COMMUNICATION CHANNELS AND TAX COMPLIANCE IN KENYA BY
SMALL TAXPAYERS IN NAIROBI CITY COUNTY, KENYA

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A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF MASTER
OF BUSINESS ADMINISTRATION (FINANCE OPTION) OF KENYATTA
UNIVERSITY

JUNE, 2019
DECLARATION

This research project is my original work and has not been presented in any other institution.

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ACKNOWLEDGEMENT

I acknowledge the advice and support from my supervisor Dr Theuri. I also appreciate the financial and moral support from my parents. God bless you all.
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<tr>
<td>CBD</td>
<td>Central Business District</td>
</tr>
<tr>
<td>CIAT</td>
<td>The Chartered Institute of Architectural Technologists</td>
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<td>GDP</td>
<td>Gross Domestic Product</td>
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<td>IMF</td>
<td>International Monetary Fund</td>
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<td>KRA</td>
<td>Kenya Revenue Authority</td>
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<tr>
<td>NACOSTI</td>
<td>National Commission For Science, Technology &amp; Innovation</td>
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<tr>
<td>PAYE</td>
<td>Pay As You Earn</td>
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<tr>
<td>PIN</td>
<td>Personal Identification Number</td>
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<tr>
<td>SMEs</td>
<td>Small and Medium Enterprises</td>
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<tr>
<td>SPSS</td>
<td>Statistical Package of Social Sciences</td>
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<td>VAT</td>
<td>Value Added Tax</td>
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<td>TCMP</td>
<td>Taxpayer Compliance Measurement Programme</td>
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OPERATIONAL DEFINITION OF TERMS

Communication channel: This refers to the transmission medium used to pass on data to the citizens. It is a method for furnishing citizens with administrations in connection to their duty commitment.

Electronic Communication channel: Broadcast or storage media that take advantage of electronic technology

Print Communication channel: This includes newspapers, weeklies, magazines, monthlies & graphics, posters and other forms of printed material.

Small taxpayer: This is a classification of citizens described by low business turnover (not exactly Kshs 100 million every year), little capital, sole work structure, unspecialized stock and for the most part one who does not frequently agree to impose matters.

Stakeholders Sensitization Programme: Involving people who may be affected in every decision-making stage

Tax compliance: This refers to the eagerness of a citizen to conform to the duty guidelines of his nation, for instance by proclaiming pay, documenting an arrival, and making good on all the regulatory expenses due and in an opportune way.

Taxpayer education: This refers to programmes involving instructing citizens about their expense rights, duties, and legitimate prerequisites. It additionally alludes to, the technique for instructing the
general population about the entire procedure of tax collection and why they should make good on regulatory obligation.
ABSTRACT

Taxation has played a crucial role in administering national income and more so in developed countries. Although, both developed and developing countries have intensified measures to enhance tax compliance and minimize reliance on foreign donations and internal and external borrowing, the results of these measures cannot yield the desired results due to high levels of tax avoidance. The main objective of this study was to establish the influence of channels of communication on tax compliance by small taxpayers in Nairobi City County. The specific objectives were to establish the influence of electronic, print media and stakeholders sensitization programme influence on tax compliance by small taxpayers in Nairobi City County. This study employed a descriptive research design. Descriptive research was used to describe the opinions of the respondents regarding the communication channels and tax compliance in Nairobi City County. The study targeted all small taxpayers in the four tax stations/districts in Nairobi, who were approximately 839,560 taxpayers (employees and small-scale traders). The study used probability sampling and stratified random sampling method. Random sampling technique was used later to sample individual taxpayers within the stratum to eliminate research bias. The researcher collected primary data using a semi-structured questionnaire. Secondary data was collected using secondary data collection schedule. Construct validity in primary data and Content validity in secondary data was measured. The generated data from SPSS was analysed using both descriptive and inferential statistics. Descriptive statistics involved the use of frequencies, percentages, mean and standard deviation to summarize the data. Inferential statistics involved the use of regression and correlation to establish the relationship between the independent variables and the dependent variable. The findings indicated that investing in Electronic communication channel is very expensive to implement and sustain but government must make effort since this is one of the factors that increase compliance among small taxpayers in Nairobi County. The study recommended that due to increased tax compliance requirement by government, small taxpayers in Kenya should monitor and respond to printed media communication channel updates to ensure that they acquire and sustain the operations. To improve tax compliance the government should emphasize on stakeholder sensitization programme. The study recommended that current policies be reviewed by assessing their relevance in order to take care of these emerging issues. There is a need for Keya Revenue Authority (KRA) to enhance tax compliance through the use of electronic, printed and stakeholder communication channels.
CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

Taxation is one of the imperative components in managing countrywide profit, explicitly in created countries and has played out a critical element in humanized social orders considering the truth that their conveyance parts years prior (Lymer & Oats, 2009). Duty is an obligatory measure of cash charged by a legislature or an assessment expert upon its subject and non-residents. Globally, taxation is utilized as hardware to produce income to spend on normal administrations (Singh, 1999; Shanmugam, 2003; Lymer & Oats, 2009), to redistribute riches from the rich to poor people and to empower or demoralize utilization. Taxation has old roots to pilgrim interims when British colonialists forced cottage charge on every family. As indicated by Waris (2007), each family unit was required to make good on regulatory obligations of one Rupee as British Tax Regulation, it was for the most part paid to educate of work by all hovel locals inside British Africa. This law was later revised to enable the duty to be collected among cottage proprietors.

Impose accumulation is transmitted to Kenya Revenue Authority (KRA) which was set up in 1995 to reinforce deals arrangement and fit separate assessment gathering bodies. CIAT (2006) states that with the end goal for KRA to understand its order then it needs to improve impose consistency by guaranteeing responsible execution through unimaginably gifted and provoked pool of expertly instructed staff. In
reality, KRA has kept up this culture since its initiation and thus, enormous development has been enlisted in both income organization and in addition gathering. Albeit Kenyan arrangement of government has national and area government, the previous is entirely ordered with expense organization through KRA. In addition, KRA is ordered to Excise obligation and Import obligation (Lymer & Oats, 2009). What's more, KRA is relied upon to encourage willful duty consistence by diminishing the assessment hole and guaranteeing consistency by all partners (Waris, 2007).

World duty positioning affirms that regardless of Kenya being among low-pay nations it is looked with the test of low assessment consistency, which can be adjusted to various productivity dimensions of expense organization (Lymer & Oats, 2009). As indicated by The Economic Survey in 2017, Kenya, enlisted a stupendous increment in total national output (GDP) and overall undertaking positioning. In fact, in 2011 Kenya's GDP was 0.11% (70.53 Billion US dollars) of the world's economy. In 2017 Kenya's positioning for simplicity of working together enhanced from position 113th to 92nd universally. These are clear markers of imminent assessment development. Regardless of this, Kenya is crippling obligated to outside loan bosses, for example, The World Bank, IMF and a few other universal contributors. As of late Kenya glided a 2 Billion US dollar Eurobond (The Daily Nation Thursday 8th March 2018), which calls for refinement on the consistency of expense to heighten impose accumulation along these lines empower overhauling of obligation.
1.1.1 Tax Compliance

Tax Compliance can be defined as the degree to which a taxpayer complies (or fails to comply) with the tax rules of his country, for example by declaring income, filing a return, and paying the tax due in a timely manner. While Tax evasion can be defined as the failure by a person or business to comply with the tax obligations. It is a serious challenge to tax authorities in both the developed and developing countries. It diminishes the mobilization of resources that governments need to invest in critical areas of social and personal development including health, education and infrastructure development (Cummings, 2007). In 2011, it cost governments worldwide about 5.1% of their Gross Domestic Product (GDP). In Europe, tax evasion constitutes about 8% of the GDP of economies in the region. In North and South America, tax evasion costs economies 2% and 10% of their GDP respectively. Even in the most advanced economies in the world, tax evasion undermines revenue collection substantially (Rile, 2011).

Italy loses €183 billion, or $242 billion, to tax evasion a year, and its debt of €1.9 trillion represents just over 10 years of tax evasion. Countries like Italy and Greece have vowed to crack down on tax evasion and cash transactions for goods and services that fall below the authorities’ radar. Germany and Britain signed an agreement with Switzerland about recovering some tax revenue from accounts held by their citizens in Swiss banks. South America has the world’s largest shadow economy compared with its G.D.P. followed by Africa and Europe, where income hidden from the tax authorities amounts to about 20.5 percent of G.D.P. That compares with 10.8 percent in North America (Association, 1998). Of the three East African countries of Kenya, Uganda, and Tanzania, tax evasion as a function of
GDP is high. Uganda loses the least amount in tax evasion: In 2011, it lost 856 million USD, followed by Tanzania at 1.9 billion USD, and Kenya loses slightly over 2 billion USD. In 2011, the informal economy constituted 33% of the GDP in Kenya and represented 7% of total government expenditure. The tax burden in Kenya would thus be high, standing at about 20.9%. If the Kenya government is to increase its social expenditure, then it needs to reduce tax evasion in the informal economy (Griffiths, 2005).

Taxpayers’ behaviour towards the tax system has evoked great attention among many Revenue Authorities in the World, especially in Developed Countries. However, it is debatable on what has been done towards the study of taxpayers behavior towards tax system in developing countries as they concentrate more in studies which would increase their budgets bottom-line in terms of huge revenue collection and enforcement efforts at the expense of studies on taxpayers behaviour which would make increase in this tax revenue to be realized and enforcement efforts work. Perhaps the less developed countries are not to blame as they run on budget deficits hence, scarce resources to see through such studies which are perceived as adding no direct value to revenue collection. Empirical evidence on the ground shows there has been hostility between the taxpayers and tax collectors on an issue relating to tax compliance (Porcano, 2011).

To raise public awareness on the crucial tax returns programme, KRA rolled out a public campaign dubbed *Tujijenge* (Let’s build ourselves) on digital, radio and print media platforms in 2019. The campaign sought to encourage taxpayers to comply with their tax obligations by filing their 2018 income tax returns by 30th June 2019. KRA further encouraged Corporates and Business Owners to pay their 2018 tax
dues by 30th April 2019. KRA has in recent years introduced a number of initiatives to make paying taxes easier and facilitate compliance, namely: implementation of an online platform; iTax, for filing and paying income tax and the standards levy; improved customer service as well as transformation of KRA initiatives by enhancing digitization (Kenya Revenue Report, 2019).

Kenya relied on unified tax policies and an administrative system jointly administered by the initial three members of the EAC. This was a legacy of British colonial administration that all the three countries inherited at independence. At that point, the government’s three main sources of tax revenue were: income tax; customs and excise duties; and Inland Revenue. Changes in both policies and administration were collaboratively determined and minimal until the early 1970s. Following a decision to assign responsibility for income tax to each EAC member state, Kenya adopted the community legislation and enacted the Income Tax Act of 1973 (A.D.B, 2010) Thereafter, three distinct phases of major initiatives in tax policy reforms can be discerned for Kenya.

Initial efforts at widening the tax base after independence, the first major change to the tax system, was the introduction of a consumption tax - the sales tax in 1973. The impetus for this change derived from adverse effects on customs duty revenue receipts brought about by restrictions on imports associated with an import substitution industrialization policy. Another measure to widen the tax base was the introduction of capital gains tax (CGT) in 1975 to cash in on high property prices arising from a coffee boom. But, in 1984, in an effort to jumpstart economic growth through the construction industry, GoK suspended the CGT and formed a
commission to examine economic management, and extend advice on possible changes (A.D.B, 2010).

Tax policies introduced under the TMP (Tax Modernization Program) (1986 to 2002) thrust under the TMP (1986 to 1996) was to raise and maintain revenue as ratio of GDP at 24% by 1999/2000; expand the tax base; rationalize the tax structure to make it more equitable; reduce and rationalize tax rates and tariffs; reduce trade taxes and increase them on consumption to support investment; and seal leakage loopholes (Moyi and Ronge, 2006). With respect to income taxes, the government reduced the top marginal rates for personal income tax (PIT) from 65% in 1986/87 to 45% in 1993 to 35% in 1995/96 – by 1999/00 the top rate was 30%; and corporate income tax from 45% in 1987/88 to 30% in 1999/00 (ADB, 2010). The government launched the VAT in 1990 to increase revenue through the expansion of the tax base.

Tax policies introduced during the third phase: 2003/04 to 2008/09 Key changes to tax policy made by the NARC government (2003-2008) and coalition government (2008-2009) has so far revolved around ensuring equity, further widening the tax base, promoting increased investment and reducing the tax compliance burden. To promote equity GoK widened income tax bands by 5% in 2004/05. Tax bands had remained unchanged since 2002. In the same year, GoK also increased personal relief by 10%. From 16 June 2006, GoK increased the threshold turnover for VAT from KShs 3 million p.a. to KShs 5 million p.a. with a view to reducing the compliance burden for three-quarters of registered taxpayers who either file nil returns, or whose turnover is not substantial (ADB, 2010).
Additionally, there have been concerted efforts to combat tax evasion and fraud using intelligence and risk-based forward-looking enforcement. Through these Revenue Enhancement Initiatives (REI) programmes, KRA revenue collection for the financial year 2017/2018 was KShs. 1.435 trillion in spite of the tough economic environment. The revamped iTax platform saw 6.7 million taxpayers registered on iTax compared to 5.4 million enrolled the previous year. In 2019, KRA targets to have more than 4 million taxpayers file their 2018 income tax returns. In 2018, 3.2 million taxpayers filed their returns on the iTax platform for both resident and non-resident categories (The Daily Nation Thursday 13th June 2019). In addition, the Tujijenge campaign will be used as a rallying call to drive compliance to enable KRA to attain 2018/2019 revenue target of Sh1.8 trillion. KRA calls on all employers to issue out P9 forms to their employees to enable them to file their 2018 tax returns by June 30th 2019. To ensure there was an increased tax compliance level, a penalty of Kshs. 2,000 for late submission as stipulated in the Tax Procedures Act 2015 was imposed (KRA Report, 2019). To measure tax compliance, the current study used Registration of new taxpayers, filing returns and taxes paid as the indicators of tax compliance in Kenya.

1.1.2 Communication Channels

The citizen benefit conveyance plays out a basic capacity in the organization of charges thus impacts impose consistency. The correspondence channel is a method for furnishing citizens with administrations in connection to their assessment duties outfitted towards improving duty consistency. Open and justifiable, easy to understand correspondence channel will upgrade intentional consistency. (Olowookere & Fasina, 2013). Beforehand assess experts utilized a
few systems to expand consistence which incorporate duty reviews and general correspondence. The custom requirement way to deal with consistency is through review and examination of individual citizens (Mutlu & Tasci, 2013).

There is a need for KRA to embrace successful and productive correspondence channels this will spare managerial expenses of gathering to the assessment experts. Right now, the Kenya Revenue Authority has executed a few correspondence procedures so as to sharpen the general population on the advantages of expanded assessment consistency to the country. This refinement has been required by the experimental proof that uncovers that few individuals will agree to taxation laws (Owen, 2006), henceforth there is have to grasp correspondence methodologies to improve impose consistency. As per Brown and Mazur (2003) a selection of the up close and personal correspondence channel with citizens; is better put to change their disposition towards expense consistency as their municipal obligation.

In spite of the fact that the customary model of correspondence, which involves up close and personal, print media, and postal correspondence, are substantial and satisfactory by citizens, impose experts have likewise grasped the utilization of current stages, which are generally innovatively determined and are better upgraded to cover more extensive systems (Helhel & Ahmed, 2014). Electronic correspondence stages, for example, electronic sends, site, utilization of web-based life pages, for example, Twitter, Facebook and Instagram, charge data are open for review for the duration of the day. Internationally, income bodies have received innovatively based stages for expense enlistment and filling, through which citizens can without much of a stretch document returns and verify their
records electronically and they generally do as such whenever the timing is ideal (Tusubira & Nkote, 2014). In addition, communication and call focuses have additionally been set up in order to address client care needs which may radiate from assessment consistency data asymmetry (Helhel & Ahmed, 2014).

Accessibility of elective methods for correspondence has empowered income bodies to ideally blend correspondence channels with a sole reason for fulfilling client needs, holding and selecting new citizens (Tusubira & Nkote, 2014). In spite of the fact that assessment specialists endeavour to accomplish value, innovative appropriation is so unique and may require gigantic expenses for reception and upkeep. Along these lines, there is a requirement for an unmistakably explained vital way to be pursued to achieve charge consistency. The arrangement should manage on money-saving advantage examination to be achieved through the appropriation of innovation put together correspondence with respect to charge related issues (Atawodi & Ojeka, 2012). To raise public awareness on the crucial tax returns programme, KRA rolled out a public campaign dubbed *Tujijenge* on digital, radio and print media platforms in 2019. The campaign sought to encourage taxpayers to comply with their tax obligations by filing their 2018 income tax returns by 30th June 2019. The current study adopted electronic communication channels, print media communication channels and stakeholder sensitization programme as the indicators of communication channels.

**1.2 Statement of the Problem**

Tax plays an important role in the growth of any economy so tax evasion is harmful to the economy. Tax evasion hampers government revenue collection thus
inefficiency in Government spending because it diminishes the capacity of the state to mobilize domestic revenues, resources that are needed for investments. Tax evasion also damages the country's growth capacity by discouraging both local and foreign investors. Both developed and developing nations have strengthened measures to upgrade impose consistency and limit dependence on outside gifts and inner and outer obtaining the aftereffects of these measures can't yield the ideal outcomes because of elevated amounts of duty evasion (IMF, 2011). Regardless of whether impose shirking is a worldwide test, the African substance is calamitously influenced in this way they need to obtain locally and remotely to fund their spending shortfalls (Fuest & Riedel, 2009). In East Africa measures to improve assess consistency appear to yield results for instance burden of fines and punishments and reception of correspondence methodologies has upgraded charge consistency (Tusubira & Nkote, 2013). There is a low tax compliance level by small taxpayers in Kenya and that has resulted in the reduction in revenue collected.

In Kenya the circumstance isn't distinctive even notwithstanding KRAs 6th corporate arrangement features the vital centre initiating July 2015 to July 2018, the focused on duty consistency is 65%, expansion the expense base from the current 1.6 million to 4 million dynamic citizens and enhance the consumer loyalty to 80% and in addition embrace innovative administrations conveyance. The objective is by all accounts outlandish as indicated by (KRA’S Sixth corporate arrangement, 2015) the consistency level for quite a long time 2012/13 was 22%, 2013/14 25%, 2014/15 31%, 2015/16 40%.

In spite of the fact that there are a few exact requests which have been done in Kenya on assessment consistency, they have been skewed towards the job of
instruction on duty consistence Mugo (2013) pointed utilizing the citizens examined for PAYE to measure whether they have any information on PAYE as an expense commitment. Thus, Ndirangu (2014) completed an examination on impacts of assessment instruction on VAT by engine vehicle merchants inside Nairobi CBD. Her emphasis was on VAT; generally, the goal was equivalent to that of Mugo (2013). In spite of the fact that training can go about as a stage to advance expense consistence it very well may be done to accomplish different jobs and subsequently its discoveries can’t be found to affect the job of correspondence against duty consistency. The researchers (Ndirangu, 2014; Tusubira & Mugo, 2013), proposed a change in outlook in analyzing the impact of correspondence diverts in improving willful duty consistence. This will be done, by building up whether the exertion has been made by Kenya Revenue Authority to utilize correspondence channels on expense issues and whether citizens have picked up learning on assessment issues, and whether such information has prompted deliberate consistency. The last can be estimated by the quantities of citizens' enrolled, exact and auspicious documenting of assessment forms and expanded income as far as convenient settlements of duties due (Tusubira, 2013).

The question as to why some people pay tax while others do not has raised a lot of concern among economists, governments and tax administrators alike. Tax revenues have, for quite some time, remained low relative to the number of both registered and non registered firms and individuals who are legally qualified to pay tax. Continued low revenue collection levels for government is detrimental to the economic development of this nation. (Cobham, 2005). A large segment of the informal sector, especially the SMEs in Industrial area in Nairobi exhibit low tax
compliance levels. This is a great loss of revenues meant for public expenditure. It is for this reason that research needs to be undertaken to identify the causes for low tax compliance among small and medium enterprises in the Industrial area. It is also instructive to note that there is little research that has been done in this area. In this context, SMEs in Nairobi’s Industrial area exhibit low tax compliance levels and this requires an understanding on the determinants of tax compliance to enable the government to improve on its tax collection among the SMEs in Nairobi’s Industrial area. Therefore, this study sought to determine the relationship between the communication channels and the tax compliance of small taxpayers in Nairobi, Kenya.

1.3 Objectives of the Study

The main objective of this study was to establish the relationship between communication channels on tax compliance by small taxpayers in Nairobi County.

1.3.1 Specific Objectives

i. To establish the influence of electronic communication channels on tax compliance by small taxpayers in Nairobi City County.

ii. To determine the influence of print media communication channels on tax compliance by small taxpayers in Nairobi City County.

iii. To establish the influence of stakeholder sensitization programme on tax compliance by small taxpayers in Nairobi City County.
1.4 Research Questions

The study was guided by the following research questions:

i. Does the electronic communication channel influence tax compliance amongst small taxpayers in Nairobi City County?

ii. What is the influence of print media communication channel on tax compliance by small taxpayers in Nairobi City County?

iii. How does the stakeholder sensitization programme influence tax compliance by small taxpayers in Nairobi City County?

1.5 Significance of the Research

The findings of this study were of vital significance to a couple of accomplices including the governing body or Kenya Revenue Authority, natives, and the academic network. To the KRA, the disclosures will help them with checking whether the undertakings they have set up is achieving the proposed focus on passing on more nationals to the cost area meanwhile assembling more evaluations to the lawmaking body.

The findings were helpful to the citizens as it served as an eye-opener on the effect of the communication channel on tax compliance. To the academic network, the revelations will be a useful resource reference material in organizing and headway of new correspondence channel to redesign purposeful evaluation consistency. Finally, to the pro, the zenith of this examination will circulate the paper and hence a tremendous individual achievement.
1.6 Scope of the Study

The study was done in Nairobi City County in Kenya, which focused on four cost stations specifically: East of Nairobi, West of Nairobi, North of Nairobi and South of Nairobi. Likewise, various colossal associations are found in Nairobi's Industrial region. The quantity of occupants in Nairobi is around 10 million Kenyans and the Capital City of Kenya has a bigger piece of little subjects who were the goal for this examination. The researcher in like manner says that the revelations of this examination were an agent all over Kenya in light of the cosmopolitan thought of Nairobi occupants, inhabitants, and the way that Nairobi City County has the greatest number of selected subjects.

1.7 Limitations of the Study

The significant constraint looked by the analyst was that a few respondents were not willing to take an interest in the examination. The last dreaded being deceived for giving their conclusions given that duty matters are exceedingly secret. In any case, the analyst managed the worry by guaranteeing respondents that the examination was fundamentally a scholastic exercise and not an examination on their consistency with expense issues.
CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter comprises of four parts that are a review of the theoretical literature, empirical literature review, gaps to be filled and presentation of the conceptual framework. Under the theoretical framework, the study examined various theories, which have been used to explain the subject of the study, communication channels and tax compliance. The second part of the chapter presents a review of the past and recent studies related to the topic of the current studies. These studies are drawn from all over the world with more emphasis on Africa and specifically to the Kenyan environment. A review of the study leads to the next part of the chapter, which deals with identification, and analysis of the gaps in the presented empirical literature that further gives justification to the present study. Finally, the researcher concluded by presenting a conceptual framework that the study employed to address the research objective.

2.2 Theoretical Review

The current study was guided by the theory of economic deterrence theory and the theory of planned behaviour. In this section, proponents, strengths, weaknesses and relevance of the theory in the study will be discussed.
2.2.1 Economic Deterrence Theory

Becker (1968) developed the economic deterrence theory under the aspect of criminology. Economic deterrence theory is based on the premise that an individual is likely not to commit a crime if the punishment for committing the crime outweighs the benefits of the crime itself. The assumption is that awareness of what is right and wrong and the consequences of wrongdoing are known to all individuals in a society. The first step an individual does to weigh the situation on whether to obey or disobey the tax laws and calculate the gains and risks associated.

Allingham and Sandom (1972) are the founders of economic deterrence model who improved the model of expected utility of criminal activity developed by Becker (1968). A taxpayer who is economically intelligent will violate the tax laws by evading payment of taxes as long as the amount of tax evaded is greater than the costs associated once he is caught. Therefore, the economic deterrence theory is purely based on the expected reward or benefit.

The first aspect of this model is that if the taxpayer is unwilling to take risks then the probability to evade taxes is minimal. Secondly, the taxpayer should have the requisite knowledge and awareness of the tax system in order for him to gauge the likelihood of getting caught in case he commits an offence and also the consequences of the tax offence. The A-S model allows the taxpayer to carry out self-assessment and establish the amount of taxes to declare to the tax authority.

The decision-making process by the taxpayer involves a comparison of the expected reward of each outcome weighed against the likelihood that the particular outcome
will occur. Where the probability of an audit is high then this will deter under the declaration. The interpretation is that compliance levels are largely dependent on tax enforcement measures that is tax audits and penalties. In conclusion, taxpayers only pay taxes not voluntarily as loyal citizens but because they fear the sanctions associated with non-compliance. Taxation penalties can be easily communicated through revenue bodies websites inform of emails and through of print media.

2.2.2 Theory of Planned Behaviour

This theory is a successor to the Theory of Reasoned Action of Ajzen and Fishbein (1980). This theory tries to explain human behaviour that is why people behave in a particular way. This theory is an improvement of the theory of reasoned action. According to The theory of planned behaviour, the ability to act and behave in a particular way is dependent on one’s intention. Three factors influence the behavioural intention that is one’s attitude towards the behaviour, perceived social pressure and perceived behavioural control.

This theory backs up the morals and ethics of a taxpayer. It asserts that a taxpayer is likely to comply with the taxation rules despite the fact that the low probability of detection upon non-compliance. The theory supports electronic communication and stakeholders engagement variables. Through holding of stakeholder’s sensitization forums tax workshops and seminars, the culture of voluntary compliance is emphasized and promoted.
2.3 Empirical Literature

2.3.1 Tax Compliance

Different investigations have built up that the utilization of client-driven correspondence channel builds the rate of wilful duty consistency. The previous furnishes expected information to see with the assessment issues and adjustment of perspectives and ways to deal with duty consistence through inspirational demeanours. As indicated by Muriithi (2003), the expansion in duty gathering by KRA has been ascribed to quick Tax Modernization Reforms and Programs started in the year 2003. His discoveries have additionally been bolstered by different investigations done on KRA (Okello, 2005; Mugo, 2013; Ndirangu, 2014).

Kenya is ranked among low-income countries or low compliance countries with the hard task of ensuring efficient and effective tax administration in order to ensure tax compliance, hence raising more revenue. Administration of tax in Kenya is done by Kenya Revenue Authority (KRA) which was established through an Act of Parliament of July 1st, 1995 (Cap 469). The purpose of Kenya Revenue Authority is assessment, collection, administration and enforcement of tax laws with professionalism governed by integrity and fairness (CIAT, 2006). To achieve this purpose, KRA is divided into operational regions such as North Region, Rift Valley Region, Western Region, Southern Region and Central Region and departments such as Customs Services Department, Domestic Services Department, Road Transport Department and Support Services Department. KRA administers different types of taxes under different Laws (Acts) such as Income Tax, Value Added Tax, Custom duties and Excise Tax among many others.
Kenya introduced the Tax Modernization Programme in 1986 with the hope that this would, among other things, enhance revenue collection, improve tax administration and reduce compliance and collection costs. As in most African countries, the tax reforms became part of the larger Structural Adjustment Programmes (SAPs) that were incorporated in the economic restructuring agreement between the Government of Kenya and the International Financial Institutions (Wanjiru, 2010).

Even though there have been many tax reforms, Kenya’s tax code is still complex and cumbersome, characterized by uneven and unfair taxes, a narrow tax base with very high tax rates and rates dispersions with respect to trade, and low compliance. Additional challenges include tax systems with rates and structures that (1) taxes are difficult to administer and comply with; (2) are unresponsive to growth and discretionary policy hence low productivity; (3) raise little revenue but introduce serious economic distortions; (4) treat labour and capital in similar circumstances differently; and (5) are selective and skewed in favour of those with the ability to defeat the tax administration and enforcement system (Karingi, et al, 2005).

The Kenya income specialist has ordered its citizens into three gatherings relying upon the dimensions of salary. The gatherings incorporate little citizens, medium citizens and vast citizens. Little citizens incorporate all people who are enrolled for PIN numbers and those working organizations whose turnover is beneath Kenya shillings one hundred million. Medium citizens are those organizations whose turnover is between one hundred million and seven hundred thousand. Upon enrollment as a citizen, one is required to pick the assessment commitment pertinent that is Income Tax Company or Income impose individual, VAT and PAYE. KRA's subject as indicated by its sixth corporate arrangement is building trust through
assistance in order to improve assess consistency. This is in accordance with Kenya change motivation vision 2030. This new way to deal with citizen commitment will prompt consistence upgrade. The key goal of tax-related correspondence isn't just to give data on current commitments, therefore, cultivate consistency yet additionally to get input from citizens. The criticism instrument is perfect since it not just features the difficulties looked by the citizens yet in addition territories that the expense specialist ought to make strides.

This correspondence assembles a tie between the duty specialist and citizens' as they moved toward becoming partners. Kenya income expert has tried significant endeavours by putting resources into correspondence data frameworks for consistency. This would gather more assessments along these lines improve impose consistency. A superior compelling methodology is a utilization of a more extensive correspondence channel that is diverse techniques for a mix for various citizens and distinctive duty heads. This methodology is essential and educated and not one size fits all methodology (KRA, 2015). KRA will keep on concentrating on advancing intentional assessment consistency through consumer loyalty, streamline the strategies for covering government obligations and broaden clients' instalment decisions by allowing them a chance to execute through M-Pesa, web managing account stages, charge and Mastercards (Ndirangu, 2014).

According to Allingham and Sandmo (2012), there is a positive correlation between the tax rate and the level of compliance. These findings have been further supported by Almet al (1990), in their evaluation of the Jamaican income tax structure which showed that small reductions in the marginal tax rate can have a generally positive impact on revenue collection but this is only up to a point where the decrease in rate
is sufficiently offset by the increased tax base and thereby a net increase in collections. In contrast, Yitzhaki (2000) theoretically proved that tax compliance increases with tax rates. Clotfelter (2003) however found that tax compliance decreases with increasing marginal tax rates, based on data from the Internal Revenue Service's Taxpayers Compliance Measurement Programme (TCMP) survey of 1999.

Krause (2000), in his investigation, expressed that many-sided quality of principles prompts blemished consistency and the requirement as well. Citizens have costs forced on them and the organization of charges which undermines the approaches viability. Discoveries were that accumulation costs were expanded, and the conclusion was that the multifaceted nature of expense documenting framework may prompt rebelliousness. The constraint of the examination is that it utilized one thing to gauge an expense framework multifaceted nature. Inspectors of assessment won't have the capacity to recognize inadvertent or deliberate resistance (Erard, 1997). The examination is applicable to the exploration theme.

2.3.2 Electronic Communication Channel and Tax Compliance

A Nigerian case to examine the impact of information technology adoption on tax compliance through the use of descriptive research design and primary data collection by semi-structured questionnaire was put forth by Olatuji and Ayodele (2017). Simiyu (2003) and Mutua (2011) which showed that high rates create an undue burden to most businesses and have therefore been a hindrance towards increased compliance. The tax rates in Kenya range from as low as 5% on income derived from qualifying dividends to a high of 37.5% in corporation tax on non-
resident companies. Individual income tax rates are progressive in nature with
different tax brackets along the income spectrum.

Christina, Deborah and Gray (2003), conducted a study to determine the economic
and behavioural factors affecting tax compliance among taxpayers. The objective of
the study was to determine the economic and behavioural factors affecting the tax
compliance among taxpayers with a tax penalty amnesty system. Using
questionnaires administered to the participants of this amnesty program, the
respondents identified factors that made them not to pay their taxes due, within the
statutory period and not declaring the correct taxable income as; complexity of the
tax laws, ability to pay, ignorance of the tax laws and the perceptions of high tax
rates and unfairness of the tax system. According to (Sas, 2007) a holistic view of
taxpayers through the use of electronic means would facilitate compliance by use of
dynamic comprehensive approaches. The study supports that this approach would
enable an organization to gain a single view of the taxpayer; increase auditor
efficiency; enhance policy analysis ability and improve performance management.

Lai Ming; Ling Nuruld and Hidayah Aham and Nawawi, (2010), sought to examine
the ICT skills needed by a fresh accounting graduate when first joining a tax firm; to
find out usage of electronic tax (e-tax) applications in tax practice; to assess the
rating of senior tax practitioners on fresh graduates’ ICT and e-tax applications
skills; and to solicit tax practitioners’ opinion regarding integrating ICT skills and
tax software into a tax course. The study adopted a survey research design that was
conducted online through the use of questionnaires. The study found out that
knowledge of ICT and electronic tax systems among students had a positive impact
on compliance. Such electronic media ‘broadcast or storage media that take
advantage of electronic technology may include television, radio, internet, fax, CD-ROMs, DVD and any other media that requires electricity or digital encoding of information. Electronic media is often used in contrast with print media’.

2.3.3 Print Media Communication Channel and Tax Compliance

Thiga and Muturi, (2015) when studying Tax compliance among SME’s in Kiambu County observed that low compliance cost is associated with high compliance level, these findings have been vindicated by several researchers including Lumumba et al., (2010) and Slemrod (1992).

Andreoni et.al., (2010) based on studies of data generated from the Internal Revenue Service’s Taxpayers Compliance Management Programme (TCMP) observed that due to the low probability of communication and detection even high penalties has no observable impact on the level of compliance. Merima et al., (2013) when studying factors affecting tax compliance in a sample of African countries observed that an increase in perception of individuals about the difficulty of evading taxes enhances taxpayer’s attitude towards compliance. To improve correspondence of assessment arrangements it was prescribed that duty experts ought to create flyers and pamphlets which can be effortlessly trailed by citizens as they attempt to record their government forms. It was central to arrange charge information into formal and casual and look at their free effect on duty consistency. The decision of straightforward direct relapse was suitable however the elucidating configuration was the most proper.
An investigation to look at variables to analyze impose consistency among SMEs in Northern Nigeria was done by Atawodi and Ojeka (2012). It was seen that expense rebelliousness was improved by high taxation rates, muddled assessment filling techniques and poor duty gathering methods. SMEs prescribed that decrease of assessment rates, giving of duty occasions and occasions and also reinforcing of expense specialists towards SMEs would improve impose consistency. Using correspondence channels to direct citizens on the most proficient method to record returns will improve assess consistency. It would have been fitting to do inferential insights notwithstanding illustrative measurements in order to inspect the causal connection between determinants of expense consistence among SMEs in Northern Nigeria.

Djawadi and Fahr (2013) analyzed the effect of assessment learning and spending on expense consistence in Germany. The examination relied on trust whereby singular trust on specialists was delegated either high or low. Duty information was expanded as the legislature educated the individuals from general society on their use. To limit duplication of past investigations, assess duty, livelihoods were controlled. Both nonparametric and numerous direct relapse were utilized to examine optional information.

Consequences of the examination found that there was a positive and huge connection between expense information and duty consistency and the higher measure of assessment was gathered when straightforwardness levels were expanded, and open support expanded amid the budgetary allotment process. From the investigation, it was prescribed that open foundation ought to be open for persistent examining which will upgrade impose consistency and increment
mindfulness levels among the individuals from the general population. Additionally, examining techniques can be effectively conveyed through print media and individuals be constantly issued with leaflets managing them on how they can without much of a stretch record their assessment forms.

Trivedi and Shehata (2005) concluded that some taxpayers’ behaviour is a mixture of both economic and psychological considerations. This observation was the cornerstone in Lumumba et.al (2010) in their paper on taxpayer’s attitude and compliance behaviour in Kenya; in their findings, they observed that majority of Kenyans view the tax regime to be unfair, complex and punitive in nature. Accountability in government expenditure also had a big role in influencing compliance behaviour with most respondents intimating that they didn’t comply as they weren’t confident their taxpayer’s money was used correctly.

Angus Young, et al., (2016) paper sought to review research about Kenya’s individual tax compliance. While empirical research in this jurisdiction is still in its infancy, the scale of the problem might be underestimated, or at least overlooked. The effectiveness of media campaigns in the TV, use of tax information magazines, business customers/prospects and national newspapers will enhance awareness, tax filing, and ultimately tax morale among the taxpayers.

A clear scope of work- Periods and records to be covered have been clearly defined under tax laws which are advertised under print media channels, Returning of confiscated taxpayers records; the law requires KRA to return such records within 6 months. Reports are now standardized containing relevant and key information. Reports shall now be digitally and centrally filed with all concerned departments.
having access. This will help in compliance follow-ups and avoiding a repeat of audits (http://www.kenyaflowercouncil.org).

2.3.4 Stakeholders Sensitization Programme and Tax Compliance

Fauvelle-Aymar (1999) investigated differences in the level of tax revenue among developing countries, contending that tax revenue is negatively affected by the degree of taxpayer noncompliance. The data she collected from the developing countries (1980-89) supported the theoretical prediction that tax revenue increases with taxpayer compliance.

Obura (2012) thought about looked to build up the impact of having proficient and successful record keeping in basic leadership by little and medium endeavours (SMEs) in Tororo area in Uganda. The investigation received the utilization of a poll to gather the essential information caught up with a phone meeting. The finish of the examination is that legitimate record the executives is a noteworthy test for SME's, in this manner directors in SME's should be prepared on such abilities in order to advance productivity and adequacy in data the board.

Christina, Deborah and Gray (2003) guided an examination to choose the financial and direct factors impacting charge consistency among natives in the USA. The objective of the examination was to choose the money related and lead factors, affecting the obligation consistence among residents, in the Arkansas City force discipline respite system.
Angus, Lawrence and Wong, (2016) paper endeavoured to review investigate about China's individual cost consistency. While correct research in this ward is still in its soonest organizes, the span of the issue might be under-assessed, or if nothing else ignored. Almost, evaluate consistency as a theme has gotten huge thought in made Western economies, where the data had revealed a growing example of nationals not consenting to their obligation responsibilities. The examination used an unquestionable research diagram and used observational composition to overview China's individual evaluation consistency. The examination found that any undertaking to develop increasingly unmistakable cost consistency in China ought to address the importance of obligations as responsibilities to general society financing of family and gathering.

Ugwu (2014) ponder tried to decide the relationship between expense instruction and assessment consistency on Malaysian colleges. Surveys were directed to college undergraduates and discovered that taxation instruction impacts the essential taxation information of the individuals who went to classes. The examination suggested incorporation of taxation morals in courses that would affect future citizens. Japan, USA, UK and New Zealand give instruction on expenses. Except for Bangladesh and Pakistan, different nations were found to instruct citizens through various mediums like radio, TV, and Newspapers (Loo, 2006).

Rothengatter, (2005) endeavoured to examine the part that assorted structures of socially embedded systems themselves play in survey obstruction or shirking. The examination used exploratory research plan and used focus hoard interviews for data collection. The examination found that obligation controllers may go up against difficulties look in their undertakings to deal with the extent of law-contradicting
rehearses, which work both inside essentially expanded trading systems of a multicultural nation.

Kenya Revenue Authority (KRA) holds workshops to sensitize taxpayers on tax compliance. This is usually conducted under stakeholder engagement strategy with objectives of enhancing the taxpayers understanding needs and concerns by collating and analyzing views and opinions from such engagements to inform the Authority’s continued transformation and risk mitigations efforts across all levels of the Authority, enhance taxpayers’ understanding of the Authority’s administrative process by educating the taxpayers about their obligations and how to fulfill them and communicating clearly the outcomes or benefits of interventions and innovations by KRA that reduce transaction cost and time (KRA, 2017).

The following activities are also conducted; Stakeholder Mapping including the ranking of all possible stakeholders in order of their influence on tax compliance, Identifying, organizing and facilitating appropriate structured meetings in the form of forums conferences, peer reviews and workshops, Drawing Memoranda of Understanding between KRA and identified stakeholders to formalize partnership agreements and collaboration efforts and lastly responding to queries and requests for information from all stakeholders and partners (http://www.kra.go.ke/portal). SMEs in Nairobi CBD are key stakeholders in tax matters and can affect or be affected by tax organization’s actions, objectives and policies, as such, taxpayer education through seminars and other stakeholder methods help them to be more tax compliant (Obura, 2012).
2.4 Critic of Literature Reviewed

The large and possibly inefficient, increase in the number of registered firms is thought to be due to a number of issues, including the requirement that any firm seeking a contract with a government agency must be tax systems. Administrative reforms are increasingly stressed as key elements of tax reforms. This is reflected in the establishment of semi-autonomous revenue authorities in a number of African countries, including Malawi, Tanzania Uganda and Zambia. Inspired by new public management paradigms, effectiveness and efficiency concerns are typical reasons for establishing an autonomous revenue authority. Recent experiences, however, indicate that the revenue authority model has run into deep problems in some sub-Saharan African countries.

According to Arinaitwe (2006), tax elements heavily influence costs of operation, which is the cost per year of deploying capital in an investment project. From the point of view of the investor, Arinaitwe argues that the effective return on capital is diminished to the extent of tax due to company income. Whereas this statement can be true, and the contents remain valuable, the conclusions on this particular aspect of the problem are at best partial in nature, and at worst not relevant without empirical evidence. Borgarello, Marignani, & Sande (2004) believe that investment takes place as long as the gross return on additional investment exceeds the tax-adjusted cost of capital. In effect, the hurdle value of investment rises with the company tax rate and the tax on dividends and falls with the value of the tax incentive package. The authors treat the investment as a linear relationship only dependent on the tax rate. However, investment is dependent on a number of variables.
The theoretical effect of taxation on investment is mediated by three considerations: the gestation period, the deference of projects and liquidity constraints and imperfections in the financial markets.

Incidentally, investments can be determined by more than three factors. A comparison of effective average tax burdens for companies located in different jurisdictions (varying small and medium enterprises) is made (Spengel, 1995; Jacobs and Spengel, 1996; Meyer, 1996; Stetter, 2005; Gutekunst, 2005, Hermann, 2006). The effective average tax burden is derived by simulating the development of a corporation over a certain period. According to this arrangement, the effective tax burden is the difference between the pre-tax and the post-tax value of the firm at the end of the simulation period. Referring to the tax rates, the calculations consider statutory linear as well as progressive tax rate structures. But the author offers no data to support the argument he is making. In the absence of any supporting evidence, there is no way of judging the validity or reliability of his conclusions and this seriously undermines the value of the work.

Reforms of the tax administrations in Tanzania and Uganda in the 1990s resulted in short term revenue increases. But these achievements have proved to be difficult to sustain in the longer run. After the initial success, revenues in percent of GDP have stagnated or declined and the level of fiscal corruption seems to increase. It thus implies the general agreement is that there have been reform trends in tax administration system in Africa. However, the tangible benefits have been short-lived. This provides a knowledge gap to be explored which was the purpose of this study to establish the relationship between communication channels on tax compliance by small taxpayers in Nairobi County.
2.5 Summary and Gaps in the Literature Review

A study carried out among SMEs in Kerugoya, Kenya, on the attitudes of taxpayers and their tax compliance established that the attitudes of taxpayers do not encourage tax compliance (Lumumba et al., 2010). Most of them felt that they were paying a fair share of tax, yet they were not getting the right services. As a result, they concluded that the tax system in Kenya was unfair. Therefore, the factors which influence taxpayers’ compliance behaviour among SMEs need to be well evaluated to help correct this economic vice. Table 2.1 below summarises the literature review of the study, the findings and the research gaps that the study intended to address.
Table 2.1: Summary of Literature Review and Research Gap

<table>
<thead>
<tr>
<th>Author</th>
<th>Title</th>
<th>Findings</th>
<th>Research Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fauvelle-Aymar (1999)</td>
<td>Investigated differences in the level of tax revenue among developing countries</td>
<td>Contending that tax revenue is negatively affected by the degree of taxpayer noncompliance</td>
<td>The literature is old and may not present the current scenario</td>
</tr>
<tr>
<td>Thiga and Muturi, (2015)</td>
<td>Tax compliance among SME’s in Kiambu County</td>
<td>Observed that low compliance cost is associated with a high compliance level.</td>
<td>No inferential statistics presented</td>
</tr>
<tr>
<td>Allingham and Sandmo (2012)</td>
<td>Tax rate and Tax compliance</td>
<td>There is a positive correlation between the tax rate and the level of compliance</td>
<td>The findings of this study were general and did not demonstrate the relationship or impact tax compliance determinants such as communication channels on tax compliance but rather made general comparisons between tax rate and the level of compliance</td>
</tr>
<tr>
<td>Young (2016) Machogu</td>
<td>Effect of taxpayer education on voluntary compliance</td>
<td>There is a progressive correlation between taxpayer education and tax compliance</td>
<td>The study focused on SMEs in Tanzania. This study focused on small-scale taxpayers in Kenya</td>
</tr>
<tr>
<td>Young et al. (2016)</td>
<td>Tax education and tax compliance</td>
<td>The study found out that increased ICT knowledge among students enhances tax compliance.</td>
<td>The study focused on electronic tax payment systems education. This study, however, incorporates both electronic and print systems</td>
</tr>
<tr>
<td>Aksnes (2014)</td>
<td>Tax Compliance, Enforcement and Taxpayer Education</td>
<td>The study demonstrated that there is a relationship between Tax Compliance, Enforcement and Taxpayer Education</td>
<td>This study limited itself to Tax Compliance, Enforcement and Taxpayer Education, therefore, the effect of communication as a component was not covered as a factor on</td>
</tr>
<tr>
<td>Author(s)</td>
<td>Title</td>
<td>Description</td>
<td>Conclusion</td>
</tr>
<tr>
<td>-------------------</td>
<td>----------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------</td>
<td>----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Azubike (2009)</td>
<td>Challenges of Tax Authorities, Taxpayers in the Management of Tax Reform Process</td>
<td>The study made observations on the challenges faced by Tax Authorities and Taxpayers in the Management of Tax Reform Process</td>
<td>This study was general on the challenges faced by Tax Authorities and Taxpayers in the Management of Tax Reform Process and therefore does not give conclusions and recommendation of individual components like communication hindering tax compliance.</td>
</tr>
<tr>
<td>Djawadi &amp; Fahr (2013)</td>
<td>The impact of tax knowledge and budget spending influence on tax compliance</td>
<td>The study concluded that there is a significant relationship between tax knowledge, budget spending influence and tax compliance</td>
<td>This study limited itself to studying how tax knowledge and budget spending influence on tax compliance</td>
</tr>
</tbody>
</table>

**Source:** Researcher’s Literature Review (2018)
2.6 Conceptual Framework

A conceptual framework is a visual presentation of key factors, concepts or variables and the presumed relationship among them (Kothari, 2011). The conceptual framework is defined as a diagrammatic representation of how ideas from different fields of study flow to achieve the research objectives. (Wong & Wai-Yee, 2015). Figure 2.1 is the conceptual framework model showing the correlation between the independent and dependent variables. The independent variables in this study were the communication channels that are electronic communication channel, print media communication channel and stakeholder engagement communication channel. The dependent variable was compliance; it is the outcome of the independent variables working together. Tax compliance was measured by the numbers of people registered as taxpayers, the number of returns filed and the amount of revenue collected from taxation.

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Electronic communication channel</strong></td>
<td><em>Tax compliance</em></td>
</tr>
<tr>
<td>Advertising, news and iTax,</td>
<td>• Registration of new taxpayers</td>
</tr>
<tr>
<td><strong>Print-Media communication channel</strong></td>
<td>• Filing returns</td>
</tr>
<tr>
<td>Newspapers, Pamphlets, Booklets and flyers</td>
<td>• Taxes paid</td>
</tr>
<tr>
<td><strong>Stakeholder Engagement communication channel</strong></td>
<td>seminars, workshops, clinics and cultural events</td>
</tr>
</tbody>
</table>

**Figure 2.1: Conceptual Framework**

*Source: Researcher 2018*
CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This section is an outline of how the exploration was directed. It presents the research design, target population, sampling techniques, data collection instruments, pilot study, data collection procedure, data analysis and ethical considerations.

3.2 Research Design

A descriptive research design was adopted for the study. According to Kothari (2011), descriptive research design entails making inquiries on an observed fact then analyzing data so as to deduce the characteristics of the population. The descriptive analysis reports the way things are (Olatuji & Ayodele, 2017). The researcher considered this approach suitable to enable the study to establish communication channels and tax compliance in Kenya by small taxpayers in Nairobi City County, Kenya.

3.3 Target Population

The target population are elements/units to which a researcher is interested to study so as to draw conclusions (Sekaran & Bougie, 2013). This study target population
was 839,560 small taxpayers who were drawn from four tax stations in Nairobi City County.

Table 3.1: Target Population

<table>
<thead>
<tr>
<th></th>
<th>Company Return</th>
<th>Individual return</th>
<th>Partnership return</th>
<th>Turnover tax return</th>
<th>Percentage</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>East of Nairobi</td>
<td>16,759</td>
<td>172,929</td>
<td>1,742</td>
<td>1,702</td>
<td>23.1</td>
<td>193,132</td>
</tr>
<tr>
<td>North of Nairobi</td>
<td>20,890</td>
<td>172,716</td>
<td>2,460</td>
<td>1,464</td>
<td>23.6</td>
<td>197,530</td>
</tr>
<tr>
<td>South of Nairobi</td>
<td>6,311</td>
<td>145,382</td>
<td>542</td>
<td>495</td>
<td>18.3</td>
<td>152,730</td>
</tr>
<tr>
<td>West of Nairobi</td>
<td>21,097</td>
<td>269,078</td>
<td>1,600</td>
<td>793</td>
<td>35.0</td>
<td>292,568</td>
</tr>
<tr>
<td>Total</td>
<td>65,057</td>
<td>760,105</td>
<td>6,344</td>
<td>4454</td>
<td>100</td>
<td>835,960</td>
</tr>
</tbody>
</table>

KRA (2018).

3.4 Sampling Technique and Sample Size

Much of the time, it is troublesome and even difficult to subject the entire populace important to examinations in light of the restrictive expenses regarding cash and time (Sekaran & Bougie, 2013). Kothari (2011) declared that if the example estimate is too little, it may not serve to accomplish the targets and if it's too huge we may bring about enormous expenses and waste assets. An example is the subset of the populace that can be broke down at a sensible expense and used to make speculations about the populace parameters easily (Kothari, 2011). It is basic that examples be as a delegate as could be expected under the circumstances. Tests are drawn from very much characterized arrangements of the objective populace known as the examining outline.

As indicated by Sekaran and Bougie (2013) to draw an example from an expansive populace there is have to embrace a recipe, in the current examination an equation
for test estimate count by Kothari (2011) was received with the presumption that the populace was ordinarily disseminated at a certainty dimension of 95% or 5% dimension of importance. The necessary sample size was derived from the formulae:

\[ n = Z^2 \sigma (1 - \sigma) \]

Where:

- \( n \) is the sample size
- \( Z \) is the Z-score and for the purpose of this study will be 1.96 in order to have a 95% confidence level
- \( \sigma \) is the Standard of Deviation and to be safe the decision is to use 0.5 as this ensured that the sample was large enough.
- \( e \) is the margin of error and for the purpose of this study, one construed to give a confidence interval of +/- 5%.

\[ n = 1.96^2 \cdot 0.5(1-0.5) = 150 \]

\[ 0.08^2 \]

Therefore, the sample size for this study was 150. To ensure that the sample was a true representative of the target population the respondents were classified according to regions and those who filed tax returns categorized into the company, partnership, turnover and individual. In order, to achieve a successful representation, the population was classified into homogenous groups and a sample picked from each group.
Table 3.2: Sample Size

<table>
<thead>
<tr>
<th></th>
<th>Company Return</th>
<th>Individual return</th>
<th>Partnership return</th>
<th>Turnover tax return</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>East of Nairobi</td>
<td>3</td>
<td>30</td>
<td>1</td>
<td>1</td>
<td>35</td>
</tr>
<tr>
<td>North of Nairobi</td>
<td>4</td>
<td>30</td>
<td>1</td>
<td>1</td>
<td>36</td>
</tr>
<tr>
<td>South of Nairobi</td>
<td>1</td>
<td>24</td>
<td>1</td>
<td>1</td>
<td>27</td>
</tr>
<tr>
<td>West of Nairobi</td>
<td>4</td>
<td>46</td>
<td>1</td>
<td>1</td>
<td>52</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>130</td>
<td>4</td>
<td>4</td>
<td>150</td>
</tr>
</tbody>
</table>

Source: Researcher 2018

3.5 Data Collection Instrument

The examination gathered essential information. Semi-organized surveys were utilized; that is, with open and close-finished inquiries for subjective and quantitative information separately. Survey as a research instrument for information accumulation was considered as they are less exorbitant, futile time, require less organization exertion natural in instruments like meetings and helpful in getting target information (Marshall & Rossman, 2006). Besides, polls have institutionalized answers that make it easy to aggregate information. A poll gives the respondents satisfactory time to respond to the inquiries attributable to their bustling calendars. The examination think about for the most part depended on both essential information and auxiliary information to some degree was considered relying upon the significance and the legitimacy of the optional information to this exploration contemplate.
3.5.1 Reliability of the Research Instrument

Reliability which is characterized as a proportion of how much an examination instrument yields predictable outcomes or information after rehashed preliminaries were done to test the inward consistency of the estimations (Mugenda & Mugenda, 2008). Reliability was tried utilizing Cronbach's Alpha with a foreordained edge of 0.7 (Sekaran & Bougie, 2013). Qualities above 0.7 show nearness of reliability while values underneath mean the absence of reliability. The Pearson Correlation coefficient of every single free factor versus subordinate variable, Tax consistence was processed and built up as 0.724 for electronic correspondence channel, 0.803 for printed media correspondence channel, and 0.430 for partner sensitization programme.

3.5.2 Validity of the Research Instrument

Validity is the exactness and significance of reasoning in light of the investigation results. Face, manufacture and substance authenticity were evaluated by searching for the feeling of teachers and diverse specialists (in cost association) on the adequacy of the examination instruments in achieving the objectives of the examination. In light of their decisions, the instrument was adjusted by deleting and including a couple of requests or by changing the structure or lexical thickness of request as fitting.

The capacity of an examination instrument to be a genuine proportion of what it professes to quantify is known as legitimacy (Sekaran & Bougie, 2013; Oso & Onen, 2009). The last duplicate of the poll was examined with an analyst, instructor
and manager to set up both substance and face legitimacy. In the substance legitimacy examination, the trio checked and distinguished the deficiency of the exploration instrument fully expecting what it should gauge according to the exploration questions. The ostracize supposition was utilized to recognize the face legitimacy by keeping an eye on its structure, language, the arrangement according to the edge and whatever another issue which may limit the odds of the surveys being reacted to or miss the mark concerning gathering the coveted information.

Preceding the genuine investigation there was have to pre-test the exploration instruments among a specific gathering of respondents from whom remarks, and criticism can be determined to enhance the examination instrument (Kothari, 2011). A pilot test was directed on 15 citizens, hailing from Kiambu County was issued with surveys and their criticism framed the reason for revising it. In view of their reaction and remarks, the poll was explored to oblige any changes. Sekaran & Bougie (2013) contended that through pilot examine the foreseen things to be estimated are effectively estimated.

3.6 Data Collection Procedure

The researcher obtained the university approval and National Commission for Science, Technology & Innovation (NACOSTI) letter permitting her to collect data in 2018. A research assistant administered the questionnaires using drop and pick method.
3.7 Data Analysis and Presentation

After data was a collection, the data was cleaned, edited, coded and systematically organized in a manner that facilitates analysis using the Statistical Package for Social Sciences (SPSS). The study employed descriptive analysis (frequencies, rates, mean and standard deviation), Pearson correlation analysis and multiple regression analysis. To determine the relationship between the independent variables and the dependent variable the researcher used Multiple Regression Analysis. The regression is modeled as follows: \[ Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon \]

Where: \( Y \) = Tax compliance, \( X_1 \) = Stakeholder refinements programme, \( X_2 \) = Printed media correspondence channel, \( X_3 \) = Electronic correspondence channel and \( \varepsilon \) = error term. \( \beta_0 \) to \( \beta_3 \) are independent variables coefficient.

Preceding multiple regression analysis was tested for normality, multicollinearity, and homoscedasticity. Data presentation was in the form of tables and figures.

3.8 Ethical Considerations

The investigation thought about various moral issues. Right off the bat, the analyst needed to guarantee the respondents of their privacy by disclosing to them that their own data, (for example, names) were neither asked for in the survey nor distributed (Mugenda & Mugenda, 2008). Each respondent remained an unknown substance in this investigation. Besides, the specialist enabled the respondents to practice there through and through freedom and was not constrained to take an interest in the examination. Every respondent was given the opportunity to take an interest or
separate from the investigation. At last, the specialist got the majority of the important consent from partners of the investigation. The partners incorporate the Kenyatta University and the KRA. This consent was looked for before leaving on the examination since it affirmed that each partner had comprehended the reason for the investigation and their need to help and participate in the procedures engaged with this exploration.
CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter provides information on the study findings, respondent’s background information, descriptive statistics and inferential statistics

4.2 Response Rate

In this research out of 150 questionnaires administered to the respondents a total of 118 questionnaires were returned. This represents a 78.6 % response rate. For generalization, Mugenda & Mugenda (2003) noted that a response rate of 70% and above is excellent. This response rate is therefore satisfactory to make conclusions for the study.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of questionnaires returned</td>
<td>118</td>
<td>78.67%</td>
</tr>
<tr>
<td>Number of questionnaires not returned</td>
<td>32</td>
<td>21.33%</td>
</tr>
<tr>
<td>Total number of questionnaires</td>
<td>150</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: Researcher 2018
4.3 Descriptive Statistics

4.3.1 Tax Compliance

In this study tax compliance was the dependent variable. Respondents were asked to indicate how they would rate tax registration as a useful tool used by KRA to enhance tax compliance. Majority 52.5% indicated that they were quite useful followed by 33.9% who indicated that they were very useful. Eight point five percent indicated that they were satisfactory while 5.1% said they were poor. When asked whether the information in the various Tax Acts assist them in filling of returns and calculation of taxes majority 46.6% indicated that they were helping a little while 39.8% indicated that they were very helpful with the item to mean of 3.17.

Four point two percent had no comment while 9.3% indicated that they did not help at all. In response to whether the tax system assists you in paying taxes on time, majority 53.4% indicated that it was very helpful while 33.1% indicated it was helpful a little. Nine point three percent had no comment while 4.2% indicated it did not help at all. When asked whether the segmentation of taxpayers assist them to clarify any tax compliance issues majority 71.2% indicated that it was very helpful with 19.5% indicating that it was helping a little. This item had the highest mean of 3.58 with a standard deviation of 0.778.

Finally, respondents were asked whether they felt committed to pay their taxes after the implementation of various development projects in Kenya like the SGR; 44.1 % indicated that they felt very committed while 38.1% were a bit committed. Thirteen point six percent indicated they didn’t know while 4.2%
indicated they were not committed at all. The findings are shown in table 4.2 below.

Table 4.2: Descriptive Statistics on Tax Compliance

<table>
<thead>
<tr>
<th>Question</th>
<th>Poor</th>
<th>Satisfactory</th>
<th>Quite useful</th>
<th>Very useful</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate tax registration as a tool to enhance tax compliance</td>
<td>5.1%</td>
<td>8.5%</td>
<td>52.5%</td>
<td>33.9%</td>
<td>3.15</td>
<td>.780</td>
</tr>
<tr>
<td>Information is Helpful</td>
<td>9.3%</td>
<td>4.2%</td>
<td>46.6%</td>
<td>39.8%</td>
<td>3.17</td>
<td>.890</td>
</tr>
<tr>
<td>Tax system assist in paying taxes</td>
<td>4.2%</td>
<td>9.3%</td>
<td>33.1%</td>
<td>53.4%</td>
<td>3.36</td>
<td>.822</td>
</tr>
<tr>
<td>Segmentation helps to clarify tax compliance</td>
<td>4.2%</td>
<td>5.1%</td>
<td>19.5%</td>
<td>71.2%</td>
<td>3.58</td>
<td>.778</td>
</tr>
<tr>
<td>Committed to pay taxes</td>
<td>4.2%</td>
<td>13.6%</td>
<td>38.1%</td>
<td>44.1%</td>
<td>3.22</td>
<td>.839</td>
</tr>
</tbody>
</table>

*source: Researcher 2018*

4.3.2 Electronic Communication Channel

In the study, the first objective sought to investigate whether electronic communication channel affects tax compliance among small taxpayers in Nairobi City County, Kenya. The findings are shown in table 4.3 below.
Table 4.3: Descriptive statistics on Electronic Communication Channel

<table>
<thead>
<tr>
<th>Question</th>
<th>Poor</th>
<th>Satisfactory</th>
<th>Quite useful</th>
<th>Very useful</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>How would you rate the quality of educational information on I-Tax in helping you to file your taxes online?</td>
<td>0%</td>
<td>18.6%</td>
<td>43.2%</td>
<td>38.1%</td>
<td>3.19</td>
<td>.73</td>
</tr>
<tr>
<td></td>
<td>Did not help at all</td>
<td>No comment</td>
<td>Helped a little</td>
<td>Very helpful</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Online taxpayer education information helpful</td>
<td>4.2%</td>
<td>4.2%</td>
<td>43.2%</td>
<td>48.3%</td>
<td>3.36</td>
<td>.75</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Online taxpayer education, helpful on the procedure for filing tax returns online</td>
<td>0%</td>
<td>8.5%</td>
<td>38.1%</td>
<td>53.4%</td>
<td>3.45</td>
<td>.64</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Online taxpayer education make it easy</td>
<td>0%</td>
<td>5.1%</td>
<td>55.9%</td>
<td>39.0%</td>
<td>3.34</td>
<td>.57</td>
</tr>
<tr>
<td></td>
<td>Not committed at all</td>
<td>I don’t know</td>
<td>A bit committed</td>
<td>Very committed</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Committed to being honest with your financial data</td>
<td>0%</td>
<td>5.1%</td>
<td>55.9%</td>
<td>39.0%</td>
<td>3.57</td>
<td>.59</td>
</tr>
</tbody>
</table>

*Source: Researcher (2018)*

Respondents were therefore asked to indicate how they would rate the quality of educational information on I-Tax in helping them to file their taxes online. In response majority, 43.2% indicated it as quite useful while 38.1% indicated that it was very useful. The remaining 18.6% indicated it was satisfactory. In a question as to whether the online taxpayer education information helps them answer any questions they had about their obligations on tax filing, majority 48.3% indicated
it was very helpful while 43.2% indicated it helped a little. Those respondents had no comment and those who indicated it did not help at all were equal at 4.2%.

In a subsequent question as to how well the online taxpayer education helped them answer questions they had about the procedure for filing tax returns online, majority 53.4% indicated it was very helpful while 38.1% indicated it helped a little. The remaining 8.5% had no comment. This item had a mean of 3.45 and a standard deviation of 0.648. Respondents were also asked to indicate how well the online taxpayer education made it easy for them to use I-Tax as small-taxpayers with majority 55.9% indicating it helped a little while 39.0% indicating it was very helpful. The remaining 5.1% had no comment. Finally, respondents were asked whether after receiving the online taxpayer education, they felt committed to being honest with their financial data when filing their taxes online where majority 57.9% indicated that they felt a bit committed with 39.0% indicating that they felt very committed. The remaining 5.1% indicated that they didn’t know.

4.3.3 Printed media communication channel

In the study, the second objective sought to investigate whether the printed media communication channel affects tax compliance among small taxpayers in Nairobi City County, Kenya. The findings are shown in table 4.4 below.
### Table 4.4: Descriptive Statistics on Printed media communication channel

<table>
<thead>
<tr>
<th>Question</th>
<th>Poor</th>
<th>Satisfactory</th>
<th>Quite useful</th>
<th>Very useful</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate the quality of the information you obtained</td>
<td>4.2%</td>
<td>10.2%</td>
<td>43.2%</td>
<td>42.4%</td>
<td>3.24</td>
<td>.803</td>
</tr>
<tr>
<td>Did not help at all</td>
<td>No comment</td>
<td>Helped a little</td>
<td>Very helpful</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Printed material helpful you understand the</td>
<td>0%</td>
<td>4.2%</td>
<td>37.3%</td>
<td>58.5%</td>
<td>3.25</td>
<td>.579</td>
</tr>
<tr>
<td>Printed materials helped to understand the process</td>
<td>2.3%</td>
<td>18.6%</td>
<td>49.4%</td>
<td>29.7%</td>
<td>3.25</td>
<td>.529</td>
</tr>
<tr>
<td>Printed material helped educate on filling tax return</td>
<td>5.9%</td>
<td>10.2%</td>
<td>43.2%</td>
<td>40.8%</td>
<td>3.44</td>
<td>.499</td>
</tr>
<tr>
<td>Not satisfied</td>
<td>I don’t know</td>
<td>Slightly satisfied</td>
<td>Very Satisfied</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Satisfied with the availability of printed material</td>
<td>5.1%</td>
<td>5.1%</td>
<td>51.7%</td>
<td>38.1%</td>
<td>3.23</td>
<td>.767</td>
</tr>
</tbody>
</table>

**Source: Researcher (2018)**

Respondents were therefore asked to rate the quality of the information obtained from the printed material where 43.2% indicated that it was quite useful with 42.4% indicating that it was very useful. Ten point two percent rated the information as satisfactory while 4.2% rated it as poor. In a subsequent question as to how well the printed material helps the respondents understand their legal obligations as a small
taxpayer, majority 58.5% indicated that it was very helpful with 37.3% indicating that it helped a little. The remaining 4.2% had no comment. Concerning how well the printed materials helped them understand the process of submitting tax returns as small taxpayers, 49.4% of the respondents indicated that it only helped a little, followed by 29.7% who said it was helpful.

The item with the highest mean of 3.44 was the one where respondents were to indicate how well the printed materials helped educate them on the processes of filling tax return forms as small taxpayers. The standard deviation was 0.499. Lastly, respondents were asked whether they were satisfied with the availability of printed material for small taxpayers in Kenya where majority 51.7% indicated that they were slightly satisfied while 38.1% indicated they were very satisfied. Five points one percent of the respondents didn’t know while 5.1 were not satisfied.

4.3.4 Stakeholder Sensitization Programme

The third objective in this study was to establish the effect of stakeholder sensitization programme on tax compliance among the small scale taxpayers in Nairobi city-county Kenya. The findings are shown in table 4.5.
Table 4.5: Descriptive Statistics on Stakeholder Sensitization Programme

<table>
<thead>
<tr>
<th>Question</th>
<th>Poor</th>
<th>Satisfactory</th>
<th>Quite useful</th>
<th>Very useful</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rate the quality of the information obtained</td>
<td>5.1%</td>
<td>22.9%</td>
<td>49.2%</td>
<td>22.9%</td>
<td>3.1</td>
<td>.810</td>
</tr>
<tr>
<td>Did not help at all</td>
<td></td>
<td>No comment</td>
<td>Helped a little</td>
<td>Very helpful</td>
<td>3.41</td>
<td>.573</td>
</tr>
<tr>
<td>Tax workshop/seminar helpful</td>
<td>3.4%</td>
<td>4.2%</td>
<td>50.8%</td>
<td>41.5%</td>
<td>3.39</td>
<td>.839</td>
</tr>
<tr>
<td>Tax workshop/seminar helpful on tax returns</td>
<td>4.2%</td>
<td>10.2%</td>
<td>28.0%</td>
<td>57.6%</td>
<td>3.40</td>
<td>.471</td>
</tr>
<tr>
<td>Tax workshop/seminar helpful</td>
<td>6.8%</td>
<td>5.1%</td>
<td>44.9%</td>
<td>43.2%</td>
<td>3.40</td>
<td>.741</td>
</tr>
<tr>
<td>Convinced that tax is an obligation for all citizens</td>
<td>5.1%</td>
<td>14.4%</td>
<td>41.5%</td>
<td>39.0%</td>
<td>.330</td>
<td>.708</td>
</tr>
</tbody>
</table>

Source: Researcher (2018)

Respondents were therefore asked to rate the quality of the information they obtained from the tax workshops/seminars attended where 49.2% indicated that it was quite useful. This was followed by 22.9% of the respondents who said that the information was very useful. Twenty-two-point nine percent indicated that it was satisfactory while 5.1% said it was poor. Respondents were also asked how well the tax workshops/seminars helped them understand their obligations as small taxpayers where majority 50.8% indicated that they helped a little while 41.5% said that they were very helpful. In a different question, the respondent was to indicate how well...
the tax workshop/seminar helped them understand how to file tax returns as a small taxpayer. Majority 57.6% indicate seminars/workshops were very helpful while 28.0% indicated that they helped a little. Ten-point two percent of the respondents had no comment while 6.8% said that they were not helpful at all. In response to a question as to how well the tax workshop/seminar helped understand the tax laws for small taxpayers in Kenya, 44.9% indicated that it helped a little while 42.3% said that it was very helpful. Six-point-eight percent indicated that workshops and seminars did not help them at all in understanding tax laws in Kenya. After engaging in the taxpayer workshop/seminar, respondents were to indicate how convinced they felt that tax is an obligation that must be fulfilled by every citizen. Majority 44.9% indicated that they were a bit convinced while 39.0% were very convinced. Five-point one percent of the respondents were not convinced at all while 14.4% had no comment.
4.4 Correlation Analysis

Correlation analysis presented the relationship between variables. Table 4.6 presents the results.

Table 4.6: Correlation Results

<table>
<thead>
<tr>
<th></th>
<th>Electronic communication channel</th>
<th>Printed media communication channel</th>
<th>Stakeholder sensitization programme</th>
<th>Tax compliance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic communication channel</td>
<td>Pearson Correlation Sig. (2-tailed)</td>
<td>.724** .000</td>
<td>.803** .000</td>
<td>.430** .000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>118</td>
<td>118</td>
<td>118</td>
</tr>
<tr>
<td>Printed media communication channel</td>
<td>Pearson Correlation Sig. (2-tailed)</td>
<td>.724** 1</td>
<td>.702** .000</td>
<td>.384** .000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>118</td>
<td>118</td>
<td>118</td>
</tr>
<tr>
<td>Stakeholder sensitization programme</td>
<td>Pearson Correlation Sig. (2-tailed)</td>
<td>.803** .702**</td>
<td>1 .599**</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>118</td>
<td>118</td>
<td>118</td>
</tr>
<tr>
<td>Tax compliance</td>
<td>Pearson Correlation Sig. (2-tailed)</td>
<td>.430** .384**</td>
<td>.599** 1</td>
<td>.000</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>118</td>
<td>118</td>
<td>118</td>
</tr>
</tbody>
</table>

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

Source: Researcher 2018

The Pearson Correlation coefficient of every free factor versus subordinate variable, Tax Compliance was processed and built up as 0.724 for Electronic correspondence channel, 0.803 for Printed media correspondence channel, and 0.430 for Stakeholder sensitization programme all with (p-value=0.000). From table 4.6 it could then be inferred that there is a moderate positive direct connection between every autonomous variable and ward variable, Tax consistency since the relationship
Coefficient is somewhere in the range of 0.4 and 0.6 as per Dancey and Reidy's (2004) arrangement.

To test the centrality of relapse connection between Stakeholder refinement programme and Tax consistence the model was exposed to the t-test. The outcomes on the beta coefficient of the subsequent model in Table 4.6 demonstrate that the steady $\alpha = 1.757$ is altogether not quite the same as 0 since the p-esteem = 0.000 is under 0.05. The coefficient $\beta = 0.463$ is additionally altogether not quite the same as 0 with a p-value=0.000 which is under 0.05.

### 4.5. Regression Analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.766$^a$</td>
<td>.586</td>
<td>.532</td>
<td>.22087</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), Stakeholder sensitizations programme, Printed media communication channel, Electronic communication channel

**Source: Researcher 2018**

The regression analysis shows a relationship between $R=0.766$ and $R^2=0.586$. This meant that 58.6% of the variation in the Tax compliance can be explained by a unit change of all independent variables (Stakeholder sensitizations programme, Printed media communication channel and Electronic communication channel). The remaining percentage of 41.4% can be explained by other variables not captured but represented by the error term (e).
Table 4.8: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>3.215</td>
<td>3</td>
<td>1.072</td>
<td>21.876</td>
<td>.000^b</td>
</tr>
<tr>
<td>Residual</td>
<td>5.562</td>
<td>114</td>
<td>.049</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>8.777</td>
<td>117</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Researcher (2018)

a. Dependent Variable: Tax compliance
b. Predictors: (Constant), Stakeholder sensitizations programme, Printed media communication channel, Electronic communication channel.

Further, F-test was carried out to test the relationship between communication channels and tax compliance. The ANOVA test in Table 4.8 above indicated that the significance of the F-statistic 0.000 is less than 0.05 meaning that there is a relationship between communication channels and tax compliance.

Table 4.9: Regression Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.867</td>
<td>0.213</td>
<td>8.751</td>
<td>.000</td>
</tr>
<tr>
<td>Electronic communication channel</td>
<td>0.417</td>
<td>0.091</td>
<td>0.524</td>
<td>4.012</td>
</tr>
<tr>
<td>Printed media communication channel</td>
<td>0.321</td>
<td>0.080</td>
<td>0.438</td>
<td>3.271</td>
</tr>
<tr>
<td>Stakeholder sensitization programme</td>
<td>0.562</td>
<td>0.101</td>
<td>0.726</td>
<td>5.542</td>
</tr>
</tbody>
</table>

Source: Researcher 2018

a. Dependent Variable: Tax compliance
This suggests the model $Y = 1.867 + 0.417 X_1 + 0.321 X_2 + 0.562 X_3 + \varepsilon$ (where: $X_1$ = Stakeholder refinements program, $X_2$ = Printed media correspondence channel, $X_3$ = Electronic correspondence channel and $\varepsilon$ = mistake term).

The findings in table 4.9 indicate that holding factors (electronic communication channel, printed media and stakeholders sensitization) the tax compliance would be 1.867 units. The findings presented that the relationship between the electronic communication channel and tax compliance was positive and significance ($B=0.417$, $P=0.033$). This indicated that a unit change in the electronic communication channel resulted in 0.417 unit changes in tax compliance.

The findings presented that the relationship between print media communication and tax compliance was positive and significance ($B=0.321$, $P=0.047$). This indicated that a unit change in print media communication resulted in 0.321 unit changes in tax compliance. The findings presented that the relationship between stakeholder’s sensitization and tax compliance was positive and significance ($B=0.562$, $P=0.000$). This indicated that a unit change in stakeholder’s sensitization resulted in 0.562 unit changes in tax compliance. The study agreed with Fauvelle-Aymar (1999) findings on the investigation on differences in the level of tax revenue among developing countries. The study found that tax revenue is negatively affected by the degree of taxpayer noncompliance. The study indicated that communication channel affects the level of tax compliance.
CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This section exhibits the rundown of significant discoveries of the investigation, applicable discourses, ends and the fundamental suggestions. The examination tried to build up the impact of correspondence directs and assess consistency in Kenya by little citizens in Nairobi County in Kenya. The synopsis is done in accordance with the goals of the investigation dependent on the yield of the spellbinding and inferential measurable examinations.

5.2 Summary of the Findings

This section summarizes the findings of the study as per the objectives.

5.2.1 Electronic communication channel and tax compliance

The first objective of the study was to establish the effects of Electronic communication channel and tax compliance by small taxpayers in Nairobi County. Various methods were used to arrive at the findings. These methods included descriptive statistics, correlation analysis and regression analysis. Descriptive statistics showed that Electronic communication channel plays an important role in the tax compliance by small taxpayers in Nairobi County. Unfortunately, the findings showed that not all small scale taxpayers are aware of the electronic communication channel. In the inferential statistics, the Pearson Correlation coefficient of Electronic communication channel versus tax compliance by small taxpayers in Nairobi County strategic was found to be moderate at 0.430 (p-
value=0.000). It was found that 17.7% of the variation in the tax compliance by small scale taxpayers could be explained by a unit change in Electronic communication channel. Further regression analysis confirmed that there is a positive linear relationship between Electronic communication channel and tax compliance by small taxpayers in Nairobi County. The results of this study differ from the of Olatuji and Ayodele (2017), whereby multi-regression analysis revealed the negative and non-significant relationship between online tax filing and tax compliance while both online tax registration and online tax remittance had a positive and non-significant relationship with tax compliance.

5.2.2 Printed media communication channel affects tax compliance

The second objective of the study sought to find out the effects of printed media communication channel on tax compliance by small taxpayers in Nairobi County. Descriptive statistics, regression analysis and analysis of variance (parametric analysis) were conducted. The descriptive analysis showed that printed media communication channel impacts positively on tax compliance by small taxpayers because it results in increased awareness and compliance. In the Correlation analysis, the Pearson Correlation coefficient of printed media communication channel versus tax compliance by small taxpayers was computed and established as 0.384 (p-value=0.000). Regression analysis showed that 14% of the variation in tax compliance could be explained by a unit change in printed media communication channel. There was found to be a positive linear relationship between printed media communication channel on tax compliance by small taxpayers in Nairobi County. The results of this study contrary to those of Olatuji and Ayodele (2017), Fauziati, Minovia, Muslim and Nasrah (2016). The latter analyzed the effect of expense
learning on assess consistency in Indonesia. The investigation revealed that although there was a positive relationship between tax knowledge and tax compliance it was not significant.

5.2.3 Stakeholder sensitization programme and tax compliance

The third objective of the study sought to find out the effects of stakeholder sensitization programme on tax compliance by small taxpayers in Nairobi County. Descriptive statistics found that to a great extent stakeholder sensitization programme affect tax compliance by small taxpayers in Nairobi County. A moderate positive linear relationship was found to exist between stakeholder sensitization programme and tax compliance by small taxpayers in Nairobi County and was computed and established as 0.599 (p-value=0.000). Regression analysis found that 35.3% of the variation in tax compliance by small taxpayers in Nairobi County can be explained by a unit change in stakeholder sensitization programme. Further regression analysis showed that there was a positive linear relationship between stakeholder sensitization programme and tax compliance by small taxpayers in Nairobi County. These findings concur with those of Shafer and Simmons (2008) a study on Hong King tax professionals investigating the impact of business towards the society at large. The study found out that that Machiavellianism influenced tax advisors’ expressed viewpoints toward the importance of corporate ethics and social responsibility, which affect professional judgments toward aggressive tax minimization.
5.3 Conclusions of the Study

The conclusions were based on the findings of the study. The results established that the effect of communication channels had a significant influence on tax compliance on small taxpayers in Nairobi County in Kenya.

5.3.1 Electronic communication channel and tax compliance

Based on findings of the study it was concluded that Electronic communication channel affects tax compliance among small taxpayers in Nairobi County in Kenya. The electronic communication channel has played a tremendous role in the success of tax compliance among small taxpayers in Nairobi County in Kenya and is expected to drive to greater and efficient tax compliance. Continuous sustainable tax compliance can only be guaranteed if the government is able to embrace Electronic communication channel. Investing in Electronic communication channel is very expensive to implement and sustain but the government must make effort since this is one of the factors that increase compliance among small taxpayers in Nairobi county.

5.3.2 Printed media communication channel affects tax compliance

Pertaining to printed media communication channel the study concluded that it has an influence on compliance among small taxpayers in Nairobi County. Need for tax compliance among small taxpayer has led the government to put emphasis on print media communication channels. Nowadays those businesses that are tax compliance will have no problem with the government when filing their returns and on their day to day operation. In this era of increased tax compliance requirement by
government, small taxpayers in Kenya must monitor and respond to printed media communication channel updates to ensure tax compliance.

5.3.3 Stakeholder sensitization programme and tax compliance

Concerning Stakeholder sensitization programme the study concluded that they influence tax compliance among small scale taxpayers in Nairobi County. The study also concluded that tax compliance is now a major concern for all governments around the world and despite the governments’ effort to increase tax compliance; they are faced with many challenges especially among small taxpayers in Nairobi County. To improve tax compliance the government should emphasize on stakeholder sensitization programme.

5.4 Recommendations of the Study

Based on the conclusion made that communication channels affect tax compliance among small taxpayers in Nairobi County in Kenya, the study recommended that the government should invest in promoting communication channels in terms of, electronic communication channel, Printed media communication channel and Stakeholder sensitization programme in ensuring that tax compliance is enhanced. The Government should come up with an increased penalty policy to encourage tax compliance among small tax payers. The policies should be formulated in such a way that small taxpayers at all levels are able to embrace them in order to improve tax compliance. Further, the Government should periodically review the tax compliance policies to deal with a dynamic environment facing small taxpayers in Nairobi County. The study recommended that modern communication policy by KRA should be reviewed to take care of ever increasing non-tax compliance.
5.5 Suggestions for Further Research

The scope was limited to only an assessment of the effects of communication channels on tax compliance among small taxpayers in Nairobi County in Kenya, however, there is a need for a comprehensive study involving other counties. Further, the study only focussed on the conceptualized small taxpayers and ignored other levels of taxpayers. Additionally, the study specifically investigated only on communication channels on tax compliance and ignored other methods such as training, which can also have an impact on tax compliance, and therefore further study should be carried out to determine their effect on tax compliance.
REFERENCES


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