

**ANALYSIS OF ONLINE TAX FILING AND TAX COMPLIANCE AMONG
SMALL AND MEDIUM ENTERPRISES IN KITALE TOWN, TRANS-NZOIA
COUNTY, KENYA**

VERONICAH NJOKI MBATIA



**A RESEARCH PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF
THE REQUIREMENT FOR THE AWARD OF MASTER OF
BUSINESS ADMINISTRATION DEGREE IN
MOUNT KENYA UNIVERSITY**

JUNE 2025

DECLARATION AND APPROVAL

Declaration

This thesis/project is my original work and has never been presented for any academic award in any institution.

Veronicah Njoki Mbatia

MBA/2023/41161

Signature 

Date 7th June 2025

Approval

This thesis/project is being submitted for examination with our approval as University Supervisor.

Dr. Oscar Sangoro

School of Business and Economics

Mount Kenya University

Signature 

Date 7th June 2025

DEDICATION

I dedicate my work to my father Mr. Mbatia and my late mother Mrs. Wanjiku. I appreciate God's guidance throughout my life. Appreciate you.



ACKNOWLEDGEMENT

I sincerely appreciate the Almighty God for granting me this opportunity and favor to develop this proposition. My supervisor, Dr. Oscar Sangoro, provided unwavering encouragement and constructive criticism, for which I am deeply grateful. I also extend my heartfelt appreciation to my mentor, Dr. Peter Simotwo, for his invaluable counsel.

I am thankful to the faculty and staff of Mount Kenya University for allowing me to pursue my Master of Business Administration. My deepest gratitude goes to my sister and child for their unwavering support throughout this journey. Lastly, I appreciate my classmates for their encouragement and assistance during the proposal development process.



ABSTRACT

Submitting tax forms and accompanying documentation electronically through a website, paper copies are usually not needed. The main objectives of this research are as follows: first, to assess the tax rate structure; second, to examine the opinions of SMEs; third, to examine the availability of tax data; and fourth, to investigate the extent to which the SME community in Kitale town, Trans-Nzoia, Kenya has been significantly affected. This study examined the effect of online tax payment on tax compliance using the Theory of Planned Behavior and the Technology Acceptance Model as conceptual frameworks. Particular focus was placed on small-scale firms in the area surrounding Kitale Town as the primary focus of the study. There were around 289 small businesses in the area, according to the information provided by Kitale Town. Some of the fields in which these companies operate include healthcare, education, agriculture, transportation, communication, wholesale and retail trade, food and lodging, banking and insurance, and transportation. Whatever the case may be, we shall press on with carrying out the descriptive study. In order to make data collecting easier, 289 people were recruited to take part in the study. The study, which employed the Yamane formula, drew 167 participants. Every one of these people runs a small or medium-sized business in Kitale Town. Using a non-probability sampling technique, 167 participants were purposively picked. A semi-structured questionnaire with both closed-and open-ended questions were used to identify the main data that needs to be collected. In order to determine the level of internal consistency, the researcher used the statistical metric Cronbach's Alpha (α). The value is calculated using SPSS, a tool for data analysis. We not only sent out emails to other participants, but we also managed the drop-and-pick method of survey execution. The tables' data was analyzed using descriptive statistics and SPSS 29.0, the Statistical Package for the Social Sciences. A tabular structure was used to convey the material, with a focus on the investigation's findings and outcomes. Descriptive statistics was made accessible as soon as the data analysis is finished. The study also established that SMEs' attitudes toward taxation affect compliance, with many businesses perceiving the tax system as unfair or burdensome, which discourages voluntary compliance, high tax rates were identified as a major obstacle to tax compliance, as they increase financial strain on SMEs and lead to tax avoidance behaviors. Respondents strongly agreed that reducing tax rates would enhance compliance. Compliance costs also emerged as a critical factor, with SMEs incurring substantial expenses in meeting tax obligations, including hiring professionals and maintaining tax-related records. Reducing these costs was found to improve compliance levels. The study concluded that enhancing tax information accessibility, fostering positive taxpayer attitudes, lowering tax rates, and minimizing compliance costs could improve tax compliance among SMEs. It recommended that the government simplify tax structures, improve transparency, and leverage digital tax systems to reduce compliance costs. Further studies were suggested on digital tax platforms, tax incentives, and comparative compliance analysis between SMEs and larger enterprises.

TABLE OF CONTENTS

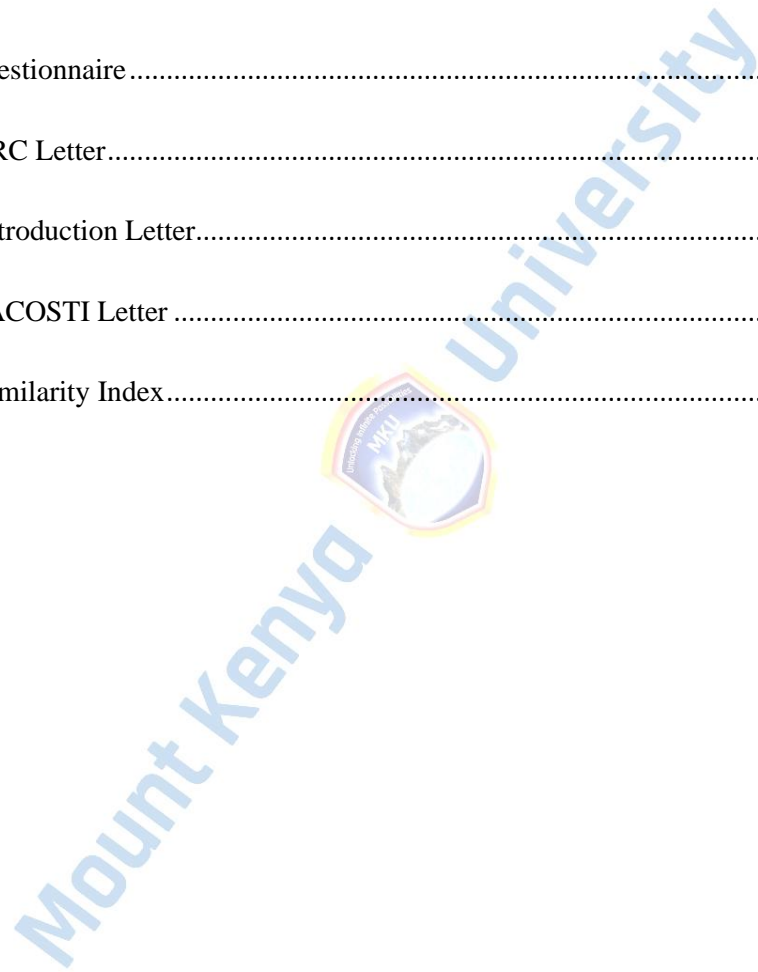
DECLARATION AND APPROVAL	II
DEDICATION	III
ACKNOWLEDGEMENT	IV
ABSTRACT	V
TABLE OF CONTENTS.....	VI
LIST OF TABLES	XI
LIST OF FIGURES.....	XII
LIST OF ABBREVIATION AND ACRONYMS.....	XIII
CHAPTER ONE	1
INTRODUCTION.....	1
1.0 Introduction	1
1.1 Background to the Study	1
1.2 Statement of the Problem	5
1.3 Purpose of the Study	6
1.4 Research Objectives	6
1.5 Research Questions	6
1.6 Significance of the Study.	7
1.6.2 Government.....	7
1.6.3 SME'S	7
1.6.4 Academicians	7
1.7 Limitations of the Study	8
1.8 Scope of the Study.....	8

1.9 Delimitations of the study	9
1.10 Operational Definitions of Key Terms	10
CHAPTER TWO	12
LITERATURE REVIEW	12
2.0 Introduction	12
2.1 Theoretical Framework	12
2.1.1 Technology Acceptance Model (TAM) By Fred Davis (1989)	12
2.1.2 Theory of Planned Behavior (TPB) by Icek Ajzen (1985).....	14
2.1.3 Tax the Morale Theory	16
2.1.4 Fiscal and Psychological Theories	17
2.2 Empirical Review	18
2.2.1 Tax Information and SMEs Tax Compliance.....	18
2.2.2 SMEs Attitude and SMEs Tax Compliance	21
2.2.3 Tax Rates and SMEs Tax Compliance.....	23
2.2.4 Costs Incurred by SMEs in Tax Compliance	26
2.3 Conceptual Framework	27
2.4 Research Gap.....	29
2.5 Recap of Literature Review.....	29
CHAPTER THREE	31
RESEARCH METHODOLOGY	31
3.0 Introduction	31
3.1 Research Methodology.....	31
3.2 Research Design.....	32

3.3 Location of the Study	33
3.4 Target Population	34
3.5 Sample Size and Sampling Procedures	35
3.6 Data Collection Instruments	37
3.6.1 Interview Schedule	37
3.6.2 Questionnaire	38
3.7 Validity and Reliability of Research Instruments	38
3.7.1 Pilot Study	38
3.7.2 Validity of Research Instruments	38
3.7.3 Reliability of Research Instruments	39
3.8 Data collection Procedures	40
3.9 Data Analysis Procedure	41
3.10 Ethical Consideration	41
CHAPTER FOUR.....	43
RESEARCH FINDINGS AND DISCUSSIONS.....	43
4.0 Introduction	43
4.1 Response rate.....	43
4.2 Demographic Study.....	43
4.2.1 Gender	44
4.2.2 Respondent's Role in the Company.....	44
4.2.3 How long has the SME been in operation.....	45
4.3 Descriptive Analysis	46
4.3.1 Availability of tax information as a factor influencing tax compliance among smes	46

4.3.2 How smes' attitudes influence tax compliance.....	48
4.3.3 Extent to which tax rates influence tax compliance among SMEs.....	49
4.3.4 Extent to which costs incurred influence SMEs' tax compliance.....	51
4.4 Inferential statistics	52
4.4.1 Correlations	52
4.4.2 Model Summary	54
4.4.3 ANOVAa.....	55
4.4.4 Coefficients	56
4.4.5 Reliability	57
4.4.6 ANOVA with Friedman's Test	58
4.5 Discussion of findings.....	59
4.5.1 Availability of tax information as a factor influencing tax compliance among SMEs	59
4.5.2 SMEs attitude and SMEs tax compliance	60
4.5.3 Tax rates and SMEs tax compliance	61
4.5.4 Costs incurred by SMEs in tax compliance.....	62
CHAPTER FIVE.....	64
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS.....	64
5.0 Introduction	64
5.1 Summary of Findings	64
5.1.1 Availability of Tax Information as a Factor Influencing Tax Compliance Among SMEs	64
5.1.2 Influence of SMEs' Attitudes on Tax Compliance	65
5.1.3 Influence of Tax Rates on Tax Compliance Among SMEs	65
5.1.4 Influence of Compliance Costs on Tax Compliance Among SMEs	66

5.2 Conclusion of the Study	68
5.3 Recommendations of the study	68
5.4 Recommendations for Further Studies	69
REFERENCES	70
APPENDICES.....	76
Appendix I: Introduction Letter	76
Appendix II: Questionnaire	77
Appendix III: ERC Letter.....	83
Appendix IV: Introduction Letter.....	84
Appendix V: NACOSTI Letter	85
Appendix VI: Similarity Index.....	86



LIST OF TABLES

Table 1: Target Population	35
Table 2: Sample Size	36
Table 3: Gender	44
Table 4: Respondent's Role in the Company	45
Table 5: How long has the SME been in operation.....	45
Table 6: Availability of tax information as a factor influencing tax compliance among smes	47
Table 7: How smes' attitudes influence tax compliance.....	49
Table 8: Extent to which tax rates influence tax compliance among SMEs	50
Table 9: Extent to which costs incurred influence SMEs' tax compliance.....	52
Table 10: Correlations	53
Table 11: Model Summary	55
Table 12: ANOVAa.....	56
Table 13: Coefficients	57
Table 14: Reliability Statistics.....	57
Table 15: ANOVA with Friedman's Test.....	58

LIST OF FIGURES

Figure 1: Conceptual Framework.....28

Figure 2: How long has the SME been in operation46



LIST OF ABBREVIATION AND ACRONYMS

EFS	Electronic Filing System
IRS	Internal Revenue Services
KRA	Kenya Revenue Authority
PBC	Perceived Behavioral Control
PEOU	Perceived Ease of Use
PU	Perceived Usefulness
SARS	South African Revenue Services
SMEs	Small and Medium Enterprises
SN	Subjective Norms
SPSS	Statistical Package for the Social Sciences
TAM	Technology Acceptance Model
TPB	Theory Planned Behavior
UTAUT	Unified Theory of Acceptance and Use of Technology
VAT	Value Added Tax

CHAPTER ONE

INTRODUCTION

1.0 Introduction

This chapter presents a summary of the research project by explaining the problem, the objectives and objectives of the study, the research questions or hypotheses, the limitations of the investigation, the scope of the study, the significance of the study, and the operational definitions of keywords that are significant.

1.1 Background to the Study

You can avoid the bother of dealing with paper submissions by using online tax filing, which enables you to electronically submit your tax documents or returns. This allows you to avoid the hassle of dealing with paper submissions. Utilizing software, the Internet, and the World Wide Web, which is commonly referred to as electronically filing taxes, can be of immense aid when it comes to the administration and compliance of taxes. This is because the World Wide Web and the Internet are all connected to the Internet. When it comes to the mandatory electronic filing of tax returns, every country has its own customary requirements that must be adhered to. According to the definition that was offered by Chang, Hung & Hwang, (2021), a "electronic declaration" is a tax return that is electronic in nature and is filed electronically. In their respective research publications, the Wanjohi (2010) and Turner and Tan, Mohd & Aza, (2017) have both mentioned it as a form of electronic tax payment. Both of these articles were published in 2007.

There has been a significant rise in the number of tax returns that have been filed, which has dramatically increased from the relatively low number of 25,000 individual

tax returns that are filed online in the United States each year to the startling amount of 100 million. As a consequence of this, the process by which individuals in the United States fulfill their tax obligations has undergone a substantial and long-lasting alteration. At the beginning of the story, we are presented with a person who is responsible for preparing tax returns. In the event that a digital return is obtained, it is necessary for this person to manually activate a modem. In order to carry out the execution of the "Mission Impossible" concept in a manner that was reasonably distinct from the other approaches, it was required to collect a group of individuals from the research and project office who were committed to the endeavor. By successfully accepting and processing one billion individual Form 1040 tax returns, the electronic filing system used by the Internal Revenue Service has hit a significant milestone. Commissioner Doug Shulman of the Internal Revenue Service has praised the electronic filing system of the IRS as a model government program that has successfully brought the organization's operations up to date. He said that the system has been a resounding success (Kenya revenue Authority, 2022).

From its humble beginnings in 1986, when five tax preparers electronically filed around 25,000 forms, the technology that is utilized by the Internal Revenue Service (IRS) has come a long way since then. Because of the laborious, error-prone, and complicated process of converting paper tax returns and other documentation into a format that is readable by computers, the objective of expediting the process of tax collection became more difficult to attain in the 1980s (Muita, 2021). This was owing to the fact that the complexity of the process was increasing. Numerous businesses have been put under a significant amount of financial strain as a consequence of the ever-increasing expenditures that are involved with the preservation of the ever-increasing volume of necessary paper forms and data. In spite of the fact that a growing number of

tax preparers are using computers, the Internal Revenue Service (IRS) mandated that taxpayers print and mail their forms. This was due to the limitations that were imposed by the processing system. The electronic filing program that the Internal Revenue Service (IRS) provides is very much appreciated. For the purpose of demonstrating the technological capability of the Electronic Filing System (EFS), the Research Division of the Internal Revenue Service conducted a series of tests. In the beginning, the division was of the belief that the EFS was a processing option that could be implemented. This is where these tests arose. In 1986, a trial program was developed with the intention of analyzing the benefits and drawbacks of EFS, as well as gauging the responses of taxpayers and the level of readiness, as stated by Muita (2021). The trial program was established in order to carry out these objectives.

The South African Revenue Service (SARS) was the organization that initially provided this service in the year 2024. In the year 2006, it underwent considerable improvements. Using an electronic form, manually filling out their forms, or using an electronic form are all options that taxpayers have, as stated by Bernama (1986). Before submitting your taxes to the appropriate authorities, you are expected to fill out all of the forms that are provided by the South African Revenue Services (SARS). This is the case if you are paying your taxes manually. When it comes to completing the process of filling out electronic forms, there are a few different approaches that may be applied. One option is to submit the form through the online platform. After you have done so, you were able to print it off and send it to the right area by correspondence. In the work that he produced in the year 2022, Ibrahim makes reference to this particular aspect (Tran-Nam, 2016).

iTax, a cutting-edge digital platform, was introduced by the Kenya Revenue Authority in 2024 with the purpose of replacing the country's outdated paper tax system. This was a groundbreaking move that was made by the Kenya Revenue Authority. The new computerized tax system known as iTax makes it possible for taxpayers to access all of KRA's services, including a detailed picture of their current tax situation, from any location in the world as long as they have access to the internet. According to KRA (2024), this action signaled the beginning of a transformation in the economic fortunes of the country. It appears that the general public has not fully adopted or exploited these seemingly basic alternatives, despite the great progress that has been gained in the field of electronic tax filing. This is despite the fact that the industry has made significant progress. The fact that Kenya's tax system is notoriously difficult to administer and manage is well known. The truth of this matter is publicly known. According to Oladipupo & Obazee (2016), the ultimate goal is to achieve a greater degree of tax compliance in order to earn a bigger income. This is the final purpose.

As a consequence of this, it is of the utmost importance to take into account the extent to which individuals are open to the utilization of electronic tax filing systems, in addition to the many reasons that play a role in the decision that they make to do so. It is of the utmost importance that this problem be handled, as it has the potential to impact the development and marketing of cutting-edge computerized tax filing systems in the future. So, it is imperative that this subject be treated accordingly (Tran-Nam, 2016).

1.2 Statement of the Problem

When it comes to influencing the economic and political landscape of nations all over the world, tax income is an extremely important factor. It is clear from the data that the amount of tax declarations made by small and medium-sized businesses (SMEs) has drastically fallen, going from 15 billion in 2007 to 10 billion in 2019 (KRA 2010). This is the consequence that has occurred in spite of the fact that companies that do not meet the requirements are subject to a sales turnover tax of three percent and that small and medium-sized enterprises (SMEs) with an annual turnover of five billion Kenyan shillings are required to register for value-added tax (Mwangi, 2024).

In spite of the fact that they are legally required to do so, a significant number of small and medium-sized businesses in Kitale town, particularly those operating in the informal sector, do not fulfill their contractual obligations to file taxes and comply with regulations on a consistent basis. It is becoming increasingly difficult for the government to distribute cash for important services as a result of the drop in revenue. It is recommended that an investigation be carried out in order to investigate the alteration that has occurred in the tax compliance rates of these firms as a result of the transition to online tax filing (Sreejesh, Mohapatra & Anusree, 2024). The situation was better understood as a result of this new information. Assessing people's expectations with regard to making tax payments online, determining the extent of their understanding regarding taxes, and identifying the factors that led to their inability to contribute their fair share would be considered part of this process. Individuals have the ability to establish effective techniques to enhance the accurate filing of tax returns by applying this approach.

1.3 Purpose of the Study

The purpose of the study was to evaluate the influence of online tax filing on tax compliance among Small and Medium Enterprises in Kitale town, Trans-nzoia County, Kenya.

1.4 Research Objectives

- i. To assess the availability of tax information as a factor influencing tax compliance among SMEs in Kitale town.
- ii. To determine how SMEs' attitudes influence tax compliance in Kitale town.
- iii. To evaluate the extent to which tax rates influence tax compliance among SMEs in Kitale town.
- iv. To examine the extent to which costs incurred influence SMEs' tax compliance in Kitale town.

1.5 Research Questions

- i. How does the availability of tax information influence tax compliance among SMEs in Kitale town?
- ii. How does SMEs' attitude about tax, influence tax compliance among SMEs in Kitale town?
- iii. To what extent do tax rates influence tax compliance among SMEs in Kitale town?
- iv. To what extent do costs incurred by SMEs influence tax compliance in Kitale town?

1.6 Significance of the Study.

1.6.2 Government

The role that taxes play in the process of financing the costs associated with its development is extremely important. The economic growth of Kitale town and Kenya as a whole is extremely sensitive to variations in the amount of tax revenue. The conclusions of the study on the benefits and drawbacks of using new technology was of great use to other government agencies that are contemplating pursuing modernization programs of a level comparable to those that were investigated.

The findings and recommendations of this study can be utilized by the Kenyan government in order to establish legislation and programs that simplify the process of submitting taxes online. This helped to increase tax compliance.

1.6.3 SME'S

It is possible that the findings and recommendations of the study about potential penalties and repercussions for failing to pay taxes might be of great service to small and medium-sized businesses (SMEs). Additionally, there is a possibility that the study could be of significant assistance to corporations. As a direct result of this, small and medium-sized businesses (SMEs) have a greater likelihood of complying with the regulations governing taxes and submitting their tax returns.

1.6.4 Academicians

This study proposal, initiated by academics, aims to establish the foundation for future research on the factors that influence the utilization of online tax filing and compliance among SMEs. The primary objective of this study proposal is to provide researchers

with a starting point. Another advantage is the capacity to identify areas of research that require greater examination.

1.7 Limitations of the Study

It is possible that the feasibility of the suggested research plan may be hindered by an inadequate literature review. This is because external factors such as shifting circumstances or anticipated impediments can have an impact on your feasibility. It is expected that the researcher relied on the scant literature that is currently available. On the other hand, the researcher made use of the previously published material. It is not possible to state with absolute certainty that all respondents returned the questionnaires in their entirety or that those who are interviewed provided comprehensive responses to all of the questions. This is due to the fact that the respondents might be reluctant to share the fact that they are not complying with KRA. Throughout the course of the interview and questionnaire, the researcher made it abundantly clear to the respondent that the study is being conducted for the aim of fulfilling academic requirements.

1.8 Scope of the Study

Researchers in the town of Kitale, which is located in Trans-Nzoia County, Kenya, were interested in inquiring about the level of success that small and medium-sized businesses in the area had when it came to making their tax payments online. This study, which is anticipated to take place between May 2023 and May 2024, concentrated on four key areas of focus: tax information, the mindset of small and medium-sized enterprises (SMEs), tax rates and expenses, and the level of tax compliance seen among SMEs. These four characteristics were the only ones that were examined in this study; nevertheless, it is quite likely that other factors were also taken into consideration.

1.9 Delimitations of the study

Researchers in the town of Kitale, which is located in Trans-Nzoia County, Kenya, were interested in inquiring about the level of success that small and medium-sized businesses in the area had when it came to making their tax payments online. This study, which is anticipated to take place between May 2023 and May 2024, concentrated on four key areas of focus: tax information, the mindset of small and medium-sized enterprises (SMEs), tax rates and expenses, and the level of tax compliance seen among SMEs. These four characteristics were the only ones that were examined in this study; nevertheless, it is quite likely that other factors were also taken into consideration.



1.10 Operational Definitions of Key Terms

Online	– Connected to or done through the internet.
Filing	– Submitting documents or information officially, often to a government body.
Tax Compliance	– Following tax laws by correctly reporting and paying taxes on time.
Tax Rates	– The percentage at which income or profits are taxed.
Tax Information	– Data or details about tax rules, obligations, or records.
Tax Compliance Costs	– Expenses (time or money) involved in meeting tax requirements.
Tax	– A compulsory financial charge imposed by the government.
Tax Attitude	– A person's or business's mindset or behavior toward paying taxes.
Small and Medium Enterprises (SMEs)	– Businesses with limited employees and revenue, smaller than large corporations.
Small Enterprises	– Businesses with fewer employees and

lower turnover than medium enterprises
(typically 10–49 employees).

Medium Enterprises

– Larger than small but not large
businesses (typically 50–249 employees).



CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

The theory, the literature assessment, the conceptual framework, the research gap, and the summary and recap are the sections that are presented in this chapter.

2.1 Theoretical Framework

A model and theories served as the foundation of this investigation.

2.1.1 Technology Acceptance Model (TAM) By Fred Davis (1989)

The Technology Acceptance Model (TAM), which is a well-known theoretical framework in the field of information technology, has the objective of defining and forecasting the manner in which consumers accepted and utilized new technology, such as mobile phone applications, software, and web applications. This is the case in accordance with the TAM. In the year 1989, Fred Davis was the one who initially conceived of the idea, and in the same year, he and Richard Bagozzi further developed it by utilizing their respective areas of competence. The following is a list of the major components that comprise TAM: Perceived ease of use, often known as PEOU, is a term that describes the extent to which users perceive that a certain piece of technology was beneficial to them. It is possible to establish a correlation between the perceived ease of use of a technology and the likelihood that it was embraced by the relevant population (Zachary, Kariuki and Mwangi, 2017).

For the purpose of this discussion, the term "perceived utility" (PU) refers to the extent to which potential users of a technology believe that it aided them in achieving their

objectives. People are more likely to adopt a technology if they believe that it was useful to them in their day-to-day lives. This indicates that people are more likely to adopt the technology (Baru, 2016 & Bauer, 2021).

Individuals' perceptions about the usefulness of particular technologies and the ease with which they can be utilized are a significant factor in determining whether or not they intend to make use of those technologies. This statement served as the foundation for the development of the technological adoption model, also known as the TAM. It is abundantly obvious that these misunderstandings have a significant impact on the manner in which individuals actually incorporate technology into their lives. When it comes to deciding whether or not a person chose to use a certain piece of technology, the thoughts and feelings that a person has about that technology are of the utmost importance. It is important to bring to your attention that TAM does not take into account any external incentives or the impact on society (Mika Mungaya, 2022). This is something that should be brought to your attention. The way in which the user perceives it is the primary focus of our attention at the moment. Examples of the multiple technologies that could potentially benefit from this strategy include mobile applications, software applications, and internet services, to name just a few examples of the countless technologies that could potentially benefit from this method. Throughout the course of its life, the TAM has undergone a number of modifications through the process of adjustment (Cooper, 2024). The TAM2 and the UTAUT are two examples of these changes. Both of these instruments have included additional components and criteria, such as subjective norms and perceived behavioral control, in their respective versions. An extensive number of companies and researchers make use of a model that is referred to as the Technology Acceptance Model (TAM) in order to ascertain how individuals react to and make use of new technological advancements.

For the purpose of guiding the development of products that are aesthetically pleasing and for the purpose of gathering information on the behaviors of users, this is a wonderful resource(Swistak, 2016).

2.1.2 Theory of Planned Behavior (TPB) by Icek Ajzen (1985)

The notion of Planned Behavior is one of the most beneficial tools that can be utilized when it comes to studying and forecasting the activities that individuals engage in. Among the many different industries that have recognized the potential for lucrative applications of this technology, the implementation of electronic tax filing and tax compliance are only two examples. In addition to these categories, there are many others. Moreover, there is a great deal of different regions. It was Icek Ajzen who is credited with the formulation of this theory in the year 1985 (Twamzehirwa, 2017). It is now generally recognized as a framework within the field of psychology. When attempting to comprehend and anticipate the activities that individuals did, particularly when it comes to making judgments or forming intentions, the TPB is a useful tool that may be applied whenever it is necessary to do so. It is employed in a variety of fields, including as public health, marketing, and psychology, with the purpose of better comprehending and influencing the behaviors that are carried out by individuals. According to the core notion that is being considered, there are three key factors that influence an individual's propensity to engage in a particular activity, such as filing their taxes online(Amabali, 2019).

Behavior that is exhibited

This part is comprised of an analysis of a person's behavior that takes into account everything that is relevant. It is necessary to undertake a subjective evaluation in order to ascertain if the behavior in question is favorable or unfavorable. The manner in

which an individual examines the advantages and disadvantages of utilizing this strategy is a crucial factor in deciding the attitude that they have regarding the electronic submission of their taxes (Wasao, 2024).

Morals and values that is unique to the individual

The foundation upon which an individual's subjective norms are built is the individual's impression of the social pressure or impact that others have on their decision to engage in a certain behavior. This perception is the basis upon which the individual's moral standards are constructed. This includes aspects such as the influence of social conventions, friends, family, and coworkers on the habit of paying taxes online. Other aspects include the tendency to pay taxes online (Wadesango, Mutema, Mhaka, & Wadesango, 2018).

PBC is an abbreviation that stands for perceived behavioral control, which is a term that describes an individual's subjective evaluation of the degree of ease or difficulty associated with carrying out a specific behavior. The analysis takes into account a number of different criteria, including self-efficacy, perceived obstacles, and perceived facilitations, among others. The ability to file personal tax returns online is susceptible to being affected by all of these elements, which have the potential to have implications (Wang, 2019).

According to the TPB, the combination of these three components is what determines the behavioral intention of an individual with relation to their behavior within the context of their behavior. In accordance with the model, when it comes to the act of paying taxes online, having a positive attitude toward it, such as the perception that it is both cost-effective and convenient, makes people more likely to do it in that manner. An individual's intention to do this activity may be influenced by the expectation of

others, such as friends or family, that they should file their taxes online. This expectation may have an effect on the individual's desire to complete this task. The persons who are self-assured in their capacity to handle the process of filing their taxes online and who possess the tools required to do so are more likely to prefer to do it in this manner. Behavioral intention is a powerful indication of actual behavior, according to the Theory of Planned Behavior (TPB), which also states that this is the case. Individuals who have shown a strong predisposition in the past to file their taxes electronically are more likely to actually do so this year. This is because the e-filing of taxes is becoming increasingly popular. The ability to concentrate on the important aspects that influence behavior and intention is made easier for academics and policymakers, which in turn leads to the development of technologies and procedures that support actions that are desired on the part of individuals.

2.1.3 Tax the Morale Theory

German scientists who were affiliated with Gunter Schmolders and who were members of the Frankfurt school of tax psychology were the first people to advocate for the morale theory of taxes. On the other hand, tax morale refers to the internal motivation that motivates individuals to complete their tax duties. The moral position that a taxpayer has regarding taxes is one of the many factors that determine the manner in which they pay their taxes. The acts that a taxpayer takes in relation to taxes are influenced by their moral values, and they made an effort to elucidate the relationship between the two. According to Mocetti's publication number 18, volume 6, a number of research have established a connection between changes in tax morale and tax evasion.

The frequency with which taxpayers engage in tax evasion is correlated with the public's disapproval of tax evasion, which is a correlation that must be taken into

consideration. One of the reasons that this relationship exists is because of the connection that exists between the two. When individuals see that their friends, relatives, and acquaintances are also contributing financially, they are more likely to pay their fair amount of taxes. This is because they feel that they are contributing to the community. Another factor that can lead taxpayers to engage in tax evasion is the notion that other people are effectively evading their own financial commitments for which they are responsible. Based on the findings of Waweru (2018), states that have laws that allow and even encourage tax evasion are the ones that provide the greatest assistance to their residents in order to facilitate tax evasion. The evidence provides proof that this assertion is correct. According to the findings of a number of studies, those who hold strong religious beliefs are more likely to comply with the limitations, despite the fact that they may believe the amounts are too high. Taking this into consideration, it would appear that religious convictions can have an effect on the behavior of tax evaders.

2.1.4 Fiscal and Psychological Theories

According to Schmolders (1959), the idea was developed on the presumption that taxpayers prioritize their own interests over the interests of the public good. As a result of this, he had an understanding that the items reflected various cultural values. Considerations pertaining to society standards, beliefs, and habits are included in this category, in addition to monetary and emotional factors. To summarize, the thesis focuses mostly on the irrational activities that humans participate in. Taking this into consideration, as Schmolders pointed out, the perceptions of taxpayers are influenced by their attitudes toward taxes.

On the basis of this concept, Strumpel (1969) further, arguing that if tax authorities were more stringent in their assessment procedures, people could be disinclined to pay their fair share of taxes. On the other hand, Kinsey (1986) discovers a connection between tax compliance and readiness for collaboration, which suggests that a good attitude can boost compliance. Numerous behaviorally-related variables, such as education and awareness, have the potential to improve compliance. These aspects can have a positive impact on compliance. In terms of the degree of tax compliance, the return on taxes paid is one of thirteen characteristics that are taken into consideration. In the United States of America, it is common practice for taxpayers to examine the spending patterns of the state as well as the advantages that their tax money provide to society.

According to the Theory of Reasoned Action (TRA) developed by Ajzen and Fishbein in 1980, the behavior of taxpayers is influenced by their aims, their intentions, and their perceptions of public mood. The foundation of psychological philosophy is comprised on the concepts of morality and integrity of the individual.

2.2 Empirical Review

2.2.1 Tax Information and SMEs Tax Compliance

Self-assessment is the method that Kenya has chosen to implement in order to collect taxes by itself. The burden of ensuring that taxes are paid appropriately and verified lies with the taxpayer. In accordance with the law, taxpayers are required to file a self-assessment return at the end of each fiscal year, which occurs in June of each year. Following the submission of the returns, the Kenya Revenue Authority (KRA) conducts a thorough examination of the provided documents. In the event that the Kenya Revenue Authority (KRA) has reason to believe that the correct taxes were not

declared, it is authorized by law to carry out a comprehensive audit of taxpayer records in order to verify that the information that was provided is accurate.

When all of the relevant financial documents have been compiled, including but not limited to income statements, receipts, expense records, credits, income, and deductions, then and only then is it possible to appropriately calculate tax information. Determine your total revenue first, before you take into account any deductions or credits that may be applicable. In the event that you want tax forms, the KRA is able to supply them to you. Completely and accurately fill out the available fields. When dealing with situations that are difficult to understand, it is prudent to seek the guidance of a tax professional.

This is the point at which problems begin to emerge! According to Muiru (2022), the taxpayer is compelled to go through a process that is both time-consuming and costly in order to rectify errors or omissions that could have been avoided by making judgments regarding taxes in advance.

Due to the ambiguity of tax regulations that govern complex commercial transactions, significant business decisions are generally loaded with uncertainty and danger for taxpayers. This is because of the nature of the intricate commercial transactions. On occasion, taxpayers asked the Commissioner to clarify the meaning of specific statutes or the consequences of particular business arrangements. This is the case despite the fact that our tax code does not specifically mention advance tax determinations by name. According to Muiru (2022), it is occasionally possible to accomplish this without disclosing the identify of any individual in order to preserve one's integrity of anonymity. Taxpayers in Kenya have a tough time complying with the country's complicated tax system because of the significant costs connected with doing so. The

implementation of this expensive scheme has resulted in significant economic losses for Kenya, which have suffered enormously.

Generally speaking, it is believed that those who submit their taxes are well-versed in every aspect of the process of doing their taxes. This assumption, on the other hand, is not only quite powerful but also absolutely false. Research conducted by Muita on taxes has demonstrated, beginning in 2024, that the level of knowledge possessed by taxpayers has a substantial impact on the activities they do and the degree to which they evade taxes. Those who have not completed their high school education are significantly less likely to come across information about tax compliance, and they are also significantly less likely to comprehend the significance of this information. Therefore, they are more inclined to engage in tax evasion as a consequence of this. Certain taxpayers have a more difficult time than others understanding the complexity of the information that pertains to their taxes. In the event that taxpayers experience difficulties when submitting their tax returns, it is possible that they would unwittingly breach the law due to the more complicated nature of the topic.

It is becoming increasingly expensive for individuals to comply with the tax system by virtue of the fact that the cost of administering it is increasing, and the system itself is becoming more expensive. Kenya is responsible for a variety of taxes, such as value-added tax (VAT), withholding taxes, individual income taxes, and corporate income taxes. According to the Government of the Republic of Kenya (2022), the corporate income tax rate is thirty percent, the personal income tax rate is ten to thirty percent, the value-added tax rate is sixteen percent, and the withholding tax rate is three percent (within a range of three percent to thirty percent depending on the source of income and the citizenship status of the Kenyan).

2.2.2 SMEs Attitude and SMEs Tax Compliance

A number of occurrences have the potential to alter the perspectives of small and medium-sized businesses (SMEs), which in turn influences the actions of taxpayers (Ambrecht, 1998). A multitude of factors, some of which differ from country to country and even from person to person, are responsible for shaping tax compliance behavior inside an organization. There are a number of factors that influence taxpayers' adherence to the system. Some of these factors include cultural differences, the fairness of the tax system, demographics (including age, income, and assets), and an awareness of the tax laws. The views of one's peers, the expense of compliance, the enforcement operations (including audits), the likelihood of detection, and the motivation of taxpayers through rewards and penalties are some of the other elements that come into play. Taxes have a part in each and every one of these aspects.

There is a considerable correlation between the opinions of taxpayers in Kenya and the degree to which they adhere to the tax code. The perspectives of taxpayers play a significant part in the process of encouraging tax compliance, and the elements that influence the viewpoints of taxpayers also influence the degree to which they comply with tax regulations. According to the findings of a study that was carried out in Kenya (Wanjohi, 2010), the following conclusions were reached: In the first place, the majority of Kenyan taxpayers are of the opinion that the tax system was designed to be unfair to them. The reason for this is because the majority of those who participated in the study said that the amount of taxes they pay is not appropriate. Not only that, but they also said that their acquaintances or neighbors also have a difficult time understanding tax regulations, particularly when it comes to identifying when payments and reports are due. There are a number of factors that contribute to taxpayers' failure

to comply with tax laws. These factors include a lack of understanding of tax laws (including tax rates, filing requirements, and payment deadlines), a perception of unfairness in relation to their tax contributions, negative peer pressure, the belief that their neighbors are not being truthful with their tax returns, and the absence of incentives.

Tax justice, the misappropriation of public funds, and intentional tax evasion are the three primary considerations that are the primary focus of the investigations. When striving to meet both the interests of individuals and the needs of the group as a whole, conflicts like this one are bound to develop. An individual's attitude can be defined as the positive or negative evaluations that they have of various things for themselves. If an individual has any influence over other people, it is generally accepted that they behaved in a manner that is in line with their underlying beliefs. In light of this, it is reasonable to assume that taxpayers who have a favorable attitude toward tax evasion had a lower level of compliance compared to taxpayers who have a negative attitude toward tax evasion. Kirchler (2001) asserts that the majority of people have a favorable attitude toward tax exemptions and deductions.

In spite of the fact that the connections between attitudes and self-reported instances of tax evasion are not particularly significant, a number of studies that have been conducted on the topic have demonstrated that there are significant connections (Trivedi, 2021). According to the model of tax evasion behavior developed by Weigel and Helsing, social and psychological elements are taken into consideration as factors that influence tax compliance. People's perspectives on the morality of tax evasion and their attitudes toward it are among the variables that contribute to this phenomenon. Despite the fact that attitudes do explain part of the diversity in self-reported tax

evasion, they do not significantly indicate future behavior, according to the findings of a data research that included both convicted tax evaders and law-abiding residents. Nevertheless, despite the fact that the links between attitudes and self-reported tax non-compliance are not particularly robust, they are nevertheless statistically significant.

According to the findings of the research, there appears to be a complicated connection between opinions and the avoided payment of taxes. According to Lewis (2021), it is logical to expect that if people's attitudes toward taxes were to worsen, there would be an increase in the amount of tax evasion being committed. With regard to both the power and trust components, attitudes have a significant impact on the relationships that people have. It is more likely that individuals willingly complied with tax requirements when they have a favorable image of the authorities, which enhances the level of trust that they have in authority. According to the contrary, the opinions that other people have toward those who are in power are a significant factor in determining whether or not persons in power are perceived as being beneficial or detrimental in their exercise of authority. In his article from 2001, Kirchler makes the argument that public opinion on the subject is influenced by the perceived use of tax money, and that this, in turn, is indirectly tied to the quality of education achieved.

2.2.3 Tax Rates and SMEs Tax Compliance

In countries with relatively high tax rates, it is generally accepted that taxpayers went to tremendous efforts to avoid paying their fair share of taxes. This is the conventional knowledge. By estimating the potential benefits of tax avoidance, which can be stated as the total amount avoided, marginal tax rates have an effect on the motivation to engage in tax evasion (Kaldor, 1956). The reason for this is that marginal tax rates are what determine the potential gains that can be made by avoiding taxes. When people

intentionally choose not to pay their fair share of personal income tax due to the fact that the rates are so high, this constitutes a significant form of tax evasion. Due to the fact that the government has passed and is currently implementing an excessive number of intricate laws and regulations, individuals frequently avoid paying their equitable amount of taxes. When confronted with challenges, businesses may come to the conclusion that it is not in their best financial advantage to comply with all of the rules and regulations that are applicable to their situation (Devos, 2024).

Not only are wealthy nations like the United States of America affected by concerns regarding high taxes, but less developed nations in Africa and Latin America, like Kenya, are also affected by these concerns. Kenya's manufacturing sector is required to pay a wide variety of taxes, including import fees, export tariffs, sales and value-added tax (VAT), income taxes, withholdings, and Pay As You Earn (PAYE) taxes (KRA, 2021). These are only some of the many taxes that are imposed on the sector.

When there is a decrease in sales, it is rather common for manufacturers to reduce the amount of merchandise they are producing. It is possible that the employment prospects available to certain individuals decreased as a direct result of this verdict. There are resources that may be employed for manufacturing, such as land, money, labor, and an entrepreneurial spirit; however, these resources are either seized by other industries or are yet underused. Whenever the government imposes taxes on alcoholic beverages and tobacco products, for instance, people frequently opt to purchase alcoholic beverages that are produced locally in an effort to support their local economy while simultaneously discouraging the usage of these commodities. As a result of consumers being subjected to price increases across the board, it is normal for there to be a decrease in the amount of sales and consumption whenever tax rates are raised. As a

consequence of this, small and medium-sized enterprises (SMEs) encounter more difficulties while attempting to expand their operations (Nyamwananza, Mavhiki, Mapetere, & Nyamwananza, 2024).

The payment of taxes is an example of a monetary outflow that makes a company's available purchasing power less than it would otherwise be. This occurs as a result of the fact that a sizeable amount of the revenues that are collected are allocated to the payment of taxes rather than being utilized for the purpose of strengthening the organization. According to study that was conducted by Mika Mungaya and published in the International Journal of Management and Business Studies (IJMBS), the purchasing power of a corporation decreases approximately one month after the corporation has paid its taxes. When tax rates are high, people are more likely to evade paying their fair share of taxes, according to the findings of a number of empirical research (Naibei, 2022). It is a widely held belief that higher tax rates resulted in a reduction of the potential income of taxpayers since they subjected them to a greater tax burden. Nevertheless, the tax rate should not be the only factor that taxpayers take into account when determining the amount of taxes that they would be required to pay. It is also important to note that the general structure of the tax system is a factor in deciding the results. If individuals perceive that their tax burden is disproportionately high in comparison to that of corporations, particularly in situations when the corporate tax rate is low, they may choose to conceal a portion of their income. As a result of their belief that the tax rate on their personal income is higher than the tax rate on the profits of corporations, individuals behave in this manner. In a similar vein, huge firms are able to take advantage of tax loopholes more easily than smaller corporations, which contributes to the unfairness of the system. Many factors, including tax rates and the structure of the tax system as a whole, have a significant role in determining the

likelihood that individuals engaged in tax avoidance and evasion (Lai, Ming-Ling, Obid, Siti-Normala, Meerea and Ahamed, 2021).

2.2.4 Costs Incurred by SMEs in Tax Compliance

In the context of this discussion, the term "costs of compliance" refers to the amount of time and money that is required to fulfill the legal requirements that have been established by the government. For the purpose of simplifying the process of filing VAT returns, for instance, individuals or businesses that are registered for value-added tax are required to keep precise records of the taxes that are paid on inputs and outputs. It is done in order to guarantee that everything goes off without a hitch. In the event that this turns out to be the case, one of the costs that may be connected with achieving regulatory criteria is the utilization of the services of a subject matter expert. Generally speaking, compliance expenses consist of any and all expenditures that are incurred as a result of conforming to regulatory requirements. These expenses include not only the planning and administration of the paperwork filing process, but also the actual investment of time and resources made in this process (Bird, 2024).

When it comes to tax preparation, filing, and settlement, small businesses are also subject to the possibility of incurring substantial fees. In addition to the enormous cost of tax payments that they are required to make, this is an additional strain. Additionally, the prospect of inspections and demands for bribes, in addition to the fines and penalties associated with compliance, can make it challenging for new enterprises to begin operations or for existing businesses to extend their operations in nations that are in the process of developing or changing. It is recommended that small businesses do a study of the costs involved in tax compliance in order to lessen the financial and operational pressures that are associated with tax compliance (Hoffman, Novak, And

Peralta, 1999). Insights that can be used to build strategies can be gained from this analysis, which can provide valuable insights. Not only does the tax itself constitute the overall cost of a tax system, but it also includes a number of expenditures that are related with it. An increase in compliance costs is frequently caused by a number of factors, including the amount of taxes that entrepreneurs are obliged to pay, the complexity of tax legislation, the frequency with which tax returns are filed, and the involvement of several levels of government in the process of tax collection and imposition(Rohmawati, Lusia, 2020).

2.3 Conceptual Framework

According to Cooper and Schindler (2024), in order to have a more complete understanding of an event or a collection of data, one need to have a conceptual framework; this is a network of ideas that are connected to one another.

Independent Variable

Dependent Variables

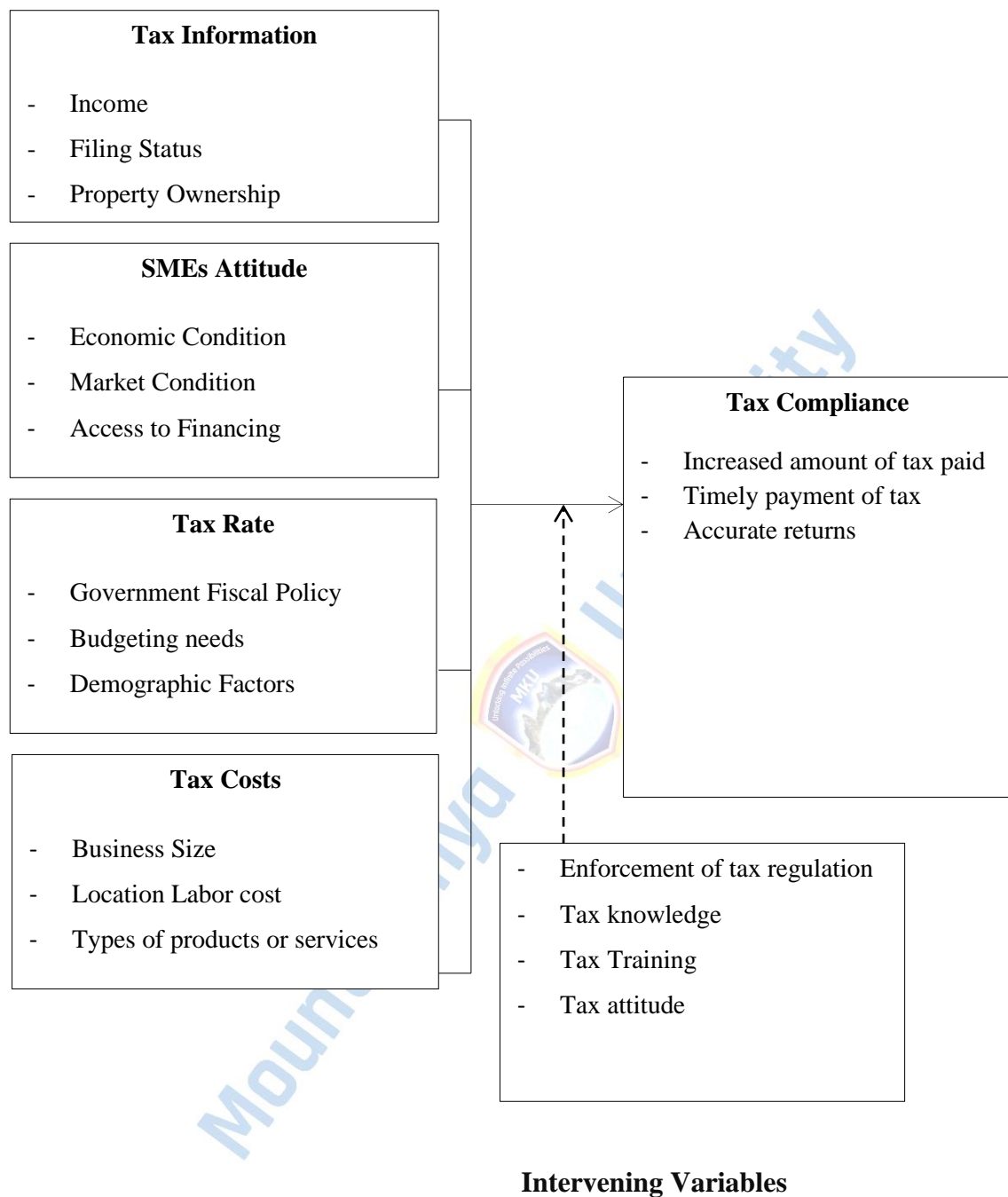


Figure 1: Conceptual Framework

Source: Researcher, (2023)

2.4 Research Gap

Despite the fact that the authors who participated in the literature review have made substantial contributions to the research issue, there are still questions that have not been answered concerning it. Due to the fact that the majority of research have concentrated on industries other than SMEs, it is challenging to relate the findings of a study to the context of small and medium-sized businesses (SMEs). Because of this, there is a deficiency in research in the current literature review; hence, it is essential to fill this gap by doing research on the ways in which e-filing influences the level of tax compliance among small and medium-sized enterprises (SMEs) in Kitale town, which is located in Trans-nzoia County, Kenya. Whatever the case may be, the majority of research ignored this and instead focused on the behavior of taxpayers and the utilization of technology. Nevertheless, the most important problem that arises is the manner in which we might possibly change the attitudes of taxpayers in order to improve the predicted revenue collection. It has been reported by Muita (2021) that the experts have not yet devised a solution to the problem of assisting small and medium-sized businesses with the difficulty of completing their taxes online.

2.5 Recap of Literature Review

An explanation of the theoretical framework can be found in this chapter. There are two models that are incorporated into the framework: the Technology Acceptance Model and the Theory of Planned Behavior. The objective of the empirical review is to concentrate on four distinct subjects: the availability of tax information, the perspectives of small and medium-sized enterprises (SMEs), the magnitude of tax rates, and the costs that are connected with tax compliance for SMEs. Through the use of graphic representations, the conceptual framework illustrates the research gap, the

dependent variable, the intervening variable, and the independent factors. Additionally, it illustrates the connections that exist between these variables.



CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

Within the scope of this chapter, a number of topics are discussed, including the research design, methodology, study site, target demographic, sample size, data collection tools, data analysis techniques, ethical considerations, and the validity and reliability of the research instruments.

3.1 Research Methodology

An investigation into a subject or issue with the intention of arriving at findings is referred to as a research design. This is a method that is well-organized and meticulously prepared.

When it comes to addressing the issue with the study in a methodical manner, this methodology can be utilized. "Research technique" is a phrase that refers to the scientific study of the techniques that are applied in the process of doing research. The purpose of this article is to investigate the cognitive processes and standard operating procedures (SOPs) that researchers employ in order to examine a research problem. The work of Kothari (2024) serves as the foundation for this. This inquiry made use of both qualitative and quantitative methods of approaching the problem. For the purposes of research design, implementation, and assessment, methodology comprises all of the strategies, methods, and instruments that are utilized in the process of data collecting and analysis. In order to find out what people believe or to determine whether or not our beliefs are correct, we do this. The operation consists of a number of components, including the selection of a research plan, the collection of pertinent data, and the

implementation of appropriate statistical or analytical processes. Specifically, this method is directly responsible for the validity and reliability of the conclusions that were obtained from the study. The credibility of the study is further enhanced by the inclusion of specifics regarding the procedures that were utilized in the data collection and analysis processes.

3.2 Research Design

The Design of the Research For the purpose of this inquiry, a methodology that is based on descriptive surveys was utilized. According to Cooper and Schindler, a descriptive method is utilized in order to discover and quantify the correlations between the variables (Cooper, 2024). The most appropriate method for this research would be to carry out a descriptive survey, which entails providing a comprehensive description of the population while putting an emphasis on the factors that influence their behavior. According to Mugenda (2024), the researchers utilized the descriptive design in order to determine the current status of the subject that was the focus of their analysis. Consequently, this methodology is regarded as suitable for the work that is now being done. The range of its application in explaining ethics, conduct, and personality traits is one of the many features that contribute to its positive attributes. The field survey is an essential component of this methodology since it gives the researcher the opportunity to visit the population of interest and ask them questions about the matter through direct interaction with them. While the researchers are collecting data, they should refrain from making any changes to the experimental variables. This helped them prevent bias and ensure that the results they obtain are accurate.

3.3 Location of the Study

The study was conducted in Kitale town, which is the administrative and commercial hub of Trans-Nzoia County, located in western Kenya. The county covers a total area of 2,087 square kilometers and borders Bungoma County to the west, Uasin Gishu County to the south, and West Pokot County to the northwest. Previously part of the Rift Valley Province, Trans-Nzoia County is identified as County 026 under Kenya's devolved system(SMEs) (Maobe, 2020).

The economy of Trans-Nzoia County is heavily reliant on agriculture, especially in the sectors of maize farming, dairy production, and horticulture. However, a significant proportion of the county's working population is also engaged in small and medium enterprises (SMEs). These SMEs are essential to the local economy, providing employment and fostering economic resilience through services in trade, transport, food, and maintenance.

Kitale town is well-equipped with healthcare facilities, educational institutions, cultural centers, and serves as a central point for economic transactions due to its strategic location. The presence of a strong SME base in the town makes it a suitable and relevant setting for studying the dynamics of online tax filing and tax compliance.

The choice of Kitale Town in Trans-Nzoia County, Kenya as the area of study is closely tied to the core subject of the research, which is tax compliance among Small and Medium Enterprises (SMEs). Trans-Nzoia County is known for its vibrant economic activity, much of which is driven by SMEs. These businesses form the backbone of the local economy by generating employment, facilitating trade, and offering essential services such as transport, retail, agriculture-related processing, and hospitality.

Given the growing digital transformation in government services, including online tax filing systems, understanding how SMEs in this specific context respond to such technological shifts is crucial. The geographical location, economic structure, and demographic composition of Kitale town make it an ideal setting for exploring how access to tax information, tax rates, compliance costs, and taxpayer attitudes impact compliance behavior. Therefore, the study area provides both a relevant population and a representative setting for assessing the factors influencing tax compliance in a developing economy context (Programme, 2022).

3.4 Target Population

Kitale town, which is situated in Trans-nzoia County, functions as the location of a number of small and medium-sized businesses. Through the collection of data from 289 individuals, the purpose of this study was to investigate the impact that filing taxes online has on the level of tax compliance in this municipality (Ng Lee Bee, 2018). According to the information presented in Table 1, the purpose of the research is to communicate with individuals and organizations operating in the following businesses and industries: wholesale and retail trade, transportation and communication, agricultural, hospitality and food service, banking and finance, academics, and medical treatment (Kothari, 2024).

Table 1: Target Population

Categories	Target population	%
Wholesale and Retail Trade	41	14
Transport and Communication	104	36
Agriculture	101	35
Hotels and Restaurants	13	4
Financial Services	17	6
Education and Health	15	5
TOTALS	289	100

Source: County Government of Trans-Nzoia (2025)

3.5 Sample Size and Sampling Procedures

In order to make inferences and generalizations, researchers often use samples, which are smaller groups that are representative of a larger population. It is essentially a depiction of certain people, things, or groups selected from a larger pool of potential research subjects based on shared traits and similarities. A deeper understanding of the larger group can be achieved by applying more analysis to this representation (Nassaji, 2015). A suitable and representative sample size of the important value must be determined before a study can be conducted. When making inferences about the computed and approximated critical values, the critical value is used, taking into account the necessity for precision. Furthermore, the sample size should be large enough to confidently predict that future studies conducted in a similar environment yielded results that are compatible with the present study's and permit generalization. If we want our research to be as accurate as possible, we need to make sure that our sample size shows variability that is similar to the broad community. The research

effort used the formula devised by Yamane (1967) to find the optimal sample size that would represent the population being researched.

Applying the formula $n = N / (1 + N * e^2)$ got the value of n.

Let n represent the sample size. The letter N stands for the population size, while the letter e represents the degree of confidence, which is set at 95%. For any given expression, the value of n is the product of 289 divided by the product of 1 + 289 and 0.05 squared. For some integer n, the value is 167.

This means that 167 Kitale residents who operate small or medium businesses made up the sample. The total number of people in the target group is 289, and 167 was selected using a non-probabilistic selection method called purposeful sampling. Because small and medium-sized firms are of particular interest to the researcher, this is the choice they made. According to Saunders, Lewis, and Thornhill (2024), the probability of making a mistake while trying to draw conclusions about the entire population decreases as the sample size increases. The number of separate sampling units drawn from a population in order to carry out a study is referred to as the "sample size" by Chandan, Singh, and Khanna (2010).

Table 2: Sample Size

Categories	Target Population	Sample Size
Wholesale and Retail	41	23
Transport and communication	104	60
Agriculture	101	58
Hotel and Restaurants	13	7

Financial Services	17	10
Education and Health	15	9
Total	289	167

Source: Researcher (2025)

3.6 Data Collection Instruments

To be more specific, Sreejesh, Mahopatra, and Anusree (2024) offered a definition of the instruments that are used to collect data. They sought to convey that these instruments were utilized in order to collect data from the individuals who were selected to participate in the research. The utilization of questionnaires and interviews were the key approaches that was utilized in the process of information collection.

3.6.1 Interview Schedule

Interviews are often intended to determine whether or not an applicant is a suitable match for the position. The term "scheduled interview" refers to a certain kind of formal conversation that often involves more than one individual. Without the constant exchange of questions and responses, it is impossible for it to exist. The usefulness of interviews lies in the fact that they enable the collection of data that is both comprehensive and nuanced. This, in turn, results in a more comprehensive picture of the respondent's perspectives, experiences, and insights. At the same time, the interview schedules for the wholesale and retail commerce sector, the transportation and communication sector, and the agriculture sector was all carried out (Pope, Jeff, & Nthathi Ramstse, 2021).

3.6.2 Questionnaire

In order to collect information or opinions from individuals, a questionnaire is a list of questions that has been predetermined and may be written down or printed sometimes. It is possible to make use of the responses that respondents provide to these questions in order to collect data, carry out surveys, or carry out research. It not only makes the process of collecting data from a large number of respondents at the same time far more efficient, but it also makes the process of analyzing and interpreting the data that has been obtained simpler. Questions are going to be submitted to the appropriate operations in the hospitality industry, the banking sector, the educational sector, and the healthcare sector (Davis, Bagozzi, 1992).

3.7 Validity and Reliability of Research Instruments

3.7.1 Pilot Study

Uasin Gishu County, Kenya, served as the location for the piloting, which took place in the town of Eldoret. The selection of the town as the Piloting town was based on a number of factors, including its proximity to the study region, its interest in farming, agribusiness, trade, and services (including transportation and restaurants), and its proximity to the study area. Consequently, it is anticipated that the elements that are discovered was comparable to those that are observed in Kitale town. You were able to collect the preliminary data that is required in order to estimate the sample size that is required in order to compute the primary outcome with the assistance of this tool.

3.7.2 Validity of Research Instruments.

The degree to which a test measure accurately reflects the expected is what scientists mean when they talk about the validity of data. Researchers Mugenda and Mugenda

(2019) were the first to use the term "validity" to describe the degree to which the findings and conclusions generated from a study are accurate and significant. Through the administration of a preliminary test on a representative sample of small and medium dealers, the significance of the data that was gathered and the conclusions that were drawn from it was tested and reviewed. Immediately following the conclusion of this examination, we proceeded with the process of data gathering after conducting a comprehensive analysis of the results. This provides the researcher with the opportunity to methodically edit any areas that are confusing, so ensuring that it is possible to collect accurate data for interpretation. Furthermore, according to Robinson (2019), validity is defined as the degree to which the findings of the data analysis accurately represent the phenomenon that is being investigated. A pilot test of the tool that was used to identify and address any strategies or questions that might be puzzling, humiliating, or insulting is required, as stated by Cooper and Schindler (2024). This test is vital since it is necessary to identify and resolve any such strategies or questions. In order to guarantee that the instrument is genuine, this step is required to be taken. Depending on the specifics of the situation, the researcher received directions from either the supervisor or a subject-matter expert.

3.7.3 Reliability of Research Instruments.

According to Hair et al. (2000), dependability refers to the degree to which a collection of measuring objects consistently demonstrates consistency through its consistency. When we talk about the reliability of a measurement technique, we are essentially referring to how exact and consistent the procedure is for measuring (Kothari, 2018). In order to assess the level of internal consistency, the researcher employed a measurement known as Cronbach's Alpha (α), which is a statistical tool. The statistical

software tool known as SPSS was utilized in order to generate this metric. According to Cronbach (1951), this can be understood as a reference to the extent to which a group of test items is viewed as evaluating a single underlying variable. In accordance with the proposal, a reliability test with a coefficient of 0.7 ought to be carried out on each and every study that is capable of being investigated.

3.8 Data collection Procedures

We were using surveys that contain both closed-ended and open-ended questions in order to collect information. We sent out the surveys by email in addition to using a drop-and-pick approach in order to distribute them to the appropriate individuals. Every single participant was presented with the same set of questions on a regular basis. Everyone who is a part of the study, from the people who are participating to the researchers, were entirely aware of the purpose of the study, and they were all reassured that their privacy was protected. For the purpose of this assignment, we reviewed a variety of primary and secondary sources of information. Data collected directly from the field is referred to as primary data, which is also sometimes referred to as raw data. All of this information was gathered through the administration of surveys and the conduct of in-depth interviews. In contrast to personal experiences, secondary data refers to information that is obtained through secondhand sources. Some examples of secondary data are the reports, websites, journals, and key performance indicators (KRAs) that were created by small and medium-sized enterprises (SMEs) in the year 2022. Additionally, prior to submitting an application to NACOSTI, the researcher is required to receive approval from MKU.

3.9 Data Analysis Procedure

In order to facilitate the process of coding and tabulating the data that is associated with the acquired information, the information that has been gathered was arranged chronologically in accordance with the questions that have been provided. In order to conduct an analysis of the data that has been gathered, descriptive statistics were utilized within the Statistical Package for the Social Sciences (SPSS 21.0) software application. Prior to the presentation of the variables through descriptive statistics, there was a comprehensive investigation of the company and the individuals who make up the establishment. When conducting this investigation, the procedures of cross-tabulation and correlation analysis was utilized in order to determine whether or not there are any significant associations between the variables. The objective of carrying out this regression analysis is to investigate the relationship that exists between the variables that are independent and those that are dependent.

3.10 Ethical Consideration

Additionally, in order to ensure that the participants are able to make a well-educated decision regarding their participation in the study, the researcher made certain that they are provided with all of the information that they require in order to get informed consent. A further responsibility of the researcher is to ensure that the participants comprehend the significance of this study. In order to obtain informed consent, it is necessary to provide a comprehensive explanation of the objectives of the research study, as well as any risks that may be involved, assurances that the identities of the participants were kept anonymous and confidential, the identity of the researcher, the total number of participants, and specifics regarding any rewards or compensations that may be offered.

Participation was fully voluntary, and the researcher took the time to explain the objectives and procedures of the study to each respondent. This was done to ensure that the respondents were aware of what was participating in the study and how their data would be utilized. With this strategy, the objective was to ensure that the participants were able to feel at ease enough to supply all of the required information without any hesitation or worry, so ensuring that the research could proceed without any interruptions.

Keeping the participants' information confidential: In order to win the participants' trust, the researcher first explained the goal of the study and then vow to keep their information confidential. We are going to handle any data that is acquired for this project from the particular demography that is being investigated with the utmost discretion and confidentiality.

The researcher ensured that the information is obtained only for academic purposes and managed it with the utmost discretion by sending a formal letter to the recipients. This ensured that the material falls under the category of confidentiality.

In order to preserve the participants' right to privacy and maintain their anonymity, the researcher emphasized that the reveal of their names was entirely optional.

CHAPTER FOUR

RESEARCH FINDINGS AND DISCUSSIONS

4.0 Introduction

This chapter presents the research findings on the influence of online tax filing on tax compliance among small and medium enterprises (SMEs) in Kitale Town, Trans-Nzoia County, Kenya. The findings are organized based on the study objectives, which include assessing the availability of tax information, determining the influence of SMEs' attitudes on tax compliance, evaluating the impact of tax rates, and examining how costs incurred affect tax compliance. The data collected from SMEs through surveys and interviews are analyzed to provide insights into the factors that influence their level of tax compliance.

4.1 Response rate

The study targeted a sample size of 167 respondents, out of which 153 successfully participated in the survey, resulting in a response rate of 91.6%. This high response rate indicates strong engagement from the respondents and enhances the reliability and validity of the findings.

4.2 Demographic Study

This section comprises of gender, respondent's role and how long the SMEs has been in operation.

4.2.1 Gender

The study found out that 102 (66.7%) of the respondents were male, while 51 (33.3%) were female. The study revealed that male entrepreneurs dominate SMEs in Kitale Town, suggesting potential gender disparities in business ownership and participation. The study further revealed that despite the lower representation of female respondents, their participation contributed valuable insights into tax compliance. The study further found out that the inclusion of both male and female respondents ensured a comprehensive understanding of the influence of online tax filing on tax compliance among SMEs in the region.

Table 3: Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	102	66.7	66.7	66.7
	Female	51	33.3	33.3	100.0
	Total	153	100.0	100.0	

Source: Field Data (2025)

4.2.2 Respondent's Role in the Company

The study found out that the majority of the respondents, 103 (67.3%), were accountants, while 34 (22.2%) held the position of Chief Financial Officer (CFO). The study revealed that only 16 (10.5%) of the respondents were entrepreneurs or C-suite executives. The study further revealed that accountants play a crucial role in tax compliance among SMEs, as they are directly involved in financial management and tax filing processes.

Table 4: Respondent's Role in the Company

			Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Entrepreneur/ C-suite executive		16	10.5	10.5	10.5
	CFO		34	22.2	22.2	32.7
	Accountant		103	67.3	67.3	100.0
	Total		153	100.0	100.0	

Source: Field Data (2025)

4.2.3 How long has the SME been in operation

The study found out that 48 (31.4%) of the respondents indicated that their SMEs had been in operation for less than five years, while 43 (28.1%) reported a business duration of between six and ten years. The study revealed that 33 (21.6%) of the respondents had businesses that had been in operation for less than one year, whereas 29 (19.0%) had been in existence for over ten years. The study further revealed that the majority of SMEs in Kitale Town had been operating for less than ten years, suggesting a growing entrepreneurial sector.

Table 5: How long has the SME been in operation

			Frequency	Percent	Valid Percent	Cumulative Percent
Valid	0 - 1 years		33	21.6	21.6	21.6
	less than 5 years		48	31.4	31.4	52.9
	6 - 10 years		43	28.1	28.1	81.0
	10 years and above		29	19.0	19.0	100.0
	Total		153	100.0	100.0	

Source: Field Data (2025)

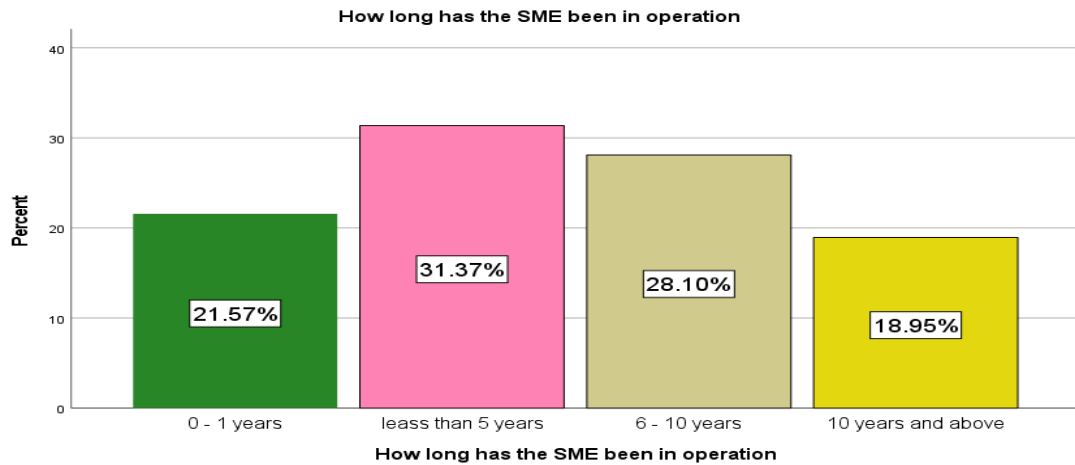


Figure 2: How long has the SME been in operation

Source: Field Data (2025)

4.3 Descriptive Analysis

4.3.1 Availability of tax information as a factor influencing tax compliance among smes

The study sought to assess the availability of tax information as a factor influencing tax compliance among SMEs in Kitale Town. The study found out that respondents had a moderate agreement on the accessibility of tax information, with a mean of 3.4118 and a standard deviation of 1.40267. The study revealed that the availability of tax information helps SMEs comply with tax regulations, with a mean of 3.4248 and a standard deviation of 1.40344. The study further revealed that a lack of tax information negatively affects tax compliance, with a mean of 3.5556 and a standard deviation of 1.38549. The study further found out that respondents agreed that the Kenya Revenue Authority (KRA) provides sufficient tax-related resources, with a mean of 4.1307 and a standard deviation of 1.23380. Additionally, the study found out that SMEs can accurately determine the taxes owed due to available tax information, with a mean of 3.8301 and a standard deviation of 1.36589.

The majority of respondents agreed that the Kenya Revenue Authority (KRA) provides sufficient tax-related resources, as indicated by the highest mean score of 4.1307, suggesting that access to reliable tax information plays a crucial role in enhancing tax compliance among SMEs in Kitale Town.

Table 6: Availability of tax information as a factor influencing tax compliance among smes

	N	Minimum	Maximum	Mean	Std. Deviation
Tax information is easily accessible to SMEs in Kitale town.	153	1.00	5.00	3.4118	1.40267
The availability of tax information helps my SME comply with tax regulations.	153	1.00	5.00	3.4248	1.40344
Lack of tax information negatively affects my SME's tax compliance.	153	1.00	5.00	3.5556	1.38549
The Kenya Revenue Authority (KRA) provides sufficient tax-related resources.	153	1.00	5.00	4.1307	1.23380
My SME can accurately determine the taxes owed due to available information.	153	1.00	5.00	3.8301	1.36589
Valid N (listwise)	153				

Source: Field Data (2025)

4.3.2 How smes' attitudes influence tax compliance

The study sought to determine how SMEs' attitudes influence tax compliance in Kitale Town. The study found out that respondents had a relatively low agreement that paying taxes is a moral obligation for their SMEs, with a mean of 2.4444 and a standard deviation of 1.63791. The study revealed that respondents showed a slightly higher but still moderate agreement that their attitude toward taxes positively influences their SME's tax compliance, with a mean of 2.7974 and a standard deviation of 1.69504. The study further revealed that most respondents strongly agreed that paying taxes benefits the community through public utilities and services, as reflected in the highest mean score of 4.2353 and a standard deviation of 1.16283. The study further found out that respondents had a low agreement with the justification of tax evasion due to high tax rates, with a mean of 2.4379 and a standard deviation of 1.62962. Additionally, the study found out that SMEs expressed moderate willingness to comply with tax regulations if the process was simplified, with a mean of 2.5098 and a standard deviation of 1.67457.

The majority of respondents strongly agreed that paying taxes benefits the community through public utilities and services, as indicated by the highest mean score of 4.2353, highlighting a positive perception of the societal impact of taxation despite mixed attitudes toward tax compliance at the SME level.

Table 7: How smes' attitudes influence tax compliance

	N	Minimum	Maximum	Mean	Std. Deviation
Paying taxes is a moral obligation for my SME.	153	1.00	5.00	2.4444	1.63791
My attitude toward taxes positively influences my SME's tax compliance.	153	1.00	5.00	2.7974	1.69504
Paying taxes benefits the community through public utilities and services.	153	2.00	5.00	4.2353	1.16283
I believe tax evasion is justified due to high tax rates.	153	1.00	5.00	2.4379	1.62962
My SME is willing to comply with tax regulations if the process is simplified.	153	1.00	5.00	2.5098	1.67457
Valid N (listwise)	153				

Source: Field Data (2025)

4.3.3 Extent to which tax rates influence tax compliance among SMEs

The study sought to evaluate the extent to which tax rates influence tax compliance among SMEs in Kitale Town. The study found out that respondents strongly agreed that the current tax rates in Kenya are too high for their SMEs, with a mean of 4.0065 and a standard deviation of 1.53253. The study revealed that high tax rates negatively affect SMEs' willingness to comply, with a mean of 3.5882 and a standard deviation of 1.73785. The study further revealed that respondents moderately agreed that the number of tax types in Kenya is excessive, with a mean of 3.3399 and a standard deviation of 1.85019. The study further found out that respondents agreed that their SMEs would comply more willingly if tax rates were reduced, with a mean of 3.8170 and a standard deviation of 1.59538. Additionally, the study found out that tax rates are

a major barrier to tax compliance for SMEs in Kitale Town, as indicated by a mean of 3.3987 and a standard deviation of 1.80766.

The majority of respondents strongly agreed that the current tax rates in Kenya are too high for their SMEs, as reflected in the highest mean score of 4.0065. This suggests that tax rates significantly impact SMEs' willingness and ability to comply with tax regulations.

Table 8: Extent to which tax rates influence tax compliance among SMEs

	N	Minimum	Maximum	Mean	Std. Deviation
The current tax rates in Kenya are too high for my SME.	153	1.00	5.00	4.0065	1.53253
High tax rates negatively affect my SME's willingness to comply.	153	1.00	5.00	3.5882	1.73785
The number of tax types in Kenya is excessive.	153	1.00	5.00	3.3399	1.85019
My SME would comply more willingly if tax rates were reduced.	153	1.00	5.00	3.8170	1.59538
Tax rates are a major barrier to tax compliance for SMEs in Kitale town.	153	1.00	5.00	3.3987	1.80766
Valid N (listwise)	153				

Source: Field Data (2025)

4.3.4 Extent to which costs incurred influence SMEs' tax compliance

The study sought to examine the extent to which costs incurred influence SMEs' tax compliance in Kitale Town. The study found out that respondents moderately agreed that the costs of tax compliance are too high for their SMEs, with a mean of 3.4837 and a standard deviation of 1.54368. The study revealed that high compliance costs discourage SMEs from fully complying with tax laws, as indicated by a mean of 3.3660 and a standard deviation of 1.69656. The study further revealed that respondents agreed that their SMEs incur significant costs to access tax-related information, with a mean of 3.6471 and a standard deviation of 1.60784. The study further found out that respondents agreed that reducing compliance costs would improve their SMEs' tax compliance, as shown by a mean of 3.7124 and a standard deviation of 1.52468. Additionally, the study found out that the costs of online tax filing are considered affordable by SMEs, with a mean of 3.6471 and a standard deviation of 1.56638.

The majority of respondents agreed that reducing compliance costs would improve SMEs' tax compliance, as reflected in the highest mean score of 3.7124. This suggests that compliance costs play a significant role in determining the level of tax compliance among SMEs, with lower costs potentially leading to higher compliance rates.

Table 9: Extent to which costs incurred influence SMEs' tax compliance

	N	Minimum	Maximum	Mean	Std. Deviation
The costs of tax compliance are too high for my SME.	153	1.00	5.00	3.4837	1.54368
High compliance costs discourage my SME from fully complying with tax laws.	153	1.00	5.00	3.3660	1.69656
My SME incurs significant costs to access tax-related information.	153	1.00	5.00	3.6471	1.60784
Reducing compliance costs would improve my SME's tax compliance.	153	1.00	5.00	3.7124	1.52468
The costs of online tax filing are affordable for my SME.	153	1.00	5.00	3.6471	1.56638
Valid N (listwise)	153				

Source: Field Data (2025)

4.4 Inferential statistics

4.4.1 Correlations

The study sought to analyze the correlation between availability of tax information, tax compliance, influence of tax rates, and influence of costs incurred among SMEs in Kitale Town. The study found out that the availability of tax information had a strong positive correlation with tax compliance ($r = .540, p = 0.000$), indicating that increased access to tax-related information enhances compliance among SMEs. The study further revealed that the availability of tax information also had a significant positive correlation with the influence of costs incurred ($r = .474, p = 0.000$), suggesting that SMEs with better tax information may find it easier to manage compliance costs.

The study revealed that tax compliance had a significant negative correlation with the influence of tax rates ($r = -.270, p = 0.001$), implying that higher tax rates discourage

compliance. Additionally, the study found out that tax compliance had a significant positive correlation with the influence of costs incurred ($r = .446, p = 0.000$), meaning that compliance costs affect SMEs' willingness to comply with tax regulations, the study found out that the influence of tax rates had a weak but significant positive correlation with the influence of costs incurred ($r = .227, p = 0.005$), suggesting that tax rates and compliance costs are interconnected in shaping SMEs' tax behaviors. The majority of the correlations were significant at the 0.01 level, reinforcing the impact of tax-related factors on compliance among SMEs in Kitale Town.

Table 10: Correlations

		Availability of Information	Tax Compliance	Influence of Tax Rates	Influence of Costs Incurred
Availability of Tax Information	Pearson	1	.540**	0.003	.474**
	Correlation Sig. (2- tailed)		0.000	0.973	0.000
	N	153	153	153	153
Tax Compliance	Pearson	.540**	1	-.270**	.446**
	Correlation Sig. (2- tailed)	0.000		0.001	0.000
	N	153	153	153	153
Influence of Tax Rates	Pearson	0.003	-.270**	1	.227**
	Correlation Sig. (2- tailed)	0.973	0.001		0.005
	N	153	153	153	153
Influence of Costs Incurred	Pearson	.474**	.446**	.227**	1
	Correlation Sig. (2- tailed)	0.000	0.000	0.005	
	N	153	153	153	153

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

Source: Field Data (2025)

4.4.2 Model Summary

The study sought to determine the predictive power of the independent variables (availability of tax information, influence of tax rates, and influence of costs incurred) on tax compliance among SMEs in Kitale Town. The study found out that the model had a correlation coefficient of $R = .612$, indicating a moderate positive relationship between the predictors and tax compliance.

The study further revealed that the R Square value was $.375$, meaning that 37.5% of the variance in tax compliance among SMEs in Kitale Town could be explained by the availability of tax information, tax rates, and compliance costs. The adjusted R Square value of $.362$ suggests that after accounting for the number of predictors in the model, 36.2% of the variance in tax compliance is still explained by these factors.

The study also found out that the standard error of the estimate was 4.352624 , which measures the accuracy of the model in predicting tax compliance levels among SMEs. The F Change value of 29.77029 with a corresponding R Square Change of $.375$ indicates that the model significantly explains the variations in tax compliance among SMEs. This finding suggests that tax compliance is influenced by multiple interrelated factors, with the majority of the variability accounted for by tax information, tax rates, and compliance costs.

Table 11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics		
					R Square Change	F Change	df1
1	.612 ^a	.375	.362	4.35262	.375	29.770	3

Source: Field Data (2025)

4.4.3 ANOVAa

The study sought to determine the statistical significance of the regression model in explaining the influence of tax information, tax rates, and tax compliance on the costs incurred by SMEs in Kitale Town. The study found out that the ANOVA results indicated a regression sum of squares of 1691.986 with three degrees of freedom (df = 3), resulting in a mean square of 563.995. The study further revealed that the residual sum of squares was 2822.851 with 149 degrees of freedom (df = 149), leading to a total sum of squares of 4514.837. The F-statistic was 29.770, and the model was statistically significant at $p = .000$, indicating that the independent variables (availability of tax information, influence of tax rates, and tax compliance) significantly predicted the costs incurred by SMEs.

The study also found out that the low residual sum of squares suggests that the model has a good fit in explaining the variability in compliance costs among SMEs. The majority of the variation in compliance costs can therefore be attributed to tax information, tax rates, and tax compliance.

Table 12: ANOVAa

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1691.986	3	563.995	29.770	.000 ^b
	Residual	2822.851	149	18.945		
	Total	4514.837	152			

a. Dependent Variable: Influence of Costs Incurred
b. Predictors: (Constant), Influence of Tax Rates, Availability of Tax Information, Tax Compliance

Source: Field Data (2025)

4.4.4 Coefficients

The study sought to determine the extent to which the availability of tax information, tax compliance, and tax rates influenced the costs incurred by SMEs in Kitale Town. The study found out that the constant (-0.965 , $p = .639$) was not statistically significant, indicating that without the predictor variables, the costs incurred would not be significantly different from zero. The study further revealed that the availability of tax information ($B = .341$, $p = .001$) had a significant positive influence on compliance costs, meaning that as access to tax information increases, compliance costs also increase.

The study also found out that tax compliance ($B = .512$, $p = .000$) had the highest positive influence on compliance costs, suggesting that SMEs that comply with tax regulations tend to incur higher costs, the study revealed that the influence of tax rates ($B = .285$, $p = .000$) was also a significant predictor, showing that higher tax rates lead to increased compliance costs for SMEs. The majority of the results indicated that tax compliance had the strongest impact on compliance costs, followed by tax rates and availability of tax information.

Table 13: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-.965	2.053		-.470	.639
	Availability of Tax Information	.341	.103	.259	3.312	.001
	Tax Compliance	.512	.105	.396	4.867	.000
	Influence of Tax Rates	.285	.059	.333	4.862	.000

Source: Field Data (2025)

4.4.5 Reliability

The study sought to assess the reliability of the research instrument using Cronbach's Alpha. The study found out that the Cronbach's Alpha coefficient was .885, indicating a high level of internal consistency among the items used in the study. The study further revealed that the Cronbach's Alpha based on standardized items was .853, reinforcing the reliability of the instrument. The study further found out that the number of items used to measure reliability was four, confirming the adequacy of the scale used. The majority of the results indicated that the research instrument was highly reliable for measuring the study variables.

Table 14: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.885	.853	4

Source: Field Data (2025)

4.4.6 ANOVA with Friedman's Test

The study employed Friedman's ANOVA test to assess the differences among the key factors influencing tax compliance among SMEs in Kitale Town. The results revealed a statistically significant Chi-Square value of 64.976 ($p = 0.000$), indicating that the ranked differences among the variables were significant. The study further found that the total sum of squares was 17,554.471, with a grand mean of 17.1961, demonstrating notable variations in respondents' perceptions regarding the influence of tax information availability, tax rates, and compliance costs, Kendall's coefficient of concordance (W) was 0.090, signifying a weak level of agreement among the respondents on the ranking of the tested variables.

The majority of respondents demonstrated significant variations in their perceptions, confirming that tax compliance factors exhibit varying levels of influence on SMEs in Kitale Town.

Table 15: ANOVA with Friedman's Test

		Sum of Squares	df	Mean Square	Friedman's Chi-Square	Sig
Between People		6352.471	152	41.793		
Within People	Between Items	1585.765 ^a	3	528.588	64.976	.000
	Residual	9616.235	456	21.088		
	Total	11202.000	459	24.405		
Total		17554.471	611	28.731		
Grand Mean = 17.1961						
a. Kendall's coefficient of concordance $W = .090$.						

Source: Field Data (2025)

4.5 Discussion of findings

4.5.1 Availability of tax information as a factor influencing tax compliance among SMEs

The findings of this study align with existing literature on the role of tax information in influencing SMEs' tax compliance. The study revealed that access to tax information significantly affects SMEs' ability to comply with tax regulations. This is consistent with Muiru (2022), who highlighted that the complexity and ambiguity of tax regulations present challenges to businesses, leading to costly compliance processes. The study found that SMEs in Kitale Town generally agreed that the Kenya Revenue Authority (KRA) provides sufficient tax-related resources, as indicated by the highest mean score of 4.1307. This supports Muita (2024), who established that tax knowledge plays a critical role in tax compliance, with lower levels of education correlating with lower tax awareness and higher tendencies of tax evasion.

The study further confirms that the availability of tax information enables SMEs to determine their tax obligations accurately, with a mean of 3.8301. This finding corresponds with the self-assessment tax system in Kenya, where taxpayers are responsible for calculating their taxes using relevant financial records, as outlined by the Government of Kenya (2022). However, as Muiru (2022) points out, tax compliance can be expensive and time-consuming, leading to economic losses. This is reflected in the study's finding that a lack of tax information negatively impacts compliance, with a mean of 3.5556, the study reinforces the argument that access to clear and comprehensive tax information reduces tax compliance costs and uncertainty, ultimately enhancing SMEs' adherence to tax obligations.

4.5.2 SMEs attitude and SMEs tax compliance

The study findings align with existing literature on the influence of SMEs' attitudes on tax compliance. The study found that SMEs in Kitale Town had a relatively low agreement that paying taxes is a moral obligation (mean = 2.4444), yet they strongly agreed that tax payments benefit the community through public services (mean = 4.2353). This finding supports Ambrecht (1998), who argued that various factors, including cultural perceptions, tax fairness, and peer influence, shape taxpayers' compliance behavior. The mixed attitudes observed in the study mirror Wanjohi's (2010) findings, which revealed that many Kenyan taxpayers view the tax system as unfair and struggle with understanding tax regulations, ultimately affecting compliance.

The study also highlighted that SMEs showed only moderate agreement that their attitudes positively influence compliance (mean = 2.7974), indicating that attitudes alone may not be a strong predictor of tax compliance. This is consistent with Weigel and Hessing's tax evasion behavior model, which suggests that social and psychological factors, such as perceptions of fairness and enforcement measures, play a crucial role in shaping tax compliance behavior. Kirchler (2001) further supports this by noting that attitudes toward tax evasion influence compliance levels, with those favoring evasion being less likely to comply.

Additionally, the study found that SMEs had a low agreement with justifying tax evasion due to high tax rates (mean = 2.4379). This aligns with Lewis (2021), who noted that worsening attitudes toward taxation increase tax evasion. The finding that SMEs expressed moderate willingness to comply if the tax process was simplified (mean = 2.5098) supports Kirchler's (2001) argument that trust in tax authorities and perceptions of how tax revenue is utilized affect compliance behavior, the study

reinforces that while SMEs recognize the societal benefits of taxation, their compliance is influenced by perceptions of fairness, enforcement measures, and the complexity of tax regulations.

4.5.3 Tax rates and SMEs tax compliance

The study's findings align with existing literature, emphasizing the significant influence of high tax rates on tax compliance among SMEs. The respondents' strong agreement that Kenya's tax rates are too high (mean = 4.0065) corresponds with Kaldor's (1956) assertion that marginal tax rates directly impact the motivation for tax evasion. High tax rates increase the perceived benefits of tax avoidance, leading many SMEs to seek ways to minimize their tax liability. Similarly, Devos (2024) highlights that excessive and complex tax regulations create an environment where businesses may struggle to comply fully, which resonates with the study's findings that tax rates are a major barrier to compliance (mean = 3.3987).

Moreover, the literature suggests that high tax burdens reduce SMEs' ability to expand operations, as noted by Nyamwananza et al. (2024), who argue that increased taxation lowers sales and consumption, ultimately constraining business growth. This aligns with the study's finding that respondents agreed SMEs would comply more willingly if tax rates were reduced (mean = 3.8170). Additionally, Mungaya's research (IJMBS) underscores how tax payments reduce a company's purchasing power, limiting reinvestment opportunities—a concern reflected in the study's results.

Further, the study's findings support Naibei's (2022) argument that higher tax rates contribute to tax evasion, as taxpayers feel overburdened and seek ways to reduce their liability. Lai et al. (2021) also note that the structure of the tax system plays a role in compliance, with individuals perceiving unfairness when corporate tax rates are lower

than personal income tax rates, leading to concealment of income. The study's revelation that SMEs view the number of tax types in Kenya as excessive (mean = 3.3399) mirrors concerns raised in the literature about the complexity and burden of multiple taxation, which contributes to non-compliance, the study's findings corroborate existing research by reinforcing the notion that high tax rates and a complex tax system significantly deter SMEs from fully complying with tax regulations.

4.5.4 Costs incurred by SMEs in tax compliance

The study's findings align with existing literature, highlighting the significant influence of compliance costs on tax compliance among SMEs. The respondents' agreement that the costs of tax compliance are too high for their SMEs (mean = 3.4837) corresponds with Bird's (2024) argument that compliance expenses encompass both financial and time-related costs required to meet tax obligations. The necessity to hire tax experts, maintain precise records, and navigate regulatory requirements further adds to the financial burden, making compliance more challenging for SMEs, the study found that high compliance costs discourage SMEs from fully complying with tax laws (mean = 3.3660), which is consistent with Hoffman, Novak, and Peralta's (1999) assertion that small businesses face substantial fees in tax preparation, filing, and settlement. These costs, combined with the threat of penalties and bribes, create a discouraging environment that affects SMEs' willingness to comply. The study's finding that SMEs incur significant costs to access tax-related information (mean = 3.6471) also aligns with Rohmawati (2020), who emphasized that compliance costs increase due to the complexity of tax laws, multiple tax obligations, and frequent filing requirements.

Moreover, the study revealed that reducing compliance costs would improve tax compliance among SMEs (mean = 3.7124), supporting the notion that financial and operational pressures associated with compliance can be mitigated through cost reduction strategies. This is in line with Hoffman et al. (1999), who recommend analyzing tax compliance costs to develop strategies that ease the burden on businesses. However, the study also found that SMEs consider the costs of online tax filing to be affordable (mean = 3.6471), suggesting that digital solutions might offer a cost-effective alternative to traditional compliance methods, the study reinforces the literature's perspective that high compliance costs are a major barrier to tax compliance among SMEs, and reducing these costs could lead to higher compliance rates.



Mount Kenya University

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter presents a summary of the study's key findings, conclusions drawn from the results, and recommendations based on the study objectives. The chapter also provides suggestions for further research. The study aimed to evaluate the extent to which tax rates and compliance costs influence tax compliance among SMEs in Kitale Town.

5.1 Summary of Findings

5.1.1 Availability of Tax Information as a Factor Influencing Tax Compliance Among SMEs

The study established that tax information plays a crucial role in determining tax compliance among SMEs in Kitale Town. The findings revealed that SMEs face challenges in accessing clear and timely tax-related information, leading to difficulties in understanding their tax obligations. The study found that respondents moderately agreed that tax information is not readily available, making compliance difficult. SMEs also incur significant costs to access tax-related information, as indicated by a mean of 3.6471 and a standard deviation of 1.60784.

Furthermore, it was noted that tax compliance among SMEs could be improved if tax-related information were simplified and made more accessible through various channels such as online platforms, workshops, and direct engagements with tax authorities. The study suggests that the Kenya Revenue Authority (KRA) and other

relevant stakeholders should enhance their communication strategies to ensure that SMEs are well-informed about tax policies, obligations, and deadlines. This would not only reduce errors in tax filing but also encourage voluntary compliance.

5.1.2 Influence of SMEs' Attitudes on Tax Compliance

The study revealed that SMEs' attitudes towards taxation significantly influence their level of compliance. Some respondents expressed reluctance to comply, citing concerns that government funds generated from taxes are mismanaged, leading to a lack of trust in tax authorities. This perception contributes to tax evasion and non-compliance, as businesses feel that their contributions do not result in tangible benefits such as improved infrastructure or business support programs, the study found that a significant number of SMEs comply with tax regulations not out of willingness but due to the fear of penalties and legal consequences. This suggests that punitive measures alone may not be sufficient to enhance tax compliance unless coupled with efforts to build trust between SMEs and tax authorities.

Respondents also indicated that if they saw direct benefits from tax payments, such as improved business environments and government support, they would be more willing to comply voluntarily. This underscores the need for increased transparency in tax utilization and better engagement between the government and taxpayers to foster a positive attitude toward tax compliance.

5.1.3 Influence of Tax Rates on Tax Compliance Among SMEs

The study found that the majority of respondents strongly agreed that the current tax rates in Kenya are too high for their SMEs, as reflected by a mean of 4.0065 and a standard deviation of 1.53253. High tax rates were identified as a major challenge to

tax compliance, discouraging SMEs from meeting their tax obligations fully. It was also revealed that high tax rates negatively impact SMEs' willingness to comply, with a mean of 3.5882 and a standard deviation of 1.73785. Many SMEs believe that the tax burden is excessive, affecting their profitability and sustainability. Additionally, respondents moderately agreed that the number of different tax types in Kenya is excessive, making compliance more complex and costly. The study recorded a mean of 3.3399 and a standard deviation of 1.85019 in relation to this concern.

A key finding was that respondents strongly believed that SMEs would comply more willingly if tax rates were reduced, as indicated by a mean of 3.8170 and a standard deviation of 1.59538. This suggests that lowering tax rates could encourage greater compliance among SMEs. The study further confirmed that high tax rates are a major barrier to tax compliance, with a mean of 3.3987 and a standard deviation of 1.80766.

These findings align with existing literature, which indicates that excessive tax rates often lead to tax avoidance and evasion. SMEs, which already operate on limited financial resources, may resort to underreporting income or avoiding tax obligations altogether if they perceive tax rates as punitive. The government and tax authorities may need to review tax policies to create a more favorable environment for SMEs by considering tax incentives, lower rates, or simplified tax structures to enhance compliance.

5.1.4 Influence of Compliance Costs on Tax Compliance Among SMEs

The study established that compliance costs play a significant role in determining tax compliance among SMEs in Kitale Town. Respondents moderately agreed that the costs associated with tax compliance, including administrative, legal, and operational expenses, are too high for their businesses, with a mean of 3.4837 and a standard

deviation of 1.54368. High compliance costs discourage SMEs from fully complying with tax laws, as indicated by a mean of 3.3660 and a standard deviation of 1.69656. Many SMEs struggle to meet compliance requirements due to the financial burden associated with hiring accountants, legal consultants, and purchasing tax-related software or systems.

Additionally, the study found that respondents agreed that their SMEs incur significant costs to access tax-related information, with a mean of 3.6471 and a standard deviation of 1.60784. This suggests that not only are tax rates a challenge, but the process of compliance itself presents additional financial strain on SMEs, the study revealed a positive aspect regarding online tax filing, where respondents agreed that the costs of online tax filing are relatively affordable for SMEs, with a mean of 3.6471 and a standard deviation of 1.56638. This indicates that digital tax platforms, such as the iTax system, may be providing some relief in terms of cost-effective tax filing options.

Despite this, the overall sentiment from the findings was that reducing compliance costs would significantly improve SMEs' tax compliance, as reflected in the highest mean score of 3.7124 and a standard deviation of 1.52468. This highlights the importance of streamlining tax processes, reducing administrative burdens, and offering incentives such as tax breaks or discounts to SMEs to encourage compliance. These findings are consistent with existing research, which indicates that the higher the compliance costs, the lower the willingness of taxpayers, particularly SMEs, to comply with tax regulations. Simplifying tax procedures, reducing paperwork, and minimizing bureaucratic hurdles can contribute to improved compliance rates among small businesses.

5.2 Conclusion of the Study

The study concluded that limited access to tax information negatively affects SMEs' tax compliance in Kitale Town. Complex tax regulations and inadequate dissemination of information force SMEs to rely on costly professional assistance, reducing voluntary compliance. Enhancing tax education and accessibility can improve compliance levels.

The study concluded that negative perceptions of taxation, influenced by mistrust in tax authorities and perceived unfairness in tax administration, discourage compliance among SMEs. Strengthening transparency, demonstrating the benefits of taxation, and fostering positive taxpayer engagement can improve compliance.

The study concluded that high tax rates discourage SMEs from complying with tax regulations. Multiple tax obligations and excessive rates increase financial strain, prompting tax evasion. Reducing tax rates and simplifying the tax structure would encourage higher compliance levels.

The study concluded that high compliance costs, including administrative and filing expenses, pose a significant barrier to tax compliance for SMEs. While online tax filing has reduced some costs, further simplification and cost reduction in tax procedures would enhance compliance.

5.3 Recommendations of the study

The study recommended that the Kenya Revenue Authority (KRA) enhance tax education programs and improve access to simplified tax information through digital platforms, workshops, and outreach programs tailored for SMEs.

The study recommended that tax authorities foster trust by promoting transparency, reducing bureaucratic inefficiencies, and demonstrating the benefits of tax compliance through visible public service improvements.

The study recommended that the government review and restructure tax rates to make them more SME-friendly. Simplifying the tax system and reducing multiple tax obligations would ease the burden and encourage voluntary compliance.

The study recommended that measures be put in place to reduce compliance costs for SMEs, such as automating tax processes, providing tax incentives, and offering free or subsidized advisory services to help SMEs meet their tax obligations efficiently.

5.4 Recommendations for Further Studies

The study recommended further studies on the impact of digital tax systems on SMEs' compliance to assess how digital tax platforms influence tax compliance and whether they reduce the cost and complexity of filing taxes.

The study recommended further studies on the role of tax incentives in enhancing SMEs' compliance to examine how tax incentives, such as exemptions and lower rates, influence tax compliance among SMEs.

The study recommended further studies on a comparative analysis of tax compliance between SMEs and large enterprises to evaluate differences in compliance behavior and challenges faced by SMEs compared to larger corporations.

The study recommended further studies on the effect of government policies on SMEs' tax compliance to analyze how changes in tax policies and regulations impact SMEs' willingness and ability to comply.

REFERENCES

- Amabali, A.R. (2019). Discusses The E-Government Policy And Its Challenges In The E-Filing System. *The European Journal Of Social Sciences, Volume 21, Number 13, Pages 189-45.*
- Baru, A. (2016). The Influence Of Tax Knowledge On Tax Compliance. The Citation Is From The Journal Of Advanced Research. *Business And Management Studies, Volume 6, Issue 2, Pages 22-30.*
- Bauer, I.L. (2021). Tax Authorities And Small And Medium-Sized Enterprises (Smes) In Developing Nations.
- Bernama, A. (1986), Reports That the IRB Has Observed A 30 Percent Rise In E-Filing. *Obtained From The Website [Www.Bernama.Com](http://www.bernama.com) On June 26th, 2024.*
- Bird, R.M. (2024). What Insights Have We Gained From Five Decades Of Research On The Relationship Between Taxation And Development?The Citation Is From The Journal "Public Finance And Management", Volume 13, Issue 4, Pages 266-288.
- Chang, I.C., Li, Y.C., Hung, W.F., and Hwang H.G. (2021). A Study Was Conducted To Examine The Influence Of Quality Factors On The Acceptance Of Internet Tax Filing Systems By Taxpayers. The Publication Is Titled "Government Information Quarterly 22."
- Cooper, R. D. (2024). *Methods For Conducting Research In The Field Of Business.* The Organization Is Known As The Mcgraw-Hill School Education Group.

- Devos, K. (2024). Factors That Impact The Behavior Of Individual Taxpayers In Complying With Tax Obligations. *Corporate Journalism Dordrecht*.
- Hoffman, D.L., Novak, T.P., And Peralta, M. (1999 C) The Article Titled "Building Consumer Trust Online" Was Published In The Communications Of The ACM Journal, Volume 42, Issue 4.
- K.R.A. Stands For Key Results Area And It Refers To The Main Areas Of Responsibility Or Objectives That An Individual Or Organization Focuses On. *The Reference To 2022 Indicates That The K.R.A The Tenth Corporate Plan. The Kenya Revenue Authority. K.R.A.*
- Kothari, C. (2024). *Study Methodology: Approaches And Procedures*. The Book Was Published By New Age International (P) Ltd. In New Delhi, India.
- Maobe, D. (2020). The Impact Of Group Liability Lending On The Performance Of Medium And Small Enterprises In Nairobi's Uhuru Market. *The Citation Is From The Journal Of Sustainable Development In Africa, Volume 3, Issue 3, Pages 9 To 13.*
- Mika Mungaya. The Publication Is Titled "IJMBS Vol. 2, Issue 3, July - Sept 2022." An Analysis Of The Influence Of The Tax System On The Expansion Of Small And Medium Enterprises (Smes). Regarding Shinyanga.
- Muita, E.W. (2021) Influential Factors Affecting The Adoption And Utilization Of The E-Filing System Of The Kenya Revenue Authority Among Large Taxpayers. An MBA Project That Has Not Been Published Was Submitted To The JKUAT Nairobi Central Business District Campus.

- Naibei, G. M. (2022). The Study Examines The Correlation Between Income Size, Inspection, And VAT Compliance Among Private Firms In Kenya. *The African Research Review Has The ISSN Number 1994-9057*.
- Ng Lee Bee (2018) An Investigation Into The Way Taxpayers Perceive The Implementation Of A Personal Tax E-Filing System.
- Nyamwananza, T., Mavhiki, S., Mapetere, D., And Nyamwanza, L. (2024). A Study Examining The Mindset And Behaviors Of Small And Medium-Sized Enterprises (Smes) In Zimbabwe About Their Adherence To Tax Regulations. *Harare: Sage Is Now Accessible*.
- Oladipupo, A.O. And Obazee, U. (2016). The Focus Of This Study Is To Examine The Level Of Tax Knowledge, Penalties, And Tax Compliance Among Small And Medium Scale Enterprises In Nigeria. *The Citation Provided Is From The Journal Ibusiness, Volume 8, Pages 1-9. The Article Has A DOI (Digital Object Identifier) Of 10.4236/Ib.2016.81001*.
- Pope, Jeff, And Nthati Ramtse (2001), The Publication Titled "Small Business And The Goods And Services Tax: *Compliance Cost Issues*" Was Produced By *Mimeograph At Curtin University In Perth, Australia*.
- Programme, A. P. (2022). The Primary Focus Of The Budget In Kenya Is On The Informal Sector And Taxation.
- Rohmawati, Lusia, And Others (2020). The Study Examines The Impact Of Socialization Of Taxation And Knowledge On Awareness Levels And Taxpayer Compliance Among Personal Taxpayers Engaged In Business And

Employment In STO North Gresik. Records Of The National Symposium On Taxation.

Swistak, A. (2016). *Penalties Imposed On Small And Medium-Sized Enterprises For Non-Compliance With Tax Regulations*. The Citation Is From The Journal "Financial Theory And Practice", Volume 40, Issue 1, Pages 129-147.

Tan, S., K., Mohd, F., M., S., And Aza, A. K. (2017). *Factors Influencing Tax Compliance Behavior Of Individual Taxpayers In Peninsular Malaysia*. The Citation Is From The International Business And Accounting Research Journal, Volume 1, Issue 1, Pages 26-43.

The Article Titled "Extrinsic And Intrinsic Motivation To Use Computers" By Davis, F.D., Bagozzi, R.P., And Warshaw, P.R. Was Published In The Journal Of Applied Social Psychology In 1992. *The Article Can Be Found In Volume 22, Issue 14, Pages 159-27.*

The Authors Of The Publication Are Lai, Ming-Ling, Obid, Siti-Normala, Meerea, And Ahamed K. The Publication Was Released In 2021. An Empirical Investigation Of The Relationship Between Tax Practitioners And The Electronic Filing System. The Journal Is Called "*Academy Of Accounting And Financial Studies Journal*".

The Authors Of The Publication Are Sreejesh, S., Mohapatra, S., And Anusree, M. R. The Publication Was Released In 2024. Methodology For Conducting Research In The Field Of Business. The Book Was Published By New Age International (P) Ltd., Publishers In New Delhi, India.

Tran-Nam, B. (2016). The Conceptual And Measurement Issues Surrounding Tax Reform And Tax Simplification, As Well As The Experiences Of Australia In This Regard. The Citation Provided Is For An Article Titled "International Journal Of Management, Business And Administration," Which Is Published In Volume 14, Issue 2, And Spans Pages 1 To 6.

Twamzehirwa, D. S. (2017). Perceptions Of Tax Compliance Among Small And Medium-Sized Enterprise (SME) Taxpayers The Citation Is From The Leadership Quarterly Journal, Volume 7, Issue 3, Pages 385-425.

Wadesango, N., Mutema, A., Mhaka, C., And Wadesango, V. O. (2018). The Tax Compliance Of Small And Medium Enterprises (Smes) Using The Self-Assessment System Is A Topic That Involves Several Concerns And Challenges. The Citation Is From The Academy Of Accounting And Financial Studies Journal, Volume 22, Issue 3.

Wang, Y.S., (2019). *An Empirical Study On The Use Of Electronic Tax Filing Systems*. The Source Cited Is "Government Information, Government Quarterly, 20."

Wanjohi, M. S. (2010). The Relationship Between The Attitude Of Taxpayers And Their Compliance Behavior About Taxes In Small And Medium-Sized Enterprises (Smes).Attitude Of Taxpayers And Their Compliance Behavior With Regards To Taxes In Small And Medium-Sized Enterprises (Smes).

Wasao, D. (2024). *The Impact Of The Online Tax System On Tax Compliance Among Small Taxpayers In The East Of Nairobi Tax District*. The Citation Is From The International Review Of Management And Business Research, Volume 3, Issue 4, Pages 123-230.

Zachary, J. M. N., Kariuki, S., And Mwangi, S. (2017). The Study Examines The Expenses Incurred By Small And Medium Firms In Embu County, Kenya, In Order To Comply With Tax Regulations And Make Tax Payments. The Citation Is From The International Academic Journal of Economics and Finance, volume 2, issue 3, pages 206-219.



APPENDICES

Appendix I: Introduction Letter

**Veronicah Mbatia,
P.O Box 1342-30200,
Kitale, Kenya.
+254715246361**

Dear Respondent,

At the moment, I'm attending Mount Kenya University in an effort to get my Master of Science in Business Administration degree. Currently, I'm taking part in an academic project that aims to analyze how small and medium-sized enterprises (SMEs) in Kitale, a town in Trans-nzoia County, Kenya, are affected by online taxes and tax compliance. If you would want to participate in the study, I kindly ask that you complete out the questionnaire. I eagerly await your response.

My study's overarching goal is to delve into several facets of taxes, such as tax rates, tax data, SMEs' points of view, and the costs associated with complying with tax laws. Approximately thirty minutes should be allotted to finish the questionnaire. There is zero pressure on you to fill out the survey, and we promise to keep your answers secret.

Your information will be handled with the highest level of privacy and confidentiality at all times; I want you to know that. Your capacity to respond to each query with detailed and educated responses is really appreciated.

Your support is much anticipated.

Thank you.

**Yours sincerely,
Veronicah Mbatia.**

Appendix II: Questionnaire

Instructions

Finding out how internet taxes and compliance rates have impacted small and medium-sized enterprises (SMEs) in Kitale, Trans-nzoia County, Kenya is the main goal of this research. We assure you that any data obtained will be handled with the highest confidentiality and will only be utilized for academic reasons. Please take the time to fill out this survey in an impartial manner.

Please indicate your response by marking the corresponding checkbox. Please provide detailed responses in the provided spaces for queries that need more explanation. Please utilize the space provided at the back of this survey if you require additional room to submit your responses.

Retype this questionnaire to place where the respondents can check out or fill where there is no space to fill.

Questionnaire

SECTION A: GENERAL INFORMATION (DEMOGRAPHICS)

1. **Name of SME:**

.....
.....

2. Respondent's Role in the Company:

- Entrepreneur/C-suite Executive
- CFO
- Accountant

- Other (please specify): _____

3. How long has the SME been in operation?

- 0–1 years
- 1–5 years
- 6–10 years
- Over 10 years

4. **Primary Line of Business:**

.....

.....

5. Type of Business:

- Retail
- Service
- Commercial
- Other (please specify): _____

6. Average Monthly Revenue:

- Less than Ksh 500,000
- Ksh 500,000–1,000,000
- Ksh 1,000,000–2,000,000
- Ksh 2,000,000–3,000,000
- More than Ksh 3,000,000

7. Does your SME have a PIN (Personal Identification Number)?

- Yes
- No

8. Number of Employees:

- 20 or fewer



- 21–50
- 51–80
- 81–100

SECTION B: OBJECTIVE-BASED QUESTIONS

Availability of Tax Information

No.	Question	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Tax information is easily accessible to SMEs in Kitale town.					
2	The availability of tax information helps my SME comply with tax regulations.					
3	Lack of tax information negatively affects my SME's tax compliance.					
4	The Kenya Revenue Authority (KRA) provides sufficient tax-related resources.					
5	My SME can accurately determine the taxes owed due to available information.					

Attitudes of SMEs Toward Tax Compliance

No.	Question	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	Paying taxes is a moral obligation for my SME.					
2	My attitude toward taxes positively influences my SME's tax compliance.					
3	Paying taxes benefits					

No.	Question	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
	the community through public utilities and services.					
4	I believe tax evasion is justified due to high tax rates.					
5	My SME is willing to comply with tax regulations if the process is simplified.					

Influence of Tax Rates

No.	Question	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	The current tax rates in Kenya are too high for my SME.					
2	High tax rates negatively affect my SME's willingness to comply.					
3	The number of tax types in Kenya is excessive.					
4	My SME would comply more willingly if tax rates were reduced.					
5	Tax rates are a major barrier to tax compliance for SMEs in Kitale town.					

Influence of Costs Incurred

No.	Question	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	The costs of tax compliance are too high for my SME.					
2	High compliance costs discourage my SME from fully complying with tax laws.					
3	My SME incurs significant costs to access tax-related information.					
4	Reducing compliance costs would improve my SME's tax compliance.					
5	The costs of online tax filing are affordable for my SME.					

SECTION C: COSTS INCURRED FOR TAX COMPLIANCE (Objective 4)

To examine the extent to which costs incurred influence SMEs' tax compliance in Kitale town.

1. If your business is subject to taxes, how is it impacted by the cost of compliance?

.....

2. Out of all the costs associated with tax compliance, which one is the highest?

.....

SECTION D: STRATEGIES FOR IMPROVING TAX COMPLIANCE

(Additional Section)

1. What additional obstacles do you think impact small and medium-sized enterprises' tax compliance?

.....
.....

2. Should Kenya's tax system be enhanced?

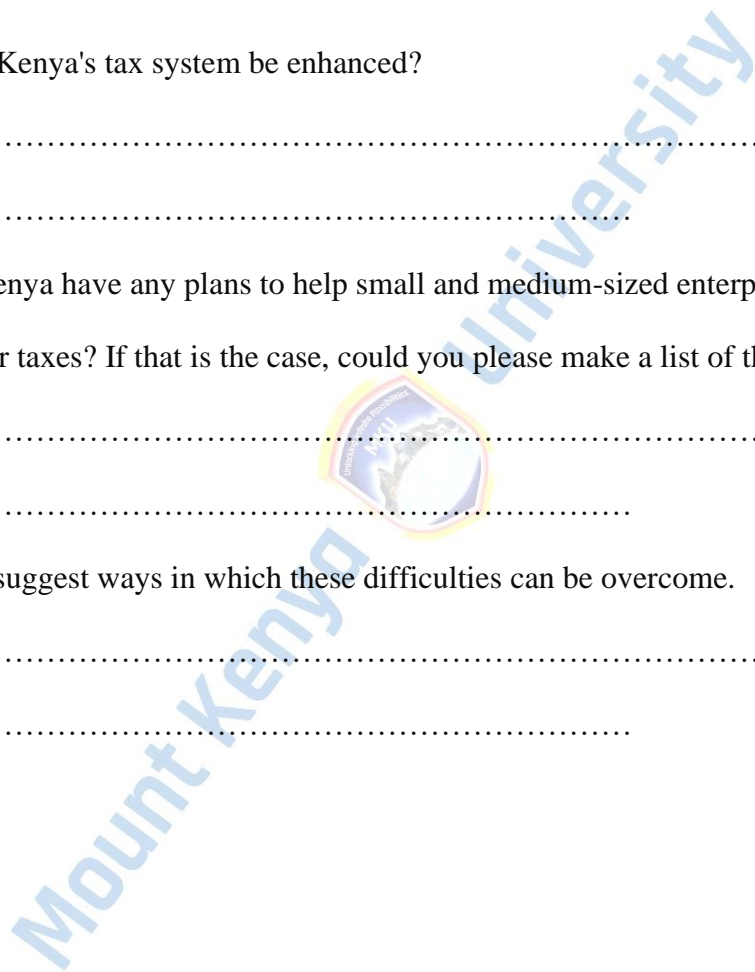
.....
.....

3. Does Kenya have any plans to help small and medium-sized enterprises (SMEs) pay their taxes? If that is the case, could you please make a list of them?

.....
.....

4. Kindly suggest ways in which these difficulties can be overcome.

.....
.....



Appendix III: ERC Letter



REF: MKU/ISERC/4580
TO: VERONICAH NJOKI MBATIA

Date: 15 November 2024

REG: MBA/2023/41161

Dear Sir/Madam,

RE: ANALYSIS OF THE INFLUENCE OF ONLINE TAX FILING ON TAX COMPLIANCE AMONG SMALL AND MEDIUM ENTERPRISES IN KITALE TOWN, TRANS-NZOIA COUNTY, KENYA

This is to inform you that **Mount Kenya University** has reviewed and approved your above research proposal. Your application approval number is **3302**. The approval period is **15/11/2024 - 14/11/2025**.

This approval is subject to compliance with the following requirements:

- i. Only approved documents including informed consents, study instruments, MTA will be used
- ii. All changes including amendments, deviations and violations are submitted for review and approval by **Mount Kenya University**
- iii. Death and life-threatening problems and serious adverse events or unexpected adverse events whether related or unrelated to the study must be reported to **Mount Kenya University** within 72 hours of notification
- iv. Any changes, anticipated or otherwise that may increase the risks or affect the safety or welfare of study participants and others or affect the integrity of the research must be reported to **Mount Kenya University** within 72 hours
- v. Clearance for export of biological specimens must be obtained from relevant institutions
- vi. Submission of a request for renewal of approval at least 60 days prior to expiry of the approval period. Attach a comprehensive progress report to support the renewal
- vii. Submission of an executive summary report within 90 days upon completion of the study to **Mount Kenya University**

Prior to commencing your study, you will be expected to obtain a research license from National Commission for Science, Technology and Innovation (NACOSTI) <https://research-portal.nacosti.go.ke> and also obtain other clearances needed.

Yours sincerely,

Dr. Alfred Owino, PhD
Chairman, Mount Kenya University ISERC



Main Campus, General Kago Road, P.O. Box 342-01000 Thika.
Tel: +254 20 287 8000, Cell: +254 709 153 000
Email: info@mku.ac.ke, Web: www.mku.ac.ke
Chartered and ISO 9001:2015 Certified

Appendix IV: Introduction Letter



DIRECTORATE OF GRADUATE STUDIES

MBA/2023/41161

18th November, 2024

*National Commission for Science Technology & Innovation (NACOSTI)
Off Waiyaki Way, Upper Kabete,
P.O Box 30623- 00100
NAIROBI, KENYA*

Dear Sir/Madam,

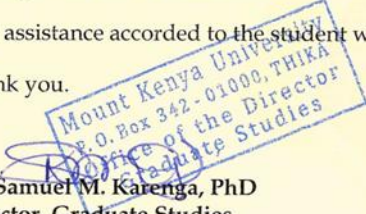
RE: VERONICAH NJOKI MBATIA - REGISTRATION NO. MBA/2023/41161

The purpose of this letter is to introduce the above named student who is pursuing **Master of Business Administration** in the department of **Accounting and Finance** in the school of **Business and Economics**.

The title of the research is *"Influence of Online Tax Filing on Tax Compliance Among Small and Medium Enterprises in Kitale Town, Trans-Nzoia County, Kenya."* It has been cleared by the University's Ethics Review Committee (Certificate attached) and now has to proceed to the field to collect data between **November, 2024 and January, 2025**.






Any assistance accorded to the student will be highly appreciated.

Thank you.


Dr. Samuel M. Karenga, PhD
Director, Graduate Studies
Enc.

Main Campus, General Kago Road, P.O. Box 342-01000 Thika.
Cell: +254 709 153 000 / +254 709 153 200
Email: info@mku.ac.ke, Web: www.mku.ac.ke
Chartered and ISO 9001 : 2015 Certified Institution.
Unlocking Infinite Possibilities

Appendix V: NACOSTI Letter

 REPUBLIC OF KENYA	 NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
Ref No: 288940	Date of Issue: 29/November/2024
RESEARCH LICENSE	
	
<p>This is to Certify that Ms. VERONIAH NJOKI MBATIA of Mount Kenya University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Transzoia on the topic: ANALYSIS OF THE INFLUENCE OF ONLINE TAX FILING ON TAX COMPLIANCE AMONG SMALL AND MEDIUM ENTERPRISES IN KITALE TOWN, TRANS-NZOIA COUNTY, KENYA. for the period ending : 29/November/2025.</p>	
License No: NACOSTI/P/24/414264	
288940	
Applicant Identification Number	Director General NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY & INNOVATION
	Verification QR Code
	
<p>NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR Code using QR scanner application.</p>	
See overleaf for conditions	

Appendix VI: Similarity Index

VERONICAH NJOKI MBATIA

ANALYSIS OF THE INFLUENCE OF ONLINE TAX FILING ON TAX COMPLIANCE AMONG SMALL AND MEDIUM ENTERPRISE...

MBA 2025
MASTERS
Mount Kenya University

Document Details

Submission ID
trn:oid::1:3175928619

Submission Date
Mar 7, 2025, 2:17 PM GMT+3

Download Date
Mar 7, 2025, 2:46 PM GMT+3

File Name
VERONICAH_NJOKI_MBATIA.docx

File Size
253.0 KB

94 Pages
20,177 Words
108,666 Characters



turnitin Page 2 of 107 - Integrity Overview

Submission ID trn:oid::1:3175928619

20% Overall Similarity

The combined total of all matches, including overlapping sources, for each database.

Exclusions

- 1 Excluded Source

Match Groups

- 350 Not Cited or Quoted 20%**
Matches with neither in-text citation nor quotation marks
- 36 Missing Quotations 2%**
Matches that are still very similar to source material
- 2 Missing Citation 0%**
Matches that have quotation marks, but no in-text citation
- 0 Cited and Quoted 0%**
Matches with in-text citation present, but no quotation marks

Top Sources

- 19% Internet sources
- 7% Publications
- 12% Submitted works (Student Papers)

Integrity Flags

0 Integrity Flags for Review

No suspicious text manipulations found.

Our system's algorithms look deeply at a document for any inconsistencies that would set it apart from a normal submission. If we notice something strange, we flag it for you to review.

A Flag is not necessarily an indicator of a problem. However, we'd recommend you focus your attention there for further review.