

FACTOR AFFECTING VALUE ADDED TAX COMPLIANCE AMONG RETAIL

SHOPS IN NAIROBI COUNTY

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DECLARATION

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

MADEGWA VALARY VUZIGWA

HDB336 - CO16 – 4861/2016

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Signature

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Date

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

ANNE MAINA

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Signature

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Date

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I give thanks to God whose unending love and unwavering favor has seen me to the completion of this program.

I am grateful to my project supervisor, Ms. Anne Maina, for her patience and academic guidance.

My sincere gratitude to my mother, Catherine Madegwa for her spiritual, moral and financial support through this program and to my siblings Lindah, Mike, Leslie, Trevour and Yvonne for their moral support and encouragement.

I acknowledge my late father, Dennis E. R. Madegwa, a dedicated scholar, alumni of University of Nairobi and Leeds University; and my inspiration.

DEDICATION

The research is dedicated to my mother Catherine Munyuli Madegwa with much love and appreciation.

ABSTRACT

Tax is an important stream of revenue for the government's development projects and therefore, all efforts must be made by governments to ensure that it is accurately and efficiently collected. The main issue faced by all tax authorities is that it has never been easy to persuade all taxpayers to comply with the regulations of a tax system, especially in the retail industry which contributes approximately 8.2% to the Gross Domestic Product, (Cyttonn, 2016). The main objective of the study was thus to establish factors affecting VAT compliance among the retail shops in Nairobi County. The study sought to determine the effect of tax audit, tax education, and compliance cost on value added tax (VAT) using questionnaires. A sample size of 124 retail shops from the 183 target population as per recommendations with a 77% response rate was achieved. Respondents were determined using the systematic random sampling technique. The study collected primary data from the sampled retail shops using self-administered questionnaires. Data collected was analyzed using Statistical Package for Social Sciences and findings presented in the form of tables. The study used the Pearson correlation coefficient, t-statistics as well as multiple regression to analyze data collected. The findings indicate that while increase in tax audit and tax education had a positive relationship on VAT compliance, compliance cost had a negative relationship, hence the government should increase more audits and educational seminars as well as ensure low compliance cost

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ACRONYMS AND ABBREVIATIONS

ETR	Electronic Tax Register
GDP	Gross Domestic Product
KIPPRA	Kenya Institute of Public Policy Research and Analysis
KRA	Kenya Revenue Authority
OECD	Organization for Economic Cooperation and Development
VAT	Value Added Tax

CHAPTER ONE

INTRODUCTION

1.1 Background Information

Tax is a compulsory levy made by a public authority for which there is no direct return to the tax payer (Lymer et al., 2002). It can also be defined as a compulsory contribution imposed by a public authority, irrespective of the exact amount of services rendered to the taxpayer in return, and not imposed as a penalty for any legal offence (Hugh Dalton, 2003). Tax is important to the Kenyan economy as a primary source of income for the government (ICPAK, 2015). It is one of the essential elements in managing national income, especially in developing countries and has played an important role in civilized societies since their birth thousands of years ago (Lymer and Oats, 2009). Due its essential role in economic development it is therefore a mandate for all taxpayers to be compliant so as to generate more tax revenue.

Tax compliance is defined as the ability and willingness of taxpayers to comply with tax laws, declare the correct income in each year and pay the right amount of taxes on time (IRS, 2009). Alm (1991) defined tax compliance as the reporting of all incomes and paying of all taxes by fulfilling the provisions of laws, regulations and court judgments. The definition of tax compliance in its most simple form is usually cast in terms of the degree to which taxpayers comply with the tax law (James, 1999). Tax compliance is a multi-faceted measure and theoretically, it can be defined by considering three distinct types tax of compliance such as payment compliance, filing compliance, and reporting compliance (Brown & Mazur, 2003). OECD (2010) advocates dividing compliance into two categories when taking into consideration the definitions of tax compliance. These categories are administrative compliance and technical compliance. Administrative compliance otherwise referred to as reporting compliance, procedural compliance or regulatory compliance refers to complying with administrative rules of lodging and paying. Technical compliance refers to complying with technical requirements of the tax laws in calculating taxes or provisions of the tax laws in paying the share of the tax.

Value Added Tax (VAT) which is a tax on consumer expenditure was introduced in 1990 to replace sales tax, which had been in operation since 1973, (KRA, 2004). VAT was introduced as a measure to increase government revenue through the expansion of the tax base, which hitherto was confined to sale of goods and importation level under the sales tax system. The tax is levied

on consumption of taxable goods and services supplied or imported into Kenya and is collected by registered persons at designated points who remit it to the commissioner, (KRA, 2004). The VAT law is contained in the VAT act Cap. 476 of the Laws of Kenya, VAT Act 2013 and the regulations stemming from it.

Global tax reporting processes are a common compliance burden and it is often these processes that tax functions seek to streamline to gain efficiencies and reduce reporting timeframes. Reviewing tax reporting processes can also create opportunities to implement risk management frameworks that help manage resource and time allocation. Historically, tax accounting and compliance processes have grown organically; incorporating changing business and reporting demands, often in a reactive way. Typically, tax accounting calculations have been based on pre-defined materiality and at a high level using manual processes, with the substantive tax analysis completed later during the tax compliance process. Some of the typical challenges experienced can be divided into three main types: Governance, People, as well as infrastructure and operations Tax and finance functions should challenge the existing tax reporting close process and look for ways to improve efficiency and accuracy, (Thomson Reuters, 2011).

As with many developing countries, tax compliance has proved to be a challenge in Kenya with the country being ranked among the low-income countries or low compliance countries with the hard task of ensuring efficient and effective tax administration (John, 2013). Kenya Revenue Authority (KRA) is mandated by the government to ensure collection of tax revenue and adherence of tax laws. According to Palil (2010); “the role of the tax authority in minimizing the tax gap and increasing voluntary compliance is clearly very important” KRA was established by an Act of Parliament, Chapter 469 of the laws of Kenya, which became effective on 1st July 1995. The role of the Authority is to eliminate tax evasion by simplifying and streamlining procedures and improving tax payer service and education thereby increasing the rate of compliance (KRA, 2016). The purpose of KRA is assessment, collection, administration and enforcement of tax laws with professionalism governed by integrity and fairness (CIAT, 2006). In order to offer better single-window services to taxpayers, KRA is divided into five Regions; Rift Valley region, Western, Southern, Northern, and Central region, with departments like; Domestic Service Department- Medium and Small Taxpayers, Domestic Tax Department- Large Tax Payers Office(LTO), Customs, Investigations and Technical Support Departments,

(KRA,2016). The authority administers different types of taxes under different tax laws (Acts) such as Income tax, Value Added Tax, Customs Tax, Excise Tax among others and tries to ensure compliance under the different tax laws, (KRA, 2016).

The retail stores can be divide into three i.e. large retail stores that have over 20 employees or stores with over 300 square meters prime location, medium retail stores with 5 to 20 employees or stores with 50 to 300 square meters fair location and small retail stores with up to 3 employees or stores with 50 square meters far away location, (Kenya Gazette, 2000). Kenya's retail market is attracting increased interest from local and international investors as witnessed through expansion of local stores, entry of international retailers and increased construction of malls. The market contributed to 8.2% of Kenya's GDP in 2016, (Cytonn, 2016). The total cumulative figure for retail spending in 2016 is \$17.62 billion (Ksh1.8 trillion) which can be allocated across different channels based on 30 per cent supermarkets, 67 per cent traditional retail, and three per cent special channels, (Brain, 2016). Over the past five years, the average value of consumer spending has risen by as much as 67% making Kenya the continent's fastest-growing retail market. With the increased urbanization and ongoing rise in disposable incomes, formal retail activity should continue to expand and diversify especially as more international brands are introduced in the market place, (Oxford, 2016). The rise in capital combined with encouraging fundamentals such as an urban population that the United Nations expects to rise by 2.8 million in the next five years to reach 14.7 million by 2020, has led the country to be singled out as a hot prospect in several recent publications, (Oxford, 2016). Kenya's formal retail sector is concentrated in central of Nairobi and the port of Mombasa hence this research shall be focused on Nairobi County, the capital and largest city of Kenya. The county was founded in 2013 on the same boundaries as Nairobi Province, after Kenya's eight provinces were subdivided into 47 counties after the devolved government. Although research has been conducted on other aspects of tax compliance such as, on tax behavior and its effect on compliance, Merima, Odd-Helge & Ingrid (2013) there is little information on the factors affecting VAT compliance especially in retail shop in Kenya. The study is geared towards addressing this gap in research.

1.2 Problem Statement

Tax collection has been a major concern among many governments all over the world (Loureiro, 2014; Ayuba, Saad & Ariffin, 2016). According to Agbadi (2011) history has shown that there has always been a reluctance to pay tax. Kenya has an estimated tax gap of 40 %, (FOA, 2015). The tax gap also had an effect on Kenya's budget for 2016/17 which is set to rise to Ksh 2.05 trillion. (IBP, 2016). This reflects more modest ambitions for spending and a desire to reduce the deficit relative to recent years. The government expects to collect Ksh 1.50 trillion in revenue. This will leave a deficit of roughly Ksh 555.4 billion, 6 percent smaller than the revised 2015/16 budgeted deficit, (IBP, 2016).

The retail market in Kenya has a growing local market with a wealthier consumer base from which to launch into other regional markets. According to the Vision 2030 medium term plan 2013 – 2017, the retail sector is among the six priority sectors projected to make up the largest part of Kenya's Gross Domestic Product (GDP) (57%) and to create approximately 50 per cent of total formal employment, (Fredrick. 2017) and with increase tax compliance in the sector, it will help to reduce the country's budget deficit significantly.

Over the last forty years, tax collection in Kenya, experienced large fluctuations when measured as a ratio of actual tax share of gross domestic product (Waris, Kohonen, Ranguma & Mosioma, 2009). In addition, there has been hostility between the taxpayers and tax collectors on issue relating to tax compliance (Makori, et al., 2013).

The tax gap is due to a variety of reasons such as; lack of awareness of tax laws, challenges due to the introduction of the current itax system, an insufficient tax system etc., (FOA, 2015). Tax compliance issues in other countries besides Kenya include: tax rates; tax audits; perception on government spending; role of tax authority and tax administration; simplicity of tax returns; probability of detection; awareness on offenses and penalty and personal financial constraint (Hsieh and Shannon, 2005; Hyun, Park and Ya, 2002; and Yong and Hooper, 2011). To reduce this tax gap there is need to explore these factors that have an effect on tax compliance. Although other studies have cited reasons for tax compliance in other countries, there is lack of sufficient information on VAT compliance factors in Kenya, specifically among retail shops within Nairobi County. This research is hence geared towards addressing this gap in research.

1.3 Objectives of the study

1.3.1 General Objectives

To determine the factors affecting VAT compliance among retail shops in Nairobi County.

1.3.2 Specific Objectives

- I. To determine the effect of tax audit on VAT compliance among retail shops in Nairobi County.
- II. To determine the effect of tax education on VAT compliance among retail shops in Nairobi County
- III. To determine the effect of compliance cost on VAT compliance among retail shops in Nairobi County

1.4 Research Questions

- I. How does tax audit affect VAT compliance among retail shops in Nairobi County?
- II. How does tax education affect VAT compliance among retail shops in Nairobi County?
- III. How does compliance cost affect VAT compliance among retail shops in Nairobi County?

1.5 Significance of the study

The study will be indispensable to a number of stakeholders. Firstly the KRA will be able to use it as a point of reference when making decisions regarding the inclusion of the retail shops in the tax net. It will enable KRA to champion its literacy campaigns to improve the taxpayers' ability to understand tax laws for example rates of tax, filing and paying dates etc.

Tax Practitioners assist taxpayers to interpret the complicated tax law and help them to apply the law to their tax returns. This study is of help to practitioners since it helps them understand various challenges faced by taxpayers towards voluntary compliance and help them advice their clients accordingly.

The study will form a good literature base upon which further studies and references will be drawn. Academicians will, thus, benefit from the findings of this study, as it will add to the body of existing knowledge in technology development and adoption. These will comprise of the Kenyan current and future scholars and researchers since it will broaden their knowledge on the determinants of automated tax systems in Kenya.

The government raises tax revenues to finance public security, health, education, and infrastructure. In this regard, the government has to ensure that its source of revenue is effective and efficient. The findings of this study will help the government to institute the necessary legislative and administrative measures to enhance tax compliance in cases of voluntary compliance and enforce compliance in cases of non-compliance.

The study will aim to investigate the determinants of VAT compliance and its' benefit to practitioners and policy makers. Management of firms that have adopted or those with the intention of adopting new systems of tax compliance will gain insights from such an effort highlighting relevant factors and relationships in the context of tax payments. More importantly, it will help to forge a good relationship between Government and tax payers in this case retail shops.

1.6 Scope of the study

The study sought to determine the determinants of VAT compliance among retail shops in Nairobi County. The tested components such as tax audit, tax education, and compliance cost

were my independent variables while VAT compliance was my dependent variable with components of timely filing returns, payment of the returns, registration of required tax heads, registration of itax and, reporting. The target population consisted of large to medium scale retail shops e.g. minimarts, local pharmacies etc. in Nairobi County.

1.7 Limitations of the study

As with most research of this nature, the study had a number of limitations; first the study was not applicable to other counties for this research has its main focus on Nairobi County. It also singled out retail shops which means that other enterprises were addressed in this research. This can however be moderated by having an in-depth study of the research findings conducted in other counties in Kenya

The study was a cross-sectional research design in which the respondents were interviewed on only one occasion to appraise their perspective of the issues under study therefore the long term effects may not be addressed. The use of a case study would best address this as it gives a researcher a long period of time to interact and observe respondents.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a literature review of the theories that form the basis of the study, the chapter reviews theories related to tax compliance and presents a conceptual framework which is the basis of the research questions.

2.2 Theoretical review

2.2.1 Economic deterrence

The models which have been based on the economic theory of compliance generally focus on deterrence. Deterrence can be achieved through a number of approaches, punitive, (e.g. increasing tax rates) and persuasive, (increasing advertising and tax incentives), (Devos, 2014). Principles of economic deterrence models were first discovered in the late 1960s from the work of Becker, who analyzed illegal framework using an economic framework. He proposed a narrow argument which implied that deterrents such as the probability of detection and penalties and sanctions were within the control of the society. The theory was based on the concept that, if the consequence of committing a crime outweighs the benefit of the crime itself, the individual will be deterred from committing the crime. This is founded in the idea that all individuals are aware of the difference between right and wrong and the consequences associated with right or criminal behaviors. Proponents of deterrence theory believe that people choose to obey or violate the law after calculating the gains and consequences of their actions.

Allingham and Sandmo, (1972) derived a model based on a number of assumptions including taxpayers as utility maximizers who possessed actual knowledge of penalties and detection rates. They proposed a seminal economic deterrence model based on the expected utility function of the taxpayer who evades. This model incorporates several aspects. Firstly, the taxpayer has some level of risk aversion, the more risk averse the taxpayer is, and the less likely (s) he is to evade taxes. This implies that if detection is likely and penalties are severe, few people will evade taxes. In contrast, under low audit probabilities and low penalties, the expected return to evasion is high. The model then predicts substantial non-compliance. Secondly, the taxpayer needs to have knowledge regarding the taxation system in order to assess the probability of being detected, and the extent of the penalties that may be incurred upon detection. Under A-S model

the taxpayer decides upon the amount of taxes to report to the taxing agency. When making this decision the taxpayer seeks to maximize expected utility which is defined to be the sum of the utility value of each outcome weighted by the probability that the particular outcome occurs. The general conclusion of this theory is that compliance depends largely on tax audit and penalty. The model then predicts substantial non-compliance. The implication of the theory is that taxpayers will pay taxes only because of the fear of sanctions.

2.2.2 Social psychology models

Social psychology models are concerned with the prediction and understanding of human behaviour, or how people make decisions, using a range of methodological approaches including compositional modeling, attribution theory and equity theory (McKerchar & Evans, 2009). Compositional modeling is characterized by the view that individuals undertake deliberate and reasoned action according to their personal preferences. This approach assumes that people consider the implications of their actions before they decide, or form an intention, to engage or not engage in a given behaviour. Further, this approach assumes that intention directly translates into behaviour, without any further influences. The model then seeks to explain how intention is formed (Ajzen and Fishbein, 1980). Attribution theory is based on the assumption that individuals rationally interpret and analyze events in order to understand causal structures. People have internal (personal) and external (situational) attributes. In judging the behaviour of others, people will generally attribute the outcome as being caused by their own internal attributes. In judging their own behaviour, people tend to believe the cause is due to external attributes. Equity theory proposes that individuals are more likely to comply with rules if they perceive the system that determines those rules to be equitable. Where there are perceived inequities, individuals will adjust their inputs to the exchange until equity is restored. Based on equity theory, addressing inequities in the exchange relationship between government and taxpayers would result in improved compliance (McKerchar and Evans, 2009).

2.2.3 Fiscal and Social psychology models

Fiscal psychology models blend together aspects of economic deterrence models and social psychology models. The essential thrust of this approach is that individuals are not simply independent utility maximizers rather individuals are recognized to contain an array of attitudes and beliefs which interact and respond to social norms. Social psychology models examine the attitudes and beliefs of taxpayers in order to understand and predict human behaviour.

According to Schmolders, (1959) taxpayers have separate views with respect to looking after their self-interest as opposed to contributing to community interests. In this regard, the more positive a taxpayer's attitude towards paying tax and working with the tax authorities, the greater their willingness to pay tax. He concluded that attitudes were a reflection of cultural differences and the tax systems in which they were formed. Strumpel's (1969) model asserts that rigid enforcement (rigidity of assessment) by the tax authorities is likely to reduce taxpayers' level of compliance with the tax laws. The two main variables in the model include, the "rigidity of assessment" which measures the amount of tax fines, the assessment process and the level of "red tape" involved in dealing with the tax authorities and, secondly, the "willingness to cooperate" which relates to individuals' attitudes and perception of the tax system. The theory viewed the structure of the authority as well as tax payer's attitude to be factors of tax compliance. According to Ajzen and Fishbein, (1980), Theory of Reasoned Action (TRA), taxpayers' behaviour is directly determined by their intentions that are a function of their attitude towards behaviour and perception of subjective norms. According to this theory, behaviors of the individuals within the society are under the influence of definite factors, originate from certain reasons and emerge in a planned way. The ability to perform a particular behavior depends on the fact that the individual has a purpose towards that behavior (behavioral intention). Behavioral intention in turn depends on three factors that is Attitude towards the behavior, Subjective norms and Perceived behavioral control. These three factors are also under the influence of behavioral beliefs, normative beliefs and control beliefs. 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

2.3 Empirical Review

Merima, Odd-Helge & Ingrid (2013) found that tax compliance behaviour among citizens in Kenya, Tanzania, Uganda and South Africa was influenced by perception about difficulty of evading taxes, satisfaction with public service provision, payments to non-state actors, perception of an ethnic group being treated unfairly, and tax knowledge. The study did not assess a number of possible determinants of tax compliance and therefore there is need to expand the variables

Barbuta-Misu (2011) also reviewed factors affecting tax compliance. The study identified the most important determinants to be economic factors such as the level of income, audit probabilities, tax audit, tax rate, tax benefits, penalties, fines and other non-economic factors such as attitude toward payment of tax, personal, social and national norms and perceived fairness, among others. These factors are important for purposes of further assessment to check how they affect tax compliance among medium retail shops in Kenya and Nairobi County in particular

Djawadi & Fahr (2013) found that tax compliance is higher in tax systems with low power of authorities when providing complete transparency on public expenditures and when taxpayers are given the possibility to decide on the use of their taxes. This suggests that tax compliance is influenced by tax knowledge and budget spending

Naibei and Siringi (2011) examined the impact of Electronic Tax Registers (ETRs) on Value Added Tax (VAT) compliance. The empirical results showed that the use of an ETR as well as the frequency of inspection significantly influenced VAT compliance while sales of the same did not. The study therefore indicated that tax administration has a significant impact on compliance levels of taxpayers especially businesses.

In an assessment of studies concerning factors which shape tax compliance behaviour, Batrancea, Nichita & Batracea (2012) summarised the factors into socio-psychological, political, and economic factors determinants. The socio-psychological factors identified were attitudes, norms, fairness perceptions and motivational postures. The authors emphasized tax complexity

as a main political factor affecting tax compliance. The economic factors identified as major determinants of tax compliance were audit probabilities, fines, tax rates and income

2.4 Conceptual Framework

Independent Variables
Variable

Dependent

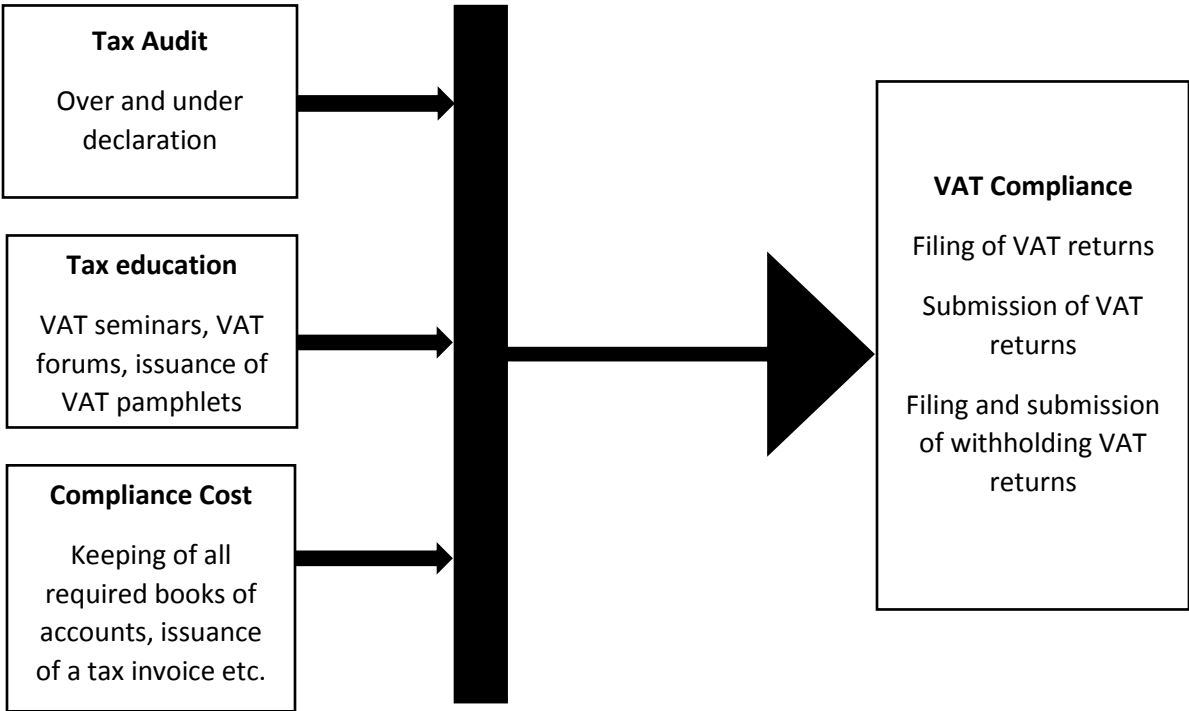


Figure 2.1 Conceptual Framework

2.4.1 Independent Variables

Factors affecting VAT compliance among medium retail shops in Nairobi County was the independent variables which included; tax audit, tax education, and compliance cost.

a) Tax Audit

The study of Alm and McKee (2004) investigates the application of experimental methods to examine the individual tax compliance. Finding revealed that tax audit probability had a significant positive impact on tax compliance. This finding is also in tandem with the study of Slemrod, Blumenthal and Christian (2001) who examined selected taxpayers and found evidence of taxpayers' behaviour changes in response to an increased tax probability audit. In addition, Studies by Anyaduba and Modugu (2013) also revealed that self-assessment systems and tax audits impacted significantly on tax compliance.

According to Butler (1993) tax audits can change compliance behavior from negative to positive. These findings complement the Witte and Woodbury (1985) and the Beron, Tauchen and Witte (1988) studies. Witte and Woodbury (1985) also found that "tax audits have a significant role in tax compliance." Beron et al. (1988) found a contradictory result. They reported that audits did not significantly correlate with evasion for all groups they studied. Audits were found to be more effective in inducing taxpayers to over claim deductions rather than encouraging them to correctly report actual income (Beron et al. 1988).

b) Tax Education

Eriksen and Fallan (1996) believed that with reasonable understanding of the tax laws, people are willing to respect the tax system, consequently they are more compliant to pay tax instead of evading it. Furthermore, individuals become educated, which is knowledgeable in the aspect of tax planning, tax law and the likes. At the same time, tax knowledge improved individual's awareness and ethics which has led to reduction of tax noncompliance

According to Professor Dr. Sommerfeld, (1966) taxation has become an education's orphan. He added that taxation should be taught rather than just practiced and learned. He further suggested higher institution can offer unique perspective on tax subject to all students. Taxpayer education is one of the strategies of improving service delivery to the tax payers. 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 (Fjeldstad and Ranker 2003).

c) Compliance cost

Eichfelder and Schorn,(2009) consider three different types of tax compliance costs: personnel costs result from personnel resources including the working effort for bookkeeping, tax-filing, tax planning or other tax-related activities. Alternatively, a business may substitute personnel resources by capital for tax administration hardware or software, or an external fiscal consultant.

According to Reekmans and Simoens, (2010) compliance costs consist of time spent, cash expenses and psychological costs. The total time spent contains employee costs CP, entrepreneur costs RP and/or fees paid to external accountants and fiscal consultant ER. The psychological costs refer to the effects upon a taxpayer having to deal with tax affairs, e.g. mental stress MS, which is a difficult to measure component, but sometimes represents an important burden for personnel and entrepreneur

2.4.2 Dependent Variables

The dependent variable was VAT compliance among retail shops in Nairobi County.

a) VAT compliance

VAT is a general consumption tax assessed on the value of goods and services, it applies to all commercial activities involving production/distribution of goods/services and is ultimately borne by the final consumer, (KRA, 2016).

There are three tax rates as specified in the schedules to the VAT Act, which are:

16%: This is the general rate of tax and is applicable to most of taxable goods and taxable services.

12%: This is applicable to supplies falling under part II of the 1st schedule of the VAT Act eg. Electrical energy and certain types of residual fuels and oils.

0%: This applies to certain categories of goods and services, which includes exports, agricultural inputs, pharmaceutical products, educational materials and supplies to privileged persons. The purpose of zero rating is to make the supplies cheaper as the dealers in these supplies are entitled to claim back any input tax incurred in the course of their business (VAT ACT, 2013)

VAT registration is done through registration for PIN on Itax .The registration is mandatory for any person who has supplied taxable goods or services or expects to supply taxable goods whose value is \geq KShs 5,000,000 within twelve months. It should be done within 30 days from the date on which he becomes a taxable person. Voluntary registration is also allowed.

In order to be VAT compliant a tax payer is required to; issue a tax invoice, input tax deduction and keep relevant records and books of accounts. Failure to submit a return on the due date or submission of a payment return without payment of the tax due results in an imposition of a default penalty of Kshs.10,000 or 5% of the tax due whichever is higher and an additional tax of 2% compounded per month or part thereof such unpaid tax.

A taxpayer can de-register for VAT if (s) he does not make taxable supplies in excess of KShs 5M within 12 months; does not expect to make taxable supplies for the next 12 months. The taxpayer is required to continue filing returns until de-registration is approved failure to do so the crystallizes penalties, (KRA, 2015)

2.5 Critique of existing Literature

Langham, Paulsen & dan Hartel, (2012) assessed whether the theory of planned behavior can predict business compliance. The results showed that the intention to comply did not predict compliance behavior. The results showed that as complexity and difficulty in performances increases, additional factors are required to predict compliance, such as awareness of the rules. The authors concluded that behavior prediction can be enhanced by quantifying environmental complexity, providing performance support, and eliminating potential obstacles. Intention can only be leveraged for compliance strategies when the tax system creates the optional environment for tax payers to successfully comply.

2.6 Summary

Past studies have established that tax compliance behaviour is influenced by economic factors, (Barbuta-Misu,2011), socio-psychological and political factors, (Batrancea, Nichita & Batracea,

2012). The three key theories namely economic deterrence, social psychology models and fiscal models, have provided the much needed link between tax compliance and its determinants which this study seeks to explore. Thus, this study fills in a gap by dividing the determinants of tax compliance into three groups: Political determinants(tax law complexity, tax rates, tax penalties and jurisdiction & administration), social psychological determinants(attitudes, norms, fairness perceptions, motivational postures, and the way they relate to tax information and complex filing procedures) and economic determinants(compliance costs and taxation costs). These divisions offers a clear and in depth analysis of the key determinants for tax compliance. In summary and with synthesis of literature, tax compliance behaviour is found to be influenced by social psychological factors and economic factors.

2.7 Research Gap

Naibei and Siringi (2011) examined the impact of Electronic Tax Registers (ETRs) on Value Added Tax (VAT) compliance. The empirical results showed that the use of an ETR as well as the frequency of inspection significantly influenced VAT compliance while sales of the same did not. The study therefore indicated that tax administration has a significant impact on compliance levels of taxpayers especially businesses. They however generalized their study to business and did not specialize in retail shops.

Djawadi and Fahr (2013) found that tax compliance is higher in tax systems with low power of authorities when providing complete transparency on public expenditures and when taxpayers are given the possibility to decide on the use of their taxes. This suggests that tax compliance is influenced by tax knowledge and budget spending. They generalized the taxation and did not look at a specific tax head.

This study however seeks to address this gap in research by investigating factors that affect VAT tax compliance among retail shops in Nairobi County.

CHAPTER THREE

RESEARCH METHODOLOGY

This Chapter sets out the research methodology that were adopted in carrying out the objective of the study stated in Chapter one. The research setting, the population, sample data collection, instruments and data analysis discussed

3.1 Research design

The study adapted a cross-sectional descriptive research design. The research design was best for this study as it describes characteristics associated with the subject population, and in particular factors that make them behave a certain way. According to Mugenda and Mugenda (2003) a descriptive research determines and reports the way things are and attempts to describe possible behavior, attitude, values and characteristics of such things. The descriptive design was selected in this study because it would gather numerical and descriptive data to assess the relationship between the variables. This will make it possible for the researcher to produce statistical information on the factors affecting VAT compliance among retail shops in Kenya.

3.2 Population

The target population comprised of 183 retail shops in Nairobi County, (Soft Kenya, 2015). The accessible population of the study comprised of the retail shops in Nairobi County.

3.3 Sampling frame

If the target population is less than 10,000 the required sample size will be smaller and is calculated using the Cochran formula below (Mugenda and Mugenda, 2003).

$$nf = \left(\frac{n}{1 + \left(\frac{n-1}{N} \right)} \right)$$

Where nf = sample size

n = unknown population

N = the known population size

$$\text{Where } n = \frac{(z^2)pq}{e^2}$$

$$n = \frac{1.96^2 (0.5)(0.5)}{(0.05)^2} = 384$$

The Z statistic is taken as 1.96 with p a desired accuracy of 0.5 level, q being 1-p and e is the margin of error

$$\text{Therefore sample size } nf = \frac{384}{1 + \left(\frac{384-1}{183}\right)} = 124$$

3.4 Sample and sampling technique

The sampling technique used was systematic random sampling a probability sampling method in which sample members from a larger population are selected according to a random starting point and a fixed periodic interval. The periodic interval called the sample interval will be calculated by dividing the population size by the desired sample size.

3.5 Data collection instruments

Primary data was collected through the administration of questionnaires to the managers of the retail shops. Questionnaires were the main data collection instrument used to obtain data on the independent variables; tax audit, tax education, compliance cost and partly the dependent variable i.e. VAT compliance. The questionnaire consisted of open and close ended questions. In addition, the questionnaire was designed with questions to cover all the study variables with multi- statements designed on Likert scale of five points.

3.6 Data collection procedure

An introduction letter was issued to the sampled entities for consent to collect data from the respondents. The questionnaires were administered to the respondents directly by the researcher.

3.7 Pilot testing

A pilot study was undertaken on 12 of the retail shop managers in Nairobi County to test for the reliability and the validity of the questionnaires .The rule of the thumb is that 10% of the sample will constitute the pilot test (Cooper & Schilder, 2011).The proposed pilot test was within the recommendation. Pilot testing was conducted to help identify and change confusing, awkward, or offensive questions and techniques thereby enhancing the validity and reliability of the research instruments (Babbie, 1998). Reliability is a measure of the degree to which a research instrument yields consistent results after repeated trials (Mugenda &Mugenda, 2003).

3.8 Data analysis

Data analysis was guided by the research objectives presented. Once the questionnaires had been administered, the mass of raw data collected from the field was to be systematically organized to facilitate data analysis. Descriptive statistical analysis was carried out in accordance with the study objectives by use of (SPSS) program assisted in generating graphs and pie charts, means and tables.

Quantitative data was analyzed using statistical package for Social Sciences (SPSS) program. Precisely, this study was needed to establish relationship between the independent variables (tax audit, tax education, compliance cost) and the VAT compliance as dependent variable. Multiple regressions was done to attempt to determine whether a group of variables together would predict a given dependent variable (Mugenda & Mugenda, 2003). The multilinear regression equation was used to describe the dependent variable in terms of the independent variable based on the regression model. Faraway (2002) states that multiple linear regressions is used in situations where the number of independent variables is more than one. Multiple regression analysis is also valuable in quantifying the impact of various simultaneous influences upon a single dependent variable.

Jackson, (2009) states that multiple regression analysis involves combining several predictor variables on dependent measure. The following multiple linear regression model was used to fit the data. $Y = \beta_0 + \beta_1x_1 + \beta_2x_2 + \beta_3x_3 + e$

Where; X1 the Tax Audit

X2 the Tax Education

X3 the Compliance Cost

Y the VAT compliance

B0 is a constant which is the value of dependent variable when all the independent variables are 0.

β_i ; $i = 1, 2, 3$ is the regression coefficients which measures the change induced

by X_i ; $i = 1, 2, 3$ on Y.

e is the error term.

Multiple regression analysis was conducted on each of the hypothesis indicating whether the individual hypothesis was statistically supported or not at 95% confidence level (Cooper & Schindler, 2008). t- test based on t - distribution was used for judging the significance of the regression coefficient b_i (Kothari, 2004). Test of significance helped the researcher to determine whether obtained results were held at a given confidence level (Mugenda & Mugenda, 2003). t- test of significance was used to test whether the change of the independent variables (tax audit, tax education, compliance cost) were statistically significant at 95% confidence level.

The Pearson Bivariate correlation coefficient was used to test the strength of the relationship between independent and dependent variables .The Pearson correlation coefficient is a measure of how closely related two variables are. The coefficient of correlation (r), determine the degree (strength) of relationship and its value is between -1 and 1. A value 0 implies no relationship, 1 implies a perfect positive relationship, -1 means a negative relationship. An absolute value of r between 0.5 and less than 1 implies a strong relationship between the variables. If the value r is greater than 0.3 and less than 0.5 then the relationship is moderate. The relationship is weak if the value of r is less than 0.3 (Kothari, 2004).

The Cronbach's Alpha was used to test the reliability of the responses from the respondents. Cronbach's test was used to check the validity of the sample in order to make sure that it was reliable. (Cronbach, 1951).

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSION

4.1 Introduction

This chapter deals with analysis of data on factors affecting VAT compliance among retail shops in Nairobi County. Objectives of the study were to determine; effect of tax audit, tax education and compliance cost on Value Added Tax (VAT) compliance among retail shops in Nairobi County. This chapter presents findings and results using descriptive and quantitative research designs.

4.2. Response Rate

The study targeted a total of 124 respondents on the factors affecting Value Added Tax compliance among retail shops in Nairobi County. Out of the 124 questionnaires issued, 95 were returned giving a 77% response rate (Table 4.1.) which is considered very good according to Mugenda and Mugenda (2003)

Table 4.1 Response Rate of Respondents

	Frequency	Percentage
Returned	95	77.00
Did not return	29	23.00
Total	124	100.00

4.3 Demographic Information

4.3.1 Respondents Gender

Based on research findings, 55.7% of respondents were male and 44.3% were female (Fig.4.1) , demonstrating that the retail sector in study site is dominated by men.

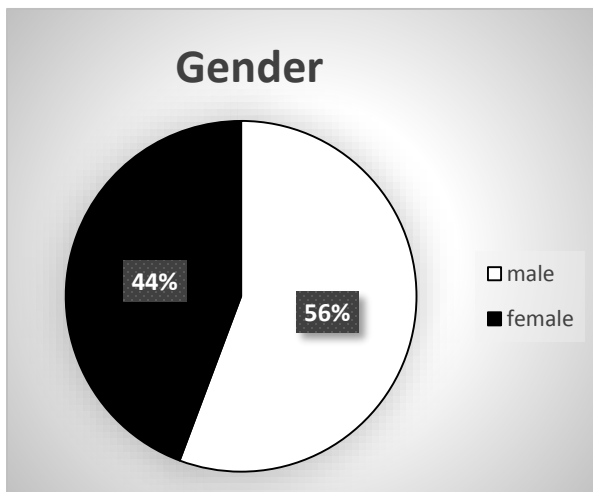


Figure 4.1 Respondents Gender

4.3.2 Respondents Level of Education

Majority of the respondents had achieved post graduate (39%) and graduate (36.8%) education level (Table 4.2)

Table 4.2 Respondents level of Education

Education	Frequency	Percent
Primary	0	0
Secondary	3	3.1
Certificate	20	21.1
Graduate	35	36.8
Post- graduate	37	39
Total	95	100

4.3.3 Personal Identification Number

The researcher inquired if respondents' business had a PIN in order to determine whether they were registered for VAT. Results showed that majority (81.8%) had a PIN, with only 18.2% reporting not to have one (Table 4.3)

Table 4.3 Does your retail shop have a PIN?

PIN	Respondents	Percentage
Yes	78	82.1
No	17	17.9
Total	95	100

4.4 Data Validity

Reliability of the questionnaire was evaluated through Cronbach's Alpha to determine internal consistency (Table 4.4). Cronbach's Alpha was calculated with SPSS software version 20 for reliability analysis. Alpha values range from 0-1. Based on the range, the numbers are used to

describe reliability extracted at 0.5 significance level from dichotomous and multi-point formatted questionnaires or scales.

Table 4.4 Reliability Coefficients

Scale	Cronbach's Alpha	Number of items
VAT compliance	0.784	4
Tax payer education	0.728	4
Tax audit	0.753	4
Compliance Cost	0.714	4

VAT compliance has the highest reliability of ($\alpha= 0.784$), followed by a tax audit of ($\alpha= 0.753$), taxpayer education ($\alpha= 0.728$) and compliance cost ($\alpha= 0.714$) (Table 4.4). The results illustrate that all the five scales were reliable as their reliability values exceeded the prescribed threshold of 0.7 (Mugenda and Mugenda, 2008; Cooper and Schindler, 2008)).

4.5 Descriptive Statistics

This summarizes the simple characteristics of the relationship between VAT compliance and tax audit, tax education and compliance cost.

The respondents were asked to indicate the factors that have positively or negatively affected VAT compliance among retail shops in Nairobi County in a five point Likert scale. The range was 'very high (1)' to 'very low' (5). The scores of very high have been taken to represent a variable which had a mean score of 0 to 2.5 on the continuous likert scale. The scores of 'average' have been taken to represent a variable with a mean score of 2.5 to 3.4 on the continuous likert scale and the score of both low and very low have been taken to represent a variable which had a mean score of 3.5 to 5.0 on a continuous likert scale. The results are presented in (Table 4.5).

Table 4.5 Descriptive Statistics

	Mean	Standard deviation
VAT Compliance	2.498	1.0193
Tax audit	2.18	1.473
Tax education	1.782	1.536
Compliance Cost	2.9286	1.3716

VAT Compliance has a mean of 2.498 which is an average score implying that retailers are not VAT compliant. Tax audit has a mean of 2.18 an average score which showed that the conducting of tax audit in retail shops had not been done frequently. Tax education had a high mean score of 1.782 meaning that retailers were not well educated on VAT compliance or found the tax system to be incomprehensible. Compliance cost had an average score of 2.9286 meaning retailers found the cost of hiring tax consultants and dealing with complex legislations to be quite expensive.

4.6 Correlation Analysis

The researcher analyzed the relationships that are inherent among the independent and dependent variables using the Pearson Bivariate Correlation analysis (Table 4.6)

Table 4.6; Pearson Correlation analysis

	Y	X ₁	X ₂	X ₃
VAT Compliance	1			
Compliance Cost	-0.775**	1		
Tax education	0.675**	0.538**	1	
Tax Audit	0.710**	0.483**	0.513**	1

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

Results (Table 4.6) showed that compliance cost was significantly negatively correlated to VAT compliance ($r = -0.775$, $p < 0.05$) an indication that compliance cost had a 77.5% significant

negative relationship with VAT compliance. Tax education was significantly associated to VAT compliance ($r = 0.675$, $p < 0.05$) implying that tax education had a 67.5% positive relationship with VAT compliance. Tax audit was positively and significantly correlated to VAT compliance ($r = 0.710$, $p < 0.05$). Therefore tax audit had 71% positive relationship with VAT compliance.

4.7 Regression Analysis

A Multiple linear regression model was used to predict VAT compliance in the research. The prediction was carried out based on the effect of three independent variables; tax audit, tax education and compliance cost. In addition, the b coefficients for each independent variable generated from the model was subjected to a t-test, in order to test each of the research questions under research. The research thus developed a model summary, for the effect sizes and regression model (Table 4.7, 4.8,).

Table 4.7 Regression analysis

R	R ²	Adjusted R ²	Std Error of the estimate
0.526	0.423	0.419	0.12928

Dependent Variable: VAT compliance

Predictors ;(independent) tax audit, tax education, compliance cost

Finding indicated that the adjusted R² was 0.419 (Table 4.7). Which was an indication that 41.9% of the compliance performance was explained by the independent variables (tax audit, tax education and compliance cost) in the model. The remaining 58.1% of the changes in VAT is explained by other factors not in the model. This relationship was significant considering the coefficient of determination value of 0.423.

Table 4.8 Regression Coefficients

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. error	Beta		
Constant	0.433	1.247	-	0.347	0.032
Tax Audit	0.169	0.072	0.111	1.927	0.020
Tax education	0.118	0.070	0.167	1.696	0.009
Compliance cost	-0.033	0.092	-0.035	-0.355	0.0724

4.8 Discussion of findings

The intercept of the vertical axis (Table 4.8) has a value (0.433) and this means that the points where the independent variables are zero then the performance will positive for tax audit and tax education and negative for compliance cost.

Research findings (Table 4.8) showed that tax audit had a positive coefficient estimate of ($\beta = 0.111$, p value= 0.020) implying that audits increased the level of VAT compliance by 0.111 all other factors held constant which was found to be statistically significant with the p value being less than 0.05. The results are in agreement with research by Alm and McKee, (2006) who found that compliance rate rose if an individual knew he will be audited and would fall in situations where there was no audit. . Similar results were reported by Mittone (2006) whose results showed that early experience of audits in taxpayers’ “taxlife” was a more effective way to increase compliance than later audits.

The findings established that influence of knowledge on compliance behaviors was related to the taxpayers’ ability to understand taxation laws and their willingness to comply. Tax education had a positive coefficient estimate of ($\beta = 0.167$, p value= 0.009) (Table 4.8). Based on the findings, a high level of tax education contributes 0.167 to VAT compliance all other factors held constant. This was found to be statistically significant at a 95% with a p value of 0.009 which was less than 0.05. Therefore, it is important to increase public awareness about taxation laws,

role of tax in national development etc. This is in agreement with Kasipillai, Norhani and Noor, (2003) whose research showed that that knowledge related to compliance due to its effect on understanding about taxation regulations and information pertaining to the opportunity to evade tax.

Compliance cost was negatively correlated to VAT compliance with a coefficients estimate of ($\beta = -0.035$, p value =0.0724) (Table 4.8). Research findings show that tax compliance costs (i.e. high tax rates, tax consultants and complex legislations) can induce fraud have a decrease in VAT compliance by -0.035 all other factors held constant Which was found not to be statistically significant at a 95% confidence level given an significance value of 0.0724 which is more than 0.05. Retail shops could create resentment against authorities who impose very high levies and complex tax systems. Which will motivate tax evasion due of high financial advantages and low condemnation rates. Slemrod and Yitzhaki (1996) similarly found that compliance cost is one of the three elements of social costs of taxation which are incurred when purchasing power is transferred from the taxpayers to the government.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter discusses the summary, conclusions, and recommendations of the study.

5.2 Summary

The main objective of the study was to determine factors affecting VAT compliance among retail shops in Nairobi County. Research was conducted to determine the effect of tax audit, tax education, and compliance cost on value added tax (VAT) using questionnaires. A sample size of 124 retail shops from the 183 target population was used with a response rate of 77%. Respondents were determined using a systematic random sampling technique. The study collected primary data from sampled retail shops using self-administered questionnaires. Data collected was analyzed using Statistical Package for Social Sciences to determine effect of tax audit, tax education, and compliance cost on VAT analysis and findings presented in the form of tables and charts.

The results showed that tax audits induced VAT compliance i.e. with increase in audit frequency leading to higher revenue collection. . In a study by Slemrod et al (2001), tax payers were informed that their tax files would be closely examined and those with considerable opportunities to evade, including small business owners, reacted to this message by increasing their tax payments significantly. Similarly, Kirchler et al, (2007) found that a policy based on deterrence would be effective in combination with frequent audits to improve tax compliance.

Based on research findings tax education will create the awareness needed for taxpayers to be more VAT compliant. Therefore, a retailers positive attitude towards VAT compliance could be increased through improved tax knowledge According to Mohd (2010), it is necessary to increase public awareness especially in matters concerning different tax rates for different tax heads, tax laws, and the role of tax in national development as well as how tax collected is utilized by the government.

Results showed that tax compliance costs (high tax rates and tax legislations) could induce fraud. It is projected that retail shops will create a kind of resentment against authorities who impose too high levies and complex legislations, motivating VAT evasion due to high financial

advantages and the low condemnation rates. In addition, because of the complex tax systems, the retailers need to rely on external tax consultants who by means of sophisticated VAT avoidance engineering will minimize tax payments.

5.3 Conclusions

The research showed that independent factors i.e. tax audit, tax education and compliance cost had a significant influence on VAT compliance among retail shops in Nairobi County. Tax audit and tax education had a positive relationship to VAT compliance i.e. increase of the two factors contributed to low non-compliance, while Compliance cost had a negative influence.

5.4 Recommendations

Due to the significant influence of independent variables (tax audit, tax education and compliance cost) on the dependent variable i.e. VAT compliance, it is important that the factors are taken into consideration by the Kenya Revenue Authority in an effort to reduce tax evasion.

Compliance cost has a negative relationship to VAT compliance. The research recommends a tax system with low tax compliance cost so as to improve VAT compliance among retail shops in Nairobi County.

As tax audit and tax education have a positive relationship to VAT compliance among retail shops in Nairobi County, it is recommended that KRA hold more seminars and events that teach retailers more about VAT and furthermore conduct more random tax audit to increase compliance.

5.5 Recommendation for further research

There is need to carry out research on other tax heads in other industrial sectors and other counties in Kenya for this study mainly focused on the VAT tax head in the retail sector in Nairobi so as to ensure all tax head in all sectors and counties pay the various tax heads as and when they are due.

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APPENDIX 1

Introduction Letter to the Respondents

Kenya School of Revenue Administration

P.O. Box 42840- 00100

2nd January 2018

The Retail Shop Manager

.....
.....

Nairobi

Dear respondent,

RE: POSTGRADUATE DIPLOMA RESEARCH QUESTIONNAIRE

I am a postgraduate student at the Kenya School of Revenue Administration. In fulfillment of the requirements of the Post Graduate diploma in Domestic Tax Administration, I am currently undertaking a study on the factors affecting Value Added Tax Compliance among retail shops in Nairobi County.

I therefore request your assistance by availing the attached questionnaire to the manager or whoever is in charge in your retail shop. The information provided will be used for academic purposes and at no instance will your name or that of the retail shop be named in the report. Your assistance will be highly appreciated.

Yours faithfully,

MADEGWA VALARY

KENYA SCHOOL OF REVENUE ADMINISTRATION

APPENDIX 2

QUESTIONNAIRE

The aim of this questionnaire is to examine the factors that influence VAT compliance among retail shops in Nairobi County. The information obtained will be used for academic purposes and shall be treated with utmost confidentiality.

Instructions

Please tick the appropriate box and also fill in the blank spaces provided for the questions that may need further clarification.

SECTION A: BASIC INFORMATION

- I. Kindly indicate your gender Male Female
- II. What is your position in the business?
- Business Owner Accountant
- Finance manager Tax agent/ auditor
- others (specify).....
- III. What is the average annual turnover of the business?
- IV. Does your business have a Personal Identification Number (PIN)?
- Yes No
- V. If yes, what are the tax obligations is the business registered for?
- VI. What is your highest level of education?
- Primary education Secondary education
- Certificate Graduate
- Post Graduate

SECTION B: FACTORS AFFECTING VAT COMPLIANCE AMONG THE

RETAIL SHOPS

1. Levels of taxpayer education

i) Have you ever attended any tax training? Yes No

ii) If yes, who had organized the training?

Kenya Revenue Authority

Education Institution

Professional Experts

others (specify).....

iii) If you need to obtain any information on taxation where would you go for the information?

A business colleague

KRA website

A friend / relative

KRA offices

Professional consultants'

other (specify).....

iv) Do you face any challenges in trying to access information on tax issues?

Yes

No

v) If yes, how would you rate the challenges experienced in the process of raising your tax understanding and knowledge level?

Tick your opinion in a scale of 1 to 5 where 1 is strongly agree, 2 agree, 3 uncertain, 4 disagree, 5 strongly disagree

Challenges	1	2	3	4	5
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Conflicting information from different sources					
Tax system (I tax complexity)					
Required information not readily available					
Delay in feedback on inquiry					
Complex tax acts and brochures					
Lack of enough seminars on tax education					
Difficulty in gaining access to KRA officers					

2. Compliance costs

How much do you spend per month to submit VAT return and pay the tax payable?

Amount spent-internal & external (Kshs.) Tick

less than 5,000

5000 -10,000

10,000-20,000

20,000-30,000

more than 30,000

The following compliance cost an effect on VAT compliance.

Tick the appropriate box where; 1= strongly agree 2= agree 3= uncertain 4= disagree 5= strongly disagree

	1	2	3	4	5
High tax rate					
Tax consultants					

Complex legislations.					
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3. Tax audit

Have you ever undergone a tax audit? Yes No

If yes, How many audits have you undergone

0 -10 10- 20 21-30 31-40 41- 50

Above 50

What extent does the tax audit encourage VAT compliance

Less extent

Some extent

Great extent

SECTION C; VAT COMPLIANCE

	1	2	3	4	5
The retail shops files its VAT returns as and when due					
The retail shop pays the correct amount of VAT on the right time					

Where 1 is strongly agree, 2 is agree 3, uncertain 4, disagree 5, strongly disagree

APPENDIX 3

LIST OF RETAIL SHOPS IN NAIROBI

1. A H Adam Investments
2. A One Supermarket Ltd
3. Acacia Supermarket Ltd
4. Aflose Supermarket Ltd
5. Al-hilal Supermarket & Bakery
6. Alfatah Supermarket
7. Alves Distributors
8. Amana Eastleigh Supermarket
9. Antraca Supermarket
10. Anvi Emporium Ltd
11. Arassan Mini Market
12. Aryuv Agencies Ltd.
13. Asin's Supermarket
14. Bacchus Grocers Ltd
15. Bafagih Supermarket Ltd
16. Banshi Supermarket
17. Basabra Supermarket
18. Basma Plaza
19. Bei Poa Supermarket
20. Benjon Supermarket
21. Betccam Savers Supermarket

22. Betty Matt Enterprises
23. Binka Supermarket
24. Budget Stores Ltd
25. Capital Centre
26. Cash & Carry Ltd
27. Chandarana Supermarket
28. Cheap & Best Supermarket
29. City Mall Nyali
30. City Mattresses Ltd
31. Citywise (1) Enterprises
32. Cleanshelf Supermarket Rongai
33. Daily Basket
34. Duka Moja Supermarket
35. Eagles Supermarket
36. Eastleigh Shopping Mall Kenya
37. Eastmatt Ltd
38. Eastmatt Supermarket
39. Easy Mart Supermarket Ltd
40. Ebrahim & Co Ltd
41. Eldomatt Supermarket
42. Elma Supermarkets
43. Esajo Supermarket
44. Fair Mart Supermarket

45. Fair Price Supermarket
46. Fairdeal Shop & Save Ltd
47. Fairlane Supermarkets Ltd
48. Fairmart Supermarket Ltd
49. Foodies Supermarket
50. Fourty Six Supermarket
51. Galleria Shopping Mall Kenya
52. Galmart Supermarket
53. Garden City Mall
54. Gilani's Supermarket Ltd
55. Happy Valley Supermarket Ltd
56. Hardex Limited
57. Highwayy Mall Nairobi
58. Home Choice Supermarket Ltd
59. Home Depo Supermarket
60. Homecare Enterprises Ltd
61. Homechoice Supermarket
62. Horizon Ivato Supermarket (K) Ltd
63. Jaharis Supermarket
64. Jai Hari Suparmarket
65. Janamu Supermarket
66. Jatomy Enterprises Ltd
67. Jatomy Enterprises Ltd-Chuka

68. Jeniko Stores
69. Jeska Supermarket Ltd
70. Jokies Super Market
71. Jossics Suprmarket
72. K & A Self Selection Store Ltd
73. K F I Supermarket
74. Kaaga Mini Market Ltd
75. Karia Supermarket
76. Kassmatt Supermarket
77. Kawangware Royal Supermarket
78. Keben Supermarket
79. Kefel Retail Stores
80. Kefra Supermarket
81. Kemp's Corner Ltd – General Hardware Wholesale & Retail
82. Kenshop Supermarket Ltd
83. Kenya Motor Sports Foundation
84. Kibao Supermarket
85. Kutata Supermarkets
86. Leens Supermarket
87. Leestar Supermarket
88. Leo Investments Ltd
89. Limumatt Supermarket
90. Lulu Centre Department Store

91. Lulu Centre Ltd
92. Lumumba Drive Supermarket
93. Mama Lucy's Mini Market
94. Mama Watoto Supermarket
95. Mara Self Service
96. Mara Supermarket Ltd
97. Marketways Ltd
98. Mesora Supermarket Ltd
99. Metro Cash & Carry (K) Ltd
100. Midas Supermarket Ltd
101. Mumtaz Supermarket
102. Mzalendo Supermarket
103. Nafuu Supermarket
104. Naivas Supermarket Ltd
105. Naivasha Mattresses Ltd
106. Najjan Shop 2
107. Nakumatt Holdings Limited
108. Nakumatt Holdings Ltd
109. Nan Matt Supermarket
110. New Generation Stores
111. New Muthaiga Shopping Mall
112. New Westlands Stores Ltd
113. Newmatt Ltd

114. Ngong Provision Stores Ltd
115. Oilibya Plaza
116. Panje Supermarket
117. Papaya Mini mart
118. Parklands Price Rite Ltd
119. Plutos Holdings Ltd
120. Powerstar Supermarket
121. Quality Meat Packers
122. Quickmart Supermarket
123. Quincy bakers and Confectioners
124. R B Shah (K) Ltd (Supermarket)
125. R K Supermarket
126. Raiya Supermarket Ltd
127. Ramesh Shah Supermarket
128. Rhamu Mandelo Shop
129. Rikana Supermarkets
130. Rivanas Holdings Ltd
131. Ryan General Supplies
132. Sales Fair Traders
133. Sameer Business Park Ltd.
134. Samrat Supermarket
135. Sarabi Mart
136. Sarit Centre Administration -Sarit Center

137. Seraben Supermarket
138. Seropharm Ltd
139. Setlight Supermarket Ltd
140. Settlers Store Ltd
141. Shaan Enterprises
142. Shan-E-Punjab Supermarket
143. Shariff's Supermarket
144. Shivling Supermarket
145. Skymart
146. Slopes Supermarket
147. Stage Mattresses Ltd
148. Stagen Enterprises Ltd
149. Stan Matt
150. Stop & Shop Supermarket
151. Style Connection
152. Sunshine General Merchants
153. Sweet World Supermarket
154. Tesco Corporation Ltd
155. Tesia Supermarket
156. The Junction
157. The Mall
158. The Sarit Centre
159. The Stage Market

160. TopScores Bookshop
161. Town Centre Shopping Ltd
162. Trans-Mattresses Ltd
163. Tumaini Self Service Ltd
164. Tumaini Supermarket
165. Tusker Mattresses Ltd
166. Uchumi Holdings Ltd
167. Uchumi Supermarkets Ltd
168. Uchuzi Supermarket
169. Ukwala Supermarket Ltd
170. Variety Shop
171. Venture Mini Supermarket
172. Village Market, The
173. Waiyaki Way Supermarket
174. Warwick Holdings Ltd
175. Wateule Supermarket
176. Westgate Shopping Mall
177. White Candle Supermarket
178. Woolmart Ltd
179. Yako Supermarket
180. Yatin Supermarket
181. Yaya Centre
182. Yaya Towers Ltd

183. Yogi Supermarket

<http://softkenya.com/directory/retail-shops-in-nairobi>