FACTORS INFLUENCING ONLINE TAX RETURNS ON TAX COMPLIANCE IN KENYA. (A CASE STUDY OF SMALL BUSINESSES IN CENTRAL BUSINESS DISTRICT NAIROBI CITY COUNTY

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A RESEARCH PROJECT SUBMITTED TO THE SCHOOL OF MANAGEMENT AND LEADERSHIP IN FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF THE DEGREE OF BACHELOR OF COMMERCE OF THE MANAGEMENT UNIVERSITY OF AFRICA

AUGUST 2018
DECLARATION

I declare that this research project is my original work and has not been presented in any other university

Signed ………………………… Date …………………………………………………

RISPA IRENE EKUNDINA
BCOM/5/00032/3/2015

This research project has been submitted for examination with my approval as university supervisor

Signed ………………………… Date …………………………………………………

Name …………………………………………..
DEDICATION
My dedication goes to my loving family for encouragement and continuous support throughout my studies.
ABSTRACT

The Kenya revenue authority (KRA) is a government entity charged with tax collection to increase collection of tax through improved means by increasing the number of active taxpayers annually so as to meet the target set by the government of Kenya. They do this by enhancing access to information and allowing the public through ICT technology and other investigative means. The main objective of the study was to evaluate the factors influencing the use of online services in tax compliance among small businesses particularly traders in Nairobi central business district, Kenya. The specific objectives of the study included: computer literacy, the availability, the impact of culture and effects of high tax rate on tax compliance among small businesses in Nairobi central business district. Descriptive research was used. The study targeted 81 respondents in collecting data. Out of 81 targeted population, 69 were sampled by adopting a non-probabilistic sampling technique, specifically purposive sampling. Primary data was gathered through the use of a semi structured questionnaire open and close ended questions. Questionnaires were appropriate for the study since they helped in collecting the needed information. The researcher used the commonly used internal consistency measure called Cronbach’s Alpha (α) which is generated by the data analysis software SPSS. Data was collected using closed and open ended questionnaires. The drop and pick method and emailing to others was used to administer the questionnaires. The tabulated data was analyzed using descriptive statistics in with the aid of Statistical Package for Social Sciences (SPSS 21.0). The results and findings are presented in the form of tables. Descriptive statistics after an analysis of the data has also been presented. In the next chapter, the discussions of the results will be done and conclusions as well as recommendations for further studies provided. The following are recommended: Kenya Revenue Authority should make the tax return as user friendly as is appropriate. Revised Tax form will help in providing information about taxes and help to explain taxes within a domestic system. When KRA avails necessary Tax information on payment process, taxpayers will respond positively and take as an obligation on them to pay tax on time. This will improve efficiency in dealing with KRA. Based on the research findings, this study arrived at the following conclusions. Tax literacy has a significant influence on tax compliance. Tax Information has influence on tax compliance In Kenya individual culture has influence on tax compliance and that rate of tax charged has influence on tax compliance.
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ABBREVIATIONS AND ACRONYMS

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<th>Acronym</th>
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<tr>
<td>ICT</td>
<td>Information and Communications Technologies</td>
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<tr>
<td>KRA</td>
<td>Kenya revenue authority</td>
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<td>SPSS</td>
<td>Statistical Package for the Social Science</td>
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CHAPTER ONE
INTRODUCTION

1.0 Introduction
This chapter explored the background of the study, statement of the problem, objectives of the study, justification of the study, the scope of the study and a summary of the chapter.

1.1 Background of the Study
The Kenya revenue authority (KRA) is a government entity charged with tax collection to increase collection of tax through improved means by increasing the number of active taxpayers annually so as to meet the target set by the government of Kenya. They do this by enhancing access to information and allowing the public through ICT technology and other investigative means (KRA update, 2015). KRA introduced Integrated Tax (iTax) Management System that allows most of the Kenyans to access government services online without having to move physically. iTax according to KRA, is the system that has been developed to replace the current KRA Online system. iTaxis a web-enabled application system providing fully-integrated and automated solution for administration of domestic taxes (KRA update). The introduction of iTax is to enhance efficiency in tax administration as well as increasing tax revenue for the government.

The Government of Kenya has adopted Information and Communications Technologies (ICT) to improve on service delivery with the aim of increasing accessibility to government information is on the rise (Ondara, 2016). Governments are under an increasing pressure to improve the delivery of public services in cost-effective ways (Wasao, 2014). One of those ways is the introduction of tax collection through electronic or computerized form where tax returns are filled online annually. Taxpayers are thus able to file tax returns at home or cybercafés as opposed to filling manually which was taking a lot of time. The online tax returns eliminate and reduce errors associated with manual filing as the system auto checks the application. Taxation remains to be the main source of government revenue in both developed and developing economies however one of the biggest threats to this method of financing governments is tax avoidance and evasion. Many developing countries are worst affected by the challenge of tax evasion which does not allow KRA to meet its collection targets. Over the
years, the Kenya government has undertaken various revenue administration reforms aimed at enhancing revenue collection (Nzioki&Osebe, 2014).

Muturi&Kiarie (2015) found that for a government to match its performance with the growth and expectations of its citizenry, it has to dramatically increase its fiscal depth without incurring costly recurring overheads. Efficient revenue collection is an impetus to economic growth and development when the funds are used in viable projects.

1.1.1 Tax Compliance
Tax compliant means adhering to the tax laws of a given country and paying taxes promptly without being followed or threatened by heavy fines. Nontax compliance is referred to as any difference between the actual amount of taxes paid and the amount of taxes due. Nontax compliance comprises both intentional evasion and unintentional on-compliance, which is due to calculation errors and an inadequate understanding of tax laws. Getting citizens to pay their taxes painlessly without any delay is a dream that has never been achieved by the governments (Muturi, 2015).

According to Stark, &Kirchler (2017), the variables determining income tax compliance can be classified into three categories: economic determinants; socio-demographic determinants; and, socio psychological determinants. Economic determinants include the tax rate, the fines for evasion, and the audit probability and socio-demographic determinants include age, gender, and education. Tax compliance is the timely filing and reporting of required tax information giving the correct self-assessment of taxes owed, and the timely payment of those taxes without enforcement action.

1.1.2 Electronic Tax Filing and Compliance
According to (Muturi, 2015), the introduction of iTax was aimed to remove manual and paper returns which proved very tiresome to handle and file the records by KRA owing to volumes of returns filed by taxpayers. The introduction of iTax was also aimed at ensuring accuracy and timely reconciliation of the data contained, since KRA’s iTax systems provides automatic reconciliation and validation of the returns. The aim of tax reforms in many countries is
therefore, to achieve higher voluntary compliance and one way to do this is by introducing electronic filing system. In Kenya, various taxes are filed and remitted by due dates, which are mandatory dates for either tax return, to be remitted to (KRA), failure of which leads to non-compliance and attract penalties.

1.2 Statement of the Problem
According to KRA update, electronic filing in Kenya was introduced in the year 2007, initially on a voluntary usage basis for all categories of income tax payers, through an online system. But in the year 2013, a new online system called iTax was introduced with improved qualities and features to make it simpler for taxpayers to e-file their tax returns and remit taxes as they fall due.

The system of iTax has been established to have dual effects on enhancing compliance; this is because it helps taxpayers in avoiding inadvertent errors, as well as limit opportunities for tax evasion. It has also improved taxpayer services for instance taxpayer education, adoption of modern technology as well as efficient administration by the tax authorities (Brostek, 2007). The advantages of iTax include: access to the taxpayer ledger including access by employees on their PAYE deductions, real time update of the taxpayers ledger upon filing of returns and making payment. iTax is accessible at the comfort of the taxpayer, whether in office or home. Simpler domestic tax return filing, time saving as there is a reduced queuing at the banking hall. It enables swift application and processing of tax related services such as Tax Compliance Certificates, refunds, amendments, waivers, tax exemptions. There is also reduction of refunds backlog by allowing taxpayers to utilize approved refunds to offset other tax liabilities. It also enables communication via e-mail and SMS notifications upon completion of transactions (KRA portal).

However, there are challenges in the use of this system which gives ways for citizens who are bent to evade paying tax. Muturi (2015) posits that despite the increasing need to increase revenue collection and enforcement so as to provide public services, developing countries still face the challenges of low tax compliance and tax administration. Ondara, Maina and Kwasira (2016) assert that some of the challenges facing the taxation of the SMEs in Kenya include the fact that small businesses are normally owned by the owners who are also in charge of the accounting book. There is thus less incentive to comply with tax requirements. Many issues
contribute to tax compliance such as computer literacy by tax payers, lack of tax information on tax compliance and the culture of resistance to change among small businesses plus the high tax rate which is a burden are the leading disincentive to business activity. While previous studies on tax compliance have focused on the SMEs, no study has been carried in the area of small business in CBD. Factors guiding income tax compliance and acceptance have been comprehensively researched; little is known about inheritance tax acceptance and compliance. Prior research into this puzzling opposition toward inheritance taxes has identified citizens’ concerns about being affected by having to pay it, and resulting self-interest as a possible cause (Stark, &Kirchler, 2017). The focus of this study touched on the factors influencing the use of online services in tax compliance among small businesses in central business district. The researcher will attempt to find out why many citizens are reluctant to fill income tax return forms when the iTax has made it easy to file the same. The study therefore, sought to fill this knowledge gap.

1.3 Objectives

1.3.1 General objective

The main objective of the study is to evaluate the factors influencing the use of online services in tax compliance among small businesses particularly traders in Nairobi central business district

1.3.2 Specific objective

The specific objectives of the study include:

(i) To determine the effect of computer literacy on tax compliance among small businesses in Nairobi central business district

(ii) To describe the availability of tax information on tax compliance among small businesses in Nairobi central business district

(iii) To assess the impact of culture on tax compliance among small businesses in Nairobi central business district

(iv) To explore the effects of high tax rate on tax compliance among small businesses in Nairobi central business district

1.4 Research Questions/Hypotheses

(i) What is the effect of computer literacy on tax compliance among small businesses in Nairobi central business district?
(ii) To what extent is the availability of tax information affecting tax compliance among small businesses in Nairobi central business district?

(iii) How is culture of resistance affecting tax compliance among small businesses in Nairobi central business district?

(iv) What is the effect of high tax rate on tax compliance among small businesses in Nairobi central business district?

1.5 Justification of the Study
The results of this study are of great significance to the academicians and researchers of all institutions in Kenya. It will contribute to the body of knowledge by academicians and those who wish to carry out research on the same area of study. The study will stimulate the interest among academicians and this will encourage further research on tax compliance. The study report will contribute towards equipping many students and scholars with more knowledge and skills on impact of knowledge management in innovation on organizational performance. Future scholars will find the study material important in their studies since they will have a ready source of literature review on tax compliance.

The study will act as reference and stimulate the interest among scholars and this will encourage further research on knowledge management in innovation on organizational performance. The obtained findings will help the government and policy makers to enact and implement tax policies.

1.6 Scope of the Study
The research will be carried out in the central business district of Nairobi City County among small businesses operators at the central business district.

The study will confine itself to examining evaluate the factors influencing the use of online services in tax compliance among small businesses particularly traders in Nairobi central business district.

The researcher will assess the effect of computer literacy on tax compliance among small businesses, the availability of tax information on tax compliance among small businesses, the impact of culture on tax compliance among small businesses and the effects of high tax rate on tax compliance among small businesses in Nairobi central business district. The study will involve a target population of twenty stall operators selling different wares.
1.7 Chapter summary

The goal of Kenya revenue authority (KRA), an organ charged with tax collection is to increase collection of tax through improved means by increasing the number of active taxpayers annually so as to meet the target set by the government of Kenya.

The introduction of iTax was to remove manual or paper returns which were tedious to file on the part of the taxpayer and in the same magnitude to reconcile on the part of KRA (Muturi, 2015), hence the use of electronic filing, which is aimed at ensuring accuracy and timely reconciliation of the data contained, since KRA’s iTax systems does automatic reconciliation and validation of the returns.

The system of iTax has been established to have dual effects on enhancing compliance; this is because it helps taxpayers in avoiding inadvertent errors, as well as limit opportunities for tax evasion. It has also improved taxpayer services for instance taxpayer education, adoption of modern technology as well as efficient administration by the tax authorities (Brostek, 2007).

The general objective of the study is to evaluate the factors influencing the use of online services in tax compliance among small businesses particularly traders in Nairobi central business district. The result of this study will be of great significance to the academicians and researchers of all institutions in Kenya. It will contribute to the body of knowledge by academicians and those who wish to carry out research on the same area of study. The study will act as reference and stimulate the interest among academicians and this will encourage further research on tax compliance.
CHAPTER TWO
LITERATURE REVIEW

2.0 Introduction
This section explores theories that will be used by the study in order to investigate factors influencing the use of online services in tax compliance among small businesses in Nairobi central business district.

2.1 Theoretical Framework
This study has borrowed from existing research done on the same topic of study on tax compliances among small scale traders. It is influenced by the following theories which have been put across by various scholars with tax return technologies to speed up tax form filling.

2.1.1 The Tax Morale Theory
The tax morale theory was first advanced by German scholars centered on Gunter Schmolders (1960) known as Cologne school of tax psychology. They emphasized that economic forces were not only be analyzed from the traditional point of view, but that tax morale was an attitude regarding tax compliance or non-compliance. In their research findings they reached a conclusion that self-employed people had low tax morale. Tax morale can be termed as the individual factor that motivates a person to comply with his or her tax obligations. As a determinant of tax behavior, tax morals aim to explain how and why a tax payer morality influences his or her tax behavior. Tax payers are more likely to comply with tax obligation if their friends, relatives and acquaintances comply with these obligations. If a society tolerates tax evasion, such a society would encourage tax evasion (Waweru, 2004). Religious beliefs are a variable in tax evasion as studies have shown that tax averse who have strong religious commitments or beliefs would likely be tax compliant even if they feel that the tax rate is high (Gee, 2006). Tax payers will tend to comply with their tax obligation if they feel that their government is honest, democratic and participatory and also if the tax payers feel they play a meaningful role in governance (Cummings, 2007).

2.1.2 Ability to Pay Theory
Developed by Smith and Pigou (1903), they believed that the subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their
respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state. The ability-to-pay principle requires that the total tax burden will be distributed among individuals according to their capacity to bear it, taking into account all of the relevant personal characteristics. This is the most popular and commonly accepted principle of equity or justice in taxation as citizens of a country pay taxes to the government in accordance with their ability to pay. It seems that if the taxes are levied on this principle as stated above, then justice can be achieved. The most suitable taxes from this standpoint are personal levies that are income, net worth, consumption, and inheritance taxes (Wasao, 2014).

2.1.3 Technology acceptance model (TAM)

Davis (1985) advanced this theory. The TAM postulates that user adoption of a new information system is determined by their intention to use the system, which in turn is determined by their beliefs about the system. (TAM) theory is information one that models how users come to accept and use computer generated information. TAM suggests that when users are presented with information that are computer generated, a number of factors such as perceived usefulness and perceived ease of use influence people to embrace technology.

TAM can be used with confidence to examine the effect of individual differences that is computer self-efficacy on users’ acceptance of electronic tax-filing systems through three beliefs - perceived usefulness, perceived ease of use, and perceived credibility. The users’ perceived credibility of Web systems has a marked influence on user willingness to engage in online exchanges of money and personal sensitive information. People who are interested in the information technology and interest in using computer system to generate data are more efficient in their operations.

2.1.4. Fischer Tax Compliance Model

According to Chau and Leung (2009), the tax compliance determinants proposed by Fischer (1992) have been an important subject of research in developed countries over the past couple of years. Fischer tax compliance model provides a framework for understanding the influence of socio-economic and psychological components on taxpayer’s compliance decision. These factors are categorized into four distinct groups include - demographic, noncompliance
opportunity, attitudes and perceptions and tax system that includes complexity of the tax system, probability of detection and penalties and tax rates.

The Fischer model suggests that demographic variables indirectly affect taxpayer compliance by their impacts on noncompliance opportunities, attitudes and perceptions. Three major personal characteristics for which there is evidence of a relationship are age, gender and education. According to the model, noncompliance opportunity can affect taxpayer compliance directly through income level, income source and occupation and indirectly through attitudes and perceptions. Partial refinement to this model brought in another important environmental factor known as culture. Culture is considered a powerful environmental factor that affects the taxpayer’s compliance. Hofstede identifies four underlying societal values; individualism, power distance, uncertainty avoidance and masculinity. The cultural dimension affecting tax compliance is collectivism and individualism.

The relevance of the model is that people are driven by their values and cultural obligations they want to fulfill. People have different habits and views about paying tax to the government. Those who have the right conviction would not be coerced to fill in tax returns, but those who do not care will be fined for non-tax compliance.

2.2 Empirical review
2.2.1 Computer literacy

A big number of traders do not have the requisite computer literacy that can allow the fill in tax returns as required. Worthington (2006) quoted by Elmi et al (2015) argues that although policymakers and researchers have attempted to define financial literacy, it can mean different things to different people. It might be a broad concept involving an understanding of economics, or alternatively a narrower concept focused mainly on basic money management. Similarly, UNESCO (2012) quoted by Elmi et al (2015) considers that “literacy is the ability to identify, understand, interpret, create, communicate and compute, using printed and written materials associated with varying contexts.”

According to Waris and Murangwa (2012) quoted by Elmi et al (2015) tax literacy is intended to firstly, help provide information about taxes, secondly, not to support any particular type or amount of taxes, but to simply explain taxes within a domestic system as well as a regional and international system, and how it impacts on those being informed. According to study made by
Madi et al (2010) quoted by Elmi et al (2015) a person can be considered functionally literate if he/she can read, write and calculate for his/her own self.

2.2.2 Tax Information
Tax research has shown that the degree of information is an important factor on the behavior of tax payers and how it influences tax evasion. Less educated tax payers are less exposed to tax compliance information and are less informed about relevant tax compliance information and thus are more prone to tax evasion. This complexity may lead to unintentional noncompliance if tax payers have problems maybe in filling of tax returns.

Kenya Revenue Authority (KRA) reviews them and if it has reason to believe that a tax payer did not disclose the correct taxes, it is empowered under the law to carry out an in-depth tax audit to verify the information disclosed by the tax payer. Our tax legislation does not provide for advance tax rulings though in practice, tax payers seek the Commissioner’s interpretation of various tax laws or tax implications of certain business transactions (Muiru, 2012).

2.2.3 Culture of taxpayer
Many small traders have developed a negative attitude that the tax money is being misused by a few people who are in power while they toil daily to earn a living. Thus cultural forces are seen to affecting tax collections as they believe that the government has many ways of sourcing for funds. The importance of culture in the context of tax compliance has been supported in previous studies. According to Hamid (2012), individuals are the outcome of their culture and social groupings which share similar beliefs, attitudes, norms and values. Individual behaviour is the result of interaction between “culturally dependent social roles and individually different role identities (Hamid, 2012).

2.2.4 Tax rate system
Where there is high tax rate, traders are mostly affected as they have only one option of shifting the tax burden to consumers. The high tax rate is thus the main cause of tax evasion. Incentives to evade tax depend on the marginal rates of taxation because these govern the gains from evasion as a sum of the sum evaded. One major tax evasion is the high personal income tax rates which tend to lead tax payers to evade tax. Businesses find it generally difficult often not
profitable to do business legally with high rate of taxation levied on them. Derwent (2000) concluded that increased tax burden is a major threat. The results show that the increase in tax rates leads to higher production, distribution and selling costs which lead to higher prices and as a result consumers change their buying behavior. People react to the higher prices by buying less of the product.

2.3 Summary and Research Gaps

A big number of traders do not have the requisite computer literacy that can allow the fill in tax returns as required. Tax literacy should be conducted so that they can help provide information about taxes, secondly, not to support any particular type or amount of taxes, but to simply explain taxes within a domestic system as well as a regional and international system, and how it impacts on those being informed.

Tax research has shown that the degree of information is an important factor on the behavior of tax payers and how it influences tax evasion. Less educated tax payers are less exposed to tax compliance information and are less informed about relevant tax compliance information and thus are more prone to tax evasion. Many small traders have developed a negative attitude that the tax money is being misused by a few people who are in power while they toil daily to earn a living. Thus cultural forces are seen to affecting tax collections as they believe that the government has many ways of sourcing for funds.

Where there is high tax rate, traders are mostly affected as they have only one option of shifting the tax burden to consumers. The high tax rate is thus the main cause of tax evasion. Incentives to evade tax depend on the marginal rates of taxation because these govern the gains from evasion as a sum of the sum evaded. Overall, the studies have established that tax noncompliance is disastrous to the KRA, National Treasury and the economy at large. Further, most of the studies have concentrated on different sectors other that the SME sector and thus there results cannot be generalized to the SME context. They also generalized the tax aspect and were not specific to turnover tax and integrated tax management system. Lastly, most local studies were done in varied counties other than Nairobi’s Central Business District. This opens up a gap in literature, which is worthyfilling by investigating the effect of iTax on tax compliance by small and medium enterprises in Kenya.
2.4 Conceptual Framework
Conceptual framework is a network of interlinked concepts that together provide a comprehensive understanding of a phenomenon or phenomena (Cooper & Schindler, 2003). In this study the independent variables are computer literacy, tax information, culture, and tax rate. The relationship is shown below.

**Figure 2.1 Conceptual framework**

<table>
<thead>
<tr>
<th>Independent variables</th>
<th>Dependent variable</th>
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<tr>
<td><strong>Computer literacy</strong></td>
<td></td>
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<tr>
<td>• Ability to understand tax form</td>
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<tr>
<td>• Wrong returns</td>
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<td><strong>Tax information</strong></td>
<td></td>
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<tr>
<td>• Saves man-hours</td>
<td></td>
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<td>• Cost reduction</td>
<td></td>
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<tr>
<td><strong>Culture</strong></td>
<td>Tax compliance</td>
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<tr>
<td>• Wrong attitudes on tax</td>
<td></td>
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<tr>
<td>• Potential consequences</td>
<td></td>
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<tr>
<td><strong>Tax rate</strong></td>
<td>• Timely returns</td>
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<tr>
<td>• Multiple taxes</td>
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<tr>
<td>• Knowledge of iTax</td>
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2.5 Operational variables
The operational variables give a brief narrative explain how they relate to the independent variables. They are thus explained in each variables of the study.

2.5.1 Computer Literacy
Most hawkers in Nairobi CBD are not computer literate and they do not want to spend money engaging others to assist them fill in the returns electronically. Since most of them are computer illiterate, they do not have the Ability to understand tax form. They in turn engage other people to work for them. Some fear to disclose and share their information to a third party and in the process give wrong returns.

2.5.2 Tax Information
Relevant tax compliance information when applied saves on man-hours as traders take less time to complete the tax information form and as a result they cost of filling in the form is reduced.

2.5.3 Culture
Most of traders have some habits and beliefs and wrong attitudes on tax believing that the money taxed is not used properly and they believe that high earners especially the employed groups are the ones who should be taxed. By not filling tax returns, traders are warned on the potential consequences including heavier fines for non-compliance.

2.5.4 Tax Rate
Businesses people feel that the multiple taxes charged rob them of the profit earned but the knowledge about of iTax calculations make them more compliant.

2.6 Chapter Summary
Chapter two presents a review on the factors influencing the use of online services in tax compliance among smallbusinesses particularly traders in Nairobi central business district. The review discusses how SMEs’ perceptions towards tax rate affect their business hence tax compliance and lastly how the technical skills and knowledge of use of the system affects the period required to fill the returns electronically.
CHAPTER THREE
RESEARCH DESIGN AND METHODOLOGY

3.0 Introduction
Chapter three is covers the research design, target population and sample, data collection and data analysis. This chapter is organized into the design of the research, target population selection process, the sampling techniques to be employed, description data collection instruments and methods, and finally the process of analyzing the data.

3.1 Research Design
Descriptive research was used. According to Burns and Grove (2003), descriptive research is designed to provide a picture of a situation as it naturally happens. According to Cooper &Schindler (2013), a descriptive study is concerned with finding out the what, where and how of a phenomenon. Descriptive research designs help provide answers to the questions of who, what, when, where, and how associated with a particular research problem. Descriptive research is used to obtain information concerning the current status of the phenomena and to describe what exists with respect to variables or conditions in a situation. The study is aimed at collecting data from respondents on their opinions in relation to the effect of quality service delivery on performance of commercial banks in Kenya.

3.2 Target Population
The study targeted 81 respondents in collecting data with regard to the factors influencing the online tax returns on tax compliance among small businesses in the central business district, Nairobi City County. The target population of the study consisted of small scale business owners. The study was carriedalong MoiAvenue, Nairobi.

3.4 Sample and Sampling Technique
Out of 81 targeted population, 69 were sampled by adopting a non-probabilistic sampling technique, specifically purposive sampling. This was chosen because the researcher focused on the traders in Nairobi central district. According to Saunders, Lewis and Thornhill (2003), the bigger the size of the sample, the lower the possible error in taking a broad view of the population. The sample size is the number of sampling units selected from the population for investigation (Chandan, Singh and Khanna, 2010).
3.4 Instruments
This refers to the tools that were used to collect the data. Data collection is the process of gathering respondents’ opinions on the study problem (Kothari, 2004). The researcher used questionnaires in data collection. Primary data was gathered through the use of a semi structured questionnaire (open and close ended questions). Questionnaires were appropriate for the study since they helped in collecting the needed information.

3.5 Pilot study
3.5.1 Validity
Validity of data refers to the extent to which a test measure gives what is expected. According to Mugenda and Mugenda (2009), validity is the accuracy and meaningfulness of inferences that are based on the research results. This represents the relevance of the data collected and conclusions drawn from. A small pre-test on a sample was done on the small scale traders sampled and their test analysed before a full data collection exercise was done. This is to enable the researcher fine tune any areas that are not clear to enable valid data collection for the analysis.

3.5.2 Reliability
Reliability is the consistency of a set of measurement items (Hair et al. 2000). Reliability has to do with the accuracy and precision of a measurement procedure (Kothari, 2004). Validity as noted by Robinson (2002) is the degree to which result obtained from the analysis of the data actually represents the phenomenon under study. Validity was achieved by pre-testing the instrument used to identify and change any ambiguous, awkward, or offensive questions and technique as emphasized by Cooper and Schindler (2003). The researcher used the internal consistency measure called Cronbach’s Alpha (α) which is generated by the data analysis software SPSS. It indicates the extent to which a set of test items can be treated as measuring a single latent variable (Cronbach, 1951). The reliability test of 0.7 is recommended for any researchable study.

3.6 Data Collection Procedure
Data was collected using closed and open ended questionnaires. The drop and pick method and emailing to others was used to administer the questionnaires. Each respondent received the same set of questions in the same manner. The respondents were made aware of the purpose of the research and were assured that of their confidentiality.
3.7 Data Analysis and presentation
The collected data were chronologically arranged with respect to the questions outlined to ensure the correct codes were entered for the correct data tabulation. The tabulated data was analyzed using descriptive statistics in with the aid of Statistical Package for Social Sciences (SPSS 21.0).

3.8 Ethical Considerations
In this study, the following ethical issues were put into considerations:

3.8.1 Informed Consent
The researcher explained to the respondents the purpose of research and made sure that the respondents are told the truth and give all the facts about the research in order to make an informed decision about participating or not. Informed consent should was based on information regarding: the purpose of research study, any foreseen risks, guarantee of anonymity and confidentiality, identification of the researcher, an indication of the number of subjects involved, and the benefits and compensations available.

3.8.2 Voluntary Participation
The researcher explained the purpose of the study to the respondents to ensure that they understood how they would take part and how the data would be used so that they could be willing to participate fully by giving all relevant information without fear or suspicion.

3.8.3 Confidentiality
The researcher worked at winning their confidence by giving them the reasons for the research and assuring them of confidentiality of information given. All information gathered in this study from the target population was treated confidentially.

3.8.4 Privacy
The researcher circulate the official letter indicating that the information to was collected was for academic purposes only and that information given was treated with a lot of confidentiality.

3.8.5 Anonymity
The researcher stated that no names were required to be written on the questionnaire.
CHAPTER FOUR
RESEARCH FINDINGS AND DISCUSSION

4.0 Introduction
The chapter provides a presentation and analysis of the research findings from the data collected from the sampled respondents as set out in the research objective and methodology. The responses were analyzed and the results and findings presented in the form of tables and charts for easier interpretation. The chapter is divided into various sections each providing a presentation of the different results and findings. First, demographic information for the respondents is reported such as gender, age, grade, and marital status along with organizational proportions of participants. Second, descriptive statistics, such as means, standard deviations, followed by detailed analysis of the research questions. Finally, the chapter discusses the research objective. A summary of the whole chapter has been done at the end of the chapter.

4.1 Presentation of Research Findings

4.1.1 Response rate
The study targeted 81 respondents to collect data with regard to the factors influencing the online tax returns on tax compliance among small businesses in the central business district, Nairobi City County.

Table 4.1: Response Rate

<table>
<thead>
<tr>
<th>Category</th>
<th>Respondents</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Returned</td>
<td>62</td>
<td>90</td>
</tr>
<tr>
<td>Not Returned</td>
<td>7</td>
<td>10</td>
</tr>
<tr>
<td>Total</td>
<td>69</td>
<td>100</td>
</tr>
</tbody>
</table>

Source author, (2018)
A total of 62 sampled respondents completed the questionnaires translating to 90% response rate. The researcher considered the response adequate since respondents from all the taxpayers’ strata as per the sample design responded. According to Mugenda and Mugenda (2003), a response rate of over 60% of the respondents is considered adequate but if unresponsive rate is high, the researcher is required to do a follow up study to check the factors behind the lack of
response since it can be a relevant factor in the study. High response rates reduce the risk of bias in the responses

4.2 limitations of the study
The researcher encountered some limitations in the area of filing in the questionnaires as some trader’s presumed to be so busy that they did not have time to attend to such. Some developed bad attitudes and less receptive. Some were limited to answer questions correctly because of little education standard. The researcher simplified the questionnaires to cater for such groups of people.

4.3 Chapter Summary
Background information of the respondents was sought to gain a better understanding of the respondents of the study. The information sought included gender, age level of education, business activity and number of employees

4.3.1 Gender
The study sought to find out how respondents were distributed with regard to gender. This was thought to be an important indicator towards the diversity of the respondents.

Table 4.2: Gender

<table>
<thead>
<tr>
<th>Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>37</td>
<td>60%</td>
</tr>
<tr>
<td>Female</td>
<td>25</td>
<td>40%</td>
</tr>
<tr>
<td>Total</td>
<td>62</td>
<td>100%</td>
</tr>
</tbody>
</table>

The results as presented in Table 4.2 showed that Majority of the respondents 60% were males while females were 40% of the total respondents who participated in the study. This is consistent with the fact that there are generally more men in business than women and also shows a fair balance where neither gender has occupied all the positions

4.3.2 Level of Education
The study sought to establish the highest level attained by the respondents. This was to establish how well the respondents understood the questionnaire.
### Table 4.3 Education level

<table>
<thead>
<tr>
<th>Education</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Secondary</td>
<td>18</td>
<td>29%</td>
</tr>
<tr>
<td>College</td>
<td>14</td>
<td>23%</td>
</tr>
<tr>
<td>University</td>
<td>22</td>
<td>35%</td>
</tr>
<tr>
<td>Post Graduate</td>
<td>8</td>
<td>13%</td>
</tr>
<tr>
<td>Total</td>
<td>62</td>
<td>100%</td>
</tr>
</tbody>
</table>

From the findings, it is clear that the Level of respondents selected has well balanced educated personnel since 29% were secondary level, while those with college certificate were 23% university degree 35% and Post Graduate 13%. This indicates that the majority of employees have necessary level of education that can indeed enable them respond well to questions on tax compliance.

### 4.3.3 Working Experience

The study sought to evaluate the working experience of traders. The analysis of the number of employees is presented in the Table 4.5 below:

### Table 4.4: Working experience

<table>
<thead>
<tr>
<th>Work experience</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-5 Years</td>
<td>26</td>
<td>42%</td>
</tr>
<tr>
<td>6-15 Years</td>
<td>21</td>
<td>34%</td>
</tr>
<tr>
<td>Over 15 Years</td>
<td>15</td>
<td>24%</td>
</tr>
<tr>
<td>Total</td>
<td>62</td>
<td>100%</td>
</tr>
</tbody>
</table>

Traders with less than five years were more compared to those who had over fifteen years’ experience. This shows that the business has high risk and traders opt for other better ones once they accumulate some wealth.
4.4: Specific Information

4.4.1 Computer Literacy

The first objective was to determine the effect of computer literacy on tax compliance among small businesses in Nairobi central business district. The study sought response from the respondents on the extent to which they agree or disagree with the following factors in relation to computer literacy on the Likert scale of 1 to 5 Where: 5= Strongly Agree; 4= Agree; 3= Neutral; 2= Disagree 1= Strongly Disagree and the outcome of the response was used to compute the means and standard deviation for each statement as per the response. The outcome is presented in table 4.5.

Table 4.5: Literacy level

<table>
<thead>
<tr>
<th>Statement</th>
<th>n</th>
<th>Mean</th>
<th>StdDev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax literacy still reflects individuals’ ability to understand financial concepts and enables them to control their personal financial resources</td>
<td>62</td>
<td>4.091</td>
<td>0.968</td>
</tr>
<tr>
<td>Tax literacy helps in providing information about taxes and help to explain taxes within a domestic system</td>
<td>62</td>
<td>3.907</td>
<td>1.014</td>
</tr>
<tr>
<td>The probability of getting of wrong returns is low</td>
<td>62</td>
<td>3.933</td>
<td>1.117</td>
</tr>
<tr>
<td>Understanding Tax system is not complicated</td>
<td>62</td>
<td>4.150</td>
<td>0.941</td>
</tr>
<tr>
<td>Overall statistic</td>
<td></td>
<td>4.020</td>
<td>1.010</td>
</tr>
</tbody>
</table>

The outcomes from the respondents largely agreed that the Tax literacy still reflects individuals’ ability to understand financial concepts and enables them to control their personal financial resources with a mean of 4.091 and standard deviation of 0.968. Tax literacy helps in providing information about taxes and help to explain taxes within a domestic system with a mean of 3.907 and standard deviation of 1.014. The probability of getting of wrong returns is low with a mean of 3.933 and standard deviation of 1.117 and that Understanding Tax system is not complicated with a mean of 4.150 and standard deviation of 0.941. The overall mean for this section on Tax literacy is 4.020 and the standard deviation of 1.01 this indicating that Tax literacy has an important influence on tax compliance. The study is supported by study done by (Elmi, Evans & Tirimba, 2015), who stated that Financial literacy reflects individuals’ ability to
understand financial concepts, financial products and services and enables them to control their personal financial resources. Similarly, the study is supported by UNESCO (2012) quoted by Elmi et al (2015) considers that “literacy is the ability to identify, understand, interpret, create, communicate and compute, using printed and written materials associated with varying contexts.”

4.4.2 Tax Information

The next objective was to establish the effect availability of tax information on tax compliance among small businesses in Nairobi central business district. The study sought response from the respondents on the extent to which they agree or disagree with the following factors in relation to tax information on the Likert scale of 1 to 5 Where: 5= Strongly Agree; 4= Agree; 3= Neutral; 2= Disagree 1= Strongly Disagree. The outcome of the response is presented in table 4.6

**Table 4.6: Tax information**

<table>
<thead>
<tr>
<th>Statement</th>
<th>n</th>
<th>Mean</th>
<th>StdDev</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Information shortens the tax payment process which saves on man-hour</td>
<td>62</td>
<td>4.08</td>
<td>0.916</td>
</tr>
<tr>
<td>Tax information on payment process improves efficiency in dealing with KRA</td>
<td>62</td>
<td>4.20</td>
<td>0.904</td>
</tr>
<tr>
<td>Information on online tax payment has helped reduced cost of taxpayers</td>
<td>62</td>
<td>3.95</td>
<td>1.007</td>
</tr>
<tr>
<td>Tax information about online tax payment has helped in efficient time utilization</td>
<td>62</td>
<td>3.94</td>
<td>1.171</td>
</tr>
<tr>
<td>Overall statistic</td>
<td></td>
<td>4.043</td>
<td>0.999</td>
</tr>
</tbody>
</table>

The response on the statement are from respondents are; Tax Information shortens the tax payment process which saves on man-hour with a mean of 4.080 and standard deviation of 0.916 Tax information on payment process improves efficiency in dealing with KRA with a mean of 4.200 and standard deviation of 0.904, Information on online tax payment has helped reduced cost of taxpayers with a mean of 3.95 and standard deviation of 1.007, Tax information about online tax payment has helped in efficient time utilization with a mean of 3.940 and standard deviation of 1.171. The overall statistics of this section was a mean of 4.043
and a standard deviation of 0.999. This implies that Tax Information has influence on tax compliance in Kenya. The study is supported by study done by Muiru (2012) who stated that Standard models assume that tax payers are fully informed of all the aspects that cover the tax reporting processes and that the degree of information is an important factor on the behavior of tax payers and how it influences tax evasion.

4.4.3 Impact of Culture on Tax Compliance

The next objective was to assess the impact of culture on tax compliance among small businesses in Nairobi central business district. The study sought response from the respondents on the extent to which they agree or disagree with the following factors in relation to tax information on the Likert scale of 1 to 5 Where: 5 = Strongly Agree; 4 = Agree; 3 = Neutral; 2 = Disagree 1 = Strongly Disagree. The outcome is presented in table 4.

Table 4.7: Impact of culture

<table>
<thead>
<tr>
<th>Statement</th>
<th>n</th>
<th>Mean</th>
<th>StdDev</th>
</tr>
</thead>
<tbody>
<tr>
<td>There is a culture of tax evasion in Kenya – everyone who has the opportunity to evade tax does so.</td>
<td>62</td>
<td>4.08</td>
<td>0.916</td>
</tr>
<tr>
<td>The potential consequences (e.g. fines and penalties, public naming, prosecution) of getting caught are not serious enough to stop people evading paying their taxes.</td>
<td>62</td>
<td>4.20</td>
<td>0.904</td>
</tr>
<tr>
<td>People think the taxes collected are used poorly which makes them not to report all of their income to KRA.</td>
<td>62</td>
<td>4.14</td>
<td>0.946</td>
</tr>
<tr>
<td>People think they pay too much tax on what they earn already.</td>
<td>62</td>
<td>3.90</td>
<td>1.175</td>
</tr>
<tr>
<td>Overall mean</td>
<td></td>
<td>4.08</td>
<td>0.985</td>
</tr>
</tbody>
</table>

The outcomes from the respondents largely agreed that there is a culture of tax evasion in Kenya – everyone who has the opportunity to evade tax does so with a mean of 4.080 and standard deviation of 0.916, The potential consequences (e.g. fines and penalties, public naming, prosecution) of getting caught are not serious enough to stop people evading paying their taxes with a mean of 4.20 and standard deviation of 0.904, People think the taxes
collected are used poorly which makes them not to report all of their income to KRA with a mean of 4.140 and standard deviation of 0.946 and that People think they pay too much tax on what they earn already with a mean of 3.900 and standard deviation of 1.175. The overall statistics of this section was a mean of 4.080 and a standard deviation of 0.985. This implies that individual culture has influence on tax compliance. The study is supported by study done by Hamid (2012), who stated that individuals are the outcome of their culture and social groupings which share similar beliefs, attitudes, norms and values.

4.4.4 High Tax Rate

The last objective was to explore the effects of high tax rate on tax compliance among small businesses in Nairobi central business district. The study sought response from the respondents on the extent to which they agree or disagree with the following factors in relation to tax information on the Likert scale of 1 to 5 Where: 5 = Strongly Agree; 4 = Agree; 3 = Neutral; 2 = Disagree 1 = Strongly Disagree. The outcome is presented in table 4.

**Table 4.8: Tax rate**

<table>
<thead>
<tr>
<th>Statement</th>
<th>n</th>
<th>Mean</th>
<th>StdDev</th>
</tr>
</thead>
<tbody>
<tr>
<td>The rate of tax charged is high.</td>
<td>62</td>
<td>4.33</td>
<td>0.908</td>
</tr>
<tr>
<td>The rate charged is high leads to tax avoidance</td>
<td>62</td>
<td>4.08</td>
<td>0.956</td>
</tr>
<tr>
<td>Multiple taxes with different tax rates leads to tax evasion</td>
<td>62</td>
<td>3.78</td>
<td>1.179</td>
</tr>
<tr>
<td>I’m aware of all tax rates on all income</td>
<td>62</td>
<td>3.91</td>
<td>1.064</td>
</tr>
<tr>
<td>Most traders have no knowledge of online i Tax system</td>
<td>62</td>
<td>4.33</td>
<td>0.964</td>
</tr>
<tr>
<td></td>
<td></td>
<td>4.086</td>
<td>1.014</td>
</tr>
</tbody>
</table>

The response on the statement from respondents are, The rate of tax charged is high with a mean of 4.333 and standard deviation of 0.908 The rate charged is high leads to tax avoidance with a mean of 4.080 and standard deviation of 0.956 Multiple taxes with different tax rates
leads to tax evasion with a mean of 3.78 and standard deviation of 1.179, I’m aware of all tax rates on all income with a mean of 3.910 and standard deviation of 1.064, Most traders have no knowledge of online tax system with a mean of 4.333 and standard deviation of 0.964. The overall statistics of this section was a mean of 4.086 and a standard deviation of 1.014. This implies that rate of tax charged has influence on tax compliance. The study is supported by study done by Derwent (2000) who concluded that increased tax burden is a major threat. People react to the higher prices by buying less of the product.

4.5 Chapter Summary
The chapter presents the results and findings after an analysis of the primary data collected from the respondents. The results and findings are presented in the form of tables. Descriptive statistics after an analysis of the data has also been presented. In the next chapter, the discussions of the results will be done and conclusions as well as recommendations for further studies provided.
CHAPTER FIVE
SUMMARY, RECOMMENDATION AND CONCLUSIONS

5.0 Introduction
This chapter summarizes the study and makes conclusions based on the results from the study. The first section 5.1 provides a summary of the important elements of the study which includes the study objectives, methodology and the results of the study. The following subsequent sections discuss the important findings of the study with regards to the general objectives set out. Section 5.2 provides the recommendations for improvement for implementation by the concerned stakeholders based on the research findings. The conclusion of the study is discussed in section 5.3. The last this section also provides suggestions for further studies based on research findings and further gaps identified in this specific topic of study.

5.1 Summary of the findings
The general objective of the study was to evaluate the factors influencing the use of online services in tax compliance among small businesses particularly traders in Nairobi central business district.

The specific objectives were as follows: To determine the effect of computer literacy on tax compliance among small businesses in Nairobi central business district, to describe the availability of tax information on tax compliance among small businesses in Nairobi central business district, to assess the impact of culture on tax compliance among small businesses in Nairobi central business district, to explore the effects of high tax rate on tax compliance among small businesses in Nairobi central business district.

The study adopted the descriptive research design. In order to achieve the research objectives, collection of primary data was important to as to get the original and accurate perceptions from the targeted respondents. Primary data was collected through the use of questionnaires. A sample of 69 firms within the Moi Avenue in Nairobi County was drawn from a population of 230 firms as a representative of the total population. A total of 62 sampled respondents completed the questionnaires translating to a 90% response rate. Data from the completed questionnaires was summarized in Microsoft Excel and coded so as to run descriptive statistics. The study used SPSS Version 20 to analyses the feedback and generate descriptive statistics which were used to
make inferences on the population based on the results obtained. Descriptive statistics obtained included mean, standard deviation, frequencies and percentages. These were presented in tables.

5.1.1 General Information
The results of the study showed that the male respondents were more than the female respondents. All the respondents had achieved secondary education and above hence giving an indication that they understood the questionnaires for purposes of collecting the data.

5.1.1 Computer Literacy
With regard to computer literacy, the respondents largely agreed that the Tax literacy still reflects individuals’ ability to understand financial concepts and enables them to control their personal financial resources with a mean of 4.091. The study revealed that Tax literacy helps in providing information about taxes and help to explain taxes within a domestic system with a mean of 3.907. Further respondents stated that probability of filling wrong returns is low with a mean of 3.933 and that Understanding Tax system is not complicated with a mean of 4.150.

5.1.2 Tax Information
With regard to Tax Information the study revealed that a significant number of respondents strongly believed that Tax Information shortens the tax payment process which saves on man-hour with a mean of 4.080. Tax information on payment process improves efficiency in dealing with KRA with a mean of 4.200. Respondents further indicated that Information on online tax payment has helped reduced cost of taxpayers with a mean of 3.95 and that Tax information about online tax payment has helped in efficient time utilization with a mean of 3.940.

5.1.3 Tax Culture
The aggregate mean score of 3.98 infers that majority of the respondents agreed that individual culture has influence on tax compliance. The outcomes from the respondents largely agreed that there is a culture of tax evasion in Kenya – everyone who has the opportunity to evade tax does so with a mean of 4.080 and the potential consequences (e.g. fines and penalties, public naming, prosecution) of getting caught are not serious enough to stop people evading paying their taxes with a mean of 4.20. Further People think the taxes collected are used poorly which makes them not to report all of their income to KRA with a mean of 4.140 and that People think they pay too much tax on what they earn already with a mean of 3.900.
5.1.4 High Tax Rate
The response on the statement from respondents were, the rate of tax charged is high with a mean of 4.333 and that the rate charged is high leads to tax avoidance with a mean of 4.080. Further respondents stated that multiple taxes with different tax rates leads to tax evasion with a mean of 3.78 and respondents are aware of all tax rates on all income with a mean of 3.910 and that most traders have no knowledge of online Tax system with a mean of 4.333. The overall statistics of this section was a mean of 4.086; this implying that rate of tax charged has influence on tax compliance.

5.2 Recommendation

5.2.1 Effect of computer literacy on tax compliance
Kenya Revenue Authority should make the tax return as user friendly as is appropriate. Revised Tax form will help in providing information about taxes and help to explain taxes within a domestic system.

5.2.2 Effects of availability of tax information affecting tax compliance
When KRA avails necessary Tax information on payment process, taxpayers will respond positively and take as an obligation on them to pay tax on time. This will improve efficiency in dealing with KRA.

5.2.3 Effects of culture of resistance on tax compliance
With necessary information provided, negative attitudes will be changed and people will build positive attitudes towards filing tax return forms.

5.2.4 Effect of high tax rate on tax compliance
Where tax rates are beyond traders’ ability to pay, they would tend to evade paying tax and fill in wrong information. To correct this, KRA and the national government should consider revising tax rates downwards so that majority of small scale enterprises will gladly pay taxes and give timely tax returns.

5.3 Conclusion
Based on the research findings, this study arrived at the following conclusions.
5.3.1 Computer Literacy
The conclusion from the findings indicates that Tax literacy has a significant influence on tax compliance.

5.3.2 Tax Information
The study was to establish the availability of tax information on tax compliance among small businesses in Nairobi central business district. The conclusion from the findings indicates that Tax Information has influence on tax compliance in Kenya.

5.3.3 Tax Culture
The study sought to assess the impact of culture on tax compliance among small businesses in Nairobi central business district. The conclusion from the findings indicates that individual culture has influence on tax compliance.

5.3.4 High Tax Rate
Last, the study was to explore the effects of high tax rate on tax compliance among small businesses in Nairobi central business district. The conclusion from the findings indicate that rate of tax charged has influence on tax compliance.

5.4 Suggestions for Further Research
Based on the findings, conclusion, recommendations and the limitations of the study, further research could be suggested to cover the following areas in order to corroborate the findings of this study and expand the knowledge in this area. First, further studies should be done on small taxpayers in other tax districts either considered to be more advanced or less advanced than of Nairobi Tax District like Kisumu, Moyale, Kilifi in order to have a holistic conclusion on the effect of online system on tax compliance in Kenya. Similarly, a study should be done among medium taxpayers as well as individual taxpayers.

REFERENCES


KRA iTax portal [Accessed on 20th October 2017]


APPENDICES

APPENDIX I: COVER LETTER
Rispa Ekundina
NAIROBI.
RE: Request to fill in the Questionnaire
Dear Respondent,
I am a graduate student carrying out research on factors influencing online tax returns on tax compliance in Kenya. (A case study of small businesses in Nairobi central business district
This is in partial fulfillment of the requirement of the degree of Business Administration program at the Management University of Africa.

You have been randomly selected among many to participate in this study. It is estimated that it will take less than twenty (20) minutes of your time to complete the questionnaire. Please respond as honestly and objectively as possible. Your participation is very essential for the accomplishment of this study and it will be highly appreciated. I guarantee that the information that you will provide will be treated with the utmost confidentiality and will be used only for academic purposes.

This is an academic research and confidentiality is strictly emphasized, your name will not appear anywhere in the report. Kindly spare some time to complete the questionnaire attached.

Rispa Ekundina

Thank you.
Yours faithfully,
APPENDIX II: QUESTIONNAIRE

The purpose of this questionnaire is to collect information on factors influencing online tax returns on tax compliance in Kenya. The information is being sought solely for academic purposes and will be treated with confidentiality. Please answer the questions below by ticking the boxes provided or writing a brief statement as required.

General Instructions

Please read the question below and tick the correct answer in the space provided

PART A. BACKGROUND INFORMATION

Personal Information: (Instruction -Tick where appropriate)

1. Gender:
   □ Male
   □ Female

2. Age:
   □ 18-30 years
   □ 31-40 years
   □ 41–50 years
   □ 51 years and over

3. Highest Education Level
   □ Secondary level
   □ College level
   □ University level
   □ Post graduate level
4. Working Experience

- Below 5 years
- 6-15 Years
- 16 years and above

PART B. FACTORS INFLUENCING ONLINE TAX RETURNS ON TAX COMPLIANCE

Section 1: Computer Literacy

Using a scale of 1 to 5 where, 5-Strongly agree, 4-Agree, 3- Disagree, 2- Strongly disagree and 1- Undecided. Rate the extent to which you agree or disagree with the following factors in relation to information technology. Rate your opinion against the statements by ticking (√) against each column.

<table>
<thead>
<tr>
<th>Statement</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax literacy still reflects individuals’ ability to understand financial concepts and enables them to control their personal financial resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tax literacy helps in providing information about taxes and help to explain taxes within a domestic system</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The probability of getting of wrong returns is low</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Understanding Tax system is not complicated</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Section 2: Tax Information

5. Using a scale of 1 to 5 where, 5-Strongly agree, 4-Agree, 3-Neutral, 2-Disagree, 1-Strongly disagree. Rate the extent to which you agree or disagree with the following factors in relation to economic forces. Rate your opinion against the statements by ticking against each column.

<table>
<thead>
<tr>
<th>Statement</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Information shortens the tax payment process which saves on man-hour</td>
<td></td>
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<tr>
<td>Tax information on payment process improves efficiency in dealing with KRA</td>
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</tr>
<tr>
<td>Information on online tax payment has helped reduced cost of taxpayers</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Tax information about online tax payment has helped in efficient time utilization</td>
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</tbody>
</table>

Section 3: Culture

6. Using a scale of 1 to 5 where, 5-Strongly agree, 4-Agree, 3-Neutral, 2-Disagree, 1-Strongly disagree. Rate the extent to which you agree or disagree with the following in relation to land security. Rate your opinion against the statements by ticking (√) against each column.
There is a culture of tax evasion in Kenya – everyone who has the opportunity to evade tax does so.

The potential consequences (e.g. fines and penalties, public naming, prosecution) of getting caught are not serious enough to stop people evading paying their taxes.

People think the taxes collected are used poorly which makes them not to report all of their income to KRA.

People think they pay too much tax on what they earn already.

**Section 4: Tax Rates**

Using a scale of 1 to 5 where, 5-Strongly agree, 4-Agree, 3-Neutral, 2-Disagree, 1-Strongly disagree. Rate the extent to which you agree or disagree with the following in relation to taxation. Rate your opinion against the statements by ticking (√) against each column.

<table>
<thead>
<tr>
<th>Statement</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>The rate of tax charged is high.</td>
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<tr>
<td>The rate charged is high leads to tax avoidance</td>
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</tr>
<tr>
<td>Multiple taxes with different tax rates leads to tax evasion</td>
<td></td>
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<tr>
<td>I’m aware of all tax rates on all income</td>
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<td></td>
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<tr>
<td>Most traders have no knowledge of online i Tax system</td>
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</table>

Thank you
## APPENDIX II: WORK PLAN

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<thead>
<tr>
<th>Activity</th>
<th>MAY 2018</th>
<th>JUNE 2018</th>
<th>JULY 2018</th>
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<tbody>
<tr>
<td>Problem Identification</td>
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<tr>
<td>Literature Review</td>
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<tr>
<td>Final Draft of Proposal</td>
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<tr>
<td>Correction of proposal</td>
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APPENDIX IV: INFORMED CONSENT FROM
## APPENDIX V: RESEARCH BUDGET

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<td>2 reams</td>
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<td><strong>Grand total</strong></td>
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