division in Mombasa.

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

As per the study, customer satisfaction is important in case KRA is to facilitate steady flow of trade and information. This study research targeted 133 respondents, however only 99 responded to the questionnaires and these translates to a response rate 75%. In addition according to the response, education level 49% of all respondent were Certificate & Diploma Holders meaning majority of respondents customer services at KRA marketing Mombasa were persons not very well vast with technical tax matters, while proffessionals and those categorized under Others and having the least respondents at 15% and 14% respectively. Further to this, according to the response, a majority of the respondents that had used the PIN for 0 -3 years sort more services from the marketing and service staff at 47% while those that had had a PIN for over 14 years sort the least at 10%. With regards to occupation, the respondents that do business visited the most at 46%. Those that were employed were 31%, while those that were neither employed of do business were 23%. On the matter of yearly income, the respondents that earn an income or turnover of between Kshs. 0 to 0.5 Million per year comprised of 33% while those that earn above Kshs 5 Million per year were 8%.

### **5.2.1 Policy formation**

On the effect of policy formation on customer satisfaction at KRA marketing division at Mombasa, the study found out that policy formation strongly affects customer satisfaction. A significant number of respondents associated customer satisfaction with policy formulation. This indicated one of the factors affecting customer satisfaction is policy formation and therefore key focus is needed on the policies formulated and how they are implemented. Majority of the respondents agreed that aspects policy formation that affect customer satisfaction are: awareness of the KRA service-level agreement (SLA) with a mean of 3.85, introduction of training session as a tax education policy which scored a mean of 3.73, policy implementation process which scored a mean of 3.40 and involvement in the policy formation process which scored a mean of 3.33.

From the Karl Pearson's Correlation Coefficient analysis, There was a very strong positive correlation between customer satisfaction and policy formation. This is given by the coefficient  $r$  of 0.812.

Policy formation was found to have a 0.452, The findings presented also shows that taking all other independent variables at zero, a unit increase in policy formation will lead to a 0.452 increase in customer satisfaction at KRA marketing division in Mombasa; therefore policy formation affects customer satisfaction by 45.2%.

### **5.2.2 Resource allocation**

Resource allocation greatly influences how a service point can be improved in order to enrich service delivery. This is clearly indicated in the respondents view. Majority of the respondents agreed that aspects of resource allocation that affect customer satisfaction at KRA marketing division in Mombasa include sufficiency of seats which scored a mean of 3.87, adequacy of KRA staff to attend to customers which scored a mean of 3.57, adequate equipment to offer services which scored a mean of 3.35 and an appealing and presentable building which scored a mean of 2.68. The respondent's interpretation is that for customers to be increasingly satisfied, they need to see that sufficient resources are allocated to their well-being and expedience of services.

Resource allocation strongly correlated to customer satisfaction given by the coefficient  $r = 0.582$  indicating a positive linear relationship with a p-value of 0.000 that is  $< 0.01$ . This implies that at 95% confidence level, the positive relationship is statistically significant

These findings are supported by the linear regression model obtained whereby; resource allocation affects customer satisfaction by 34%. A unit increase in resource allocation will lead to a 0.340 increase in customer satisfaction at KRA marketing division in Mombasa. Therefore resource allocation strongly influences a customer's satisfaction levels.

### **5.3.3 Staff Trainings**

The level of staff training to effectively and efficiently deal with technical matters as well as customer service skills also showed that it strongly affects customer satisfaction. From the respondent's, a majority of them had a negative attitude on how KRA personnel would treat them implying that a majority of reasons that a customer that walks into KRA Mombasa may leave unsatisfied may result from poorly trained staff. Majority of the respondents agreed that aspects of staff training that affect customer satisfaction at KRA marketing division in Mombasa include customer service attendants having great etiquette and communication ability which scored a mean of 3.63, KRA staff having a firm understanding of the law which scored a mean of 3.61, KRA staff having a great understanding of the iTax system which scored a mean of 3.50 and KRA staff promptness to attend to issues which scored a mean of 3.43

The correlation between staff training and customer satisfaction indicated a coefficient correlation of 0.808 with a P-value of 0.000, which is less than 0.01 and giving a positive relationship between independent variables and dependent variable at the KRA marketing division in Mombasa. This implies that at 95% confidence level, the positive relationship is statistically significant.

From the linear regression model obtained, the level of KRA staff training affects a customer's satisfaction by 34.1%; improvement in the level of staff training will lead to a 0.341 increase in customer satisfaction at KRA marketing division in Mombasa.

This shows that policy formation contribute most to customer satisfaction at KRA marketing division in Mombasa, followed by levels of staff trainings. Resource allocation contributed the least to customer statisfaction levels at KRA marketing division in Mombasa.

### **5.3 Conclusions**

The investigators found out that numerous aspects affect customer satisfaction in KRA. To start with, the need for both employee and taxpayer training and education of various tax obligations affects customer satisfaction. Additionally, the introduction of iTax system has greatly affected KRA's customer satisfaction. Accordingly, the scholars determined that there is a close affiliation between KRA workers and the client satisfaction. What is more, there is a need for the KRA Mombasa to enforce different strategies in improving customer satisfaction.

The research depicts that various factors such as innovative technology and employee satisfaction contribute to meeting clients' needs, thus customer satisfactory. Similarly, the research indicated that the level of training of the company's workers plays an important role in ensuring customer satisfaction. Therefore, KRA is advised to take the issue of employee training in customer service serious. The reason is that customer staff become slow in decision making because of inadequate training, lack of appropriate supervision, bureaucracy, and poor communication channels existing between the staff and managers while others do not have enough confidence in their areas of operation; hence, leading to poor customer service delivery.

### **5.4 Recommendations**

This research recommend the following:

#### **i. Policy formation**

KRA marketing division should endeavour to ensure inclusivity of it's customers in policy formation in order to get their views inorder to have an all inclusive policy for implementation. In addition, they should work towards delivering services as per the

agreed service levels as stipulated in the charter as it will increase confidence and reliability in the process. This will greatly improve customer satisfaction.

**ii. Resource allocation**

Resources should be allocated sufficiently to ensure that the environment that a tax paying customer is served is appealing and that there are sufficient equipment and deliver services promptly. Ensuring that there is enough additional staff in times that there is a pile up of customers waiting to be served. This will indeed improve the customers satisfaction.

**iii. Staff training**

The marketing division at KRA Mombasa should strive towards ensuring that their staff are properly and regularly trained on matters of the ever changing tax laws, on efficient response to queries, and also on how to properly handle a customer. This will go a long way in ensuring that a customer is consistently satisfied with the services they receive.

**5.5 Recommendations for Further Research**

The idea of customer satisfaction is growing at a fast rate considering the fact that various organizations have started understanding the concept's benefits to not only profitability but also the growth of a firm. Therefore, a comprehensive research is required in this field to ensure that KRA comprehends how the idea of customer satisfaction works in different regions in Kenya where they have a presence. Additionally, this study did not explore all factors that may influence customer satisfaction such as influence of technology hence the need to further research on this area.

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## APPENDIX

### APPENDIX I: COVER LETTER



ISO 9001:2015 CERTIFIED

KRA/KESRA/MSA/106

9<sup>th</sup> August 2019

*TO WHOM IT MAY CONCERN*

Dear Sir/Madam,

**RE: REQUEST TO COLLECT RESEARCH DATA**

This is to certify that the following is bona fide students of the Kenya School of Revenue Administration Mombasa Campus.

<u>Name</u>	<u>Admission Number</u>
DANIEL KIMANTHI KISANGAU	HDB336-C016-2367/2016

The above mentioned student is in her final year of study at the school and currently conducting research on "Factors affecting customer satisfaction at the Kenya Revenue Authority Marketing division in Mombasa" The student is in the process of gathering data and thereafter, compile a report that will strictly be used for academic purposes only. The School would therefore like to seek your permission to allow him collect information that relates to her research from your organization.

Thank you in advance for your support and cooperation.

Yours sincerely,

  
**Mumia B.J.**  
**For Principal – KESRA, Mombasa Campus**



*Tulipe Ushuru Tujitegeme!*

KENYA 2030

**APPENDIX II: QUESTIONNAIRE**

This questionnaire has been designed to collect data on the **FACTORS AFFECTING CUSTOMER SATISFACTION IN KRA MOMBASA MARKETING DIVISION.**

Information provided herein will be used solely for academic research purpose.

**SECTION A: BACKGROUND INFORMATION**

1) Level of Education & Professional (Please Tick both levels if any applicable)

Certificate       Diploma       Degree       others if any

2) For how long have you been having a PIN Certificate?

0-3 years       4-8 years       9 -13 years       Above 14 years

3) What kind of occupation are you engaged in?

Business       Employed       Neither

4) What is your salary/turnover/sale in a year? (Please tick where appropriate)

0-0.5Million       0.5M- 2M       2M – 5M       Above 5M

**SECTION B: POLICY FORMATION**

Indicate the level of your agreement or disagreement to the extent of the statement:

Use the 5-point scale given below to appropriately answer the questions that follow by ticking (√) accordingly, **5=strongly agree, 4=agree, 3=Not sure, 2=disagree, 1=strongly Disagree.**

	<b>Statements</b>	1	2	3	4	5
B1	You satisfied by your involvement in the policy formation process					
B2	The way policies have been implemented has helped to improve your experience at KRA Mombasa					
B3	You are aware of the KRA service-level agreement (SLA)					
B4	The introduction of training session as a tax education policy has meet your expectations					

### SECTION C: RESOURCE ALLOCATION

Indicate the level of your agreement or disagreement to the extent of the statement:

Use the 5-point scale given below to appropriately answer the questions that follow by ticking (√) accordingly, **5=strongly agree, 4=agree, 3=Not sure, 2=disagree, 1=strongly Disagree.**

	<b>Statements</b>	1	2	3	4	5
C1	The customer service lobby has sufficient seats					
C2	KRA building is appealing and presentable					
C3	There are adequate number of KRA staff to attend to taxpayers					
C4	The KRA staff have enough equipment to offer the services required at any given time					

### SECTION D: KENYA REVENUE AUTHORITY (KRA) STAFF TRAINING

Indicate the level of your agreement or disagreement to the extent of the statement:

Use the 5-point scale given below to appropriately answer the questions that follow by ticking (√) accordingly, **5=strongly agree, 4=agree, 3=Not sure, 2=disagree, 1=strongly Disagree.**

	<b>Statements</b>	1	2	3	4	5
D1	The KRA customer service attendants have great etiquette and communication ability					
D2	KRA staff are promote to attend to issues					
D3	The KRA staff have great understanding of the iTax system					
D4	The KRA staff have a firm understanding of the Law					

## SECTION E: CUSTOMER SATISFACTION

Indicate the level of your agreement or disagreement to the extent of the statement:

Use the 5-point scale given below to appropriately answer the questions that follow by ticking (√) accordingly, **5=strongly agree, 4=agree, 3=Not sure, 2=disagree, 1=strongly Disagree.**

	Statements	1	2	3	4	5
E1	Customer service attendants at Mombasa give you a high degree of customer satisfaction					
E2	The services you were seeking were delivered as per the timelines of the service-level agreement (SLA)					
E3	The Customer service attendant resolved your problem					
E4	The customer service attendant properly educated you on your tax requirements					

**Thank you very much for your cooperation**