DECLARATION

I declare that this research project is my original work and any of its content has never been submitted to any other institution for the award of Masters, degree, diploma or certificate.

Signature: ___________________________ Date: ___________________________

MARGARET AWITTA
Registration No.: D61/8858/05

This project has been carried out by the student under my supervision and I confirm that it is being submitted to the university with my approval as the University supervisor.

Signature: ___________________________ Date: ___________________________

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University of Nairobi
DEDICATION

My foremost gratitude goes to our Almighty God for enabling and guiding me through my academic life. I dedicate this research to my parents Major General Awitta & Mrs. Emily Awitta for their undying support and love. I have no doubt in my mind that without their continued support and counsel I could not accomplish this process. It is also dedicated to my brother Greg, sisters Cathy, Fiona and Samantha.
ACKNOWLEDGEMENT

I would like to express my gratitude to my Supervisor Dr. Gathungu whose expertise, understanding and patience added considerably to my graduate experience. I appreciate his vast knowledge and skill in many areas, his belief that it was indeed possible to finish kept me going. He is one professor who truly made a difference in my life. He provided me with direction, technical support and became more of a mentor and friend than a professor. It was through his persistence, understanding and kindness that I completed this research.
ABSTRACT

Developing effective ways in revenue collection has been an important matter in tax and revenue collection. The advent of new instruments to help businesses work more efficiently affects the way taxes and revenues are collected. KRA embarked on extensive implementation of various revenue collection strategies in its operations. This was to significantly enhance revenue collection in all Departments. Implementation of innovative revenue collection strategies was supposed to improve its organization structures, training, manpower planning, developing teamwork among management and staff, new approaches to reward management and adaptation of total quality management. The influences of various revenue collection strategies on revenue collection have not been investigated. The purpose of this study is to examine the effectiveness of revenue collection strategies at KRA in Nairobi.

The descriptive research design will be adopted with focus on quantitative characteristics and status of revenue collection strategies at KRA with regard to enhancements of revenue collection. The target population will be staff of KRA in Nairobi and its branches. Although there are 3,905 staff, the focus will be senior tax officers who are 1,540. Stratified random sampling technique will be used to select a sample of 154 staff. In this study, data will be collected using a questionnaire which will be administered through face to face interviews.

Data analysis will be done using a statistical package for social scientists (SPSS). First, data will be collected, cleaned, sorted and collated. All the data will be matched and coded to maintain the temporary employees’ confidentiality. Then, it will be entered in a computer, after which analysis will be done. Descriptive statistics in the form of pie charts, contingency tables and bar graphs will be used to describe the data. Then measures of association will be used to examine the relationship between the independent and dependent variables. This will be followed by analysis using inferential statistics such as Pearson correlation to examine the relationship between variables.
TABLE OF CONTENTS

DECLARATION ........................................................................................................................... i
DEDICATION ............................................................................................................................ ii
ACKNOWLEDGEMENT .............................................................................................................. iii
ABSTRACT ............................................................................................................................... iv
TABLE OF CONTENTS ............................................................................................................. v
LIST OF TABLES ..................................................................................................................... vi
LIST OF FIGURES ................................................................................................................... vii
LIST OF ABBREVIATIONS ..................................................................................................... viii

CHAPTER ONE: INTRODUCTION .................................................................................. 1
1.1 Background ......................................................................................................................... 1
1.1.1 Revenue Collection in Kenya ........................................................................................ 3
1.1.2 Kenya Revenue Authority ............................................................................................ 4
1.2 Statement of the Problem ................................................................................................. 8
1.3 Objective of the Study ...................................................................................................... 10
1.4 Significance of the Study ................................................................................................. 10

CHAPTER TWO: LITERATURE REVIEW ................................................................. 12
2.1 Introduction ......................................................................................................................... 12
2.2 Revenue Collection Strategies ....................................................................................... 12
2.2.1 Reform and Modernization of Operations Strategy ................................................... 13
2.2.2 Staff Training Strategy ............................................................................................... 15
2.2.3 Institution of Performance Contracts Strategy ......................................................... 18
2.2.4 Enhancing Voluntary Compliance Strategy .............................................................. 20
2.2.5 Tax Payer Education Strategy ................................................................................... 22
2.3 Related Studies .................................................................................................................. 24
2.4 Conceptual Framework ................................................................................................... 26

CHAPTER THREE: RESEARCH METHODOLOGY .................................................. 29
3.1 Introduction ......................................................................................................................... 29
3.2 Research Design ................................................................................................................ 29
3.3 Target Population ............................................................................................................. 29
3.4 Sample Design .................................................................................................................. 30
3.5 Data Collection ................................................................................................................ 32
3.6 Data Analysis ...................................................................................................................... 32

CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION .................. 33
4.1 Introduction ......................................................................................................................... 33
4.2 Demographic Information ............................................................................................... 34
4.3 Revenue Collection Strategies ....................................................................................... 44

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS ............... 60
5.1 Introduction ......................................................................................................................... 60
5.2 Summary ............................................................................................................................ 60
5.3 Conclusions ....................................................................................................................... 63
5.4 Recommendations ............................................................................................................ 64
5.5 Suggestions for further studies ....................................................................................... 64
5.6 Limitations of the Study ................................................................................................. 65

REFERENCES ...................................................................................................................... 66
Appendix I: Introduction Letter to Respondents ................................................................. 67
Appendix II: Research Questionnaire ................................................................................. 68
Appendix II: Authorization Letter to Collect Information ................................................... 69
LIST OF TABLES

Table 1.1 Revenue Collection by Department: FY 2005/06 - 2007/08 in Kshs. Million... 8
Table 3.1: Target Population by Grade.................................................................................30
Table 3.2: Study Population and Sample Size......................................................................31
Table 4.1 Response Rate..........................................................................................................33
Table 4.2 Gender of the Employees Respondents..........................................................34
Table 4.3 Gender of the Taxpayers Respondents ................................................................35
Table 4.4 Educational Qualification of the Respondents ....................................................37
Table 4.5 Job Grade of the Respondents ..............................................................................38
Table 4.6 Age of taxpayers respondents...............................................................................41
Table 4.7 Information on Revenue collection strategies by Employees............................45
Table 4.8 Information on Revenue collection Strategies by Tax payers ............................47
Table 4.9 Aspects on Institution of Performance contracts on KRA Employees .............48
Table 4.10 Aspects on Staff Training by Employees ..........................................................50
Table 4.11 Aspects on Voluntary Compliance by Employees ............................................52
Table 4.12 Aspects on Voluntary Compliance by Taxpayers ..............................................54
Table 4.13 Aspects on Taxpayer Education by Employees................................................56
Table 4.14: Aspects on Taxpayer Education by taxpayers.................................................58
LIST OF FIGURES

Figure 1.1 KRA Organization Structure ................................................................. 6
Figure 2.1 Conceptual Model .................................................................................. 27
Figure 4.1 Marital Status of respondents ................................................................. 35
Figure 4.2: Age of the Respondents ...................................................................... 36
Figure 4.3 Employment Period at KRA ................................................................. 39
Figure 4.4 Registered Taxpayers by KRA ................................................................. 40
Figure 4.5 Level of Education ............................................................................... 42
Figure 4.6 Nature of Employment ......................................................................... 43
Figure 4.7: Category of Taxes paid by Tax payers ................................................ 44
# LIST OF ABBREVIATIONS

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>FY</td>
<td>Financial Year</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>KRA</td>
<td>Kenya Revenue Authority</td>
</tr>
<tr>
<td>URA</td>
<td>Uganda Revenue Authority</td>
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CHAPTER ONE: INTRODUCTION

1.1 Background

A strategy is the product market scope of a company. This refers to a decision of what to produce and in which market. If the environment is stable, an organization can operate without changing its product-market focus (Ansoff, 1990). However, environmental changes would require changes in the organization’s product-market focus, that is, its strategy. Product-market focus relates to conditions of the external environment, which has to be incorporated into strategy. A company’s efforts are futile when the products the company is producing or the market it is serving is not a reflection of the demands of the external environment. Strategy, structure and environment interact to increase organizational performance (Ansoff, 1990).

Organizations are environment dependent (Ansoff and McDonnell, 1990). They obtain their inputs from their environment and after transformation they discharge their outputs into the same environment (Porter, 1985). The organization’s external environment consists of all the conditions and forces that affect its strategic options and defines its competitive situation (Pearce and Robinson, 2003). Therefore, for an organization to succeed in achieving its objectives, it must pay close attention to its external environment. Porter (1985) argued that as competitive pressures mount, organizations are compelled to consider strategies that will help them become more innovative, productive, and efficient. It is essential that organizations maximize all resources to optimize the effectiveness of their operations.

According to Peter Drucker a prolific and influential management thinker, efficiency is doing things rights: effectiveness is doing the right things. The success of any
organization requires both the right strategy and operational effectiveness which is achieved when an organization performs similar activities better than its competitors. Operational effectiveness requires continual improvement in all facets of the organization, there are no trade-offs. Moreover, according to Porter (1996) a company can outperform rivals only if it can establish a difference it can preserve. An organization must deliver greater value to customers or create comparable value at lower cost, or do both. However, Porter argues that most companies today compete on the basis of operation effectiveness.

The state of best practice is the sum of all existing best practices at any given time or the maximum value that a company can create at a given cost, using the best available technologies, skills, management techniques and, purchased inputs. Thus, when a company improves its operations effectiveness, it moves toward the state of best practices. The state of best practice constantly gets higher as new technologies and management approaches are developed and as new inputs become available. To keep up with the shifts in best practices, managers must adopt techniques like continuous improvement, empowerment and learning organization among others. Although companies improve on multiple dimensions of performance at the same time as they move toward the state of best practices, most of them fail to compete successfully on the basis of operational effectiveness over an extended period of time. The reason for this being that competitors are quickly able to imitate best practices like management techniques, new technologies and input improvements.

Farell (1957) proposed that efficiency consists of two components: Technical efficiency and allocative efficiency. The former reflects the ability of a Decision-Making Unit to minimize input use as to produce a given amount of output. The latter reflects the ability
of the Unit to use inputs in optimal proportions, given their respective prices and the production technology. Together, these two measures represent a total efficiency measure (Coelli et al., 1997). Efficiency ratios take on a value between zero and one, where one indicates that the Decision Making Unit is fully efficient. For example, an efficiency score measured against a cost frontier of 90% signifies that the Decision Making Unit could have reduced costs by 10% without altering its output vector.

Strategies pursued by firms to enhance their efficiency will depend on their objectives which can differ from one form to another. However all firms, regardless of the structure of the market in which they operate, are assumed to have as their sole objective the maximization of profits (Porter, 1998). For organizations dealing with collection of state revenue such as the Kenya Revenue Authority (KRA), alternative strategies to revenue maximization range from introducing initiatives such as quarterly and annual revenue targets, performance appraisal measures, public education through taxpayer education forums, provision of information services, and the introduction of management information systems department. The establishment of the new business initiatives such as establishment of a Public Relations office, and setting up of a Research and Corporate Planning department had slightly increased revenue collection (Tax Point No. 98, Kenya Revenue Authority, 2006).

1.1.1 Revenue Collection in Kenya

Government of Kenya raises most of its revenue through enhancing elasticity of the existing tax system that is, rationalizing and regulating expenditure through strict fiscal controls (Muriithi, M and Moyi, E. 2003). The tax structure generally consists of the direct and indirect taxes. Regarding direct taxes, the factors that produce the incomes are
assumed to pay the taxes, while for the indirect taxes, households, families and firms that
consume the taxed items pay the associated taxes (Chan, 2000). Direct taxes often
include corporate tax, personal income tax, withholding tax, rental income tax, tax on
interest in banks and presumptive income tax. An example of indirect tax is Value Added
Tax.

Karingi et al (2005) argues that in revenue collection, tax administration is crucial in the
implementation of a properly designed tax. Tax administration consists of three
interrelated activities: a) the identification of tax liabilities based on existing tax laws, b)
the assessment of taxes to determine if the taxes actually paid are smaller (or large) than
liabilities and, c) the collection, prosecution and penalty activities that impose sanctions
on tax evaders and ensure that taxes and penalties due from tax payers are actually
collected.

1.1.2 Kenya Revenue Authority

The Kenya Revenue Authority was established by an Act of Parliament on July 1st 1995
Cap. 469 for the purpose of enhancing the mobilization of Government revenue, while
providing effective tax administration and sustainability in revenue collection. Before
1995, the revenue collection functions of the Government were distributed among at least
five different ministries and as a result, lacked in co-ordination. Their performance was
characterized by inefficiency and low levels of accountability. The rationale behind the
establishment of the Authority arose from the need to enhance efficiency, transparency
and accountability in this critical area of the public sector. The main objective of the
establishment of KRA therefore, was to streamline the public revenue collection function
by bringing the relevant agencies under the umbrella of the central revenue agency, under
the Ministry of Finance.

The Board and Management of KRA have since its inception spent time and resources
setting up systems, procedures and the adoption of new strategies aimed at enhancing the
operational efficiency of the Authority's processes. In particular, the functions of the
Authority are: To assess, collect and account for all revenues in accordance with the
specified provisions of all revenue collection laws; To advise on matters relating to the
administration, and collection of revenue under the specified provisions of all revenue
collection laws and, to perform such other functions in relation to revenue as the Minister
of Finance may direct. In fulfilling its mandate, KRA administers 17 revenue Acts, with
the key ones (in terms of revenue importance) being the Value Added Tax (VAT) Act
(Cap. 476), the East African Community Customs Management Act (EACCMA), the
Income Tax Act (Cap. 470), the Customs and Excise Act (excise provisions) (Cap. 472)
and the Traffic Act (Cap. 403).

KRA has continued to enlarge in size as well as in the scope of its operations. Regarding
the organization structure, KRA is composed by centralized and decentralized units,
located across the national territory. The centralized units are basically situated at Times
Towers in Nairobi, the capital of the country. The jurisdictions of the decentralized units
are geographically distributed across the country in five fiscal regions namely: Southern,
Central, Rift Valley, Western and Northern Region. Due to enlarged scope of operation
KRA has been restructured and created ten functional departments as shown in its
organizational structure below in figure.
Figure 1.1 represents KRA’s governance and management as recommended by international best practice for Semi Autonomous Revenue Authorities.

**Figure 1.1: KRA Organization Structure**

Source: *KRA Fourth Corporate Plan 2009*

KRA organization structure facilitates the management process through which the organization achieves its strategic intent. It is therefore focused on the core business of the organization and key support process. To enhance efficiency, eliminate wastage and promote integration, KRA has set up senior offices at regional level to spearhead
implementation of corporate strategies and achievement of synergy between its ten different departments (KRA, 2004). Among these ten departments, three are revenue departments, directly involved in the administration of the Revenues Acts. These are Customs Services Department, Road Transport Department and the Domestic Taxes Department. The Domestic Taxes Department is mandated to administer the provisions of the Value Added Tax Act. KRA has strived to meet its revenue collection targets. The Authority has evolved into a modern and fully integrated revenue administration agency. Revenue collection rose by Kshs. 136.2 million (46 per cent) from Kshs. 297,699 million in 2005/06 to Kshs. 433,915 million in 2007/08. In the Fiscal Year 2008/09, the Authority collected Kshs. 480,569 million representing a growth of 14 per cent over the Kshs. 418,915 million (excluding the one off payment of Kshs. 15,000 million by Telkom) collected in 2007/08 Fiscal Year (KRA Fourth Corporate Plan, 2009).

Table 1.1 Summaries revenue performance for the Financial Years 2005/06, 2006/07, 2007/08 and 2008/09. Ordinary revenues were projected to grow over the plan period by 14.6%, 10.1% and 11.5% over 2006/07, 2007/08 and 2008/09 respectively.

Table 1.1: Revenue Collection by Department: FY 2005/06 - 2007/08 in Kshs. Million

<table>
<thead>
<tr>
<th>Department</th>
<th>FY 2005/06</th>
<th>FY 2006/07</th>
<th>FY 2007/08</th>
<th>FY 2008/09</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual</td>
<td>Target</td>
<td>% Rating</td>
<td>Actual</td>
</tr>
<tr>
<td>CSD</td>
<td>111,155</td>
<td>112,516</td>
<td>98.8</td>
<td>112,419</td>
</tr>
<tr>
<td>DTD</td>
<td>183,611</td>
<td>184,970</td>
<td>99.3</td>
<td>215,617</td>
</tr>
<tr>
<td>RTD</td>
<td>2,930</td>
<td>3,563</td>
<td>82.2</td>
<td>2,125</td>
</tr>
<tr>
<td>TOTAL</td>
<td>297,699</td>
<td>401,069</td>
<td>98.9</td>
<td>360,191</td>
</tr>
</tbody>
</table>

Source: KRA Revenue and Finance Departments

* Cumulative collection up to April 2009
1.2 Statement of the Problem

Customs Services Department has undergone a number of restructuring exercises over time geared towards improved performance. Despite its considerable achievements in minimizing customer compliance costs, there is need for CSD to continue enhancing its service levels. Over the past three years, various surveys and reports have exposed the weaknesses in service delivery. The National Business Agenda released by the private sector outlined that despite improved services, taxpayers still faced problems relating to customs clearance time, complexity of forms and procedures and understanding of statutory procedures such as valuation, classification and many more. As a result, the taxpayer program was developed so as to improve service options to taxpayers, deliver focused education outreach and alternative services, ensure strict adherence to the provision of the Taxpayer Charter and revamp the customer care desks and call centre programme.

KRA launched the Fourth Corporate Plan (2009/10 to 2011/12) with a vision of being the leading Revenue Authority in the world, respected for Professionalism, Integrity and Fairness. The Plan which defines KRAs path into the future was built on lessons drawn from implementation of the Second and Third Corporate Plans (2003/04-2005/06 and 2006/07-2008/09). It is based on four pillars: Enhance revenue collection to surpass the set targets at least possible cost, Quality service by delivering maximum satisfaction and the least cost, Modernization of internal processes and, Revitalization of human resources.

consistently above target through the period. Notably the average growth rate of 19.6% during 2004/2005 was the highest that the Authority had ever achieved since its inception. The growth of revenue collection has also pushed the nominal Gross Domestic Product (GDP) up since the new government took over. Cumulatively, during the financial years, KRA collected a total of Kshs. 274,252 million against a target of Kshs. 240,914 million. This represented a surplus of Kshs. 33,338 million or a performance rate of 113.8% compared to 2003/2004, when revenue grew by Kshs. 44,976 million or 19.6%. At the time total government revenue stood at 22% of GDP, while KRA collections accounted for 94% of total government revenue. The tax system continued to be buoyant, with growth in revenue collection surpassing nominal growth of the economy by more than 6%. This was attributed to a mix of strategies instituted by KRA to enhance efficiency in revenue collection.

There are ongoing positive developments by Customs to reform and modernize procedures and processes, as well as commendable initiatives by the private sector to take a more proactive approach to improve customs administration for the benefit of governments and business. The increasing positive engagement of business with Customs has helped identify major trade facilitation weaknesses that if addressed, can help reduce transaction costs in Africa (Crandall & Bodin, 2005). These include the lack of a service ethos across all customs management levels, adversarial relationship between Customs and business, insufficient or inefficient supporting infrastructure, lack of a facilitation culture in other government departments, corruption and illicit trade. The challenges present opportunities for businesses to engage with Customs to bring about the desired change (Crandall & Bodin, 2005).
However, businesses need to create customs compliance strategies that reflect an understanding of the Customs business. While investments in infrastructure can be expensive, delays can be minimized through cooperation between business, Customs and other government agencies (Silvani, 1991). It is also important to take advantage of information and communication technologies, especially since many administrations are now automating their systems. Human factors will also determine the amount of customs-related delays that can be experienced – specifically the integrity of employees and customs officials (Blumentahal & Slemrod, 1992).

Taking into consideration that related studies such as: Mwambingu (2002), Kariuki (2002), Kimeli (2003), Kieleko (2003) and Muriithi (2003) have dealt with various initiatives being undertaken at KRA none has evaluated the effectiveness of the various revenue collection strategies at Kenya Revenue Authority. This study seeks to fill this gap by evaluating the effectiveness of revenue collection strategies towards revenue collection within KRA. The study key research question is therefore posed: “What has been the effectiveness of revenue collection strategies at KRA?”

1.3 Objective of the Study

To establish the effectiveness of revenue collection strategies at Kenya Revenue Authority.

1.4 Significance of the Study

The findings of the study will avail recommendations to the KRA Board on the options for improvement of its taxpayer education programme in future so as to ensure that the Authority is able to achieve its set revenue collection targets over the respective financial years.
It will inform various Governmental Agencies and Ministries involved in revenue collection on the role of education and sensitization of revenue payers towards enhancement of efficiency in revenue collection.

In addition, the findings of the study will also inform donor agencies that support tax administration reforms on the existing strengths, weaknesses, threats, and opportunities available in view of increasing revenue collection. For example, by knowing that introduction of computers eases revenue collection, countries such as Japan can mobilize their agency such as Japan International Cooperation Agency (JICA) to donate up-to date machines like laptops, and even storage devices.

Lastly, the study stands to benefit future researchers, scholars, and academicians who may wish to study strategic management in tax administration or related subject.
CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter gives the theoretical conceptual framework on the effectiveness of revenue collection in which the study is grounded. It reviews empirical literature on the past studies in this area and gives a critical evaluation of the literature identify the gaps to be filled. Finally an operational conceptual framework used in this is outlined, conceptualizing all the variables.

2.2 Revenue Collection Strategies

Tax collection has long been a despised activity. But taxes are essential because without them, there would be no money to build public infrastructure that helps businesses and society to be more productive and better off. Raising revenue has traditionally been high on the agenda of governments, represented by the Ministry of Finance (MOF), because of the critical importance of import duties as a source of budget revenue for many developing countries. Revenues from import duties for a sample of African countries accounted for just under 30 percent of total tax revenue, on average (Ebril, Stotsky & Gropp, 1999). Enhancing revenue mobilization has frequently been the focus of revenue administrations. Diagnostic work has mainly focused on measuring revenue leakages. Both the World Bank and the IMF frequently use this approach (Keen, 2003). However, there are other strategies that revenue administrations could use to enhance revenue collection. These strategies include:
2.2.1 Reform and Modernization of Operations Strategy

The role of revenue administration (tax and customs) is to collect taxes as specified in the law. However, how the administration goes about this responsibility is critically important to the effectiveness of the tax laws themselves. Until the early 1990s, it was thought by many that strong enforcement was the key to successful revenue administration. In today's context, it is considered that an effective and efficient revenue administration is one that will ensure compliance through a balance of reliable services and education, and targeted audit and enforcement activities. When this objective is achieved, a modernized revenue administration will be characterized by a function-based structure with a strong headquarters, fully automated business processes, risk-based compliance programs, and skilled and professional staff acting with fairness, honesty and transparency. The revenue administration will maximize the collection of taxes according to the law, at the lowest acceptable cost to the government (administrative cost) and to the taxpayer (compliance cost), and will be adequately resourced, effectively managed, and independent from political processes (Crandall and Bodin, 2005).

This overall objective is valid for all countries. However, for many economies, significant effort is needed to achieve it. For this reason, most countries have embarked on programs of revenue administration reform, beginning in the 1980s for many developed countries, and in the 1990s for others. Most Middle Eastern countries began serious efforts at reform in the 1990s. In addition, Customs has a major role to play in the protection of society. In recent years, the security role of Customs administrations at the border has been increasingly emphasized. Furthermore, tax laws are sometimes used to deliver subsidies through refundable tax credits, although this is more common in developing countries (Crandall and Bodin, 2005).
Based on experience, many benefits can result from revenue administration reform. They include: Improved revenue performance, more equitable distribution of the tax burden across the community, more consistency and fairness for business and individuals, greater ability to implement fiscal reforms, reduced compliance costs for taxpayers, an increase in the number of registered taxpayers, a reduction in tax evasion and tax fraud, improved management of tax arrears, improved services to taxpayers and, greater transparency and integrity in the administration’s operations (Bird and de Jantscher, 1993).

For revenue administration reform to be successful, critical requirements have to be met, including: a strong political commitment to reform, with clear decisions and the provision of necessary resources, professional and stable leadership, a willingness to abandon old, ineffective practices, and the establishment of a formal reform project with a clear achievable mandate, agreed objectives, and realistic timeframes. Reforming revenue administration is neither quick nor simple. There are a great many challenges to be faced, and these tend to mirror the preconditions for success.

Many tax administration reforms developed in the past ten years have given a strong focus to computerization. Many have believed that automation alone would be the key to modernizing operations. However, this is not the case. The automation of obsolete and inefficient processes has been particularly disastrous in tax administration. There is widespread acceptance now of the notion that a comprehensive review and redesign if necessary of business processes (usually to eliminate, reduce, and simplify) must take place before automation is undertaken. In fact, such activities are a pre-requisite to the development of Information Technology (IT) strategies. A decade ago, the IT strategy for tax administration agencies in many countries could be described as poor, or nonexistent.
There have been a number of improvements since then. In a study conducted by Crandall and Bodin (2005) on revenue administration reforms in Middle Eastern countries between 1994–2004, they found that Egypt and Lebanon had made significant improvements with the system acquired for the VAT, although it is not yet being used for income tax. Jordan was planning improvements and, some improvements had taken place in Morocco, Pakistan, Saudi Arabia, and Sudan.

In the Fourth Corporate Strategic Plan 2009/10 - 2011/12, KRA anticipates to take the Revenue Administration Reform and Modernization Programme (RARMP) to the next level as KRA conducts Business Process Improvements and increases the scope of electronic interaction with taxpayers to boost staff productivity and taxpayer service. This will be linked to modern technologies and international best practices through the Information Communication Technology Strategy. In its goal to re-engineer the business processes and modernize technology, the strategic objectives include Modernizing of the IT systems, improvement of the IT and information security and, modernizing of business processes and infrastructure. The main initiatives to achieve these objectives include: Modernizing and integrating IT systems and tools, implementing IT standards and procedures in accordance with IT best practices, implementing IT and information security programmes, developing disaster recovery and business continuity plans, re-engineer business processes to provide more efficient services and, achieving and maintaining ISO 9001/2000 certification.

2.2.2 Staff Training Strategy

Staffs are the key implementers of the change management programmes at KRA and therefore they ought to be equipped with the necessary skills. Staff training is mainly
concerned with development of strategies for the provision of learning, development and training opportunities in order to improve individual, team and organizational performance. It is development that arises from a clear vision about people's abilities and potential and operates within a business framework (Harrison, 1977). It takes the long term view on how human resource development policies and practices can be of benefit to the business plans or strategies. It is therefore business oriented to ensure the business goals are achieved.

Changes in staff behavior do not occur automatically or overnight, so a series of targeted interventions must be made into each group. These may include workshops, training sessions, peer reviews and joint planning and implementation, as well as celebrations. They should be designed according to the social and mental context of the group, something that can be diagnosed using tools such as deep-structure interviews and a range of questionnaires. To be successful, the interventions must be directly related to the groups' day-to-day tasks and continue over a significant period.

Staff training consists of both formal training events and on-the-job training. The importance of OJT is hard to overestimate, although in most firms it is organized haphazardly and therefore fails to realize its potential (Bowsher, 1998). The focus here is on formal training because this type of training is more closely related to staff rewards. Broadly, management can use staff training in two ways. In principle, training needs are identified through analysis of organizational needs and personal assessments. In the first instance, staff skills are improved so that employees are better able to do the particular jobs assigned to them, closing a "performance gap." This kind of training can also prepare staff for higher-level assignments in the future or help them take on a different assignment at a similar level of responsibility. This training is usually driven by the
organization’s future business strategy (explicit or implicit) and the corresponding staff requirements (Bowsher, 1998; Ban, Faerman, and Riccucci, 1992).

In personal assessments-based training, the training is geared more to increasing the human capital of the staff member, the training increases the employee’s skills but the new skills may be only generally applicable to current or future assignments at the workplace. For example, in a work environment that does modest work on banking policy, an employee might take a course on sophisticated bank-risk management. This would be helpful as broad background for the current and expected assignments, but might be more prized by the employee as deepening his human capital. Most third-stage government ministries (and other organizations) understandably emphasize the first type of training. The second type is more often used as a reward for particularly valued employees. To create and maintain a training program, the organization must make adequate provision for the expense of training in its annual budget and develop a training plan (Bowsher, 1998).

In its Fourth Corporate Strategic Plan 2006/07 - 2008/09, KRA appreciates its staff as its most important asset and the invaluable role they play in attainment of its goals. Therefore, emphasis is placed on competency based management, sound recruitment and retention policy, establishment review, leadership mentoring programmes and clearly defined career path progression. In its goal to develop a dedicated and professional team, three strategic goals are defined. They include: Implementing best HR practices, improving integrity and, developing KRA Training Institute (KRATI) as a regional centre of excellence. The main initiatives to achieve these goals/objectives include providing tools, training and incentives, promoting an environment that optimizes the use of talent
and encourages excellence, creation of Internal Affairs Department; restructuring and accreditation of KRATI and, implementing an integrity action plan.

### 2.2.3 Institution of Performance Contracts Strategy

Performance management is defined as ‘taking action in response to actual performances to make outcomes for users and the public better than they would otherwise be’ (IDeA, 2004). Performance management is one element of the Council’s overall arrangements, which help us to plan, monitor and manage delivery of our services. Getting performance right is important to organizations for a number of reasons such as, improving services, motivating the people, meeting stakeholders’ expectations, delivering shared outcomes with partners, and demonstrating value for money.

The Government of Kenya adopted as a policy, the application of Performance Contracts in the management of the Public Service Institution. The policy pronouncement in this regard is contained in the Economic Recovery Strategy for Wealth and Employment Creation (2003 –2007). The process of performance contracting commenced with the establishment of a Performance Contracts Steering Committee in August 2003 and the issue of Legal Notice No. 93, The State Corporations (Performance Contracting) Regulations, 2004 in August 2004. Under this framework, the initial performance contracts were introduced in 16 pilot state corporations and Civil Service, which signed contracts on 1st October 2004 and 16th December 2004 respectively. The Civil Service, together with all state corporations were scheduled to sign performance contracts by 30th June 2005 (Directorate of Personnel Management, 2005).
In order for the introduction and full implementation of the performance contracts to succeed, it was important for the concept of performance contracting and the process of implementation to be understood within the entire spectrum of the Public Service. The training manual was developed detailing account of the process of performance contracting. Its purpose was to achieve the following objectives: To create a general awareness and appreciation of the concept of performance contracting at management levels in the public service, to sensitize and induct the public servants into the process of performance contracting, to create the critical mass necessary for disseminating knowledge of the process to the entire public service in order to ensure its sustainability, to guide the Public Service on the processes of designing, negotiating and implementing performance contracts, including the process of evaluation, to create an understanding of the responsibilities and obligation of the contracting parties, to develop an understanding of the legal and regulatory framework governing the operationalization of Performance Contracting and, to guide the participants on the process of drafting the Performance Contracts (DPM, 2005). It was expected that at the end of the training, participants should be ready and able to design, negotiate and implement performance contracts, and sensitize the rest of the public service employees in their respective organizations, and ensure the process is sustained henceforth.

In contrast to the burgeoning research on organizational outcomes there is far less systematic data regarding employee experiences of High Performance Management (HPM). However, since the relationship between HPM and organizational goals is moderated by the agency of employees, there is a need to 're-focus attention on the worker' (Guest, 2002). It is possible to advance at least two rationales why this is a legitimate and important area of enquiry. The first builds upon the above account relating
to organizational performance and in particular the insights that studies of worker behavior can bring. In the words of Appelbaum et al. (2000), studying workers' attitudes and experiences with workplace practices can help researchers get inside the black box between inputs and outputs in the production process. It can improve the understanding of the ways in which High Performance Work Systems are related to performance.

As compared to commercial institutions, government agencies face a unique set of challenges when trying to manage performance and achieve their strategic goals and initiatives (Whittaker, 2003). Their mission and budgets are often decided externally with Treasury and policymakers. This challenge, in particular, increases the need for greater collaboration within the agency to ensure effective implementation and success. Additionally, agencies face the uphill task of meeting their goals without direct control of shrinking budgets and resources. This furthers the need for managing performance at every step along the way.

2.2.4 Enhancing Voluntary Compliance Strategy

The subject of tax compliance is the focus of a considerable body of theoretical and practical analyses. Non compliance has become a significant problem in both developed and developing countries and as a result negatively impacting on revenue collection. Compliance is “the timely filing and reporting of required tax information, the correct self- assessment of taxes owed and timely payment of those taxes without enforcement action” (American Bar Association, 1987). On the other hand, Non compliance is the failure to file returns, report income, calculate deductions properly as well as pay correctly and on time. It has been noted that voluntary compliance levels vary widely. For instance, in a developed country liked the United States approximately 81% of taxes
owed from legitimate economic activities are voluntarily reported and paid (American Bar Association, 1987). This is clearly not the case with developing countries where the tax gap that is, the difference between the taxes actually remitted and the amount that would be remitted if all persons filed complete and accurate tax returns and paid all the taxes they owed is much greater.

Compliance by taxpayers would be more effective and efficient if the tax administration put greater emphasis on assisting taxpayers in meeting their obligations (Silvani, 1991). This is done by providing outreach services, technical advice on tax payment obligations and allowing taxpayers to file and pay in ways that minimize compliance costs. Although a portion of tax collection costs is incurred by the tax administration, it is important to note that taxpayers bear a substantial share by virtue of the time and money they spend trying to comprehend the tax laws applicable to them and filing the relevant returns. Therefore, the total cost of any tax system includes not only the resources spent on revenue collection but, the costs incurred by taxpayers and third parties in complying with various structures and levels of tax. Compliance costs thus refer to “the value of the time spent on tasks related to filing tax returns as well as to any expenditure on goods and services for that same purpose.” (Blumenthal and Slemrod, 1992). The costs of compliance, administrative costs, and burdens borne by third parties often reflect the complexity of the tax system. Therefore, simplifying the tax structure or providing other forms of taxpayer service can significantly reduce compliance costs and in turn increase revenue collection.
2.2.5 Tax Payer Education Strategy

The process of reforming the Kenyan tax system began in earnest in 1986 when the Kenyan government adopted the Tax Modernization Programme, which was followed in 1987 by the Budget Rationalization Programme. The two, in combination, were an attempt to address large, and widening, budget deficits by increasing revenue and controlling spending. From the Tax Modernization Programme of 1986, up to the Kenyan government's Economic Recovery Strategy for Wealth and Employment Creation of year 2003, not only have the objectives of tax reform remained largely the same, the policy proposals to achieve these objectives have also remained broadly similar. As corruption and political reticence to carry out unpopular actions led to the non-implementation of many of the tax reforms put forward, document after document released by the Kenyan government over the 1990s has been forced to reaffirm a commitment to tax reform to satisfy conditionality agreements with lenders in order to maintain a flow of funds (Cheeseman and Griffiths, 2005).

Pre-reform, tax revenues came from the very heavy taxation of a very small base of people and the high taxation of imports and exports. The system was further characterized by high levels of avoidance and corruption. The modernization programme of that year laid out the following policy goals: Raise the tax revenue–GDP ratio from 22% in 1986 to 24% by the mid 1990s, reduce compliance and administrative costs through low and rationalized tax rates and wider tax bases, improve tax administration by sealing leakage loopholes, making wider use of computers and enhancing audit surveillance, enhance the institutional capacity to manage tax policy by establishing effective database management systems (Kenyan Ministry of Planning and National Development, 2003). In 1992, these objectives were expanded to include: Raising the
revenue–GDP ratio to 28%, invigorating the growth of the fledgling capital market, emphasizing self-assessment systems, strengthening taxpayer education and service and, implementing organizational reforms that would modernize tax administration (Kenyan Ministry of Planning and National Development, 2003).

According to Muriithi and Moyi (2006), the tax authorities should pay more attention to taxpayer education, compliance and tax audits. With complex tax laws, taxpayers have to bear additional costs in order to interpret the law and process tax returns. This tends to give the taxpayers an incentive to evade tax and, therefore, provides a rationale for aggressive taxpayer education. For example, the Income Tax Act has not been reviewed since 1989 even as many social and economic changes have taken place over the period. Tax audits ensure that individuals and corporations maintain proper books of account for tax purposes.

Hungary's revenue collection system relies on taxpayers assessing their own tax liabilities and paying the correct amount of tax to the government through the Hungarian Tax and Financial Control Administration. Fundamental to this system of self-assessment is that taxpayers must have sufficient knowledge in the tax laws and procedures and confidence from taxpayers that the tax administration will act fairly and treat taxpayers according to their individual circumstances. (Business Issue, Bulletin No. 9). Building up a trust in the tax system by good work, education and promoting compliance against its competitor, non-compliance, is leverage. There exist two inter-linked devices to help in achieving self compliance. They are: trust and differentiated treatment. Public trust is achieved through a contract with the community, called the Taxpayers' Charter, which sets out a taxpayer's rights and responsibilities, and the service standards they can expect and how their views can be considered.
Another alternative recently adopted by a few developed countries such as Netherlands and Australia is the taxpayer segment or client model. Since 2002 Pakistan has attempted to implement an authentic taxpayer stratified segment approach, with different taxpayer service for small, medium and large taxpayers. In order to improve voluntary compliance for each specific group of taxpayers, the tax authority needs to tailor and deliver a set of strategies that are appropriate to the unique characteristics and compliance issues presented by each group. Such strategies can include targeted audit action, law clarification by public rulings, and specific taxpayer education initiatives (McCarten, 2004).

In Uganda, the Uganda Revenue Authority (URA) has created an impact in increasing tax compliance and the level of awareness through intensive taxpayer education programs such as proactive information dissemination. Various strategies have been adopted such as seminars, workshops, tax clinics, live radio talk shows, tax literature and URA website. More professional tax administration techniques have been imparted onto staff to ensure efficiency and effectiveness in revenue collection. The Authority has further adopted modern systems to ease tax compliance, reduce compliance costs and minimize the cost of tax administration. It is evident that the taxpayers' attitude is gradually changing.

2.3 Related Studies

Mwambingu, (2002). “The Influence of Change on Revenue Collection by KRA”. In this research it was observed that according to responses given by the various KRA Departments on the influence of change on revenue collection, the change that had the greatest influence on the amount of revenue collected by the Authority was the
introduction of targets, performance appraisals, the introduction of taxpayer education and information initiative, computerization of the administrative systems and change in corporate culture.

Kariuki, (2002). “A Survey of Revenue Enhancement Strategies by Local Authorities.” It was observed that to enhance revenue collection by local authorities, political will, reforms, taxpayer education and incentives to those involved are required so as to enhance the revenue mobilization effort. Attention should be given to educating members of the local authorities as well as taxpayers on the rationale, procedures, obligations and responsibilities related to taxes collected by the Local Authority. An understanding of laws regulations and procedures was also needed to help Government follow them to earn the credibility that tax and fees were administered in a transparent and accountable manner.

Kimeli, (2003). “Taxpayers attitudes and tax compliance behavior in Kenya: The case of small and medium enterprises, public income earners in Kerugoya and Kirinyaga.” It was noted that there was reason to believe that societal reasons may account for the way taxpayers behave. While tax evasion may be considered wrong and immoral in some societies, it may be regarded as socially tolerable in others. In countries with a tradition of high compliance with the law, few taxpayers would attempt tax evasion strategies. However, empirical evidence suggest that taxpayer compliance with the law is influenced by their perceptions about whether or not taxpayers are complying especially when they feel that the taxes they pay are intended for worthy purposes.

Kieleko, (2003). “The Effects of Tax Reform on Tax Productivity.” The analysis showed that there had been considerable improvements of tax revenue productivity and that the reforms made in the period 1973-2003 had significant effect on the responsiveness of the
tax system. Thus, the 1986 Tax Modernization and 1987 Budget rationalization programmes had a positive impact on the Kenya’s tax productivity especially on income and import taxes. The findings reveal that reforms had greater impact on the elasticity than buoyancy. This implies that the growth in tax revenue during the reform period was accounted for by the automatic changes rather than the discretionary policy.

Muriithi, (2003). “Tax Reforms and Revenue Mobilization in Kenya.” The findings suggest that the tax reforms had a positive impact on the overall tax structure and on the individual tax handles, even though the impact of the reforms was not always uniform. The reforms had a bigger impact on direct taxes than on indirect taxes, suggesting that revenue leakage can be attributed to the relative effectiveness of reform in direct taxes which not only made the tax system simpler but also reduced avenues for evasion and corruption.

2.4 Conceptual Framework

Corporate performance is empirically measured in terms of turnover growth. The hypothesized relationship between effective revenue collection strategies and turnover growth is straightforward. The implementation of new and effective revenue collection strategies can lead to improved service options to taxpayers, facilitate participation by all sectors and simplification of the tax process which are positively associated with turnover growth. At the core of the taxpayer approach to increasing revenue collection is the proposition that a higher level of service helps to reduce both the financial and psychological level of compliance costs which in turn leads to an increased level or revenue collection. Hence, no general relationship between IT usage and profitability can be hypothesized because profitability crucially depends on the respective competitive
environment of each individual firm and its ability to limit imitation by rivals. KRA corporate performance has several dimension as outlined its corporate plan. The plan underscores the need to develop strategies that improve on revenue collection and continuous tax compliance.

Figure 2.1 presents the Conceptual Model which illustrates the foundation on which the entire project is based. It is a logically developed, described and, elaborated network of associations among the variables deemed relevant to the problem situation and identified through a literature survey.

**Figure 2.1 Conceptual Model**
The conceptual model can be described as a conceptual scheme connecting the various concepts. The dependent variable is enhanced revenue collection in KRA which is the variable of primary interest in which the variance is attempted to be explained by the four independent variable which are: reforms and modernization of operations, institution of performance contracts, staff training and, enhanced voluntary compliance. Taxpayer education is especially crucial because the size of the information gap in the tax system is inversely to the level of actual revenue collected. Enhancing taxpayer services reduces the costs incurred by the taxpayers in their efforts to understand the law or to complete their self assessments and make payment be a cost effective was to increase levels of compliance and actual revenue collections.
CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

This chapter outlines the general methodology used to conduct the study. It specifies the research design, target population, sampling design, data collection method and instruments, and data analysis and interpretation.

3.2 Research Design

The study was conducted through a sample survey. The descriptive research design was adopted with focus on qualitative characteristics and status of the various revenue collection strategies at KRA. The descriptive design is description of state of affairs as they exist at present (Herve, 1988). He further noted that with this methodology, data about variables or subjects as they are found in a social system or society are obtained. Generally these design deals with incidences of, distribution and relationships of variables.

3.3 Target Population

The target population was staff of KRA in Nairobi and its branches. Although there are 3,905 staff, the focus was senior tax officers who are 1,540. Table 3.1 reports the study target population by grade. Apart from the staff this study targeted tax payers who are users of taxpayer education services in their interactions with the Authority. There are more than 10,000 taxpayers; however, due to the fact that they are all homogeneous, this study will sample a few of taxpayers.
Table 3.1 presents the target population by grade at KRA.

Table 3.1 Target population by grade

<table>
<thead>
<tr>
<th>GRADE</th>
<th>POPULATION FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>KRA 1-2</td>
<td>6</td>
<td>0.3</td>
</tr>
<tr>
<td>KRA 3-4</td>
<td>36</td>
<td>2.3</td>
</tr>
<tr>
<td>KRA 5-6</td>
<td>445</td>
<td>28.88</td>
</tr>
<tr>
<td>KRA 7-8</td>
<td>1,053</td>
<td>68.3</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,540</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: KRA Payroll (2010)

Although there are 3,905 staff at KRA, the focus was senior tax officers who are 1,540.
Six senior officers between KRA 1-2, representing 0.3% and 1,053 officers representing 68.3% of the target population.

3.4 Sample Design

Cooper and Schindler (2003), state that the size of a sample should be a function of the variation in the population parameters under study and the estimating precision needed by the researcher. Sampling is the process of selecting a number of individuals for a study in such a way that the individuals selected represent the large group from which they were selected (Mugenda and Mugenda 1999). The target population will be staff of KRA in Nairobi and its branches. Table 3.1 reports the study target population. Apart from the staff this study will target tax payers who are users of taxpayer education services in their
interactions with the Authority. There are more than 10,000 taxpayers; however, due to the fact that they are all homogeneous, this study will sample a few of taxpayers.

This study will employ the stratified random sampling technique to select sample. From above 1,540 staff, 10% (154) will be selected as shown in table 3.2 below. Total population of KRA grade 1-2 has been included in the sample to their central role in implementation taxpayer education services and revenue collection.

Table 3.2: presents the study population and sample size.

Table 3.2 Study population and sample size

<table>
<thead>
<tr>
<th>GRADE</th>
<th>POPULATION FREQUENCY</th>
<th>SAMPLE SIZE</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>KRA 1-2</td>
<td>6</td>
<td>6</td>
<td>0.64</td>
</tr>
<tr>
<td>KRA 3-4</td>
<td>36</td>
<td>4</td>
<td>2.59</td>
</tr>
<tr>
<td>KRA 5-6</td>
<td>445</td>
<td>43</td>
<td>28.57</td>
</tr>
<tr>
<td>KRA 7-8</td>
<td>1,053</td>
<td>101</td>
<td>68.18</td>
</tr>
<tr>
<td>Sub total</td>
<td>1,540</td>
<td>154</td>
<td>100</td>
</tr>
<tr>
<td>Taxpayers</td>
<td>10,000</td>
<td>50</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>204</td>
<td></td>
</tr>
</tbody>
</table>

In addition, 50 taxpayers were randomly sampled and included in the sample. This is because taxpayers are homogeneous. Their responses will be used to counter check responses from staff and also obtain their opinions on taxpayer education services from the Authority.
3.5 Data Collection

This study was a sample survey, and primary data will be used in this study. Data will be collect using a questionnaire. These questions will both open ended or closed. The questionnaire will be divided into two parts. Part one of the questionnaire will gathered bio-data of the respondents while second part obtained primary data on the employees’ opinions and perceptions on issues under investigation. The questionnaire will be administered through face to face interviews. The researcher will seek help of research assistance to administer the questionnaire.

3.6 Data Analysis

The data was collected, cleaned, sorted and collated. All the respondents’ opinions and views obtained for the field will be matched and coded using numerical numbers. Then, it will be entered in a computer, after which analysis will be done.

Descriptive statistics in the form of pie charts, contingency tables and bar graphs will be used to describe the data. Measures of association will be used to examine the relationship between the independent and dependent variables. The mean score for each attribute will be calculated and the standard deviation used to interpret the respondents deviation from the mean. The results will be presented on frequency distribution tables, pie charts and bar charts. Here the interest will be focused on frequency of occurrence across attributes of measures. This will be followed analysis using Pearson correlation to examine the relationship between variables.
CHAPTER FOUR: DATA ANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

This chapter presented the findings of the study. The responses from the subjects were compiled into frequencies and converted into percentages and presented in tabular form. This was to facilitate easy analysis and understanding of the effectiveness of revenue collection strategies at Kenya Revenue Authority. The findings of the study would be useful to KRA on the option for improvement of its taxpayer education programme in future so as to ensure that the Authority is able to achieve its set revenue collection targets over the respective financial years. A sample of 148 employees and 45 taxpayers was used.

Table 4.1 depicts the sample size and actual response rate from the target population which included KRA employees and taxpayers. The study targeted to collect data from 154 employees of KRA in various job grades in Nairobi and its branches and from 50 taxpayers.

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Target Population/ Sample size</th>
<th>Actual Response Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>%</td>
</tr>
<tr>
<td>Employees</td>
<td>154</td>
<td>100%</td>
</tr>
<tr>
<td>Tax payers</td>
<td>50</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 4.1 shows that the 96.1% of the employees responded out of the expected sample of 154 respondents while on the other hand 90% of the tax payers responded out of the
expected 50 which represented 100%. This shows that majority of the respondents responded and this improves the reliability of the data collected.

4.2 Demographic Information

The demographic information was captured in order to determine the gender, age, education level, marital status, employment period and the job group of the respondents. This was important because it enhanced reliability and gave the basic understanding of the respondents who took part in the study. Issues such as age and educational background of the taxpayers were important since they have an effect on reception of education and sensitization of revenue payers towards enhancement of efficiency in revenue collection

4.2.1 Gender

This was to establish the number of female and male respondents who took part in the study. Table 4.2 below shows the distribution of respondents by their gender.

Table 4.2: Gender of Employees Respondents

<table>
<thead>
<tr>
<th></th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Male</td>
<td>100</td>
</tr>
<tr>
<td>Female</td>
<td>48</td>
</tr>
<tr>
<td>Total</td>
<td>148</td>
</tr>
</tbody>
</table>

Table 4.2 shows that majority (68%) of the employees respondents were males while 32% were females. Even though the study could not achieve a 50/50 percent gender representation, the views of both genders were well represented in this study.
Table 4.3 presents the distribution of taxpayers by their gender.

Table 4.3 Gender of Taxpayers Respondents

<table>
<thead>
<tr>
<th></th>
<th>Distribution</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td></td>
<td>30</td>
<td>67</td>
</tr>
<tr>
<td>Female</td>
<td></td>
<td>15</td>
<td>33</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>148</td>
<td>100%</td>
</tr>
</tbody>
</table>

The study shows that majority (67%) of the taxpayers employees were male while 33% were females. The study was not able to acquire equal number of the respondents from both gender, however, the views of both genders were well represented in the study.

4.2.2 Marital Status

This section sought to determine the marital status of the respondents under study. This was to show those employees respondents who were single, married or divorced. The findings are presented in figure 4.1 below.

Figure 4.1 presents the marital status of respondents.

Figure 4.1 Marital Status of Respondents

Figure 4.1 above shows that majority (88%) of the employees respondents at KRA were married, 11% were single while 1% of the respondents were divorced.
4.2.3 Age of the Respondents

Figure 4.2 below shows the age of the respondents. This was captured in the first section of the questionnaire which was designed to show respondents ages in different age brackets.

Figure 4.2 presents the age of respondents.

Figure 4.2: Age of Respondents

The study shows that 61% of the respondents were between the ages of 41-50 years while 34% were between 31-40 years of age. Majority of the respondents fell in these two age brackets, this shows that the employees are experienced and are capable of coming up with education programmes and other sensitization strategies to tax payers towards enhancement of efficiency in revenue collection. Only 3% of the respondents were between 51-60 years of age while 2% were between 21-30 years of age.

4.2.4 Educational Qualification

This section sought to show the educational qualification/ highest level of education reached by the respondents. Table 4.4 below therefore shows the distribution of
respondents by their educational qualification, that is, those who had reached Secondary, Diploma, University 1st Degree and Masters Degree as their highest level of education. Table 4.4 presents the educational qualification of the respondents.

Table 4.4 Educational Qualification of the Respondents

<table>
<thead>
<tr>
<th>Educational Qualification</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Frequency</td>
</tr>
<tr>
<td>Secondary</td>
<td>2</td>
</tr>
<tr>
<td>Diploma</td>
<td>50</td>
</tr>
<tr>
<td>University 1st Degree</td>
<td>76</td>
</tr>
<tr>
<td>Masters</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>148</td>
</tr>
</tbody>
</table>

Table 4.4 shows that majority (51%) of the respondents had a first degree from the university while 34% had a diploma. Further, 14% of the respondents revealed that they had had masters while only 1% had secondary qualification. This shows that majority of the staffs at KRA are highly educated and qualified in their jobs, hence capable of improving revenue collection strategies at Kenya Revenue Authority through education programmes and sensitization to tax payers through the skills and experience that they posses.

4.2.5 Job Grade

Staffs at KRA are categorized into various job grades according to their position and duties. The study had targeted employees in job grades KRA 1-2 to KRA 7-8 hence Table 4.5 shows the distribution of respondents by their job grades.

37
Table 4.5 presents the distribution of respondents by their job grades.

Table 4.5 Job Grade of the Respondents

<table>
<thead>
<tr>
<th>Job Grade</th>
<th>Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job Grade</td>
<td>Frequency</td>
</tr>
<tr>
<td>KRA 1-2</td>
<td>15</td>
</tr>
<tr>
<td>KRA 3-4</td>
<td>20</td>
</tr>
<tr>
<td>KRA 5-6</td>
<td>40</td>
</tr>
<tr>
<td>KRA 7-8</td>
<td>73</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>148</strong></td>
</tr>
</tbody>
</table>

Most of the respondents (49%) stated that they belong to job group 7-8 while 27% fell in job grade 5-6. Fourteen percent of the respondents fell in group grade 3-4 while 10% fell in job grade 1-2. The fact that data was collected across all job grades improves the reliability of the study to a very great extent.

4.2.6 Employment Period at KRA

This section sought to show the duration the respondents had been working/employed at KRA. Figure 4.3 below therefore shows the duration of employment of respondents from those who had been employed for less than 1 year to those who had been employed for a period of over 21 years.
Figure 4.3 presents the duration of employment of respondents.

The study found out that 27% of the respondents have been employed at KRA for 11-15 years, 24% have been employed for over 21 years while 20% had been employed between 1-5 years. Only 7% of the respondents had been employed for less than 1 year while 12% revealed that they had employed for 16-20 years. This shows that majority of the respondents had been employed for over 10 years meaning that majority of the employees are well experienced in their jobs; this not only shows the capability they have to improve revenue collection strategies through the skills and experience that they have but it also improves the reliability of the data collected from them.

4.2.7 Registered Taxpayers by KRA

The study sought to collect data from registered taxpayers since the researcher felt that they have rich information on the services and operations at KRA. Figure 4.4 below shows the number of registered taxpayers who took part in the study.
Figure 4.4 presents registered taxpayers by KRA.

It was found out that all (100%) the taxpayers' respondents were registered by KRA. The fact that all the taxpayers' respondents were registered shows their commitment to pay tax and this also implies that any educational programmes or sensitization programmes offered to them by the organization would be well received due to their commitment. The study chose to collect data from the registered taxpayers since they are the users of taxpayer education services in their interactions with the Authority. This also improves the reliability of data collected.

4.2.8 Age of Taxpayers Respondents

This section sought to show the age of the taxpayers respondents. The questionnaire was designed to capture the taxpayers age in different age brackets. Age of the taxpayers is important to the study since it can determine the reception of education offered or rather the sensitization programmes to be used by the organization. The findings are represented in table 4.6 below.
Table 4.6 presents the age of taxpayers respondents.

Table 4.6 Age of taxpayers respondents

<table>
<thead>
<tr>
<th>Age Category</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Below 25 years</td>
<td>2</td>
<td>4%</td>
</tr>
<tr>
<td>26-35 years</td>
<td>15</td>
<td>33%</td>
</tr>
<tr>
<td>36-45 years</td>
<td>20</td>
<td>44%</td>
</tr>
<tr>
<td>Above 45 years</td>
<td>8</td>
<td>18%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>45</strong></td>
<td><strong>100%</strong></td>
</tr>
</tbody>
</table>

Most of the taxpayers’ respondents (44%) were between 36-45 years of age while 33% were between 26-35 years of age. Majority of the respondents fell in these two age brackets; this shows that most respondents are in their productive stage hence any revenue collection strategies applied well by the organization to the taxpayers would be effective in increasing the revenue collected. Only 4% of the respondents were below 25 years old while 18% were above 45 years of age.
4.2.9 Level of Education

This sought to show the highest level of education reached by the taxpayers' respondents.

The findings are presented in figure 4.5 below.

Figure 4.5 presents the level of education.

Most respondents (44%) indicated that they had reached tertiary college while 33% were post graduates from the university. It was also found out that 11% had secondary qualification while a similar percentage were university graduates.
4.2.10 Nature of Employment

This section sought to show the nature of employment of the taxpayers’ respondents, that is, whether the employment is formal or informal. Findings are presented in figure 4.6 below.

Figure 4.6 presents the nature of employment.

Sixty seven percent of the respondents stated that their nature of employment was formal while 33% said that their employment was informal. This also means that majority of the respondents are paying Pay As You Earn tax (PAYE).
4.2.11 Category of Taxes paid by Taxpayers

Taxes have been categorized into various categories namely, import duty, PAYE (for those in formal employment), import duty (on imports) among others. In this study the researcher sought to find out the category of tax that the respondents pay.

Figure 4.7 presents the category of taxes paid by taxpayers.

The study shows that most of the taxpayers respondents (44%) stated that they paid PAYE tax, this is in line with the earlier finding which showed that majority of the taxpayers respondents were in formal employment. Twenty four percent of the respondents stated that they paid turnover tax, 22% paid Excise duty tax while 9% paid import duty.

4.3 Revenue Collection Strategies

Revenue provides the fuel for the company’s growth. Revenue strategy is developed with input from various business activities, including marketing and customer service. The Revenue Collection Strategies must also develop credit and collections policies; the table
below shows the extent to which both employees and taxpayers agree to various statements on revenue collection strategies.

### 4.3.1 Information on Revenue Collection Strategies by Employees

This was to determine the extent in which the employees' respondents agree on various statements on revenue collection strategies. The findings are presented in table 4.7 below which presents various aspects which seek to establish whether reforms and modernizations have enhanced revenue collection.

Table 4.7 presents the information on revenue collection strategies by employees.

<table>
<thead>
<tr>
<th>Revenue collection strategies</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>%</td>
<td>F</td>
<td>%</td>
<td>F</td>
</tr>
<tr>
<td>Reforms and modernization projects at KRA improved clearance times</td>
<td>40</td>
<td>27%</td>
<td>50</td>
<td>34%</td>
<td>5</td>
</tr>
<tr>
<td>Reforms and modernization at KRA improved services to trading public</td>
<td>30</td>
<td>20%</td>
<td>60</td>
<td>41%</td>
<td>10</td>
</tr>
<tr>
<td>Reforms and modernization at KRA increased revenue collection</td>
<td>70</td>
<td>47%</td>
<td>40</td>
<td>27%</td>
<td>2</td>
</tr>
<tr>
<td>Reforms and modernization projects at KRA provided greater reliance on information technology</td>
<td>80</td>
<td>54%</td>
<td>50</td>
<td>34%</td>
<td>5</td>
</tr>
</tbody>
</table>
The study established that 34% of the employees agreed that reforms and modernization projects at KRA had improved clearances times while 27% strongly agreed that the reforms had a positive effect. Forty one percent agreed that the reforms and modernization at KRA had improved services to trading public, further 20% of the respondents strongly agreed to this. On the other hand, 54% of the respondents strongly agreed while 34% agreed that reforms and modernization projects at KRA had provided a greater reliance on information technology. Moreover, 47% of the respondents strongly agreed while a further 27% agreed that reforms and modernization at KRA had increased revenue collection.

4.3.2 Information on Revenue collection Strategies by Tax payers

This was to determine the extent in which the taxpayers' respondents agree on various statements on revenue collection strategies. The findings are presented in table 4.8 below.
Table 4.8 presents the information on revenue collection strategies by tax payers.

Table 4.8 Information on Revenue Collection Strategies by Tax payers

<table>
<thead>
<tr>
<th>Revenue collection strategies</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>%</td>
<td>F</td>
<td>%</td>
<td>F</td>
</tr>
<tr>
<td>Reforms and modernization projects at KRA improved clearance times</td>
<td>5</td>
<td>11%</td>
<td>5</td>
<td>11%</td>
<td>20</td>
</tr>
<tr>
<td>Reforms and modernization at KRA improved services to trading public</td>
<td>2</td>
<td>4%</td>
<td>3</td>
<td>7%</td>
<td>5</td>
</tr>
<tr>
<td>Reforms and modernization at KRA increased revenue collection</td>
<td>10</td>
<td>22%</td>
<td>25</td>
<td>56%</td>
<td>5</td>
</tr>
<tr>
<td>Reforms and modernization projects at KRA provided greater reliance on information technology</td>
<td>20</td>
<td>44%</td>
<td>10</td>
<td>22%</td>
<td>5</td>
</tr>
</tbody>
</table>

From the table, most of the tax payers 44% were not sure whether the reforms and modernization projects at KRA had improved clearance times while 22% disagreed. Further, 56% of the respondents agreed while 22% strongly agreed that reforms and modernization that have been introduced at KRA had increased revenue collection. The study also found out that Reforms and modernization projects at KRA provided greater reliance on information technology; this was strongly agreed by 44% of the respondents while a further 22% agreed to this. However, 67% of the disagreed while 11% strongly disagreed that the reforms had improved services to trading public.
4.3.3 Aspects on Institution of Performance contracts on KRA Employees

In this section, the study sought to determine the extent in which the employees' respondents agree with aspects on institution of performance contracts on KRA employees. The findings are presented in table 4.9 below.

Table 4.9 presents the aspects on institution of performance contracts on KRA employees.

Table 4.9 Aspects on Institution of Performance Contracts on KRA Employees

<table>
<thead>
<tr>
<th>Aspects on Institution of performance contracts</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>%</td>
<td>F</td>
<td>%</td>
<td>F</td>
</tr>
<tr>
<td>Performance contracts have brought results based management in KRA</td>
<td>90</td>
<td>61%</td>
<td>50</td>
<td>34%</td>
<td>2</td>
</tr>
<tr>
<td>Performance contracts have increased revenue collection</td>
<td>50</td>
<td>34%</td>
<td>60</td>
<td>41%</td>
<td>20</td>
</tr>
<tr>
<td>Performance contracts have optimized operations in KRA because goals and results are more closely aligned</td>
<td>9</td>
<td>6%</td>
<td>9</td>
<td>6%</td>
<td>70</td>
</tr>
<tr>
<td>Improved communication, feedback and dialogue about the organizational goals due to the institution of performance contracts</td>
<td>16</td>
<td>11%</td>
<td>2</td>
<td>1%</td>
<td>80</td>
</tr>
</tbody>
</table>
The study established that majority of the employees 61% strongly agreed while 34% agreed that the aspects of performance contracts had brought results based management in KRA. Forty seven percent were not sure whether the performance contracts had optimized operations in KRA because goals and results were more closely aligned while a further 27% disagreed to this aspect on performance contract. Moreover 54% of the employees were not sure whether the performance contracts had improved communication, feedback and dialogue about the organizational goals while a total of 20% disagreed maybe due to the institution of performance contracts.
4.3.4 Aspects on Staff Training by Employees

The study further sought to determine the extent in which the respondents agree with various aspects on staff training. The findings are presented in table 4.10 below.

Table 4.10 presents the aspects on staff training by employees

<table>
<thead>
<tr>
<th>Aspects on staff training</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>%</td>
<td>F</td>
<td>%</td>
<td>F</td>
</tr>
<tr>
<td>Apply what you have learnt in previously attended staff trainings</td>
<td>10</td>
<td>7%</td>
<td>18</td>
<td>12%</td>
<td>60</td>
</tr>
<tr>
<td>Staff trainings have enhanced their skills, knowledge and professional capacity</td>
<td>30</td>
<td>20%</td>
<td>70</td>
<td>47%</td>
<td>15</td>
</tr>
<tr>
<td>Staff trainings have provided additional support and opportunities</td>
<td>9</td>
<td>6%</td>
<td>5</td>
<td>3%</td>
<td>4</td>
</tr>
<tr>
<td>Staff trainings have enhanced their level of understanding of various technical matters</td>
<td>13</td>
<td>9%</td>
<td>15</td>
<td>10%</td>
<td>50</td>
</tr>
</tbody>
</table>
Majority of the employees 41% were not sure whether they had applied what they had learnt in previously attended meetings while 27% disagreed with this aspect. Staff trainings had enhanced employees skills, knowledge and professional capacity which was agreed on by 47% and supported by 20% who strongly agreed. In addition 54% disagreed while 34% strongly disagreed that the staff trainings had provided additional support and opportunities.
4.3.5 Aspects on Voluntary Compliance by Employees

The researcher further sought to establish the extent to which the employees respondents agree with various aspects on voluntary compliance. The findings to this are presented in table 4.11 below.

Table 4.11 presents the aspects on voluntary compliance by employees.

<table>
<thead>
<tr>
<th>Aspects on voluntary compliance</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>%</td>
<td>F</td>
<td>%</td>
<td>F</td>
</tr>
<tr>
<td>Current tax assessment</td>
<td>4</td>
<td>3%</td>
<td>3</td>
<td>2%</td>
<td>1</td>
</tr>
<tr>
<td>encourage voluntary compliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Taxpayer education enhance</td>
<td>60</td>
<td>41%</td>
<td>30</td>
<td>20%</td>
<td>10</td>
</tr>
<tr>
<td>voluntary compliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current penalties applied by KRA</td>
<td>10</td>
<td>7%</td>
<td>15</td>
<td>10%</td>
<td>3</td>
</tr>
<tr>
<td>on errant tax payers are</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>adequate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Compliance level influenced by</td>
<td>40</td>
<td>27%</td>
<td>60</td>
<td>41%</td>
<td>10</td>
</tr>
<tr>
<td>perception on how the taxes</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>would be used by the government</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Majority 54% of the employees disagreed while 41% strongly disagreed that the current tax assessment encouraged voluntary compliance. 61% strongly disagreed whereas 20% disagreed that the current penalties applied by KRA on errant tax payers were adequate. Moreover 41% agreed while 27% strongly agreed that the compliance level had influenced perception on how the taxes would be used by the government.
4.3.6 Aspects on Voluntary Compliance by Taxpayers

The study also sought to determine the extent to which the taxpayers’ respondents agree with various aspects on voluntary compliance. The findings are presented in table 4.12 below.

Table 4.12 presents the aspects on voluntary compliance by taxpayers.

<table>
<thead>
<tr>
<th>Aspects on voluntary compliance</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax assessment encourage voluntary compliance</td>
<td>2 4%</td>
<td>3 7%</td>
<td>30 67%</td>
<td>6 13%</td>
<td>4 9%</td>
</tr>
<tr>
<td>Taxpayer education enhance voluntary compliance</td>
<td>26 58%</td>
<td>15 33%</td>
<td>2 4%</td>
<td>1 2%</td>
<td>1 2%</td>
</tr>
<tr>
<td>Current penalties applied by KRA on errant tax payers are adequate</td>
<td>1 2%</td>
<td>3 7%</td>
<td>24 53%</td>
<td>10 22%</td>
<td>7 16%</td>
</tr>
<tr>
<td>Compliance level influenced by perception on how the taxes would be used by the government</td>
<td>20 44%</td>
<td>15 33%</td>
<td>6 13%</td>
<td>3 7%</td>
<td>1 2%</td>
</tr>
</tbody>
</table>
The study sought to establish the impact of current tax assessment on voluntary compliance whereby 67% of the tax payers were not sure while 13% disagreed with this aspect. Majority 58% strongly agreed and 33% agreed that the taxpayer education had enhanced voluntary compliance. In addition 22% disagreed and 16% of the taxpayers strongly disagreed that the current penalties applied by KRA on tax payers were adequate.
4.3.7 Aspects on Taxpayer Education by Employees

The study here sought to determine the extent to which the employees’ respondents agree with various aspects on tax payers’ education. The findings are presented in table 4.13 below.

Table 4.13 presents the aspects on taxpayer education by employees.

Table 4.13 Aspects on Taxpayer Education by Employees

<table>
<thead>
<tr>
<th>Aspects on taxpayer education by KRA</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>%</td>
<td>F</td>
<td>%</td>
<td>F</td>
</tr>
<tr>
<td>Taxpayer education has enhanced the public level of understanding of various tax regimes applied by KRA.</td>
<td>60</td>
<td>41%</td>
<td>40</td>
<td>27%</td>
<td>10</td>
</tr>
<tr>
<td>Taxpayer has enhanced tax compliance among non-corporate taxpayers</td>
<td>40</td>
<td>27%</td>
<td>80</td>
<td>54%</td>
<td>3</td>
</tr>
<tr>
<td>Tax evasion is still rampant even after taxpayer education</td>
<td>50</td>
<td>34%</td>
<td>45</td>
<td>30%</td>
<td>11</td>
</tr>
<tr>
<td>It is easier for taxpayers to fill/lodge documents than before</td>
<td>50</td>
<td>34%</td>
<td>80</td>
<td>54%</td>
<td>2</td>
</tr>
<tr>
<td>Taxpayer education relevant to the achievement of revenue goals of KRA</td>
<td>70</td>
<td>47%</td>
<td>50</td>
<td>34%</td>
<td>5</td>
</tr>
</tbody>
</table>
The table shows that 41% of the employees strongly agreed and 27% agreed that the taxpayer’s education had enhanced the public level of understanding of various tax regimes applied by KRA. Moreover 34% strongly agreed and 30% agreed that tax evasion was still rampant even after taxpayer education. Forty seven percent strongly agreed and 34% agreed that the taxpayer education was relevant to the achievement of revenue goals of KRA.
4.3.8 Aspects on Taxpayer Education by taxpayers

The study further sought to establish the extent to which taxpayers respondents agree with various aspects on taxpayers’ education. The findings are presented in table 4.14 below.

Table 4.14 presents the aspects on taxpayer education by taxpayers.

Table 4.14: Aspects on Taxpayer Education by Taxpayers

<table>
<thead>
<tr>
<th>Aspects on taxpayer education by KRA</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>Not sure</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F</td>
<td>%</td>
<td>F</td>
<td>%</td>
<td>F</td>
</tr>
<tr>
<td>Taxpayer education has enhanced the public level of understanding of various tax regimes applied by KRA</td>
<td>5</td>
<td>11%</td>
<td>30</td>
<td>67%</td>
<td>1</td>
</tr>
<tr>
<td>Taxpayer education has enhanced tax compliance among non-corporate taxpayers</td>
<td>20</td>
<td>44%</td>
<td>15</td>
<td>33%</td>
<td>3</td>
</tr>
<tr>
<td>Tax evasion is still rampant even after taxpayer education</td>
<td>2</td>
<td>4%</td>
<td>3</td>
<td>7%</td>
<td>3</td>
</tr>
<tr>
<td>It is easier for taxpayers to fill/lodge documents than before</td>
<td>6</td>
<td>13%</td>
<td>5</td>
<td>11%</td>
<td>20</td>
</tr>
<tr>
<td>Taxpayer education relevant to the achievement of revenue goals of KRA</td>
<td>15</td>
<td>33%</td>
<td>20</td>
<td>44%</td>
<td>6</td>
</tr>
</tbody>
</table>
The study showed that a total of 44% of the taxpayers strongly agreed and 33% agreed that the taxpayer had enhanced tax compliance among the non-corporate taxpayers. In addition, 67% strongly disagreed and 15% disagreed that tax evasion was still rampant even after taxpayer education. Majority 44% agreed and 33% strongly agreed that taxpayer education was relevant to the achievement of revenue goals of KRA.
CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This section of research provides a summary on the findings of the research, the conclusions of the study and the recommendations on the effectiveness of revenue collection strategies at Kenya Revenue Authority.

5.2 Summary

The purpose of the study was to determine the effectiveness of revenue collection strategies at Kenya Revenue Authority.

The type of research design adopted is descriptive design. The target population of this study comprised of staff of Kenya Revenue Authority (KRA) in Nairobi and its branches, here the focus was mainly on senior tax officers in the organization; study also targeted the tax payers who are users of taxpayer education services. The population that took part in the study comprised of 148 staffs from KRA and 45 tax players. The study employed stratified random sampling technique. Questionnaires were used as data collection instruments for this study which were both open ended or closed. Data was analysed using Statistical Package for Social Sciences (SPSS version 17.0). Descriptive statistics was used to summarize the data and the findings were presented in form of frequency distribution tables, pie charts and bar charts.

The study first revealed that all KRA employees are registered as tax payers. On the other hand the study shows that majority of the tax payers respondents paid Pay As You Earn (PAYE) and turnover tax while only a few paid excise duty tax and import duty tax. On
revenue collection strategies by employees, majority of the respondents agreed that reforms and modernization projects at CSD improved clearance times. Majority of the respondents also agreed that reforms and modernization at CSD improved services to trading public and further agreed that this had increased revenue collection. Moreover, the respondents agreed that reforms and modernization projects at CSD provided greater reliance on information technology. Moreover, majority of the tax payers agreed that reforms and modernization at CSD have increased revenue collection as well as providing a greater reliance on information technology. However majority of the taxpayers’ respondents disagreed that reforms and modernization at CSD has improved services to trading public while on the other hand majority were not sure whether projects at CSD have improved clearance times on KRAs operations.

On institution of performance contracts by Customs Services Department majority of the respondents agreed that performance contracts have brought results based management in CSD and that they have increased revenue collection. However the respondents were not sure whether performance contracts have optimized operations in CSD because goals and results are more closely aligned. Moreover, majority of the respondents revealed that they were not sure whether the improved communication, feedback and dialogue about the organizational goals is due to the institution of performance contracts

The study also revealed that staff trainings have enhanced their skills, knowledge and professional capacity; this was agreed by majority of the employees. On whether the employees have applied what they have learnt in previously attended staff trainings, most of the respondents were not sure while a number of them disagreed that they had applied
their knowledge. However, majority of the employees' respondents disagreed that staff trainings have provided additional support and opportunities. On the other hand, most respondents disagreed while a number were not sure whether staff trainings have enhanced their level of understanding of various CSD technical matters.

On voluntary compliance, majority of the respondents disagreed that current tax assessment encourages voluntary compliance; they further disagreed that current penalties applied by CSD on errant tax payers are adequate. However majority of the respondents agreed that taxpayer education enhance voluntary compliance and that compliance level is influenced by perception on how the taxes would be used by the government. On the other hand majority of the taxpayers were not sure whether the current tax assessment encourage voluntary compliance and whether current penalties applied by CSD on errant tax payers are adequate. Majority though agreed that taxpayer education enhance voluntary compliance and that compliance level is influenced by perception on how the taxes would be used by the government.

On taxpayers' education, majority of the employees agreed that taxpayer education has enhanced the public level of understanding of various tax regimes of CSD and that the education has enhanced tax compliance among non-corporate taxpayers. Further the respondents agreed that tax evasion is still rampant even after taxpayer education. The education to taxpayers has also made it easier for taxpayers to fill or lodge documents than before. Moreover, the respondents agreed that taxpayer education is relevant to the achievement of revenue goals of CSD. On the other hand, majority of the tax payers also agreed the education has enhanced the public level of understanding of various tax
regimes of CSD and that tax payer has enhanced tax compliance among non-corporate taxpayers. They also revealed that through education, it’s now easier for taxpayers to fill/lodge documents than before; however tax evasion is still rampant even after taxpayer education.

5.3 Conclusions

The purpose of the study was to establish the effectiveness of revenue collection strategies at Kenya Revenue Authority. The following are the major conclusions based on the findings and discussions.

Reforms and modernization at KRA has been effective on revenue collection strategies. This have been enhanced due to improved clearance times and increased revenue collection. The reforms and modernization have also provided a greater reliance on information technology. On performance contracts the study found out that it have brought results based management in KRA and it have also increased revenue collection hence it should be embraced in all departments so as to maximize on productivity and performance.

It was also found out that staff trainings have enhanced employees' skills, knowledge and professional capacity. However, employees have not fully applied their knowledge. Moreover, the staff trainings have not fully enhanced their level of understanding of various technical matters.

The researcher would also like to conclude that the current tax assessment does not encourage voluntary compliance. Also the current penalties applied by KRA on errant tax payers are inadequate. However, taxpayer education enhances voluntary compliance.
Compliance level is also influenced by perception on how the taxes would be used by the government. On taxpayers' education, this has been effective since it has enhanced the public level of understanding of various tax regimes applied by KRA and also it has enhanced tax compliance among non-corporate taxpayers. It was also revealed that through education, it's now easier for taxpayers to fill/lodge documents than before; however tax evasion is still rampant even after taxpayer education.

5.4 Recommendations

More training on the reforms and modernization at KRA should be offered so as to improve on the skills, knowledge and professional capacity of the employees. This will improve service delivery in terms of clearance and increased revenue. The current tax assessment should be reviewed since it does not encourage voluntary compliance. Penalties applied by KRA on errant tax payers should also be reviewed since the current penalties applied are inadequate. This would also reduce the tax evasion which is still rampant. Taxpayers' education should also be enhanced more since it has been effective since on the public level of understanding of various tax regimes. Taxpayer education also will improve on tax compliance.

5.5. Suggestions for further studies

Due to the limiting factors in this study, it was not possible to carry out a comprehensive research on the achievements of the Kenya Revenue Authority reforms as envisaged in the Revenue administrative Reform and modernization programme and performance. Therefore there is need for further research to address much more comprehensively this area especially incorporating other departments in the organizations. The data collection was based on questionnaires. Further research can be carried by involving the
respondents (both the employees of KRA and the Tax payers) on discussions on the reforms and modernization and the factors that influence the implementation of these reforms.

5.6 Limitations of the Study

In pursuit of this study, several limitations were experienced. First is the cost in term of time and finance to carry out an extensive and exhaustive research. Second is the 'confidential' nature of the organization that is very reluctant to give out any information. Thirdly, the study relied on qualitative data collected through structured questionnaire of which collection, analysis and interpretation is not free from human errors.

Given the case study nature of this investigation, results of findings are specific only to the Authority and may not be generalized to the other outside organizations. However, another organization involved in revenue collection may use the outcomes of the research study to revisit their revenue collection strategies so as to enhance its actual revenue collections.
REFERENCES

BOOKS


JOURNALS


ELECTRONIC MEDIA

Appendix I: Introduction Letter to Respondents

Dear Respondent,

I am an MBA student at the University of Nairobi. In partial fulfillment of the course requirements, I am conducting a study "The Effectiveness of Revenue Collection Strategies at KRA." I would appreciate if you could spare a few minutes of your time to fill in the blanks in the attached list of questions to the best of your knowledge.

The information in this questionnaire will be strictly confidential. The information will not be used for any other purpose other than for this research. Your assistance in facilitating the same will be highly appreciated.

Thank you in advance.

________________________________________

MARGARET AWITTA
MBA Student

________________________________________

DR. J. GATHUNGU
Supervisor
Appendix II: Research Questionnaire

The questionnaire is meant to collect information on the effectiveness of revenue collection strategies at KRA. Kindly answer the questions by writing a brief statement or ticking in the boxes provided as will be applicable.

Date _____/_____/2010

SECTION 1: BACKGROUND INFORMATION- EMPLOYEES

1. Gender
   a. Male □
   b. Female □

2. Marital Status
   a. Single □
   b. Married □
   c. Divorced □
   d. Widowed □

3. Age
   a. Under 20 years □
   b. 21-30 years □
   c. 31-40 years □
   d. 41-50 years □
   e. 51-60 years □

4. Educational Qualification
   a. Secondary □
   b. Diploma □
   c. University 1st Degree □
   d. Masters □

5. Job Description .................................................................

6. Department of Work ............................................................
SECTION 2: BACKGROUND INFORMATION - NON-EMPLOYEES

1. Are you a registered taxpayer by KRA? (If NO terminate interview)
   a. Yes
   b. No

2. What is your Gender?
   i. Male
   ii. Female

3. Age Category
   a. Below 25 years
   b. 26 – 35 years
   c. 36 – 45 years
   d. Above 45 years
4. What is your highest level of education
   a. Secondary
   b. Tertiary College
   c. University Graduate
   d. University Postgraduate
   e. Other (please specify) __________________________

5. Nature of Employment
   a. Formal
   b. Informal

   Specify (teacher, artisan etc)

6. How long have you been paying taxes at KRA? _____________ years

7. Which category of taxes do you normally pay? (Tick that apply)
   a. Import Duty
   b. Excise Duty (Imports)
   c. PAYE
   d. Turnover Tax
   e. Others (Please specify) __________________________
SECTION 3: INFORMATION ON REVENUE COLLECTION

STRATEGIES

1. The table below presents the various aspects on Reform and Modernization of Operations by Customs Services Department. Kindly indicate the extent to which you agree/ disagree with the issues.

5 = Strongly Agree  4 = Agree  3 = Not Sure  2 = Disagree  1 = Strongly Disagree

<table>
<thead>
<tr>
<th>Statement</th>
<th>5</th>
<th>4</th>
<th>3</th>
<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Have the reforms and modernization projects at CSD improved clearance times</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) Have the reforms and modernization projects at CSD improved services to trading public</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Reforms and modernization at CSD increased revenue collection</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>d) Have the reforms and modernization projects at CSD provided greater reliance on information technology</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

2. The table below presents the various aspects on Institution of Performance Contracts by Customs Services Department. Kindly indicate the extent to which you agree/ disagree with the issues.

5 = Strongly Agree  4 = Agree  3 = Not Sure  2 = Disagree  1 = Strongly Disagree

<table>
<thead>
<tr>
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<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Has the institution of Performance contracts brought about results based management in CSD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) In your opinion have the institution of performance contracts increased revenue collection in CSD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
c) Has the institution of performance contracts optimized operations in CSD because goals and results are more closely aligned

d) Is there improved communication, feedback and dialogue about the organizational goals due to the institution of performance contracts

3. The table below presents various aspects on staff training by CSD. Kindly indicate the extent to which you agree/ disagree with the issues.

<table>
<thead>
<tr>
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<th>2</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) Have you been able to apply what you have learnt in previously attended staff trainings</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>b) Staff trainings have enhanced your skills, knowledge and professional capacity</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Staff trainings have provided additional support and opportunities</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>d) Staff trainings has enhanced your level of understanding of various CSD technical matters</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
4. The table below presents various aspects on voluntary compliance. Kindly indicate the extent to which you agree/disagree with the issue.

5 = Strongly Agree  4 = Agree  3 = Not Sure  2 = Disagree  1 = Strongly Disagree

<table>
<thead>
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<th>2</th>
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</tr>
</thead>
<tbody>
<tr>
<td>a) In your opinion does the current tax assessment encourage voluntary compliance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) In your opinion would taxpayer education enhance voluntary compliance</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>c) Are the current penalties applied by CSD on errant tax payers adequate</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>d) Is your compliance level influenced by your perception on how the taxes would be used by the Government</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

5. The table below presents various aspects on taxpayer education by CSD. Kindly indicate the extent to which you agree/disagree with the issues.

5 = Strongly Agree  4 = Agree  3 = Not Sure  2 = Disagree  1 = Strongly Disagree

<table>
<thead>
<tr>
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<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) The taxpayer education has enhanced the public level of understanding of various tax regimes of CSD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>b) The taxpayer education has enhanced tax compliance among non-corporate taxpayers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c) Tax evasion is still rampant even after taxpayer education</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d) It is easier for tax payers to fill/lodge documents than before</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e) In your opinion is the taxpayer education relevant to the achievement of revenue goals of CSD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

THANK YOU FOR YOUR RESPONSES
DATE 2nd June 2010

TO WHOM IT MAY CONCERN

The bearer of this letter is a Master of Business Administration (MBA) student of the University of Nairobi.

He/she is required to submit as part of his/her coursework assessment a research project report on a management problem. We would like the students to do their projects on real problems affecting firms in Kenya. We would, therefore, appreciate if you assist him/her by allowing him/her to collect data in your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organizations on request.

Thank you.

DR. W.N. IRAKI
CO-ORDINATOR, MBA PROGRAM

UNIVERSITY OF NAIROBI
SCHOOL OF BUSINESS
MBA PROGRAM – LOWER KABETE CAMPUS

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