

**A STUDY OF THE EFFECTIVENESS OF TAXPAYER EDUCATION AS A  
REVENUE COLLECTION STRATEGY IN KRA: A CASE STUDY OF THE NAIROBI  
REGION**

**BY**

**OYUGI NAPHTALY BONDO OYUGI**

**REG. No: D61/P/7025/05**

**A RESEARCH PROJECT REPORT SUBMITTED TO SCHOOL OF BUSINESS IN  
PARTIAL FULFILLMENT OF THE REQUIREMENTS OF THE DEGREE OF  
MASTER OF BUSINESS ADMINISTRATION.**

**UNIVERSITY OF NAIROBI**

**SEPTEMBER 2008**



**Declaration**

This research project report is my original work and has never been presented for a Degree in any other university.

Signature: .....

Date: ...13<sup>th</sup> NOV. 08.....

**OYUGI NAPHTALY BONDO**  
**REG. NO. D61/P/7025/05**

This research project report has been submitted for examination with my approval as the University Supervisor.

**MR. DUNCAN OCHORO**

Signature .....

Date: 13/11/2008

**LECTURER, SCHOOL OF BUSINESS**  
**UNIVERSITY OF NAIROBI**

## **Dedication**

I dedicate this research report to my dear wife, the family, my employer, and colleagues at Kenya Revenue Authority for being supportive during the time of my studies.

### **Acknowledgement**

I would like to acknowledge the support, advice and tireless efforts of my supervisor, Mr. Ochoro in the supervision during my research work and in writing of this research project report.

I also thank the Librarians at the University of Nairobi for allowing me the use of the Library facilities.

Finally, I would like to acknowledge the assistance given by the staff at the School of Business, University of Nairobi.

## Abstract

In 2005, the concept of 'Tax Clinics' was adopted by the Kenya Revenue Authority (KRA), with service oriented approach where taxpayers were educated on various tax matters. During the clinics, taxpayers were given a chance to air their grievances and make suggestions on service improvement. Services such as issuance of PIN Card, Valued Added Tax (VAT) registration, Electronic Tax Register (ETR), Income Tax returns, driving license, Transport Licensing Board (TLB), Public Service Vehicle (PSV) licenses for drivers and conductors, and transfer of logbooks were provided on site at the tax clinics. The broad objective of the study was to determine the effectiveness of taxpayers' education in revenue collection by KRA.

The study applied a descriptive research design. The study was conducted in Nairobi region, where the region was sub-divided into four administrative regions namely: Nairobi North, Nairobi East, Nairobi West, and Nairobi South. The sub-regions were applied as the sampling strata for taxpayers. A sample of 120 taxpayers was drawn from the four sub-regions through simple random sampling. Questionnaires were used in collection of primary data. The data was analysed by application of a mix of both quantitative and qualitative techniques. The findings were presented using tables and charts.

The findings established that taxpayer education had enhanced revenue collection by KRA. The findings revealed that taxpayer education had enhanced the following aspects in regard to revenue collection: the public level of understanding on various taxes at

KRA: tax compliance among non- co-operate taxpayers; reduction of tax evasion; and ease of filing tax returns by taxpayers. The study recommends that KRA should strive to improve service delivery options to taxpayers; facilitate participation by all sectors and categories of taxpayers; simplify the tax process; increase the scope of electronic tax services; deliver focused taxpayer education programmes and guidance instructions to taxpayers; formulate measures to increase the participation of taxpayers in the tax; and ensure timely response to the dynamics affecting revenue collection from time to time.

## Table of Contents

Title .....	1
Declaration .....	ii
Dedication .....	iii
Acknowledgement .....	iv
Abstract .....	v
Table of Contents .....	vii
List of Tables .....	x
List of Figures .....	xi
List of Abbreviations and Acronyms .....	xii
<b>CHAPTER ONE .....</b>	<b>1</b>
<b>1.0 INTRODUCTION.....</b>	<b>1</b>
1.1. Background to the Study .....	1
1.1.1. The Concept of Strategy .....	1
1.1.2. Taxpayer Education and Revenue Collection.....	3
1.1.3. Kenya Revenue Authority.....	4
1.2. Statement of the Problem.....	5
1.3. Objectives of the Study .....	7
1.4. Significance of the Study .....	7
<b>CHAPTER TWO .....</b>	<b>8</b>
<b>2.0 LITERATURE REVIEW .....</b>	<b>8</b>
2.1. Introduction.....	8
2.2. The Concept of Strategy Implementation .....	8

2.3. Strategic Drivers of Efficient Revenue Administration.....	10
2.3.1. Reforms and Modernization of Operations.....	10
2.3.2. Taxpayers Education.....	13
2.3.3. Staff Training.....	16
2.3.4. Institution of Performance Management Contracts.....	18
2.4. Summary.....	21
<b>CHAPTER THREE.....</b>	<b>22</b>
<b>3.0 RESEARCH METHODOLOGY.....</b>	<b>22</b>
3.1. Research Design.....	22
3.2. Data Collection.....	22
3.3. Data Analysis.....	23
<b>CHAPTER FOUR.....</b>	<b>25</b>
<b>4.0 DATA ANALYSIS AND PRESENTATION OF FINDINGS.....</b>	<b>25</b>
4.1. Introduction.....	25
4.2. Demographic Characteristics of the Sample.....	25
4.3. Effectiveness of 'Taxpayers' Education in Revenue Collection.....	28
<b>CHAPTER FIVE.....</b>	<b>30</b>
<b>5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATION.....</b>	<b>30</b>
5.1. Introduction.....	30
5.2. Discussion of Findings.....	30
5.3. Conclusions.....	31
5.4. Recommendations.....	32
5.4.1. Recommendations for Improvement.....	32



5.4.2. Recommendations for Further Research..... 32

**REFERENCES..... 33**

Appendix I: Questionnaire Cover Letter..... 36

Appendix II: Questionnaire for Taxpayers ..... 37

## **List of Tables**

<b>Table 3.1: The Sampling Structure .....</b>	<b>23</b>
<b>Table 4.1: Demographic Characteristics of the Sample.....</b>	<b>26</b>
<b>Table 4.2: Attendance to Taxpayer Education 'Clinics' .....</b>	<b>28</b>
<b>Table 4.3: Effectiveness of Taxpayer Education in Revenue Collection .....</b>	<b>28</b>

## **List of Figures**

Figure 4.1: Extent of Taxpayers' Awareness on Taxpayer Education .....	27
Figure 4.2: Extent of Relevance of Taxpayer Education to KRA's Revenue Goals .....	29

## **List of Abbreviations and Acronyms**

<b>BPI</b>	:	<b>Business Process Improvement</b>
<b>DMU</b>	:	<b>Decision-Making Unit</b>
<b>ETR</b>	:	<b>Electronic Tax Register</b>
<b>FY</b>	:	<b>Financial Year</b>
<b>GDP</b>	:	<b>Gross Domestic Product</b>
<b>ICT</b>	:	<b>Information Communication Technology</b>
<b>ISO</b>	:	<b>International Standards Organization</b>
<b>IT</b>	:	<b>Information Technology</b>
<b>JKIA</b>	:	<b>Jomo Kenyatta International Airport</b>
<b>KRA</b>	:	<b>Kenya Revenue Authority</b>
<b>OJT</b>	:	<b>On-the-job training</b>
<b>PIN</b>	:	<b>Personal Identification Number</b>
<b>RARMP</b>	:	<b>Revenue Administration Reform and Modernization Programme</b>
<b>TLB</b>	:	<b>Transport Licensing Board</b>
<b>URA</b>	:	<b>Uganda Revenue Authority</b>
<b>VAT</b>	:	<b>Value Added Tax</b>

# CHAPTER ONE

## 1.0 INTRODUCTION

### 1.1. Background to the Study

#### 1.1.1. The Concept of Strategy

The origin of the concept of strategy is said to be from the Greek word '*stratego*' meaning to plan the destruction of one's enemies through effective use of resources' (Bracker, 1980)

The concept was developed purely on the basis of war. This concept remained a military one until the nineteenth century when it began to be employed to the business world. Some scholars think however, that the time when the term began to be employed to the business is untraceable (Burnes, 2000). There is no single globally accepted definition of strategy. However there are several definitions from different authors that capture the meaning of the concept.

According to Ansoff (1990), a strategy is the product market scope of a company. This refers to a decision of what to produce in which market. If the environment is stable, an organization can operate without changing its product-market focus. However, if the environment changes, this 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. If the products the company is producing or the markets its serving is not a reflection of the demands of the external environment, then the

company's efforts are futile. According to Ansoff (1990), strategy, structure and environment interact to increase organizational performance.

Organizations do not operate in a vacuum. They 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.

Farell (1957) proposed that efficiency consists of two components: technical efficiency and allocative efficiency. The former reflects the ability of a Decision-Making Unit (DMU) to minimize input use as to produce a given amount of output. The latter reflects the ability of a DMU 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 DMU is fully efficient. For example, an efficiency score measured against a cost frontier of 90% signifies that the DMU could have reduced costs by 10% without altering its output vector.

Strategies pursued by firms to enhance their efficiency will depend on their objectives, and these objectives can differ from one firm to another. However all firms, whatever 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, 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 (Kenya Revenue Authority, 2006).

### **1.1.2. Taxpayer Education and Revenue Collection**

In Kenya, KRA established a Taxpayer Services Division under the Support Services Department. The function was centralized to enhance the effectiveness of taxpayer education and improve coordination. Customer Care Desks were established in all KRA Regions and major centers. KRA successfully hosted a television programme "*A Working Nation Wins*" aimed at propagating the need for citizens to pay their share of taxes in order to support service delivery by the Government. Print and media campaigns were introduced to raise the level of awareness. The number of outreach services to taxpayers and other arms of Government were increased; among the groups targeted include the Provincial Administration and Internal Security, Judiciary and Members of National Assembly. The annual taxpayers' week was designed to coincide with national freedom heroes' day. The slogan "*Kulipa Ushuru ni Kujitegemea*" was developed to celebrate the 10 years

Anniversary celebrations in 2005. The concept of Tax Clinics was adopted, with service oriented approach where taxpayers were educated on various tax matters. During the clinics, taxpayers were given a chance to air their grievances and make suggestions on service improvement. Services such as issuance of PIN Card, VAT registration, ETR, Income Tax returns, driving license, TLB, PSV licenses for drivers and conductors, and transfer of logbooks were provided on site at the tax clinics (KRA, 2007).

### **1.1.3. Kenya Revenue Authority**

The Kenya Revenue Authority was established by an Act of Parliament on July 1<sup>st</sup> 1995 Cap. 469 for the purpose of enhancing the mobilization of Government revenue, while providing effective tax administration and sustainability in revenue collection. 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 written laws and the specified provisions of the written laws; To advise on matters relating to the administration of, and collection of revenue under the written laws or the specified provisions of the written laws; and to perform such other functions in relation to revenue as the Minister of Finance may direct (KRA, 2007). 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 the different KRA departments. In addition, KRA is computerizing its operations in a phased manner to make its operation easier, faster, more friendly and efficient to its stakeholders (Oyugi, 2005).



KRA launched the second Corporate Plan (2003/04-2005/06) with a new vision, to be the leading revenue authority in the world, respected for professionalism, integrity and fairness. During the first phase of the Plan (June-December 2003) KRA implemented a number of administrative measures, including: An agency system for withholding of VAT by public institutions and government ministries which generated an additional Kshs. 1 billion and recruited an additional 1100 taxpayers; Direct payment of customs revenue through banks in Nairobi Long Room and JKIA in October 2003 in order to streamline revenue payment and seal avenues for revenue leakage; Computerized cash receipting system for load transport department that enable to institution to realize increased revenue of about 40% from October to December 2003; Effective debt management that enabled KRA realize Kshs. 9 billion in revenue, reflecting a growth of 16.4% during June-December 2003; Effective audit programmes that enabled KRA realize a total of Kshs. 4.0 billion in additional revenue; Establishment of a Petroleum Monitoring Unit and Export Verification Unit to, respectively, streamline procedures for importation and exportation of petroleum products, and to verify export claims before refunds are paid (KRA, 2004)

## **1.2. Statement of the Problem**

The KRA has undergone a number of restructuring exercises over time geared towards improved performance (Oyugi, 2005). KRA launched the second Corporate Plan (2003/04-2005/06) with a new vision, to be the leading revenue authority in the world, respected for professionalism, integrity and fairness. The Plan, which defines KRA path into the future is build on lessons drawn from implementation of the first Corporate Plan (2000/01-2002/03). It is based on four pillars, namely: enhance revenue collection to surpass the set targets at the

least possible cost: quality service by delivering maximum satisfaction at the least cost; modernization of internal processes and; revitalization of human resources (KRA, 2004).

Following the Revenue Administration Reforms, revenue collection during the financial year 2004/2005 among other financial years like 1 Y 2002/2003, 2003/2004 rose 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 GDP up Over since the New government took over. Cumulatively, during the financial year (FY), Kenya Revenue Authority (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 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.

An empirical study by Kimuyu (2005) had examined the perceptions of the taxpayers towards tax compliance enforcement measures applied by the VAI department of KRA. The study established that the taxpayers were satisfied with the level of integrity, fairness, and professionalism in which the VAT department conducts the periodic checks and compliance spot-checks. The overall image of the department to the taxpayers was found to be good but the taxpayers were dissatisfied with the frequency at which the VAI department conducts the

spot-checks and audits. No empirical study has evaluated the effectiveness of taxpayer education as one of the strategies applied by KRA in enhancement of revenue collection. This study sought to fill this gap by evaluating the impact of taxpayer education programmes towards revenue collection within various revenue collection departments of KRA. The study key research question was therefore posed as: "What has been the effectiveness of taxpayer education strategy towards efficiency in revenue collection by KRA?"

### **1.3. Objectives of the Study**

The study's specific objective was to establish the effectiveness of taxpayers' education in revenue collection by KRA.

### **1.4. Significance of the Study**

X The findings of the study 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. The study will also recommend to the KRA board on the options for improvement of its taxpayer education programme in future. This will ensure that the Authority is able to achieve its set revenue collection targets over the respective financial years. 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 (JICA) to donate up-to date machines like laptops, and even storage devices. Finally, the study stands to benefit future researchers, scholars, and academicians who may wish to study strategic management in tax administration or related subjects.

## CHAPTER TWO

### 2.0 LITERATURE REVIEW

#### 2.1. Introduction

This chapter presents a review of the literature related to the subject of the study as presented by various researchers, scholars, analysts and authors. The chapter is organized as follows: Section 2.2 describes the concept of strategy implementation; Section 2.3 outlines the strategic drivers of revenue administration, and Section 2.4 is the Summary of the Literature review.

#### 2.2. The Concept of Strategy Implementation

According to Aosa (1992), there is need to implement strategies once they have been developed, otherwise they are of no value unless they are effectively translated into action. However, poor implementation of an appropriate strategy may cause that strategy to fail (Kiruthi, 2001). An excellent implementation plan causes the success of an appropriate strategy as well as rescues an inappropriate strategy (Hunger & Wheelen, 1994). Strategy implementation is therefore crucial to effective management (McCarthy et al, 1996). The implementation process of a strategy typically impacts every part of the organization structure, from the biggest organizational unit to the smallest frontline work group (Thomson & Strickland, 1998). They point that every manager has to think through the question "what has to be done in my area to implement our part of strategic plan and what should I do to get these things accomplished?" All managers become strategic implementers in their areas of authority and responsibility and all employees should be involved.

Aaltonen & Ikavalko (2001) argued that transforming strategies into action is a far more complex and difficult task, a fact that was later supported by David (2003) who pointed out that it is always more difficult to do something (strategy implementation) than to say you are going to do it (strategy formulation). Strategy implementation is therefore not directly linked to strategy formulation; it exhibits its own resistance, which can invalidate the planning efforts (Ansoff & McDonnell, 1990). Clearly, the implementation of a strategy is not a straightforward process, as one would assume. Bryson (1995) asserted that the earlier steps in the strategic management process are designed to ensure as much as possible that adopted strategies and plans do not contain any major flaws, but it is almost inconceivable that some important difficulties will not arise as strategies are put into practice.

Alexander (1985) identified inadequate planning and communication as two major obstacles to successful implementation of strategies. Thomson & Strickland (1998) states that strategy implementation challenge is to create a series of tight fits between strategy and the organization's competences, capabilities and structure; between strategy and budgetary allocation; between strategy and policy; between strategy and internal support system; between strategy and the reward structure and; between strategy and the corporate culture. However, the problems of strategy implementation relate to situations or processes that are unique to a particular organization even though some problems are common to all organizations. The key decision makers should therefore pay regular attention to the implementation process in order to focus attention on any difficulties and on how to address them

## **2.3. Strategic Drivers of Efficient Revenue Administration**

### **2.3.1. Reforms and Modernization of Operations**

A successful taxpayer education programme would be preceded by reforms and modernization of some operational areas of an organization. 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 Rodin, 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 tax payers; 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 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 its Third Corporate Strategic Plan 2006/07 - 2008/09 KRA anticipates to take the Revenue Administration Reform and Modernization Programme (RARMP) to the next level as KRA conducts Business Process Improvement (BPI) and increases 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 (ICT) 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 goals/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 ISO 9001/2000 certification and maintaining it (Kenya Revenue Authority, 2007).

### **2.3.2. Taxpayers Education**

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 by the IFIs, 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.

In Hungary, 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 (APEH). Fundamental to this system of self-assessment is that taxpayers must have sufficient knowledge in the tax laws and procedures and a confidence that we will act fairly and treat taxpayers according to their individual circumstances. 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. Taxpayers are differentiated in our "Compliance Model", which asserts that the vast (Király, 2004).

Another alternative recently adopted by a few developed countries such as Netherlands and Australia is the taxpayer segment or client model. Pakistan since 2002 have attempting 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

case tax compliance, reduce compliance costs and minimize the cost of tax administration. It is evident that the taxpayers' attitude is gradually changing (URA, 2004).

### **2.3.3. Staff Training**

Staff are the key implementers of the taxpayer education 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 arise from a clear vision about people's abilities and potential and operates within a framework of business frame work (Harrison, 1977). It takes the long term view of about 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 behaviour 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, soap-box speeches and Board member store visits. 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 (Kliger and Tweraser, 2001).

Staff training consists of both formal training events and on-the-job training (OJT). 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, Facrman, 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 Third 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 (KRA, 2007).

#### **2.3.4. Institution of Performance Management Contracts**

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 us for a number of reasons. They include: 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, which signed contracts on 1<sup>st</sup> October 2004 and 16<sup>th</sup> December 2004 respectively. The Civil Service, together with all the state corporations was scheduled to sign performance contracts by 30<sup>th</sup> June 2005 (Directorate of Personnel Management [DPM], 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 henceforth sustained.

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 behaviour 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 HPWS [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.

## **2.4. Summary**

KRA acknowledges that the dynamics of a continuously changing operating environment will pose great challenges as they create new demands and necessitate focus shifts. The Authority should effectively deal with the varying environmental challenges to the achievement of its vision. The organization has modelled strategies that take account of its operating environment. Taxpayer education features as one of the most recently introduced strategy. However, empirical studies have not addressed the extent to which the taxpayer education strategy is effective in enhancing KRA's revenue collection mandate. To fill this gap, this study sought to evaluate the effectiveness of taxpayer education by KRA towards enhancement of revenue collection.

## CHAPTER THREE

### 3.0 RESEARCH METHODOLOGY

#### 3.1. Research Design

In assessing the effectiveness of revenue collection enhancement strategies applied by KRA , the researcher used a descriptive research design. Descriptive research determines and reports the ways things are (Gay, 1981). This approach was appropriate because the study involved fact finding and enquiries of different kind to describe the state of the affairs (effectiveness of strategies) as they exist at present.

#### 3.2. Data Collection

The study was conducted in Nairobi region. In its Tax administration operations, KRA partitions the Nairobi region into four administrative regions namely: Nairobi North (Westlands and River Road areas); Nairobi East (East lands areas); Nairobi West (the central business district up to Dagoretti); and, Nairobi South (to include Industrial Area, Langata area, and Karen). The study applied these sub-regions as the sampling strata for taxpayers. A sample must represent well the characteristics of the population and it must be economical to collect and collate. The sample has to be as accurate as studying the entire population (Cummings, 1993). The sample was selected through stratified sampling and simple random sampling. The regions were treated as strata from which random samples of respondents were randomly drawn from each stratum through simple random sampling. Table 3.1 is a tabulation showing how the sample was derived. A sample of 120 taxpayers was therefore drawn from the Nairobi region.

**Table 3.1: The Sampling Structure**

<b>Region</b>	<b>Target Sample</b>	<b>Percentage of the total</b>
Nairobi North	30	25.0%
Nairobi East	30	25.0%
Nairobi South	30	25.0%
Nairobi West	30	25.0%
<b>Total</b>	<b>120</b>	<b>100.0%</b>

The researcher used questionnaires in collection of primary data because they are simple in nature if well structured. The questionnaire consisted of both open-ended and closed questions covering issues on the effectiveness of taxpayer education strategy by KRA. Open-ended questions permitted free responses from the respondents, without providing or suggesting any structure for the replies. The closed questions enabled responses of the respondents to be limited to stated alternatives. These alternatives were designed in such a way as to be simple for the respondents to understand. This method was employed because the researcher sought to isolate the responses from external influences to ensure also that the respondents were totally free to express their views and attitudes in unbiased manner. The respondents were assured about the confidentiality of their feedback. The questionnaires were administered from the taxpayers' residential areas or places of working, depending on their convenience. A polite deadline was suggested after which the questionnaires should be collected ready for the analysis.

### **3.3. Data Analysis**

After the fieldwork, before analysis, all the questionnaires were adequately checked for completeness. This was done through scrutiny so as to minimize the variations due to

missing responses, multiple entries and blank questionnaires. The information was codified and entered into a spreadsheet and analyzed using SPSS (Statistical Package for Social Sciences). Exploratory analysis was first performed to ensure that the output is free from outliers and the effect of missing responses was at minimum. Quantitative analysis involved generation of descriptive statistics namely frequencies and percentages. Qualitative data was performed through segregation of field notes according to codes, categorization of codes according to similarities and organization of data according to study themes from which conclusions were drawn. The data was presented using tables, charts and cross tabulations.

## CHAPTER FOUR

### 4.0 DATA ANALYSIS AND PRESENTATION OF FINDINGS

#### 4.1. Introduction

This chapter presents the findings of the study, analysis of data and presentation of findings. For the purpose of showing the relationship amongst various variables, descriptive statistics such as frequencies and percentages have been used. Whereas the study had targeted a total of 120 respondents, only responses from 100 respondents were considered valid and adequate for analysis stage. This represents a response rate of 83%. These responses formed the basis for the analysis presented in this chapter. The chapter is guided by the study objectives. The data has been presented in form of frequency tables, pie-charts, and graphs where applicable.

#### 4.2. Demographic Characteristics of the Sample

Table 4.1 shows the demographic characteristics of the sample respondents. The sample was fairly split by gender with 51% male and 49% female. The sample was also comprised of respondents derived from various age categories with 12% aged less than 25 years; 40% were aged between 26 to 35 years; 29% were aged between 36 to 45 years; and 19% were aged above 45 years. The respondents had also attained diverse levels of education namely secondary (30.6%); tertiary college (21.4%); university graduate (34.7%); and university postgraduate level (13.3%). A majority of the sample respondents (57.3%) were engaged in formal employment. The findings further indicate that a cumulative majority of the sample respondents (71.6%) had been paying taxes for a period of more than 5 years. A majority of

the respondents (59.8%) were drawn from the income tax cluster. Others were drawn from the excise tax; value added tax, and turnover tax clusters.

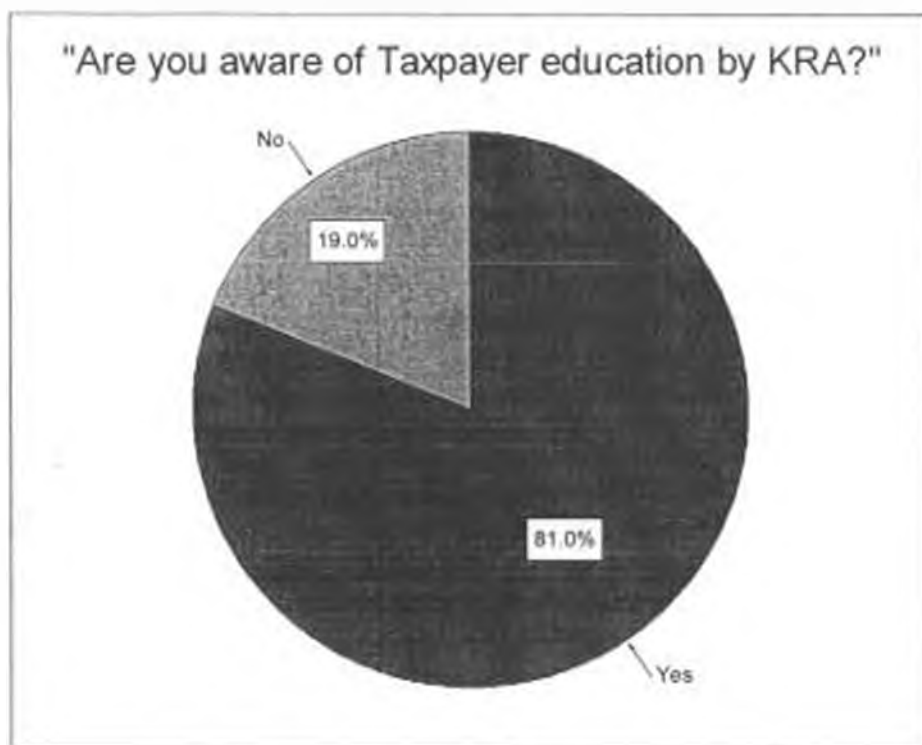
**Table 4.1: Demographic Characteristics of the Sample**

<b>Variable</b>	<b>Category</b>	<b>Number of Responses</b>	<b>% of the total</b>
<b>Gender</b>	Male	51	51.0%
	Female	49	49.0%
	<b>N</b>	<b>100</b>	<b>100.0%</b>
<b>Variable</b>	<b>Category</b>	<b>Number of Responses</b>	<b>% of the total</b>
<b>Age Categories</b>	Below 25 Years	12	12.0%
	Between 26 to 35 years	40	40.0%
	Between 36 to 45 Years	29	29.0%
	Above 45 Years	19	19.0%
	<b>N</b>	<b>100</b>	<b>100.0%</b>
<b>Variable</b>	<b>Category</b>	<b>Number of Responses</b>	<b>% of the total</b>
<b>Level of Education</b>	Secondary	30	30.6%
	Tertiary College	21	21.4%
	University Graduate	34	34.7%
	University Postgraduates	13	13.3%
	<b>N</b>	<b>98</b>	<b>100.0%</b>
<b>Variable</b>	<b>Category</b>	<b>Number of Responses</b>	<b>% of the total</b>
<b>Nature of Employment</b>	Formal	55	57.3%
	Informal	41	42.7%
	<b>N</b>	<b>98</b>	<b>100.0%</b>
<b>Variable</b>	<b>Category</b>	<b>Number of Responses</b>	<b>% of the total</b>
<b>Duration of Paying Taxes</b>	Less than 5 years	23	28.4%
	6 to 10 years	28	34.6%
	More than 10 years	30	37.0%
	<b>N</b>	<b>81</b>	<b>100.0%</b>
<b>Variable</b>	<b>Category</b>	<b>Number of Responses</b>	<b>% of the total</b>
<b>Categories Of Taxes Paid</b>	Income tax	55	59.8%
	Excise tax	15	16.3%
	Value added tax	18	19.8%
	Turnover tax	4	4.3%
	<b>N</b>	<b>92</b>	<b>100.0%</b>

Source: Field Data (2008)

Figure 4.1 below presents a split of responses regarding whether sample responses were aware that KRA conducts taxpayer education to the taxpayers. The findings indicate that a majority of the respondents (80%) reported that they were aware that KRA conducts taxpayer education to the taxpayers.

**Figure 4.1: Extent of Taxpayers' Awareness on Taxpayer Education (N=100)**



Source: Field Data (2008)

Table 4.2 below presents an analysis of responses from 79 respondents who had reported that they are aware about the taxpayer education by KRA. The findings indicate that a majority of the respondents (68.4%) were aware of taxpayer education had as well attended taxpayer education 'clinics'. The respondents reported that they had been motivated to attend taxpayers' education seminars by the following factors: to ask questions related to various taxes e.g. PAYE; to learn more about tax payment procedures; direct invitation by KRA; get more information on filling of tax returns; and to get acquainted to various procedures and statutes regarding the payment of taxes.

**Table 4.2: Attendance to Taxpayer Education 'Clinics' (N=79)**

	Have you ever attended a KRA taxpayer education 'clinic'?	
	n	% of the total
Yes	54	68.4%
No	25	31.6%
<b>Total</b>	<b>79</b>	<b>100.0%</b>

Source: Field Data (2008)

### 4.3. Effectiveness of Taxpayers' Education in Revenue Collection

Table 4.3 presents findings regarding the sample respondents' views on the effectiveness of taxpayer education in revenue collection by KRA. First, a cumulative majority of the respondents (81%) agreed that taxpayer education has enhanced the public level of understanding on various taxes at KRA. Secondly, a cumulative majority of the respondents (76.6%) agreed that taxpayer education has enhanced tax compliance among non-cooperate taxpayers. Thirdly, a majority of sample respondents (74.2%) disagreed to the fact that tax evasion is still rampant even after introduction of taxpayer education. Finally, 63.8% of the respondents reported that it is easy for taxpayers to file return than before.

**Table 4.3: Effectiveness of Taxpayer Education in Revenue Collection**

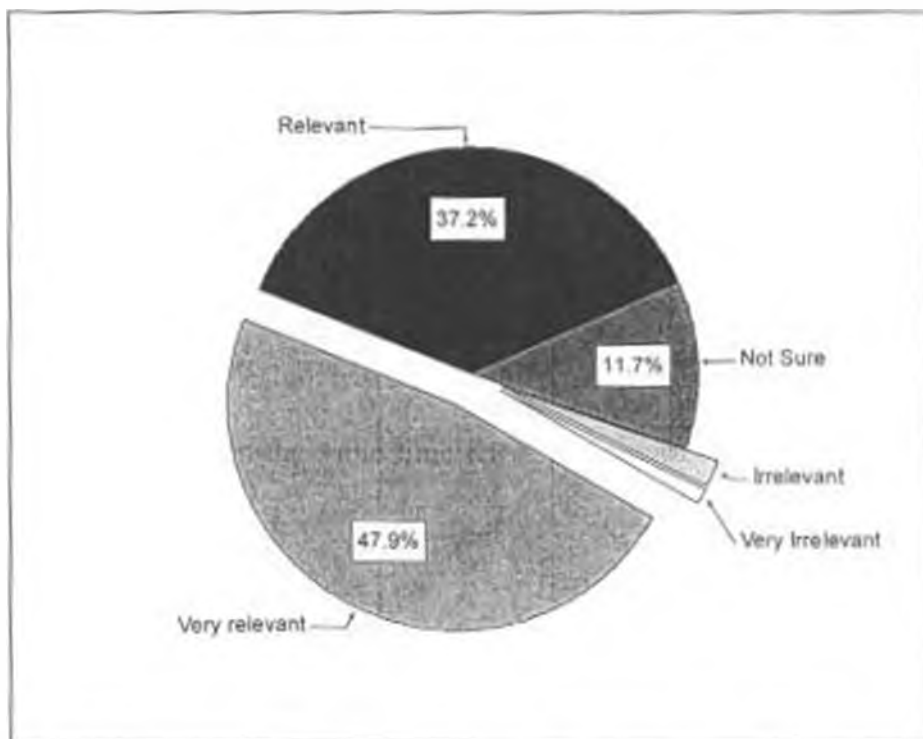
	Strongly Agree		Agree		Not Sure		Disagree		Strongly Disagree	
	n	%	n	%	n	%	n	%	n	%
Taxpayer education has enhanced the public level of understanding (N=95)	31	32.6%	46	48.4%	10	10.5%	5	5.3%	3	3.2%
Taxpayer education has enhanced tax compliance among non-cooperate taxpayers (N=94)	28	29.8%	44	46.8%	16	17.0%	4	4.3%	2	2.1%
Tax evasion is still rampant (N=93)	5	5.4%	7	7.5%	12	12.9%	29	31.2%	40	43.0%
Easy for taxpayers to file return than before (N=94)	14	14.8%	46	48.9%	13	13.8%	13	13.8%	8	8.5%

Source: Field Data (2008)



Figure 4.2 presents the distribution of responses regarding respondents' opinions on the extent to which taxpayer education is relevant to achievement of revenue goals of KRA. A cumulative majority of the respondents (85.1%) were of the opinion that taxpayer education is relevant towards achievement of revenue goals and targets by KRA. Generally, the respondents were of the view that the taxpayers see the need of paying taxes hence there is need for more sensitization so as to enhance revenue collection. There is noticeable impact of taxpayer education since KRA is currently able to realize and surpass its annual and quarterly revenue targets. High level of awareness among taxpayer has also increased tax compliance levels. Besides, taxpayer education has enhanced the level of understanding by the public on various tax regimes, while at the same time KRA gets informed of the problems faced by taxpayers

**Figure 4.2: Extent of Relevance of Taxpayer Education to KRA's Revenue Goals (N=94)**



Source: Field Data (2008)

## CHAPTER FIVE

### 5.0 DISCUSSION, CONCLUSIONS AND RECOMMENDATION

#### 5.1. Introduction

This chapter presents the summary and description of findings derived from the study. The chapter also provides findings, conclusions and recommendations as well as recommendations for further research.

#### 5.2. Discussion of Findings

The broad objective of the study was to determine the effectiveness of taxpayers' education in revenue collection by KRA. The study applied a descriptive research design. The study was conducted in Nairobi region, where the region was sub-divided into four administrative regions namely: Nairobi North, Nairobi East, Nairobi West, and Nairobi South. The sub-regions were applied as the sampling strata for taxpayers. A sample of 120 taxpayers was drawn from the four sub-regions through simple random sampling. The sample comprised of respondents who had knowledge regarding existence of taxpayer education programmes as well as those who had attended (Table 4.2 and Figure 4.1). Questionnaires were used in collection of primary data. The data was analysed by application of a mix of both quantitative and qualitative techniques. The findings were presented using tables and charts

The findings established that taxpayer education had enhanced revenue collection by KRA. The findings revealed that taxpayer education had enhanced the following aspects in regard to revenue collection: the public level of understanding on various taxes at KRA; tax

compliance among non-cooperate taxpayers; reduction of tax evasion; and ease of filing tax returns by taxpayers.

Generally, the findings showed that there is consensus amongst taxpayers on the need of paying taxes hence there is need for more sensitization so as to enhance revenue collection. There is noticeable impact of taxpayer education since KRA is currently able to realize and surpass its annual and quarterly revenue targets. High level of awareness among taxpayer has also increased tax compliance levels. Besides, taxpayer education has enhanced the level of understanding by the public on various tax regimes, while at the same time KRA gets informed of the problems faced by taxpayers. The findings agree with empirical findings from studies by URA (2004), McCarten (2004), Kiraly (2004), and Muriithi and Moyi (2006), that more professional tax administration techniques ensure efficiency and effectiveness in revenue collection. Modern systems ease tax compliance, reduce compliance costs and minimize the cost of tax administration.

### **5.3. Conclusions**

The study therefore shows that taxpayer education enhances revenue collection by KRA. It also enhances the public level of understanding on various taxes at KRA, enhances tax compliance among non-cooperate taxpayers, and reduces possible avenues for tax evasion. It also becomes easy and convenient for taxpayers to file their periodic tax returns. The study therefore implies that the improvement and expansion of taxpayer services by KRA was a strategic shift towards the realization of some of the revenue collection goals.

## **5.4. Recommendations**

### **5.4.1. Recommendations for Improvement**

In order to achieve maximum benefits from its taxpayer education programmes, KRA should strive to implement some of the following measures: improve service delivery options to taxpayers; facilitate participation by all sectors and categories of taxpayers; simplify the tax process; increase the scope of electronic tax services; deliver focused taxpayer education programmes and guidance instructions to taxpayers; formulate measures to increase the participation of taxpayers in the tax; and ensure timely response to the dynamics affecting revenue collection from time to time. The Authority should also focus on maintaining a good corporate image to ensure that its training programmes are perceived in good light by the tax-paying public.

### **5.4.2. Recommendations for Further Research**

The study had focused on the effectiveness of taxpayers' education in revenue collection by KRA. Although improved revenue collection is a function of many strategic measures, this study was limited to the single aspect of taxpayer education. Therefore, further research is proposed to determine the effectiveness of other strategic measures such as staff training, reforms and modernization of operations, institution of management contracts, and attainment of quality certification.

## **5.4. Recommendations**

### **5.4.1. Recommendations for Improvement**

In order to achieve maximum benefits from its taxpayer education programmes, KRA should strive to implement some of the following measures: improve service delivery options to taxpayers; facilitate participation by all sectors and categories of taxpayers; simplify the tax process; increase the scope of electronic tax services; deliver focused taxpayer education programmes and guidance instructions to taxpayers; formulate measures to increase the participation of taxpayers in the tax; and ensure timely response to the dynamics affecting revenue collection from time to time. The Authority should also focus on maintaining a good corporate image to ensure that its training programmes are perceived in good light by the tax-paying public.

### **5.4.2. Recommendations for Further Research**

The study had focused on the effectiveness of taxpayers' education in revenue collection by KRA. Although improved revenue collection is a function of many strategic measures, this study was limited to the single aspect of taxpayer education. Therefore, further research is proposed to determine the effectiveness of other strategic measures such as staff training, reforms and modernization of operations, institution of management contracts, and attainment of quality certification.

## References

- Aaltonen, P. and Ikavalko, H. (2001) "Implementing strategies successfully", A paper presented at the Xii World productivity congress, June 2001.
- Alexander, L.D. (1985) "Successful implementing strategic decisions." Long Range, (18) (3)
- Ansoff, I. and McDonnell, E. (1990) Implanting Strategic Management, 2<sup>nd</sup> Edition, Prentice Hall.
- Aosa, E. (1992) "An Empirical Investigation of Aspects of Strategy Formulation and Implementation within Large, Private Manufacturing Companies in Kenya" Unpublished PhD Thesis, School of Business, University of Nairobi.
- Ban, C., Faerman S.R., and Riccucci N.M., (1992). "Productivity and the Personnel Process," in Public Productivity Handbook, edited by M. Holzer (401-23). San Francisco: Jossey-Bass. p.416
- Bird R.M., and de Jantscher M.C, (1993) "Policy change without administrative change is nothing" Improving Tax Administration in Developing Countries: Washington: IMF,
- Bowsher J.E. (1998). Revolutionizing Workforce Performance: A System Approach to Mastery. San Francisco. Jossey-Boss, Pfeiffer. p.56
- Bracker E., (1980) "A cross-national study of planning characteristics of United States and Japanese entrepreneurs". International Journal of Management, 11(2): 634-640.
- Burnes, B., (2000) Managing Change, (3<sup>rd</sup> Edition) Financial Times, Prentice Hall
- Bryson, J.M., (1995) Strategic Planning for Nonprofit Organizations. Revised edition, Jossey - Brass.
- Cheeseman N., and Robert G., (2005) Increasing tax revenue in sub-Saharan Africa: The case of Kenya: OCGG Economy Analysis No. 6
- Coelli, T., Prasada D. S., and Battese G. E., (1997). An Introduction to Efficiency and Productivity Analysis. Boston: Springer.
- Crandall W., and Bodin J.P., (2005) Revenue Administration Reform in Middle Eastern Countries, 1994-2004 ; IMF working paper WP/05/203
- David, F.R., (2003) Strategic Management Concepts, 9<sup>th</sup> Edition, Prentice Hall.
- Directorate of Personnel Management (2005) Performance Contracts retrieved from <http://www.forestry.go.ke/dpm.go.ke/pages/pcs.html> April 2006

Farrell, M. J., (1957). "The Measurement of Productive Efficiency". Journal of the Royal Statistical Society, 253-290.

Guest, D., (2002) "Human Resource Management, Corporate Performance and Employee Well-Being: Building the Worker into HRM", The Journal of Industrial Relations, 44:4, pp. 335-358.

Harrison D., (1977) Learning and Development. London: CIPD.

Hunger, J.D., and Wheelen T. L., (2000) Strategic Management, 7<sup>th</sup> Edition, Prentice Hall.

IDcA (2004) Performance Management Strategy 2007 -2010; Derby City Council

Kenya Revenue Authority (2007) "Third Corporate Plan 2006/07 - 2008/09" Volume 1, Nairobi: KRA

Kenya Revenue Authority (2007) "About Kenya Revenue Authority" an information bulletin retrieved on 8<sup>th</sup> November 2007 from <http://www.kra.go.ke/kra/aboutkra.html>

Kenya Revenue Authority (2004) The Corporate Strategic Plan 2003/2004 - 2005/2006; Nairobi: KRA

Kenyan Ministry of Planning and National Development, (2003) Economic Recovery Strategy for Wealth and Employment Creation. Nairobi: Republic of Kenya.

Király L. G., (2004) "Tax administration in Hungary" an information bulletin

Kiruthi, J. N., (2001) "The state of strategic management practices in not-for-profit organizations: The case of public membership clubs in Nairobi" Unpublished MBA Dissertation, School of Business, University of Nairobi.

Kimuyu N.P., (2005) "Tax payers' perception of the tax compliance enforcement strategies: A case of the Value Added Tax department of the Kenya Revenue Authority" Unpublished MBA Dissertation Presented to the School of Business, Moi University, Eldoret Kenya.

McCarthy, D.J. (1986) Business Policy and Strategy: Concepts and Readings 4<sup>th</sup> Edition, Richard D. Irwin, Inc.

McCarten W., (2004) "Focusing on the Few: The Role of Large Taxpayer Units in the Revenue Strategies of Developing Countries" World Bank Report, 2004

Muriithi M.K. and Moyi E.D., (2003) Tax reforms and revenue mobilization in Kenya AERC Research Paper 131 African Economic Research Consortium, Nairobi

Oyugi I. N., (2005) "The Budget Process and Economic Governance in Kenya" The Namibian Economic Policy Research Unit Working Paper No. 98

Pearce, J.A. (II) & Robinson, R.B. (JR) (2003): Strategic Management: Formulation, Implementation and Control. 8<sup>th</sup> Edition, McGraw Hill.

Porter, M. (1985). Competitive Advantage: Creating and Sustaining Superior Performance. The Free Press, New York, NY.

Porter, M. (1998) Competitive Advantage: Creating and Sustaining Superior Performance. New York, NY: The Free Press.

Saunders M., Lewis P. and Thornhill A. (2003) Research Methods for Business Students. Pearson Education Limited: Prentice Hall.

Thomson, A. A. (Jr.) and Strickland, A. J. (III) (1998) Crafting and Implementing Strategy: Text and Readings, 10<sup>th</sup> Edition, McGraw Hill.

Uganda Revenue Authority (2004) "Taxation and Investment in Uganda structure and trend" a presentation to the business forum in London, UK for investment opportunities in Uganda

Whittaker J.B., (2003) "Strategy and Performance Management in the Government" A White Paper, 444 Castro Street, Suite 501, Mountain View.

UNIVERSITY OF NAIROBI  
LOWER KABETE LIBRARY



## **Appendix I: Questionnaire Cover Letter**

**Dear Respondent,**

I am a MBA student at the University of Nairobi. In partial fulfillment of the course requirements, I am conducting a study **"To evaluate the effectiveness of taxpayer education as a revenue collection strategy in KRA: A case study of the Nairobi Region"**.

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.

---

**OYUGI N. B.**

## Appendix II: Questionnaire for Taxpayers

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

Date \_\_\_\_ / \_\_\_\_ / 2008

Nairobi North  Embakasi  Nairobi South  Nairobi West

### SECTION I: BACKGROUND INFORMATION

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. Income tax (e.g P.A.Y.E)
- b. Excise tax
- c. Value-added tax
- d. Turnover tax
- e. Others (Please specify) \_\_\_\_\_

**SECTION 2: INFORMATION ON TAXPAYER EDUCATION**

8. Are you aware that KRA conducts taxpayer education to the taxpayers?

- a. Yes
- b. No

9. Have you ever attended a KRA taxpayer education 'clinic'?

- a. Yes
- b. No

If YES, what had motivated you to attend the taxpayers' education session?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

10. If NO in Q.9 above, why have you never attended a taxpayer education session organized by KRA? \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

11. The table below presents various aspects on taxpayer education by KRA. 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

	5	4	3	2	1
a) The taxpayer education has enhanced the public level of understanding of various tax regimes of KRA					
b) The taxpayer education has enhanced tax compliance among non-corporate taxpayers					
c) Tax evasion is still rampant even after taxpayer education					
d) It is easier for tax payers to file returns than before					

12. In your opinion, to what extent is taxpayer education relevant to achievement of revenue goals of KRA

- a. Very relevant
- b. Relevant
- c. Not sure
- d. Irrelevant
- e. Very Irrelevant

13. In your view, what has been the effect of Taxpayers' education on efficiency in revenue collection at KRA?

---

---

---

---

---

---

---

---

---

---

14. What recommendations would you make in regards to strategies applied by KRA to enhance revenue collection?

---

---

---

---

---

---

---

---

---

---

**THANK YOU FOR YOUR RESPONSES**

