TAXPAYER EDUCATION AND TAX COMPLIANCE BY WATER VENDING BUSINESSES IN HARGEISA CITY, SOMALILAND

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NOVEMBER, 2024

DECLARATION

I declare that this project has not been presented to any other university for award of degree and it is my original work.

Signature: ……..... Date: ……...

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The research project has been submitted with my approval as university supervisor.

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DEDICATION

I thank my mother and my sister for their huge support and encouragement they have offered me. Special thanks also go to my elder brother Mohamed for his enormous mentorship and financial support, thanks to all siblings also who have supported me in one way or another. God bless you for morally supporting me during the coursework and at proposal development stage.

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OPERATIONAL DEFINITION OF TERMS

Assisting with Tax filing	To overcome complexity of tax systems that may lead to error or undermine the effort of taxpayers out to fulfil tax obligations, tax administrators or other agencies provide practical support in terms using of tools and services such as digital tools-chat box or direct assistance.
Communicating Tax To Raise Awareness	Tax administrators or other agencies authorized by the government interact with taxpayers using various medium of communication to raise awareness on matters on tax and diffuse potential resistance. This includes bridging of information gaps, building a positive relationship with taxpayers and use of tailored messages.
Social Demographic Characteristics	These are indirect factors such as age, gender, income and education that influence taxpayers' compliance. In this study, taxpayers' age will be used as proxy for social demographic characteristics.
Tax	Obligatory government levy that entails contributions to state revenue from business profits and workers' income, or an addition to the cost of some services, goods, and transactions
Tax Compliance	The decision of a taxpayer to act in accordance with tax laws and regulations to provide timely and accurate tax remittances. Tax compliance is reflected by accurate and

	timely filing of income tax returns, value added tax, excise duty tax and capital gains tax.
Taxpayer Education	Deliberate effort by the tax administrators to provide knowledge and skills aimed at changing people's attitude and perceptions towards taxation. In this proposal teaching tax, communicating tax and assisting in tax will be used as proxies for tax education
Teaching Tax Essentials	This is in-depth engagement with taxpayers in their various capacities as business owners or individual employees where they are made aware of their rights and benefits of paying tax

ABBREVIATION AND ACRONYMS

EBM	Electronic Billing Machine
MoCI	Ministry of Commerce and Investment
OECD	Organization for Economic Co-operation and Development
PIN	Personal Identification Number
SIRA	Somaliland Inland Revenue Authority
UTAUT	Unified Theory of Acceptance and Use of Technology
VAT	Value Added Tax

ABSTRACT

The Inland Revenue Department, operating under the Somaliland Ministry of Finance (MOF), is tasked with overseeing the assessment, collection, management, and reporting of tax revenues in Somaliland. Among its responsibilities is evaluating the impact of taxpayer education on compliance with tax regulations within the country. Past studies have shown that taxpayers' education has a positive influence in tax compliance. This research, therefore, aims to explore the impact of taxpayer education on tax compliance among water vending businesses in Hargeisa, Somaliland. The study's specific objectives are: to examine the effect of teaching basic tax principles; to assess the impact of communicating tax-related information for awareness; and to investigate how assistance with tax filing influences compliance within the water vending sector in Hargeisa. The study seeks to determine how the social and demographic characteristics of taxpayers moderate the relationship between taxpayer education and tax compliance among water vending businesses in Hargeisa, Somaliland. The study is underpinned by several theories: the Economic Deterrence Tax Theory, the Theory of Planned Behaviour, the Fiscal Exchange Theory, and the Slippery Slope Framework. A descriptive research design will guide the study's data collection and analysis methods. The target population includes 326 registered water vending businesses in Hargeisa City. The sample size was determined using the Yamane (1967) formula. Stratified sampling was employed to divide the population into two groups: retail water kiosk operators and bulk water wholesalers. From each group, simple random sampling was used to select respondents. Data collection was conducted using structured questionnaires distributed to 179 water vending business owners. Diagnostic tests performed included normality, multicollinearity, and model specification tests. The data was analyzed using a multiple regression model, and the findings are presented using tables, charts, and figures, showcasing both descriptive and inferential statistics. Ethical consideration was also observed. The study concludes that educational, communicative, and practical assistance strategies significantly enhance tax compliance among water vending businesses in Hargeisa City, Somaliland, emphasizing the importance of these strategies in improving tax administration efficiency. Teaching tax essentials significantly enhances tax compliance, highlighting the pivotal role of foundational tax knowledge in fostering understanding and adherence to tax obligations. Effective communication strategies significantly enhance awareness and compliance levels, underscoring the role of clear, accessible communication in fostering positive perceptions of the tax system and encouraging timely compliance behaviors. Providing practical assistance with tax filing significantly improves tax compliance, suggesting that initiatives aimed at simplifying tax procedures and enhancing digital accessibility can mitigate compliance barriers. Socio-demographic factors influence the relationship between tax education and compliance, highlighting the need for tailored education programs to address specific knowledge gaps and operational challenges unique to diverse business demographics. To improve tax compliance among water vending businesses in Hargeisa City, Somaliland, several actions are being proposed. Educators are enhancing tax education by targeting different groups with tailored strategies and clear explanations. Effective communication, including promotional activities, is being used to raise awareness. Practical assistance and digital tools are being provided to simplify tax filing, while socio-demographic factors are being considered to design targeted outreach programs. Further research is being recommended to assess the long-term impact of these strategies and to explore the role of digital tools and communication methods in enhancing compliance.

CHAPTER ONE
INTRODUCTION

1.1 Background of the Study

Tax compliance is the act of accurately disclosing all sources of income and tax obligations, and fulfilling these obligations by remitting taxes to the appropriate tax authorities in accordance with the applicable tax laws, rules, and directives. Compliance refers to the act of precisely performing tax obligations in conformity with the legal framework (Onu, Oats & Kirchler 2019). The traditional economic theory of crime, along with its associated ideas on the economic viewpoint of taxpayer behavior and tax compliance, is primarily based on the concept of economic deterrence (Yaniv, 2019). Newer models of tax compliance have been developed, which focus on taxpayers' desire to adhere to all legal regulations, including those aimed at ensuring the economic stability of the country. For example, the creation of behavioral models for tax compliance is based on sociological and psychological factors. In these models, taxpayers are no longer viewed as selfish individuals seeking to maximize their own utility. Instead, they are seen as human beings who are motivated to pay taxes based on various factors such as attitudes, norms, beliefs, perceptions, feelings, social characteristics, and cultural background, including age, gender, race, religion, and so on (Bantrancea, Nichita., Bantrancea, & Moldovan., 2023).

Previous studies identify two primary approaches to understanding taxpayer behavior. Traditional models primarily focus on enforcement strategies (Allingham & Sandmo 1972; Bruno 2019). At the core of these models is the belief that fiscal authorities should rely on deterrence and penalties to secure tax compliance. These older, predominantly economic models suggest that compliance behavior is influenced by factors like tax audits, fines, tax rates, and the possibility of evasion. Although these models still provide a foundation for tax compliance research and have been refined over time, they have faced considerable

criticism. Critics argue that the economic perspective overlooks the human aspect in the complex decision-making process of tax compliance (Cullis & Lewis, 1997; Alm, 2012). The objective is to offer a more accurate depiction of tax compliance as a diverse array of behavioral decisions made by taxpayers to align with society's overarching objectives, in accordance with tax legislation (James & Alley, 2022).

In response to this critique, the behavioral approach gained prominence in tax compliance research. Numerous studies have shown that taxpayer behavior is influenced by a blend of various sociological and psychological factors, such as tax education, aimed at enhancing tax morale, fostering fairness, and improving tax knowledge (Olsen et al., 2018; Hartmann et al., 2022; Levenko & Staehr, 2022). Among these innovative concepts integrating behavioral components into the tax compliance framework, the inclusion of sociodemographic variables has been highlighted. Research presents mixed findings regarding the relationship between tax compliance and factors such as age, gender, income, and education level (Richardson, 2018)..

Countries lacking sufficient fiscal resources are incapable of constructing necessary infrastructure to facilitate economic progress. Empirical research also suggests that when the tax-to-GDP ratio hits about 15 Percentage, there is a significant increase in GDP per capita. This threshold has not yet been reached by numerous emerging nations. Somaliland has one of the lowest tax-to-GDP ratios in Africa, according to the World Bank's 2023 report on tax receipts. There are several elements that contribute to the lag in revenue mobilization, and one of the ones that has been consistently and progressively identified in the literature is the absence of tax education (Gaspar, Jaramillo & Wingender, 2020).

On a global scale, there is a growing number of new tax compliance requirements that have altered the conventional approach to tax compliance. In most industrialized nations, there

are extra obligations that must be fulfilled in addition to the yearly and recurring tax returns (Meijburg & Co, 2024). In addition to the growing number of compliance requirements, tax authorities frequently need organizations to give information in (almost) real time. This presents additional difficulties in terms of ensuring the accuracy, gathering, and transmission of data (World Bank, 2023).

Generally, from global perspective, taxpayers have low trust in authorities and their perception of tax administration inefficiency and corruption open up many issues and lead to complex tax-related compliance challenges (Awasthi *et al.*, 2019). Further, research has shown that where public participation is embraced in formulation of tax policies and regulations, there is enhanced rate of tax compliance (Previous research has strongly revealed that taxpayer education enhances tax compliance by citizens and hence the revenue of a country increases (Onu, *et al* 2019).

1.1.1 Tax Compliance

Many countries are still facing challenges in establishing tax compliance criteria in order to effectively collect enough revenues to fund their own growth. Countries with a tax collection rate of less than 15 Percentage of their Gross Domestic Product (GDP), which is a sign of poor tax compliance, need to enhance their revenue collection in order to fulfill the fundamental requirements of their population and enterprises. As of 2023, 48 Percentage of International Development Association /Blend countries and 69 Percentage of Fragile and Conflict affected State countries (of which Somaliland belongs) fall below this 15 Percentage baseline. This level of tax collection to GDP is also an indication of the level of tax compliance in the respective countries. The higher the ratio the more tax the compliant status (The World Bank Report, 2023). According to Eurostat (2022), current taxes on income as a ratio to gross domestic product (GDP) amounted to 33 Percentage in

the European Union in 2023. Denmark raised the equivalent of 46.5 Percentage of GDP from income tax in 2023. Canada, 34.39 Percentage of GDP, United State, 25.54 Percentage of GDP, South Africa, 25.8% of GDP, Botswana, 22.2% of GDP, Rwanda, 15.1 Percentage of GDP, Tanzania 11.7 Percentage of GDP (The World Bank Group Report, 2023).

In various developing countries, including Indonesia, research highlights an ongoing challenge in achieving effective public tax compliance. Although tax evasion is a global issue (Aligarh, 2017), Indonesia faces a particularly pronounced issue with low tax compliance rates within its fiscal system (Yulianto et al., 2019). Numerous studies have explored the factors contributing to this low compliance, with some researchers linking a higher level of tax knowledge to more positive attitudes toward compliance. Conversely, a lack of understanding of tax laws and their application tends to encourage non-compliance among taxpayers (Abbas et al., 2021).

In Malaysia, studies have uncovered a significant relationship between undergraduate perceptions of tax compliance and their ethnic backgrounds (Kasipillai & Jabbar, 2016), suggesting that as individuals become more educated about tax matters, tax revenues increase. Education not only informs individuals but also shapes their attitudes and behaviors (Ogoun & Ekpulu, 2020).

A review of previous literature reveals that most research on tax compliance has focused on the taxpaying population, including both individuals and corporations (Ouyang et al., 2023). Several factors frequently recur in tax compliance studies, such as equity and fairness (Okafor, 2023), religious beliefs and practices (Carsamer & Abbam, 2023), institutional pressures (Nartey, 2023), and the importance of trust (Cahyonowati et al., 2023). However, scholars argue that earlier research has largely neglected the potential role

of students, despite their future status as taxpayers and significant contributors to national revenue. Consequently, there is a growing need for tax-related studies to thoroughly examine how tax education influences and promotes compliant behavior.

Tax systems of developing countries like Africa face challenges which include weak tax administration, poor or lack of adequate tax education, low taxpayer morale, corruption and hard-to-tax sectors (Awasthi *et al*., 2019). Despite the challenges, several African countries have gradually but progressively implemented technology aided tax systems. For instance, by use of electronic billing machine (EBM), Rwanda was able to increase tax revenue by 6 Percentage at the close of 2018/2019 financial year, demonstrating the broad potential for revenue increases (Harelimana & Gayawira, 2019). In South Africa, automated tax system lowered the time by 21.8 Percentage and cost by 22 Percentage of complying with value added tax (VAT) (Wier, 2020). Increased automation in revenue collection leads to more diverse automated revenue collections, which in turn generate revenue for the state to undertake its obligation of providing public utilities and pay wage bills. (Gidisu, 2019).

Tax revenue as a Percentageage of GDP in Somaliland (approximately 7% in 2023) is less than half the sub-Saharan African average. Somaliland being in the category of fragile and conflict affected states has a huge task of promoting taxpayer education to its citizens in order to increase the level of tax compliance. (World Bank Report, 2022). This study therefore seeks to establish the effect of taxpayer education on tax compliance by owners of water vending businesses in Hargeisa City, Somaliland. Water vending business is vibrant in Hargeisa city which has been necessitated by increasing demand for clean water by residents creating a deficit that municipal government of Hargeisa City is not able to meet. The government by law requires excise duty on water to be paid based on units sold and only 5 Percentage of these vendors comply with this requirement (SIRA, 2023)

Studies on tax compliance have taken different approaches to operationalize it. For instance, Muturi and Kiarie (2015), Gitaru (2017) and Ekundida (2018) used tax compliance indicators namely timely returns and accurate returns. Oladipo *et al.,* (2020) used the total tax revenue to Gross Domestic Product (GDP) ratio in measuring the national level of tax compliance in Kenya. Moreover, Maithya (2020) used the total VAT collected from large taxpayers in Kenya to measure the VAT compliance levels. This study will specifically measure tax compliance by using timely returns and accurate returns measures.

Tax compliance by firms in Somaliland remains a complex issue shaped by various economic, institutional, and social factors. The informal economy dominates Somaliland's business landscape, and a significant number of firms operate outside the formal tax system, which limits revenue generation for the government (Ali et al., 2020). Key challenges include low trust in government institutions, inadequate enforcement mechanisms, and lack of taxpayer education, all of which deter voluntary compliance. According to Ahmed and Yusuf (2022), Somaliland's tax administration struggles with limited resources and inefficient systems, resulting in reduced compliance rates.

To enhance compliance, recent reforms have aimed at simplifying tax processes and improving transparency. The introduction of digital tax filing systems, for instance, seeks to make tax payments more accessible, thereby encouraging firms to comply (Mohamed & Abdi, 2023). However, sustained improvement in tax compliance will require building trust in government services, enforcing tax laws fairly, and educating businesses on tax obligations and benefits (Ali et al., 2020). A well-functioning tax system would not only increase government revenues but also foster economic stability and development in Somaliland (Ahmed & Yusuf, 2022).

1.1.2 Taxpayer Education

Education on taxation is crucial for promoting voluntary compliance with tax laws and fostering a sense of fiscal responsibility among residents. This, in turn, can lead to increased government income and contribute to the achievement of a country's sustainable development goals. Providing education to taxpayers assists individuals in fulfilling their obligations as citizens to pay taxes. It is a mechanism designed to enhance the inclination of individuals and corporations to willingly contribute to tax payments (OECD, 2023).

Taxpayer education is a critical component of promoting tax compliance, as it enhances taxpayers' understanding of their obligations and the overall tax system. Educating taxpayers on tax policies, filing procedures, and compliance benefits not only individuals but also strengthens public trust in government operations. When taxpayers understand the reasons behind tax policies and how their contributions are used, they are more likely to comply willingly (OECD, 2020). Enhanced knowledge reduces errors in tax filings, decreasing the likelihood of penalties and easing the administrative burden on tax authorities.

Furthermore, taxpayer education helps combat tax evasion, which is essential for sustainable economic development. Compliance encourages a fairer distribution of tax responsibilities, ensuring that the tax base is broadened and government revenues are increased. This, in turn, allows for the effective delivery of public goods and services, benefiting society as a whole (Alm & Torgler, 2006). Without adequate taxpayer education, misconceptions and lack of knowledge can lead to non-compliance and undermine the efficacy of tax systems. In conclusion, fostering taxpayer education is a proactive approach that enables higher compliance rates, strengthens public finances, and fosters a culture of civic responsibility.

Tax education refers to the process of informing the public about the tax system and the importance of paying taxes (Anyaduba & Balogun, 2018). It can be understood as both formal and informal programs initiated by tax authorities or other organizations, such as non-governmental bodies, aimed at encouraging taxpayers to submit their taxes promptly and increase their awareness of their tax responsibilities within a specific country (OECD, 2023; Adekoya, 2021). The level of tax compliance is directly linked to the amount of relevant tax education the public receives, both within formal educational settings and through public awareness campaigns. This education helps address issues surrounding personal income tax and various forms of taxation at local, national, and international levels (Ogoun & Ekpulu, 2020). Moreover, Uvaneswaran (2023) emphasized that taxation goes beyond revenue generation; it plays a vital role in fostering responsible relationships between governments and citizens. Therefore, tax authorities must develop strategies to simplify tax procedures and improve compliance through educational efforts such as teaching tax fundamentals, raising awareness, and assisting with tax filing processes.

Taxation may be intricate, particularly for those who possess limited or no prior understanding of the tax framework. Teaching tax fundamentals aims to deeply engage participants and bridge the knowledge gap in their understanding of tax duties and the rights that come with tax compliance (Ahmed, 2023). Empirical studies indicate that most teaching tax essentials are geared towards small and medium enterprises owners, the youth and students as well as individual employees of business entities. (OECD, 2023). Despite their prevalence, teaching tax fundamentals is a labor-, time-, and money-intensive endeavor (Akims, Pyoko, Akims, Motende, Odwa & Toyiring, 2023).

Communicating tax to raise awareness especially where tax paying culture is not well entrenched is vital to tax administrators. Thus awareness raising initiative can help

communicating tax obligations and the rights that are associated with tax compliance (Paleka, Karanovi & Badulescu, 2022). To achieve this goal, it is essential to conduct information campaigns on tax laws and legislative changes, to clarify taxes, and to establish a favorable relationship between taxpayers and tax authorities (Akintoye & Onuoha, 2019). A reduced propensity to pay taxes is associated with more difficulties in obtaining information on taxes, according to another study (World Bank, 2023)

To overcome the complexity of tax systems that may lead to error or undermine the effort tax payers put to fulfil tax obligations, tax administrators are increasing the rage of practical assistance and support (OECD,2023) Other than preventing loss in revenue, through assisting in tax filing, taxpayer is able to understand the benefits and credits they are entitled to. Under this, tax administration should expand a range of practical assistance and support which may include specific tools and services such as digital tools and one on one support. (Ogoun & Ekpulu, 2020). Assisting in tax filing provides tax payer much needed guidance. Also taxpayer participation in designing and testing of new services has also been established to enhance tax compliance (Franić, 2020). Where digital tools are not applicable, tax administrations should provide personalised free tax services to lower income individuals, vulnerable taxpayers and newly created businesses (Elmi, 2021).

1.1.3 Social Demographic Characteristics of Taxpayers

Given the diversity and dynamic nature of taxpayers, it is essential for tax authorities to consider these variations when designing tax collection strategies (Hana. P., Goran. K., Ana, S., 2023). Although there is no consensus on the key factors influencing tax compliance, ongoing discussions focus heavily on the role of sociodemographic elements such as age, gender, income, and education. Previous studies have highlighted the influence of these variables on tax compliance behaviors (Kastlunger et al., 2010; Doerrenberg &

Peichl, 2013; Hofmann et al., 2017; Bruner, D'Attoma, & Steinmo, 2017). This research employs the taxpayer's age as a representation of sociodemographic factors to examine its moderating effect on the relationship between taxpayer education and tax compliance. The age of taxpayers, a well-explored sociodemographic factor, has been shown to significantly impact tax compliance, with older individuals generally exhibiting higher levels of compliance. This factor may, therefore, influence the strength of the relationship between education and tax complianc.

1.1.4 Tax compliance in Somaliland

In the recent past (2017-2020), the Somaliland Revenue department embarked modernization of the tax system with the aim of enhancing efficiency of tax administration. The reforms included introduction of online Portal system (Customs & IRD) and E-payment ZAAD & E-Dahab Services) to enhance tax payments. In Addition, Somaliland Customs Department introduced reports aimed at gradually moving away from a declaration to self-declaration by trade according to the laws. These procedures include: Simplified goods-only Goods Declaration Process (GDP), The Pre-Arrival Process (PAD) for large traders and Single Document Administration (Solver Consultant Firm, 2022).

In 2020, the government of Somaliland recommended to Revenue Department on the need to continuously train the tax payers on how to use their computerized system and tax process and embark on a civic education on the legality and the mandate of the tax tribunal and its importance to both tax payers and tax collectors as an arbiter of last resort on matters tax in Somaliland. World Bank research from 2022 states that tax collection in Somaliland is hindered by legal imprecisions and serious administrative inadequacies. Income and corporation taxes in particular continue to have significant disparities. Less than half of the anticipated revenues have been realized in both groups. There is far less noncompliance, at 10% on average, in the informal economy (World Bank 2022).

One of the four cornerstones of tax compliance is disclosing one's true tax base to the appropriate authorities. The second step is to accurately determine the tax due. Third, submit your taxes on the due date; and fourth, pay any bills in a timely manner. The taxpayer is no longer compliant if they have breached even one rule. This is according to Franzoni (2020). This suggestion takes into account all four metrics and calculates a composite index by taking the nth root. As an arm of the Ministry of Finance, the Revenue Department has been in operation since its present-day establishment in 2016. It is further subdivided into the Customs Department (with around 100 workers) and the Inland Revenue Department with about 230 people (World Bank 2022).

1.2 Statement of the Problem

The Inland Revenue Department, operating under the Somaliland Ministry of Finance (MOF), is tasked with overseeing the assessment, collection, management, and reporting of tax revenues in Somaliland. Among its responsibilities is evaluating the impact of taxpayer education on compliance with tax regulations within the country. Past studies have shown that taxpayers' education has a positive influence in tax compliance.

Despite efforts by the Somaliland Inland Revenue Department to improve revenue collection through taxpayer education, tax compliance rates among water vending businesses in Hargeisa remain significantly below the government's target. As of recent years, compliance has averaged around 35%, substantially lower than the 60% goal set in the 2021–2025 projections. This low compliance contributes to budget deficits and limits the government's capacity to fund essential services, given that the informal sector, including water vending businesses, accounts for a large portion of economic activity yet exhibits high levels of tax evasion. Factors contributing to this shortfall include insufficient taxpayer education, a lack of awareness of tax obligations, and limited assistance with tax filing. Additionally, there is a hostile relationship between tax collectors and businesses,

further deterring voluntary compliance. Previous studies suggest that taxpayer education can positively impact compliance by raising awareness and simplifying tax obligations; however, existing research has inadequately addressed the unique challenges facing informal businesses like water vendors, particularly in Somaliland's sociocultural context. This study aims to address these gaps by examining the effects of targeted taxpayer education—teaching tax essentials, communicating tax information, and assisting with tax filing—on compliance rates among water vending businesses in Hargeisa City.

The general expectation of Somaliland government in its 2021-2025 projections is that tax compliance level should be over 60 Percentage by all taxpayers. However, this level has averaged at 35 Percentage annually from 2021 to 2023 thereby missing the desired level by big margin. Somaliland tax administration has not been able to collect the required revenue and therefore perennial huge budget deficits. Although revenue has improved relatively for the last 5 years (2019-2023), there is huge discrepancy in terms of revenue sources. The customs duty dominate at 75 Percentage while Inland Revenue at 22 Percentage implying that private businesses have very low tax compliance status.. Most of the private business of which water vending businesses are included are hardly paying corporate tax or excise duty for the case of water vendors or are disinclined to implement new taxes introduced by the government. In Somaliland generally, there is a hostile relationship between taxpayers and tax collectors over tax compliance. Most private businesses and more so the small and medium enterprises (SMEs) do not pay taxes and the lack of tax compliance in the informal sector remains acute, with a tax gap of approximately 35% and 33% in 2018 and 2019 respectively (SLRA, 2020).

Past studies on tax education and tax compliance have reported different findings. A study by Gitaru, (2017), concluded that tax compliance could be influenced by educating

taxpayers of their social responsibilities to pay. Though this study focused on tax compliance, it did not specify the particular category of tax whereas the current study will focus on excise tax-imposed units of water sold by water vendor businesses. Another study by Akims, *et al.* (2023), concluded that higher tax education translates to higher level of tax compliance by taxpayers. The study focused on tax education in learning institutions whereas the current stud will focus on owners of water vendor businesses. Scanty literature has been documented to explain the effect of tax education and tax compliance by owners of water vending businesses in Somaliland and no study has specifically focused on status of excise tax payment by the businesses in Hargeisa City. The current study intended to address the contextual and conceptual gaps by investigating the effect of taxpayer education and tax compliance by owners of water vending businesses in Hargeisa City, Somaliland.

1.3 Study Objectives

1.3.1 General Objective

The study's general objective was to investigate the effect of taxpayer education and tax compliance by owners of water vending businesses in Hargeisa City, Somaliland.

1.3.2 Specific Objectives

The specific objectives that guided this study include;

i. To determine the effect of teaching tax essentials on tax compliance by owners of water vending businesses in Hargeisa City, Somaliland.
ii. To examine the effect of communicating tax to raise awareness on tax compliance by owners of water vending businesses in Hargeisa City, Somaliland.
iii. To analyse the effect of assisting with tax filing on tax compliance by owners of water vending businesses in Hargeisa City, Somaliland.

iv. To establish the moderating effect of social demographic characteristics on the relationship between tax education on tax compliance by water vending businesses in Hargeisa Somaliland.

1.4 Research Hypotheses

A statistical test to the following tesTable hypotheses was conducted as a way of achieving the research's objectives.

H_{O1}: Teaching tax essentials does not have a significant effect on tax compliance by owners of water vending businesses in Hargeisa City, Somaliland.

H_{O2}: Communicating tax to raise awareness does not have a significant effect on tax compliance by vending businesses in Hargeisa City, Somaliland.

H_{O3}: Assisting with tax filing does not have a significant effect on tax compliance by water vending businesses in Hargeisa City, Somaliland.

H_{O4}: Social demographic characteristics do not have a significant moderating effect on the relationship between tax compliance by water vending businesses in Hargeisa City, Somaliland.

1.5 Significance of the Study

Somaliland Inland Revenue Authority will benefit from the findings and recommendations based on taxpayer education and hence how to improve delivery of the same with a view of achieving its set revenue collection targets over the respective financial years.

Taxpayers/ Customers will also be made aware of the various methods that the government is using to instil tax education and hence change the perception and enhance their patriotism with regard to voluntary excise tax payment.

This study will form a basis for further research in the areas of leveraging education to enhance increased tax compliance by Somaliland Inland Revenue Authority. Research

could be carried out on the effects of increased automation and innovation by Somaliland Inland Revenue Authority on product awareness. .

1.6 Scope of the Study

Taxpayer education and its impact on tax compliance was the primary focus of this research. The headquarters of Somaliland Inland Revenue (SIR) are located in Hargeisa, the capital city of Somaliland, and that is where this research was centered on water vending firms. This city was the center of the investigation because it generates the most money for Somaliland Inland money. It is also the site of the highest tax collections and the highest concentration of SIR employees. Over 80% of the tax income is received from Hargeisa and the municipalities around it, according to Adam Smith International Report (2019). Additionally, in order to minimize time and resource limitations, this research study only covered this one site. Hargeisa generates a significant portion of Somaliland's tax revenue. By focusing on this area, the study targets a critical region for the country’s tax base, making the findings directly relevant to policymakers seeking to enhance tax compliance where it matters most. Concentrating on one region allows for a more practical and resource-efficient approach, given potential limitations in budget and time. This focus enables the researcher to gather in-depth, region-specific insights that would be challenging to obtain from a broader geographic scope. Somaliland's government has prioritized Hargeisa for tax compliance improvements, especially within the water vending sector. The study aligns with this policy focus, increasing its relevance to government initiatives aimed at strengthening tax compliance in this critical area.

1.7 Limitations of the Study

Limitations refer to any factor that would influence the generalization of a report. The study anticipated challenges from some respondents, relating to provision of information, anonymity and privacy; thereby causing them to pause and not fully share the pertinent facts. The respondent were informed by the researcher that the study will be kept completely confidential and that it is solely intended for academic use. In addition, the researcher will seek the participants' consent as well as assure them of their freedom to respond truthfully as patriots of their country. The study used the primary data which has limitations such as reliability issues; hence negatively affecting the generalizability of the findings. To address this issue, the study designed the questionnaire items based on the theoretical and empirical literatures and a reliability as well as validity check was conducted.

1.8 Study Organization

The following sections outline the structure of the project: Chapter one covers the study's background, the problem statement, objectives, research questions, significance, scope, and limitations. Chapter two presents a literature review, incorporating theoretical and empirical reviews, a summary of the literature, research gaps, and the conceptual framework. Chapter three focuses on research methodology, detailing the research design, target population, sampling methods, data collection tools, their validity and reliability, data collection procedures, data analysis and presentation, diagnostic tests, and ethical considerations. Chapter four presents the findings and data, while chapter five provides the summary, conclusions, and recommendations.

1.9 Conceptual and methodological Gaps

The study is centered on water vending businesses in Hargeisa, Somaliland, but it does not sufficiently address the unique contextual challenges of tax compliance specific to this industry. Including factors such as the seasonal nature of water demand, varying infrastructure quality, and reliance on informal supply chains could provide a richer understanding of compliance motivations and barriers. The study is restricted to Hargeisa, while other significant regions of Somaliland with water vending businesses face similar compliance challenges. Expanding to include comparative data from different regions would enhance the generalizability of findings and account for regional variations in compliance behaviors.

The influence of socioeconomic factors, such as income disparity and access to education in Hargeisa, could affect tax compliance attitudes. Incorporating these factors as contextual variables would offer insights into the social dynamics influencing taxpayer behavior.

While the sample is drawn using stratified random sampling, it might lack representation across all scales and sizes of water vending businesses, particularly smaller, informal vendors. This may result in a limited understanding of compliance issues faced by different business sizes, impacting the study's validity.

The use of self-reported questionnaires introduces the potential for bias, as respondents may not accurately disclose their tax practices. Incorporating alternative data sources, such as tax records or compliance data from tax authorities, would enhance the robustness of the findings.

The study captures data at a single point in time, which limits the ability to assess trends in tax compliance behavior over time. A longitudinal approach could reveal how tax education influences compliance in the long run.

CHAPTER TWO
LITERATURE REVIEW

2.1 Introduction

Chapter two provides the theoretical and conceptual framework on the effect of tax education on tax compliance, it consists of theoretical review, empirical review, summary of empirical literature and the conceptual framework. The chapter offers a critical evaluation of the empirical research in similar previous studies and is responsible for a critical analysis of the literature that highlights any gap that the current study needs to fill. Lastly, a description of the conceptual framework conceptualizing every variable is provided.

2.2 Theoretical literature Review

To reinforce the study, economic deterrence theory, theory of planned behaviour, fiscal exchange theory and theory of slippery slope as theories that anchor various variables of the study have been reviewed by the researcher.

2.2.1 Economic Deterrence Tax Theory

Assuming that rational taxpayers make judgments based only on economic calculation, Allingman and Sandmo (1972) established this hypothesis. They will cooperate if they anticipate that the expenses of evasion will outweigh the benefits gained. Tax theories based on the principle of economic deterrence serve as a disincentive to engage in undesirable or unlawful activities. Using the threat of audit and penalty, among other things, to coerce taxpayers into compliance is central to the approach.

People won't pay their fair share of taxes if they don't think the benefits will outweigh the costs. So, to reduce tax evasion, it is sufficient to conduct taxpayer checks more frequently and to implement harsher penalties. Despite its apparent lack of complexity, this method

tends to be quite persuasive. Nevertheless, no tax authority can reliably and consistently audit every taxpayer and levy heavy fines. Even rational people may think about this and decide to keep avoiding paying their fair share of taxes. Furthermore, there is far less tax evasion in reality compared to what the model would predict. The theory posits that several factors influence taxpayer behavior. These elements include, but are not limited to, tax rates, fines for non-compliance, audit coverage likelihood, and system complexity (OECD, 2020). Lack of awareness in matters tax as well as inadequate information regarding taxpayers' rights and obligation can be a contributor to tax evasion. Hence this theory anchors communicating tax to raise awareness variable in this proposal.

2.2.2 Theory of Planned Behaviour

Theoretical framework in psychology that seeks to explain human actions by drawing connections between ideas and deeds. Icek (1989) first suggested the idea as a way to enhance the theory of reasoned action's predictive effectiveness by incorporating perceived behavioral control. This idea states that there are predetermined elements that arise in a planned manner and have certain causes that impact how people behave within society. A person's capacity to engage in a behavior is contingent upon their having a goal in mind when they do so (behavioural intention). Attitude toward the behavior, subjective standards, and perceived behavioral control are the three components that ultimately determine behavioral intention. The three components mentioned before are additionally impacted by ideas about behavior, norms, and control, (Ali, *et.al*, 2020).

Thus, the ethics and morality of the taxpayer are the central concerns of this philosophy. According to the hypothesis, taxpayers may still comply even if there's little chance of discovery. While economic theories propose stricter audits and fines to address noncompliance, psychological theories propose that people's attitudes about tax systems should be changed. This theory therefore anchors communicating tax to raise awareness

variable and social demographic characteristics in this proposal as it aims at changing taxpayers' behaviour, Ahmed, & Yusuf, (2022).

2.2.3 Fiscal Exchange Theory

Alm and Jackson's (1993) fiscal exchange theory is based on the idea that taxpayers and the government have an existing relational, psychological, or social contract; it is said to have evolved from theories of economic and psychological deterrence. So, according to fiscal exchange theory, taxpayers act in accordance with their expectations of the government's provision of public goods and services. Given this, the model contends that taxpayers may be more likely to comply with tax demands if they perceive a positive return on investment from the government in the form of goods and services. Think of taxpayers as buying government services with their buying power, with the exchange being primarily conditional and variable according to the government's performance. Therefore, taxpayers will likely be cooperative if they are happy with the services provided by the government, regardless of the absence of detection and penalties. Fjeldstad et al., 2012). If citizens are dissatisfied with the services provided by the government or with the way their taxes are utilized, they have the option to alter their terms of trade by reducing their level of compliance (Palil *et al*,2021).

Fiscal Exchange theory therefore anchors the teaching tax essentials variable and tax compliance variable. In case of the former, in-depth engagement with participants who can be individual or business taxpayers, involves among others an exposure of the benefits of paying taxes as well as well as getting them to know their rights which ultimately results in the willingness to pay taxes. According to the notion, paying taxes is a trade-off for receiving government services, and taxpayers are free to renegotiate the amount of taxes they must pay.

2.2.4 Theory of Slippery Slope

According to Kirchler, Hoelzl, and Wahl's (2008) slippery slope hypothesis, which takes into account socio-psychological factors. Two major factors influencing tax compliance, as per the idea, are faith in and respect for authority. The power of authorities refers to taxpayers' belief in the ability of tax officers to identify and penalize tax evasion, while trust in authorities refers to the general belief among individuals and social groups that tax authorities are helpful and act in the public interest. Increasing levels of faith in authorities and power of authorities both lead to more tax compliance, but the quality of that compliance varies: more trust leads to voluntary compliance, while more authority leads to enforced compliance.

An individual's demeanor toward taxpayers has a significant impact on whether they comply with tax regulations or not. The goal of creating a service and client atmosphere between tax authorities and taxpayers is to encourage people to trust authorities and pay their fair share. On the other hand, an environment of police and thieves fosters cynicism and opposition, which in turn gives rise to dishonest behavior. Considering these facts, the slippery slope theory's recommendation that tax authorities adopt a more client-centric and service-oriented attitude toward taxpayers is a major strength. This theory therefore anchors tax compliance and assisting with tax filing variables in this proposal. It also anchors social demographic variable specifically age since change of behaviour or opinion is realised with maturity

2.3 Empirical Review

Under this section, empirical studies that focus on the proposal variables are reviewed and respective contextual, methodological, and conceptual gaps put into perspective.

2.3.1 Teaching Tax Essentials and Tax Compliance

Adekoya (2019) investigated how tax payer knowledge of tax laws and tax compliance relate to one another in Lagos State, Nigeria. A cross-sectional study was conducted in Lagos state, targeting a specific group of private taxpayers. Primary data was collected using a five-point Likert scale questionnaire. The sample consisted of 400 individual taxpayers, selected through a purposive sampling method. Descriptive statistics were used to display the data, and regression models for the study were estimated using both simple linear regression and multiple regression analysis. The analyses' findings demonstrated that knowledge of both existing laws and new laws significantly and favourably affects tax compliance. This study focused on individual tax payers whereas the current study focused on individual businesses compliance status and specifically excise tax. So the current study addressed contextual gap in terms of excise tax compliance.

Akintoye and Onuoha (2019) aimed to determine the impact of teaching tax fundamentals on total tax collection in Nigeria. A survey design was employed, with primary data collected through a closed-ended questionnaire. The data was analyzed using descriptive and inferential regression techniques. The results revealed a positive and significant correlation between tax education and awareness with overall tax revenue collection. Additionally, radio and television were identified as the most efficient platforms for delivering tax education. Though the study focused on tax education, it did not specify the various aspects of tax education. The current proposal intends to focus more on specific items in terms of what should comprise of taxpayers' education which are teaching tax essentials such business registration requirements, tax due calculations etc hence filling a contextual gap.

Kurniawan (2020) investigated the impact of tax education at the higher education level in Namibia on personal tax compliance, specifically focusing on raising tax awareness. A mixed-method approach using the convergent parallel design was applied. The researcher collected both quantitative and qualitative data simultaneously through a survey of 100 students who regularly attended evening classes and met the necessary tax criteria. The gathered data were then analyzed. The study concluded that tax education plays a crucial role in improving tax compliance. The study focused on learners in an institution and their personal tax compliance whereas the current study focussed on on-going business concerns and more specifically, excise tax compliance thereby bridging a contextual gap.

The purpose of the study by Christina, Deborah, and Gray (2014) was to identify the monetary and behavioral elements impacting taxpayer compliance with tax obligations. Finding out what economic and behavioral variables influence taxpayers' compliance with tax penalty amnesty programs was the primary goal of the research. Participants in this amnesty program were asked to fill out surveys about their reasons for not paying their taxes on time and for not declaring the correct amount of income. Some of the factors mentioned were the complexity of the tax laws, their ability to pay, their ignorance of the laws, their perceptions of high tax rates, and the unfairness of the tax system. The purpose of this research is to examine the impact of tax education basics on taxpayer compliance.

2.3.2 Communicating Tax to Raise Awareness and Tax Compliance

To determine the impact of tax education on tax compliance in Ghana, Twum et al. (2020) utilized SMEs to evaluate educational extension excursions. This study includes 130 responses from SME managers in Nkawkaw Municipality, Ghana, who were participants in a tax education session organized by the Ghana Revenue Authority. In order to examine the data, structural equation modeling was employed. Findings show a favorable and

statistically significant relationship between tax compliance and knowledge of one's rights and responsibilities under the law as it pertains to taxes, wages, and fines.

The study found no significant statistical connection between business income tax knowledge and compliance. Instead, it concluded that the most reliable predictors of tax compliance in the SME sector are an understanding of penalties and an awareness of one's rights and obligations. However, the study focused primarily on an economic perspective and overlooked the human aspect of tax compliance decisions. In contrast, the present study incorporates age as a sociodemographic factor, acting as a moderating variable in the relationship between taxpayer education and tax compliance.

A study by Wasao (2020) focused on tax compliance and i-tax system in Kenya. The analysis demonstrated that tax compliance had potential to reach 3.663m taxpayers if online tax registration, payment, and filing were all set to zero. A unit increase in tax filing could result in a 0.161 rise in tax compliance, whereas a unit increase in online tax payment could provide a 0.086 gain in compliance. However, the study over-generalized the findings to incorporate all types of tax-payers even though they are subjected to different tax demands. The current study focused on whether awareness campaigns have had an effect on tax compliance among water vending businesses in Hargeisa City, Somaliland

Researchers Rasshid and Noor (2014) looked at Malaysian taxpayers to see how much of an impact tax literacy had on taxpayers' propensity to pay their fair share. To what extent does tax knowledge and awareness influence tax compliance behavior was the overarching research question. Findings revealed that taxpayers with a greater level of tax knowledge had a higher level of compliance than those without, according to an analysis of questionnaire data comparing the compliance behavior of taxpayers with and without a substantial degree of tax knowledge. To address this knowledge vacuum, the present

research concentrated on tax compliance, defined here as the timely submission of tax returns and the payment of all amounts owed.

2.3.3 Assisting with Tax Filing and Tax Compliance

Therkildsen (2019) did a study to investigate the effect of tax counselling and tax compliance in Spain. The data was collected from taxpayers who had gone through previous interactions with tax authorities excursions where direct assistance with tax and how to use various tool and services was discussed. Research shows that tax counseling helps people pay their fair share of taxes, which boosts a country's revenue collection efforts. The research went on to say that people should be helped with tax concerns and that tax counseling should encourage the voluntary filing of proper forms and payment of taxes. In most cases, tax counseling offices can help you understand and comply with tax regulations, as well as guide you through the application and return filing processes. The current study was guided by the same principles of tax counselling however the focused on an evolving country that has different infrastructure set up in Hargeisa City, Somaliland.

Gwaro *et al*. (2016) study examined the impact of online tax filing on tax compliance among small and medium enterprises (SMEs) in Nakuru, Kenya. The key findings from the study indicated that exposure to online tax filing among SMEs in Nakuru was relatively high, suggesting successful implementation of the tax system. However, online tax filing did not significantly influence overall tax compliance levels. The study found a positive correlation between computer literacy and compliance. SMEs with access to computers and skilled personnel were more likely to comply with tax filing regulations. Hence, while online tax filing offers potential benefits, it may not be a single solution to boosting compliance among SMEs in Nakuru. The current study intends to establish whether the use

of tax filling tools and hands on assistance to tax payers has had any effect on tax compliance rate

Adhikari *et al.* (2020) conducted a study on tax compliance and information reporting in the United States. The study, which involved a qualitative examination, discovered that the introduction of information reporting through Form 1099-K often resulted in a slight but economically and statistically significant rise in reported receipts by small enterprises. According to the study, Form 1099-K had no effect on company deductions. In fact, higher payment card usage was frequently associated with higher net income. These findings hold up well to numerous alternate specifications and placebo testing. However, the study was conducted in the US hence cannot apply in the Somaliland context. The current study however focused on how hands on assistance with filing of tax returns has influenced tax compliance.

2.2.4 Social Demographic Characteristics and Tax Compliance

A study by Hana, Goran, and Ana (2023) found that taxpayers' age, gender, and educational level significantly influenced the moderating role of sociodemographic factors on tax compliance behavior in Croatia. The research used a quantitative approach, surveying Croatian income taxpayers. To ensure data validity, a structural questionnaire in the Croatian language was pretested and piloted. Ordinary least square regression analysis was applied to analyze the results. However, the present study will focus on age groups from a developing country with a less established tax-paying history compared to Croatia. Therefore, the findings from the reviewed study may not be applicable to Somaliland, which has a distinct cultural diversity.

Muehlbacher, Kirchler, and Schwarzenberger (2021) conducted a study comparing voluntary and enforced tax compliance, using correlation analysis and time series for

comparative purposes. To evaluate the comparison, t-tests and analysis of variance were employed. The study found a positive relationship between voluntary tax compliance and age, but no connection between enforced tax compliance and age. In the current research, taxpayers' age was examined to determine its moderating effect on the relationship between tax education and tax compliance, thus addressing a conceptual gap.

Hofmann et al. (2017), in a meta-analysis of tax compliance across sociodemographic groups, found that older taxpayers tend to comply more with tax regulations compared to younger individuals. The research suggested that younger taxpayers' limited knowledge of taxation hinders their compliance. Additionally, the study revealed a significant link between younger taxpayers' weaker sense of moral obligation and lower levels of tax compliance. To address a gap in the literature, this study examined how taxpayer age moderates the relationship between tax education and tax compliance.

Research by Górecki and Letki (2020) showed that social norms reduce the influence of tax systems on tax evasion. Their study, conducted in Croatia, involved 862 completed questionnaires. The findings were analyzed using ordinary least square regression, and the results indicated that gender moderates the relationship between tax rates, tax morale, and tax compliance, with a positive and statistically significant effect for men. The study suggested that this effect might be due to men's higher income levels compared to women. The current study focused on taxpayer age as a moderating variable.

2.4 Summary of Empirical Literature Reviewed and Research Gaps.

Preceding empirical literature reviewed on tax education and tax compliance, this section shows the conceptual, contextual, and methodological gaps identified. Table 2.1 presents the summary of empirical literature.

Table 2.1 Summary of Literature Review and Research Gaps

Authors	Focus of the Study	Key Findings	Research Gap	Focus of the Current Study
Hana, Goran &Ana (2023)	Moderating effect of social demographic characteristics on tax complince in Croatia	Taxpayers age, gender and level of education siginifcantly affect tax complinace behaviour	The study was conducted in a developed country where education standards are high and hence cannot be replicated in Somaliland	The current study focused on age only as a social demographic characteristic
Kurniawan (2020)	Effect of tax education at institutions of higher learning on personal tax compliance in Namibia	The study findings wre that personal tax compliance	The study focused on learners and their personal tax compliance	The current study focused on the real owners of running businesses and more specifically, excise tax
Wasao (2020)	The effect of online tax system and tax compliance among small and medium enterprises in Nairobi County.	The Percentageage of small taxpayers in East of Nairobi who pay their taxes online would rise by 0.051 for every unit increase in online tax payments.	The focus of the study was on SMEs and generalizing the findings to apply to all taxpayers is not possible.	The current study focuses on water vending businesses and specifically, excise tax.
Twunet *et al*. (2020)	Effect of tax education through educational extension excursion on tax compliance in Ghana	Tax law awareness, understanding taxpayers' rights had a positive and signifcant effect on tax compliance.	Guided by the latest research on economic behaviour and hence taxpayer behaviour, the study did not consider the social demographic characteristics.	The current study included age as a moderating variable in the relationship between taxpayers education and tax compliance.
Adhikari, Alm, & Harris (2020)	Tax compliance and information reporting in USA	Introduction of information reporting through form 1099-K had a significant effect on reported revenues by SMEs .	The study was conducted in a developed country hence the results cannot be replicated in Somaliland	The current study focused on establishing how hands on assistance on tax filing have influenced tax compliance.

				among large taxpayers
Gwaro, Maina, & Kwasira (2016)	Online tax filing's effect on compliance rates among medium and small businesses in Nakuru Town, Kenya.	The study found out tgat online tax filing had no significant effect on tax compliance levels	The study relied on information provided on individual income tax information to derive the data.	The current study sought to ascertain whether the assistance given to taxpayers has had any effect on tax compliance.
Adekoya (2019)	Tax payer awareness of tax laws and tax copliance in Nigeria	The study found that awareness of both existing and new tax laws have a siginifcant effect on tax compliance.	Though the study focused on individual tax payers, it did not specify the tax being paid	The current study specifically focused on the status of excise tax compliance.
Adhikari, Alm, & Harris (2020)	Information reporting and tax compliance in the United States.	The study found that there as little impact of Form 1099-K on business deductions. Indeed, net income generally increased with greater payment card use.	The study used qualitative approach/strategies to achieve their objectives.	The current study employed quantitative approach to model the relationship between the study variables.
Akimtoye & Onuoba (2019)	Tax education and awareness effect on overall tax collection in Nigeria	The results indicated that tax education has appositive and significant effect on overall tax revenue collection	The study focused on tax education in general	The current study was more specific in terms of what should comprise of taxpayers education such as teaching tax, communicating tax and assisting in tax
Therkidsen (2019))	Effect of tax counselling on tax compliance in Spain	Tax counselling significantly improves the level of tax compliance	The study was conducted in a developed country with well-developed infrastructure.	The current study applied the same principles of tax counselling but in an evolving country set up

Source: Empirical Literature Review (2024)

2.5 Conceptual Framework

A conceptual framework is designed after collecting all-encompassing guiding ideas and concepts inferred from applicable study disciplines and used in organizing a subsequent exhibition (Raichel & Ramey, 1987). A conceptual framework, offers a broad framework for data analysis and enables the researcher to see the study variables clearly as shown in Figure

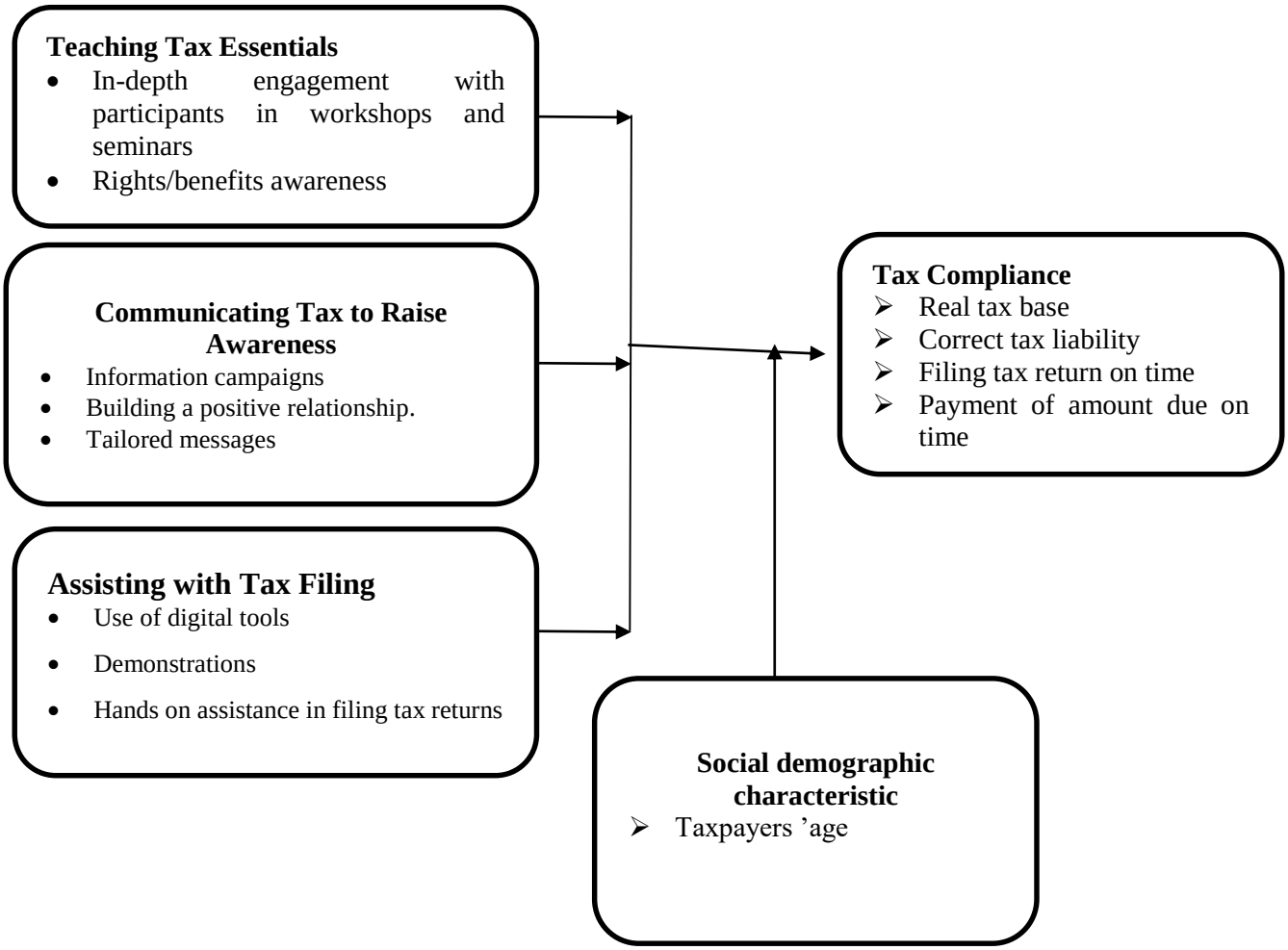

Figure 2.1 Conceptual Framework

Source: Research Data (2024)

Figure 2.1 shows the conceptualized relationship of this study. The study's main concept is automated tax system which is operationalized by its features as variables. The independent variables include automated tax filing system, submission and issuance of tax

related documents, and automated tax payer reports. These variables will be measured using Likert scale to examine the degree to which the respondents agree with the respective variable indicators. The dependent variable of the study is tax compliance which is measured using Likert scale agreement levels of its indicators.

CHAPTER THREE
RESEARCH METHODOLOGY

3.1 Introduction

The methods and processes that was used to conduct the research and accomplish the stated goals are described in this section. It describes the research concept, population to be studied, sample design, data collection methods, data analysis strategies, along with presentation and ethical issues.

3.2 Research Design

Kothari (2004) defines research design as the development of procedures that support data collection and analysis in consideration of relevancy and economy. It is the conceptual framework that guides the research process which consists of all activities a researcher takes from hypothesis generation, operational implications to data analysis. Pandey and Pandey (2015) add that research design is a blue print that guides the researcher in data collection, measurement and analysis. This means that all processes used in identification of population, deriving the sample for the study, choosing the appropriate techniques for data collection, validating data and analyzing data collected are all guided by the research design that a researcher selects for his study. This makes a research design be used as a plan that indicates all actions and activities that help a researcher to find solutions to the research problems. It is important to understand research design before the study for efficiency and smooth operation of the research process Methods & Techniques. 2004).

The study used descriptive research design to observe an event to describe patterns that allow for predictions. Descriptive research design quantitatively describes certain aspects of a phenomenon such as relationship that can be used for generalization (Glasgow, 2005). The study used descriptive research design to describe patterns of events existing in tax

education and tax compliance by water vending businesses in Hargeisa City, Somaliland. The design was chosen as it sought to describe the different methods of tax education that tax administrators use to enhance tax compliance by owners of water vending businesses. Correlational research design was also used in determining the relationship between the two variables

3.3 Empirical Model

Multiple regression analysis was employed to examine the relationship between the independent variables (teaching tax, communicating tax, and assisting in tax) and the dependent variable (tax compliance). Additionally, it was utilized to assess the moderating effect of sociodemographic variables on the link between taxpayer education and tax compliance.

3.3.1 General Model

According to Shafique and Mahmood (2014) empirical models are representation of actual objects or events that show existing relationship which may be direct or indirect. Models therefore allow testing to demonstrate the connection between the independent and dependent variable. Additionally, models offer guidance to researchers necessary for the completion of the work. This helps with identification of the best models that predict the outcome of the dependent variable hence allowing the inclusion and exclusion of explanatory variables that do not show statistical connection with the outcome variable. Findings from empirical models are then used in making generalization of real world events. For researcher to be able to use statistical models in research, they were validated to allow their application on real life events (Shafique & Mahmood, 2014). Statistical models such as regression was used to test probability of occurrence of real-life events (Tingley,2021). The study used multiple regression empirical model to test existing

relationship between tax education and tax compliance by water vendor businesses in Hargeisa City, Somaliland.

In this research project the following multiple regression model were used.

$Y = \beta_0 + \beta 1X_1 + \beta 2X_2 + \beta_3X_3 + \varepsilon$ …….equation 1

Y = Tax compliance (composite Index)

X_1= Teaching Tax Essentials, X_2= Communicating Tax to Raise Awareness, X_3= Assisting with Tax Filing, e = error term and β_0 = Constant variable

The parameters $\beta 1, \beta 2,$ and β_3 measures the amount of variation in **Y** as a result of a unit change in X_1, X_2 and X_3 respectively.

3.3.2 Moderating Effect Model

Rockwood and Hayes (2020) pointed out that moderation occurs when the effect of a variable to another depends on another variable. It was argued that moderating effect can be modelled by getting the product effect of independent variables and moderating variable. In the study social demographic was the moderating variable, denoted by M. The moderating effect model evaluated the effect of tax education and tax compliance. The moderating effect is as shown in equation 2.

$Y = \beta_0 + \beta_1X + \beta_2M + \beta_3X*M + \varepsilon$ … ……equation 2

Where:

Y is tax compliance (composite index)

X is composite index for tax education.

M is Social Demographic Variable

X* M **is** the interactive product of tax education and social demographic variable

ε is the error term

The parameters β_0, β_1, β_2 and β_3 are parameters (coefficients) for the moderating effect. These parameters will measure the amount of change in Y due to a unit change in the respective variables. The study applied the approach proposed by Rockwood *et al* (2020). The hypothesis for the moderating effect analysis was H_{04}. The moderating effect is said to exist when coefficients β_3 is statistically significance. The null hypothesis was rejected if the p-value of the coefficients were less than 0.05. The model parameters were assessed at 5 Percentage level of significance.

3.4 Operationalization and Measurement of Variables

The study's dependent variable is tax compliance and the independent variable is tax education. Table 3.1 presents a description of the variables and how they are operationalized.

Table 3.1: Operationalization and measurement of Variables

Variable	Type	Operationalization	Measurement
Teaching Tax Essentials	Independent	• In-depth engagement with participants in workshops and seminars • Rights/benefits awareness	5-point Likert scale
Communicating Tax to Raise Awareness	Independent	• Information campaigns • Building a positive relationship. • Tailored messages	5-point Likert scale
Assisting with tax Filing	Independent	• Use of digital tools • Demonstrations • Hands on assistance in filing tax returns	5-point Likert scale
Tax compliance	Dependent	• Real tax base • Correct tax liability • Filing of tax return on time • Payment of amount due on time	5-point Likert scale
Social-demographic	Moderating	Taxpayers' age	Discrete

Source: Research Data (2024)

3.5 Target Population

According to Oliver (2017), a population is defined as a set of people, services, elements and events, group of things or households that are being investigated. Hargeisa City has 412 licensed water vending businesses (Municipal Government of Hargeisa City, 2024) whose owners' major activities encompasses operating water kiosks and bulk water wholesalers. Hence the target population was 412 business owners.

Table 3.2: Target Population Distribution

Category of Water vendor	**Population**	**Percentageage**
Retail water kiosks	341	82.7%
Bulk water wholesalers	71	17.3%
Total	**412**	**100%**

Source: Municipal Government of Hargeisa City, 2024

3.6 Sampling Design and sample size

The study utilized a stratified random sampling technique to choose the sample. This approach is beneficial for researchers as it ensures a more representative sample by dividing the target population into distinct, non-overlapping groups, then selecting a random sample from each group independently. The population was grouped into two strata comprising of retail water kiosks vendors and bulk water wholesaler vendors. This method is good since the stratified sample offers greater precisions and also saves money as it arrives at a small sample (Alvin, 2016). The respondents were sampled using stratified sampling method and selected using simple random sampling technique. Taro Yamane (1967) formula was used to calculate the sample size and assumes an error margin of 0.05.

$$n= N/(1+ N(e^2))$$

Where n= sample size, N= target population and e= error margin

$$n= 326/ (1+326(0.05^2)) = 179$$

Therefore, the study had a sample size of 179 respondents which is a 55% of the target population which were used to determine sampling in respective stratum.

Table 3.2 shows the sample size distribution.

Table 3.3: Sample size distribution.

Category	Population	Percentageage	Sample size
Retail water kiosks	265	55%	145
Bulk water wholesaler	61	55%	34
Total	**326**	**55%**	**179**

Source: Author, 2024

3.7 Data and Data Collection Methods

3.7.1 Research Instruments

A research method utilizing a questionnaire helped in gathering primary data. According to Saunders and Thornhill (2015), a questionnaire is an effective instrument for gathering huge amounts of data in a brief amount of time. Additionally, there is no pressure put on participants, allowing them to answer honestly and anonymously. Organization of the questionnaire comprised of five sections. Section A helped in collecting data regarding respondent demographic information, statements regarding the teaching of tax variable was contained in section B, section C will consist of communicating tax construct, section D consisted of constructs on assisting with tax and section F, tax Compliance. The semi-structured questionnaire entailed open-ended and closed-ended questions. Open-ended questions are acknowledged for permitting judgements and perceptions from the select respondents as regards to the subject under study hence gives an in-depth grasp of the question (Collis & Hussey, 2013). However, close-ended questions are vital in operationalizing and assessing a study's variables through the use of a category scale.

3.7.2 Pilot Testing

Pilot testing of the questionnaire used were conducted prior to conducting the actual study with the objective of testing and refining procedures. This increased the reliability, validity and practicability of the questionnaire. The pilot study was conducted in the neighbouring district of Awdal where 17 taxpayers, a representative of research sample were targeted. The sample size needed to conduct a pilot study was between 1 and 10 per cent of the overall sample size, according to Kothari (2010).

3.7.3 Validity

Validity is the extent to which a test determines what it is meant to assess. Criteria, construct, and content validity (Kothari, 2004). The instrument's capacity to forecast the outcome of the current circumstance serves as the criterion for validity. Content validity, which quantifies how well a test is representative of the field it is meant to study, was accomplished by having specialists that evaluated the content of the instruments. One of the advantages of validating content is the fundamental concept's intuitiveness and simplicity (Collis & Hussey, 2014). This study utilised a content validity index in examining the questionnaire statements' logical consistency. Accomplishing this requires involving supervisors in going over the questionnaire, who in this instance present an opportunity for better judgement and how well the instrument embodies the goals of the research.

3.7.4 Reliability of the Research Instrument

Reliability refers to the extent to which instruments constantly generate consistent results after repeating measurements. Babbie (2011) contends that reliability aids in emphasizing the degree to which values from a measurement demonstrate independence from dimensional inaccuracies. Reliability comes in four different types. Test-and-retest

reliability is the first kind of reliability. It evaluates the reliability of results produced when the same test is run multiple times on the same sample. This approach won't be used in this investigation because it's expensive and time-consuming. Measuring the extent of agreement between various observers or raters of the same thing involves interrater reliability which is the second type of dependability. When collecting data, researchers give each variable a score, a category, or a rating. This kind of reliability was not applied because the nature and setting of this study is Likert scale. The third kind of reliability test, known as parallel types reliability evaluates the similarity between two identical test versions. This strategy is utilized when testing the same item using two different assessment tools or sets of questions. This dependability test method was not employed both because it is time consuming and needs more resources.

Internal consistency examines the similarity between various test items that are used to identify the same construct, making it the fourth type of reliability test. Cronbach alpha, a useful tool for assessing the internal consistency of research participants' responses, were used for this test. Cronbach and Hedge (2003) stated that a less than 0.5 alpha coefficient is regarded as untrustworthy, whereas an alpha coefficient of more than 0.5 is seen as dependable and more than 0.7 were regarded as extremely reliable. Hence this study used Cronbach alpha to test for reliability.

3.7.5 Data Collection Procedure

The study relied on primary information that was gathered through the use of self-administered questionnaires. Before distributing the questionnaires, the research first engaged the Hargeisa local government of Somaliland department of planning for research authorization. Kenyatta University Graduate School research authorization letter was also obtained. The researcher trained five research assistants who helped in administering,

following-up and collecting the filled questionnaires, as well as, editing and data entering process. Questionnaires were dropped onto the desk of respective respondents who were notified and were picked two weeks later after allowing the respondents ample time to fill the questions.

3.8 Data Analysis and Presentation

Quantitative method was both utilised in analysing the data collected for this study before the final conclusions and findings are put together. Numerous closed-ended questions were used to obtain quantitative data, which was then coded by allocating recognized symbols, numbers, or other indications (Creswell, 2009). Statistical Packages for Social Sciences (SPSS) version 26.0 served as the statistical tool for analysis. Descriptive statistics including frequency Percentageages, charts, and graphs were used in reporting data acquired from close-ended questionnaire. The descriptive statistics were also required in measuring dispersion and central tendencies like standard deviation and mean.

Among the inferential analysis was regression and correlation analysis. A statistical method used in assessing the extent of connectedness between two variables is correlation analysis (Cooper & Schindler, 2014). Using correlation analysis, it is possible to identify any potential for multi-collinearity. When the correlation between the applied independent and dependent variables is 0, there is no likelihood of any association. Additionally, Hair *et al*. (2010) states that if the correlation index, r, is less than one, it indicates either a positive or negative relationship between the variables. The values are regarded as being between -1 and 1, with -1 denoting a perfect negative association, 0 denoting no association between the variables, and +1 denoting a perfect positive association. When r is between 0.29 and 0.1, it is regarded as weak; with an r that is bounded by 0.3 and 0.49, it is considered medium; and when r is beyond 0.5, it is considered strong (Lategan, 2010).

3.9 Diagnostic Tests

Prior to regression analysis, the study conducted the diagnostic tests to ensure that the regression model is Best Linear Unbiased Estimator (BLUE). The study tested the assumption of normality, linearity, heteroskedasticity and multicollinearity.

3.9.1 Normality Test

The probability distribution around the mean is symmetric in a normal distribution, which means that data close to the mean are more common than data far from it. Using the Kolmogorov and Shapiro-Wilk tests for normality, the data's normal distribution was examined. According to Field (2013), the data is normally distributed if the p-value is above the 0.05 value, and a less than 0.05 p-value resulted in rejecting the null hypothesis at a significance level of 5 Percentage. The null hypothesis was that the population is normally distributed.

3.9.2 Heteroskedasticity Test

When heteroskedasticity is present, the standard errors are inflated, which causes the t-statistics values to be low and gives the false impression that the regression coefficients are unreliable (Barker & Shaw, 2015). For homoscedasticity, the Breush-Pagan variance test was used. Heteroskedasticity is evident at a less than 0.05 significance level. The null hypothesis was that data is homoscedastic In the presence of heteroskedasticity, the researcher generated robust standard errors to ensure that the correct computation of standard errors is generated leading to correct t-value and p-values.

3.9.3 Multicollinearity Test

To determine the degree of multicollinearity, the study used the variance inflation factor (VIF). The degree of variance of the projected regression coefficient is inflated depends on

the manner of the predictor variable inverse correlation. The null hypothesis for multicollinearity test was that the coefficient of a variable is zero. A VIF of less than 1 shows absence of a link. Multicollinearity is present when the VIF is greater than 3. A major collinearity problem is indicated by a VIF greater than 10. (Barker & Shaw, 2015).

3.10 Ethical Considerations

Neumann (2013) states that "ethical" actions are those considered proper and fitting in a given occupation. Three factors were considered by the researcher when conducting the study: personal ethical concerns of the researcher, participant-related ethical concerns, and methodological concerns. To ensure that the study is authorized, a permission from the Somaliland National Commission for Science, Technology, and Innovation (SNACOSTI) was requested. In the permission request, a letter of introduction from the Kenyatta University Graduate School was attached. When working with respondents, the researcher adhered to high standards of ethics and integrity.

CHAPTER FOUR
RESEARCH FINDINGS AND DISCUSSIONS

4.1 Introduction

This chapter presents the findings of this study investigating the effect of taxpayer education and tax compliance by owners of water vending businesses in Hargeisa City, Somaliland. Three levels of data summary and analysis were employed in the study. These included exploration description and inference, the latter being for significance determination and testing of the hypotheses postulated.

4.2 Reliability Test

Table 4.1 presents the results of the reliability test using Cronbach's Alpha, which measures the internal consistency of the items used in the study. High Cronbach's Alpha values indicate strong reliability, showing that the items effectively measure the intended constructs related to tax compliance factors among water vending business owners in Hargeisa City.

Table 4.1: Reliability Test

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	No. of Items
.974	.975	8
.993	.994	13
.977	.983	5
.991	.992	4

Source: Research Data (2024)

The Cronbach's Alpha values for various items in the study suggest excellent internal consistency, indicating high reliability in measuring the effects of tax education on compliance among water vending business owners. A score of .974 for teaching tax

essentials shows that respondents consistently view this factor as crucial for improving tax compliance. Similarly, a near-perfect Alpha of .993 for tax awareness communication highlights the strong influence of clear tax communication on compliance. The .977 score for tax filing assistance indicates that respondents find tax filing support beneficial for meeting compliance requirements. Lastly, the Alpha of .991 for socio-demographic characteristics as moderators suggests that factors like age, education, and income significantly influence how tax education impacts compliance, revealing a complex relationship between these characteristics and tax behavior.

4.3 Response rate

A total of 179 questionnaires were distributed to water vending business owners in Hargeisa City, Somaliland, with an excellent return rate. The response rate is as discussed in the table 4.2.

Table 4.2: Response rate

Response	Frequency	Percentage
Well answered and returned	156	87.15
Incomplete/not returned	23	12.85
Total	**179**	**100**

Source: Research Data (2024)

The study distributed 179 questionnaires to water vending business owners in Hargeisa City, Somaliland, and retrieved them after three days. Out of the total, 179 were returned, but 23 were either incomplete or unreturned, leading to their exclusion from the analysis. This resulted in a satisfactory response rate of 87.15%. According to Mugenda and

Mugenda (2003), a response rate exceeding 70.0% is considered excellent. Table 4.1 provides a summary of the response rate.

4.4 Demographic data of the respondents

The demographic data of the respondents provides essential insights into the characteristics of the study population. It includes key variables such as age, gender, education level, marital status, and occupation, among others. Analyzing these variables offers a deeper understanding of the respondents' background, enabling the identification of trends and patterns that may influence their behaviors, perceptions, and responses within the context of the study. This section presents a comprehensive summary of the demographic profile of the respondents, contributing to the overall interpretation of the study's findings.

4.4.1 Gender

The researcher sought to identifty gender of the respondents, thereofre reseults are as stated in the Figure 4.1.

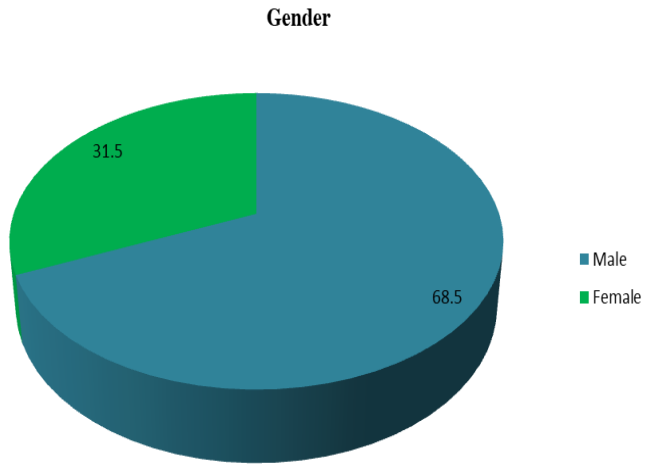

Figure 4.1: gender of the respondents

Source: Research Data (2024)

The data provided indicates the gender distribution of a sample population consisting of 156 individuals. Of these, 107 are male, which constitutes 68.5% of the total sample.

Meanwhile, the remaining 49 individuals are female, accounting for 31.5% of the sample. This distribution highlights a noTable gender imbalance, with males representing nearly two-thirds of the population and females just over one-third. Such a disparity could have implications for studies or analyses relying on this data, as the overrepresentation of males may skew results or interpretations if gender is a relevant factor. Ensuring a more balanced gender ratio could be important for achieving more representative and generalizable findings.

4.4.2 Education background of the respondents

The study sought to identifty gender of the respondents, thereofre reseults are as stated in the Table 4.3

Table 4.3: Education background

Educational Level	Frequency	Percentage
Secondary	18	11.5
Collage	32	20.5
Bachelor	80	51.2
Master	26	16.8
Total	**156**	**100.0**

Source: Reasearch Data (2024)

The results indicate a distribution of educational attainment levels among the respondents. The majority of the sample, comprising 51.2%, hold a Bachelor's degree, suggesting a significant proportion of individuals with undergraduate education. Following this, 20.5% of respondents have attained a Master's degree, reflecting a noTable presence of postgraduate qualifications within the surveyed population. Additionally, 16.8% of respondents have attended college, indicating a substantial portion with some tertiary education but without completing a full degree program. Finally, 11.5% of respondents

have secondary education as their highest level of attainment, highlighting a smaller yet still noteworthy group with basic educational qualifications. These findings states the diversity in educational backgrounds within the surveyed population, with a significant emphasis on higher education qualifications, particularly at the Bachelor's level.

4.4.3 Year of Business founded

The respondents were asked to state year their business were founded or started, they gave theire responces as shown below in Table 4.4.

Table 4.4: Year of Business founded

Year	Frequency	Percentage
2023	16	10.26
2022	29	18.59
2021	34	21.79
2020	45	28.85
2019	32	20.51
Total	**156**	**100.0**

Source: Research Data (2024)

The provided data presents a breakdown of frequencies and Percentageages of an unspecified variable across different years, spanning from 2019 to 2023. Across this five-year period, the frequency of the variable appears to have fluctuated. In 2020, the highest frequency of occurrences was recorded, with 45 instances, representing 28.85% of the total. This was followed by 2023, with 34 occurrences, constituting 21.79%. Subsequently, there seems to have been a decline in occurrences, with 2019 showing the lowest frequency at 16 instances, or 10.26%. Interestingly, while the frequency varied year to year, the overall Percentageage distribution among the years appears relatively consistent, with each year representing roughly similar proportions of the total occurrences. This suggests some

stability in the distribution pattern over the observed period. Further analysis may be needed to understand the factors influencing these fluctuations and their implications.

4.4.4 Work experience

The study sought to identify how long the respondents have been having the business, whereby the respondents gave their respnse as inidcated below in Figure 4.2.

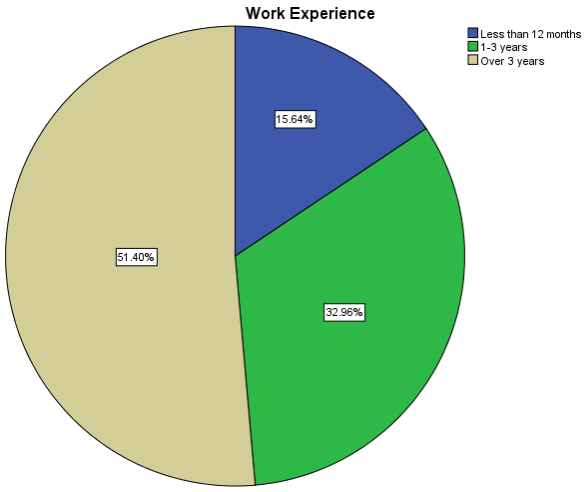

Figure 4.2: Work Experience

Source: Research Data (2024)

The results presented show the distribution of respondents based on the length of time they have been engaged in a particular activity or experience. The data indicates that a majority of respondents, comprising 51.4%, have been involved in the activity for over three years. This suggests a significant level of long-term commitment or experience among this group. Following this, 33.0% of respondents reported being engaged for a duration between one to three years, indicating a substantial portion with a moderate level of experience. The remaining 15.6% of respondents reported engaging in the activity for less than 12 months, representing a smaller but still noteworthy portion of participants who are relatively new to the activity.

4.4.5 Has this business ever been charged for not paying excise tax

The study asked if the business has been charged for not paying exercise tax, respondents are as stated below in the Table 4.5.

Table 4.5: Business charged for not paying excise tax

Response	Frequency	Percentage
Yes	107	68.58
No	52	31.42
Total	**156**	**100.0**

Source: Research Data (2024)

The Table 4.5 above, presents data on whether a business has ever been charged for not paying excise tax, showing frequencies and Percentages of responses. Among the 159 businesses surveyed, 107 (68.58%) have been charged for not paying excise tax, while 52 (31.42%) have not faced such charges. This distribution suggests a significant portion of the surveyed businesses have encountered legal repercussions for non-compliance with excise tax regulations.

4.4.6 Age of the business owner

The demographic data of the respondents provides essential insights into the characteristics of the study population. It includes key variables such as age, gender, education level, marital status, and occupation, among others. Analyzing these variables offers a deeper understanding of the respondents' background, enabling the identification of trends and patterns that may influence their behaviors, perceptions, and responses within the context of the study. This section presents a comprehensive summary of the demographic profile

of the respondents, contributing to the overall interpretation of the study's findings.

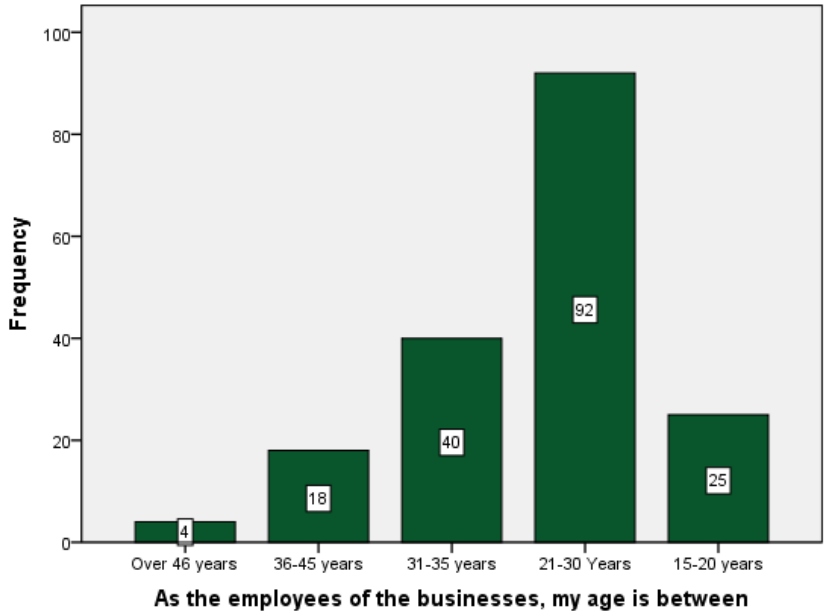

Figure 4.3: Age of the business owner

Source: Research Data (2024)

The Figure 4.3 provides insights into the age distribution of respondents within the businesses surveyed. It reveals that the majority of employees fall within the age bracket of 21 to 30 years, comprising 51.4% of the total workforce. This age group likely represents a blend of youthful vigor and relative experience, offering a diverse range of perspectives and skills to the workforce. Following closely behind is the 31 to 35 age group, making up 22.3% of the employees, indicating a significant portion of mid-career professionals contributing to the workforce. Additionally, the data highlights a no presence of younger individuals aged 15 to 20 years, comprising 14.0% of the total. This demographic likely represents part-time workers, interns, or individuals just entering the workforce, contributing fresh ideas and energy. However, the representation of employees over 46 years old is relatively minimal at 2.2%, suggesting a potential gap in age diversity and the need for strategies to retain and leverage the experience and expertise of older workers.

4.5 Analysis of study variables

The analysis of study variables in this research delves into the relationships between key factors such as teaching tax essentials, communicating tax awareness, assisting with tax filing, and tax compliance. The study employs both descriptive and inferential statistical techniques to explore how these variables interact and impact compliance among water vending businesses in Hargeisa City.

4.5.1 Teaching Tax Compliance

The first objective of the study was to determine the effect of teaching tax essentials on tax compliance by owners of water vending businesses in Hargeisa City, Somaliland, respondents therefore gave their results as shown in the Table 4.6.

Table 4.6 Teaching tax compliance

Statement	Mean	Std. Deviation
When we have tax payer education initiative, target groups are classified in business and individuals	3.8045	1.16637
Teaching tax initiatives seek to create in-depth engagements with participants where dialogue between participants and those delivering the programme take place	4.1508	1.05182
In teaching tax initiatives, complex messages and deep thinking among participants in terms of role of tax in citizenship are explained.	3.7989	1.25143
In teaching tax initiatives, technical aspects of the design and functioning of specific taxes are explained.	2.1508	1.10394
In teaching tax initiatives, participants are given time and space to think, respond and ask questions.	4.0950	.96391
In teaching tax initiatives, the target groups are made aware of the workshop/seminar first and then invited to register and participate	2.0838	1.13113
Awareness of teaching tax initiative is done through advertisement or promotion to encourage participation.	4.1397	1.10033
Different approaches are used for different target groups. For instance, partnership with business when delivering workshop/seminars to business owners.	3.8659	1.19169
Those delivering teaching programmes use local language or a language that can be understood by the participants	3.7318	1.30928

Source: Research Data (2024)

The study on tax payer education initiatives reveals significant insights into the design and effectiveness of such programs. The mean scores and standard deviations of various statements provide a detailed understanding of different aspects of teaching tax initiatives. For instance, the classification of target groups into business and individuals received a relatively high mean score of 3.8045, indicating a strong recognition of the need for

targeted approaches. Teaching initiatives that foster in-depth engagement and dialogue scored even higher, with a mean of 4.1508, suggesting that interactive and participatory methods are highly valued.

Interestingly, the explanation of complex tax messages and the role of tax in citizenship had a mean score of 3.7989. This indicates a moderate level of importance attributed to this aspect, but also reflects variability in how well these messages are conveyed, as evidenced by the standard deviation of 1.25143. On the contrary, the technical explanation of specific taxes was rated much lower, with a mean of 2.1508, highlighting a potential gap in the technical understanding among participants or perhaps a lack of emphasis on this area within the initiatives.

Participants appreciated being given time to think, respond, and ask questions, which scored a mean of 4.0950, underscoring the importance of interactive learning environments. However, the method of informing target groups about workshops and seminars before registration received a low mean score of 2.0838, indicating a possible area for improvement in initial outreach and engagement strategies.

Promotion and advertisement to raise awareness of tax education initiatives received a high mean score of 4.1397, reflecting the effectiveness of these methods in encouraging participation. Moreover, using different approaches for different target groups, such as partnering with businesses, had a mean score of 3.8659, suggesting that tailored strategies are well-regarded.

Lastly, the use of local or understandable language in delivering teaching programs scored a mean of 3.7318, showing a general agreement on the importance of accessible communication, though the relatively high standard deviation (1.30928) indicates

variability in its application. Overall, the findings highlight key strengths and areas for improvement in tax payer education initiatives.

Studies reviewed in this chapter support the finding that teaching tax compliance plays a significant role in enhancing compliance. The current study aligns with previous literature, such as Adekoya (2019) and Akintoye and Onuoha (2019), who found that tax education fosters compliance by enhancing knowledge of tax obligations. The study's findings, where practical and interactive sessions, including explanations of tax roles, yielded high compliance scores, mirror these earlier studies, affirming that tax education positively influences compliance among water vending businesses in Somaliland .

4.5.2 Communicating tax to raise awareness

The studies second objective was to examine the effect of communicating tax to raise awareness on tax compliance by owners of water vending businesses in Hargeisa City, Somaliland, results are as discussed in the Table 4.7

Table 4.7: Communication

Statement	Mean	Std. Deviation
Communicating tax initiatives focus on raising awareness among taxpayers regarding different aspects the of tax system	3.9609	1.21952
Awareness relating to rights of taxpayers are discussed.	4.0112	1.16594
Awareness relating to obligations of taxpayers are discussed.	3.9385	1.31611
Awareness relating to any changes in tax system are regularly communicated.	3.8771	1.23000
In communicating tax initiatives, issues facing specific groups of taxpayers are highlighted and solutions given	4.0726	1.12693
Communicating tax initiatives promote improvements in the perception of the tax system and administration	4.1006	1.01724
Communicating tax disseminate specific messages to a chosen group or audience	4.1899	.93479
Communicating tax initiatives are done on daily basis via newspapers, radio, posters, television etc	3.9385	1.06614
Communicating tax initiative messages are highly regarded by owners of water vending business	3.7933	1.31404
Communicating tax initiative messages easily identify the right groups or audiences	3.9162	1.17975
Tailored communicating tax initiative messages are refined and target a specific group in order to change their tax behaviour in a certain way	4.0168	1.14889
Among the many approaches used by SIRA in communicating tax, information campaign is the common.	3.9050	1.16933
Tax administrators organise events or games with the tax payers to promote positive relationship among themselves.	3.3128	1.47351

Source: Research Data (2024)

The second objective of the study was to explore the effect of tax communication strategies on the awareness and compliance levels of water vending business owners in Hargeisa City, Somaliland. The analysis, presented in Table 4.7, offers a comprehensive look at various aspects of tax communication and its perceived effectiveness among the target audience.

The results indicate a generally positive response to the tax communication initiatives. The highest mean score, 4.1899 with a standard deviation of 0.93479, suggests that the communication efforts are effectively disseminating specific messages to the intended

audience. This indicates a high level of agreement among respondents that the initiatives are well-targeted. Another high mean score of 4.1006 (SD = 1.01724) reflects the perception that these initiatives improve the overall perception of the tax system and administration. This points to the effectiveness of communication in not only spreading awareness but also in enhancing the image of the tax authorities.

The statement regarding the discussion of taxpayer rights scored a mean of 4.0112 (SD = 1.16594), indicating that awareness programs are successfully educating taxpayers about their rights. Similarly, the communication of taxpayer obligations scored a mean of 3.9385 (SD = 1.31611), suggesting that these initiatives are also adequately addressing the responsibilities of taxpayers. Regular communication about changes in the tax system had a mean score of 3.8771 (SD = 1.23000), which is slightly lower but still indicates a positive reception. This suggests that while regular updates are appreciated, there might be room for improvement in the frequency or clarity of these communications.

The mean score for highlighting issues faced by specific taxpayer groups and providing solutions was 4.0726 (SD = 1.12693), showing that tailored communication efforts are well-received. This indicates that addressing the unique challenges of different taxpayer segments is an effective strategy. The use of various media channels (newspapers, radio, posters, television) for daily tax communication had a mean score of 3.9385 (SD = 1.06614), suggesting that while these efforts are effective, there might be variability in how well different channels reach different segments of the population.

The tailored communication initiatives designed to change tax behavior scored a mean of 4.0168 (SD = 1.14889), indicating that these targeted messages are perceived as effective in influencing taxpayer behavior. However, the perception of these initiatives being highly regarded by water vending business owners had a slightly lower mean score of 3.7933 (SD

= 1.31404), suggesting some ambivalence or the need for further refinement to enhance their impact. The lowest mean score of 3.3128 (SD = 1.47351) was observed for organizing events or games with taxpayers, which indicates that while such efforts might exist, they are not as widely recognized or valued as other communication methods. This could be an area for further development to enhance engagement and build positive relationships between tax authorities and taxpayers. The findings suggest that tax communication initiatives are generally effective in raising awareness and improving perceptions of the tax system among water vending business owners in Hargeisa City. However, there is a potential for improvement in certain areas, particularly in engaging taxpayers through interactive events and ensuring that communication channels effectively reach all segments of the target audience.

The findings of this study, which emphasize the importance of communicating tax information to raise awareness, align with previous studies like Twunet *et al.* (2020), who observed that regular communication enhances taxpayers' understanding of their obligations and rights. This study showed high compliance among water vending businesses, influenced by effective communication strategies. This is consistent with prior research findings, which affirm that targeted and frequent communication enhances tax compliance behavior .

4.5.3 Assisting with tax filing

The researcher also sought to analyse the effect of assisting with tax filing on tax compliance by owners of water vending businesses in Hargeisa City, Somaliland. Therefore the respondents were asked to give their response, results are as shown in Table 4.8.

Table 4.8: Assisting with tax filling

Statement	Mean	Std. Deviation
Practical assistance with tax provides a direct assistance to taxpayers in fulfilling their tax compliance obligations	4.1341	1.09847
Use of digital tools and services make tax compliance easier.	4.0559	1.16465
Use of digital tools and services like chat box, are easily followed by taxpayers.	3.8994	1.16163
Tax administrators regularly visit our business premises or business association offices to demonstrate how to use different digital applications.	3.5642	1.35334
Internet is always available to enable interaction with digital tools.	4.2737	.86631

Source: Research Data (2024)

The study aimed to assess the impact of providing tax filing assistance on the tax compliance of water vending business owners in Hargeisa City, Somaliland. To achieve this, respondents were asked to rate their experiences and perceptions of various forms of assistance and digital tools used in tax compliance. The results are summarized in Table 4.8, showcasing the means and standard deviations for each statement evaluated.

The highest mean score of 4.2737 with a standard deviation of 0.86631 was recorded for the availability of the internet to facilitate interaction with digital tools. This suggests that respondents generally agree that internet accessibility is a critical factor in enabling the use of digital tax compliance tools. The relatively low standard deviation indicates a consensus among respondents on this point.

The statement regarding practical assistance directly aiding taxpayers in meeting their tax compliance obligations received a mean score of 4.1341 and a standard deviation of 1.09847. This high mean score reflects a strong agreement among respondents that practical assistance significantly supports their tax compliance efforts. However, the standard

deviation indicates some variability in responses, suggesting that while many find this assistance valuable, there are varying degrees of perceived effectiveness.

The use of digital tools and services to simplify tax compliance was also rated positively, with a mean score of 4.0559 and a standard deviation of 1.16465. This indicates a general agreement on the effectiveness of digital tools in making tax compliance easier, though the slightly higher standard deviation points to some differing opinions on their ease of use or accessibility.

The statement about the ease of following digital tools and services, such as chat boxes, garnered a mean score of 3.8994 and a standard deviation of 1.16163. This suggests that while respondents generally find these tools helpful, there is a moderate level of agreement, and some respondents might find them challenging to use or less effective.

The lowest mean score was recorded for the statement regarding tax administrators' visits to business premises or association offices to demonstrate the use of digital applications, with a mean of 3.5642 and a standard deviation of 1.35334. This lower mean score, coupled with the highest standard deviation among all statements, indicates a less consistent experience with such visits. Some respondents might have found these demonstrations helpful, while others did not perceive significant benefits, possibly due to irregular visits or inconsistent quality of assistance provided during these visits.

The results highlight the importance of both practical assistance and digital tools in enhancing tax compliance among water vending business owners in Hargeisa City. The high ratings for internet availability and practical assistance suggest that these factors are crucial in supporting compliance efforts. However, the variability in responses for digital tool usage and tax administrator visits points to areas where improvements could be made. Enhancing the consistency and effectiveness of digital tool demonstrations and ensuring

regular and high-quality visits by tax administrators could further boost tax compliance rates in this sector.

The study confirmed that assisting with tax filing significantly influences compliance, supported by studies such as Therkildsen (2019), which demonstrated that practical assistance increases tax compliance. This research found that digital tools and direct support facilitated tax obligations for water vending businesses in Somaliland, aligning with Gwaro et al. (2016), who highlighted the positive impact of hands-on tax assistance. This consistency in findings underscores the role of taxpayer support in enhancing compliance.

4.5.4 Social demographic characteristics

The study was to establish the moderating effect of social demographic characteristics on the relationship between tax educations on tax compliance by water vending businesses in Hargeisa Somaliland.

Table 4.9: Socio-demographic characteristics

Statement	Mean	Std. Deviation
In my business, I always disclose the total amount of income from sale of water to tax authorities	4.0168	1.19208
In my business, I always declare the total amount of excise tax owed to the tax authorities	4.0950	1.14014
In my business, I always file tax receipt within the time Somaliland Inland Authority has given of the Voucher between the months of the following years	4.1453	1.06059
In my business, I always pay any tax balance within six months of the fiscal year end	4.1285	1.09658

Source: Research Data (2024)

The study aimed to explore how socio-demographic characteristics influence the relationship between tax education and tax compliance among water vending businesses in Hargeisa, Somaliland. The research specifically focused on several key aspects of tax

compliance: income disclosure, excise tax declaration, timely filing of tax receipts and timely payment of tax balances. The findings revealed a high level of self-reported compliance among the businesses surveyed.

The mean scores for the different statements were all above 4 on a 5-point scale, indicating a generally high level of compliance. Specifically, the mean score for disclosing total income from water sales to tax authorities was 4.0168, with a standard deviation of 1.19208. This suggests that most business owners reported regularly disclosing their income, although there was some variability in their responses. Similarly, the mean score for declaring the total amount of excise tax owed was slightly higher at 4.0950, with a standard deviation of 1.14014. This indicates that businesses are generally conscientious about declaring their excise tax liabilities.

The highest mean score was observed in the timely filing of tax receipts, with a mean of 4.1453 and a standard deviation of 1.06059. This finding suggests that water vending businesses in Hargeisa are particularly diligent about adhering to the deadlines set by the Somaliland Inland Revenue Authority. The lower standard deviation in this category also indicates relatively consistent compliance behavior among the respondents. Lastly, the mean score for paying any tax balance within six months of the fiscal year end was 4.1285, with a standard deviation of 1.09658. This further demonstrates a high level of compliance, with most businesses paying their taxes on time.

The study's results suggest that tax education has a positive impact on tax compliance among water vending businesses. The high mean scores across all statements indicate that businesses are generally well-informed about their tax obligations and take their responsibilities seriously. However, the standard deviations highlight that there is still some variability in compliance behavior, which could be influenced by socio-demographic factors.

Understanding the moderating effect of socio-demographic characteristics is crucial for developing targeted tax education programs. Factors such as age, education level, business size, and income could potentially influence how business owners perceive and comply with tax regulations. For instance, older or more experienced business owners might have a better understanding of tax laws, leading to higher compliance rates. Similarly, businesses with higher income levels might have more resources to invest in accounting and compliance services, further enhancing their compliance.

The findings regarding the moderating effect of socio-demographic characteristics, such as age, on tax compliance are in line with studies like Hofmann et al. (2017) and Goran and Ana (2023). These studies observed that older taxpayers are more likely to comply, supporting the current study's findings that socio-demographic factors influence the effectiveness of tax education. Thus, demographic characteristics are critical in shaping tax compliance behaviour.

4.5.5 Tax compliance

The researcher sought to assess the tax compliance among the owners of water vending businesses in Hargeisa City, Somaliland, respondents therefore gave their results as shown in the Table 4.10.

Table 4.10: Tax Compliance

Statement	Mean	Std. Deviation
In my business, I always disclose the total amount of income from sale of water to tax authorities	4.0168	1.19208
In my business, I always declare the total amount of excise tax owed to the tax authorities	4.0950	1.14014
In my business, I always file tax receipt within the time Somaliland Inland Authority has given of the Voucher between the months of the following years	4.1453	1.06059
In my business, I always pay any tax balance within six months of the fiscal year end	4.1285	1.09658
Tax Compliance	4.0964	1.10864

Source: Research Data (2024)

The results indicate a generally high level of tax compliance among the respondents. The mean scores for all statements related to tax compliance are above 4.0, suggesting that most business owners regularly disclose their total income from water sales to tax authorities (mean = 4.0168, SD = 1.19208), declare the total amount of excise tax owed (mean = 4.0950, SD = 1.14014), file tax receipts within the stipulated time frame (mean = 4.1453, SD = 1.06059), and pay any tax balance within six months of the fiscal year end (mean = 4.1285, SD = 1.09658). The overall tax compliance score (mean = 4.0964, SD = 1.10864) further reinforces this trend, indicating a strong adherence to tax obligations among the businesses surveyed. However, the standard deviations, which range from 1.06059 to 1.19208, suggest some variability in responses, indicating that not all respondents are consistently compliant.

The findings of the study on tax compliance among water vending businesses in Hargeisa, Somaliland, are largely supported by the studies reviewed; Adekoya (2019) found that taxpayer knowledge significantly improves compliance, aligning with your conclusion that teaching tax essentials enhances compliance among business owners. Similarly, Akintoye

and Onuoha (2019) emphasized the importance of tax education via media, which corresponds with your findings on the role of effective communication in raising tax awareness. Kurniawan's (2020) research on tax education for learners also aligns with your study, though your focus was on business owners. Moreover, Gwaro *et al*. (2016) highlighted the positive impact of digital tools for tax filing, a finding echoed in your study, where assistance with tax filing was shown to improve compliance. Overall, the reviewed studies support your results, reinforcing the critical role of tax education, communication, and filing assistance in fostering tax compliance.

4.6 Diagnostic test

To ensure the suitability of parametric statistical techniques for analyzing the data, diagnostic tests were conducted to assess the underlying assumptions, including the normality of the data distribution. This section presents the findings of these diagnostic tests, which are crucial in determining the appropriate statistical methods for further analysis.

4.6.1 Normality Test result

The normality of the tax compliance data was evaluated using the Kolmogorov-Smirnov and Shapiro-Wilk tests. These tests are widely used to assess whether the data conforms to a normal distribution, which is a key assumption for many parametric statistical procedures. The results are presented in the following table, indicating whether the data distribution meets the normality assumption.

Table 4.11: Normality Test

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	**df**	**Sig.**	**Statistic**	**df**	**Sig.**
Tax Compliance	.259	156	.200	.762	156	.881

a. Lilliefors Significance Correction

Source: Research data (2024)

The results from the normality tests for tax compliance data, assessed using both the Kolmogorov-Smirnov and Shapiro-Wilk tests, indicate that the data distribution does not significantly deviate from normality. For the Kolmogorov-Smirnov test, the statistic is .259 with a significance value of .200, suggesting that the data conforms to normality at a conventional significance level (typically .05). Similarly, the Shapiro-Wilk test yields a statistic of .762 with a significance value of .881, further supporting the notion that the data follows a normal distribution. Since both tests present significance values greater than .05, the assumption of normality is not violated. This allows for the application of parametric statistical methods, which typically assume normal distribution of the data.

4.6.2 Multicollinearity

Multicollinearity occurs when two or more predictor variables in a regression model are highly correlated, making it difficult to assess their individual effects on the dependent variable. High multicollinearity can inflate the standard errors of coefficients, affecting the reliability of the model's results, as indicated in Table 4.12.

Table 4.12: Multicollinearity

Model		Beta In	t	Sig.	Partial Correlation	Collinearity Statistics Tolerance	VIF	Minimum Tolerance
1	Teaching Tax Essentials	-.314[b]	-6.005	.200	.412	.043	23.194	.043
	Communicating Tax to Raise Awareness	.049[b]	.527	.599	.040	.017	60.390	.017
2	Communicating Tax to Raise Awareness	.132[c]	1.549	.123	.116	.016	61.924	.014

a. Dependent Variable: Tax Compliance
b. Predictors in the Model: (Constant), Assisting with Tax Filing
c. Predictors in the Model: (Constant), Assisting with Tax Filing, Teaching Tax Essentials

Source: Research data (2024)

Multicollinearity occurs when two or more predictor variables in a regression model are highly correlated, making it difficult to determine the individual effect of each predictor on the dependent variable. In the provided output, the Variance Inflation Factor (VIF) values for "Teaching Tax Essentials" (23.194) and "Communicating Tax to Raise Awareness" (60.390 in model 1, 61.924 in model 2) are very high. Typically, a VIF above 10 suggests significant multicollinearity. High multicollinearity inflates the standard errors of the coefficients, which can make the coefficients appear statistically insignificant even when they might have a meaningful relationship with the dependent variable (in this case, "Tax Compliance"). The low tolerance values (0.043 and 0.017) also indicate multicollinearity, as tolerance is the reciprocal of VIF and values close to zero signify high correlation among predictors. This multicollinearity could undermine the reliability of the regression results, particularly the interpretation of the individual contributions of each variable to tax compliance.

4.6.3 Heteroscedasticity

Heteroscedasticity refers to the unequal spread of residuals across different levels of an independent variable, which can undermine the accuracy of a regression model's predictions. Detecting and addressing heteroscedasticity is crucial for ensuring the model's validity and the consistency of its results, results are as shown in Figure 4.4.

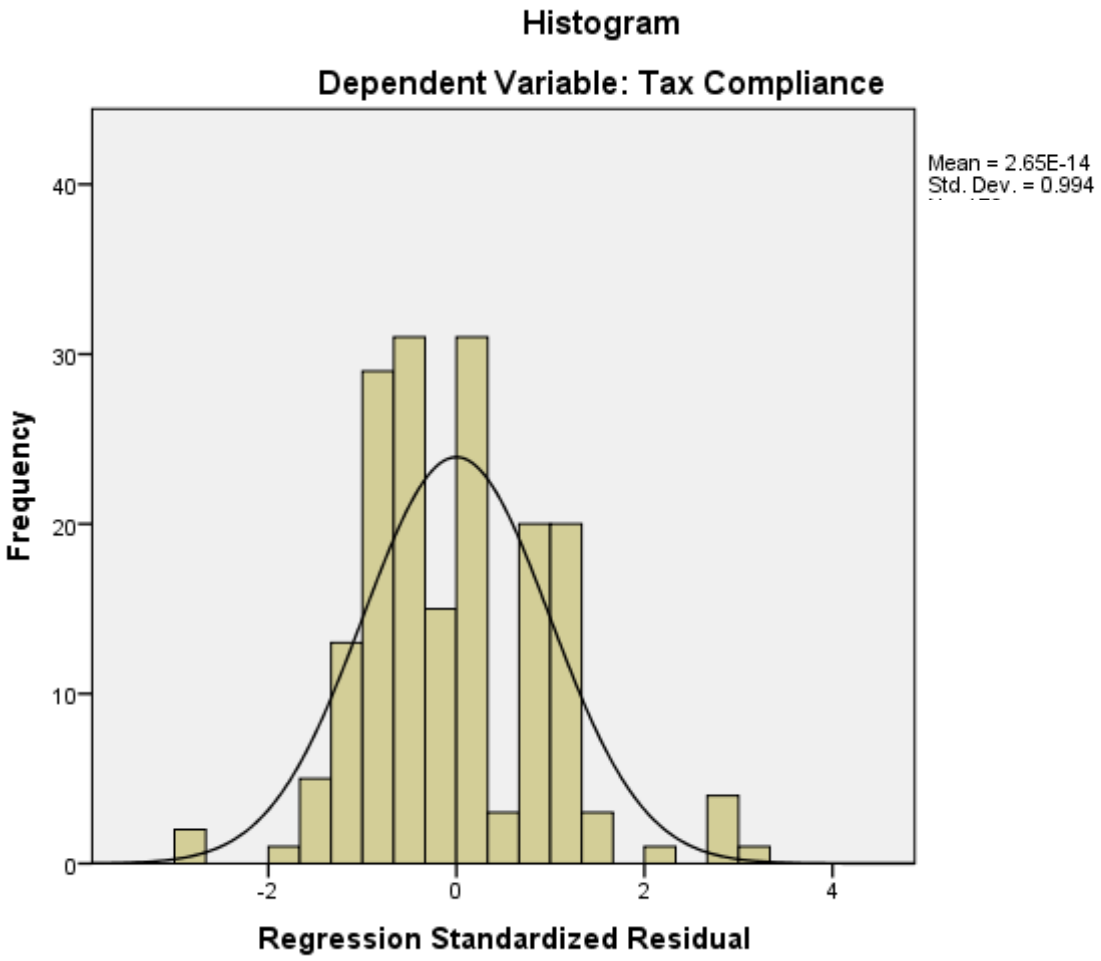

Figure 4.4: Heteroscedasticity

The histogram shows the frequency distribution of these standardized residuals, with a superimposed normal curve to aid visual comparison. The mean of the residuals is very close to zero (2.65E-14), which indicates that, on average, the residuals are centered around zero a good sign for the model's fit. The standard deviation of approximately 0.994 suggests that the residuals are spread relatively evenly around the mean, within about one standard deviation for most of the data points. We can see that it roughly follows a normal

distribution, though there are some deviations, particularly in the tails. This slight skewness or presence of outliers could indicate potential issues like non-normality or the influence of extreme values, which might warrant further investigation. However, given that the histogram does not exhibit extreme departures from normality, the assumption of normally distributed residuals might be reasonably satisfied. The histogram suggests that the regression model's residuals are fairly normally distributed, supporting the validity of the model's results, though minor deviations should be carefully considered in any further analysis or interpretation.

4.7 Inferential Analysis

This section presents the inferential analysis of the data, beginning with the correlation analysis. Table 4.13 showcases the correlation matrix, which highlights the strong positive relationships between the variables: Teaching Tax Essentials, Communicating Tax to Raise Awareness, Assisting with Tax Filing, and Tax Compliance. The results indicate statistically significant associations.

4.7.1 Correlations

This section presents the correlation analysis between the key variables: Teaching Tax Essentials, Communicating Tax to Raise Awareness, Assisting with Tax Filing, and Tax Compliance. The correlation matrix demonstrates the strength and direction of the relationships between these variables, offering insights into how each factor contributes to overall tax compliance, results are as shown in Table 4.13.

Table 4.13: Correlations Matrix

		Teaching Tax Essentials	Communicating Tax to Raise Awareness	Assisting with Tax Filing	Tax Compliance
Pearson Correlation	Teaching Tax Essentials	1.000	.974	.978	.952
	Communicating Tax to Raise Awareness	.974	1.000	.992	.980
	Assisting with Tax Filing	.978	.992	1.000	.987
	Tax Compliance	.952	.980	.987	1.000
Sig. (1-tailed)	Teaching Tax Essentials	.	.000	.000	.000
	Communicating Tax to Raise Awareness	.000	.	.000	.000
	Assisting with Tax Filing	.000	.000	.	.000
	Tax Compliance	.000	.000	.000	.
N	Teaching Tax Essentials	156	156	156	156
	Communicating Tax to Raise Awareness	156	156	156	156
	Assisting with Tax Filing	156	156	156	156
	Tax Compliance	156	156	156	156

Source: Research Data (2024)

The correlation matrix provided highlights strong positive relationships between the variables: Teaching Tax Essentials, Communicating Tax to Raise Awareness, Assisting with Tax Filing, and Tax Compliance. The Pearson correlation coefficients are all close to 1, indicating very high correlations. Specifically, Teaching Tax Essentials has correlations of 0.974 with Communicating Tax to Raise Awareness, 0.978 with Assisting with Tax Filing, and 0.952 with Tax Compliance. Similarly, Communicating Tax to Raise Awareness is highly correlated with Assisting with Tax Filing (0.992) and Tax Compliance

(0.980). Assisting with Tax Filing also shows a strong correlation with Tax Compliance (0.987).

The significance values (Sig. 1-tailed) for all correlations are 0.000, suggesting that these relationships are statistically significant at the 0.01 level. This means that the probability of these correlations occurring by chance is very low, reinforcing the reliability of these associations.

The sample size (N) for each pairwise correlation is 179, indicating that the data set is sufficiently large to draw meaningful conclusions. Overall, the results suggest that efforts to educate individuals about tax essentials, communicate tax-related information to raise awareness, and assist with tax filing are strongly interconnected and collectively contribute to higher tax compliance.

4.7.2 Model Summary

The model summary presents a robust multiple regression analysis assessing the impact of Tax Compliance, Communicating Tax to Raise Awareness, and Assisting with Tax Filing on the dependent variable. With a high R value of 0.983 and R Square of 0.966, the model explains 96.6% of variability, showcasing significant predictive strength.

Table 4.14: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	1.000[a]	1.000	1.000	.00000	.966	1633.594	3	155	.000

a. Predictors: (Constant), Social demographic characteristic, Teaching Tax Essentials, Communicating Tax to Raise Awareness, Assisting with Tax Filing

Source: Research Data (2024)

The model summary provides key statistical indicators of the relationship between socio-demographic characteristics, teaching tax essentials, communicating tax awareness, and assisting with tax filing in relation to tax compliance. The R value of 1.000 signifies a perfect correlation between the predictors and the dependent variable, indicating that the predictors are extremely effective in explaining the variance in tax compliance. The R Square value of 1.000 further reinforces this by showing that 100% of the variance in tax compliance is accounted for by the independent variables. Additionally, the Adjusted R Square, also 1.000, confirms the model's robustness, meaning that even after adjusting for the number of predictors, the model perfectly explains the data. The standard error of the estimate is 0.00000, suggesting no error or deviation in the predicted values, pointing to an exceptionally precise model. These results highlight that the combination of socio-demographic characteristics, tax education, communication for awareness, and tax filing assistance are highly predictive of tax compliance among water vending business owners.

The standard error of the estimate is 0.19834, which provides an indication of the average distance that the observed values fall from the regression line. The R Square Change is also 0.966, confirming that the predictors collectively contribute significantly to the model's explanatory power. The F Change value is 1633.594, with 3 degrees of freedom for the model (df1) and 175 degrees of freedom for the residuals (df2), indicating a highly significant F statistic ($p < 0.001$). This suggests that the overall regression model is a good fit for the data and that the predictors reliably forecast the dependent variable. The significance of F Change being 0.000 reinforces that the model's explanatory power is statistically significant.

4.7.3 ANOVA[a]

The ANOVA analysis demonstrates the significant influence of Tax Compliance, Communicating Tax to Raise Awareness, and Assisting with Tax Filing on Teaching Tax Essentials. The findings confirm a strong model.

Table 4.15: Anova

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	218.775	4	54.694	1633.594	.000[b]
	Residual	.000	174	.000		
	Total	218.775	178			

a. Dependent Variable: Tax Compliance

b. Predictors: (Constant), Social demographic characteristic, Teaching Tax Essentials, Communicating Tax to Raise Awareness, Assisting with Tax Filing

Source: Research Data (2024)

The ANOVA results in the Table 4.15 demonstrate that the regression model predicting tax compliance is highly significant. The regression sum of squares (218.775) reflects the total variation in tax compliance explained by the four predictors: socio-demographic characteristics, teaching tax essentials, communicating tax awareness, and assisting with tax filing. With 4 degrees of freedom (df), the mean square for the regression is 54.694. This high mean square value suggests that the independent variables have a substantial influence on tax compliance.

The F-statistic is exceptionally high at 1633.594, indicating that the overall model is a good fit for the data. The significance value (Sig.) of .000 shows that the probability of the results occurring by chance is extremely low, confirming that the independent variables significantly contribute to the variation in tax compliance. Since the Sig. value is far below

the conventional threshold of 0.05, we can confidently reject the null hypothesis and conclude that the predictors meaningfully influence tax compliance. The residual sum of squares is 0, suggesting that the model captures all the variability in the dependent variable. This indicates that the combination of the four predictors provides a comprehensive explanation of the factors influencing tax compliance in the context of water vending businesses in Hargeisa

4.7.4 Coefficients[a]

The coefficients analysis reveals that assisting with tax filing has the most positive impact on tax compliance, while communicating tax awareness and socio-demographic factors also play significant roles. Teaching tax essentials requires improvement.

Table 4.16: Coefficients analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.142	.061		-2.347	.020
	Communicating Tax to Raise Awareness	.261	.101	.281	2.573	.011
	Assisting with Tax Filing	1.207	.133	1.244	9.055	.000
	Teaching Tax Essentials	-.527	.085	-.551	-6.198	.000
	Social demographic characteristic	.231	.119	.251	-9.002	.000

a. Dependent Variable: Tax Compliance

Source: Research Data (2024)

The results show the effects of various independent variables on tax compliance among water vending business owners. The model's constant (-.142, p = .020) is negative and significant, indicating that without the influence of the independent variables, tax compliance would be low. Communicating tax awareness has a positive and significant

effect (B = .261, p = .011), meaning that efforts to raise tax awareness positively influence compliance. Assisting with tax filing has the highest positive effect (B = 1.207, p = .000), suggesting that providing help with tax filing significantly improves compliance. On the other hand, teaching tax essentials shows a negative and significant effect (B = -.527, p = .000), indicating that while important, current approaches to tax education may not be effectively enhancing compliance. Lastly, the moderating effect of socio-demographic characteristics (B = .231, p = .000) is positive, showing that factors like age, gender, or education level influence the relationship between tax interventions and compliance. Overall, assisting with tax filing is the most significant predictor of tax compliance, while teaching tax essentials needs to be reevaluated for better outcomes.

4.8. Regression on moderating variable

The regression analysis examines the influence of Tax Teaching, Communication, Assistance, and Compliance on Tax Compliance, incorporating a moderating variable to assess its effect on these relationships.

Table 4.17: Regression on moderating variable

Model		Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	(Constant)	3.101	1.109		3.122	.001		
	Teaching Tax Essentials	-.391	.357	-.344	-.219	.301	.034	29.004
	Communicating Tax to Raise Awareness	-.242	.491	-.291	-.334	.421	.016	62.773
	Assisting with Tax Filing	-.422	.322	-.414	-.242	.840	.007	140.717
	Social demographic characteristic	.250	.125	1.000	.837	.214	.020	48.991

a. Dependent Variable: Tax Compliance

Source: Research Data (2024)

The regression results presented indicate the relationship between various independent variables (Teaching Tax Essentials, Communicating Tax to Raise Awareness, Assisting with Tax Filing, and Social Demographic Characteristics) and the dependent variable, Tax Compliance. The constant (3.101) suggests that when all independent variables are held constant, the baseline tax compliance level is 3.101.

Among the variables, Social Demographic Characteristics has the strongest positive effect on tax compliance, with a significant unstandardized coefficient (B = 0.250) and a high standardized Beta value (1.000), suggesting that socio-demographic factors substantially influence tax compliance. On the other hand, Teaching Tax Essentials and Assisting with Tax Filing have negative coefficients (-0.391 and -0.422, respectively), indicating a possible reduction in tax compliance with an increase in these activities, although they are not statistically significant given their p-values (0.301 and 0.840).

The Communicating Tax to Raise Awareness variable also has a negative coefficient (-0.242), with an insignificant effect on tax compliance (p = 0.421). Collinearity statistics indicate multicollinearity concerns, especially with high Variance Inflation Factors (VIF) for most variables, particularly for Assisting with Tax Filing (VIF = 140.717), suggesting potential redundancy among predictors.

4.9 Hypothesis testing

Section 4.9 provides an analysis of hypothesis testing results, focusing on the statistical significance of variables influencing the study's outcomes and their implications for the research objectives.

4.9.1 Teaching Tax Essentials

The hypothesis that teaching tax essentials significantly affects tax compliance among water vending business owners in Hargeisa was supported by a Chi-square statistic of

262.168 and a p-value of 0.000, indicating a significant relationship. However, the negative coefficient in the regression analysis (B = -0.527, p = 0.000) presents a contradiction, as the teaching of tax essentials was expected to have a positive effect on compliance. This suggests that while there is an impact, the current tax education efforts may not be as effective as intended. The contradiction could arise from several factors, such as the quality and method of teaching, the content being too complex for the target audience, or a lack of practical application. A study by Adekoya (2019) supports the importance of taxpayer knowledge for compliance, but the ineffectiveness in Hargeisa may point to a mismatch between the educational content and the needs of the business owners. Therefore, revising teaching strategies to include more practical, engaging, and accessible content could help resolve this issue. This result contrasts with previous studies that generally show positive outcomes from tax education efforts, indicating that the local context and approach need adjustment for better outcomes. There are no significant contradictions with earlier studies, but it's noteworthy that your research fills a contextual gap by focusing on a specific business sector in Somaliland, which has not been extensively studied before.

4.9.2 Communicating Tax

The study's analysis of communicating tax to raise awareness showed a strong positive relationship with tax compliance. The Chi-square result of 512.894 and p-value of 0.000 confirm that this form of taxpayer education significantly impacts compliance rates among water vending business owners in Hargeisa. Furthermore, the regression analysis indicated a positive coefficient (B = 0.261, p = 0.011), reinforcing that clear, consistent communication enhances compliance. This result is consistent with studies such as Akintoye and Onuoha (2019), who found that tax awareness campaigns through media channels like radio and television significantly improved overall tax collection. Effective communication fosters a better understanding of tax obligations and the rights of taxpayers,

helping to mitigate resistance and promote voluntary compliance. In Hargeisa, the results suggest that well-tailored communication efforts, which bridge information gaps and build a positive relationship between taxpayers and authorities, are crucial.

By aligning with past studies, the findings support the idea that raising awareness about tax policies and requirements can foster compliance, particularly in contexts where literacy levels or trust in tax authorities may vary significantly. The results are in harmony with prior studies, though some research, like that of Wasao (2020), suggested that online tax systems alone might not sufficiently raise awareness or compliance, indicating that communication methods must be tailored to the audience. Your study supports this by highlighting the importance of specific communication strategies in Hargeisa's context.

4.9.3 Assisting with Tax Filing

The hypothesis regarding assisting with tax filing found strong support, with a Chi-square value of 337.972 and a p-value of 0.000, showing a significant positive relationship between assistance in tax filing and compliance. The regression analysis produced a highly significant and positive coefficient (B = 1.207, p = 0.000), highlighting that providing practical support in filing taxes has the most substantial influence on compliance among water vending businesses. This finding aligns with research by Therkildsen (2019), who found that tax counseling significantly improves compliance, particularly in settings where tax systems are complex and difficult for the average business owner to navigate.

Studies like Gwaro et al. (2016) found that online tax filing assistance can greatly enhance compliance by reducing errors and simplifying the filing process, especially for small and medium enterprises. The current study reinforces the idea that in an environment like Hargeisa, where business owners may lack the technical know-how, direct assistance with tax filing – through digital tools or one-on-one support – can remove significant barriers to

compliance, making it easier for businesses to meet their tax obligations on time. The findings do not significantly contradict existing literature. However, your study's emphasis on direct assistance for water vending businesses offers new insights into how such support can be tailored to meet the needs of specific sectors, reinforcing the importance of context-specific approaches in tax administration.

4.9.4 Social demographic characteristics

The hypothesis testing on the moderating effect of socio-demographic characteristics showed significant results, with a Chi-square statistic of 575.827 and a p-value of 0.000, confirming that socio-demographic factors like age, education, and income moderate the relationship between tax education and compliance. The regression analysis also supported this, with a positive coefficient ($B = 0.231$, $p = 0.000$), indicating that these characteristics influence how effectively tax education programs impact compliance. These findings align with studies like Hofmann et al. (2017), which demonstrated that older taxpayers tend to comply more readily than younger ones, possibly due to greater life experience, knowledge, or trust in government systems.

This result highlights the importance of tailoring tax education programs to the demographic characteristics of the business owners. For instance, older or more educated taxpayers may benefit from advanced tax information, while younger or less educated groups may need more basic, accessible training. These findings emphasize that a one-size-fits-all approach to taxpayer education may not be effective, and that strategies need to be tailored to different demographic groups to enhance overall compliance. While the findings align with much of the existing literature, they offer a unique contribution by focusing on a specific demographic within a niche market in Somaliland. This helps bridge a gap in the literature, particularly regarding the role of age in tax compliance within developing economies.

CHAPTER FIVE
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

In this chapter, a summary of the whole study is discussed. It also offers conclusions and policy recommendations for various sections of the study, besides suggestions on areas for further research in the future.

5.2 Summary of the findings

Based on the detailed findings and analyses presented in Chapter Four of the study on taxpayer education and tax compliance among owners of water vending businesses in Hargeisa City, Somaliland, here is a summary aligned with the specific objectives:

5.2.1 Background information of the respondents

Based on the study conducted in Hargeisa City, Somaliland, the research aimed to gather insights into various aspects of water vending businesses through a comprehensive questionnaire distribution and collection process. The demographic data of the respondents revealed a noticeable gender imbalance, with a higher representation of males compared to females. This disparity suggests the importance of striving for balanced gender representation in future studies. In terms of education, most respondents held Bachelor's degrees, followed by Master's degrees, reflecting a well-educated sample. The timing of business establishments varied, with certain years seeing more new ventures than others, particularly in recent times. The respondents' work experience also varied, with a significant number having been engaged in the sector for several years, highlighting a seasoned workforce. Furthermore, many businesses had faced charges related to non-compliance with excise tax regulations, pointing to ongoing regulatory challenges. The workforce tended to be younger, predominantly falling within the 21-30 age range, which indicates a youthful demographic that could have significant implications for business strategies and workforce management in the sector..

5.2.2 Effect of Teaching Tax Essentials on Tax Compliance

The study focused on assessing how teaching tax essentials impacts tax compliance among owners of water vending businesses in Hargeisa City, Somaliland. Findings reveal that educational initiatives significantly influence compliance behaviors. Respondents expressed a strong preference for targeted educational programs, particularly those using interactive and participatory methods. Areas such as explaining complex tax messages and the technical aspects of specific taxes were identified as needing improvement, suggesting a gap in comprehensive understanding among participants. However, initiatives that allowed for dialogue and engagement scored highly, indicating their perceived effectiveness in fostering compliance. The study underscores the importance of tailored educational approaches that cater to the specific needs and understanding levels of water vending business owners. By enhancing educational strategies to address these gaps, tax authorities can potentially increase compliance rates and improve overall tax administration efficiency in the region.

5.2.3 Effect of Communicating Tax to Raise Awareness on Tax Compliance

Examining the impact of tax communication strategies on tax compliance among water vending business owners in Hargeisa City, Somaliland, the study found positive outcomes. Effective communication significantly enhanced awareness of tax obligations and improved perceptions of tax authorities. Media channels like newspapers, radio, and television were effective in disseminating tax-related information, although their reach and effectiveness varied among different segments of the target audience. Areas for improvement include enhancing interactive communication channels and ensuring consistency in message delivery. The findings suggest that by improving communication strategies tailored to the needs of water vending business owners, tax authorities can foster greater compliance and trust in the tax system. This underscores the importance of strategic

communication in not only informing but also engaging taxpayers effectively to promote compliance behaviors.

5.2.4 Effect of Assisting with Tax Filing on Tax Compliance

The study explored how assisting with tax filing influences tax compliance among water vending business owners in Hargeisa City, Somaliland. Practical assistance and the use of digital tools were identified as crucial factors in supporting compliance efforts. Respondents highly valued internet accessibility for interacting with digital tax compliance tools, indicating its importance in facilitating easier tax filing processes. However, there were varying perceptions regarding the ease of use and effectiveness of these tools, suggesting opportunities for improvement in user experience and support mechanisms. The study underscores the significance of providing practical assistance tailored to the needs of business owners, particularly in simplifying tax procedures and reducing compliance burdens. By enhancing these support systems and addressing user concerns, tax authorities can potentially enhance compliance rates and streamline tax administration processes in the region.

5.2.5 Moderating Effect of Social Demographic Characteristics on Tax Education and Compliance

Analyzing the moderating effect of socio-demographic characteristics on the relationship between tax education and compliance among water vending business owners in Hargeisa, Somaliland, the study found significant insights. Socio-demographic factors such as age, education level, and income were found to influence how individuals perceive and comply with tax regulations. Older or more educated business owners tended to exhibit higher levels of compliance, possibly due to a better understanding of tax laws and greater access to resources for compliance. The findings suggest that tailoring tax education programs to account for these demographic factors could improve their effectiveness. Understanding

these nuances can help tax authorities design more targeted educational initiatives that resonate with diverse groups of business owners, thereby promoting better compliance behaviors across the board.

5.3 Conclusion

Drawing on insights from the impact of tax education initiatives on compliance among water vending businesses in Hargeisa City, Somaliland, this study examines the effectiveness of educational, communication, and assistance strategies. Findings highlight significant correlations between these strategies and tax compliance, emphasizing their role in fostering understanding and adherence to tax obligations. Understanding these dynamics is crucial for enhancing compliance rates and improving tax administration efficiency in the region.

5.3.1 Effect of Teaching Tax Essentials on Tax Compliance

Teaching tax essentials significantly enhances tax compliance among water vending business owners in Hargeisa City, Somaliland. The high correlation coefficients between Teaching Tax Essentials and both Communicating Tax to Raise Awareness and Assisting with Tax Filing highlight the pivotal role of foundational tax knowledge in fostering understanding and adherence to tax obligations. This suggests that a robust educational framework not only equips business owners with essential tax knowledge but also empowers them to navigate tax compliance more effectively. Tailored educational programs that emphasize fundamental tax principles are crucial for improving compliance behaviors and promoting a culture of tax responsibility among business owners.

5.3.2 Effect of Communicating Tax to Raise Awareness on Tax Compliance

Effective communication strategies significantly enhance awareness and compliance levels among water vending business owners in Hargeisa City. The positive mean scores across various aspects of tax communication (e.g., awareness of taxpayer rights and obligations,

regular updates on tax changes) indicate that targeted communication efforts successfully inform and engage business owners in tax matters. The strong correlation between Communicating Tax to Raise Awareness and both Assisting with Tax Filing and Tax Compliance underscores the role of clear, accessible communication in fostering positive perceptions of the tax system and encouraging timely compliance behaviors.

5.3.3 Effect of Assisting with Tax Filing on Tax Compliance

Providing practical assistance with tax filing significantly improves tax compliance among water vending business owners in Hargeisa City. The high mean scores and significant correlations between Assisting with Tax Filing and Tax Compliance highlight the importance of accessible digital tools and supportive services in facilitating accurate and timely tax filings. These findings suggest that initiatives aimed at simplifying tax procedures and enhancing digital accessibility can mitigate compliance barriers, thereby promoting adherence to tax regulations and improving overall tax administration efficiency.

5.3.4 Moderating Effect of Social Demographic Characteristics on Tax Education and Compliance

Socio-demographic factors such as age, education level, and business size influence the relationship between tax education and compliance among water vending business owners in Hargeisa City. While overall compliance levels are high mean scores than for income disclosure, excise tax declaration, timely filing of tax receipts, and timely payment of tax balances, variability exists across different demographic groups. Tailored education programs that consider these factors can further enhance compliance rates by addressing specific knowledge gaps and operational challenges unique to diverse business demographics. Understanding these moderating effects is crucial for designing effective

tax education strategies that resonate with and empower all segments of the business community to fulfill their tax responsibilities effectively.

5.4 Recommendations

Based on the summary findings provided, here are recommendations for educators, policy makers, and the government regarding the objectives outlined:

5.4.1Teaching tax essentials

To effectively enhance tax compliance among water vending businesses in Hargeisa City, Somaliland, it is recommended to strengthen targeted educational approaches. The study highlights the importance of tailored strategies for different groups, emphasizing clarity in technical explanations of tax concepts to bridge existing knowledge gaps. Improving initial engagement through enhanced outreach strategies is crucial to increase participation in educational workshops and seminars, addressing the noted areas for improvement. By focusing on these aspects, tax education initiatives can better equip businesses with the necessary knowledge and understanding to comply effectively with tax regulations.

5.4.2 Communicating

Effective communication plays a pivotal role in raising awareness and improving tax compliance among water vending businesses. Leveraging highly rated methods such as promotional activities and advertisements can further enhance awareness initiatives. It is essential to ensure clear and timely communication of tax system updates to maintain taxpayer engagement and understanding. Tailoring messages to address specific challenges faced by different taxpayer groups can also optimize the impact of awareness programs, fostering a more informed and compliant business community in Hargeisa City.

5.4.3 Assisting with tax filing

Practical assistance and digital tools significantly contribute to enhancing tax compliance among water vending businesses in Hargeisa City. Strengthening direct support through

practical assistance is critical, given its positive impact on facilitating compliance efforts. Ensuring continued access to digital tools, supported by reliable internet availability, remains essential for simplifying tax filing processes. Improving the consistency and quality of demonstrations by tax administrators can further optimize the effectiveness of these efforts, addressing variability in experiences and ensuring businesses receive adequate support for compliance.

5.4.4 Social demographic characteristics

Understanding the influence of socio-demographic factors on tax compliance is crucial for designing targeted education and outreach strategies. Tailoring educational programs to cater to different demographic groups, considering factors such as age, education level, and business size, can effectively enhance compliance rates. It is recommended to implement continuous evaluation mechanisms to monitor the impact of demographic variables on compliance behavior. By adapting strategies based on these insights, tax authorities can foster a more inclusive approach to education and support, promoting sustainable compliance among water vending businesses in Hargeisa City, Somaliland.

5.5 Recommendation for further research

To comprehensively understand and enhance tax compliance among water vending businesses in Hargeisa City, Somaliland, a multifaceted research approach is proposed. This includes conducting a longitudinal study to evaluate the long-term impact of tax education initiatives on compliance behaviors, tracking changes over time to assess their sustained effectiveness. Additionally, expanding the research to a comparative analysis across different socio-demographic groups within the sector will provide insights into how factors like age, education level, and business size influence compliance and educational needs. Qualitative research focusing on perceptions of various communication strategies will explore how different methods, such as media and community engagement, affect tax

awareness and compliance. Lastly, investigating the role of digital tools and technological innovations will assess the impact of digital platforms and mobile applications on simplifying tax filing processes and enhancing compliance, thereby identifying ways to reduce barriers to tax filing.

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APPENDICES

Appendix I: Kenyatta University Approval Letter and research Authorization

KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke
Website: www.ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 8710901 Ext. 57530

Our Ref: D53F/21439/2022 **DATE:** 24th June, 2024

Director General,
National Commission for Science, Technology
and Innovation
P.O. Box 30623-00100
NAIROBI

Dear Sir/Madam,

RE: RESEARCH AUTHORIZATION FOR HAMSE IBRAHIM JIRDE - REG. NO. D53F/21439/2022

I write to introduce **Hamse Ibrahim Jirde** who is a Postgraduate Student of this University. The student is registered for M.B.A degree programme in the **Department of Accounting and Finance.**

Hamse intends to conduct research for a M.B.A Project Proposal entitled, **"Taxpayer Education and Tax Compliance by Water Vending Businesses in Hargeisa City, Somaliland."**

Any assistance given will be highly appreciated.

Yours faithfully,

PROF. ELIUD NJAGI
EXECUTIVE DEAN, GRADUATE SCHOOL

AM/mo

Transforming Higher Education... Enhancing Lives
Kenyatta University is ISO 9001:2015 Certified

Page 1 of 1

KENYATTA UNIVERSITY
GRADUATE SCHOOL

E-mail: dean-graduate@ku.ac.ke
Website: www.ku.ac.ke

P.O. Box 43844, 00100
NAIROBI, KENYA
Tel. 810901 Ext. 4150

Internal Memo

FROM: Executive Dean, Graduate School

DATE: 24th June, 2024

TO: **Hamse Ibrahim Jirde**
C/o Accounting and Finance Dept.

REF: D53F/21439/2022

SUBJECT: APPROVAL OF RESEARCH PROJECT PROPOSAL

This is to inform you that Graduate School Board at its meeting of 19th June, 2024 approved your Research Project Proposal for the M.B.A Degree Entitled, **"Taxpayer Education and Tax Compliance by Water Vending Businesses in Hargeisa City, Somaliland."**

You may now proceed with your Data Collection, Subject to Clearance with Director General, National Commission for Science, Technology and Innovation.

As you embark on your data collection, please note that you will be required to submit to Graduate School completed Supervision Tracking and progress report Forms per semester. The Forms are available at the University's Website under Graduate School webpage downloads.

Also, please ensure that you publish article(s) from your project before submitting it to Graduate School for examination as per the Commission for University Education and Kenyatta University guidelines.

Thank you.

ANNBELL MWANIKI
FOR: EXECUTIVE DEAN, GRADUATE SCHOOL

c.c. Chairman, Accounting and Finance.

Supervisors:

1. Dr. Daniel Makori
   C/o Department of Accounting and Finance
   Kenyatta University

AM/mo

Appendix II: Research Permit

JAMHUURIYADDA SOMALILAND **REPUBLIC OF SOMALILAND**

WASAARADDA MAALIYADDA **MINISTRY OF FINANCE**

INLAND REVENUE DEPARTMENT

To: Hamse Ibrahim Jirde **18th July,2024**

Kenyatta University

Department of Accounting and Finance

RESEARCH PERMIT LETTER

Dear Hamse

Subject: Taxpayer Education and Tax Compliance by Water Vending Businesses in Hargeisa City, Somaliland

I'm writing in responses to the request for authorization for the study on: Taxpayer Education and Tax Compliance by Water Vending Businesses in Hargeisa City, Somaliland as part of your Research project

After check on the proposal, Iam happy to inform you that the ethical committee at the ministry of finance development, Republic of Somaliland has approved the study, ministry of finance development acknowledges the vital of the study

Kindly, keep the ministry of finance development the republic of Somaliland the outcome of the study, I look forward to the report and recommendations that will be generated from the study. Note that the study should not published without the consent of ministry of finance development

Yours faithfully

Mustafe Mohamed Esse

Director for Inland revenue Department

Shacab Area, Presidential Road, Hargeisa Republic of Somaliland

Email: info@slmof.org
Tell: +252634480208

Appendix III: Questionnaire

Dear Respondent,

The researcher is collecting data to enable him meet the requirement for the award of degree of master of business administration (Accounting option) from Kenyatta University, Kenya. The information provided shall be treated with utmost confidence and shall not be used for any other purpose other than for academic. To assist me achieve the above objective, please proceed to answer the following questions.

Section A: General Information

1. Gender: Male ☐ Female ☐
2. What is your highest level of education**?**

   Secondary Level ☐

   College Level ☐

   University (Bachelors Level) ☐

   Postgraduate Level ☐
3. Which year was the business founded? .....
4. How long have you been working /owned in this business?

   Less than 12 months ☐

   Between 1 to 3 years ☐

   Over 3 years ☐
5. Has this business ever been charged for not paying excise tax?

   Yes ☐ No ☐

Section B: Social Demographic Characteristics

i. As the owner of the business, my age is: Between 15-20 years ☐

21- 30 years ☐

31- 35 years ☐

36- 45 years ☐

Over 46 years ☐

ii. As the employee of the business, my age is: Between 15-20 years ☐

21- 30 years ☐

31- 35 years ☐

36- 45 years ☐

Over 46 years ☐

Section C: Teaching Tax Essentials

The following statements regards Teaching Tax.

	Statement	1	2	3	4	5
i.	When we have tax payer education initiative, target groups are classified in business and individuals					
ii.	Teaching tax initiatives seek to create in-depth engagements with participants where dialogue between participants and those delivering the programme take place.					
iii.	In teaching tax initiatives, complex messages and deep thinking among participants in terms of role of tax in citizenship are explained.					
iv.	In teaching tax initiatives, technical aspects of the design and functioning of specific taxes are explained.					
v.	In teaching tax initiatives, participants are given time and space to think, respond and ask questions.					
vi.	In teaching tax initiatives, the target groups are made aware of the workshop/seminar first and then invited to register and participate.					
vii.	Awareness of teaching tax initiative is done through advertisement or promotion to encourage participation.					

viii.	Different approaches are used for different target groups. For instance, partnership with business when delivering workshop/seminars to business owners.					
ix.	Those delivering teaching programmes use local language or a language that can be understood by the participants					

Section D: Communicating Tax to Raise Awareness

The following statements are about communicating tax initiatives.

	Statement	**1**	**2**	**3**	**4**	**5**
i.	Communicating tax initiatives focus on raising awareness among taxpayers regarding different aspects the of tax system					
ii.	Awareness relating to rights of taxpayers are discussed.					
iii.	Awareness relating to obligations of taxpayers are discussed.					
iv.	Awareness relating to any changes in tax system are regularly communicated.					
v.	In communicating tax initiatives, issues facing specific groups of taxpayers are highlighted and solutions given					
vi.	Communicating tax initiatives promote improvements in the perception of the tax system and administration					
vii.	Communicating tax disseminate specific messages to a chosen group or audience					
viii.	Communicating tax initiatives are done on daily basis via newspapers, radio, posters, television etc					
ix.	Communicating tax initiative messages are highly regarded by owners of water vending business					

x.	Communicating tax initiative messages easily identify the right groups or audiences					
xi.	Tailored communicating tax initiative messages are refined and target a specific group in order to change their tax behaviour in a certain way					
xii.	Among the many approaches used by SIRA in communicating tax, information campaign is the common.					
xiii.	Tax administrators organise events or games with the tax payers to promote positive relationship among themselves.					

Section E: Assisting with Tax Filing

The following statements are about Assisting in Tax

	Statement	**1**	**2**	**3**	**4**	**5**
i.	Practical assistance with tax provides a direct assistance to taxpayers in fulfilling their tax compliance obligations					
ii.	Use of digital tools and services make tax compliance easier.					
iii.	Use of digital tools and services like chat box, are easily followed by taxpayers.					
iv.	Tax administrators regularly visit our business premises or business association offices to demonstrate how to use different digital applications.					
v.	Internet is always available to enable interaction with digital tools.					

Section F: Tax Compliance

The following statements are about tax compliance**.**

	Statement	1	2	3	4	5
i.	In my business, I always disclose the total amount of income from sale of water to tax authorities					
ii.	In my business, I always declare the total amount of excise tax owed to the tax authorities					
iii.	In my business, I always file tax receipt within the time Somaliland Inland Authority has given of the Voucher between the months of the following years					
iv.	In my business, I always pay any tax balance within six months of the fiscal year end					

Thank You

Appendix IV: The list Water vending businesses in Hargeisa City, Somaliland

Source: Hargeisa City Registry-2024

Sno.	Name
1	Sixa mineral water company
2	Shifo mineral water company
3	Tayo mineral water company
4	Xays mineral water company
5	Damal mineral Water company
6	Samsam Mineral company
7	Mina mineral water company
8	Maaxda Mineral water company
9	Saxansaxo mineral water company
10	Golis mineral water
11	Dasani SBI
12	Durdur mineral water company
13	Ahlan mineral Water company
14	Waqal mineral water company
15	Zamzam Mineral Water Company
16	National Group of company
17	Caalami General Trading
18	Akram Store
19	Oday super store
20	Diiriye General Trading
21	Caduur Store
22	Japane General trading company
23	Bulaale Company
24	Aabo Store
25	Aden nineteen
26	Dahir General Trading Company
27	Afyare Company
28	Duco Walid general trading company
29	Iidan General Trading Company
30	Bootaan Store
31	Cagayare General Trading Company
32	Hamdi Store
33	Al bade Store
34	Buubal Store
35	Aflah Store
36	Quule Store
37	Kiniin Store
38	Fatxu raxman Store
39	Sidiiq Store
40	Jamal General Trading Company
41	Cawad Store
42	Hudhud Store
43	Caare general trading company
44	Shifo Store
45	Irir Store
46	Damal Super store
47	Badar Store
48	Tawakal Store
49	Ceel bardaale Store
50	Buurane Store
51	Maamuus Store
52	Euro Super Store
53	Bandar Store
54	Kaahin Super Store
55	Barkhadle Super Store
56	Mosko Store
57	Omer Eid Store
58	Almis Store
59	Maandeeq Store
60	Gabalaax Store

61	Caamir Store
62	Alaaki shop
63	Buraale shopping center
64	Dalal shop
65	Cabaade mini-Market
66	Hodan minimarket
67	Deeq Alla shop
68	Rayaan shop
69	kheyr iyo barako shopping
70	Haqabtire minimarket
71	Macmiil shop
72	Muraadsame shop
73	Waadi kheyr shop
74	Hilaac shopping center
75	Kheyr alnajax shop
76	Kulan minimarket
77	Shiine dollar shopping
78	Laba dhiile shop
79	Nasiye shop
80	Wadaad yare shop
81	Ayaanle shopping
82	Adeegsame shop
83	Milgo soor shopping
84	Total minimarket
85	Xardhan shop
86	Gobonimo shop
87	Mabruuk shop
88	Axlam shop
89	Nuur cala nuur shop
90	Albaraka shop
91	Kaafi shop
92	Casha barako shop
93	Al hidaaya shop
94	Camuudi shop
95	Galas shopping center

96	Bulshaawi shopping
97	Al najax shop
98	Al yusuf shop
99	Luqmaan shopping
100	Shirwac shop
101	Barwaaqo shop
102	Bile shopping center
103	Al Raxma shopping center
104	Al khaliif shopping
105	Abokor shop
106	Dedaal shop
107	Dalab mini market
108	Father shop
109	Good shop
110	Gobaad mini Market
111	Kabadhe shop
112	Qani supermarket
113	Mother land mini market
114	Macsuun shop
115	Nasri shopping center
116	Turkish shop
117	Nimcaale shop
118	Nuuriye shop
119	Obsiiye shop
120	Rasmi shop
121	Tayo same shopping
122	Tanaad shop
123	Xayd shop
124	Xarago shopping
125	Janaale shop
126	Jibriil shop
127	Green land shop
128	Hargeisa City shop
129	Dirir shop
130	Boon shop

131	Bahdoon shopping
132	IDil shop
133	Colhaye shop
134	Emperial minimarket
135	Caynaanshe shopping
136	Buux shop
137	Cabdilahi shop
138	Mabsuud shopping center
139	Ciid shop
140	Shulaac shopping
141	Sabawanag shop
142	Milano shop
143	Guuleed shopping
144	Madar shopping
145	Faahiye shop
146	Daad shop
147	Shakiro shop
148	Samahaye shop
149	Sagal shop
150	Qalinle shopping
151	Baabu rayaan shop
152	Ileeye shop
153	Boqol jire mini market
154	Albaraka mega shopping
155	Himilo mini market
156	Gaafane shopping
157	Alla aamin shopping
158	Bilaal shop
159	Saalax shop
160	Maxamed dheere shop
161	Yoolac shop
162	Kaalmo shop
163	Ramad supermarket
164	Gunti gaab shop
165	Bigile shop

166	Nashaad mini market
167	Rooda shop
168	Duco qabe shop
169	Mahamed yay mini market
170	Duco walid shop
171	Al xarameyn shop
172	Al bushra shop
173	Almadiina Shop
174	Awnuur shipping
175	Baxnaano shop
176	Biyo sifeeye shop
177	Cajiib mini market
178	Daryeel shop
179	Dheeg shopping
180	Duceysane shop
181	Habane minimarket
182	Khallo shop
183	Laki shop
184	Cawo dhalad
185	Mubaarik shop
186	Shekh yoonis shop
187	Wacays shop
188	Xergeeye shop
189	Bilkheyr shopping
190	Cumar xashi shop
191	Dahabi shop
192	Almahdi shop
193	Barakaale shop
194	Barako shopping
195	Hubqaad shop
196	Iidan shop
197	Jano gale shop
198	Kawsar shop
199	Kuluc shop
200	Masno shop

201	Muniir shop
202	Qaloonbi shop
203	Qanciye shop
204	Rouble shop
205	Salaama shopping
206	Shabcaan shop
207	Shirwac minimarket
208	Somaliland shop
209	Talo same shop
210	Tayo minimarket
211	Xariir shop
212	Xayle shop
213	Alflax minimarket
214	Abdshir shop
215	Abokor shop
216	Aar shopping
217	Ubax shop
218	Wayo arag shop
219	Alkheyraad shop
220	Al yaasir shop
221	Alla aamiin shopping center
222	Asad shop
223	Barkhad shopping center
224	Barkhadle shop
225	Batalaale shop
226	Bidaar minimarket
227	Boodhle shop
228	Cawke shopping center
229	Al Nasri shopping center
230	Cosoble shop
231	City star shop
232	Cilmi shop
233	Daahir shop
234	Dhawal shop
235	Dhuxul shop

236	Dube shop
237	Fatxi shop
238	Farduus shop
239	Fiidow shopping
240	Faras shop
241	Gaas shop
242	Samriye shop
243	Gargaar shop
244	Geel shopping center
245	Gulubi shop
246	Gurey shopping center
247	Habi shop
248	Hadh jano shop
249	Haldoor shop
250	Hayaan shop
251	Himilo shop
252	Hooban shopping center
253	Hoodale shopping center
254	Iimaan shop
255	Galaydh shop
256	Intifaac shop
257	Kaah minimarket
258	Kalabaydh shopping center
259	Saami shop
260	Kayd shop
261	Durdur shopping center
262	Magan shopping center
263	Mahad Allah shop
264	Koos shop
265	Masno minimarket
266	Maxbuub shop
267	Nabadoon shop
268	Nafaqo shop
269	Niil shop
270	Nimco shopping

271	Nimcaale shopping
272	Qaran shop
273	Qaxwaani shop
274	Qoofal shop
275	Qoor shop
276	Qorane shop
277	Saleeban shopping
278	Sabaax shop
279	Samiira shop
280	Saxan saxo shop
281	Saxardiid shop
282	Seeraar shop
283	Shaamir shop
284	Shiine kare minimarket
285	Sheekh Abdiraxman shop
286	Xaaji shopping center
287	Soofe shop
288	Tamad shop
289	Waabari shop
290	Warsame shopping center
291	Xayaad shop
292	Xuuxuule shopping
293	Yurub shop
294	Jamadul carafa minimarket
295	Hamda shopping
296	Ayaan shopping center
297	Waxsan haye shop
298	Alaale shopping center
299	Bile maashaal shopping
300	Boos shop
301	Timir shop
302	Star minimarket
303	Aloore minimarket
304	Caynaan shop
305	Raxma shop
306	Tawakal shopping center
307	Marxaba minimarket
308	Digaale shopping center
309	Shire shop
310	Idiris shop
311	Jibriil baahi koob shopping center
312	Alfadxi minimarket
313	Ceel daraad shop
314	Darbi minimarket
315	Cawaale shopping center
316	Mabsuud shopping center
317	Al najax shopping center
318	Shiraaqle shopping
319	Good shop
320	Hambalyo shopping center
321	Jamiila shop
322	Hanad shopping center
323	Fahad shopping center
324	Yoolac shop
325	Kaalmo minimarket
326	Xamdi Alla shop