

**INFLUENCE OF TAXPAYER EDUCATION ON ELECTRONIC TAX  
REGISTRATION COMPLIANCE AMONG SMALL AND MEDIUM  
ENTERPRISES IN NAIROBI CENTRAL BUSINESS DISTRICT**

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**DECLARATION**

This project is my original work and has not been presented for examination in any other institution, either in part or as a whole.

Signature..... Date.....

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This project has been submitted for examination with my recommendation and approval as an institution supervisor.

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Signature..... Date.....

## **DEDICATION**

To my parents Mr. Edward Onchoka and Mrs. Florence Onchoka, who have established the framework for my education and for quite a long time have motivated me to hard work, reinforce my confidence later on and for the most part, kept me going.

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## **LIST OF ACRONYMS**

<b>KRA</b>	Kenya Revenue Authority
<b>ETR</b>	Electronic Tax Register
<b>CBS</b>	Central Bureau of Statistics
<b>VAT</b>	Value Added Tax
<b>TOT</b>	Turn Over Tax

## **DEFINITION OF TERMS**

**Tax Compliance**            The extent to which a taxpayer complies or fails to comply with tax  
Laws

**Taxpayer Education**    Programs set to educate taxpayers in regarding their tax rights,  
Obligations as well as legal requirements

**Tax evasion**                Illegal underpayment or non-payment of tax

**Tax Avoidance**            Legal financial arrangement to reduce the tax liability of a taxpayer.

**ETR**                            This is a Cash Register but with Fiscal Memory

## **ABSTRACT**

The consistently rising financial and economic needs of Kenya and the budget constraints that continually exist, compromise the Kenyan economy in terms of sustainability and as well as development. The motivation behind this study is to analyze the result brought by educating the public on their involvement in tax collection by the Kenya Revenue Authority. More specifically, the study has limited the role played by the public in demanding ETR receipts upon procuring goods to enhance compliance. This will be discussed in this study and further narrow the study to show how the Kenya Revenue Authority has improved the collection of revenue. The target population of this study is taxpayers who fall under the section of small business owners in Nairobi. Although there are over 100000 taxpayers within Nairobi, a sample will be considered for investigation. The sampling method to be used is the purposeful homogenous sampling method narrowing the population to 100 taxpayers. Although several elements are influencing the collection of tax, Kenya's tax performance has fundamentally improved in ostensible terms in the past few years averaging about 70% of the economic size. Through this, the Kenyan government has been empowered to back 90% of its budget. Due to its significance, tax policy discussions, and basic leadership turn into a basic issue to general society, organizations and the economy everywhere attributable to the changed effect that it will have on every one of these elements. A few components have prompted this better execution in revenue collection and, therefore, this study mainly placed its focus on the influence of involving the public in Electronic Tax Registration compliance will contribute to revenue collection. Data used was primary data. The data collection methods used were questionnaires and interviews. The analyzed data was presented using tables, editing, and figures. The data was further coded and entered in the Statistical Package for Social Sciences (SPSS) to ensure ease in the presentation

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background of the problem**

Tax is an obligatory contribution levied by the government through appointed tax authority on the taxpayer's income and business revenues for which nothing specific is received in return by the Taxpayer. Failure to be compliant with taxation laws (tax evasion, avoidance, and non-compliance) is punishable by law. Taxpayers desire to minimize their overall expense while maintaining maximum revenue margins and as such, they will strive to reduce their tax obligations. This conflicts with the Government's goal of broadening the tax base and enhance tax compliance levels to increase revenue through taxation. Therefore, equilibrium needs to be reached to ensure business interests between the taxpayers and the government do not conflict. Lymer & Oats (2009) alludes that one strategy the governments can use to simplify tax requirements and procedures is by enhancing taxpayer education. These strategies should aim at improving the taxpayer's attitude towards being compliant with tax laws. Andreoni, Erard & Feinstein (1998) suggest that tax compliance should be viewed as the taxpayer's willingness to adhere to tax laws in a bid to achieve economic equilibrium in a country. This perspective is supported by the assertion of Kirchler (2007) that tax compliance is the willingness of a taxpayer to pay taxes willfully and honestly.

Governments around the world are grappling with the impact of the evasion and avoidance on tax revenue collection. Tax avoidance is termed legal as it involves careful tax planning and arbitrage to reduce tax obligations. Tax evasion on the other hand is an illegal crime in most nations since it is characterized by businesses failing to comply with tax laws intentionally through creative accounting such as concealing income and overstating expenses. It is a great concern for both the developed and developing nations (Rile, 2011). It reduces resource mobilization to fund various

government expenditures such as Health and Infrastructure (Cummings, 2007). Griffiths (2005) alludes that The Kenyan government, for instance, can increase its social expenditure by reducing loopholes for tax evasion in the informal sector.

As with the Kenya Government through KRA, many governments around the globe have tried to lay policies aimed at broadening their tax base and lessen the tax burden. China, a country characterized by a rapid change of business models and ballooning economic activities each day has largely reaped the benefits of digitalizing its tax system (ICAEW, 2019). Even though faced with the challenges of a vast geographical and demographic coverage and a highly varied tax policy, China has been able to make progress through her State Administration of Tax (SAT) to digitalize the process of tax filing since 1994 under the banner golden tax project (ICAEW,2019). SAT has been able to expand to mobile platforms such as Wechat and Alipay for tax payments and compliance.

According to the Transparency International Index of 2017, Brazil is reported to have suffered high levels of fraud and corruption indexed at a score of 37. One major area that was of concern was the rising cases of tax evasion. In response, Brazil adopted a system of mandatory e-invoicing which must be created whenever a taxable transaction was initiated, and the process automatically generates a copy submitted for the approval of the tax authority. This has since been a success at curbing the rampant tax evasion and fraud that once plagued Brazil (ICAEW, 2019) Similarly, Singapore introduced a new CorpPass system in September 2016 which was a sole means of accessing tax services from the Inland Revenue Authority of Singapore. This had been arrived at after concerns were raised about the complexity and security of a tax filing system that depended much on tax agents and employees filing tax on behalf of the companies.

It is estimated that Nigeria has lost \$400 billion since gaining independence. Due to its rank at 136 against 176 in the Transparency International Corruption Perception Index, Nigeria is termed to be amongst the most corrupt countries in the world. This has prompted the government to digitalize VAT and CIT return filings and registration of the companies. Though this initiative is at infancy (ICAEW, 2019).

According to a study done in Rwanda recently, it was estimated that there over 65,000 micro and small-scale businesses in the country, of which only about 1000 of these businesses are registered with the Rwandan tax authority rounding to a tax compliance of less than 2%. In South Africa, the tax compliance level is estimated to be only 1.02% based on a population of over 45 million and only 480000 registered VAT tax payers. Some of the advantages of automation include the reduction of fraud, access of information remotely, improved collection of statistics, and applying of tax legislation uniformly.

The current law has put in place measures to ensure that VAT registered businesses should issue cash sale receipts and/or tax invoices which must be either ETR generated or supported by ETR receipts. The VAT act Cap 476 (Laws of Kenya), requires that once a taxpayer is registered, should always display VAT certificate, issue ETR generated receipts, declare correct returns and submit returns on time. Failure to which, one shall be subjected to heavy fines and penalties. Businesses with less than five million per annum, however, have no obligation to register for VAT and thus, they legally don't have to use the ETRs. For such businesses that do not attain the threshold required for VAT, a Turnover Tax (TOT) has been introduced by KRA which is mainly based on gross sales. This came into effect from 1st January 2008. Regardless of the reforms set up by KRA, a good number of SMEs still neglect to comply and thus, this study advocates for ETR education to the public to deal with ETR noncompliance among the SMEs.

Taxpayer education is referred to as the process of enlightening the public about taxation laws and why every taxpayer must be compliant (Aksenes, 2011). This enables taxpayers to know their due obligations to the reigning government. Misra (2004) defines the importance of taxpayer education to be threefold: Impart knowledge to taxpayers with respect to taxation laws and compliance; change taxpayer's perception and attitudes towards tax and initiating voluntary tax compliance. This prompted a unit for taxpayer's education to be formed by KRA in the year 2005. Marina et al. (2002) asserts that the only viable means known for resource collection to fund public expenditure for services and goods is Taxation. The government, therefore, through an act of Parliament established The Kenya Revenue Authority in the Year 1995, July 1<sup>st</sup>. The Tax Collection Authority, acting as an agent for the government, was mandated to assess, collect and account for each and every revenue which is due to the Kenyan Government as stipulated by the Kenyan law. Depending on a business' turnover and income levels, a taxpayer can be categorized as small, medium or large. However, every taxpayer in Kenya irrespective of their size is expected by the law to act in accordance with VAT, Withholding Taxes, PAYE, Customs duty, and Income Tax

Introduced in 1990, Value Added Tax (VAT) on consumer expenditure was created to replace sales tax that were in operation in the last 17 years. Its introduction was the government's measure to increase its revenue by expanding the tax base. The VAT is levied on the consumption of taxable goods and services supplied in Kenya or imported into Kenya. VAT is collected at selected and submitted to the KRA by persons registered as agents for the government (Simiyu 2003). An empirical study that was previously conducted by Moyi and Ronge (2006), shows that VAT contribution approximately averages to around 5% of GDP between the years 1990 to 2005. The average total tax contribution to GDP for the same period was 19.8%. This points out that VAT

contributes a substantial growth to the Kenyan economy. Another study conducted by Waris et al, (2009) revealed that despite the importance of VAT in the national budget, the period between the years 2000-2003 showed that VAT had the highest share of total tax (above 30%).

The contribution tendency of VAT however declined in total taxes collected since 2003 onwards. This thus created room for involvement reforms. The Kenya Revenue Authority (KRA) brought forth a number of improvements in its revenue system of collection that included the introduction of Electronic Tax Registers. Electronic tax filing, or e-filing, refers to a system that enables electronic revenue submission that does not need paper documents. Globally, e-filing systems are government applications that are being highly utilized. These systems favor the governments since they are able to avoid most of the taxpayer's mistakes in manual filings, as well as assist in fighting tax evasion through data matching (Manly et al, 2005).

Introduction of ETRs in Kenya was in the beginning of a controversial and highly faced resistance from business people. Traders based their arguments on motions such as, ETRs would increase the taxpayers' burden, especially those whom had different systems to account for VAT and sales. Others raised arguments such as, cost of implementation being high, some ETRs having malfunctions, suppliers were being unresponsive, et cetera. KRA got back to this issue by giving education, information, as well as communication programs to encourage use of ETRs. Also, KRA developed a facilitation scheme in which taxpayers would acquire ETRs, then it got refunds through the VAT system. In the initial stages of its application, the prosperity of the ETR machines in Kenya was under scrutiny. According to Kathuri (2006), the gadgets had failed in 21 countries including Tanzania. To make a more accurate estimate of the level of tax compliance, a comparison can be made between the number of tax registered businesses and estimates of the level of business activities in a given country.

## **1.2 Statement of the problem**

Automation of revenue collection added a crisp touch to the once stifling Kenya Revenue Authority (KRA). With the establishment of the Electronic Tax Register, Kenya Revenue Authority collected Sh534 billion during the 2008/2009 budgetary year contrasted with Sh298 billion gathered in the 2004/2005 period, an extraordinary improvement. This innovative move among different components has helped record an increment of 22 percent to the (GDP) and has seen the government record a 95 percent target. The framework has improved a consistent progression of data between KRA, Central Bank of Kenya and other government offices. While KRA believes that the adoption of ETR in Kenya has significantly its revenue collection and operations efficiency, it has not been without mixed reactions, perceptions, and resistance.

However, this system faces a few difficulties in its usage. The fundamental one being the business community staying away from utilizing it and issuance of ETR receipts whenever one procures goods to evade taxation. This, however, can be controlled if taxpayers are engaged with the compliance of Electronic Tax Register thus prompting research that will examine the impact of tax education on Electronic Tax Register enforcement.

It has been cited that handling of ETRs, recurrent costs as well as higher costs of compliance associated with the adoption of ETR possess the greatest challenges with respects to ETR enforcements by KRA. Additionally, there are challenges associated with payments of ETRs, maintenance costs, installations costs as well as annual checkup costs have made most SMEs to opt for tax evasion or intentional tax defaulting. Similarly, some SMEs are yet to embrace the use of ETRs in filing their returns. This is despite the utility in reducing the burden of cross-checking files and records.

There have been doubts about the quality of training and services offered by suppliers of ETRs to SMEs. Fixing technical ETR issues has proved to be expensive for SMEs due to insufficient training to handle these technical problems associated with ETRs. This has hugely contributed to the additional costs of operating ETRs coupled with the fact that it is only officials from KRA who adequately understand the operationalization of ETRs. Some SMEs have opted not to purchase ETR machines owing to their inadequate operational skills. This has resulted in low compliance levels with tax collections consistently falling below the set targets.

The researcher, therefore, identified the need to conduct public education campaigns and awareness to increase levels of adoption of ETRs in business settings. This will create a positive perception of ETR utilization regarding tax obligations.

### **1.3 Research Objectives**

#### **1.3.1 General objective**

This study was seeking to investigate the influence of taxpayer education modes on ETR compliance and the collection of revenue by the Kenya Revenue Authority.

#### **1.3.2 Specific Objectives**

- i. To establish the influence of electronic education on taxpayer education on ETR compliance in Nairobi
- ii. To examine the influence of print media on taxpayer education on ETR compliance in Nairobi
- iii. To assess the influence of relationship management programs on taxpayer education on ETR compliance in Nairobi.

## **1.4 Research Questions**

- i. What was the influence of electronic education in Electronic Tax Register compliance?
- ii. How did print media education impact on Electronic Tax Register Compliance?
- iii. What was the influence of relationship management programs in Electronic Tax Register Compliance?

## **1.5 Justification of the study**

### **1.5.2 KRA**

KRA is the arm of government which collects tax after parliament passes laws concerning taxation. To achieve Vision 2020 destinations, KRA requires a progressively eager revenue structure to wipe out the spending shortfall and accomplish normal income development of 24.3%. Insights gained from this study will be beneficial to the Kenya Revenue Authority in enhancing the public education activities and adopt various methods to reach the general public to participate in the enforcement.

### **1.5.2 Policymakers**

The study will be of significant contribution to policymakers by giving a full understanding of the impact brought by involving the public on measures put in place to curb tax evasion.

### **1.5.3 Taxpayers**

The public will understand why they are supposed to get involved in ETR enforcement and compliance by demanding ETR receipts upon the procurement of goods.

### **1.5.4 Business people**

Entrepreneurs and SME management will use insights gained from this study to understand the positive financial implications related to electronic recording of transactions. Through this, various

challenges such as record keeping that affect the growth and development of small businesses will be addressed. Also, it will assist in enhancing patriotism.

### **1.6 Scope of the study**

This study shall be restricted to SMEs in Nairobi Central Business District. The population residing in Nairobi is around 7 million people. The objective population for this research is the SMEs located in the Central Business District. This will help the researcher to conduct the study on schedule, as contradicted to the huge population which whenever embraced, could take additional resources and time in illustration end.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The aim of this chapter is to review and outline different schools of thought on the role of public education on Electronic Tax register enforcement. Various theories advanced by different scholars about Electronic Tax Register Compliance have been identified and put across. The researcher further highlights the findings of various authors and presenting their results on the role of public education in enforcement of Electronic Tax Registers in the SME sector.

#### **2.2 Theoretical literature**

Theories are formulated to understand, predict and explain a phenomenon, and on many scholarly occasions, to extend or challenge the existing knowledge base while working within the boundaries of carefully-thought bounding assumptions. This section will, therefore, demonstrate a deeper understanding of concepts and theories whose relevance align with the objectives of this research and also relate to the broader knowledge spectrum that will be put into consideration by the researcher.

Concerning the study questions outlined in chapter one, the researcher will review pertinent theoretical studies and concepts as well as relevant analytical models.

This study heavily borrows from the existing scholarly works which are increasing each day. It is premised on the following theories that have been advanced by various scholars with respect to Electronic Tax Register compliance.

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

Proposed by Icek Ajzen in 1989, the theory of planned behavior was brought along as an extension of Ajzen's previous theory of reasoned action. This theory is meant to enable us understand how the human race can change or adopt to a behavior, such as reducing addiction. Simply, it teaches us on how to apply self-control.

In this theory, it is claimed that human behavior is mainly altered by intentions. The intentions may vary in terms of strength and they are influenced by three factors which are, behavioral attitudes about the outcome of the behavior and the value placed upon the outcome, an individual's perspective on how others would see the behavior, and the extent to which one can actually pursue the behavior. This theory has the ability to explain various processes that lead to addiction, and also be used to bring about programs that ensure long lasting changes in the addictive behavior. This theory therefore focuses on morals and ethics of the taxpayers. The theory argues that even when the probability of detection is low, the taxpayer will most likely comply. While theories of economic deterrence lay emphasis on increasing audits as well as penalties so as to solve compliance, physiological theories defer by laying emphasis on changing people's attitudes towards the tax systems. Most of the educational programs have their direction towards behavioral change and thus the basic goal of most education programs is directed toward behavioral change. Being the case, behavior analytical theories of change and learning theories can best explain how education can change the behavior of an individual (Svetna and Taumo, 2007). Change theory is used to predict behavior change, which assumes that when the problem relating to behavior exists; there should be modifiable factors that contribute to the problem. Some of the modifying factors are knowledge, attitudes, intentions, interpersonal support, organizational and environmental conditions. The theory assumes that education is fundamental, in bringing about change in the

modifiable factors, and taxpayer education is expected to change this behavior. Education changes the behavior of an individual by affecting the way he or she makes decisions (Denis and Mehila, 2002). It, therefore, has a significant positive impact on the behavioral change of an individual (Campbell, 2008)

### **2.2.2 Optimal Tax Theory**

The theory is premised on the precept that the Government desires to raise a given revenue amount. Additionally, taxation distorts economic choices which possess the issue of setting taxation to minimize the distortion which occurs thereof (Bordignon et al., 1997)

In the context of this theory, a clear equilibrium needs to be struck between optimizing tax charges levied on SMEs since high tax charges will lead to incidents of tax defaulting and evasion. This will put a cap on maximizing tax collection by the national and county governments.

Emanuele (2012) expounds the concepts of this theory further to include the lump-sum techniques and the need for tax laws to reflect equity as well as social welfare maximization as the main goals of policymakers. The models formulated by the government using this theory as its basic tenet will strive to meet the thresholds of an efficient tax system that encompasses stability, equity, efficiency, flexibility, transparency and cheapness (Emanuele, 2012). Optimal taxes are outlined as taxes chosen by the government to optimize societal welfare given the revenue amounts that are aimed to be collected while reducing the tax burden. This theory, therefore, informs the opinion that KRA should avoid increasing tax rates in their bid to maximize revenue collections, to levels which will burden SMEs. It could be a catalyst for tax evasion.

### **2.2.3 Economic Deterrence Theory**

The theory got developed by Becker in 1968 whereby she premised it on the concept that if consequences of committing a crime exceed the benefit they will derive from the crime, then they will be discouraged from carrying out the crime. Taxpayers' behaviors are influenced by various factors that include efficiency of tax system and tax rates in establishing possible benefits of tax evasion, probabilities of detection and punishments for fraud which will determine the costs (Allingham & Sandmo, 1972) Individuals are aware of what composes right and what composes wrong and repercussions related to their actions. Proponents of this theory opined that individuals will either choose to comply with or fail to comply the tax laws after assessing the benefits and repercussions of their actions.

This model calls for severe penalties if detection is likely. Hence few individuals will evade tax. Contrastingly, low detection and audit probabilities will result in tax evasion. Even though the theory focusses more on the coercive side of compliance over consensual compliance, the theory is effective at deterring tax non-compliance. The fear of getting caught is an effective strategy for inducing truthful behavior. Principles of these theories have been adopted by tax administrators when developing tax legislation that relies on penalties and probabilities of detections (Allingham & Sandmo, 1972)

However, there is need to for taxpayer education to emphasize on changing individual's perception and attitude towards the tax system by increasing its perceived fairness and making it easy to comply with the tax law through such measures as superior website information, increased telephone assistance and appropriate information technology (Trivedi, Shehata, and Mestelman, 2005).

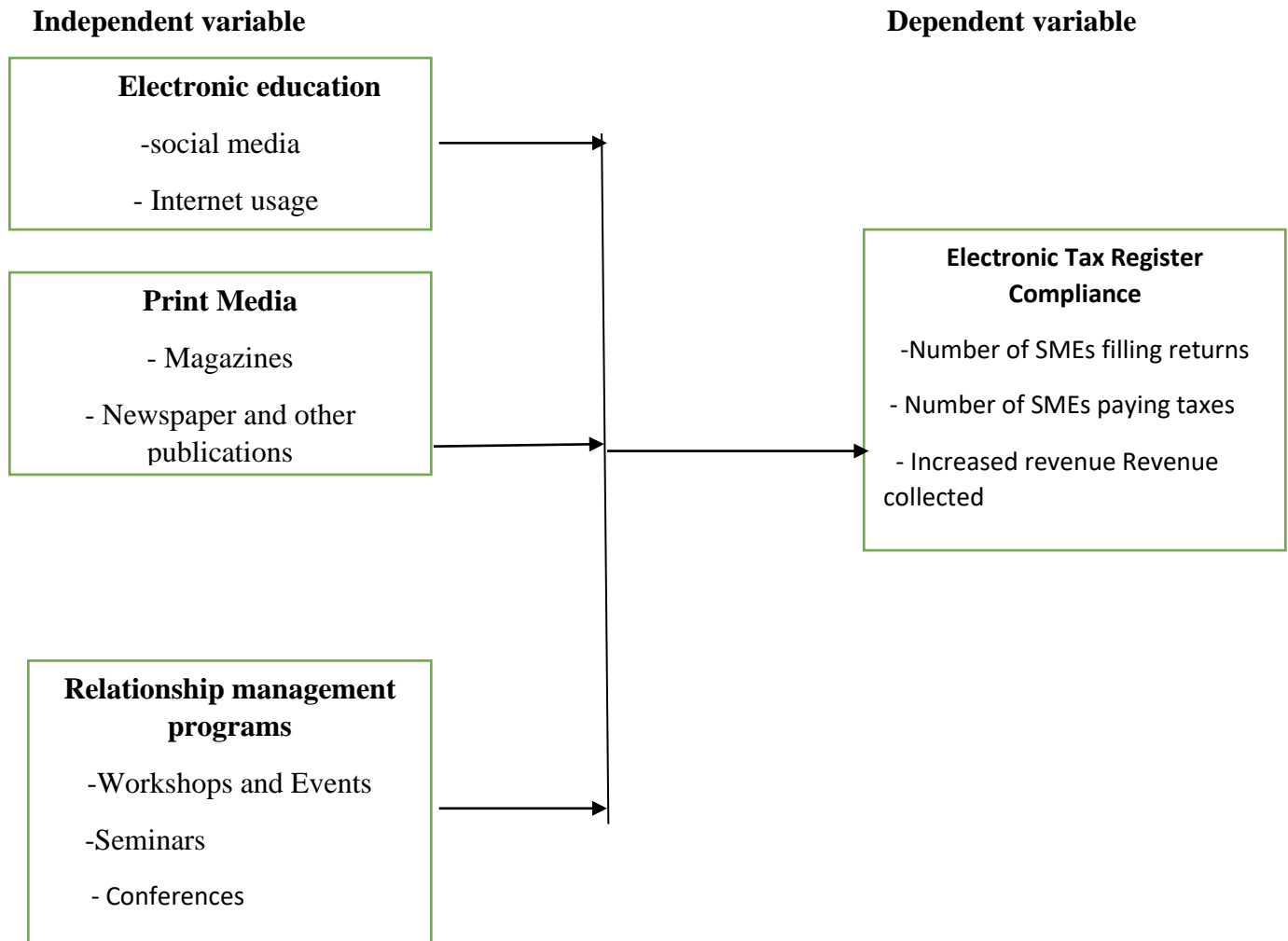
## 2.3 Conceptual framework

Conceptual framework is a written or visual presentation that “explains either graphically, or in narrative form, the main things to be studied, the key factors, concepts or variables and the presumed relationship among them (Miles et al, 1999). It can also be defined as a set of broad ideas and principles taken from relevant fields of enquiry and used to structure a subsequent presentation (Wong and Wai-Yee, 2015). The figure below shows the conceptual model depicting the nature of relationship between the independent variables and the dependent variable.

As shown on figure I below, the Independent variables of the study will be tax education measured in terms of the use of electronic taxpayer mode of education, print media form of education, and Relationship management program taxpayer education in the form of seminars and workshops towards taxpayer education programs adopted by KRA in Nairobi CBD.

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.

**Figure 2.1**



## **2.4 Empirical review**

### **2.4.1 Tax compliance**

Tax compliance refers to satisfying all-expense commitments as dictated by taxation laws of a given country. The SME sector has seen little proportionate assessment charges globally. Relatively high compliance costs, penalties, and tax rates are some of the factors that prompt incidents of tax avoidance, evasion, as well as duty extortion. The nature, size, and activities of SMEs pose a challenge to authorities to ensure high compliance levels in this sector. (Williams and Round, 2009). Taxpayers neglect to agree to imposed laws either energetically or reluctantly. They incorporate duty dissidents and expense resisters. Assessment dissenters endeavor to avoid the installment of expenses utilizing elective elucidations of the assessment law, while charge resisters decline to settle a government expense for honest reasons. SMEs are described by size, vulnerability, advancement, and development. Appropriate comprehension of SMEs requires a decent understanding of its tasks (Webley, 2004).

The SME division in Kenya utilizes over 780% and is presently getting a great deal of government consideration as it is viewed as the answer for the devastating joblessness particularly for the adolescent. Over 60% of Kenyan populace is young and jobless. In 2008, Kenya encountered postelection brutality which left more than 1,000 individuals dead and 500,000 dislodged. And keeping in mind that this may have been politically actuated, the fuel was the young joblessness and the pounding destitution. This acknowledgment has re-invigorated the administration's purpose to address the joblessness with such activities as 'Kazi kwa vijana.' The SMEs in Nairobi CBD are described by an assortment of shops, counting; cafés, bars, boutiques, sustenance merchants, electronic, cyber, scientific expert, salon/stylists, Shoe sparkles, transport (taxi), broadcast appointment, fitting, little scale ventures, inns and visitor houses and arrangement of

social administrations, for example, wellbeing, recreational and instructive offices. The casual area is evaluated to establish 98% of business in Kenya, contributing 30% of employment and 3% of Kenya's GDP. The legislature perceives the job of the casual segment and looks for approaches to incorporate these organizations into the formal area. As per the 2017 Doing Business in Kenya report, the simplicity with which organizations can be enrolled has a bearing on the number of business individuals who begin organizations in the formal area, prompting occupations and greater government income (Adefolake Adeyeye, 2016).

In Kenya, there is a concern on how to efficiently ensure tax evasion and avoidance levels are reduced to negligible levels. Non-compliance incidents cause the government to lose billions in revenues. To ensure instances of tax evasion, avoidance and intentional tax defaulting is kept in check, the government must undertake measures that involve a mix of services, enforcement, litigation, processing and legislative activities aimed at ensuring a taxpayer is compliant with tax laws. In executing these activities, it is significant for the tax authorities to establish an ability to measure the degree of achievability of such outcomes (OECD 1999).

Amongst the measures that were undertaken by the government so as to ensure fair and efficient auditing and revenue reporting was the introduction and adoption of Electronic Tax Registers. The ETR system will capture sales that are entered in the electronic accounting system. However, this system is not foolproof at ensuring tax compliance. If a business opts not to issue ETR generated receipts and invoices, the ETR will not capture those sales that are not electronically recorded. The success of ETRs in ensuring tax compliance will much depend on measures laid by KRA in ensuring that such unrecorded sales are adequately and accurately entered into the ETR system. Therefore, it is prudent for KRA to embark on public education and sensitization programs and training to raise awareness on the benefits of using ETRs by SMEs who make the majority business

establishments in Nairobi city, and by extension Kenya. The SME customers also must be made aware of why they should insist on ETR generated invoices (Price transparency and efficient return policies).

#### **2.4.2 Electronic Education.**

A research conducted by Gray (2003) aimed at assessing the behavioral and economic factors influencing tax compliance. The study's objective was to investigate the financial and social components that affects the duty consistence among taxpayers with the assessment punishment pardon framework. The components that caused people to evade due government obligations within the required period and not proclaiming their total income revenue as; nature of multifaceted duty laws, obliviousness of the expense laws, the capacity to pay, the perception of high duty rates and the ignominy of the assessment framework were identified by the respondents.

Nawawi, (2010), sought to investigate ICT abilities required by a crisp bookkeeping graduate joining a duty firm for the first time. The objectives Nawawi's study included; To discover the use of e-tax applications in duty practice; To evaluate the rating of senior assessment specialists on new alumni's ICT and e-tax applications aptitudes, and to request charge professionals' feeling concerning ICT abilities and duty programming into an expensive course. The examination embraced a review research plan that was led online by the utilization of surveys. The examination discovered that information on ICT and electronic duty frameworks among understudies had a positive effect on consistency. Therefore, these electronic media that exploit electronic innovation may integrate Television, radio, fax, web, DVD, CD-ROMs and other electronic media that requires computerized encoding of data or power. However, electronic media is oftentimes adequately utilized alongside print media.

### **2.4.3 Print Media Education**

Angus Young, et.al, (2016) study tried to audit inquire about Kenya's expense consistence. Although the actual study is still premature, the size of the issue may be under-evaluated, or if nothing else overlooked. The viability of media battles in the TV, utilization of assessment data magazines, business clients/prospects and national papers will improve mindfulness among consumers

### **2.4.4 Relationship Management programs**

Kenya Revenue Authority holds workshops to sharpen citizens on their role to tax compliance. This is normally directed under partner commitment system with destinations of; upgrading the citizens seeing needs and worries by examining and investigating perspectives and assessments from such commitment to advise the authorities proceeded with change and hazard alleviations endeavors overall degrees of the Authority, improve citizens' comprehension of the Authority's managerial procedure by instructing the citizens regarding their roles and how to satisfy them also, imparting unmistakably the results or advantages of mediations and developments by KRA that diminish exchange time and cost. The accompanying exercises are likewise channeled Consumer Mapping including the positioning of all potential partners arranged by their impact on duty consistence, Identifying, sorting out furthermore, encouraging fitting organized gatherings as discussions meetings, peer surveys furthermore, workshops, giving a common Understanding among KRA and distinguished partners to formalize organization understandings and joint effort endeavors and in conclusion reacting to questions and demands for data from all partners and accomplices. (<http://www.kra.go.ke/entry>). Nairobi CBD SMEs are key partners in expense matters as they can be influenced or influence duty association's activities, targets, and strategies, thusly

consumer training through courses and other partner techniques help them to be more tax agreeable.

## **2.5. Critique of the literature**

Empirical evidence shows that not much research has been done on the subject of the study. Most researchers have concentrated on tax compliance-related issues such as; the effects of tax education on compliance, the impacts of the usage of ETR on VAT compliance, factors influencing utilization of ETR, other researchers have concentrated on the effectiveness of tax modernization programs in Kenya. The area on the involvement of consumers in the ETR usage as a compliance technique has not been given much attention in previous studies in the area of taxation. This study, therefore, acts as a benchmark for possible future studies as a means of comparison of results and any changes that may take place over time. It also gives an insight as to why most sellers do not issue an ETR receipt to the buyers after a transaction has taken place thus exploring whether engaging buyers to always ask for an ETR receipt after buying goods will increase the compliance level in Kenya.

## **2.6 Literature summary**

The elements influencing revenue collection gathering in the economy of Kenya have gone on during that time without achieving an agreement while most hypothetical writing recognizes charge as the key to monetary development and improvement. The current empirical literature neglects to provide clear guidance on the reasons why most citizens maintain a strategic distance from to transmit their charges. Various studies have been utilized to think about the variables prompting tax avoidance by citizens in Kenya. Studies done on tax collection in the nation have not engaged in the numerous reasons influencing tax avoidance and approaches to handle them through the consumer. Most studies have managed assessment changes, income efficiency, and

income assembly and performance. No investigation has separated the impact of tax education on the role of consumer to Electronic Tax Registration compliance. The degree of wastefulness in organization and accumulation of expense in Kenya has expanded fundamentally throughout the years. Concentrates on the components in organization and accumulation of assessment are critical to governments and approach producers.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

Research methodology refers to a technique that will be utilized in directing this research. It portrays the exploration structure, population of the investigation, data collection as well as its analysis as utilized in the investigation. This part explicitly shows the procedure that was utilized to direct this investigation. It covers the exploration plan, the objective population, data collection instruments and strategies, the technique utilized for data analysis, look into the quality and moral contemplations while conducting the study

#### **3.2 Research Design**

Kothari (2012) explains that research design advises choices concerning a study and course of action of conditions for accumulation and investigation of information to join importance to the exploration reason with the economy

Descriptive research design was adopted since the study involved describing the relationship between the dependent as well as the independent variables. This helped in answering the research questions unambiguously.

#### **3.3 Population**

According to Helena (2010) population is defined as every one of the things under thought in any field of the request. The population in this study forms the base from which the sample was drawn. The population constituted buyers and SMEs within Nairobi CBD. There are over 50000 SMEs in Nairobi city (CBS, 2003)

### **3.4 Sampling frame**

The sample frame refers to the listing of items that the researcher wants to draw a sample from. The researcher included businesses within the CBD with a focus on SMEs in Kaunda Street, Mama Ngina Streets, Moi Avenue, Wabera Street, Tom Mboya Street, Kenyatta Avenue, Standard Street, River road, Ronald Ngara Road, Haille Sellasie Road, and Nyamakima Area. A total of 5000 SMEs was identified to form the researcher's sample frame.

### **3.5 Sample size and technique.**

Sampling is defined as a means of selecting a group portion from the population at large so as to have a representation of the characteristics and behaviors of the population of interest. Conducting sampling ensured the study is conducted within the available time frame and with the optimal utilization of resources. Additionally, a researcher is likely to collect in-depth information when working a few cases (Saunders, Lewis and Thornhill, 2012)

A purposeful homogenous sampling technique was employed to get to the sample size. Saunders, Lewis & Thornhil (2012) define purposeful sampling as a non-probabilistic sampling technique where a sample is selected based on characteristics of the population in tandem with the study's objectives. Businesses homogenous with SME characteristics were considered to take part. Using a ratio identifier of 1:50, a sample size of 100 was arrived at.

**Table 3.1**

	Population	Sample size (1:50)
Kaunda Street	400	8
Mama Ngina Streets	300	6
Moi Avenue	600	12
Wabera Street	400	8
Tom Mboya Street	750	15
Kenyatta avenue	450	9
Standard street	500	10
River road	650	13
Ronald Ngara Road	250	5
Nyamakima Area	700	14
<b>TOTAL</b>	<b>5000</b>	<b>100</b>

### **3.6 Data collection instrument**

This is the way towards collecting data on focused variables in a built-up and distinguished system.

Designed questionnaires were utilized to collect primary data. According to (Marshall and Rossman, 2006)

The study used both secondary and primary data. Primary data was collected through the administration of questionnaires with close-ended questions for the respondents to pursue.

Interviews were also utilized for respondents who are not able to fill the questionnaires.

### **3.7 Data collection procedure**

Data utilized was either secondary or primary data. Secondary data was gotten from authoritative records from KRA, measurable information and talks from KRA's site done by the official general on propelling of the Itax framework. For primary data techniques for information, gathering utilized were interviews and sampling and questionnaires.

### **3.8 Questionnaires**

It is an interview plan, which is usually completed by the respondent himself rather than an interview. It comprises a number of questions that are composed in a characterized structure or set of structures. Questions were organized and printed in a structure from which the structures was given to the respondents. They were encouraged to go through the questions, read and comprehend the questions before they give out the appropriate responses. The information was gathered utilizing questionnaires and interviews. The questionnaire had closed and open questions. Close questions were utilized to inspire reaction while open questions were valuable in gaining top to bottom data on the factors of estimation. The requirement for open questions is to look for the respondents' sentiment on some particular issues. The purposes behind overseeing this technique are because the reactions are accumulated in an institutionalized manner, increasingly goal and productivity.

### **3.9 Interviews**

An Interview is a qualitative research technique that encompasses the conduction of conversation between the interviewer and interviewee to mine the required information from the interviewee. The researcher opted to use the interview technique to seek the opinion and impression of SME clients with regards to using the ETR system of transaction as opposed to electronic cash registers (ECRs). Interviews presented the interviewer the opportunity to ask respondents to follow up

questions on a personal level. Additionally, it is easy and reduces conflicts. However, the researcher asked a few questions since interviews are time-consuming and are resource-intensive.

### **3.10 Pilot testing**

Pilot testing is an essential stage in project research. It is a small study test to conduct mini research on data collection instruments, recruitment strategy for the sample, and other requirements that were needed for the actual study. This method of reasoning of pilot testing the instrument is to guarantee that it is both legitimate and dependable for data collection for the actual research. With respect to this, 10% of the sample size was chosen to conduct pilot testing on SMEs in Moi Avenue.

### **3.11 Reliability and validity test**

The test reliability refers to the authenticity of the surveys, observation, interviews, questionnaires and other tools for collecting data. The validity of data refers to the degree in which the tests will truly measure what the researcher intended to measure the data was controlled for validity and reliability by engaging or collecting data from respondents of relevant departments that are likely to be informed on the research topic. Examples of these are the sellers and buyers within Nairobi CBD.

### **3.12 Data analysis**

Data analysis methodology brings requests, structures and investigates the wide scope of data gathered. Data analysis alludes to the way toward revamping and lessening information with the goal that it very well may be effectively used (Kabiru and Njenga, 2010). The filled-in questionnaires were altered for consistency. The data generated was both quantitative and qualitative. Frequency tables were created and presented by the utilization of diagrams, bar charts, and tables to clarify the effect of consumer education on their influence in Electronic Tax Register

compliance among SMEs in Nairobi Central Business District. In this way, descriptive analysis methods were utilized; steady with the research design. Utilizing the Package for Social Sciences (SPSS 24), the quantitative information was coded in order to empower reactions that were gathered into classes. Descriptive statistics, for example, percentages and frequencies were embraced to outline the data. A revision examination was carried out to decide the impact of the independent variable to the dependent variable.

The model utilized in the data analysis gave the degree to which the independent factors influence dependent variable, further, data was tested if it follows normal distribution

The regression model is demonstrated as;

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

Where

Y = Effect of public education on its influence in Electronic Tax Register compliance

$\alpha$  – constants

$\beta_1 \dots \beta_3$  = slope which shows the extent to which Electronic Tax Register compliance changes as the independent variable change from a unit to the other.

$X_1$  = electronic education

$X_2$  = Print media education

$X_3$  = relationship management programs.

$\varepsilon$  = error margin

## **CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION**

### **4.1 Introduction**

This chapter presents the findings of this study. The responses from the subjects were compiled into frequencies and converted into percentages and presented in tabular form. This was done in order to enable easy analyzation and understanding of the role of public education on tax compliance. A sample of 100 SMEs was used

### **4.2 Demographic information**

Demographic information was collected so as to determine the gender, age, and level of education of the respondents. This was of importance since it enhanced reliability and also gave a general understanding of the respondents that took part in the study. Issues concerning age and educational background were relatively important as they affect the reception of public education on tax compliance towards the enhancement of electronic tax registration enforcement.

#### **4.2.1 An overview of the data collected**

One hundred (100) questionnaires were issued. Out of the total number of questionnaires issued out, 90 questionnaires were filled out by respondents and received by the researcher. The responses represented 90% of the questionnaires issued out. This percent was adequate for the researcher to carry out an analysis and draw conclusions that were a good representation of the respondents' feeling.

#### **4.2.2 Gender**

This was asked to determine the number of both male and female respondents that took part in the survey. Table 4.1 below shows the distribution of respondents by their gender.

**Table 4.1: Gender of Respondents**

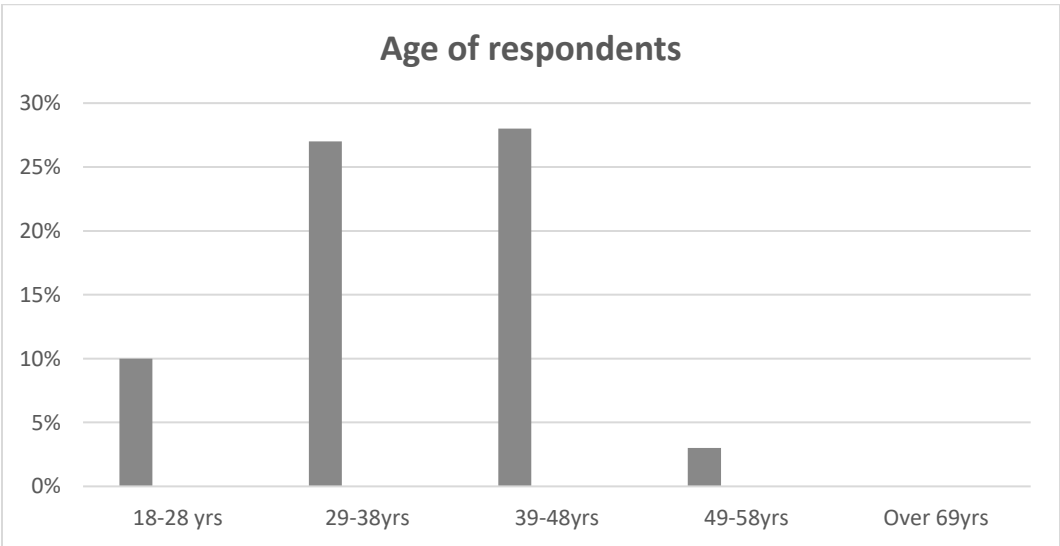
	Distribution	
	Frequency	Percentage
<b>Male</b>	51	51%
<b>Female</b>	39	39%
<b>Total</b>	<b>90</b>	<b>90%</b>

Table 4.1 shows that the majority of the respondents were males having 51% while the remaining 39% were females. Even though a 50/50 gender presentation was not achieved, the study gave a well distributed representation of both genders.

**4.2.3 Age of the Respondents**

Figure 4.1 below shows the age of the respondents. This was captured in the first section of the questionnaire that was designed to show respondents ages in different age brackets.

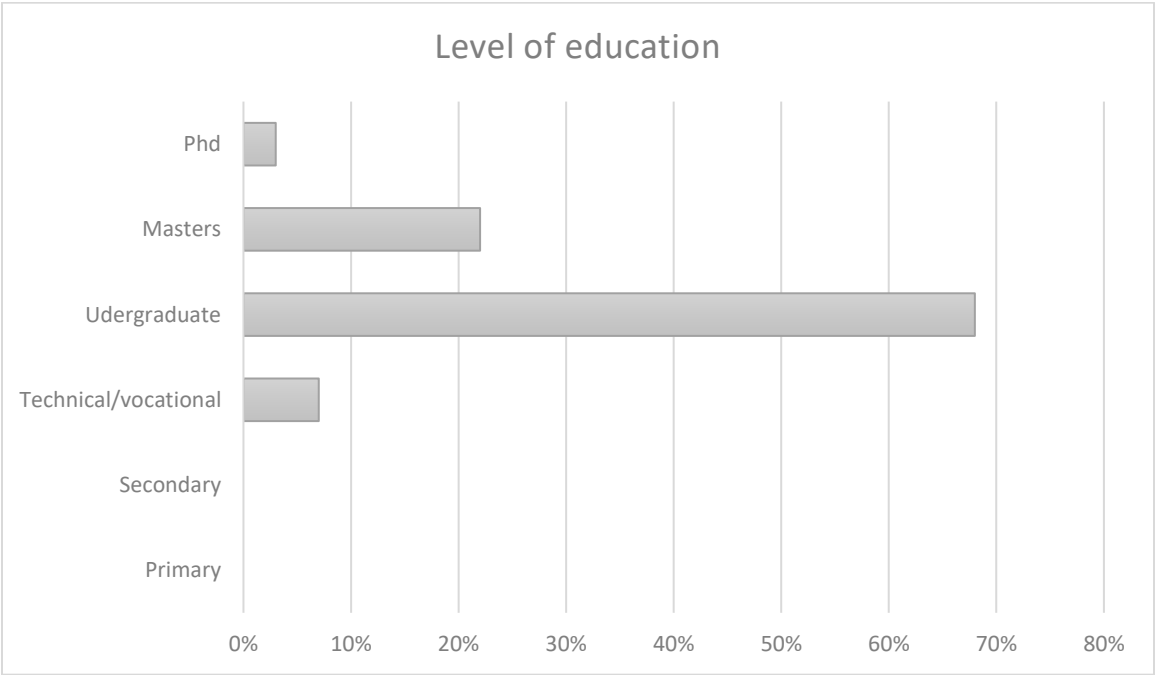
**Figure 4.1 presents the age of respondents.**



According to the study, 10% of the respondents ranged between 18--28 years. The age brackets of 29-38, 39-48 and 49-58 had a majority of the respondents giving 27%, 32%, and 28% respectively. This shows that several SMEs have employers who are mostly youths and the medium age. Hence, coming up with education for the public on the role of public on tax compliance towards the use of Electronic tax register is capable. There were only 3% of respondents between the age bracket of 59-68 years and no respondent above 69.

**4.2.4 Level of education**

This section was aimed at giving educational qualification achieved by the respondents. The chart below, therefore, shows the level of education



The chart above demonstrates that most of the respondents were undergraduate at 68% and only 22% had reached the master's level and 3% Ph.D. Among the respondents, there was no one from the secondary and primary level and only 7% reached the vocational level. Through this, it is well

shown that most of the respondents have a high level of education and qualified in their jobs hence capable to comply with tax regulation from public education on electronic tax register.

#### **4.3 Role of public education on tax compliance using electronic tax register enforcement**

Tax education positively impacts tax knowledge, which on the other hand, positively alters the observance of tax compliance as well as fairness. When people are taught all about taxation, they gain more knowledge which enables them to be positive on matters concerning compliance.

##### **4.3.1 Effect of electronic media on electronic tax register enforcement in tax compliance**

This was to determine the role of electronic media on public education on ETR enforcement. The electronic media includes radio, TV, et cetera. The findings are presented in table 4.3 below which presents the impact public education would have on tax compliance by using electronic media.

**Table 4.2 presents the information on electronic media on tax compliance on ETR compliance**

<b>Statement</b>	<b>Strongly agree</b>	<b>%</b>	<b>Agree</b>	<b>%</b>	<b>Neutral</b>	<b>%</b>	<b>Disagree</b>	<b>%</b>	<b>Strongly disagree</b>	<b>%</b>
<b>ETR should be compatible with computers in business premises.</b>	48	48%	46	46%	6	6%	0	0%	0	0%
<b>ETR machines should be free as they benefit the government in revenue collection and not the business</b>	44	44%	36	36%	15	15%	3	3%	2	2%
<b>KRA should provide free ETR education on electronic media consistently</b>	88	88%	12	12%	0	0%	0	0%	0	0%
<b>Electronic media is the most convenient and reliable information outlet which KRA can use to reach a larger SME audience</b>	26	26%	28	28%	13	13%	18	18%	15	15%

From the study, we find everyone supported the idea of ETR being compatible with computers in business premises whereby only 6% were not sure. We find that also a larger number supported the idea of ETR machines to be free since they benefit the government in revenue collection. 15% were neutral and 5% disagreed because they said that those who make and sell the ETR machines would not profit and supported the idea of making purchases for the machines. All respondents supported the idea of free public education on tax compliance by KRA because they need to get

educated and learn more about tax. About conveniences and reliability, 54% supported fully as a convenient way, 13% were neutral since they were not sure and 18% disagreeing and 15% disagreeing strongly. This is because not everyone prefers electronic media since others preferred print media to electronic and others preferred relationship management programs e.g. seminars.

#### 4.3.2 Effect of print media on electronic tax register enforcement in tax compliance

This was to determine the role print media will play in public education on tax compliance about Electronic Tax Register enforcement. The print media includes newspapers, KRA journals, KRA textbooks, business magazines, and government gazettes. The results are presented in table 4.3 below

**Table 4.3 presents the information of print media on tax compliance on ETR compliance**

Statement	Strongly Agree	%	Agree	%	Neutral	%	Disagree	%	Strongly Disagree	%
Filed returns on time due to technical knowhow on ETR utilization	46	46%	42	42%	7	7%	5	5%	0	0%
Registered the business to operate legally and formally	14	14%	23	23%	25	25%	22	22%	16	16%
Became tax compliant due to the efficiency of ETR utilization	12	12%	19	19%	17	17%	34	34%	18	18%
Avoided penalties related to late compliance	16	16%	23	23%	20	20%	25	25%	16	16%
Issued ETR receipts after every transaction with a customer.	91	91%	8	8%	1	1%	0	0%	0	0%

From the study, we find that returns were filed earlier after the knowhow of ETR utilization. 46% strongly agreed, 42% agreed. No one disagreed meaning that public education should be put on emphasis more on tax compliance. We also find that education on ETR does not have much impact on business operating legally and formally since it's not a major factor but from the responses, 14% strongly agree and 23% agreed. 38% disagreed due to other reasons. Many respondents did not agree on the efficiency of ETR utilization led to them becoming tax compliant but because they have to file returns to the government. 34% disagree and 18% disagreed strongly. Only 31% agreed and 17% were not sure. All respondents agreed on ETR offering receipts after every transaction since they helped in record keeping.

#### **4.3.3 Effect of Relationship management programs on electronic tax register enforcement in tax compliance**

This was to determine the role relationship management program would play on public education about tax compliance through electronic tax registrar. These programs include seminars, workshops, and training on ETR. The findings are presented in table 4.4 below

**Table 4.4 presents the information on Relationship management programs on tax compliance on ETR compliance**

<b>KRA Measures</b>	<b>Strongly Agree</b>	<b>%</b>	<b>Agree</b>	<b>%</b>	<b>Neutral</b>	<b>%</b>	<b>Disagree</b>	<b>%</b>	<b>Strongly Disagree</b>	<b>%</b>
<b>KRA has organized Seminars, workshops, and training on ETR enforcement and adoption.</b>	11	11%	13	13%	34	34%	22	22%	20	20%
<b>KRA is continually educating the public on the benefits of ETR through actively providing information on its importance</b>	15	15%	12	12%	37	37%	15	15%	21	21%
<b>KRA fully computerized its operations and procedures to make it easier for tax compliance through ETR.</b>	41	41%	36	36%	12	12%	11	11%	0	0%
<b>KRA is continually involved in social responsibility and events to create tax awareness.</b>	14	14%	20	20%	29	29%	23	23%	14	14%
<b>KRA has made it easier to utilize ETRs through readily availing ETR related information on print media</b>	13	13%	17	17%	22	22%	28	28%	20	20%

From the study, we find that KRA has not been carrying out seminars, workshops or training on ETR for a while meaning people are not fully educated on ETR for them to fully tax compliant. Only 11% strongly agreed, 13% agreed that KRA has been offering Relationship management programs 34% neutral while 42% disagreed. Many respondents did not agree about KRA continually educating people on the benefits of ETR. Many respondents were not sure since they have never heard about KRA educating people whereby 37% of the respondents were neutral, and those who agreed and disagreed were 27% and 36% consecutively. KRA has fully computerized its operations and procedures thus tax compliance becoming easier through ETR whereby 41% strongly agreed, 36% agreed. 12% were neutral 11% disagreeing. Concerning KRA creating tax awareness, many respondents disagreed because they said that they don't understand fully the amount of tax they are charged. 23% disagreed and 14% strongly disagreeing. Only 34% agreed on the KRA involving in social responsibility.

#### **4.3.4 Challenges faced on ETR enforcement in tax compliance**

We were determining challenges and the extent to which these challenges affect various people during ETR enforcement on tax compliance. The table 4.5 below presents the findings.

**Table 4.5 presents the information on Relationship management programs on tax compliance on ETR enforcement**

<b>Problem/ Hindrance</b>	<b>1</b>	<b>%</b>	<b>2</b>	<b>%</b>	<b>3</b>	<b>%</b>	<b>4</b>	<b>%</b>
<b>Conflicting information from different sources</b>	23	23%	18	18%	32	32%	27	27%
<b>KRA website lack enough information on various ETR adoption procedures</b>	16	16%	29	29%	32	32%	23	23%
<b>System slow / not functioning</b>	11	11%	25	25%	27	27%	37	37%
<b>Long queues in gaining access to KRA offices</b>	36	36%	28	28%	21	21%	15	15%
<b>Technical details on brochures and tax Acts that I don't understand</b>	33	33%	21	21%	17	17%	29	29%
<b>Delay in receiving feedback on queries raised</b>	22	22%	28	28%	36	36%	14	14%
<b>Lack of internet to download eBooks on ETR installation, maintenance, and usage</b>	19	19%	23	23%	28	28%	30	30%
<b>High fees charged by ETR consultants and other professionals</b>	24	24%	19	19%	24	24%	33	33%

From the study, we identified various challenges that have been faced and to the extent, it is affecting people. Apart from the challenges, we find that ETR greatly played a major role in reducing the long queues of people who are trying to get services from the KRA offices. 36% of people said that the queue issue is not serious. Among the issues that respondents identified is serious include identifying conflicting information from different sources when reading from print media or sometimes there is no enough information on the adoption of ETR procedures in the print media. If accessing information from the internet, issues identified to be serious include lack of internet or slow internet when accessing information 30% of respondents said it's very serious and 19% of people said it's not serious. Also, respondents complained about the fees charged by ETR

consultations and other professionals 33% said the issue was serious but 24 didn't take issues that serious.

#### 4.4 Inferential analysis

##### 4.4.1 Correlation analysis

In this section, the study sought to investigate the correlation between the independent variables (taxpayer education modes: Electronic media, Print media and relationship management programs) and the dependent variable (influence of taxpayer education modes on ETR compliance on SMEs). A multiple correlation analysis was conducted as shown in table 4.6 below.

		Electronic media	Print media	Relationship management programs	ETR compliance
<b>Electronic media</b>	Pearson Correlation	1	0.691	0.812	0.792
			<.0001	<.0001	<.0001
	Sig. (2-tailed)	.	148	148	148
<b>Print media</b>	Pearson Correlation	0.691	1	0.553	0.723
		<.0001		<.0001	<.0001
	Sig. (2-tailed)	148	.	148	148
<b>Relationship management programs</b>	Pearson Correlation	0.812	0.553	1	0.632
		<.0001	<.0001		<.0001
	Sig. (2-tailed)	148	148	.	148
<b>ETR compliance</b>	Pearson Correlation	0.792	0.723	0.632	1
		<.0001	<.0001	<.0001	
	Sig. (2-tailed)	148	148	148	.
	N				

Correlation between taxpayer education modes and influence on ETR compliance on SMEs

The researcher conducted a correlation analysis to investigate the nature of relationship between taxpayer’s mode of education and its influence towards ETR compliance on SMEs in table 4.6. From the correlation analysis between ETR compliance and Electronic media mode of education analysis results, a very strong and significant positive correlation ( $r = 0.792$ ,  $p < 0.001$ ) exist between electronic media education mode and ETR compliance. The p-value is less than 0.05 ( $p < 0.005$ ) implying that the relationship is statistically significant. Therefore based on the significant rule, the study rejected the null hypothesis and concludes that all modes of taxpayers’ education have great influence on electronic tax registration on small and medium enterprises.

#### 4.4.2 Regression analysis

The researcher conducted a multiple regression analysis to assess the influence of taxpayer education on electronic tax registration compliance on SMEs in Nairobi County. Table 4.7 shows that the three predictor variables (electronic media, print media and relationship management programs) accounted for 82.8% of the total variation on the influence they have on ETR compliance on SMEs. Since the adjusted R squared was 0.828.

##### Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.239 <sup>a</sup>	.022	.828	.93854

a. Predictors: (Constant), ETR compliance-Relationship management programs, ETR compliance-Print media, ETR compliance-Electronic media

### Analysis of Variance (ANOVA) for regression model

The analysis variance of the regression model was conducted to test the significance of the relationship between the independent and dependent variables. The results in the table 4.7 show that the  $p < 0.05$  with a  $p\text{-value} = 0.013$  thus we reject the null hypothesis and conclude that the independent variables which are taxpayer education modes influence greatly the electronic tax registration compliance on SMEs in Nairobi county.

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

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.132	3	1.711	1.942	.013 <sup>b</sup>
	Residual	84.563	96	.881		
	Total	89.695	99			

a. Dependent Variable: ETR\_Compliance

b. Predictors: (Constant), ETR compliance-Relationship management programs, ETR compliance-Print media, ETR compliance-Electronic media

## Overall Regression model

### Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	2.474	.366		6.752	.000	1.746	3.201
	ETR compliance-Electronic media	.0153	.087	.238	1.750	.023	-.021	.326
	ETR compliance-Print media	.0125	.071	.203	1.756	.022	-.016	.265
	ETR compliance-Relationship management programs	.019	.081	.028	.236	.042	-.141	.179

a. Dependent Variable: ETR Compliance

The researcher further conducted a multiple regression analysis in order to determine the strength of the relationship between dependent and independent variable as illustrated in table 4.8

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

Where, Y= influence of public education on its influence in Electronic Tax Register compliance,  $\alpha$  – constants,  $\beta_1 \dots \beta_3$  = slope which shows the extent to which Electronic Tax Register enforcement changes as the independent variable change from a unit to the other.  $X_1$  = electronic education,  $X_2$  = Print media education,  $X_3$  = relationship management programs.  $\varepsilon$  = error margin

$$Y = 2.473610 + 0.0152703X_1 + 0.124555X_2 + 0.018993X_3$$

From the multiple regression analysis results, parameter estimates were obtained and used to explain the regression equation. Taking all the factors into account and error margin of zero, the constant was 2.473610. The p-value was 0.0152703 implying that electronic media on ETR compliance had significant influence. Taking all other independent variables at zero there was a

small unit decrease whereby it increased for print media at 0.125 and for relationship management program at 0.019. This shows that all dependent variables had greater influence on ETR compliance but electronic media had the most influence and the least was relationship management program

#### **4.5 Discussion of key findings**

From the correlation analysis between ETR compliance and Electronic media mode of education analysis results, a very strong and significant positive correlation ( $r = 0.792$ ,  $p < 0.001$ ) exist between electronic media education mode and ETR compliance. The p-value is less than 0.05 ( $p < 0.005$ ) implying that the relationship is statistically significant. Therefore based on the significant rule, the study rejected the null hypothesis and concludes that all modes of taxpayers' education have great influence on electronic tax registration on small and medium enterprises.

From the regression analysis, that the three predictor variables (electronic media, print media and relationship management programs) accounted for 82.8% of the total variation on the influence they have on ETR compliance on SMEs. Since the adjusted R squared was 0.828.

From the analysis of variance, show that the  $p < 0.05$  with a p-value= 0.013 thus we reject the null hypothesis and conclude that the independent variables which are taxpayer education modes influence greatly the electronic tax registration compliance on SMEs in Nairobi county.

From the multiple regression analysis results, parameter estimates were obtained and used to explain the regression equation. Taking all the factors into account and error margin of zero, the constant was 2.473610. The p-value was 0.012703 implying that electronic media on ETR had significant influence. Taking all other independent variables at zero there was a small unit decrease whereby it increased for print media at 0.125 and for relationship management program at 0.019.

This shows that all dependent variables had greater influence on ETR compliance but electronic media had the most influence and the least was relationship management program

## **CHAPTER FIVE**

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

#### **5.1 Introduction**

This chapter presents a summary, conclusion, and the recommendations on the influence of public education modes on Electronic Tax Registration compliance.

#### **5.2 Summary**

The aim of this study was to determine the influence of public education modes on Electronic Tax Register compliance. Descriptive research design was adopted in this study. The target population of this study comprised of financial officers and managers of various SMEs in Nairobi County. The population that took part in the study comprised of 100 respondents. The study employed stratified random sampling technique. Questionnaires were the main data collection instruments in this study. The questionnaires used were both open ended and closed. Data were analyzed using Statistical Package for Social Sciences (SPSS version 23.0). In order to get a summary of the data, descriptive statistics were used. The findings were then presented by use of frequency distribution tables and bar charts.

Concerning education for the public, most of the respondents agreed that taxpayer education will enhance the level of apprehension by the public of ETR thus will improve tax compliance among corporate taxpayers. Further, the respondents agreed that even after taxpayer education, tax evasion continues to be a menace. Moreover, the respondents came to an agreement that in order to achieve revenue goals, taxpayer education is of great relevance. On the other hand, the majority of the taxpayers also agreed the education will enhance the public level of understanding of various tax laws.

### **5.2.1 Electronic media**

From the correlation analysis between ETR compliance and Electronic media mode of education analysis results, a very strong and significant positive correlation exist between electronic media education mode and ETR compliance implying that the relationship is statistically significant. Therefore based on the significant rule, the study rejected the null hypothesis and concludes that electronic education has great influence on electronic tax registration on small and medium enterprises. Electronic media had the most influence and the least was relationship management program.

### **5.2.2 Print media**

Print media influence greatly the electronic tax registration compliance on SMEs in Nairobi County. From the multiple regression analysis results, parameter estimates were obtained and used to explain the regression equation. Taking all the factors into account and error margin of zero, the p-value was 0.125. This shows that all dependent variables had greater influence on ETR compliance. Thus print media education will enhance the public level of understanding of various tax laws.

### **5.2.3 Relationship management programs**

From the study, we find that KRA has not been carrying out seminars, workshops or training on ETR for a while meaning people are not fully educated on ETR for them to fully tax compliant. Many respondents did not agree about KRA continually educating people on the benefits of ETR.

From the multiple regression, the p-value for relationship management program was 0.019. This shows that all dependent variables had greater influence on ETR compliance.

### **5.3 Conclusions**

The motive of this study was to bring about the role of public education on tax compliance in Electronic Tax Register enforcement. We find that when public education is carried out effectively on ETR enforcement, revenue collection would increase because it will provide a platform for people to deeply get knowledge and understand fully the usage and utilization of ETR. In addition to the use of the ETR machine people will get to understand the purpose of an advantage of filing return. This would improve government revenues as time goes by. Regarding performance contracts, the study discovered that KRA has gained results-based management via ETR, and also its revenue collection has increased and thus ETR should be embraced for productivity and performance maximization in all departments, thus facilitating tax compliance.

Also, the study uncovered that through staff training, employee's knowledge, skills, and professionalism are enhanced. Staff training has however failed to fully enhance the understanding level of a number of technical issues. It is therefore important for KRA to put more effort into educating the public on tax compliance using the ETR machine so that many individuals can fully understand how to use and its importance.

Also, the researcher concludes that the tax assessment taking place currently does not advocate for voluntary compliance. In addition, the penalties that are issued by the KRA are inadequate. This however would be curbed by public education thus enhancing voluntary compliance.

Also, as found in the research, compliance level is also influenced by the public's perception on manner in which the government will use the taxes. On public education, this has been effective since it has enhanced the public level of understanding of various tax regimes applied by KRA and also it has enhanced tax compliance among non-corporate taxpayers

#### **5.4 Recommendations**

Public education on tax compliance using ETR machines at KRA should be offered so as to improve on the skills, knowledge and professional capacity of taxpayers. This will improve service delivery in terms of clearance as well as increased revenue. The current education program offered by KRA on tax compliance should be reviewed since it fails to support voluntary compliance. This would also decrease tax evasion which happens to still be a norm. Taxpayer education should be greatly enhanced so as to improve tax compliance.

#### **5.5 Recommendation for Further Studies**

The study focused on compliance of ETRs among SMEs. This study was limited to small and medium sized enterprises within Nairobi. There is need for further research touching of larger business units. Since compliance could be affected by the huge number of KRA officials in Nairobi, further research is recommended on effectiveness of legislation governing electronic tax systems and factors affecting utilization of ETRs focusing on towns with no KRA offices where there are limited number of the Authority's officials.

Further research is also recommended in the this area in order to find out the extent to which the tax authorities should pay attention to tax payer training with regard to VAT, compliance and tax audits. The burden of interpretation of tax laws and processing of returns should be done by the government. This will give tax payers incentives as regard to tax laws and therefore assessing individual tax liabilities and paying the correct amount of tax in time.

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## **APPENDICES**

### **APPENDIX 1**

#### **QUESTIONNAIRES**

The objective of this questionnaire is to seek views and opinions on the influence of public education on ETR Compliance among SMEs. Your enterprise has been chosen to take part in this study and your cooperation will be of value to the success of this study. Kindly answer questions herein as honestly and objectively as you can by ticking on the provided spaces. We guarantee the privacy and confidentiality of the information that you will provide.

#### **SECTION A. Demographic Information**

1. Gender

Male [ ]

Female [ ]

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. Tax Information**

1. Do you have a KRA PIN number?

Yes [ ]

No [ ]

2. Do you file your tax returns?

Yes [ ]

No [ ]

If yes, who does it?

Self [ ]

Third party [ ]

3. Are you aware of the due dates for filing your tax returns?

Yes [ ]

No [ ]

4. Have you ever been penalized for filing your returns late?

Yes [ ]

No [ ]

If yes, did you pay the penalty fee?

Yes [ ]

No [ ]

5. Are you aware of electronic tax registration?

Yes [ ]

No [ ]

6. Have you come across electronic tax payer registration receipts?

Yes [ ]

No [ ]

7. a) Indicate to what extent you agree with the following statements on electronic taxpayer registration compliance receipts.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
I can show my ETR receipts upon request.					
I always ask for ETR receipts when making purchases.					
I am aware that it is important to have ETR receipts.					

b) In your own words, briefly explain why you think it is important to have ETR receipts.

### SECTION C. Taxpayer Education Modes.

1. a) Have you interacted with any of the following taxpayer education modes used by K.R.A?

(Tick all that apply).

- i. Electronic education (TV, Radio, Social Media etc.) [ ]
- ii. Print media (Newspapers, Magazine, brochures etc.) [ ]
- iii. Customer relationship programs (seminars, workshops etc.) [ ]

### ELECTRONIC EDUCATION

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
I receive communication from KRA through electronic media regularly.					
I receive information regarding ETR through electronic media					
electronic information has influenced my decisions on use of ETR					
My Business is registered via Electronic Tax Registration					

**PRINT MEDIA**

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
I receive communication from KRA through print media regularly.					
I receive information regarding ETR through print media					
Print media information has influenced my decisions on use of ETR					
My Business is registered via Electronic Tax Registration					

**RELATINSHIP MANAGEMENT PROGRAMS**

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
I receive communication from KRA through customer relationship programs regularly.					
I receive information regarding ETR through customer relationship programs.					
Information from customer relationship programs has influenced my decisions on use of ETR					
My Business is registered via Electronic Tax Registration					

## SECTION D: ETR COMPLIANCE

This section is meant to be filled by an official from KRA.

1. How many SMEs located in Nairobi City CBD are registered with KRA?

Less than 500 [ ]

1000-5000 [ ]

5000-10000 [ ]

Above 10000 [ ]

2. What percentage of the registered SMEs in Nairobi's CBD use Electronic Tax Registration?

Less than 10% [ ]

20%-40% [ ]

50% [ ]

60 %-80% [ ]

Above 90 % [ ]

3. Are you aware of efforts by KRA taken to educate taxpayers on Electronic Tax registration?

Yes [ ]

No [ ]

If Yes, among the modes of taxpayer education mentioned, which ones do you know of? (Tick all that apply)

i. Electronic Education (TV, Radio, Social Media) [ ]

ii. Print Media (Newspapers, Magazines, Brochures) [ ]

iii. Customer relationship programs (Workshops, Seminars) [ ]

4. Indicate to what extent you agree with the following statements.

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Taxpayer education on ETR is done regularly.					
SMEs are increasingly complying with Electronic Tax registration					
Taxpayer Education modes I have chosen mobilize SMEs towards ETR compliance adequately.					

Thank You for Your Time. Your genuine feedback is highly appreciated.