

**EFFECT OF TAXPAYER EDUCATION ON VALUE ADDED TAX  
COMPLIANCE AMONGST HARDWARE DEALERS IN THIKA TOWN,  
KENYA**

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**2019**

**DECLARATION**

This project is my original work and has not been presented for a degree in any other university.

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Signature

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**HDB336-C016-4093/2016**

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Date

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

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Signature

**DR. OSAMBO ANTHONY**

.....

Date

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I also thank my family for letting me use their valuable family time to work on this project. It is my hope that their sacrifice has finally paid off. Finally, I owe my gratitude to a number of people who in one way or another contributed towards completion of this project. To all of you. I say Thank You!

## **DEDICATION**

This research project is dedicated to my beloved Husband Isaiah and my children Leah, Timothy, Japheth, Adah and Joshua for their love and moral support and also to my dear late parents for the sacrifices they made in educating me.

## ABSTRACT

Kenya is ranked among low income countries or low compliance country with hard task of ensuring efficient and effective tax administration and does not collect as much revenue as it should. Hardwares, in particular have the potential of generating a lot of revenue for the government but this is not the case. This poses a significant problem to the government and the country's growth as a whole. Therefore, this study aimed at establishing the effect of taxpayer education on value added tax compliance amongst the hardware dealers in Thika town, Kenya. The objectives for the study were to identify the effect of print media education, electronic education and stakeholder sensitization on value added tax compliance by hardware dealers in Thika town, Kenya. The target population of this study was 44 hardware dealers in Thika town, Kenya. Primary data was obtained by use of semi-structured questionnaires. The research instrument generated both quantitative and qualitative data. Qualitative data was coded thematically and was analyzed by use of content analysis. Quantitative data was analyzed by use of both descriptive and inferential statistics with the help of statistical software known as the statistical package for social sciences (SPSS version 22). Descriptive statistics consisted of frequency distribution, percentages, mean and standard deviation. The results were then presented in tables and graphs. Further, a correlation analysis and regression analysis was used to establish the relationship between the dependent and the independent variables. Findings from the study indicate that electronic taxpayer education has a positive influence on value added tax compliance among hardware dealers in Thika town, Kenya. In addition, the study found that print media education has positive influence on value added tax compliance among hardware dealers in Thika town, Kenya. Also, the study found that stakeholder sensitization programme influences value added tax compliance among hardware dealers in Thika town, Kenya. The recommendations from the study include; Kenya Revenue Authority should make use social media platforms such as Twitter, Facebook and YouTube to manage taxpayers' complaints and increase awareness among taxpayers on value added tax; that Kenya Revenue Authority should make use of the many radio stations in the country and air adverts related to value added tax in different programmes. In addition, Kenya Revenue Authority should adopt the use of different types of newspapers such as The Standard, Daily Nation and The Nairobiian to increase awareness on value added tax compliance; and that Kenya Revenue Authority should adopt the use of educative seminars to educate their staff on how to improve on tax value added compliance.

## TABLE OF CONTENTS

<b>DECLARATION.....</b>	<b>ii</b>
<b>ACKNOWLEDGEMENT.....</b>	<b>iii</b>
<b>DEDICATION.....</b>	<b>iv</b>
<b>ABSTRACT.....</b>	<b>v</b>
<b>TABLE OF CONTENTS .....</b>	<b>vi</b>
<b>LIST OF TABLES .....</b>	<b>x</b>
<b>LIST OF FIGURES .....</b>	<b>xi</b>
<b>ACRONYMS AND ABBREVIATIONS.....</b>	<b>xii</b>
<b>OPERATIONAL DEFINITION OF TERMS.....</b>	<b>xiii</b>
<b>CHAPTER ONE .....</b>	<b>1</b>
<b>INTRODUCTION.....</b>	<b>1</b>
1.1 Background of the Study .....	1
1.1.1 Global Perspective .....	2
1.1.2 Regional Perspective.....	3
1.1.3 Local Perspective .....	3
1.2 Statement of the Problem.....	4
1.3 Objectives of the Study .....	5
1.3.1 General Objective .....	5
1.3.2 Specific Objectives .....	5
1.4 Research Questions.....	5
1.5 Justification of the Study .....	5
1.6 Scope of the Study .....	6
1.7 Limitations of the study .....	6
<b>CHAPTER TWO .....</b>	<b>7</b>
<b>LITERATURE REVIEW .....</b>	<b>7</b>
2.1 Introduction.....	7

2.2 Theoretical Review .....	7
2.2.1 Theory of Planned Behavior .....	7
2.2.2 Economic Deterrence Theory .....	8
2.3 Conceptual Framework .....	9
2.3.1 Electronic taxpayer education and VAT compliance .....	9
2.3.2 Print media education and V.A.T compliance .....	10
2.3.3 Stakeholder sensitization and VAT compliance .....	10
2.3.4 VAT compliance .....	11
2.4 Empirical review .....	12
2.4.1 Effect of Print Media Taxpayer Education on VAT Compliance.....	12
2.4.2 Effect of Electronic Taxpayer Education on VAT Compliance .....	14
2.4.3 Effect of Stakeholder Sensitization on VAT Compliance .....	16
2.5 Critique of Existing Literature .....	17
2.6 Summary of Literature Review .....	18
2.7 Research Gap .....	19
<b>CHAPTER THREE.....</b>	<b>20</b>
<b>RESEARCH METHODOLOGY .....</b>	<b>20</b>
3.1 Introduction.....	20
3.2 Research Design.....	20
3.3 Target Population.....	20
3.4 Sample and Sampling Techniques .....	20
3.5 Data Collection Instruments .....	21
3.6 Piloting.....	21
3.6.1 Validity .....	21
3.6.2 Reliability.....	22
3.7 Data collection procedure .....	22
3.8 Data Analysis and Presentation .....	23
<b>CHAPTER FOUR.....</b>	<b>25</b>

<b>RESEARCH FINDINGS AND DISCUSSION.....</b>	<b>25</b>
4.1 Introduction.....	25
4.2 Response Rate.....	25
4.3 General Information of Respondents .....	25
4.3.1 Gender of Respondents .....	25
4.3.2 Age of Respondents .....	26
4.3.3 Respondents’ Level of Education .....	26
4.4 Electronic Taxpayer Education and Value Added Tax compliance .....	27
4.4.1 Extent of Taxpayer Education Influence on Value Added Tax compliance .....	27
4.4.2 Types of Electronic Taxpayer Education.....	28
4.4.3 Influence of Electronic Taxpayer Education on VAT compliance.....	29
4.5 Print Media Education and Value Added Tax compliance.....	29
4.5.1 Print Media Education Awareness.....	29
4.5.2 Extent of Print Media Education Influence on VAT compliance.....	30
4.5.3 Print Media Education and Value Added Tax compliance.....	31
4.6 Stakeholder sensitization and Value Added Tax compliance.....	32
4.6.1 Extent of Stakeholder sensitization Influence on VAT compliance .....	32
4.6.2 Stakeholder sensitizations Attended .....	33
4.6.3 Stakeholder sensitizations and Value Added Tax compliance .....	33
4.7 Value Added Tax Compliance.....	34
4.8 Inferential Statistics .....	34
4.8.1 Correlation Analysis .....	35
4.8.2 Regression Analysis.....	36
4.9 Discussion of the Findings.....	38
4.9.1 Electronic Taxpayer Education.....	38
4.9.2 Print Media Education .....	39
4.9.3 Stakeholder Sensitization.....	40
<b>CHAPTER FIVE .....</b>	<b>41</b>
<b>SUMMARY CONCLUSIONS AND RECCOMMENDATIONS .....</b>	<b>41</b>

5.1 Introduction.....	41
5.2 Summary of the Findings.....	41
5.2.1 Electronic Taxpayer Education.....	41
5.2.2 Print Media Education .....	41
5.2.3 Stakeholder Sensitization.....	42
5.3 Conclusions.....	42
5.4 Recommendations.....	42
5.5 Areas for Further Research .....	43
<b>REFERENCES.....</b>	<b>44</b>
<b>APPENDICES .....</b>	<b>49</b>
<b>APPENDIX I: LETTER OF INTRODUCTION TO THE RESPONDENTS .....</b>	<b>49</b>
<b>APPENDIX II: RESEARCH QUESTIONNAIRE .....</b>	<b>50</b>
<b>APPENDIX III: HARDWARES IN THIKA TOWN.....</b>	<b>54</b>

## LIST OF TABLES

Table 3. 1: Cronbach Reliability Alpha .....	22
Table 3. 2: Operationalization of Variables.....	24
Table 4. 1: Gender of Respondents .....	26
Table 4. 2: Age of Respondents.....	26
Table 4. 3: Respondents' Level of Education.....	27
Table 4. 4: Types of Electronic Taxpayer Education .....	28
Table 4. 5: Electronic Taxpayer Education and Value Added Tax compliance .....	29
Table 4. 6: Print Media Education and Value Added Tax compliance.....	31
Table 4. 7: Stakeholder sensitizations Attended.....	33
Table 4. 8: Stakeholder sensitizations and Value Added Tax compliance .....	34
Table 4. 9: Correlation Analysis.....	36
Table 4. 10: Model Summary .....	37
Table 4. 11: Analysis of Variance .....	37
Table 4. 12: Regression Coefficients.....	38

## LIST OF FIGURES

Figure 2. 1: Conceptual Framework .....	9
Figure 4. 1: Extent of Taxpayer Education Influence on VAT compliance .....	28
Figure 4. 2: Effect of Print Media Education on VAT Compliance .....	31
Figure 4. 3: Extent of Stakeholder sensitization Influence on VAT compliance .....	32

## ACRONYMS AND ABBREVIATIONS

<b>ICT:</b>	Information Communication Technology
<b>KESRA:</b>	Kenya School of Revenue Administration
<b>KRA:</b>	Kenya Revenue Authority
<b>NCBD:</b>	Nairobi Central Business District
<b>PIN:</b>	Personal Identification Number
<b>SAS:</b>	Self-Assessment Systems
<b>SMEs:</b>	Small and Medium Enterprises
<b>SPSS:</b>	Statistical Package for Social Sciences
<b>VAT:</b>	Value Added tax
<b>ETR</b>	electronic tax register

## OPERATIONAL DEFINITION OF TERMS

- Electronic taxpayer education:** This is the use of electronic gadgets and online platforms such as social media platforms, television and internet to teach taxpayers about their tax rights, responsibilities and legal requirements (Lee, 2018).
- Hardware dealer:** A person who sells construction materials and farm tools (MCKerchar, 2003).
- Print media:** This refers to the methods of educating the people about the whole process of taxation and why they should pay tax using newspapers, prospects pamphlets and booklets (James & Alley, 2004).
- Stakeholder sensitization:** This is the use of electronic gadgets and online platforms such as seminars, workshops and cultural events to teach taxpayers about their tax rights, responsibilities and legal requirements (Hymnal, 2014).
- Tax compliance:** This refers to the willingness of a taxpayer to comply with the tax laws of his country, for example by registration, declaring income, filing a return and paying all the taxes due and in a timely manner (Pere, 2019).
- Taxpayer education:** This refers to programs aimed at teaching taxpayers about their tax rights, responsibilities and legal requirements. Also refers to the method of educating the people about the whole process of taxation why they pay taxes (Machogu & Amayi, 2013).

## CHAPTER ONE

### INTRODUCTION

This chapter will cover the background to the study, local and global perspective, statement of the problem, objectives of the study, research questions and significance of the study;

#### 1.1 Background of the Study

Taxation is a core governance function and has the potential to shape relations between state and society in significant and distinctive ways (Brautigam, Fjeldstad, & Moore, 2008). Tax revenues allow states to provide security and public goods. Taxation is one of the important elements in managing national income, especially in developed countries and has played an important role in civilized societies since their birth thousands years ago (Lymer & Oats, 2009). One of the main reasons why the government imposes taxes is to generate income to manage the economy and redistribute resources (Palil, 2010).

Olowookere and Fasina (2013) indicate that one of the greatest problems facing the tax systems around the world is the problem of non-compliance. Tax compliance is a major problem for many tax authorities and it is not an easy task to persuade taxpayers to comply with tax requirement even though 'tax laws are not always precise in some respects' (James & Alley, 2004). To ensure tax compliance, there are four basic tax compliance obligations of citizens and businesses that generally must be administered by all revenue administrations in accordance with their respective tax laws: registration (identification); filing (submission of tax returns on time); declaration (correctly report tax liabilities); and, payment (on time as stipulated in the law). A non-compliant taxpayer is one who fails to satisfy any one or more of these aspects and poses a risk to revenue collection. MCKERCHAR (2003) stated that non-compliance may be as a result of a deliberate decision by the taxpayer, or it may be unintentional.

Tan and Chin-Fatt (2008) affirm that the tax literature indicates that not only knowledge but an understanding of the tax system may have an effect on taxpayer's perceptions of fairness and attitudes towards compliance. MACHOGU and AMAYI (2013) held that through taxpayer education, the taxpayer is aware of the rights, obligations and the procedures of paying taxes, as well as the consequences of noncompliance. The taxpayer can make rational decisions of complying with the tax laws, as he/she is certain of the outcome.

Ndirangu (2014) noted that tax knowledge and education has a significant effect on tax compliance.

Monyo (2013) noted that taxpayer education program is one of the strategies of improving service delivery to the taxpayers. Improving service delivery is critical to enhance voluntary tax compliance. Lack of voluntary tax compliance compels revenue authorities to use costly and coercive methods for tax enforcement (Fjeidstad & Rakner, 2003). Thus, taxpayer education is a tool designed to enable taxpayers to understand tax laws and procedures. It involves training of special units within the revenue departments, for providing education, counseling and support to the taxpayers, through different media which include newspapers, television, radio programs, websites, seminars, and front desk help to disseminate key information to the taxpayers.

### **1.1.1 Global Perspective**

In Hong Kong, Wong and Lo (2015) indicate that sales tax compliance among undergraduate students was significantly improved if they had been exposed to a general tax education, and income and sales tax compliance among postgraduate students were significantly improved if they had taken a technical tax course. In Indonesia, Mukhlis, Utomo and Soesetio (2015) tax education has a positive and significant effect on tax knowledge, tax knowledge has a significant and positive effect on tax justice and tax justice has a significant and positive effect on tax compliance. In addition, strengthening of the tax education is very important in shaping the tax knowledge, so that it can increase tax compliance. In this case, the tax socialization efforts can be done through the dissemination of information about the types of taxes, tax rates, tax payment mechanisms and tax benefits. However, Rahayu, Setiawan and Troena (2017) argued that indirectly, knowledge and understanding of tax regulation in the society through the awareness of taxpayer do not have significant influence on tax compliance in Indonesia.

Ugwu (2014) established that taxation education has an association with tax compliance in Malaysia. Taxation education impacts the basic tax knowledge of those who attended the classes and hence inclusion of taxation course in the syllabus of non-accounting students can go a long in changing the mindset of the future taxpayers.

### **1.1.2 Regional Perspective**

Dealing with the problem of tax evasion in Africa requires at least some understanding of the factors underlying the individual taxpayer's decision whether to pay or evade taxes. However, little is known about tax compliance behavior in developing countries, especially African countries. Among many strategies adopted in Africa to deal with noncompliance is taxpayer education and different studies have shown varying results on its effect on tax compliance. In South Africa, Misra (2014) found that voluntary compliance amongst taxpayers is heightened when taxpayer education and enforcement functions are balanced to achieve the desired output in tax compliance. In Nigeria, Olowookere and Fasina (2013) indicate that taxpayer education assists taxpayers in meeting their tax obligations to the government. The primary existence of taxpayer education is to encourage voluntary compliance amongst taxpayers.

In Tanzania, Machogu and Amayi (2016) found that there is a positive relationship between taxpayer education and voluntary tax compliance. Taxpayer education provided the necessary tax knowledge to comply with the tax matter and change the perceptions and attitudes towards tax-compliance by creating more positive attitudes. In addition, radio, newspapers, seminars workshops, training and televisions were among the major means through which tax knowledge was imparted to the taxpayers.

### **1.1.3 Local Perspective**

With Kenya Revenue Authority (KRA) as the main tax authority, Taxpayer Education Unit was formed in the year 2005 and was formerly known as Taxpayer Services under the Commissioner for Domestic Taxes. The unit is tasked with the responsibility of holding Tax Clinics and Seminars for Taxpayers all over the Country. Among Small and Medium Enterprises in Nairobi Central Business District, Gitaru (2017) established that electronic taxpayer education, print media tax payer education, and stakeholder engagement influences tax compliance. He argued that taxpayer education has provided a comprehensive awareness and information that has promoted partnership and voluntary compliance and further maximized revenue collection for national growth and development as well as broadening the tax base.

VAT is a consumption tax introduced in January 1990 with an aim of increasing the revenue collection through expansion of the tax base. The Kenyan tax system has

undergone various reforms in a bid to enhance compliance levels of taxpayers. Some of these reforms include; the introduction of electronic tax registers to assist in recording of sales, the appointment of tax agents and audit firms to prepare accounts on behalf of taxpayers, and the introduction of online filing system (iTax) in 2014. There have also been subsequent changes to the tax laws (amendments) to introduce more taxable supplies. Tax non-compliance is a global phenomenon affecting both developed and developing nations like Kenya (Kenya Revenue Authority, 2017).

The rapid industrialization and modernization in Kenya has resulted in an increased demand for capital goods such as iron sheets, cement, wires, and other building accessories and even farming goods. The market for hardware goods, in particular, has been an attractive sector within Thika town, Kenya. Different categories of hardware shops in Thika Town include small, medium and large hardware shops.

## **1.2 Statement of the Problem**

Tax compliance is a major problem for many tax authorities because it limits the capacity of governments to raise revenue for developmental and recurrent expenditure purposes Togler, (2007). This implies that Value Added Tax is also a problem being a type of taxation. This means that the higher the revenue to the government, the more likely the government will provide more services to enhance the standard of living of the people.

Tax payer education is a tool designed to enable taxpayers to understand tax laws and procedures. It involves training of special units within the revenue departments; for providing education, counseling and support to the taxpayers, through different media which include newspapers, television, radio programs, websites, seminars and front desk help, these create more room to disseminate key information to the taxpayers (Fjeidstad & Rakner, 2003).

Oduola (2006) said that revenue realized from taxes is low because of the low level of literacy, poor relationship between taxpayers and income tax authorities, and the inadequate number, or complete absence, of trained and qualified accountants on the staff of the tax authorities.

Thika being an industrial hub and so many companies are coming up there is an increase on the need for building materials. There being no study that focused on taxpayer education on hardware dealers in Thika town, Kenya. KRA has continuously organized through various media education and awareness creation to taxpayers. There is need to

carry out a study to establish the effect of taxpayer education on V.A.T compliance of hardware dealers in Thika town, Kenya.

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

#### **1.3.1 General Objective**

The general objective was to establish the effect of taxpayer education on Value Added Tax compliance amongst hardware dealers in Thika town, Kenya

#### **1.3.2 Specific Objectives**

The specific objectives were;

- i. To identify the effect of print media taxpayer education on Value Added Tax compliance amongst hardware dealers in Thika town, Kenya
- ii. To determine the effect of electronic taxpayer education on Value Added Tax compliance amongst hardware dealers in Thika town, Kenya
- iii. To identify effect of stakeholder sensitization on Value Added Tax compliance amongst hardware dealers in Thika town, Kenya

### **1.4 Research Questions**

The study sought to answer the following questions:

- i. What is the effect of print media education on Value Added Tax compliance amongst hardware dealers in Thika town, Kenya?
- ii. What is the effect of electronic taxpayer education on Value Added Tax compliance amongst hardware dealers in Thika town, Kenya?
- iii. What is the effect of stakeholder sensitization on Value Added Tax compliance amongst hardware dealers in Thika town, Kenya?

### **1.5 Justification of the Study**

This study will be used by a number of stakeholders who include the management of Kenya Revenue Authority, government of Kenya and policymakers as well as other researchers and academicians. The management of Kenya revenue authority may find this study useful as it may help in decision making regarding the relevance of taxpayer education in businesses like hardware dealers. The findings assist Kenya revenue

authority to find barriers to compliance and establish proper and adequate mechanisms to be adopted to ensure success in the program.

The financing of projects, payment of public debt and running of the government in Kenya depends on the funds collected as revenue and Kenya Revenue Authority is responsible for collection of all revenues that are due to government. Therefore, to the policy makers this study provides information on the effect of taxpayer education on VAT tax compliance that is used to develop policies to enhance the use of taxpayer education as a way of improving Value Added Tax compliance.

The study adds more information to the body of knowledge on taxpayer education on VAT compliance. To the other students, researchers, scholars and academicians may find this study a useful as a source of research material and in the identification of research gaps. It also forms a basis of further research from interested individuals on the subject of taxpayer education and tax compliance.

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

The study focused on three components of taxpayer education: print media taxpayer education, electronic taxpayer education and stakeholder sensitization. The study was conducted in Thika town, Kenya. Thika is a tax town under KRA office Thika. The study was conducted in Thika for hardware dealer businesses. The target population was 44 respondents from the business directory website. The study specifically dealt on effects of tax payer education on value added tax compliance for hardware dealers. The study was conducted between 15<sup>th</sup> September and 30<sup>th</sup> September 2019.

### **1.7 Limitations of the study**

Thika is a more cosmopolitan and therefore the number of respondents may not be truthful or may not behave naturally when they know they are being observed. To mitigate this, the researcher assured the respondents that the information that was collected was only used for academic purposes only. Since the method used to collect data was questionnaires, people may read differently into each question and therefore reply based on their own interpretation of the question. Thus, what is 'good' to someone may be 'poor' to someone else. To mitigate this, a pilot test was conducted to assess the validity and reliability of the instrument. Further, the collection of data through questionnaires depended on the respondents' willingness to answer the questions.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter reviewed literature that was relevant to the study on effect of taxpayer education on VAT compliance. It discussed the theories related to the study, conceptual framework, the empirical studies related to the study, critique of existing literature, summary of the literature and research gaps. The chapter also discussed the conceptual framework of the study.

#### **2.2 Theoretical Review**

The theories of tax compliance assume that psychological factors including morals and ethical concerns are also important to the taxpayers. There are several theories which have been expounded to explain tax compliance. The two theories explained in this study were the theory of planned behavior and economic deterrent theory.

##### **2.2.1 Theory of Planned Behavior**

This is a psychological theory that links beliefs and behavior, tries to explain human behavior. The concept was proposed by Ajzen (1985) to improve on the predictive power of the theory of reasoned action by including perceived behavioural control. According to this theory, the behaviour of individuals within the society is under the influence of definite factors which originate from certain reasons and emerge in a planned way. The ability to perform a particular behaviour depends on the fact that the individual has a purpose towards that behaviour (behavioural intention) (Ajzen, 1991). Behavioural intention in turn depends on three factors that is Attitude towards the behaviour, subjective norms and perceived behavioural control. These three factors are also under the influence of behavioural beliefs, normative beliefs and control beliefs. It can be noticed that when given a sufficient degree of actual control over their behaviour, people are expected to carry out their intentions when the opportunity arises (Jiang *et al.*, 2017).

The focus of this theory therefore is on the taxpayer's morals and ethics. The theory suggests that a taxpayer may comply even when the probability of detection is low (Rogers *et al.*, 2017). As opposed to the economic theories that emphasize on increased audits and penalties as solutions to compliance issues, psychological theories lay

emphasis on changing individual attitudes towards tax systems. Education is one of the most important tools of changing the beliefs of a community and individuals. Taxpayer education involves information people on why they should pay their taxes and the importance of tax revenue to the national development. Therefore, taxpayer education through electronic taxpayer education, print media and stakeholder sensitization influence the beliefs of individuals, which in turn influences their behavior to comply in paying value added tax.

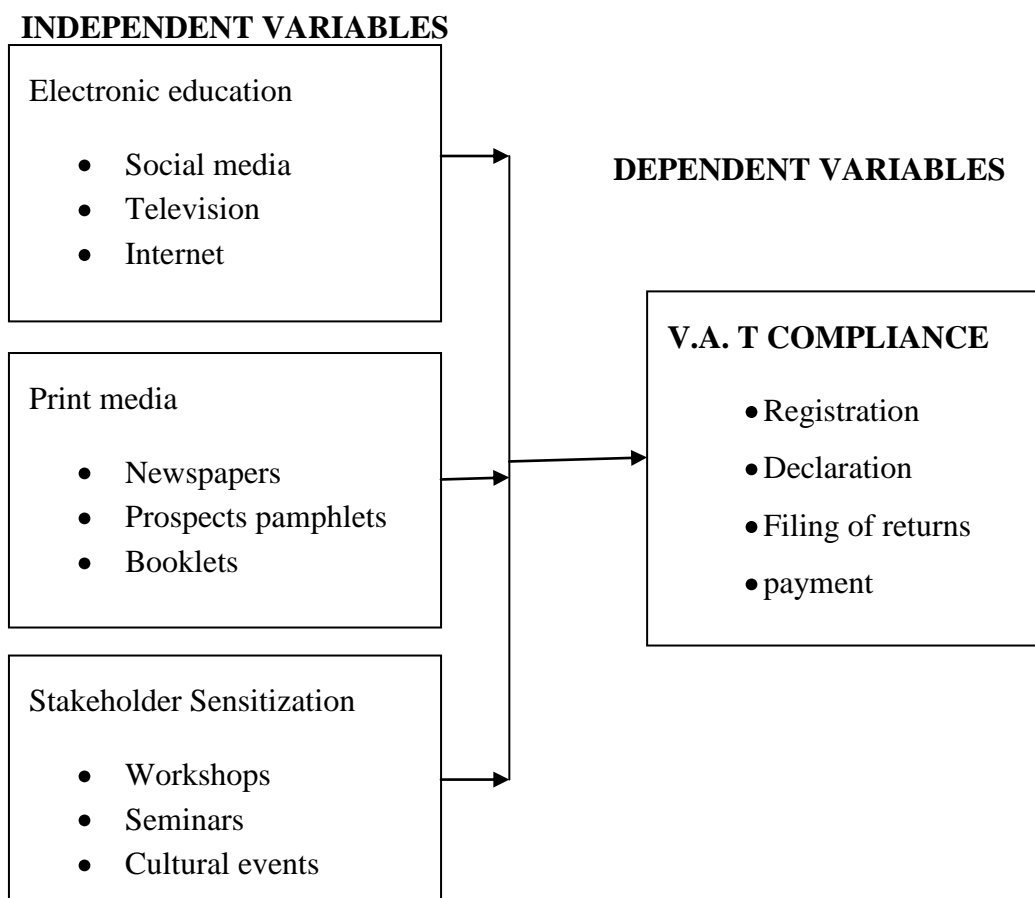
### **2.2.2 Economic Deterrence Theory**

Economic Deterrence theory is a theory under criminology and was developed by Becker (1968). This theory is based on the concept that, if the consequence of committing a crime outweighs the benefit of the crime itself, the individual would be deterred from committing the crime (Cameron, 2011). This is founded in the idea that all individuals are aware of the difference between rights and wrong and the consequences associated with wrong or criminal behaviours (Cameron, 2011). Proponents of deterrence theory believe that people choose to obey or violate the law after calculating the gains and consequences of their actions. Economic Deterrence model, one of the economic based models was developed by Allingham and Sandom (1991) who extended the expected utility model of criminal activity originated by Becker (1968) to the tax arena. This model incorporates the concept of an economically rational taxpayer who would evade taxation as long as the pay-off from evading is greater than the expected cost of being caught.

In this study, Economic Deterrence theory is used to explain the purpose of taxpayer education in making individuals and the community aware of the consequences of value added tax evasion (Curry & Doyle, 2016). In Kenya, all registered taxpayers are required by Law to adhere to various tax obligations, but as a measure to enforce and enhance compliance, VAT policies spell out certain offences and respective penalties. However, most of the Kenyan citizens are not aware of penalties and fines that accrue failure to comply with payment of value added duty tax. Therefore, by offering tax payer education, Kenya Revenue Authority ensures that the citizens are aware of penalties and fines related to VAT tax evasion.

### 2.3 Conceptual Framework

A conceptual framework is a collection of ideas and concepts and the presumed relationships among them. According to Creswell (2014), a conceptual framework refers to a diagrammatical representation of interlinked concepts, ideas and principles that together provide a comprehensive understanding of a phenomenon or phenomena. The independent variable has been conceptualized using parameters namely as print media, electronic education, stakeholder sensitization, and the dependent variable has been conceptualized using parameters namely registration, declaration, filing of returns and payment. This has been summarized using the diagram Figure 2.1 below.



**Figure 2. 1: Conceptual Framework**

#### 2.3.1 Electronic taxpayer education and VAT compliance

Electronic taxpayer education will be measured in terms of access to Internet, ease of use and access to iTax, flexibility of the electronic system and access to online educative materials. Lai Ming; Ling Nuruld and Hidayah Aham and Nawawi, (2010), sought to

examine the ICT skills needed by a fresh accounting graduate when first joining a tax firm; to find out usage of electronic tax (e-tax) applications in tax practice; to assess the rating of senior tax practitioners on fresh graduates' ICT and e-tax applications skills; and to solicit tax practitioners' opinion regarding integrating ICT skills and tax software into a tax course. The study adopted survey research design that was conducted online by use of questionnaires. The study found out that knowledge of ICT and electronic tax systems among students had positive impact on compliance. Such electronic media `broadcast or storage media that take advantage of electronic technology may include television, radio, internet, fax, CD-ROMs, DVD and any other media that requires electricity or digital encoding of information. Electronic media is often used in contrast with print media'.

### **2.3.2 Print media education and V.A.T compliance**

Print taxpayer education was measured in terms of type of publication (newspaper, banner, leaflet or books), access to the publications, and quantity of educative information in the publication, usability of the published information and complexity of the printed educative material (Muturi & Kiarie, 2015).

Angus Young, et.al, (2016) paper sought to review research about Kenya's individual tax compliance. While empirical research in this jurisdiction is still in its infancy, the scale of the problem might be under estimated, or at least over looked. The effectiveness of media campaigns in the TV, use of tax information magazines, business customers/prospects and national newspapers will enhance awareness, tax filing, and ultimately tax morale among the tax payers. Clear scope of work- Periods and records to be covered have been clearly defined under tax laws which are advertised under print media channels, Returning of confiscated tax payers records; 18 the law requires KRA to return such records within 6 months. Reports are now standardized containing relevant and key information. Reports shall now be digitally and centrally filed with all concerned departments having access. This will help in compliance follow-ups and avoiding repeat of audits. (<http://www.kenyaflowercouncil.org>)

### **2.3.3 Stakeholder sensitization and VAT compliance**

Most countries around the world have been carrying out sensitization programmes in an effort to increase tax compliance. For instance, India Revenue Authority has a department that conducts workshops and seminars throughout the year for various segments of the public. Several seminars are offered to Indiana tax professionals on subjects such as

Federal/State e-File and for Purdue and Indiana universities' annual tax schools (Indian Department of Revenue, 2017). Kenya Revenue Authority (KRA) holds workshops to sensitize tax payers on tax compliance. This is usually conducted under stakeholder engagement strategy with objectives of; enhancing the taxpayers understanding needs and concerns by collating and analyzing views and opinions from such engagements to inform the Authority's continued transformation and risk mitigation efforts across all levels of the Authority, enhance taxpayers' understanding of the Authority's administrative process by educating the taxpayers about their obligations and how to fulfill them and communicating clearly the outcomes or benefits of interventions and innovations by KRA that reduce transaction cost and time (Nduati & Njerub, 2015).

The following activities are also conducted i) Stakeholder Mapping including the ranking of all possible stakeholders in order of their influence on tax compliance, ii) Identifying, organizing and facilitating appropriate structured meetings in the form of forums conferences, peer reviews and workshops, iii) Drawing Memoranda of Understanding between KRA and identified stakeholders to formalize partnership agreements and collaboration efforts and lastly responding to queries and requests for information from all stakeholders and partners. (<http://www.kra.go.ke/portal>) Hardwares are the stakeholders in tax matters and can affect or be affected by tax organization's actions, objectives and policies, as such taxpayer education through seminars workshops and cultural events and other stakeholder methods help them to be more tax compliant.

#### **2.3.4 VAT compliance**

Compliance refers to fulfilling all tax obligations as required by the tax registration, declaration, filing and payment. Lack of taxpayer education may lead to non compliance. Persons fail to comply with tax laws either willingly or unwillingly. They include tax resisters and tax protesters. Tax protesters attempt to evade the payment of taxes using alternative interpretations of the tax law, while tax resisters refuse to pay a tax for conscientious reasons. SMEs are characterized by size, uncertainty, innovation and evolution. Proper understanding of SMEs would require a good understanding of its operations (Webley, 2004)

VAT tax non-compliance is a failure of taxpayer to accommodate tax responsibilities whether they performed unintentionally or intentionally. Tax non-compliance treated as a contrary conduct or attitude of tax compliance. Tax non-compliance examples are tax

evasion and tax avoidance which carry negative impacts on tax compliance and tax collections. Tax evasion as a conduct caused to reduce the taxes owed in reality. Whereas, tax avoidance is described as taxpayers declaring their tax affairs creatively according to the rules and regulations to lower the tax liabilities and this action is legal in tax administrator's point of view (Gitaru, 2017).

Tax education measured in terms of the use of electronic taxpayer education, print media form of taxpayer education, and stakeholder sensitization programme. Electronic taxpayer education will be measured in terms of access to Internet, ease of use and access to iTax, flexibility of the electronic system and access to online educative materials. Print taxpayer education was measured in terms of type of publication (newspaper, banner, leaflet or books), access to the publications, and quantity of educative information in the publication, usability of the published information and complexity of the printed educative material (Muturi & Kiarie, 2015).

Kenya Revenue Authority (KRA) holds workshops to sensitize tax payers on tax compliance. This is usually conducted under stakeholder engagement strategy with objectives of; enhancing the taxpayers understanding needs and concerns by collating and analyzing views and opinions from such engagements to inform the Authority's continued transformation and risk mitigation efforts across all levels of the Authority, enhance taxpayers' understanding of the Authority's administrative process by educating the taxpayers about their obligations and how to fulfill them and communicating clearly the outcomes or benefits of interventions and innovations by KRA that reduce transaction cost and time (Nduati & Njerub, 2015).

## **2.4 Empirical review**

This section presents a review of literature on the effect of taxpayer education on Value Added Tax compliance. The section covers the effect of print media, electronic education and stakeholder sensitization on VAT compliance.

### **2.4.1 Effect of Print Media Taxpayer Education on VAT Compliance**

Msira (2014) conducted a study on the impact of print media taxpayer education on tax compliance by small scale hardware dealers in South Africa. The study targeted all small taxpayers in the four tax stations/districts in South Africa. Descriptive survey design was adopted in the study. The study finding indicated that print media tax payer education

influence VAT compliance in South Africa. The findings also indicated that investing in tax information magazines, business customers/prospects and national newspapers will enhance awareness, tax filing, and ultimately tax morale among the tax payers but government must make effort since this is one of the factors that increase compliance among small taxpayers.

Gitaru (2017) carried out a research on the effect of print media taxpayer education on tax compliance by hardware dealers in Nairobi central business District, Kenya. The target population was SMEs in Nairobi CBD Tax area. The study employed a descriptive research design. The study results showed that indeed; print media tax payer education influences tax compliance among SMEs in Nairobi's CBD area. In conclusion the study indicated that taxpayer education is necessary to increase public awareness especially in areas concerning taxation laws, the role of tax in national development, and especially to explain how and where the money collected is spent by the government.

Muturi and Kiarie (2015) researched on effects of print media taxpayer education on tax compliance among small taxpayers in Meru County, Kenya. The study adopted a descriptive research design. The population of the study consisted of Small Taxpayers in Meru county Tax District in Kenya which currently is approximated to be 300,000 taxpayers. In general, the study indicated that print media taxpayer education has a significant effect on the tax compliance trends among small tax payers in Meru County. Accordingly, there are other underlying factors not investigated under this study that contribute to the tax compliance among small tax payers in Meru County.

Nduati and Njerub (2015) conducted a study on the influence of print media taxpayer education on tax compliance by small and medium businesses in Embu County, Kenya. The study employed a quantitative cross-sectional study design. The target population comprised of 615 SMEs in Embu County. The study sampled 185 enterprises in Embu County using stratified random technique. The study found that most SMEs operators do not have print media taxpayer education hence they do not have good tax knowledge and education. The study found that continuous print media taxpayer education can provide good and reasonable tax knowledge and that lack of a combination of tax skills hinders SMEs from complying with various taxes and that taxation knowledge enhances SMEs ability to understand tax laws

Pere (2019) investigated on the impact of print media taxpayer education on tax compliance in Kenya by small taxpayers in Nairobi City County. The study targeted all small taxpayers in the four tax stations/districts in Nairobi, who were approximately 839,560 taxpayers (employees and small-scale traders). The research findings indicated that print media tax payer education influence tax compliance by small tax payers in Nairobi County. The research indicated that the effectiveness of media campaigns in the TV, use of tax information magazines, business customers/prospects and national newspapers will enhance awareness, tax filing, and ultimately tax morale among the tax payers.

#### **2.4.2 Effect of Electronic Taxpayer Education on VAT Compliance**

Lee (2018) investigated on the influence of electronic taxpayer education on tax compliance in Korea. The study adopted cross-sectional survey design. Target population comprised of SMEs operation in the republic of Korea. Finding revealed that electronic taxpayer education influenced tax compliance significantly. As indicated by the research electronic taxpayer education improved taxpayer service by facilitating the convenience of tax filing or automating the issuance of invoices. The review of Korea's experiences gives credence to the contention that well-planned and well-executed compulsory electronic tax taxpayer education can materially enhance tax compliance through significant institutional and perceptual changes in tax administration.

Ndirangu (2014) conducted a study on the effect of electronic tax payer education on value added tax compliance by motor vehicle part dealers in Nairobi central business district. The study employed a descriptive research design. The study targeted all the motor vehicle spare parts dealers in the Nairobi CBD as the population of the study. The study established that tax compliance cost result to non-compliance of tax by motor vehicle dealers. Costs increase with the number of taxes that an entrepreneur is subject to, the complexity of the tax rules, the frequency of submitting tax returns, and the number of levels of government involved in levying and collecting tax. The study concludes that electronic tax education has a significant effect on tax compliance.

Gitaru (2017) carried out a research on the effect of electronic taxpayer education on tax compliance by hardware dealers in Nairobi central business District, Kenya. The target population was SMEs in Nairobi CBD Tax area. The study employed a descriptive research design. The study findings revealed that electronic taxpayer education influences

tax compliance among SMEs in Nairobi's CBD area. The study findings affirmed that taxpayers will readily accept any new system introduced, if they have ample knowledge to understand the system. Thus, education programs organized by the tax authority or other public education institutions are needed to enhance taxpayers' ability to understand Self-assessment system and to increase their confidence in fulfilling their responsibilities as taxpayers.

Oyugi (2018) conducted a study on effectiveness of electronic taxpayer education as a revenue collection strategy in KRA. The researcher used a descriptive research design. The study was conducted in Nairobi region. The findings established that electronic taxpayer education had enhanced revenue collection by KRA. Further the research revealed that electronic taxpayer education had enhanced the following aspects in regard to revenue collection: the public level of understanding on various taxes at KRA; tax 30 compliance among non- cooperate taxpayers; reduction of tax evasion; and ease of filing tax returns by taxpayers.

Machogu and Amayi (2013) conducted a research on the effect of electronic taxpayer education on voluntary tax compliance, among SMEs in Mwanza city- Tanzania. A cross-sectional descriptive research design was used. Target population for the research comprised of 123 SMEs in Mwanza city. The research findings indicated that taxpayer education influences VAT compliance. The provision of tax education has affected the way the taxpayer makes tax compliance decision. Through taxpayer education, the taxpayer is aware of the rights, obligations and the procedures of paying taxes, as well as the consequences of noncompliance. The taxpayer can make rational decisions of complying with the tax laws, as he/she is certain of the outcome.

Newman *et al* (2018) conducted a research on the impact of electronic tax knowledge on tax compliance among small medium enterprises in a developing country. The research targeted on SMEs. Descriptive survey design was adopted during the research. The study established that SMEs in this particular developing country do not comply with tax law. They possess only basic tax knowledge and lack a deeper understanding of tax issues. It also emerged that enhancing tax knowledge on its own without addressing the high tax rates and corruption will not positively impact on tax compliance behavior among SMEs

### **2.4.3 Effect of Stakeholder Sensitization on VAT Compliance**

Different countries around the world have been carrying out sensitization programmes in an effort to increase tax compliance. For instance, India Revenue Authority has a department that conducts workshops and seminars throughout the year for various segments of the public. Several seminars are offered to Indiana tax professionals on subjects such as Federal/State e-File and for Purdue and Indiana universities' annual tax schools (Indian Department of Revenue, 2017). The Department also provides information and tax-training handbooks to Volunteer Income Tax Assistance (VITA) volunteers. The materials and instructional seminars cover changes in tax legislation and policies. In addition, workshops are conducted specifically for new and small businesses on topics such as sales and use tax, and about how to get started on the right track with the Indiana Department of Revenue, among other important topics.

In the United States, the Texas Comptroller's office offers sales and use tax seminars across the state throughout the year. New taxpayers are especially encouraged to attend these overviews of tax responsibilities for buyers, sellers, and service providers (Comptroller Texas, 2017).

Kenya Revenue Authority (KRA) holds workshops to sensitize tax payers on tax compliance. This is usually conducted under stakeholder engagement strategy with objectives of; enhancing the taxpayers understanding needs and concerns by collating and analyzing views and opinions from such engagements to inform the Authority's continued transformation and risk mitigation efforts across all levels of the Authority, enhance taxpayers' understanding of the Authority's administrative process by educating the taxpayers about their obligations and how to fulfill them and communicating clearly the outcomes or benefits of interventions and innovations by KRA that reduce transaction cost and time. Several activities are also conducted. First, stakeholder mapping include the ranking of all possible stakeholders in order of their influence on tax compliance. Secondly, identifying, organizing and facilitating appropriate structured meetings in the form of forums conferences, peer reviews and workshops. Thirdly, drawing Memoranda of Understanding between KRA and the identified stakeholders to formalize partnership agreements and collaboration efforts and lastly responding to queries and requests for information from all stakeholders and partners (Kenya Revenue Authority, 2017).

Gitaru (2017) carried out a research on the effect of stakeholder's sensitization on tax compliance by hardware dealers in Nairobi central business District, Kenya. The target population was SMEs in Nairobi CBD Tax area. The study employed a descriptive research design. Correlation Matrix was done to determine the correlation between the independent variables. The results showed that stakeholder's sensitization is positively related to the taxpayers' education to correctly calculate the tax compliance.

## **2.5 Critique of Existing Literature**

Various studies have been conducted on the taxpayer education and tax compliance globally and locally. In Nigeria, Olowookere and Fasina (2013) carried out a study on the taxpayers' education a key strategy in achieving voluntary compliance in Lagos State and found that tax education programme focused on enlightening taxpayers' on socio-economic implications of tax evasion opportunities and the transparent and accountable use of tax proceeds, which have significant influence on taxpayers' voluntary compliance in Lagos State. Having been limited to Nigeria, the findings of this study cannot be generalized to Kenya.

In South Africa, Misra (2014) conducted a study on the impact of taxpayer education on tax compliance and found that Taxpayer education provides comprehensive tax education and information that promotes partnership and voluntary compliance with the objective of maximizing revenue collection for national growth and development. Having been limited to South Africa, the findings of this study cannot be generalized to Kenya as different countries have different regulatory frameworks governing taxation.

In Tanzania, Machogu and Amayi (2016) conducted a study on the effect of taxpayer education on voluntary tax compliance among SMEs in Mwanza City- Tanzania. The study found that that taxpayer education had led to an improvement in the taxpayer rights and obligations, which in turn led to tax compliance. However, having been conducted in Tanzania, the findings of this study cannot be generalized to Kenya.

In Kenya, Ejakait (2011) conducted a study on taxpayer education and tax compliance through analyzing Pay as You Earn (PAYE) from the Manufacturing Sector in Kenya and found that there was no statistically significant difference between educated and non-educated taxpayers in terms of their PAYE remittance and filling patterns. This study was

limited to one form of tax (PAYE) and hence the study did not show how tax payer education influences VAT compliance.

Gitaru (2017) conducted a study on the effect of taxpayer education on tax compliance among SME's in Nairobi Central Business District and found that stakeholder's sensitization, Print media education and electronic tax payer education are positively related to the taxpayers' education to correctly calculate the tax compliance. Small and medium enterprises do not pay value added duty and hence this study did not show whether or not taxpayer education influences VAT compliance.

Oyugi (2008) conducted a study on the effectiveness of taxpayer education as a revenue collection strategy in KRA and found that taxpayer education had enhanced revenue collection, the public level of understanding on various taxes, tax compliance among non-co-operative taxpayers, reduction of tax evasion and ease of filing tax returns by taxpayers. However, the study was limited to small and medium enterprises in Nairobi region and hence did not show the role of taxpayer education in VAT compliance.

## **2.6 Summary of Literature Review**

The study is anchored on the theory of planned behavior and economic deterrent theory.

The theory of planned behavior suggests that a taxpayer may comply even when the probability of detection is low. However, education is one of the most important tools of changing the beliefs of a community and individuals. Therefore, taxpayer education through electronic taxpayer education, print media and stakeholder sensitization influence the beliefs of individuals, which in turn influences their behavior to comply in paying value added tax. Economic Deterrence theory indicates that people choose to obey or violate the law after calculating the gains and consequences of their actions. In this study, Economic Deterrence theory is used to explain the purpose of taxpayer education in making individuals and the community aware of the consequences of value added tax evasion.

The empirical literature has clearly established tax compliance has direct effect on the domestic revenue collection of a country, implying that an increase in the number of tax compliant persons in a country leads to increased revenue collection. This can help the country to realize its goals and objectives as set out in the budget and that's why the growing concern of tax administrations throughout the world is on how to simplify and

encourage voluntary tax compliance. However, the literature fails to establish the effect of taxpayers' education on V.A.T compliance. From all the studies reviewed above, it's clear that past research has tried to study the area but on different timings, methodology and samples used differ from the current study. The current study therefore will be to establish the effect of taxpayer education among hardware dealers on V.A.T compliance in Thika Kenya.

## **2.7 Research Gap**

Although various studies have been conducted on taxpayer education and tax compliance globally and in Kenya, these studies have been limited to specific regions, industries and sectors, thus hindering the generalization of the findings. Globally, Olowookere and Fasina (2013) carried out a study on the taxpayers' education a key strategy in achieving voluntary compliance in Lagos State, Nigeria; Misra (2014) conducted a study on the impact of taxpayer education on tax compliance in South Africa; and Machogu and Amayi (2016) conducted a study on the effect of taxpayer education on voluntary tax compliance among SMEs in Mwanza City- Tanzania. Different countries around the world have different regulatory frameworks governing taxation and different types of taxes and hence the findings from one country cannot be generalized to another

In Kenya, research studies conducted on taxpayer education and tax compliance have shown mixed findings. For instance, Ejakait (2011) found that taxpayer education has no significant effect on tax compliance while Oyugi (2008) and Gitaru (2017) found that taxpayer education has a significant effect on tax compliance. In addition, these studies have been limited to tax obligations such as PAYE and Value added tax and hence fail to show the effect of taxpayer education on VAT tax compliance. In addition, in all these studies there has been no specific study on hardware in Thika that looks at taxpayer education and V.A.T compliance.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter provided methodology and research techniques used in line with the research questions of the study. It comprised of the research design, target population, data collection instruments, pilot testing and data analysis and presentation.

#### **3.2 Research Design**

A research design is the plan and structure of investigation so conceived as to obtain answers to study objectives (Cooper & Schindler, 2006). Research design refers to the way the study is designed, that is, the method used to carry out a research. This study utilized a descriptive research design. According to Creswell (2014), a descriptive study is one in which information is collected without changing the environment (nothing is manipulated) or the variables in any way. Descriptive studies are usually the best methods for collecting information that demonstrates relationships and describes the world as it exists. Descriptive research design was selected in this study as it allowed the incorporation of both quantitative and qualitative approaches in a study. The main focus of this study was quantitative. However, some qualitative approaches were used in order to gain a better understanding and possibly enable more insightful interpretation of the results from the quantitative approach. In addition, descriptive research design was used because it enables the researcher to generalize the findings to a larger population.

#### **3.3 Target Population**

A target population is defined as a set of entities which contain observable attributes which is used for generalization the study finding (Russell, 2013). Stokes and Wall (2017) regarded population as a group people, items, objects, articles or cases which have common characteristics. The target population of this study was hardware dealers in Thika town, Kenya. According to Kenya Revenue Authority (2017), there are 44 hardware dealers in Thika Town, Kenya.

#### **3.4 Sample and Sampling Techniques**

Since the sample size was small, the study employed a census study and hence the whole population was involved. A census tries to list all the population elements and tries to

quantify a trait or more than one trait in the population (Bryman & Cramer, 2012). This is a quantitative research method, where all the population elements are counted. It is also referred to as a complete count of the population since each and every population element is made part of the data collection. The benefits of this method are that it provides accurate and reliable data with very minimal errors.

### **3.5 Data Collection Instruments**

This study used primary data. Primary data, according to Creswell (2014), is the data collected fresh for the first time. Semi-structured questionnaires were used in this study to collect the primary data. The structured questions were used in an effort to conserve time and money as well as to facilitate an easier analysis as they were in immediate usable form. On the other hand, the unstructured questions were used as they encourage the respondent to give an in-depth and felt response without feeling held back in revealing of any information (Creswell, 2014).

The questionnaire comprised of five sections. The first section contained questions on demographic information. The second, third and fourth sections contained questions on the three independent variables while the fifth section comprised of questions on the dependent variable.

### **3.6 Piloting**

Piloting of the research was done in Makongeni, in Thika Sub-County to make sure that research instruments were valid and reliable. The research instruments were tested and administered under similar conditions. The process and the outcome of this piloting assisted the researcher in removing any ambiguity from the instruments and checking on the unforeseen problems that respondents were to encounter and improve on the instruments.

#### **3.6.1 Validity**

According to Creswell (2014) validity is the degree to which results acquired from process of analysis of the data actually embodies the phenomenon under study. There are two types of validity: content validity and face validity. Face validity refers to probability that a question is misinterpreted or misunderstood. According to Bryman and Cramer (2012), pre-testing is a proper way to increase the possibility of face validity. On the other hand, content validity, also referred to as logical validity, refers to the degree to which a

measure depicts all facets of a given social construct. In this study, the content validity was improved by seeking the opinions of experts in the field of study, particularly the supervisors. Also, the face validity of the research instrument was improved by carrying out a pilot test and changing any unclear and ambiguous question. In addition, to ensure validity of the research instruments, the researcher ensured that the questionnaires were prepared and submitted to the respondents and audited for validity and reference of the content used in questionnaires from the objectives of the study.

### 3.6.2 Reliability

Cronbach's Alpha was used to test the reliability of the responses from the respondents. Cronbach's alpha is the most frequently used method for measuring internal consistency. Reliability in this method increases with the value of Cronbach's alpha where the alpha values used are between 0 and 1. When the coefficient is between 0.6- 0.7, then this is an acceptable reliability value while if the value is 0.8 or higher this is considered good reliability (Creswell, 2014). In this study a Cronbach's alpha of 0.7 was considered acceptable.

**Table 3. 1: Cronbach Reliability Alpha**

<b>Construct</b>	<b>Cronbach's Alpha</b>
Electronic taxpayer education	.811
Print media education	.761
Stakeholder sensitization	.715
VAT tax compliance	.814

A higher value shows a more reliable generated scale. Cooper and Schindler (2008) have indicated 0.7 to be an acceptable reliability coefficient. Table 3.1 shows that VAT Compliance had the highest reliability ( $\alpha=0.814$ ) followed by electronic education ( $\alpha=0.811$ ), print media ( $\alpha=0.761$ ), and stakeholder sensitization ( $\alpha = 0.715$ ). This illustrates that all the four scales were reliable as their reliability values exceeded the prescribed threshold of 0.7 (Mugenda and Mugenda, 2008).

### 3.7 Data collection procedure

Primary data was collected using questionnaires. The questionnaire was divided into five sections. In Section A, the respondent will provide general information. Section B, C and

D will capture information on the specific objectives of study and Section E captured the improvements that the respondents liked to be addressed. The questionnaire consists of structured questions and Likert rating scales. The questionnaire was administered to the owners of hardware by the researcher through drop and pick later method. Drop and pick later method was used where the respondents were away or were not able to fill the questionnaire immediately due to time constraints. Follow-ups were made on daily basis to monitor the progress of the respondents in filling up the questionnaires.

### **3.8 Data Analysis and Presentation**

Data analysis process entails the process of packaging the collected data putting in order and structuring its major elements in a way that the results can be easily and efficiently communicated (Greener, 2008). The research instrument generated both quantitative and qualitative data. Qualitative data from the open ended questions were coded thematically and was analyzed by use of content analysis. The results were then presented in a prose form. Quantitative data from the closed ended questions were analyzed by use of both descriptive and inferential statistics with the help of statistical software known as the statistical package for social sciences (SPSS version 22). Descriptive statistics included frequency distribution, percentages, measures of central tendencies (mean) and measures of dispersion (standard deviation). The data was then presented in tables and graphs. Further, a correlation analysis and multiple regression analysis were used to establish the relationship between the dependent and the independent variables. The study used a 95% confidence level. A 95% confidence interval indicated a significance level of 0.05. This implied that for an independent variable to have a significant consequence on the dependent variable, the p-value ought to be below the significance level (0.05).

Since there were three independent variables in this study the multiple regression model was as follows:

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

Whereby;

Y = VAT compliance

$\beta_0$  = Constant

$\beta_1$ -  $\beta_3$  =Coefficients of determination

$X_1$  = Electronic taxpayer education

$X_2$  = Print media

$X_3$  = Stakeholder sensitization

$\varepsilon$  = Error term

**Table 3. 2: Operationalization of Variables**

<b>Variable</b>	<b>Indicators</b>	<b>Scale</b>	<b>Data collection methods</b>	<b>Tool of Analysis</b>
Electronic Taxpayer education	<ul style="list-style-type: none"><li>• Social media platforms</li><li>• Television</li><li>• Internet</li></ul>	<ul style="list-style-type: none"><li>• Ordinal</li></ul>	Questionnaire	<ul style="list-style-type: none"><li>• Mean and Standard Deviation</li><li>• Regression Analysis</li><li>• Correlation analysis</li></ul>
Print media education	<ul style="list-style-type: none"><li>• Newspapers</li><li>• Prospects Pamphlets</li><li>• Booklets</li></ul>	<ul style="list-style-type: none"><li>• Ordinal</li></ul>	Questionnaire	<ul style="list-style-type: none"><li>• Mean and Standard Deviation</li><li>• Regression Analysis</li><li>• Correlation analysis</li></ul>
Stakeholder sensitization	<ul style="list-style-type: none"><li>• Seminars</li><li>• Workshops</li><li>• Cultural events</li></ul>	<ul style="list-style-type: none"><li>• Ordinal</li></ul>	Questionnaire	<ul style="list-style-type: none"><li>• Mean and Standard Deviation</li><li>• Regression Analysis</li><li>• Correlation analysis</li></ul>
VAT tax compliance	<ul style="list-style-type: none"><li>• Registration</li><li>• Declaration</li><li>• Filing of returns</li><li>• Payment</li></ul>	<ul style="list-style-type: none"><li>• Ordinal</li></ul>	Questionnaire	<ul style="list-style-type: none"><li>• Mean and Standard Deviation</li><li>• Regression Analysis</li><li>• Correlation analysis</li></ul>

## **CHAPTER FOUR**

### **RESEARCH FINDINGS AND DISCUSSION**

#### **4.1 Introduction**

This section entails presentation of the study findings and interpretation of the results. The process of data analysis was in accordance to the objectives of this study. The findings are organized and presented in line with the research questions. The general objective was to establish the effect of taxpayer education on Value Added Tax compliance amongst hardware dealers in Thika town, Kenya. The study also sought to examine the effect of print media taxpayer education, electronic taxpayer education and stakeholder sensitization on Value Added Tax compliance amongst hardware dealers in Thika town, Kenya.

#### **4.2 Response Rate**

Questionnaires were issued which were 44 in total. Out of the total number of questionnaires issued out, 38 questionnaires were filled out by respondents and received by the researcher. The responses represented 86.36% response rate. According to Mugenda and Mugenda, (2003) a 50% response rate is adequate, 60% good and above 70% is rated very good. This also concurs with Kothari (2012) assertion that a response rate of 50% is adequate, while a response rate greater than 70% is very good. This implies that based on these assertions, the response rate for this study, 86.36% is adequate. This percent was adequate for the researcher to carry out an analysis and draw conclusions that were a good representation of the respondents.

#### **4.3 General Information of Respondents**

The general of information of this study included their gender, age bracket and highest level of education.

##### **4.3.1 Gender of Respondents**

As part of the general information, the respondents were asked to indicate their gender. As shown in Table 4.1, 57.89% of the respondents indicated that they were male while 42.11% indicated that they were female. This implies that majority of the hardware dealers in Thika town, Kenya are male.

**Table 4. 1: Gender of Respondents**

	<b>Frequency</b>	<b>Percent</b>
Male	22	57.89
Female	16	42.11
<b>Total</b>	<b>38</b>	<b>100.00</b>

**4.3.2 Age of Respondents**

The participants were requested to indicate their age bracket and the results were as shown in Table 4.2. From the findings, 34.21% of the participants indicated that they were aged between 35 and 44 years, 26.32% indicated that they were aged between 45 and 50 years, 15.79% indicated that they were aged between 25 and 34 years, the same percent indicated above 51 years and 7.89% indicated below 25 years. This shows that majority of the participants in this study were aged between 35 and 44 years. This is an indication that all the respondents were able to understand taxpayer education.

**Table 4. 2: Age of Respondents**

	<b>Frequency</b>	<b>Percent</b>
Below 25	3	7.89
25-34	6	15.79
35-44	13	34.21
45-50	10	26.32
Above 51	6	15.79
<b>Total</b>	<b>38</b>	<b>100.00</b>

**4.3.3 Respondents' Level of Education**

The respondents were requested to indicate their highest level of education. From Table 4.3, 36.84% indicated that they had bachelor`s degree level of education, 31.58% indicated that they had diploma level of education, 26.32% indicated that they had secondary certificate, 5.26% indicated that they had masters level of education but none had PhD level of education. This shows that most of the hardware dealers in Thika town had bachelor`s degree level of education. This is an indication that the respondents were educated thus able to understand taxpayer education.

**Table 4. 3: Respondents' Level of Education**

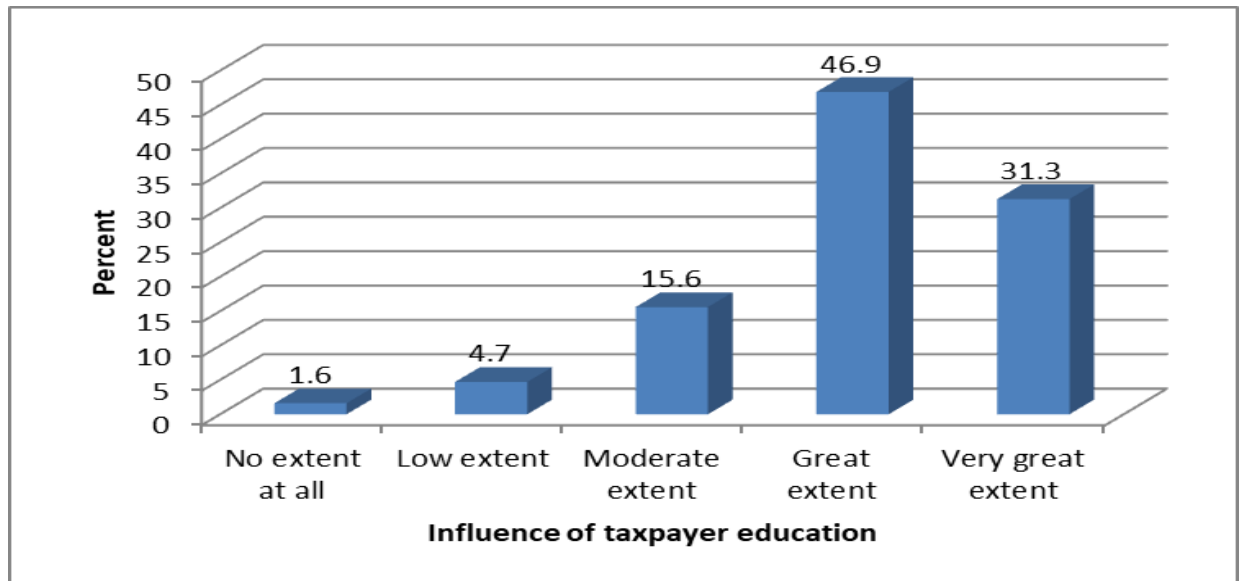
	<b>Frequency</b>	<b>Percent</b>
Secondary certificate	10	26.32
Diploma level	12	31.58
Bachelor`s degree level	14	36.84
Masters level	2	5.26
PhD	0	0.00
<b>Total</b>	<b>38</b>	<b>100.00</b>

#### **4.4 Electronic Taxpayer Education and Value Added Tax compliance**

The first objective of this study was to examine the effect of electronic taxpayer education on Value Added Tax compliance amongst hardware dealers in Thika town, Kenya.

##### **4.4.1 Extent of Taxpayer Education Influence on Value Added Tax compliance**

The respondents were requested to indicate the extent in which electronic taxpayer education influenced Value Added Tax compliance amongst hardware dealers in Thika town, Kenya. The results were as shown in Figure 4.1. According to the results, 46.9% of the respondents indicated that taxpayer education influenced Value Added Tax compliance to a great extent, 31.3% indicated to a very great extent, 15.6% indicated to a moderate extent, 4.7% indicated low extent while 1.6% indicated no extent at all. This implied that taxpayer education influenced Value Added Tax compliance amongst hardware dealers in Thika town to a great extent. The findings are in line with the findings of Gitaru (2017) that taxpayer education influences revenue collection.



**Figure 4. 1: Extent of Taxpayer Education Influence on VAT compliance**

#### 4.4.2 Types of Electronic Taxpayer Education

The respondents were also asked to indicate the various types of electronic taxpayer education they were aware of. The results were as presented in Table 4.2. According to the results, 46.9% of the staff indicated that they were aware of advertising and internet news as a type of electronic taxpayer education, the same percentage also indicated that they were aware of television, 40.6% indicated that they were aware of social media platforms while 20.3 % indicated that they were aware of radio as a type of electronic taxpayer education. This implied that most of the hardware dealers in Thika town were aware of advertising and internet news as a type of electronic taxpayer education. The findings are in line with the findings of Sas (2007) that a holistic view of taxpayers through use of electronic means such as advertising and internet news would facilitate compliance by use of dynamic comprehensive approaches.

**Table 4. 4: Types of Electronic Taxpayer Education**

	Frequency		Percent	
	Yes	No	Yes	No
Advertising and internet news	120	136	46.9	53.1
Social media platforms	104	152	40.6	59.4
Television	120	136	46.9	53.1
Radio	52	204	20.3	79.7

#### 4.4.3 Influence of Electronic Taxpayer Education on VAT compliance

The study participants were also requested to indicate the extent in which various forms of electronic taxpayer education influenced Value Added Tax compliance. The results were as presented in Table 4.5. With a mean of 4.218 and a standard deviation of 1.039, the staff indicated that advertising and internet news influenced Value Added Tax compliance to a great extent. They also indicated that television influenced Value Added Tax compliance to a great extent as shown by a mean of 4.171 and a standard deviation of 1.070. In addition, they indicated that social media platforms influenced Value Added Tax compliance to a great extent as shown by a mean of 4.000 and a standard deviation of 1.239. Furthermore, they indicated that radio influenced Value Added Tax compliance to a great extent as shown by a mean of 3.750 and a standard deviation of 1.120. The findings are in line with the findings of Ming, Nuruld and Aham (2010) that electronic taxpayer education influences revenue collection.

**Table 4. 5: Electronic Taxpayer Education and Value Added Tax compliance**

	1	2	3	4	5	Mean	Std. Deviation
Advertising and internet news	4.7	3.1	7.8	34.4	50.0	4.218	1.039
Social media platforms	6.3	7.8	15.6	20.3	50.0	4.000	1.239
Television	6.3	3.1	3.1	42.2	45.3	4.171	1.070
Radio	4.7	6.3	31.3	25.0	32.8	3.750	1.120

#### 4.5 Print Media Education and Value Added Tax compliance

The second objective of this study was to determine the effect of Print Media on Value Added Tax compliance amongst hardware dealers in Thika town, Kenya.

##### 4.5.1 Print Media Education Awareness

The respondents were asked to indicate various types of print media education programmes they were aware of. The results were as presented in table 4.4. According to the results, 90.6% of the staff indicated that there were aware of newspapers as print media education programmes, 17.2% indicated that they were aware of booklets as print media education programmes, 15.6% indicated that they were aware of prospects pamphlets while 14.1% indicated that they were aware of magazines as print media education programmes. This implied that most of the staffs were aware of newspapers as

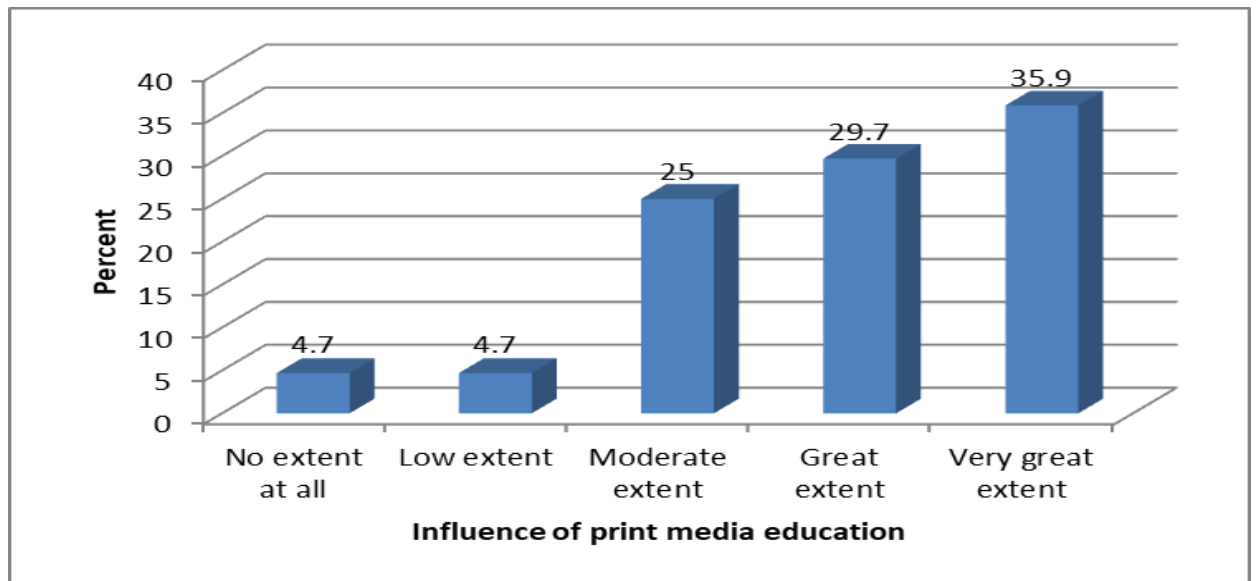
print media education programmes. The findings are in agreement with the findings of Ongwamuhana (2014) that print media such as newspapers are used in taxpayer education encompassed press releases.

**Table 4.1: Print Media Education Awareness**

	<b>Frequency</b>		<b>Percent</b>	
	<b>Yes</b>	<b>No</b>	<b>Yes</b>	<b>No</b>
Newspapers	232	24	90.6	9.4
Magazines	36	220	14.1	85.9
Prospects pamphlets	40	216	15.6	84.4
Booklets	44	212	17.2	82.8

#### **4.5.2 Extent of Print Media Education Influence on VAT compliance**

The study participants were requested to indicate the extent in which print media education influenced Value Added Tax compliance amongst hardware dealers in Thika town, Kenya. The results were as presented in Figure 4.2. According to the results, 35.9% of the staff indicated that print media education influenced Value Added Tax compliance to a very great extent, 29.7% indicated to a great extent, 25% indicated moderate extent, 4.7% indicated to a low extent and the same percentage indicated no extent at all. This implied that print media education influenced Value Added Tax compliance to a very great extent. The findings are in line with the findings of Gitaru (2017) print media used in tax payer education comprised of use of tax information magazines, business customers/prospects and national newspapers and it influenced tax compliance to a very great extent.



**Figure 4. 2: Effect of Print Media Education on VAT Compliance**

#### **4.5.3 Print Media Education and Value Added Tax compliance**

The participants were also requested to indicate the extent in which various forms of print media education influenced Value Added Tax compliance among hardware dealers in Thika town, Kenya. The results were as presented in table 4.5. With a mean of 4.031 and a standard deviation of 1.105, the staff indicated that newspaper influenced value added tax compliance among hardware dealers in Thika town to a great extent. They also indicated that magazine influenced value added tax compliance to a great extent as shown by a mean of 4.031 and a standard deviation of 0.867. Moreover, they indicated that prospects pamphlets influenced value added tax compliance to a great extent as shown by a mean of 3.921 and a standard deviation of 1.067. Further, they indicated that booklets influenced value added tax compliance as shown by a mean of 3.812 and a standard deviation of 1.199. The findings are in line with the findings of Ongwamuhana (2014) that print media education has a positive and significant influence on taxpayer education and compliance.

**Table 4. 6: Print Media Education and Value Added Tax compliance**

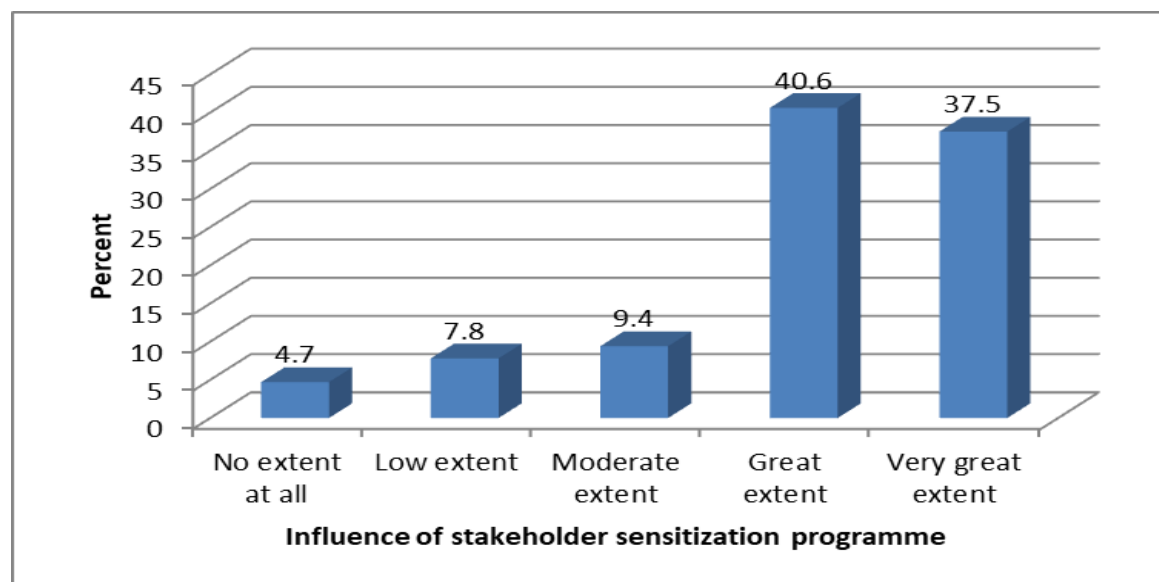
	1	2	3	4	5	Mean	Std. Deviation
Newspaper	6.3	1.6	17.2	32.8	42.2	4.031	1.105
Magazine	0.0	7.8	12.5	48.4	31.3	4.031	.867
Prospects pamphlets	4.7	3.1	23.4	32.8	35.9	3.921	1.067

#### 4.6 Stakeholder sensitization and Value Added Tax compliance

The third objective of this study was to assess the effect of stakeholder sensitization on Value Added Tax compliance amongst hardware dealers in Thika town, Kenya.

##### 4.6.1 Extent of Stakeholder sensitization Influence on VAT compliance

The participants of this study were requested to indicate the extent in which stakeholder sensitization influenced Value Added Tax compliance amongst hardware dealers in Thika town, Kenya. The results were presented in Figure 4.3. According to the results, 40.6% of the staff indicated that stakeholder sensitization influenced Value Added Tax compliance to a great extent, 37.5% indicated to a very great extent, 9.4% indicated to a moderate extent, 7.8% indicated to low extent while 4.7% indicated no extent at all. This implied that stakeholder sensitization influenced Value Added Tax compliance to great extent. This implied that stakeholder sensitization influenced Value Added Tax compliance amongst hardware dealers in Thika town, Kenya. The findings are in agreement with the findings of Gitaru (2017) that stakeholders' sensitization programme has a significant influence on tax compliance.



**Figure 4. 3: Extent of Stakeholder sensitization Influence on VAT compliance**

#### 4.6.2 Stakeholder sensitizations Attended

The respondents were also requested to indicate various types of stakeholder sensitizations they had attended. The results were as shown in Table 4.7. Regarding the results, 82.8% of the staff indicated that they had attended seminars as stakeholder sensitizations, 39.1% indicated workshops and 3.1% indicated that they had attended cultural events as stakeholders sensitization programme. This implied that most of the staffs had attended seminars as stakeholder sensitization. The findings are in line with the findings of Comptroller Texas (2017) that seminars play a key role in determining the level of Value Added Tax compliance among taxpayers.

**Table 4. 7: Stakeholder sensitizations Attended**

	Frequency		Percent	
	Yes	No	Yes	No
Seminars	212	44	82.8	17.2
Workshops	100	156	39.1	60.9
Cultural events	8	248	3.1	96.9

#### 4.6.3 Stakeholder sensitizations and Value Added Tax compliance

The respondents were asked to indicate the extent in which various components of stakeholder sensitization influenced Value Added Tax compliance amongst hardware dealers in Thika town, Kenya. The results were presented in Table 4.8. According to the results, the staff indicated that workshops influenced Value Added Tax compliance to a great extent as shown by a mean of 4.000 and a standard deviation of 0.937. They also indicated that seminars influenced Value Added Tax compliance to a great extent as shown by a mean of 3.890 and a standard deviation of 1.093. Further, with a mean of 3.890 and a standard deviation of 1.034 they indicated that cultural events influenced Value Added Tax compliance amongst hardware dealers in Thika town, Kenya to a great extent. The findings are in agreement with the findings of Gitaru (2017) that stakeholder sensitization has a positive and significant influence on Value Added Tax compliance.

**Table 4. 8: Stakeholder sensitizations and Value Added Tax compliance**

	1	2	3	4	5	Mean	Std. Deviation
Seminars	7.8	1.6	14.1	46.9	29.7	3.890	1.093
Workshops	0.0	9.4	15.6	40.6	34.4	4.000	.937
Cultural events.	4.7	4.7	17.2	43.8	29.7	3.890	1.034

#### 4.7 Value Added Tax Compliance

The respondents were asked to rate various measures of Value Added Tax compliance among hardware dealers in Thika town, Kenya. A Likert scale of 1 to 5 was used. Where 1 represented poor, 2 represented bad, 3 represented moderate, 4 represented good and 5 represented excellent. The results are as shown in table 4.8.

With a mean of 3.780 and a standard deviation of 1.245 the respondents rated timely payment as a good. They also rated registration of new taxpayers as a good as shown by a mean of 3.687 and a standard deviation of 1.173. Moreover, they rated correct declaration as a good as shown by a mean of 3.578 and a standard deviation of 1.158. Further, with a mean of 3.328 and a standard deviation of 1.290, they rated timely filling of tax returns as moderate. The findings are in agreement with the findings of Lymer and Oats (2009) that value added tax compliance is normally measured in terms of timely filling of tax returns, correct declaration and timely payment of taxes as well as registration of new taxpayers.

**Table 4.2: Value Added Tax Compliance**

	1	2	3	4	5	Mean	Std. Deviation
Timely filling returns	12.5	9.4	35.9	17.2	25.0	3.328	1.290
Correct declaration	9.4	7.8	17.2	46.9	18.8	3.578	1.158
Timely payment	9.4	6.3	15.6	34.4	34.4	3.780	1.245
Registration of new taxpayers	6.3	7.8	28.1	26.6	31.3	3.687	1.173

#### 4.8 Inferential Statistics

The study adopted the use of correlation analysis as well as regression analysis to determine the relationship between dependent variable (Value Added Tax compliance) and independent variables (electronic taxpayer education, print media education and stakeholder sensitization).

#### **4.8.1 Correlation Analysis**

The study adopted the use of Pearson product-moment correlation analysis to determine the relationship between the dependent (Value Added Tax compliance) and independent variables (electronic taxpayer education, print media education and stakeholder sensitization). A correlation is defined as a number between -1 and +1 that measures the degree of association between two variables. A positive value for the correlation implied a positive association. A negative value for the correlation implied a negative or inverse association. A coefficient of zero meant there was no relationship between the two items and that a change in the independent item has no effect in the dependent item. The results of the correlation analysis were as shown in Table 4.9.

According to the findings, there was a positive relationship between electronic taxpayer education and Value Added Tax compliance amongst hardware dealers in Thika town, Kenya ( $r=0.762$ ,  $p\text{-value}=0.000$ ). The findings are in agreement with the findings of Ongwamuhana (2014) that electronic taxpayer education has positive influence on Value Added Tax compliance.

The findings also reveal that there was a positive association between print media education and Value Added Tax compliance amongst hardware dealers in Thika town, Kenya ( $r=0.776$ ,  $p\text{-value}=0.000$ ). The findings are in line with the findings of Gitaru (2017) that print media used in tax payer education comprised of use of tax information magazines, business customers/prospects and national newspapers which have positive influence on Value Added Tax compliance.

Furthermore, the results showed that there was a positive association between stakeholder sensitization and Value Added Tax compliance amongst hardware dealers in Thika town, Kenya ( $r=0.769$ ,  $p\text{-value}=0.000$ ). The findings are in agreement with the findings of Comptroller Texas (2017) that stakeholder sensitization has a positive influence on Value Added Tax compliance.

**Table 4. 9: Correlation Analysis**

		<b>Value Added compliance</b>	<b>Electronic Taxpayer Education</b>	<b>Print Media Education</b>	<b>Stakeholder sensitization</b>
Value Added Tax compliance	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	38			
Electronic Taxpayer Education	Pearson Correlation	.762	1		
	Sig. (2-tailed)	.000			
	N	38	38		
Print Education	Pearson Correlation	.776	.978	1	
	Sig. (2-tailed)	.000	.000		
	N	38	38	38	
Stakeholder sensitization	Pearson Correlation	.769	.966	.974	1
	Sig. (2-tailed)	.000	.000	.000	
	N	38	38	38	38

**4.8.2 Regression Analysis**

The study adopted the use of multivariate and regression analysis to determine the relationship between the dependent and independent variables. The independent variables include: electronic taxpayer education, print media education and stakeholder sensitization. The regression equation was as follows;

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \varepsilon$$

Whereby; Y = Value Added Tax compliance, X<sub>1</sub> = electronic taxpayer education, X<sub>2</sub> = print media education, X<sub>3</sub> = stakeholder sensitization, ε = Error Term, β<sub>0</sub> = Constant Term, β<sub>1</sub>, β<sub>2</sub>, β<sub>3</sub>, = Beta Co-efficient.

R-squared is used to indicate variation in the dependent variable that could be explained by the independent variables under investigation. In this study the R-square was 0.865. This implied that the three independent variables (electronic taxpayer education, print media education and stakeholder sensitization) could explain 74.82% of the Value Added Tax compliance amongst hardware dealers in Thika town, Kenya. The findings are in agreement with the findings of Ongwamuhana (2014) that tax payer education has a significant influence on Value Added Tax compliance among taxpayers in Tanzania.

**Table 4. 10: Model Summary**

<b>R</b>	<b>R Squared</b>	<b>Adjusted R Square</b>	<b>Std. Error of the Estimate</b>
.865	.7482	.6919	.25473

Analysis of variance (ANOVA) was used to indicate whether the model was a good fit for the data. The F-calculated (241.436) was greater than the F-critical (2.226) hence indicating that the model was a good fit for the data since it could be used in predicting the influence of independent variables (electronic taxpayer education, print media education and stakeholder sensitization) on dependent variable (Value Added Tax compliance). The findings are in line with the findings of Maina (2017) that electronic taxpayer education, print media education and stakeholder sensitization have significant influence on tax VAT compliance.

**Table 4. 11: Analysis of Variance**

	<b>Sum Squares</b>	<b>of df</b>	<b>Mean Square</b>	<b>F</b>	<b>Sig.</b>
Regression	338.398	3	112.799333	241.436	.000 <sup>b</sup>
Residual	16.352	35	0.4672		
Total	354.75	38			

The results in table 4.12 indicate that electronic taxpayer education has a significant influence on Value Added Tax compliance as shown by a regression coefficient of 0.173. The relationship was significant since the p value (0.006) was less than the significant level of 0.05. The findings are in agreement with the findings of Sas (2007) that electronic taxpayer education has a positive and significant influence on Value Added Tax compliance among the citizens in South Africa.

Moreover, the results indicated that print media education has a positive and significant influence on Value Added Tax compliance as shown by a regression coefficient of (0.307) and a p-value (0.000). The association was also significant since the p-value was less than the significant level of 0.05. The findings are in line with the findings of Angus Young *et al.* (2016) that print media has a positive and significant influence on Value Added Tax compliance.

Further, the results indicated that stakeholder sensitization has a significant influence on Value Added Tax compliance as shown by a regression coefficient of 0.142 and a p-value (0.014). The relationship was significant since the p value (0.034) was less than the significant level (0.05). The findings are in line with the findings of Gitaru (2017) that stakeholders' sensitization has significant influence on Value Added Tax compliance.

**Table 4. 12: Regression Coefficients**

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	0.982	0.151		6.503	0.000
Electronic Taxpayer Education	0.173	0.057	0.150	3.035	0.006
Print Media Education	0.307	0.074	0.798	4.149	0.000
Stakeholder sensitization	0.142	0.049	0.036	2.898	0.014

## 4.9 Discussion of the Findings

### 4.9.1 Electronic Taxpayer Education

The study found that electronic taxpayer education has a positive and significant influence on value added tax compliance amongst hardware dealers in Thika town, Kenya. The findings are in agreement with the findings of Ongwamuhana (2014) that electronic taxpayer education has positive influence on Value Added Tax compliance. The findings are also in agreement with the findings of Sas (2007) that electronic taxpayer education has a positive and significant influence on Value Added Tax compliance among the citizens in South Africa. The study found that most of the hardware dealers in Thika town were aware of advertising and internet news as a type of electronic taxpayer education. The findings are in line with the findings of Sas (2007) that

a holistic view of taxpayers through use of electronic means such as advertising and internet news would facilitate compliance by use of dynamic comprehensive approaches.

The study found that advertising and internet news has significant effect on value added tax compliance amongst hardware dealers in Thika town, Kenya. The study also found out that social media platforms have significant effect on value added tax compliance among hardware dealers in Thika town, Kenya. Moreover, the study found that television has a significant influence on value added tax compliance on value added tax compliance among hardware dealers in Thika town, Kenya. Furthermore, the study found that radio has a significant effect on value added tax compliance among hardware dealers in Thika town, Kenya. The findings are in line with the findings of Ming, Nuruld and Aham (2010) that electronic taxpayer education influences revenue collection.

#### **4.9.2 Print Media Education**

The study found out that print media education have a significant effect on value added tax compliance amongst hardware dealers in Thika town, Kenya. The findings are in line with the findings of Gitaru (2017) that print media used in tax payer education comprised of use of tax information magazines, business customers/prospects and national newspapers which have positive influence on Value Added Tax compliance. In addition, the findings are in line with the findings of Angus Young *et al.* (2016) that print media has a positive and significant influence on Value Added Tax compliance. The study established that most of the staffs were aware of newspapers as print media education programmes. The findings are in agreement with the findings of Ongwamuhana (2014) that print media such as newspapers are used in taxpayer education encompassed press releases. In addition, print media education influenced Value Added Tax compliance to a very great extent. The findings are in line with the findings of Gitaru (2017) print media used in tax payer education comprised of use of tax information magazines, business customers/prospects and national newspapers and it influenced tax compliance to a very great extent.

The study also found out that newspapers have a significant influence on value added tax compliance amongst hardware dealers in Thika town, Kenya. The study also established that magazine has a significant influence on value added tax compliance amongst hardware dealers in Thika town, Kenya. In addition, the study found out that prospects

pamphlets on value added tax compliance have significant influence on value added tax compliance among hardware dealers in Thika town, Kenya. The findings are in line with the findings of Ongwamuhana (2014) that print media education has a positive and significant influence on taxpayer education and compliance.

#### **4.9.3 Stakeholder Sensitization**

The study found that stakeholder sensitization has a significant influence on value added tax compliance among hardware dealers in Thika town, Kenya. The findings are in agreement with the findings of Comptroller Texas (2017) that stakeholder sensitization has a positive influence on Value Added Tax compliance. The findings are also in line with the findings of Gitaru (2017) that stakeholders' sensitization has significant influence on Value Added Tax compliance. The study revealed that stakeholder sensitization influenced Value Added Tax compliance to great extent. This implied that stakeholder sensitization influenced Value Added Tax compliance amongst hardware dealers in Thika town, Kenya. The findings are in agreement with the findings of Gitaru (2017) that stakeholders' sensitization programme has a significant influence on tax compliance.

The study found out that seminars have significant influence on value added tax compliance among hardware dealers in Thika town, Kenya. The results also revealed that workshops have significant influence on value added tax compliance among hardware dealers in Thika town, Kenya. Further, the study established that cultural events have significant influence on value added tax compliance among hardware dealers in Thika town, Kenya. The findings are in agreement with the findings of Gitaru (2017) that stakeholder sensitization has a positive and significant influence on Value Added Tax compliance.

## **CHAPTER FIVE**

### **SUMMARY CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

In this chapter the research findings were summarized, the conclusion and recommendations to the study were drawn for future studies. The study aimed at establishing the effect of taxpayer education on VAT compliance among hardware dealers in Thika town, Kenya.

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

This section covers the summary of the findings on the effect of print media taxpayer education, electronic taxpayer education and stakeholder sensitization on Value Added Tax compliance amongst hardware dealers in Thika town, Kenya.

##### **5.2.1 Electronic Taxpayer Education**

Regarding influence of electronic taxpayer education, the study found that electronic taxpayer education has a positive and significant influence on value added tax compliance amongst hardware dealers in Thika town, Kenya. The study found that advertising and internet news has significant effect on value added tax compliance amongst hardware dealers in Thika town, Kenya. The study also found out that social media platforms have significant effect on value added tax compliance among hardware dealers in Thika town, Kenya. Moreover, the study found that television has a significant influence on value added tax compliance on value added tax compliance among hardware dealers in Thika town, Kenya. Furthermore, the study found that radio has a significant effect on value added tax compliance among hardware dealers in Thika town, Kenya.

##### **5.2.2 Print Media Education**

With regard to the effect of print media education, the study found out that print media education have a significant effect on value added tax compliance amongst hardware dealers in Thika town, Kenya. The study also found out that newspapers have a significant influence on value added tax compliance amongst hardware dealers in Thika town, Kenya. The study also established that magazine has a significant influence on value added tax compliance amongst hardware dealers in Thika town, Kenya. In addition, the study found out that prospects pamphlets on value added tax compliance have

significant influence on value added tax compliance among hardware dealers in Thika town, Kenya.

### **5.2.3 Stakeholder Sensitization**

In relation to stakeholder sensitization the study found that stakeholder sensitization has a significant influence on value added tax compliance among hardware dealers in Thika town, Kenya. The study found out that seminars have significant influence on value added tax compliance among hardware dealers in Thika town, Kenya. The results also revealed that workshops have significant influence on value added tax compliance among hardware dealers in Thika town, Kenya. Further, the study established that cultural events have significant influence on value added tax compliance among hardware dealers in Thika town, Kenya.

### **5.3 Conclusions**

In conclusion, electronic taxpayer education has a positive influence on value added tax compliance among hardware dealers in Thika town, Kenya. The study found that advertising and internet, social media platforms, television and radio influenced value added tax compliance among hardware dealers in Thika town, Kenya.

In addition, print media education has positive influence on value added tax compliance among hardware dealers in Thika town, Kenya. The study found out that newspaper, magazine and prospects pamphlets influenced value added tax compliance among hardware dealers in Thika town, Kenya.

Furthermore, the study acknowledges that stakeholder sensitization programme has an influence on value added tax compliance among hardware dealers in Thika town, Kenya. The seminars, workshops and cultural events influenced value added tax compliance among hardware dealers in Thika town, Kenya.

### **5.4 Recommendations**

The study found that the use of social media platform influences value added tax compliance among hardware dealers in Thika town. The study therefore recommends that Kenya Revenue Authority should make use social media platforms such as Twitter,

Facebook and YouTube to manage taxpayers complaints and increase awareness among taxpayers on value added tax.

The study also found that radio was influencing value added tax compliance among hardware dealers in Thika town. In Kenya, most of the communities have radio stations that air programmes using vernacular languages. The study recommends that Kenya Revenue Authority should make use of the many radio stations in the country and air adverts related to valued added tax in different programmes.

The study further established that newspapers have significant influence on value added tax compliance among hardware dealers in Thika town. Therefore, the study recommends that the KRA should adopt the use of different types of newspapers such as The Standard, Daily Nation and The Nairobiian to increase awareness on value added tax compliance.

The study established that seminars have significant influence on value added tax compliance among hardware dealers in Thika town. Therefore, the study recommends that the KRA should adopt the use of educative seminars to education their staff on how to improve on valued added value added compliance.

### **5.5 Areas for Further Research**

The study was limited to hardware dealers in Thika town. Therefore, the study recommends that further studies should be conducted on the effect of taxpayer education on valued added tax compliance among other enterprises in other sectors in other counties in Kenya. The findings cannot be generalized to businesses enterprises in other Counties in Kenya due to variation in legal jurisdiction in various trading bloc in different counties and parts of the world. The study also established that taxpayer education influenced 74.82% of value added tax compliance among hardware dealers. Hence, this study recommends that further studies should be carried out to determine the other factors which affect VAT tax compliance in businesses enterprises in Kenya.

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## **APPENDICES**

### **APPENDIX I: LETTER OF INTRODUCTION TO THE RESPONDENTS**

KENYA SCHOOL OF REVENUE ADMINISTRATION

P.O BOX 48240-00100

Nairobi

August, 2019.

Dear Respondent,

#### **RE: REQUEST TO COLLECT SURVEY DATA**

I am a student at Kenya School of Revenue Administration Post Graduate Diploma in tax administration.

As a partial requirement in fulfillment of the PGD program requirements, I am undertaking a research survey and your hardware has been selected to form part of this study. Therefore, I kindly request you to assist me to collect data by filling in the attached questionnaire .The information provided will absolutely be used for academic purposes and will be held in strict confidence.

Thank you.

Yours faithfully,

Sarah Barongo Ochako

## APPENDIX II: RESEARCH QUESTIONNAIRE

Kindly tick [] the appropriate response or provide information as is relevant. Your responses will be anonymous and confidential and will only be used for the purposes of this study. As such, do not write your name on the questionnaire.

### Section A: Demographic Information

#### 1. Gender

Female []                      Male []

#### 2. Indicate where you fall among the following age brackets (years)

Below 25      []                      25-34                      []

35-44                      []                      45-50                      []

Above 51      []

#### 3. Level of education

Secondary Certificate                      []                      Diploma level                      []

Bachelor's Degree Level                      []                      Masters Level                      []

PhD                      []

### Section B: Electronic Taxpayer Education

#### 1. To what extent does electronic taxpayer education influence Value Added Tax compliance in terms of filing returns, declaration, payments and registration amongst hardware dealers in Thika town?

Very great extent      []                      Great extent                      []

Moderate extent      []                      Low extent                      []

No extent at all      []

#### 2. Which of the following electronic taxpayer education are you aware of?

Advertising and internet news                      []

Social media platforms                      []

Television                      []

Radio                      []

#### 3. To what extent do the following forms of electronic taxpayer education influence

Value Added Tax compliance in terms of filing returns, declaration, payments and registration amongst hardware dealers in Thika town? (Key: 1=No extent at all, 2=Low extent, 3=moderate extent, 4=Great extent, 5=Very great extent).

	1	2	3	4	5
Advertising and internet news					
Social media platforms					
Television					
Radio					

### Section C: Print Media Education

4. Which of the following print media education programmes are you aware of?

Newspapers [ ]

Magazines [ ]

Prospects Pamphlets [ ]

Booklets [ ]

5. To what extent does print media education influence Value Added Tax compliance terms of filing returns, declaration, payments and registration amongst hardware dealers in Thika town?

Very great extent [ ]                      Great extent [ ]

Moderate extent [ ]                      Low extent [ ]

No extent at all [ ]

6. To what extent do the following forms of print media education influence Value Added Tax compliance terms of filing returns, declaration, payments and registration amongst hardware dealers in Thika town? (Key: 1=no extent at all, 2=low extent, 3=moderate extent, 4=great extent, 5=very great extent).

	1	2	3	4	5
Newspapers					
Magazines					
Prospects Pamphlets					
Booklets					

**Section D: Stakeholder Sensitization**

7. To what extent does stakeholder sensitization influence Value Added Tax compliance terms of filing returns, declaration, payments and registration amongst hardware dealers in Thika town?

- Very great extent                    [   ]                    Great extent                    [   ]  
 Moderate extent                    [   ]                    Low extent                    [   ]  
 No extent at all                    [   ]

8. If you are a taxpayer, which of the following stakeholder sensitization programmes have you attended in the past?

- Seminars                    [   ]  
 Workshops                    [   ]  
 Cultural events                    [   ]

9. To what extent do the following components of stakeholder sensitization influence Value Added Tax compliance amongst hardware dealers in Thika town? (Key: 1=no extent at all, 2=low extent, 3=moderate extent, 4=great extent, 5=very great extent).

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Seminars					
Workshops					
Cultural events					

**Value Added Tax compliance**

10. How do you rate the following measures Value Added Tax compliance amongst hardware dealers in Thika town? (Key: 1=poor, 2=Bad, 3=Moderate, 4=Good, 5=Excellent).

	1	2	3	4	5
Timely Filing returns					
Declaration					
Timely payment					
Registration of new taxpayers					

**Thank you for your time and cooperation**

### **APPENDIX III: HARDWARES IN THIKA TOWN**

1. Ankur Traders
2. Cannan Hardware
3. Chezzee Ltd
4. Cielcon Hardware Limited
5. City General Store
6. Gateway Hardware
7. Gatura Hardware Thika
8. Hardware & Steel Centre Ltd
9. Imara Enterprises Ltd.
10. Jackplane
11. Jamwa Hardware
12. Jospa Hardware and Electricals
13. Juli Tech Agencies
14. Kentech Agencies
15. Kenware Stores
16. Khilna Enterprise Ltd
17. Kibsey Enterprises Ltd
18. Kimson Hardware Store
19. Koimu Ltd
20. Kum Kum Hardware Ltd.
21. Lincoln Auto and Hardware
22. Maji Safi Ventures
23. Mwako Unique Entrepreneurs
24. Nan Cometagencies
25. Nancomet Agencies
26. Narjee Ltd
27. Natal Hardware
28. New Heshima Merchants
29. New Weithaiga Hardware
30. Omega Venture Hardware Thika
31. Paric Hardware Products Ltd Thika
32. Peter M. Kagiri Hardware
33. Rajan Coffee Hardware Ltd
34. Rocon Enterprise Ltd
35. Roohi Enterprises Ltd
36. Stamik General Hardware
37. Thika Central Hardware
38. Tiles Hardware
39. Truston Hardware Supplies Thika
40. Wadenis Hardware And Supplies Thika
41. Waigi Enterprises Ltd Thika
42. Walter Mugua General Workshop

43. Waridi General Supplies Ltd
44. Zebra Glass Glass Works and Hardware Thika