

EFFECT OF CUSTOMER SERVICE ON TAX COMPLIANCE IN KENYA, THE CASE OF SME'S IN NAIROBI CENTRAL BUSINESS DISTRICT

Mwangi Salverius Gatheru.
Kenyatta University, Kenya

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ABSTRACT

The Kenya Revenue Authority is involved in revenue collection mainly from taxation of taxable persons in the economy. Small businesses are often involved in tax evasion practices deliberately or without knowledge. It is not an easy feat to convince the small and medium enterprises to comply with tax laws. It is for this reason that customer service is seen as a good strategy through which tax compliance among the Small and Medium Enterprises. This study had the general objective of assessing the effect of customer service on tax compliance in Kenya. The study had three specific objectives: To find out the effect of tax payer training on tax compliance, complexity of the tax system and to examine how communication to customer strategy on tax compliance, a case of SMEs in Nairobi City County. The study adopted a descriptive research design because it had the objective of establishing the relationship between the variables. The study had a target population of 1,500 Small and Medium Enterprises operating with the Nairobi Central District. A sample

of 150 was selected through stratified sampling which acted as a representative of the entire population. The study used descriptive statistics and inferential statistics in data analysis. The study has found out that the taxpayer training had a statistically significant influence on levels of tax compliance among the SMEs. Further, the study has found there is a need to improve the customer service of KRA in order to foster voluntary tax compliance. The regression model has found out that 31 % of the variations in tax compliance among the SMEs is explained by taxpayer training, complexity of the tax system and communication strategy. The study recommends that the KRA needs to establish a strategic customer service department in order to facilitate information dissemination which will foster tax compliance among the SMEs in Kenya. Tax training should be done regularly and the appropriate communication channels should be used.

Keywords: Tax Compliance, Small and Medium Enterprises, Customer Service.

INTRODUCTION

Tax is the main source for government revenue, which is in turn used in provision of public goods and services for the benefit of all citizens (Gcabo and Robinson, 2007). Thus it is crucial that governments improve tax revenue by implementing strategies that lead to tax compliance. Lee (2012) noted that in South Korea and Turkey, tax compliance was not at full compliance because some taxpayers did not have the ability of use the tax systems and therefore there was need to train them on use of systems. It is important to note that tax compliance is influenced by a variety of factors. For instance, In Malaysia, the taxpayers' indicated that tax compliance was influenced by such factors as ease of use of systems and knowledge and skills in filing taxes (Azmi and Kamarulzaman, 2010).

In South Africa, voluntary tax compliance was noted as the main challenge in revenue maximization (Trivedi, Shehata, and Mestelman, 2015). According to Mandola (2013) tax

compliance among the SMEs in Tanzania was influenced by how well the taxpayers could understand the tax regulations in the country. Most countries are undertaken tax reforms in order to improve the revenue generated from taxes. However, most developing countries run deficit budget implying that the tax systems are not optimum as far as public finance is concerned.

Gachuki (2015) did a study that had an aim of establishing the factors that assessed tax compliance by SMEs Nairobi North Tax region and found out that the Kenyan tax law was complex to most SMEs and thus did not foster compliance, the cost of compliance was high and also most of the respondents had not appropriate or adequate tax knowledge Kirchler (2007), notes that tax compliance is the tendency of taxpayers willingly to compute and declare taxes honestly and pay their tax dues in good time.

According to Goradichenko et al., (2009), noncompliance to tax obligations cuts across both developing countries and developed countries. Individuals and corporate are involved in tax evasion in order to lower the amount of taxes they pay to the government. As a result, revenue mobilization is compromised and the government is unable to keep providing the public goods for its citizens. It is thus crucial that the tax system is set in a way that it encourages the tax compliance. One method of ensuring that tax payers comply with tax regulations is by offering high quality customer service. It is for this reason that the Government of Kenya (GoK) needs to act prudently set strategies to curb tax evasion and enhance tax compliance among the small and medium enterprises in Kenya.

According to Turban (2012), customer service is a conscious process of ensuring that products and or services meet customer expectations. It is a step by step undertaking that leads to customer's satisfaction in the services and products of a particular organization. Customer services entails communications with clients before they purchase goods or before the service is offered and even after the purchase. It involves offering clients with solutions of problems at all the times. With respect to a revenue collection body, customer service involves educating taxpayers, training and offering help in the process of filing tax returns and payments of taxes.

According to Jones (2009), tax compliance honest reporting of the expected tax information with the stipulated guidelines. In this regard, tax compliance encompasses timely filing, honest tax computation and payment of taxes as per the tax laws of a given state. It is important to note voluntary tax compliance is the best because the tax system motivates taxpayers to meet their tax obligations in timely fashion. According to Khadijah (2014), voluntary tax compliance is influenced by how the tax system of a country works. However, businesses have an inherent desire for increasing profits may lead them to falsifying incomes in order to pay less tax. It is for this reason that the governance of a country should be construed as to be working on behalf of the citizens in order to motivate people to pay taxes at will. Tax is the main source of revenue for governments and thus compliance should be fostered. Tax compliance involves the honest and self-declaring of tax amounts and payments of the same within the stipulated time.

According to Oberholzer (2008), the tax systems of most developing countries are complex hence limiting compliance among the small taxpayers. This is attributed to the fact that the owners of such business are not knowledgeable in tax laws and thus they overlook some aspects without the intention of breaking the law. Further, it is expensive to hire tax practitioners to advice on tax matters since small businesses are characterized by low incomes and thus added costs are always avoided.

Most SMEs are expected to pay a turnover tax which was introduced by the Finance Bill of 2006 and came into law in 2007. ToT is charged at the rate of 3% and is payable monthly by 20th of the following quarterly month of income. The Kenya Revenue Authority expects SMEs to remit the tax in lieu of VAT which is levied to those enterprises with over KShs. 5 million turnovers and above in a calendar year. The SMEs in Nairobi are involved in a variety of activities ranging from sell of second hand items, electronic shops, cloth sellers, vehicle repairs, beauty shops and parlors, public transport vehicle businesses among other ventures. Most of these are situated within the Central Business District.

Statement of the Problem

Tax is the main source of revenue for the Kenyan government. The Kenya Revenue Authority is mandated to engage in tax administration duties on behalf of the government. According to the Kenya Parliamentary Budget Office (2015), the government of Kenya has not been able to achieve its revenue collection targets and this compromises on provision of public goods and services. The Government of Kenya (2016) indicates that Small and Medium enterprises contribute to over 34.3 % of the GDP where the tax collectible is over Kenya shillings 150 billion but the actual tax collection is estimated to be less than five billion. Mage (2012) indicates that the Kenya revenue collection has persistently been off the course in tax administration in the country. It is for this reason that the institutions has not been able to achieve its tax collection targets. It has been reported of huge tax losses from the non-compliance of SMEs.

According to Clough *et al.* (2014) notes that in the year 2012 and 2013 lost tax revenue was 7.4 per cent and 8.3 per cent of the revenue collection and this was majorly from the informal sector in the economy. According to Mandola (2013) failure to collect enough revenue by government reduces their ability to provide goods and service. In the event that KRA does not enhance its tax administration efficiency and the situation continues to persist, the Kenyan government will not have the much required revenue to run the economy. Institute of Economic Affairs (IEA, 2012) notes that fail to collect enough revenue reduces the ability of the government to provide infrastructural networks that promote economy growth. The KRA (2015) indicates that an estimated Kshs. 190 billion was lost in the fiscal year 2013/2014 due to non-compliance with tax regulations. Perhaps, this may be attributed to lack of skills and knowledge on tax remittance by the small and medium enterprises.

Mayo (2012) indicates that the government of Kenya will continue with a deficit budget if tax collection efforts among the SMEs will not be fostered. Gachiku (2015), established that

number of taxes and number of tax returns to be paid and filed respectively affects compliance to tax regulations. Further, the study established that compliance costs and tax skills influence compliance among the small taxpayers at the North of Nairobi Tax district. Mararia (2014), assessed the impact of tax compliance costs, tax knowhow and education on compliance among the medium and small taxpayers in Kenya. The study found out that there was direct relationship between adoption of the Integrated Tax Management System (ITMS) and tax compliance among the respondents of the study. Evidently therefore, there is research gap that needs to be filled because it appears that there is no study that has so far been carried out to assess the role of customer service on tax compliance among the small and medium enterprises in Kenya. Therefore this study seeks to answer the following question; does customer service affect the level of tax compliance among the small and medium taxpayers in Kenya?

Objectives of the study

1. To find out the effect of tax payer training on tax compliance among SMEs in Nairobi Central Business District
2. To establish the effect of complexity of tax system on tax compliance among SMEs in Nairobi Central Business District
3. To examine the impact of customer communication strategy on among SMEs in Nairobi Central Business District

LITERATURE REVIEW

Tax Moral Theory

The tax moral theory was coined by German scholars (Mocetti, 2016) and seeks to explain the effect of tax morality of tax payers and their willingness to pay taxes. According to this theory compliance with tax regulations is based on the environment in which individuals live for instance, in the circumstance that individuals find themselves in a society that does not pay taxes, they will also adopt that practice of non-compliance. According to Gee(2006), people will generally not pay taxes if they think they can escape from being caught on tax evasion. Further, if the society advocates for tax payments, it encourages individuals and other tax persons to pay and comply with tax regulations of the particular country. The theory provides a moral justification that lead to tax compliance or non-compliance. It is also important to note that what is moral may be different from one individual to another and from one society to another.

The theory is crucial to this study because it helps in explaining the moral of the people and the reasons why they are willing or not willing to pay taxes. This theory indicates that the society in which individuals live in has role in whether they pay taxes or not. In this respect, the theory provides a wide view of individual's willingness to pay taxes. It has been noted that if the individuals believe that their taxes are prudently spent and without embezzlement by those in leadership, the chance of compliance with tax regulations is high (Gee, 2006). More importantly, tax compliance is multidimensional ranging from filing the relevant tax returns, filing within the stipulated time and the honest computations of tax dues.

Empirical Review

Ling and Nawawi (2010) conducted a study in Malaysia on the impact of information and communication technology on compliance among the small taxpayers in the country. The study had the overall objective of establishing whether ICT knowledge among the tax advisors had an impact on tax compliance. The study used primary data that was collected by administration of questionnaires. The study found out that ICT skills and basic expertise was crucial in enhancing tax compliance an electronic system. The study recommended that taxpayers need be trained in order to understand the requirements of the law in a far as an online tax system was concerned. This study is relevant because it offers a discussion on how training is beneficial to taxpayers and the regulator. Training enables people with the appropriate skills to perform certain functions that are required of them. Thus, where tax payers are trained on tax regulations including filing and basic computations, the level of tax compliance could be enhanced.

Helhel & Ahmed, (2014), sought to establish the factors that lead to tax compliance among individuals in Yemen. The purpose of the study was to determine the factors that lead to compliance among the taxpayers. Primary data was collected through administration of questionnaires. The study identified that the understanding of the tax system and tax rates had significant effects on tax compliance among individuals. As a result, it is therefore, important that taxpayers are trained and made aware of the number of taxes, tax rates and frequency of filing tax returns and their deadlines. Where these information is disseminated in good time and appropriately level of tax compliance is likely to be enhanced.

Rizalpalil and Mustapha (2010) undertook a study in Malaysia with an aim establishing of how tax knowledge influenced tax compliance. The study concluded that tax knowledge was significant in determining tax compliance and that tax knowledge was varying among the respondents. The individuals who were skilled in tax matters often filed taxes and complied with regulations. On this note, customer delivery and communication of tax related issues is crucial to enhancing level of compliance.

Kiraithe (2009), did a study on tax compliance among businesses in Kenya. The study had the objective of assessing the factors that led to discrepancy of revenue collected by the Kenya Revenue Authority. The study identified that the most contributing factor was compliance costs which were established to be high hence discouraging the tax payers. The study defined compliance costs as the costs of fulfilling tax obligations. The study recommended that the taxpayers should be trained on how to compute taxes, file taxes and pay tax dues. Consequently, the taxpayers are encouraged to pay taxes.

Mararia (2014), assessed the impact of tax compliance costs, tax knowhow and education on compliance among the medium and small taxpayers in Kenya. The study adopted a descriptive research design. The study had a target population of 200 medium and small taxpayers from which a sample size of 100 was selected to be the representative of the entire population. The study collected primary data through administration of questionnaires and conducting

interviews. The study found out that there was direct relationship between adoption of the Integrated Tax Management System (ITMS) and tax compliance among the respondents of the study. Further, the study found out that compliance costs, tax knowledge and training and fines and penalties

Conceptual Framework

The study variables are conceptualized as

Independent Variables

Dependent Variable

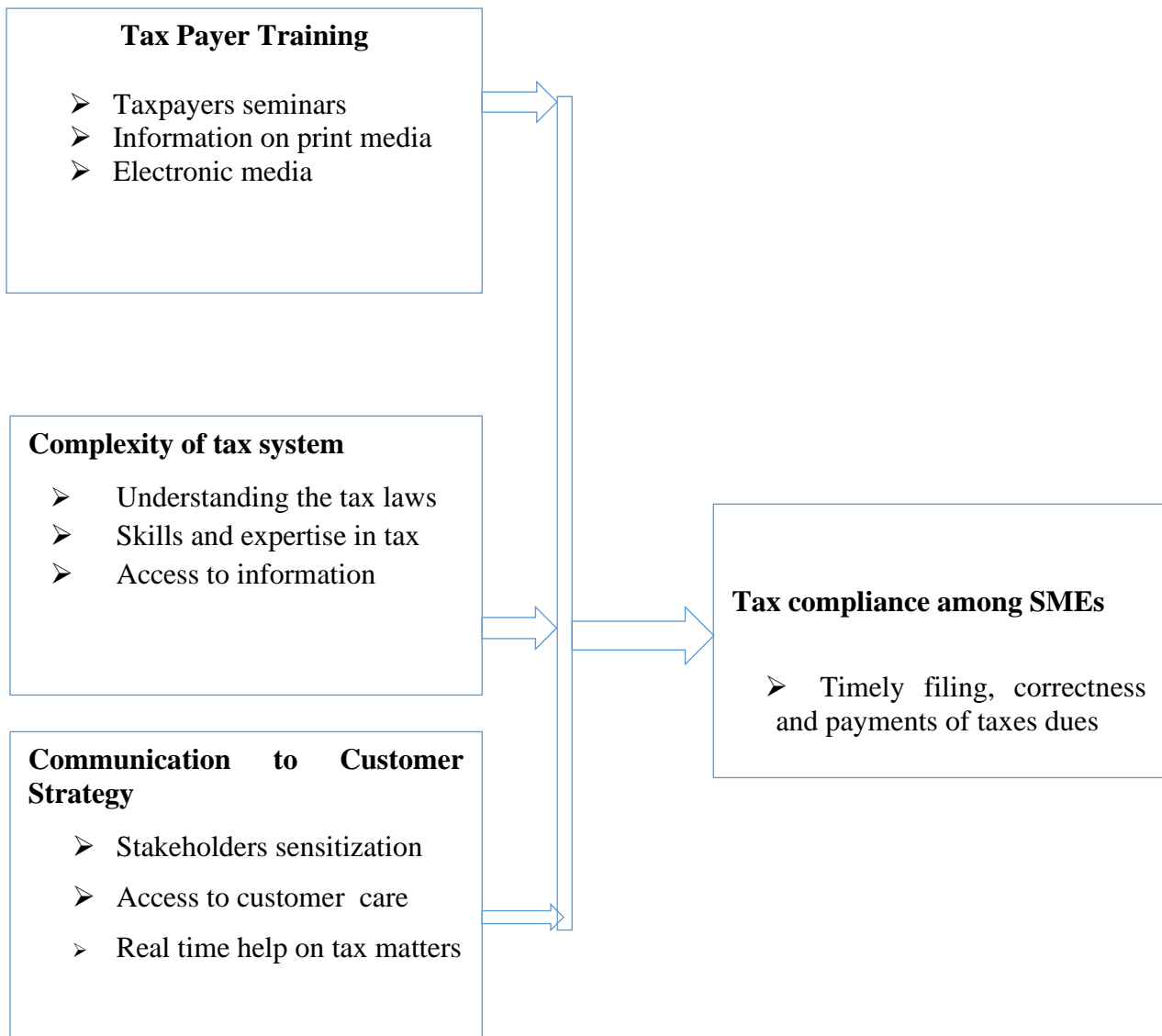


Figure 2. 1 Conceptual Framework

RESEARCH METHODOLOGY

This study adopted a descriptive research design. According to Saunders et al.(2007), a descriptive research design is best suited for a study that assess variables on their natural and uninterrupted setting. Further, a descriptive research design seeks to describe whether there is a relationship among variables being assessed by a particular study.

According to KRA (2018), there are about 1,500 SMEs that are registered who pay Turn over taxes in Nairobi City County

Target Population

Category	Target population	Percentage
SMEs Expected to pay ToT	1,500	100

The study picked a sample size of 10 % of the population of study which was 150 respondents. The sample size was divided into strata into the classes depending on the area of enterprise. Stratified was regarded as it eliminated the chances of creating biases hence allowing equal chances to all business in the target population to be selected as the sample. The individual respondent enterprises were picked through random sampling and the questionnaires were filled by the owners of such businesses.

The study employed a questionnaire in order to collect data on influence of customer service on compliance among the SMEs. The questionnaire had four sections. Section “A” collected demographic information about the respondents such as education of owners, length in business and age while the remaining three sections collected data pertinent to the three objectives.

This study adopted content validity which is the degree that a questionnaire collects data which it is ought to collect. In this respect, content validity ensures that all respondents understand the questionnaire in a similar manner. In other words validity seeks to eliminate misinterpretations of the questions in the questionnaire. Where necessary the researcher may use the assistance from a professional in the field of SMEs and tax compliance to ensure that the questions are coherent and were able to meet the objectives of the study.

This study used a test retest method in order to assess the reliability of the questionnaire. The study evaluated reliability by the use a Cronbach alpha which ranges from 0.00 to 1.00 where a value of above 0.7 is considered good enough for a descriptive study. The study adopted descriptive statistics in order to assess the relationship between customer service and tax compliance among the small and medium enterprises in Nairobi. Immediately after the field work, data was cleaned, edited for completeness and coded to facilitate computer data entry. The study analyzed data using Statistical Package for Social Science (SPSS) which is a good tool for running descriptive statistic such as mean and standard deviations. Data was presented in frequency tables, charts and graphs.

. This study adopted a multiple regression analysis in order to establish the effect of customer service on tax compliance. The study used SPSS in running the regression coefficient of determinations because it gives results of most of the basic outputs that are necessary for a study that uses a descriptive research design.

For the regression analysis, the model was expressed as;

$$TC_t = \beta_0 + \beta_1 TT_t + \beta_2 CS_t + \beta_3 CC_t + \varepsilon_t \dots \dots \dots \text{(equation 1)}$$

Where;

TC_t = the tax compliance by SMEs

β_0 = the constant to be estimated by the model

β_1, β_2 and β_3 = Coefficient indicating influence of independent variables on the dependent variable.

TT_t = Taxpayer training

CS_t = Complexity of the tax System

CC_t = Customer communication strategy

t = time period

ε = inherent error in the model

DATA ANALYSIS, PRESENTATION, INTERPRETATION AND DISCUSSION

The study issued a total of 150 questionnaires and 131 were filled and returned. This high return rate is evident because the researcher issued the questionnaires in person. The study has established that 56 % of the respondents were male while 44 % were female. This indicates that both the genders were involved in the business or running of Small and Medium Enterprises in Nairobi County. a majority of the respondents were between 21- 30years with 51 %, followed by those with 31-40 years at 23 %, respondents with 41-50 years had 16 %, and those above 50 years were 8.4 % and the least were below 20 years with 5%. Majority, 53 % of the respondents had college education, followed by those with degrees at 38 %, 5% of the respondents had secondary education, 2 % had postgraduate education awhile 8 % had primary level education. This findings show that most of the respondents were educated well enough to articulate the issues in the questionnaires and respond correctly.

Tax Payer Training and Tax compliance by Small and Medium Entreprises in Kenya

The study collected data on the various aspects of tax payer training on tax compliance of small and medium Entreprises in Kenya.

Tax Payer Training and Tax Compliance of SMEs

	Mean	Std. Deviation
I find seminars organised by the KRA very informative with respect to my tax obligations	3.20	1.243
The KRA publishes enough materials for tax reference	3.92	0.800
The information found on electronic media is very helpful on tax compliance	3.19	1.009
The frequency of taxpayers training is sufficient and KRA trainings on how to effects proposed tax changes	3.91	1.133
The number of taxes to be filed and paid are not many hence no much skills are required for tax compliance	4.18	1.078
Tax advisors in Kenya offers training which enables me to comply with tax regulations	3.18	1.438
The tax system in Kenya is simple hence easy to follow	4.04	0.948
I enrol for private training in order to enhance my knowledge in tax and tax compliance	4.50	0.546
The KRA has sufficient mediums for tax training which are within my reach	4.63	0.683
The KRA tax itax system is simple to use hence I do not find difficulties filing taxes	4.24	1.142

The analysis of data indicated that the seminars organized by the KRA on taxation policies and tax compliance were not very informative since the score was 3.20 with a standard deviation of 1.243. This mean indicates that respondents were indifferent on the effectiveness of the seminars. KRA publications had a mean of 3.92 with a standard deviation of 0.800 indicating that the materials were not very effective in enhancing tax compliance. Electronic media had a mean of 3.19 with a standard deviation of 1.009 and thus did not foster tax compliances while the frequency of training had a score of 3.91 with a standard deviation of 1.133. The study found out that the number of taxes were favorable and thus did not inhibit tax compliance among the SMEs in Kenya. A mean of 3.18 was obtained on whether tax advisors aided in tax compliance with a standard deviation of 1.438. Most respondents, with a mean of 4.04 and standard deviation of 0.948 agreed that the tax system in Kenya was simple and this promoted tax compliance among the SMES. The study also established that respondents sought for private training on tax as indicated by the mean of 4.50 and standard deviation of 0.546 while on whether the KRS had sufficient mediums for training, most respondents agreed with a mean of 4.63 and the standard deviation was 0.683. Further, the study has found out a mean of 4.24

with a standard deviation of 1.142 on whether the itax system was simple to use hence respondents did not have difficulties filing taxes.

This result concurs with those of Mandola (2013), who established that the possession of skills had a positive relationship with tax compliance. Perhaps, this is because, tax filing and tax compliance needs basic skills on tax regulations in Kenya. Thus, where taxpayers are skilled in tax computations, their compliance is enhanced. Tax compliance involves adherence to tax regulations of the country. Also, the findings agrees with those of Kiring'aet al (2017) who established that staff training in uses of online tax system had effects on tax compliance among the SMEs in Kibwezi County. It is important to consider that tax training ensures that the taxpayers or their agents are equipped with knowledge and skills on how to comply with tax regulations. Tax payer training should be an ongoing process because the tax system is on constant changes and thus the taxpayers should be updated as and when the changes occur. Tax compliance has been explained to be the honest declaration of income and fulfilling relevant taxes as per the law. As a result, the taxpayer should be provided with relevant information on their tax obligations.

Gachuki (2015) established that the tax laws in Kenya were complex and thus without adequate taxpayer training, tax compliance was not high. It is important to note that the tax system in Kenya has various aspects that may not be understood by a person with no former tax training on matters of taxes. As a result, owner of SMEs are disadvantaged by the system since they operate in the informal sector. This being the case, they may fail to comply to certain provisions of the tax laws but due to lack of information. It is for this reason, that tax compliance is greatly fostered through information dissemination by the revenue bodies. However, the study has established that taxpayer training is not in its best state hence low levels of tax compliance.

Complexity of tax system and Tax compliance among SMEs in Kenya

The study collected data on various aspects of complexity in tax system and tax compliance among the Small and Medium Entreprises.

Complexity of the tax system and Tax Compliance in Kenya

	Mean	Std. Deviation
The tax system in Kenya is simple to understand hence I comply to tax regulations	3.27	0.842
The process of registration of tax payers is simple and this encourages me to comply with regulations with respect to tax	4.24	0.833
The use of itax system in fulfilling my tax obligations is fast and this encourages me to comply	3.94	1.162
There is adequate information on the tax system hence I comply with ease	4.34	0.781
Tax payments procedure is good and this motivates me to comply with tax regulations in a timely fashion	3.98	1.106

The system allows favourable dispute resolution is not cumbersome thus enabling compliance with tax regulations	4.23	0.965
The KRA provides information on system changes and this enables to me to remain compliant	3.47	1.291
The tax system is favourable to my business and thus I find tax compliance easy	3.43	1.144
The simplicity of the tax return forms make me tax compliance	3.42	1.143
The system of filing taxes is user friendly and this enhance tax filing thus compliance	3.37	1.229
The tax system does not require much training thus reducing the cost of compliance hence increasing my compliance level	3.50	1.179

The study sought to assess the effect of the complexity of the tax system and its effect on tax compliance among. On whether, the tax system in Kenya is simple to understand hence the respondents complied with tax regulations, the study revealed a mean of 4.27 with a standard deviation of 0.842. A mean of 4.24 with a standard deviation of 0.833 was found out on whether the process of registration of tax payers is simple and this encourages them to comply with regulations with respect to tax. A mean of 3.94 with a standard deviation of 1.162 was established on the use of itax system in fulfilling my tax obligations is fast and this encourages me to comply. A mean of 4.34 and standard deviation of 0.781 was found out on whether there is adequate information on the tax system hence making them comply with ease. The study also established a mean of 3.98 with a standard deviation of 1.106 on whether tax payments procedure is good and this motivates me to comply with tax regulations in a timely fashion.

On whether the system allows favourable dispute resolution that was not cumbersome thus enabling compliance with tax regulations, the study obtained a mean of 4.23 with a standard deviation of 0.956. A mean of 3.47 with a standard deviation of 1.291 was established on if the KRA provides information on system changes and this enables to me to remain compliant. A mean of 3.43 with a standard deviation of 1.144 was established on if the tax system is favourable to my business and thus I find tax compliance easy. The simplicity of tax return forms scored a mean of 3.42 with a standard deviation of 1.143. A mean of 3.37 with a standard deviation of 1.229 was established on the system of filing taxes is user friendly and this enhance tax filing thus compliance. On whether the tax system does not require much training thus reducing the cost of compliance hence increasing my compliance level a mean of 3.50 was established with a standard deviation of 1.179.

The results indicates that complexity of the tax system affects tax compliance among the small and medium enterprises. It is important to note that SMEs are businesses involved in small scale operations and this may prevent them from hiring skilled personnel in management. This findings agrees with those of Thiga and Muturi (2015) who revealed that tax system had effect on tax compliance among the SMEs in Kenya. This results also agrees with those of Osebe(2012) who did a study on an analysis of factors affecting tax compliance in the SMEs sector in Kenya and identified that tax understanding and tax rates were the largest contributor

so tax compliance and non-compliance to tax regulations. It is thus important for the government to educate the taxpayers in order to enhance tax compliance.

Customer Communication Strategy and Tax compliance among SMEs in Kenya.

The study sought to establish the effect of customer communication strategy on tax compliance by Small and Medium Entreprises in Kenya.

Customer Communication Strategy and Tax compliance of SMEs

	Mean	Std. Deviation
I can gain access to customer communication services whenever I have tax problems	3.89	0.908
The sensitization done by KRA assists me in fulling my obligations	3.41	1.176
The KRA has regional offices that I can visit for tax guidance whenever there are system changes	3.50	1.179
The KRA communicates tax law changes in good time	3.53	1.230
The call centre of KRA is cheap to access hence my tax compliance costs are	3.34	1.287
The time between launching a compliant and when it is solved is not long	3.76	1.239
The communication strategy at the KRA improves service delivery and satisfaction of the taxpayers	3.21	1.194
The customer service staffs are always available to serve as and when I need their help	3.29	1.395

Table 4.5 indicates that a mean of 3.89 with a standard deviation of 1.176 was obtained on whether customer services were accessible; a mean of 3.41 for sensitization with a standard deviation of 1.176, availability of regional office for tax guidance scored 3.50 and standard deviation of 1.179, communication strategy scored a mean of 3.53 with a standard deviation of 1.230, cost of customer service calls scored a mean of 3.34 with standard deviation of 1.287. The study also found out that the time of waiting between launching a claim and when it was solved affected compliance at a mean of 3.76 and standard deviation of 1.239 and communication strategy had a mean of 3.21 with standard deviation of 1.194 and customer service staffs availability scored a mean of 3.29 with standard deviation of 1.395.

Communication involves information dissemination on the right channels in order to reach the intended recipients. The KRA serves many clients of different status and thus it is important

that communication mediums adopted are able to reach the intended persons within the set time. For instance, the services of KRA should be accessible to taxpayers to enable them be tax compliant. In the event that there are issues to be addressed, the KRA should communicate these to all stakeholders concerned. This finding agrees with those of Kanyi (2014), who found out that tax reforms were important to improve tax compliance. Specifically, the study was keen to note that communication strategies by the KRA were to be improved in order to sensitize more taxpayers on the civic duty of paying taxes. Communications ensures that the correct information with respect to their tax obligations and changes in tax laws. Where planned changes are to take effect, it is important that such changes are communicated to the taxpayers and any queries should be addressed without unnecessary delays. It is important to that tax compliance involves the filing of taxes and payments of taxes within set time deadlines and also the honest declaration of incomes and tax thereon. Cost of back communications to the KRA should be bearable especially because the SMEs are characterized by low levels of incomes and thus should tax compliance costs should not be exploitative.

Effect of Customer Service on Tax compliance by SMEs in Kenya

The study collected data on the overall effects of customer service on tax compliance among the SMEs in Kenya.

Effect of Customer Service on Tax Compliance of SMEs in Kenya

	Mean	Std. Deviation
KRA offers adequate taxpayer training that promotes tax compliance among the small Entreprises	4.47	0.159
The tax system is not complex and this affects my compliance to tax regulations	3.89	0.958
The KRA customer communication strategy promotes tax compliance	4.08	0.966
I Comply to all tax obligations	4.02	0.836

The study has found a mean of 4.47 on the question of KRA offers adequate training that promotes tax compliance, a mean of 3.89 on tax system in enhancing tax compliance and a mean of 4.08 with standard deviation of 0.966 on the KRA customer's communication in promoting tax compliance. Further, the study has found a mean of 4.02 with standard deviation of 0.836 on whether they comply with tax regulations. These findings indicates the most influencing factors towards SMEs tax compliance was tax payer training, customer communication and complexity of the tax system as indicated by the means of 4.47, 4.08 and 3.89 respectively. Thus means that the SMEs were made aware of their tax obligations and that the information dissemination mediums in Kenya were effective in fostering tax compliance among the entities. The respondents also agreed that they were tax compliant.

Model Summary

The study sought to assess the extent the different variables affected tax compliance among the SMEs. The summary is presented on Table 4.14

Model Summary

Model	Model Summary			
	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.557 ^a	.310	.294	1.006
a. Predictors: (Constant), Taxpayer Communication, Taxpayer Training, System Complexity				

Table 4.14 indicates the model summary that explains the extent of the relationship between the variables. The model output has an R value of 55.7 % and an R² 31.0 %. These findings indicate that 31 % of the variations in tax compliance are explained by taxpayer training, communication strategy and complexity of the tax system. R is the measure of the correlation among the study variables. Put differently, 69 % of changes in SMEs tax compliance is explained by other factors other than those considered in this study.

ANOVA Test

The study sought to assess the overall significance of the independent variables in explaining variations in tax compliance among the SMEs. The findings are tabulated on Table 4.15

ANOVA TEST

Model		ANOVA ^a				
		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	57.701	3	19.234	19.014	.000 ^b
	Residual	128.467	127	1.012		
	Total	186.168	130			
a. Dependent Variable: Tax Compliance						
b. Predictors: (Constant), Taxpayer Communication, Taxpayer Training, System Complexity						

The analysis of variances (ANOVA). It is important to consider P value in order to explain the significance of the relationships among the variables. The finding indicates a P-value of 0.000 which is more than the criteria for rejection of null hypothesis. This indicates that the overall effect of independent variables on tax compliance was in statistical significance manner.

Regression Model Coefficients

The study sought to explain the extent of influence of the independent variables over the dependent variables.

Regression Model Coefficients

Model		Coefficients ^a			t	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta		
1	(Constant)	2.151	.586		3.670	.000
	Taxpayer Training	.604	.083	.585	7.275	.000
	System Complexity	-.171	.102	-.137	-1.679	.096
	Taxpayer Communication	.025	.095	.020	.262	.794

a. Dependent Variable: Tax Compliance

Tax payer training and communication strategy affected tax compliance among the SMEs in a positive way while complexity of the tax system has a negative relationship with tax compliance among the SMEs in Nairobi. The regression model which had been set as:

$$TC_t = \beta_0 + \beta_1 TT_t + \beta_2 CS_t + \beta_3 CC_t + \varepsilon_t$$

The coefficient has been fit as

$$TC_t = 2.151 + 0.604TT_t - 0.171CS_t + 0.25CC_t + \varepsilon_t$$

Where:

2.151 is the rate of compliance in the absence of other study variables

0.23 is the increase in tax compliance among the SMEs in response to a unit increase in Tax payer training

-0.117 is the decrease in tax compliance among the SMEs in response to a unit increase in Complexity of the tax system

0.25 is the increase in tax compliance among the SMEs in response to a unit increase in Communication Strategy

The study found out that tax payer training and communication strategy has positive relationship with tax payer compliance. This is because the coefficients of the two variables are positive. However, both variables do not affect tax compliance in a statistically significant manner. It is important to note that the tax payer training and stakeholder sensitizations have direct impact on taxpayers' knowledge and thus may affect compliance positively. Tax payer training has a statistically significant relationship with tax compliance among the SMEs in Nairobi City County.

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATIONS

Summary of Major Findings

The study had the aim of establishing the effect of customer service on tax compliance among the SMEs in Kenya, the case of SMEs in Nairobi Central Business. The study assessed three independent variables, that is, taxpayer training, complexity of the tax system and communication to customer strategy and their potential effect on tax compliance among the SMEs in Kenya. The study carried out inferential statistics with the aim of making conclusions on the general population of study. The study has found out that the most enabling factor was taxpayer training, followed by customer communication strategy and the lowest influencing was complexity of the tax system. However, it is important to note that these factors do not act singly but is it their overall effect that determines whether an SME will be tax complaint or not compliant. The regression model has indicated that 31 % of the variations in levels of tax compliance is explained by taxpayer training, complexity of the tax system and communication strategy adopted by the Kenya Revenue Authority.

Tax Payer Training and Tax compliance by SMES in Kenya

The study has found out that taxpayer training affects tax compliance among the SMEs in Kenya. Further, the study has found that the KRA trainings on tax payer's obligations is not effective and thus does not foster tax compliance among the small taxpayers. The KRA organizes seminars, publishes materials and puts information on electronic media in order to foster levels of tax compliance among taxpayers. The study has also found that tax advisors are not effective in providing taxation advisory and thus do not positively impact on tax compliance.

Complexity of the Tax System and Tax compliance by SMES in Kenya

The study has found that complexity of the tax system affects tax compliance among the Small and Medium Entreprises in Kenya. The study found out that there is a negative relationship between complexity if the tax system and tax compliance among the SMEs in Kenya. it is important to note that understanding the tax system ensures that the tax payers are in positions of fulfilling their tax obligations. The tax system should be simple to understand so as to facilitate voluntary tax compliance. The study has found out that the system is not simple to understand and this inhibits tax compliance. However, the study has indicated that the process of tax registration is not complex and this does not hinder taxpayers from being tax compliance. In addition, the study found out that provision of information was not adequate, tax system was not favourable to business, the system was not user friendly and the cost of compliance was not favourable to the small and medium businesses.

Communication to Customer Strategy and Tax compliance by SMES in Kenya

The study has established that communication to customer strategy affects the compliance. However, the study established low means for all the aspects of communication tested. The

SMEs owners need to make aware of their tax obligations such that they can comply willingly. Taxation is an important source for government revenue and should be made efficient. In order to realize this objective, it is important that the SMEs are motivated to file taxes honestly and willingly. The KRA should improve its sensitization program and increase the number of their regional offices to enhance customer service. Service delivery should be improved in order to ensure that customers are satisfied and are motivated to fulfil their tax obligations. Further, the study has found out that the communication means to voice complaints were not cheap hence did not positively impact on tax compliance. Further, the study has also established that changes in tax laws are not communicated in good time and thus at times the SMEs may not fulfil their tax obligations.

Conclusions

Tax Payer Training and Tax compliance by SMES in Kenya

The study has revealed that tax payer training is not adequately done by the KRA and thus does not foster tax compliance among the SMEs in Kenya. The study has also revealed that understanding the medium of communications is the most enabling aspect of tax payer training and thus positively affects tax compliance among the SMEs in Kenya. Training tax payers is crucial because it equips them with skills and knowledge of tax laws thus enhancing tax compliance among the SMEs. As a result, it is important that the taxpayers are frequently trained and provided with information on their tax obligations and how best to fulfill such obligations.

Complexity of tax system and Tax compliance among SMEs

The study has revealed that complexity of the tax system affects tax compliance by SMEs in Kenya. The study concludes that complexity of the tax system negatively affected Tax compliance the SMEs. This is because the tax system was not simple to understand, information on system changes was not communicated adequately, tax system was not favourable to the small business, the system was not user friendly and the cost of compliance was not favourable to the small and medium businesses.

Communication to Customer Strategy and Tax compliance by SMES in Kenya

The study has established that a majority of the respondents were not motivated to comply with taxes on the aspects of communication to customer strategy tested in the questionnaire. The study has found out that customer communication affects tax compliance among the SMEs in Kenya. The study has further established that customer communication of the KRA is not effective in enhancing tax compliance by small and medium Entreprises in Kenya. In this regard, customer communication should be fostered by the KRA in order to enhance tax compliance among the SMEs in Kenya.

Recommendations

The study recommends that tax payers should be trained on tax laws and obligations in order to foster compliance. Training taxpayers is important as it equips the taxpayers with skills on self-assessment. It is important that training is made a regular strategy by the KRA in order to enhance compliance. The KRA should publish more newsletters and engage in electronic media platforms to disseminate information on tax laws. Through adequate tax payer training, the tax payer obtains skills and knowledge of tax computations, filing taxes and payments of taxes thereon.

On customer complexity of the tax system, the study recommends that it is important for the government through the KRA to streamline the tax system in order to facilitate voluntary tax compliance. The tax system should be simple to follow and the number of taxes, frequency and amount of taxes should not be a burden to small and medium enterprises.

On communications to customer strategy, it is recommended that the SMEs are sensitized on how and when to file taxes. The study recommends that the KRA should have a dedicated platform that will promote real time responses to customer queries. The KRA should create more regional offices that will guide taxpayers on their tax obligations. Further, service delivery should be given a priority in order to improve voluntary tax compliance.

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