IMPACT OF CUSTOMER SERVICE POLICY REFORMS ON COMPLIANCE IN KENYA: A CASE STUDY OF NAIROBI

NJIHIA JACKLINE WANJIKU

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

2018

DECLARATION

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

Signed................................... Date................................

NjihiaJackline
HDB336-CO16/4134/2016

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

Signed................................... Date................................

Dr.Marion Nekesa

DEDICATION

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

ACKNOWLEDGEMENT

Foremost, I thank the Almighty God for His sufficient grace. It is through His providence that all this is possible. Secondly, I am indebted to my supervisor for her scholarly guidance throughout the duration of conducting this research project. Finally, I recognize the input of my family and friends and their continuous support during the entire period of this research.

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LIST OF ABBREVIATIONS

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

DEFINITION OF TERMS

Tax	It is a compulsory contribution by an individual to a state or government. There are various sources of tax including, income tax; value added tax, excise duty and the customs duty. It is collected in accordance with the act in place for example, the income tax act, and the value added tax act in place.
Tax Policy Reforms	It refers to the process of changing the way taxes are collected and administered with an aim of producing a desired change in the tax system. The desired change may be to increase the tax revenue, to ensure equity or even efficiency or even to improve the distribution of resources.
Tax Gap	It refers to the difference that occurs whereby the target and actual revenue are not the same.
Tax avoidance	It is the use of legal methods so as to reduce the tax liability within the law by an individual.
Tax evasion	It refers to the use of illegal methods to either underpay or fail to pay taxes due by a tax payer.

ABSTRACT

The aim of the study was to determine the impact of Customer Service Policy Reforms on the compliance over the years in Kenya, Nairobi County. The specific objectives were as follows; to assess the impact of the mobile service policy reform on compliance, to determine the impact of the customer satisfaction research policy reform on compliance and the to find out the impact of tax payer education on compliance. The study adopted mixed research, both qualitative and quantitative research design. The study also adopted collection of both primary and secondary data. The research instrument for this research was a questionnaire. The target population was small tax payers, medium taxpayers and large taxpayers and the sample size will be one hundred (100) individuals who were selected by the stratified method of sampling. The study analysed the data by the use of both descriptive and inferential statistics. The inferential statistics included the use multiple regression, ANOVA and correlation analysis. Data was analysed by the use of SPSS (Statistical Package for Social Sciences) Version 24. The study found that the mobile system had a positive impact on revenue collection and revealed that more should be done with regard to taxpayer education and customer satisfaction survey research policy reform.

CHAPTER ONE

INTRODUCTION

1.1 BACKGROUND

1.1.1Global Perspective

Tax policy reforms were implemented as the main instrument to correct budgetary deficits and pressures .In other cases the change in the economic status created a need to improve the tax systems through the implementation of tax policies. (M. Govinda Rao, 2006). Globalization emphasized mainly on the importance of reducing compliance costs of the tax system. Evolution of the Indian tax system was mainly driven by the implementation of the tax reforms. In addition, tax policy reforms in India have mainly responded to and are mainly as a result of the changing development strategy and plan over the years.

Tax systems are in most countries used to attain objectives, for example equity, and to take care of concerns like social and economic issues. They need to be implemented in such a way that they minimise compliance costs and government's administrative cost, at the same time ensure that there is minimal or no tax avoidance and evasion. (OECD, 2010). In most economies, the design of the tax system will in most cases require to take into consideration the design of the tax systems in other countries, since most countries use their tax systems to improve their ability to compete in globally. The mobility of the tax base in most cases plays an important role in the design and implementation of tax policy reforms at the national and international level due to the tax policy co-operation amongst most countries. (OECD, 2010).

1.1.2 Kenya Perspective

The major concern of tax policy reformers has mainly been the urgent need to improve the quality of the tax structure to make it comply with prevailing views of what includes a fair distribution of the tax burden and increase the tax revenue (Mustgrave, 2004). Customer service policy reforms have been implemented to enable simplification and compliance through the attainment of international standards. Governments are under a lot of pressure to ensure that service delivery is cost effective(Kipkemoi, 2015).Tax authorities around the world are mainly using the electronic systems to enhance revenue collection, by implementing systems that are accurate in provision of secured and efficient systems.

(Kipkemoi, 2015), states that much still remains in the world to be done so as to enhance tax administration and correct the various problems that revenue authorities are currently facing. System automation that is mainly meant to enhance service delivery around the world has mainly been attained by the use of technology. Revenue collection is very important to governments around the world in that in enables the government to develop and acquire assets which are not liable to debts Joyce (2016). Tax policy reforms refer to measures to increase the tax base by removing special treatment on various types of incomes or even changing the rates (William, 2014).A study done by the Bookings Institution explains that not all tax reforms have the same impact on revenue collected. Some have a positive impact, while others have a negative impact.

According to a study done by the international monetary fund, Fiscal policies play a major role in correcting the effects of a country's financial crisis and problems, because they are followed by growth acceleration. Lack of International co-operation can in some cases erode the tax base. For example, national tax policies can lead to spill-over thus reducing the Foreign Direct Investments. IMF Report (2015).

According to a research done by ICPAK Kenya Revenue Analysis (2010-2015), globalization has had a major impact on taxation. This is due to the emergence, operation and the increase in the number of multinationals in different countries. The study further explains that, large revenues are lost because multinationals transfer their profits to countries in low tax jurisdictions, which are a major problem to tax authorities. Countries are thus coming up and implementing rules of transfer pricing to counter this problem. According to (Mustgrave, 2004), explains that the existing tax structure provides a continual if fluctuating flow of revenue, without further legislation being taken. Action may be taken however, to adjust overall revenue to changing expenditure requirements and economic conditions. There may also be structural reforms to deal with taxation effects on the private sector and to adjust the distribution of the tax burden.(Mustgrave, 2004)

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

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

Two aspects of tax policy need to be considered. One is the formulation of tax laws and the other is an important matter of tax administration, (Mustgrave, 2004). Fifth edition. The existing tax structure provides a continual and fluctuating flow of revenue. Action has been taken to adjust overall revenue by changing expenditure requirements, which are tax policies and economic conditions. There have been reforms to deal with administration of tax and the change in the tax base, thus, resulting to changes the revenues collected over the years (Mustgrave, 2004)

Consider wages for example, a significant amount of what the employer pays employee in wages, the employee has had to give the government inform of personal income taxes so these direct taxes do definitely get included in the in the revenue collected by the Revenue Authority. It applies for rental income, tax on interest rates even VAT which is a tax on consumption.(Mustgrave, 2004). Thus with the study of the impact of tax reforms on tax revenues comes the study of how tax reforms affect the methods, compliance levels and also the efficiency and effectiveness of the tax collection methods and procedures. (Mustgrave, 2004).

The responsibility of introduction and implementation of tax polices lies on the Kenya Revenue Authority among other stakeholders like the national treasury and the general public. Fiscal

Policies are thus implemented by Kenya Revenue Authority. Over the years Kenya Revenue Authority comes up with the various reforms to be implemented and most which have been successfully implemented to increase tax base, reduce negative externalities and more so to increase the revenue collected. One of the responsibilities of the Kenya Revenue Authority is to streamline procedures and improve taxpayer service and education, eliminating evasion. This policy reforms have over the years been implemented by increasing the capacity and skills of the staff working at the Kenya Revenue Authority, reducing corruption by provision of good salaries and integrating systems at the Kenya Revenue Authority that are efficient and secure. The tax structure is majorly focused on Value added tax and Income tax as the two largest sources of income (Kanyi, 2014).

The tax base in Kenya so far is narrow and has the capacity to be expanded. Attempts to increase the tax base have been implemented in the country. This has been attained by efforts by KRA to simplify the tax system (Kanyi, 2014).

1.1.3 Customer Service Policy Reforms

Tax policy entails tax laws and all other matters of tax administration that are implemented by Kenya Revenue Authority and other stakeholders. Customer service policy Reforms are used majorly for distribution and stabilization functions in Kenya thus different government stakeholders perform their roles in ensuring that tax policies are implemented efficiently and effectively.(Mutua.J.M, 2012)Customer Service policy reforms have been implemented and change over the years and affect the economy in various ways mainly positively. A tax is either called proportional, progressive or regressive depending on if it takes from high-income people the same amount as low-income people. The outcome in the economy will largely depend on the classification and even the implementation of specific policies. (Mutua.J.M, 2012), explains the increase economic performance has been brought about by the growth of Income Tax due to the Implementation of new policies. This growth of revenue streams has enabled the government to finance its projects and thus finance the national budget. These customer service policy reforms include, Mobile services that include; short messaging services and mobile payment, Itax support regional centres, customer satisfaction surveys policy reforms and customer education policy reforms. These tax policies have been implemented to attain efficient, effective and equitable revenue assessment and collection. Regulations are issued and implemented on a continual basis, thus tax reforms are implemented on a continual basis. Governments implement customer service policy reforms to attain various targets, which may include; simplification of the tax system, to ensure that there is equal distribution of the tax burden, to ensure proper and efficient administration, and more so to increase revenue collection (Mutua.J.M, 2012)

The current Kenyan tax system has majorly been focused on the realization of new taxes, implementation or change of the tax rates and increases of the tax base (Mutua.J.M, 2012).

Some of the reforms that were implemented according to the 6th corporate plan mainly included the uptake of electronic services by implementation of KRA Mobile services that include the call centres and also short messaging system. These reforms however faced various constraints as stated in the KRA 6TH Corporate plan. These challenges included funding constraints for the planned initiatives, targets setting which led to targets not being achieved, and the ICT constraints that showed Kenya to be below other developed economies.

1.1.4 Compliance

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

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

Kenya Revenue Authority is divided into various divisions in charge of various functions, for example, office of the commissioner general, the domestic taxes department, customs services and border control department, corporate support services department and the investigations and enforcement department (KRA). These divisions are responsible for the implementation of policies and reforms that are very important in enhancing revenue collection by the Kenya Revenue Authority, as per the Acts. Revenue is also collected under those various divisions, with target set for each division to attain efficiency and to achieve objectives. Financial statements as at June 2015 indicted a revenue growth in that financial year, despite macro-economic challenges. Financial Year 2014/15 realized 11% growth as per the KRA Financial statements. Kenya Revenue Authority is on a transformation agenda to bring about efficiency, effectiveness and high performance and attain the objectives set.(Gachanja.D, 2012), states that Kenya modernized its tax systems to enhance revenue collection.

1.2 Statement of the problem

There have been various customer service policy reforms, meant to not only increase revenue but also bolster public confidence in the tax agents. However, the Kenyan tax code remains unwieldy and complicated, with unfair and high tax rates being implemented to a very narrow tax base. In addition, there is very low compliance.(Ronge, 2006)Tax policy reforms have also been implemented with both positive and negative effects on revenue collection. According to (Ronge,2006), about 62.5% tax payers hire accountants to prepare their VAT returns and about 64.9% tax payers hire accountants to prepare Income tax returns.

Customer service policy reforms change the way taxes are collected managed and assessed by the tax agents and government and effectively commenced in 1986.Kenya's budgetary resources are largely from taxation and in fact, tax revenues made up 80.4% of total government revenue in the period between 1995 and 2004. According to the World Bank, Kenya is a high tax burden country with tax revenue/GDP at 16.32 % in 2015, which is actually on the decline, down from 21.1% in 2005. The share of total tax revenue in GDP has actually been on the decline from 1996 when it was at 24%, to 21.1% in 2005 (Ronge, 2006). However, Kenya progressively faces a growing need for more tax revenues to cater for public services. It was reported that 35% and 33.1% of total potential income tax revenue escaped the tax agents grasp in the fiscal years of 2000/2001 and 2001/2002 respectively (Ronge, 2006). Customer service policy reforms implemented over the past few years include; mobile system that includes short messaging services and mobile payments, customer satisfaction research policy reforms and taxpayer education reforms.

These initiatives have to be understood in the context that they require funds, sometimes lots of funds. Hence, the actual tax revenues realized, by such often-costly reforms, and the anticipated revenue may differ, perhaps by a large margin lower. If so, then the tax policies would have failed. Hence, the problem is in examining whether these tax policy changes, reforms or frameworks are cost-effective, fiscally efficient and will bear the expected return. The study on the impact of the policies on revenue collected creates a need for further research on specific effective policies and reforms that have had greater impact.

Various studies have been done by other researchers, with some revealing a positive impact while others reporting that the impact is negative. For instance, Walter Kipkemoi's study in his Masters Research paper, to determine whether electronic filing of returns and computerization of KRA procedures bore an improvement in revenues collected, was in the affirmative(Kipkemoi, 2015).There have also been efforts by the government in financing studies on how to implement policies that are effective. The studies done however are scanty and have not clearly shown the impact of customer service policy reforms on revenue collection.

1.3 Research Objectives

1.3.1 General objective

The general objective was to determine the impact of customer service policy reforms on compliance in Kenya.

1.3.2 Specific Objectives

Specific objectives were as follows: -

(i) To assess the impact of Mobile service policy reform on compliance

(ii) To determine the impact of the customer satisfaction Research policy reform on compliance

(iii) To find out the impact of tax payer education policy reform on compliance

1.4 Research Questions

The study was guided by research questions as follows;

(i) What is the impact of Mobile service policy reform on compliance?

(ii) What is the impact of the customer satisfaction Research policy reform on compliance?

(iii) What is the impact of taxpayer education policy reform on compliance?

1.5 Research Hypothesis

The hypothesis statements were as follows;

H01: There is no relationship between Mobile Service policy reform and compliance

H02: There is no relationship between customer satisfaction Research policy reform and compliance

H03: There is no relationship between taxpayer education policy reform and compliance.

1.6 Significance of the Study

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

1.6.1 Government

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

1.6.2 Central bank of Kenya

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

1.6.3 Researchers

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

1.7 Scope of the Study

The study used primary data from questionnaires, which were filled by taxpayers in Nairobi County. The taxpayers included small taxpayers, medium taxpayers and large taxpayers and were selected by use of stratified method of sampling. Data was also obtained from the 6th KRA Corporate plans and various dissertations, Kenya Revenue Authority Reports and other secondary sources including books

1.8 Limitations of the study

The respondents took time to fill in the questionnaire and others were reluctant to fill in the questionnaire which led to delay in analysis.

CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviews literature based on the objective of the study, which was to determine the impact of customer service policy reforms on compliance. The chapter compares different ideologies and views of different researchers and scholars, theories of taxation and customer service policy reforms implemented and the relationship with compliance. The chapter explains customer service policy reforms in detail; the different customer service policy reforms and their implementation and how it affects the tax revenue collection.

2.1 Theoretical Framework

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

2.1.1 Benefit Theory

Each taxpayer should be taxed in accordance with his or her demand for public services. Similar or general tax should not be applied to all individuals since consumption and standards of living differ.(Mustgrave, 2004).A pattern however may be expected to emerge from taxation regardless of the different approach to taxation, especially with regards to most social goods. (Mustgrave, 2004).The question is majorly the amount that different consumers are willing to spend on a particular commodity. This is however not the case for inferior goods. An appropriate tax pattern will depend on the preference for a commodity pattern. Thus, it mainly depends on the income and price elasticity of demand. (Mustgrave, 2004). If income elasticity is high then the tax prices will definitely go up with the income, however if price elasticity is high the rise will be lower. According to this theory, the requires tax rate structure will either be proportional, progressive, or regressive depending on if, income elasticity of demand for public goods, equals, exceeds, of falls short of price elasticity. (Mustgrave, 2004).

According to this theory, the country or state should collect taxes according to the benefit or gain that the individuals derive from the taxes. The more benefits they gain the more taxes they should pay.(Mustgrave, 2004).

2.1.2 Optimal Tax Theory

Philip (2010) defines this theory as the study of the design and the implementation of tax so as to ensure the efficiency and also prevent the distortion of the tax system. This principle states that taxes should be imposed in a way that maximizes the social welfare. The determinant of this theory is mainly identification of equity and efficiency. States that this quantitative measure can be determined by various factors which include; enjoyment of leisure, consumption which includes the present and future consumption and the amount of wealth an individual has. This is however difficult to determine because some of this factors are immeasurable.(Mustgrave, 2004) Philip (2010) further explains that the taxes should ensure economic efficiency and equitability in a certain economy and fair distribution.

2.1.3 Keynesian Taxation Theory

Keynesian economy mainly emphasizes the Fiscal Policy. Government spending is mainly an exogenous variable and only fiscal policy makers can change the government spending. Paul Meyer (1982). Keynes thought discretionary fiscal policy could counter the income fluctuations, which the tax system did not automatically eliminate. Whenever investment falls the government spends more or vice versa and cuts the tax rates. Keynes emphasized that active fiscal demand management is definitely a necessity. Paul Meyer (1982).

Government Spending should be high on average to and flexible in order to counteract the economy's natural tendency towards recession. In addition, the mere existence of income taxes imparts some stability. The income tax that is paid by taxpayers is an example of an automatic stabilizer, a policy that automatically reduces the variability of disposable income, thereby, induced spending, and output. For example, if the national output and income increases in response to larger increase in investment. If the income tax did not exist, the additional national income translates into additional disposable income and consumption increases. With tax rate, t, however disposable income increases by an amount less the tax. Paul Meyer (1982).The basic Keynesian model solves the equilibrium level of income. Fiscal policy according to this model is the stabilization tool and money plays no role because it is not a type of autonomous spending and has no direct effect on spending. Income is the product of autonomous spending and the multiplier. According to this model, as income rises, the government earns a fiscal dividend, that is, tax receipts rise with income even though tax rates are unchanged. Paul Meyer (1982).

2.1.4 The Marxist model

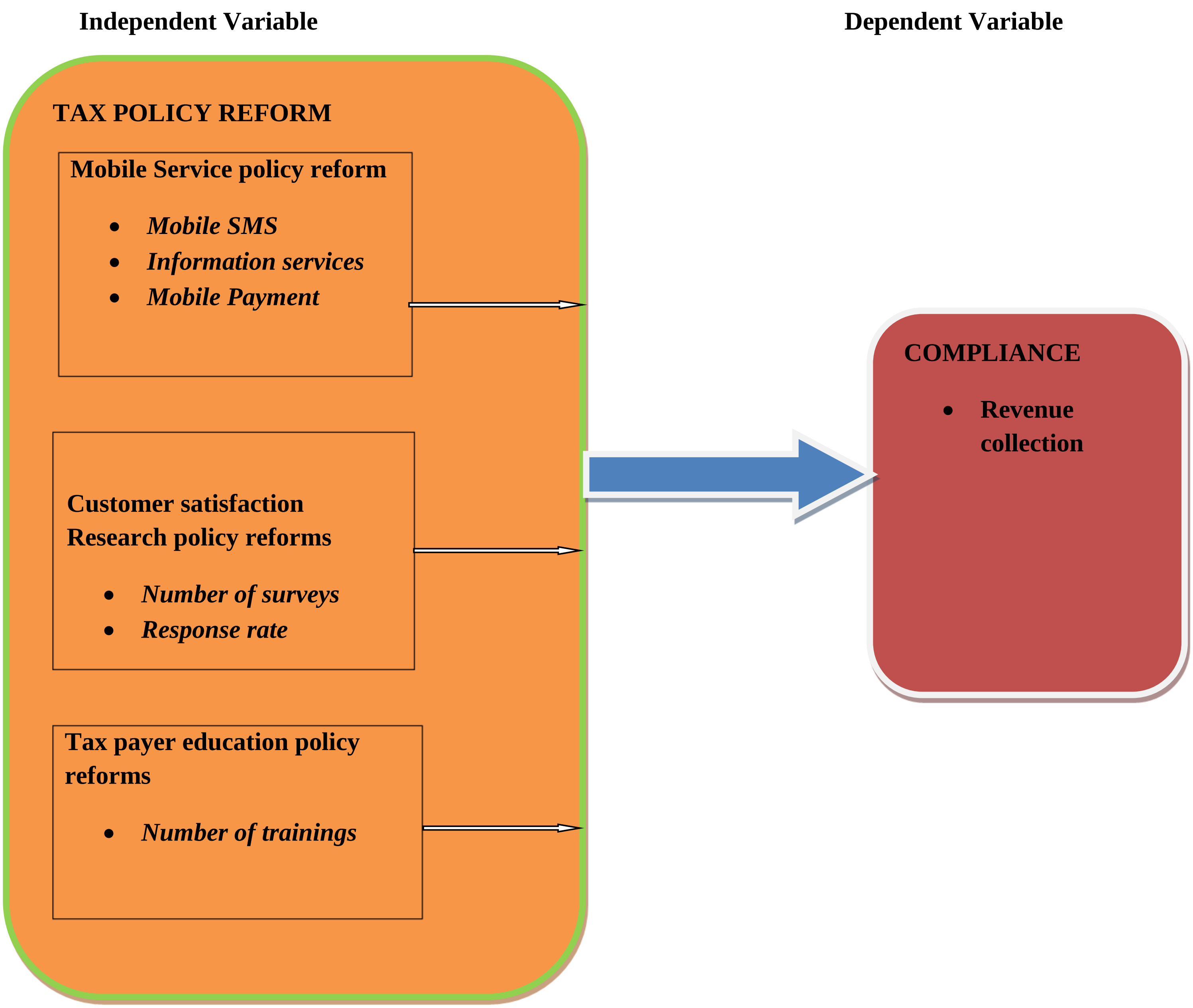
Fiscal history has been seen in this perspective, for example in the Middle Ages, payments in cash or in kind was extracted to sustain the military and rule and improve positions for leaders in various countries. It was in the interest of the ruling class to have as strong and rich a state as possible. (Mustgrave, 2004). With the rise of the democratic government the ruling class lost its tight control over the state. Marx in turn advocated a highly progressive income tax. (Mustgrave, 2004). More recently, Marxist writers have emphasized the independence between monopoly capital and fiscal state. Monopoly capital is said to oppose necessary financing, thus creating a fiscal crisis of the state. (Mustgrave, 2004).

The view of fiscal politics reflects the Marxist framework in which social process in terms of class struggle. It is not surprising then that tax and expenditure decisions will be a major instrument of that struggle. Dissatisfaction with taxation has indeed been a major factor in the history of revolutions and redistributive fiscal measures. According to Marxist view, the main division is between capital and labour, and the struggle over fiscal issues may be seen as reflecting the struggle between these two classes. (Mustgrave, 2004). page 108.A realistic view of the fiscal system must take account of the strategic role of multiple interest groups, economic, demographic, and the regional. (Mustgrave, 2004).

2.2 Conceptual framework

2.2.1 Introduction

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



2.3Empirical review of variables

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

2.3.1 Mobile Service policy reform.

Kenya Revenue Authority in the aim to increase revenue collection in the country implemented M-services that were mainly meant to improve service delivery thus improve revenue collection. Some of the reforms in m- service are the implementation of the SMS and the USSD information services (KRA Website). KRA also has implemented the collection of vital contact information of the tax payers so as to enhance KRA, tax payer information system. The SMS services are there to enable the tax payers to gain access to questions that they may have as soon as possible. This was mainly done to increase efficiency in the information system and thus increase compliance and reduce visits to KRA offices (KRA Website). The USSD Code also enables the tax payer to access the services required through the M-service which was also meant to improve service delivery. Mobile payment of taxes was also recently implemented to increase the efficiency in the payment of taxes via MPESA using the pay bill option which applies to taxes less than seventy thousand (KRA Website). The first KRA ICT reforms were initiated in the year 2005 from

November as a roadmap modernize and transform the Management Information Systems (MIS) Department parallel to the emerging trends in technology The various projects were started to run till 2010 but still continued to be implemented till 2014. (Ronge, 2006) Another was the Simba 2005, web based and online value declaration customs system. It however faced resistance, due to corruption and collusion between importers and customs officials(Ronge, 2006). KRA has invested in a Data Centre with servers and a well-structured and tiered IPv6 network, running critical databases and communication links with major redundancy connections to the main or primary site and the backup site(KRA, The KRA Second ICT Strategy 2014/2018, 2014). Over 90% of the KRA stations have ICT infrastructure, enabling automation of services, and also enabling easier access to the latest IT services. There are various challenges such as poor infrastructure capacity planning, inefficient and poorly-made applications, inadequate maintenance arrangements, divergence in technology and standards among stakeholders which will hamper integration, information security challenges, as well as poor vendor management and inadequate clean power. This greatly undermines and hampers service delivery.(KRA, The KRA Second ICT Strategy 2014/2018, 2014)Integrated Tax Management System (ITMS) uses electronic tax registration, e-tax filing, electronic payments, online electronic tax statement enquiries, an online web question and answer page, and email.

2.3.3 Customer Satisfaction Research Policy Reform

Kenya Revenue Authority conducts surveys so as to obtain vital information that is necessary for decision making and obtaining findings according to the 6th corporate plan. This has been attained by the presentation of surveys to tax payers and researches conducted by the research unit. There have been customer satisfaction and corruption surveys presented to tax payers by Kenya Revenue Authority with an aim of gaining customer perception on the tax system. There have also been requests for proposals; both technical and financial proposals by Kenya Revenue Authority through consultants. The previous request was in April 2017.

Compliance surveys by KIPPRA and KRA (KIPPRA, 2004) is one of the external surveys done and clearly indicated that most taxpayers view income tax and VAT rates as punitive, with 51% having the opinion that corporate tax rates as high while 29.8% view them as being fair. Furthermore, 85.9% think that PAYE rates are too high. The survey also found that about 62.5% of taxpayers hire and pay accountants to file their VAT returns while 64.9% also pay to have their income tax returns filed. The study concluded that the Kenya Revenue Authority should make tax laws and procedures simpler and more comprehensible. However, there seems to be no to little sign that their creation has increased revenues collected. Between 1996 and 2007/08, the tax/GDP ratio for Kenya dropped by -2.3 and also fell in Zambia, Zimbabwe and Seychelles over that period.

2.3.4Tax Payer Education Policy Reforms

The level of education and information received by taxpayers is a very important indicator that contributes to the understanding about the tax system especially with regards to the laws and regulations of taxation which are to the tax payers hard to understand and interpret, very contradictory and difficult to locate. (Margaret Adeke, 2011)As one of the factors that influences tax compliance is the knowledge that taxpayers have with regard to the tax systems and the rules and laws that govern taxation in Kenya.(Margaret Adeke, 2011). The attitude of taxpayers towards compliance can definitely be improved through the increase and improvement of taxation knowledge by taxpayers. Knowledge on taxation is important to increase public awareness on taxation laws and the role of tax in national and development and improvement of the economy, most important in explaining how tax revenues are used by the government.(Margaret Adeke, 2011)

The tax system is continually changing and becoming more complicated to tax payers creating need for tax payer education provision so as to increase tax compliance.(Kanyi, 2014) , explains that tax reforms must be implemented effectively in order for the country to be internationally ranked among the improved countries. He further explains the need to review and restructure the tax system in order to ensure sustained development in the country. He further emphasizes that for sustainable development, the structure of the tax system should be customer oriented, business oriented and also not forgetting employee oriented. Compliance is no longer a burden when tax laws are simplified and tax payers are educated and the tax return forms are simpler and easier to understand and taxpayers do not require specialized skills or need actual tax specialists to help them file their returns. (KIPPRA, 2004)

2.3.5 Compliance

Holzer and Kimes (2002) mainly defined revenue as the gross receipts received during a period. KRA has mainly defined revenue to mean taxes, duties, fees charged, levies, penalties, fines or other amounts collected as per the Income Tax Act. Over the years, Kenya Revenue Authority has been surpassing targets as set by the Ministry of Finance. The only anomaly was in 2008 that was mainly because of the effects of post-election violence. This meeting of targets can be mainly accredited to measures and policies that have been implemented over the years. Moreover, there is still room for improvement by the implementation of policies that will enhance revenue collection and thus enhance compliance.

(Gachanja.D, 2012), suggests that collection efficiency is mainly affected by political economy considerations greater polarization and political instability in the country. This is because it would reduce the efficiency and effectiveness of the tax collection. In addition, collection is also affected by structural factors that affect the ease of tax evasion.

According to the 16/17, KRA press release on the KRA Website, Corporate/ business taxes grew by 18.2% compared to the annual growth of 13.7% this clearly indicates the countries increasing potential in revenue collection especially for indirect taxes. The banking sector recorded a 20.1% growth even after the implementation of the interest rate capping. Other parts and sectors noted good performing sectors included the ICT, construction and the transport industry according to the press report by KRA. The weakest sectors being the manufacturing industry due to large investment deduction claims.

The government is under a lot of pressure to improve service delivery and customer satisfaction, which is key in improving compliance according to a study by Kipkemoi despite having numerous challenges of ensuring it is cost effective.(Kipkemoi, 2015)

2.4 Critiques of Existing Literature

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

2.5 Research Gap

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

2.6 Summary

The above studies have clearly explained that compliance in Kenya has been affected by customer service policy reforms that have previously been implemented. Majority of studies done in Kenya related to the topic have not clearly revealed the impact of the customer service policy reforms on compliance. These studies and research done have provided guidance in the research of how policy reforms have influenced compliance.

Various researchers have also not clearly stated if the impact is significantly positive or negative. This clearly created the need to carry out more research on the field to clearly determine the impact of tax policies on compliance.

CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the methodology that was used in this research to carry out the study. It fully described and explained the type and the sources of data, data collection, data analysis, data validity and reliability determination techniques that were used to investigate the relationship between variables.

3.1 Research Design

This study used a mixed research design. Research design refers to the strategy that is generally used for attaining information required to tackle a research problem (Karanja, 2014). A study of the customer service policy reforms implemented by the Kenya Revenue Authority was conducted. The study allowed the collection of large amount of data from primary sources. The study included the description of the relationship between the dependent and independent variable; that is customer service policy reforms and compliance.

3.2 Target Population

A Population is a complete set of elements for which the study will be carried out. It is that group from which samples are specifically taken measurements James (2016). Target population refers to the people or things of interest James (2016). The target population in this case are the small, medium and large taxpayers. It consisted of 50 small tax payers, 30 medium tax payers and 20 large tax payers, all who were selected from Nairobi County.

3.3 Sampling Technique

A sample is a subset of a particular population James (2016). The sample consisted of selected elements. The method of sampling was stratified method that was used to select the small, medium and large tax payers. A target population was individuals in Nairobi County.

3.3.1 Sample Frame

A sample frame refers to the list of individuals in the population who can be sampled (Wikipedia). In this study, the sample frame mainly consisted of tax payers in Nairobi County (small, medium and large tax payers).It is the whole list from which the sample was mainly drawn (Karanja,2014).

3.3.2 Sample Size

A sample size refers to the number of observations that is used in a study in which the main objective is mainly to make inferences about the population (Wikipedia). The sample size was determined by use of census; systematically acquiring and recording information about a certain population (Wikipedia). The sample size was a total of 100 individuals.

3.4 Data collection

Data was mainly obtained from Primary and secondary data.

3.4.1 Primary Data

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

3.4.1 Secondary Data

Secondary data was mainly obtained from books, various dissertations and the internet. This data refers to data collected by an individual other than the original or authentic user (Wikipedia). This information aided the study in identifying various researches that have been done by other researchers and scholars and to clearly identify and state the research gap.

3.5 Data Collection Instrument

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

3.6 Pilot Study

A pilot study was carried out to test the validity of the data collection instruments. A pilot study refers to a preliminary study that is done to test the reliability of the research instrument (Wikipedia). The researcher sampled a few questionnaires and selected a few respondents to test the validity of the questionnaire. This was to test the reliability and the validity. A pilot study was important to determine if the research instrument was reliable and workable. Reliability is mainly determined by the use of a pilot test to measure the accuracy and the precision of the instrument. (M., 2014).

3.6.1 Reliability of the Research Instruments

The Reliability was determined by the pilot study in that it helped in determining if the questionnaire fully covered the purpose of the study. It was also determined by my supervisor who revised the questionnaire (M., 2014).

3.6.2 Validity of the Research Instruments

The pilot test was done by presentation of 5 questionnaires to small tax payers, 5 to medium tax payers and 5 to large tax payers. The validity of the questionnaires was mainly determined by the pilot study. (M., 2014). The validity was also be determined by my supervisor who revised it.

3.7 Data analysis and presentation

The data collected was mainly analysed by the use of SPSS (Statistical package for social sciences), which is a data mining and analysis software (Wikipedia). This package can effectively analyse large sets of data. The analysis mainly included correlation analysis that aided the study in determining the relationship between the variables and the use of ANOVA (analysis of Variance), to analyse the degree of the relationship between variables. The analysis also included regression analysis. The analysis mainly sought to clearly answer the research questions and determine nature of the association between the variables (Joseph.K).Likert scale was used in calculating the score of the respondents. The advantage of the likert scale is that it is more reliable, in that, the respondents answer each statement in the questionnaire. The data collected from the Likert-type scale can be evaluated easily through measure of the variable indicators on the likert scale(Wikipedia). Descriptive analysis enabled the in-depth understanding of the relationship between the variables. A content analysis was also done to allow for further understanding of the variables.

3.8 Measurement of Variables

Variable	**Indicator/Measures**	**Scale**
Mobile services policy reforms	• Mobile SMS • Information services • Mobile Payment	5 point likert scale 5 point likert scale 5 point likert scale
Customer service surveys policy reforms	• Number of surveys • Response rate	5 point likert scale 5 point likert scale
Tax payer education policy reforms	• Number of trainings	5 point likert scale
Compliance-Dependent Variable	• Revenue Collection	5 point likert scale

CHAPTER FOUR

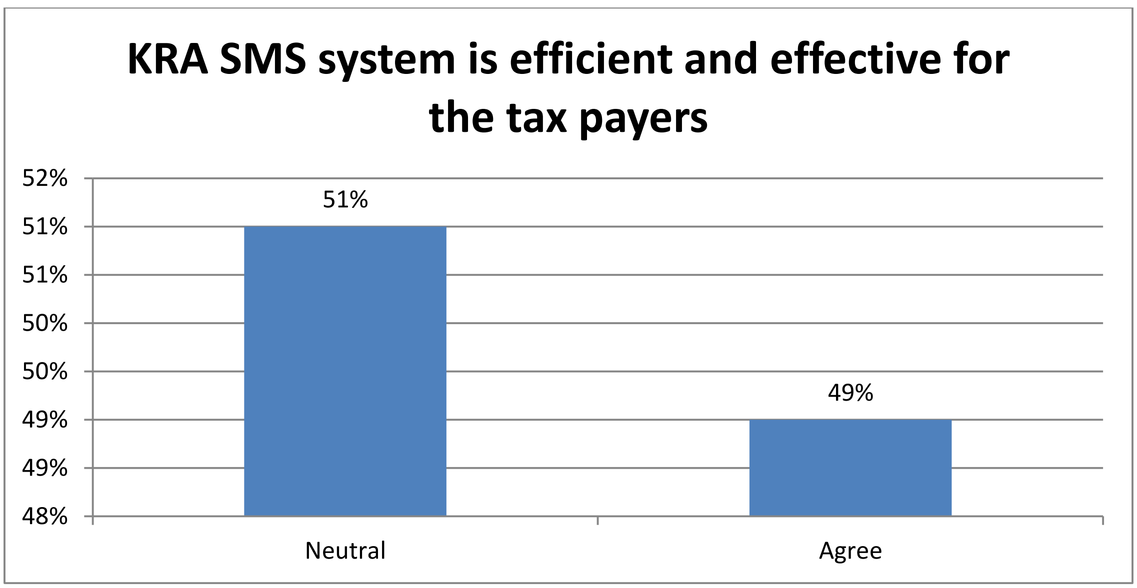
RESEARCH FINDINGS AND DISCUSSION

4.0 Introduction

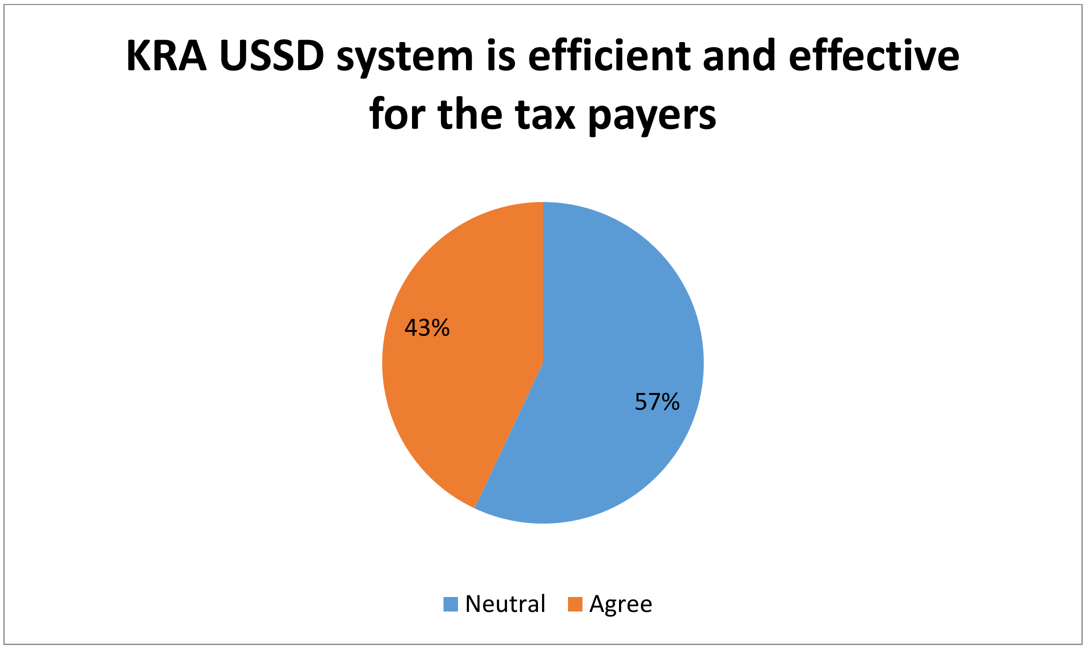
This chapter presents the analysis of data collected from respondents in Nairobi County by use of a questionnaire. The research sought to establish the impact of customer service policy reform on compliance in Kenya. The respondents were selected by use of stratified method of sampling.

4.1: Mobile Service Policy Reform

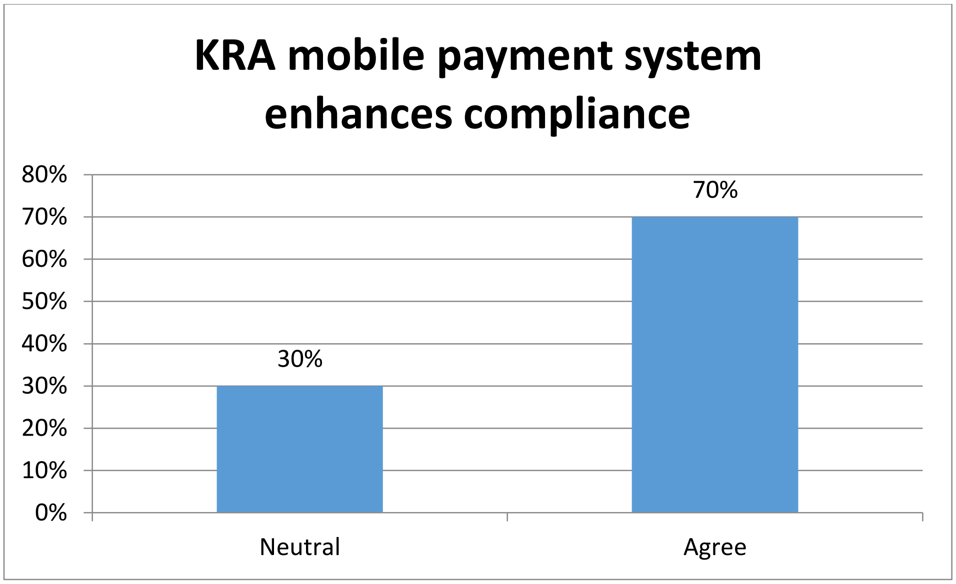
Crosstabs



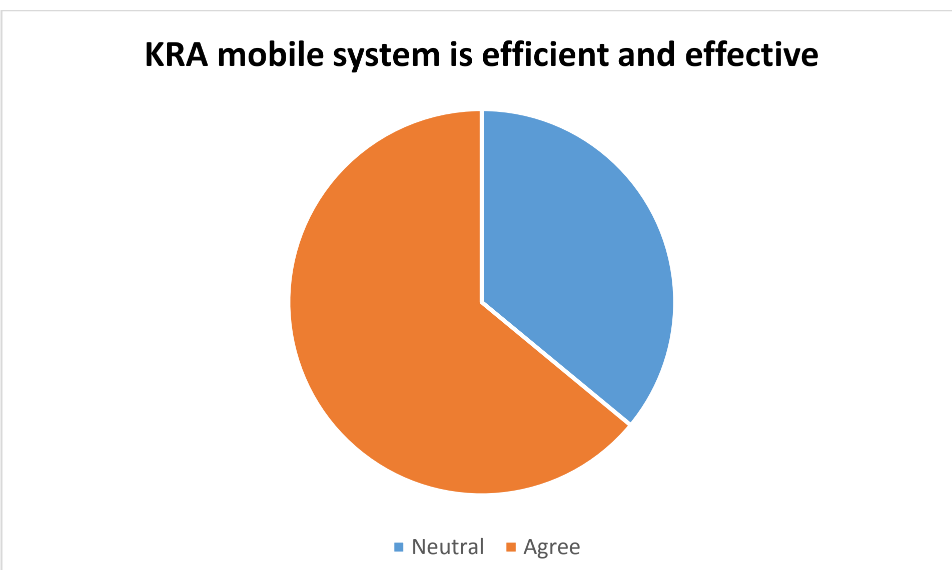
The respondents indicated that KRA SMS system is efficient and effective for the tax payers with 49 (49%) agreeing with the statement. KRA SMS system is efficient and effective for the tax payers had a statistically significant chi-square association with Mobile services policy reform has enhanced compliance at Pearson value= 27.099, df=1, Sig. < 0.0001 at 95% confidence interval.



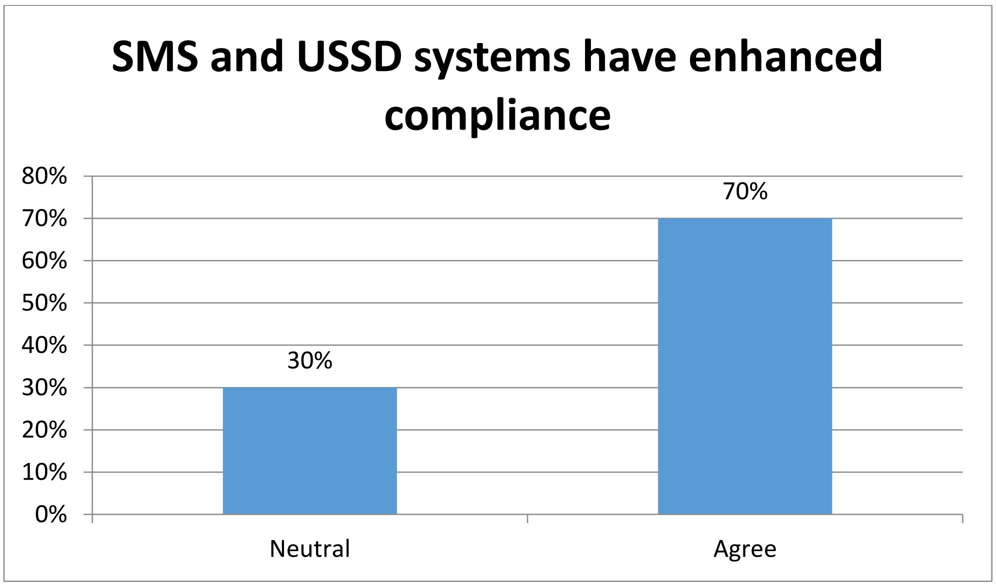
The respondents indicated that KRA USSD system is efficient and effective for the tax payers with 43 (43%) agreeing with the statement. KRA USSD system is efficient and effective for the tax payers had a statistically significant chi-square association with Mobile services policy reform has enhanced compliance at Pearson value= 37.388, df=1, Sig. < 0.0001 at 95% confidence interval.



The respondents indicated KRA mobile payment system enhances compliance with 70 (70%) agreeing with the statement. KRA mobile payment system enhances compliance had a statistically significant chi-square association with Mobile services policy reform has enhanced compliance at Pearson value= 65.812, df=1, Sig. < 0.0001 at 95% confidence interval.

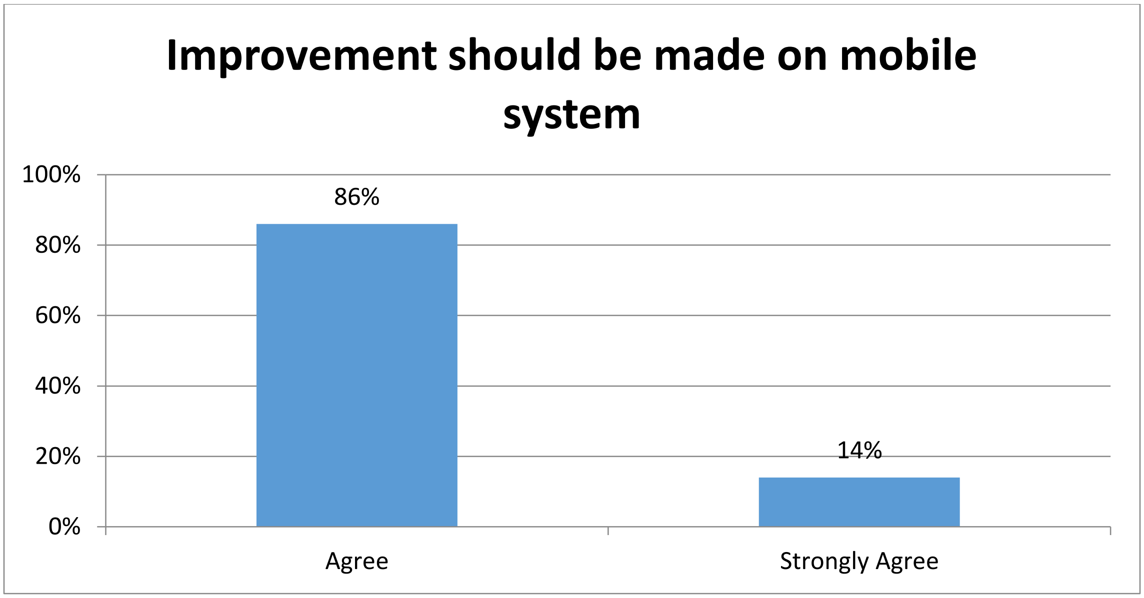


Mobile services policy reform has enhanced compliance * SMS and USSD systems have enhanced compliance



The respondents indicated SMS and USSD systems have enhanced compliance with 70 (70%) agreeing with the statement. SMS and USSD systems have enhanced compliance had a statistically significant chi-square association with Mobile services policy reform has enhanced compliance at Pearson value= 65.812, df=1, Sig. < 0.0001 at 95% confidence interval.

Mobile services policy reform has enhanced compliance * Improvement should be made on mobile system



The respondents indicated Improvement should be made on mobile system with 64 (86%) agreeing with the statement. Improvement on mobile system had a statistically significant chi-square association with Mobile services policy reform has enhanced compliance at Pearson value= 4.592, df=1, Sig.=0.032 at 95% confidence interval

Mobile services policy reform has enhanced compliance

		Frequency	Percent	Valid Percent	Cumulative Percent	Chi-Square
KRA SMS system is efficient and effective for the tax payers	Neutral	51	51	51	51	Pearson =27.099, df=1, Sig<0.0001
	Agree	49	49	49	100	
KRA USSD system is efficient and effective for the tax payers	Neutral	57	57	57	57	Pearson =50.142, df=1, Sig<0.0001
	Agree	43	43	43	100	
KRA mobile system is efficient and effective	Neutral	36	36	36	36	Pearson =37.388, df=1, Sig<0.0001
	Agree	64	64	64	100	
KRA mobile payment system enhances compliance	Neutral	30	30	30	30	Pearson =65.812, df=1, Sig<0.0001
	Agree	70	70	70	100	
Improvement should be made on mobile system	Agree	86	86.0	86.0	86.0	Pearson =4.592, df=1, Sig=0.032
	Strongly Agree	14	14.0	14.0	100.0	

Regression

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.680[a]	.463	.435	.646

a. Predictors: (Constant), Improvement should be made on mobile system, KRA USSD system is efficient and effective for the tax payers, KRA SMS system is efficient and effective for the tax payers, SMS and USSD systems have enhanced compliance, KRA mobile system is efficient and effective

The model on mobile services policy reform has enhanced compliance has a good fit at 46.3% of the model explain chance

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	17.160	5	3.432	61.8023	.000[b]
	Residual	5.22.	94	0.055532		
	Total	17.160	99			

a. Dependent Variable: Mobile services policy reform has enhanced compliance

b. Predictors: (Constant), Improvement should be made on mobile system, KRA USSD system is efficient and effective for the tax payers, KRA SMS system is efficient and effective for the tax payers, SMS and USSD systems have enhanced compliance, KRA mobile system is efficient and effective

The Mobile services policy reform has enhanced compliance model is significant at F value=61.80, df=5,94, sig. <0.0001

Coefficients[a]

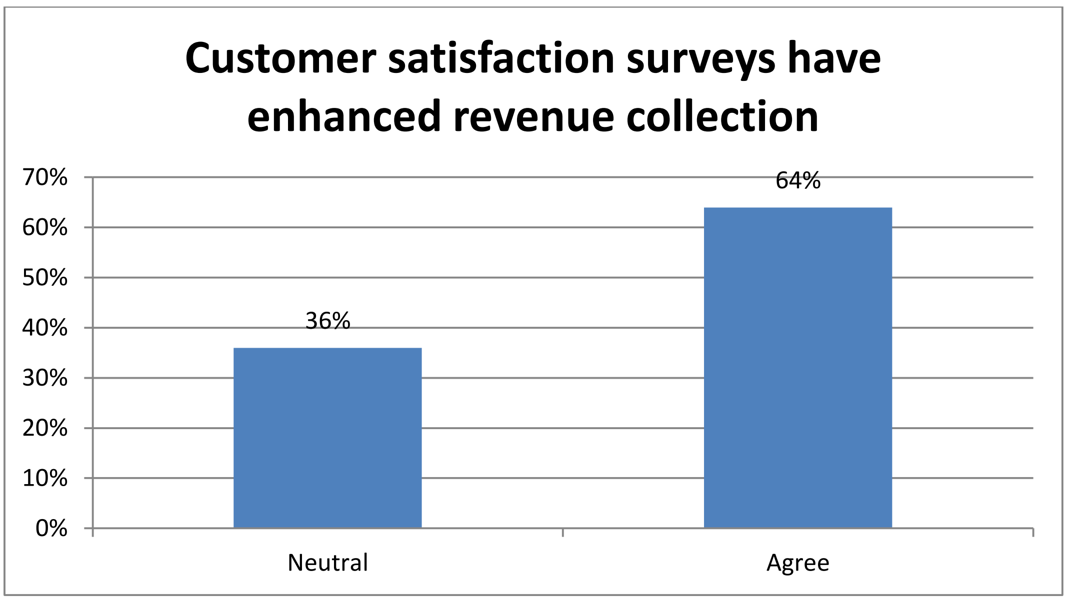
Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.
1	(Constant)	.048	.056	.048	.856	.393
	KRA SMS system is efficient and effective for the tax payers	-.068	.113	-.035	-.603	.547
	KRA USSD system is efficient and effective for the tax payers	-.017	.060	-.024	-.288	.774
	KRA mobile system is efficient and effective	.165	.069	.219	2.415	.017
	SMS and USSD systems have enhanced compliance	.085	.065	.116	1.305	.193
	Improvement should be made on mobile system	.538	.061	.503	8.786	.000

a. Dependent Variable: Mobile services policy reform has enhanced compliance

The factors statistically influencing Mobile services policy reform has enhanced compliance in the model were KRA mobile system is efficient and effective at t=2.415, Sig. =0.017 and Improvement should be made on mobile system at t=8.786, Sig. <0.0001

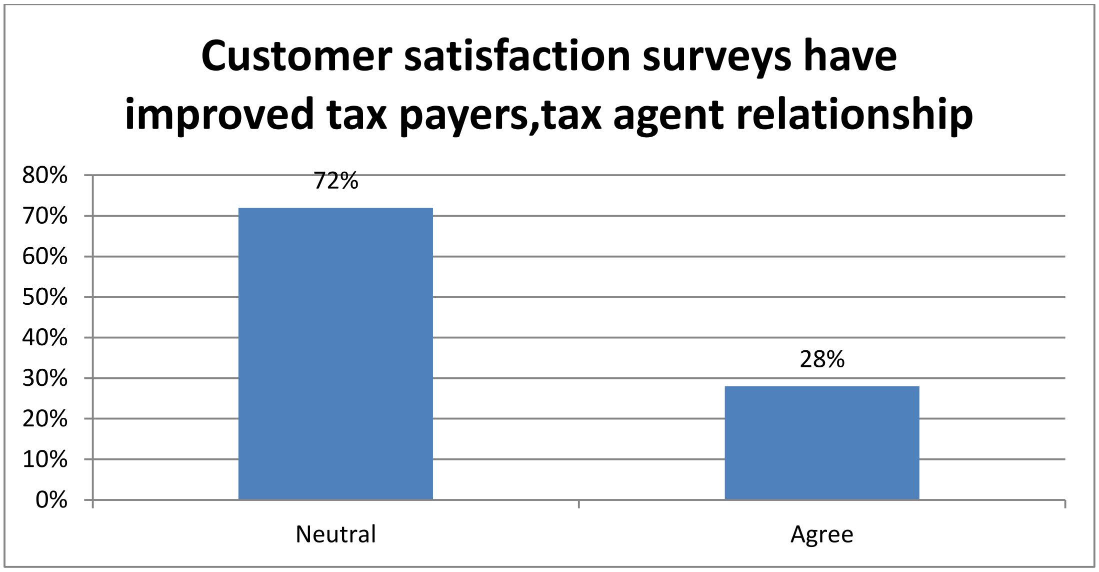
4.2: Customer Satisfaction Survey Policy Reform

Customer satisfaction survey enhances compliance * Customer satisfaction surveys have enhanced revenue collection



The respondents indicated that KRA SMS system is efficient and effective for the tax payers with 22 (64%) agreeing with the statement. KRA SMS system is efficient and effective for the tax payers had a statistically significant chi-square association with Mobile services policy reform has enhanced compliance at Pearson value= 50.142, df=1, Sig. < 0.0001 at 95% confidence interval.

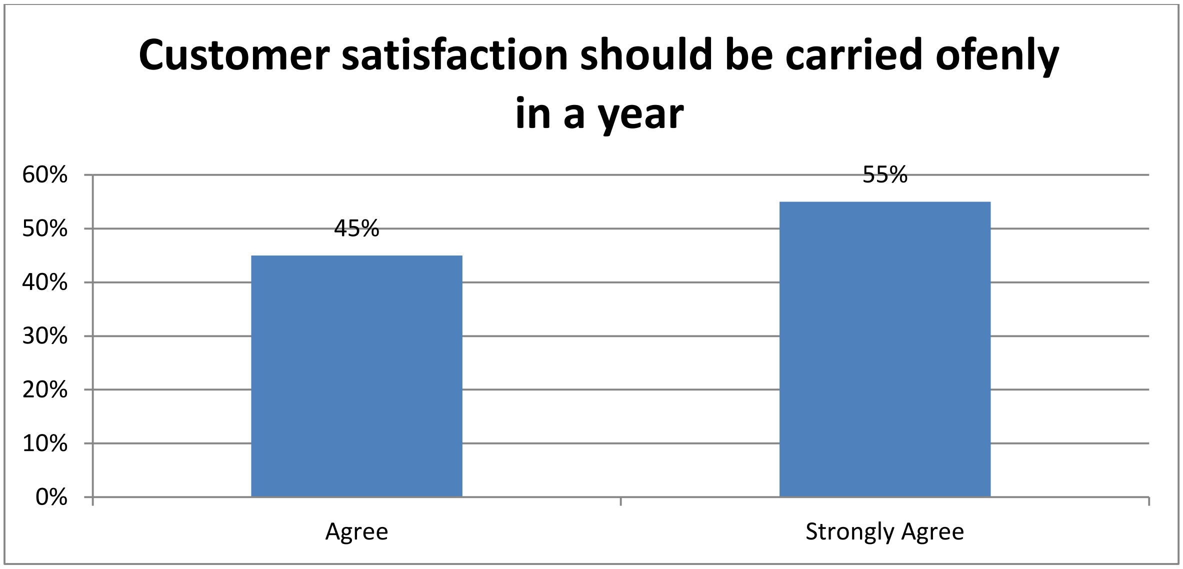
Customer satisfaction survey enhances compliance * Customer satisfaction surveys have improved tax payers, tax agent relationship



Crosstab

The respondents indicated that Customer satisfaction surveys have improved tax payers, tax agent relationship 22 (28%) agreeing with the statement. Customer satisfaction surveys have improved tax payers, tax agent relationship had a statistically significant chi-square association with Mobile services policy reform has enhanced compliance at Pearson value= 72.527, df=1, Sig. < 0.0001 at 95% confidence interval.

.**Customer satisfaction survey enhances compliance * Customer satisfaction should be carried often in a year**



The respondents indicated that customer satisfaction should be carried often in a year with 22 (45%) agreeing with the statement. customer satisfaction should be carried often in a year had a statistically significant chi-square association with Mobile services policy reform has enhanced compliance at Pearson value= 34.473, df=1, Sig. < 0.0001 at 95% confidence interval.

		Frequency	Percent	
Customer satisfaction surveys have enhanced revenue collection	Neutral	36	36.0	Pearson =50.142, df=1, Sig<0.0001
	Agree	64	64.0	
Customer satisfaction surveys have improved tax payers, tax agent relationship	Neutral	72	72.0	Pearson 72.527, df=1, Sig<0.0001
	Agree	28	28.0	
Customer satisfaction should be carried often in a year	Agree	45	45.0	Pearson 34.473, df=1, Sig<0.0001
	Strongly Agree	55	55.0	

Regression

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.890[a]	.792	.785	.19288

a. Predictors: (Constant), Customer satisfaction should be carried ofenly in a year, Customer satisfaction surveys have enhanced revenue collection, Customer satisfaction surveys have improved tax payers, tax agent relationship

The model on Customer satisfaction survey enhances compliance has a good fit at 79.2% of the model explain chance

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	13.588	3	4.529	121.748	.000[b]
	Residual	3.572	96	.037		
	Total	17.160	99			

a. Dependent Variable: Customer satisfaction survey enhances compliance

b. Predictors: (Constant), Customer satisfaction should be carried ofenly in a year, Customer satisfaction surveys have enhanced revenue collection, Customer satisfaction surveys have improved tax payers, tax agent relationship

The Customer satisfaction survey enhances compliancemodel is significant at F value=121.748, df=3,96, sig. <0.0001

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	2.688	.617		4.353	.000
	Customer satisfaction surveys have enhanced revenue collection	-.087	.074	-.101	-1.177	.242
	Customer satisfaction surveys have improved tax payers, tax agent relationship	.595	.085	.645	7.035	.000
	Customer satisfaction should be carried ofenly in a year	-.242	.044	-.291	-5.542	.000

a. Dependent Variable: Customer satisfaction survey enhances compliance

The predictor's statistically significant influencing Customer satisfaction survey enhances compliance model were Customer satisfaction surveys have improved tax payers, tax agent relationship at t=7.035, Sig. <0.0001, and customer satisfaction should be carried out more often in a year at t=-5.542, Sig. <0.0001

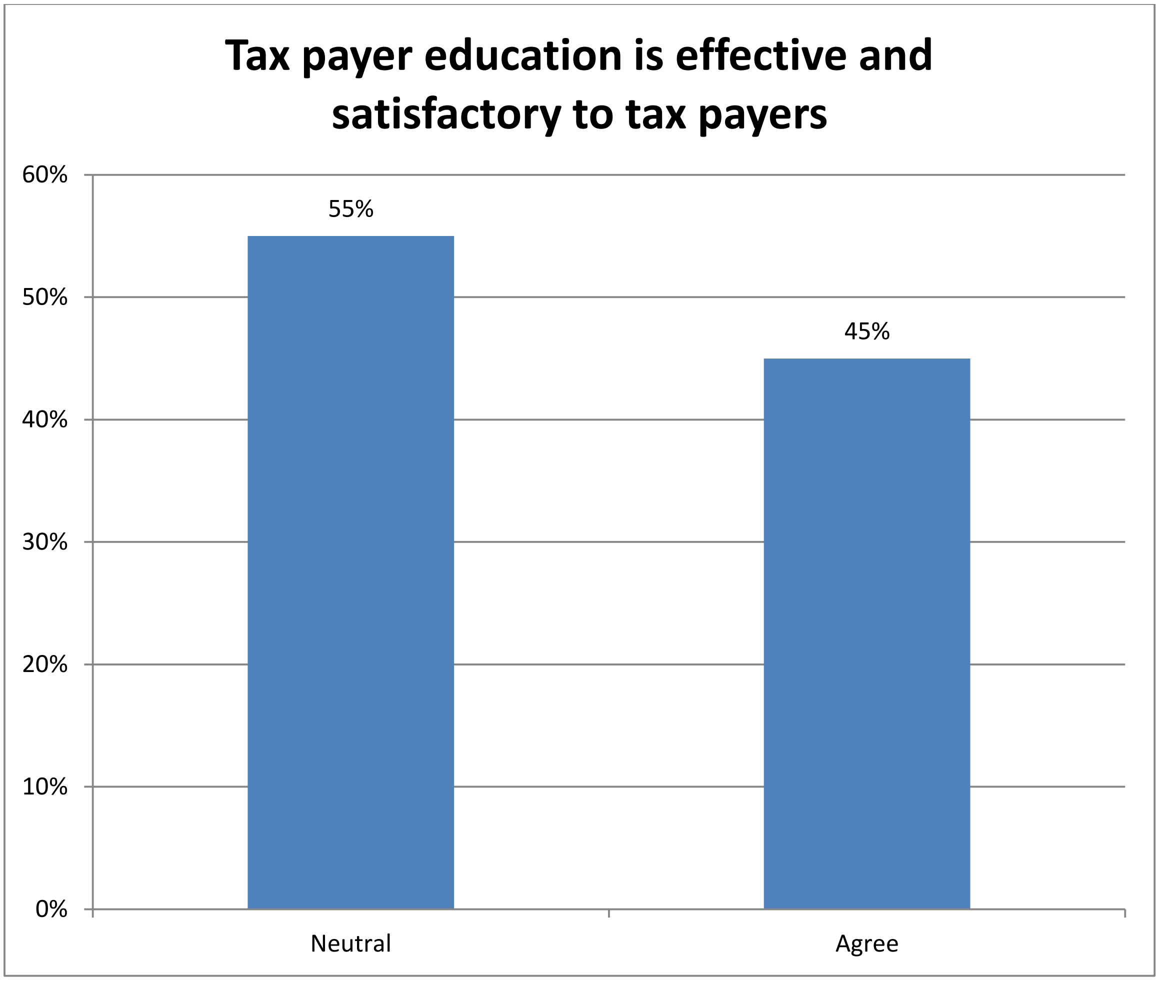
4.3: Tax Payer Education Policy Reform

Taxpayer education has enhanced compliance

		Frequency	Percent
Valid	Neutral	31	31.0
	Agree	47	47.0
	Strongly Agree	22	22.0
	Total	100	100.0

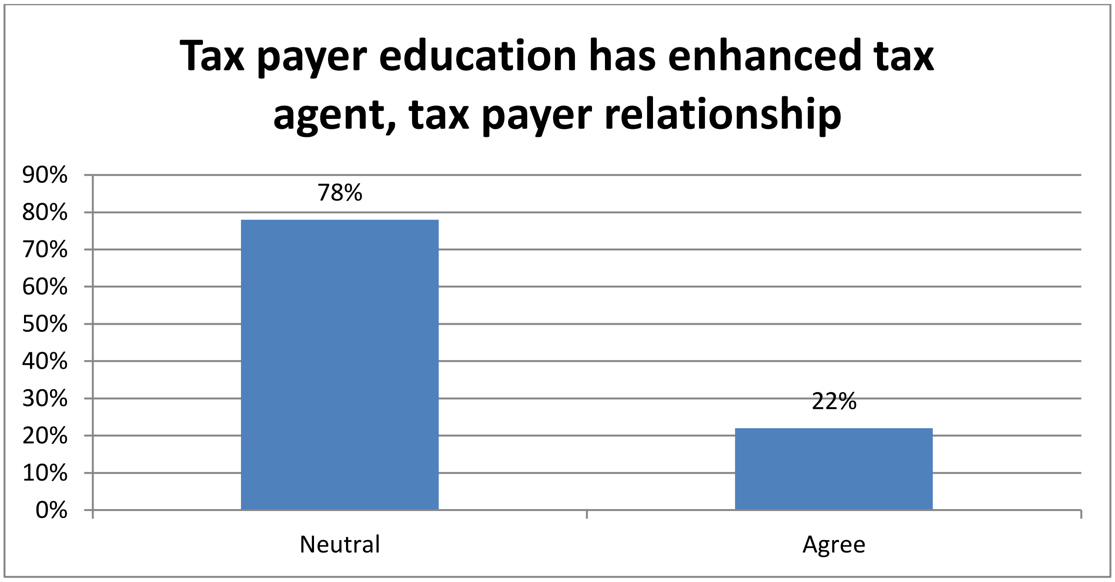
The tax payer education has enhanced compliance response distribution had 69 (69%) of the interviewee agreeing with the statement and 31 (31%) remained undecided

Taxpayer education has enhanced compliance * Taxpayer education is effective and satisfactory to tax payers



The respondents indicated that Taxpayer education is effective and satisfactory to tax payers with 47 (45%) agreeing with the statement. Taxpayer education is effective and satisfactory to tax payers had a statistically significant chi-square association with Mobile services policy reform has enhanced compliance at Pearson value= 76.018, df=1, Sig. < 0.0001 at 95% confidence interval.

Taxpayer education has enhanced compliance * Taxpayer education has enhanced tax agent, taxpayer relationship



The respondents indicated that Taxpayer education has enhanced tax agent, taxpayer relationship with 47 (22%) agreeing with the statement. Taxpayer education has enhanced tax agent, taxpayer relationship had a statistically significant chi-square association with Mobile services policy reform has enhanced compliance at Pearson value= 100.000, df=1, Sig. < 0.0001 at 95% confidence interval. Thus it is significant.

Correlations Statistics

		Tax payer education is effective and satisfactory to tax payers	Tax payer education has enhanced tax agent, tax payer relationship	Tax payer education has enhanced compliance
Tax payer education is effective and satisfactory to tax payers	Pearson Correlation	1	.587**	.085
	Sig. (2-tailed)		.000	.401
	N	100	100	100
Tax payer education has enhanced tax agent, tax payer relationship	Pearson Correlation	.587**	1	.801**
	Sig. (2-tailed)	.000		.000
	N	100	100	100
Tax payer education has enhanced compliance	Pearson Correlation	.085	.801**	1
	Sig. (2-tailed)	.401	.000	
	N	100	100	100

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

Taxpayer education is effective and satisfactory to tax payers has a significant statistical correlation with tax payer education has enhanced tax agent, taxpayer relationship at Pearson value=0.587, Sig. <0.0001. Thus it is significant.

Tax payer education has enhanced tax agent, tax payer relationship has a significant correlation with Tax payer education has enhanced compliance at Pearson value=0.801, Sig. <0.0001, therefore significant.

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.932[a]	.869	.866	.26548

a. Predictors: (Constant), Tax payer education has enhanced tax agent, tax payer relationship, Tax payer education is effective and satisfactory to tax payers

The model on Tax payer education has enhanced compliance has a good fit at 86.9% of the model explain chance therefore 86.9% error can be accounted for.

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	45.354	2	22.677	321.758	.000[b]
	Residual	6.836	97	.070		
	Total	52.190	99			

a. Dependent Variable: Tax payer education has enhanced compliance

b. Predictors: (Constant), Tax payer education has enhanced tax agent, tax payer relationship, Tax payer education is effective and satisfactory to tax payers

The Tax payer education has enhanced compliance model is significant at F value=321.758, df=2,97, sig. <0.0001 therefore clearly statistically significant.

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.418	.222		1.883	.063
	Tax payer education is effective and satisfactory to tax payers	-.855	.066	-.588	-12.963	.000
	Tax payer education has enhanced tax agent, tax payer relationship	2.000	.079	1.147	25.262	.000

a. Dependent Variable: Tax payer education has enhanced compliance

The predictor's statistically significant influencing Taxpayer education has enhanced compliance model were effective in Tax payer education is effective and satisfactory to tax payers at t=-12.963, Sig. <0.0001 and taxpayer education has enhanced tax agent, taxpayer relationship at t=25.262, Sig. <0.0001. Thus clearly shows statistical significance of taxpayer education has enhanced compliance.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATION

5.0 Introduction

The main objective of the study was to determine the impact of customer service reform on compliance in Kenya. The study used primary and secondary data and employed descriptive statistics to obtain information. The study made use of SPSS in analyzing the data. Quantitative data collected was analyzed using descriptive statistics. Regression analysis and co-correlation analysis was used to obtain findings and conclusions.

5.1 Summary of Findings

The respondents agreed that the KRA SMS system is efficient, effective, and 70% more so agreed that the KRA mobile payment system enhances compliance. The respondents also agreed that the USSD and SMS system enhances compliance. 86% however agreed that more improvements should be made on the mobile system.

Most respondents were neutral on whether customer satisfaction surveys improve taxpayer, tax agent relationship. Moreover, they strongly agreed that the surveys should be carried out more often. The respondents were however neutral on whether taxpayer education has enhanced compliance. Other researchers including Margaret and Mutua have also indicated that customer service policy reforms have a significant impact on compliance with both stating that more should be done with regards to customer service policy reforms implementation.

5.2 Conclusions

The research indicated that the KRA SMS system has enhanced compliance clearly showing the impact of technology as a customer service policy reform having a positive impact on revenue collection. Policy reforms in tax payer education and the mobile system should be implemented effectively and efficiently so as to enhance compliance. Compliance is a reaction change by tax payers positively, that leads to increased revenue collection. The implementation of this policy reforms definitely impacts compliance. The respondents were neutral on the impact of the customer satisfaction surveys and tax payer education, with a less percentage of people agreeing with the statement indicating that more should be done with regards to tax payer education and customer satisfaction surveys policy reforms, so as to enhance customer confidence in the tax system with regards to the two sectors.

5.3 Recommendations

5.3.1 Management recommendations

From the conclusions obtained the impact of the Mobile system on the revenue collection as a policy reform implemented to enhance revenue collection has a positive impact on revenue collection, clearly indicating the role technology plays on revenue collection and indicating the need for more research on customer preference with regard to mobile systems. More should be done with respect to mobile service reforms and implementation of technological reforms to enhance compliance. The research also indicates the need for enhancement of tax payer education systems and efficient and effective customer satisfaction surveys so as to enhance revenue collection.

5.3.2 Policy recommendations

The study recommends that the Kenya Revenue Authority should do more in terms of educating taxpayers more frequently to increase the taxpayer's understanding of the tax system and which will enhance revenue collection. The Kenya Revenue Authority should hold trainings more frequently and inform the public of the trainings as an initiative to improve revenue collection. The use of the Mobile system clearly shows the huge impact technology has on revenue collection and thus it should be made more efficient for the taxpayers to use.

5.4 Suggestions for further research

More research should be done on enhancement of tax payer education and customer satisfaction surveys and also the role of technology as key in customer service policy reforms, due to the impact of mobile service policy reform, thus the impact of technology, so as to come up with policies that are directed towards enhancing customer confidence with the tax system and thus so as to enhance revenue collection.

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APPENDICES

APPENDIX I: COVER LETTER

NJIHIA JACKLINE WANJIKU

KENYA SCHOOL OF REVENUE ADMINISTRATION

P.O. BOX 48240-00100

NAIROBI

Dear Respondent,

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

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

Thank you in advance,

Yours sincerely,

Njihia Jackline

APPENDIX 2: QUESTIONNAIRE

SECTION 1: MOBILE SERVICE POLICY REFORM

In each please tick on the answer corresponding to your opinion on each

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a. The KRA SMS system has is efficient and effective for the tax payers					
b. The KRA USSD system is efficient and effective for tax payers					
c. The KRA Mobile payment system enhances compliance					
d. The KRA Mobile system is efficient and effective					
e. The SMS and USSD systems have enhanced compliance					
f. More improvements should be made to the Mobile systems					
g. Mobile service policy reform has enhanced compliance					

SECTION 2: CUSTOMER SATISFACTION SURVEYS POLICY REFORM

In each please tick on the answer corresponding to your opinion on each

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a. The customer satisfaction surveys have enhanced revenue collection					
b. The customer satisfaction surveys have improved tax payer, tax agent relationship					
c. Customer satisfaction surveys should be carried out more often in a year					
d. Customer satisfaction surveys have enhanced compliance					

SECTION 3: TAX PAYER EDUCATION POLICY REFORM

In each please tick on the answer corresponding to your opinion on each

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
a. Tax payer education has enhanced revenue collection					
b. Tax payer education by tax agents is effective and satisfactory to tax payers					
c. Tax payer education has enhanced tax agent, tax payer relationship					
d. Tax payer education has increased understanding of the tax system by the tax payer					
e. Tax payer education should be carried out more times in a year					
f. Tax payer education has enhanced compliance					