



---

**Electronic Theses and Dissertations**

---

2024

# Effect of government accountability on voluntary tax compliance of motor garages in Kenya.

Nganga, Alice Wanjiku  
*Strathmore Business School*  
*Strathmore University*

**Recommended Citation**

Nganga, A. W. (2024). *Effect of government accountability on voluntary tax compliance of motor garages in Kenya* [Strathmore University]. <http://hdl.handle.net/11071/15483>

Follow this and additional works at: <http://hdl.handle.net/11071/15483>

**EFFECT OF GOVERNMENT ACCOUNTABILITY ON VOLUNTARY  
TAX COMPLIANCE OF MOTOR GARAGES IN KENYA**

**ALICE WANJIKU NGANGA**

**83060**



**DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE  
REQUIREMENTS FOR THE AWARD OF MASTER'S IN BUSINESS  
ADMINISTRATION DEGREE AT STRATHMORE UNIVERSITY**

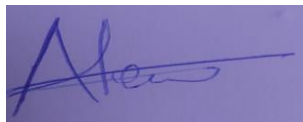
**MAY 2024**

## DECLARATION

I confirm that this project has not been previously submitted or accepted for a degree by any educational institution. To the best of my knowledge and belief, the dissertation does not contain any material previously published or authored by another individual, except where appropriate acknowledgment has been duly provided.

Name: **Alice Wanjiku Nganga**

Registration No. **83060**



Signature

Date: 01/05/2024

### Approval by Supervisor

I have endorsed the submission of this thesis.

Name: **Dr. Farida Abdul**

Lecturer,

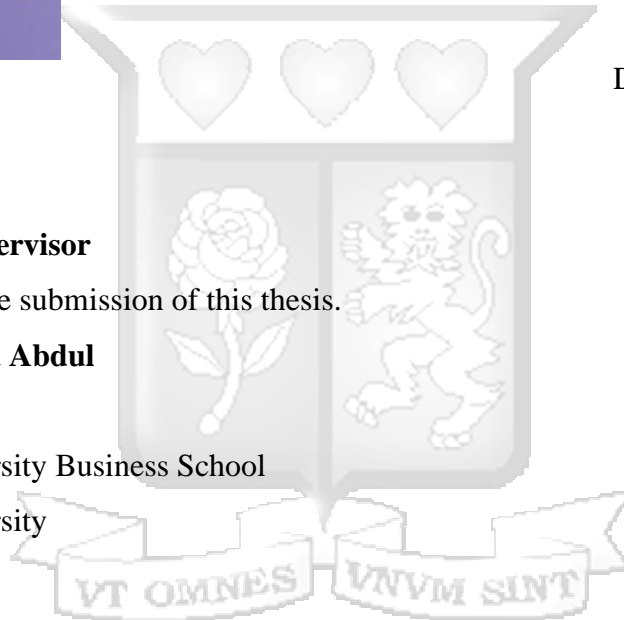
Strathmore University Business School

Strathmore University



Signature

Date...04/05/2024



## DEDICATION

My late dad, you would have been alive to see how I am pushing to become all you desired of me. To my Mum you have been such a pillar in this journey and to my siblings you are my cheerleaders. Dr. Thierry Michel Vincent, my role model always challenging me to be a better person and aim higher, I owe you much. Glory to God Almighty, the MBA journey is over.

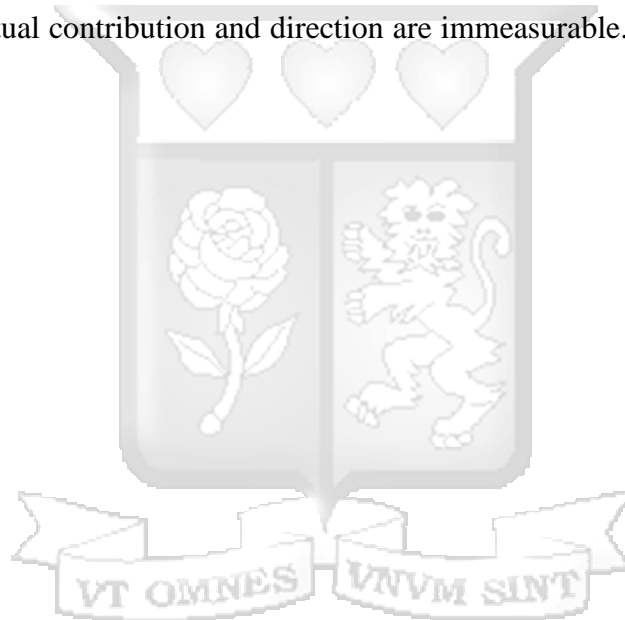


## ACKNOWLEDGEMENT

I express gratitude for the journey thus far, recognizing the guidance of the Lord God. I have experienced His support in various ways, and I do not take it lightly. I will forever be indebted to my friend Dr. Thierry Michel Vincent; you believed in me and pushed me to continue when I felt overwhelmed.

To my younger sister Sophia Nganga, you ensured I had dinner otherwise I could have starved combining work and study, I am forever grateful. To my employer you were so generous with time otherwise it wouldn't have worked, much appreciated.

To my supervisor, Dr. Farida Abdul for always being willing, ready, and available to help, this thesis would not have reached this stage without your unconditional support. Your continued intellectual contribution and direction are immeasurable. I express my heartfelt gratitude.



## TABLE OF CONTENTS

<b>DECLARATION</b> .....	<b>ii</b>
<b>DEDICATION</b> .....	<b>iii</b>
<b>ACKNOWLEDGEMENT</b> .....	<b>iv</b>
<b>LIST OF TABLES</b> .....	<b>ix</b>
<b>LIST OF FIGURES</b> .....	<b>x</b>
<b>ABSTRACT</b> .....	<b>xi</b>
<b>LIST OF ABBREVIATIONS AND ACRONYMS</b> .....	<b>xii</b>
<b>DEFINITION OF KEY TERMS</b> .....	<b>xiii</b>
<b>CHAPTER ONE</b> .....	<b>1</b>
<b>INTRODUCTION</b> .....	<b>1</b>
1.1 Background of the Study.....	1
1.1.1 Government Accountability .....	3
1.1.2 Voluntary Tax Compliance .....	5
1.1.3 Motor Garages in Kenya .....	6
1.2 Problem Statement .....	7
1.3 Research Objectives .....	8
1.3.1 General Objective.....	8
1.3.2 Specific Objectives.....	8
1.4 Research Questions .....	9
1.5 Significance of the Study .....	9
1.6 Scope of the Study.....	9
<b>CHAPTER TWO</b> .....	<b>11</b>
<b>LITERATURE REVIEW</b> .....	<b>11</b>
2.1 Introduction .....	11
2.2 Theoretical Framework .....	11
2.2.1 Theory of Predatory Rule.....	11
2.2.2 Fiscal Exchange Theory .....	13
2.2.3 The Legitimacy Theory .....	13
2.3 Empirical Review.....	14
2.3.1 Voluntary Tax Compliance .....	15
2.3.2 Government Accountability .....	16

2.3.2.1 Social Accountability .....	16
2.3.2.2 Institutional Accountability.....	17
2.3.2.3 Economic Accountability.....	19
2.3.3 Control Variables .....	20
2.3.3.1 Tax Audit and Voluntary Tax Compliance .....	20
2.3.3.2 Social Norms and Voluntary Tax Compliance .....	21
2.3.3.3 Personal Norms and Voluntary Tax Compliance.....	22
2.4 Summary of Literature and Gaps. ....	23
2.5 Conceptual Framework .....	29
<b>CHAPTER THREE.....</b>	<b>32</b>
<b>RESEARCH METHODOLOGY .....</b>	<b>32</b>
3.1 Introduction .....	32
3.2 Research Philosophy .....	32
3.3 Research Design.....	32
3.4 Population.....	33
3.5 Data Collection Method .....	33
3.6 Data Analysis and Presentation.....	34
3.7 Research Quality .....	35
3.7.1 Validity.....	35
3.7.2 Reliability .....	35
3.8 Pilot Testing .....	36
3.9 Ethical Consideration .....	37
<b>CHAPTER FOUR.....</b>	<b>38</b>
<b>DATA ANALYSIS AND INTERPRETATION.....</b>	<b>38</b>
4.1 Introduction .....	38
4.2 Response Rate .....	38
4.3 Demographic Characteristics of Respondents.....	38
4.3.1 Respondents Classification by Customer Type.....	38
4.4 Descriptive Analysis .....	39
4.4.1 Voluntary Tax Compliance .....	39
4.4.2 Social Accountability .....	40
4.4.3 Institutional Accountability.....	42

4.4.4 Economic Accountability .....	44
4.4.5 Tax Audits and Voluntary Tax Compliance .....	45
4.4.6 Impact of Social Norms on Voluntary Compliance .....	46
4.4.7 Impact of Personal Norms on Voluntary Compliance .....	48
4.5 Factor Analysis .....	49
4.6 Correlation Analysis .....	51
4.5 Diagnostic Tests.....	52
4.5.1 Test of Normality .....	52
4.5.2 Test of Heteroskedasticity .....	52
4.5.3 Test of Multicollinearity .....	53
4.5.4 Test of Serial Correlation.....	54
4.6 Regression Analysis .....	54
4.6.1 Analysis of Variance .....	54
4.6.2 Model Summary .....	55
4.6.3 Regression Analysis .....	55
4.6.4 Control Variables .....	56
4.7 Discussion of Results.....	57
<b>CHAPTER FIVE .....</b>	<b>60</b>
<b>SUMMARY, CONCLUSION AND RECOMMENDATION.....</b>	<b>60</b>
5.1 Introduction .....	60
5.2 Summary .....	60
5.2.1 Effect of Government Social Accountability on Voluntary Tax Compliance .....	60
5.2.2 Effect of Government Institutional Accountability on Tax Compliance .....	61
5.2.3 The Effect of Government Economic Accountability on Voluntary Tax Compliance.....	62
5.3 Conclusions .....	62
5.4 Policy Recommendation .....	63
5.4.1 Policy Recommendation for Policy .....	63
5.4.2 Policy Recommendation for Practice.....	64
5.5 Suggestions for Further Studies .....	64
5.6 Limitations of Research .....	65

**REFERENCES.....66**

**APPENDICES .....78**

Appendix 1: Research Questionnaire.....78

Appendix 2: Sample Frame: Registered KEMRA Members.....82

Appendix 3: Strathmore Approval Letter .....87

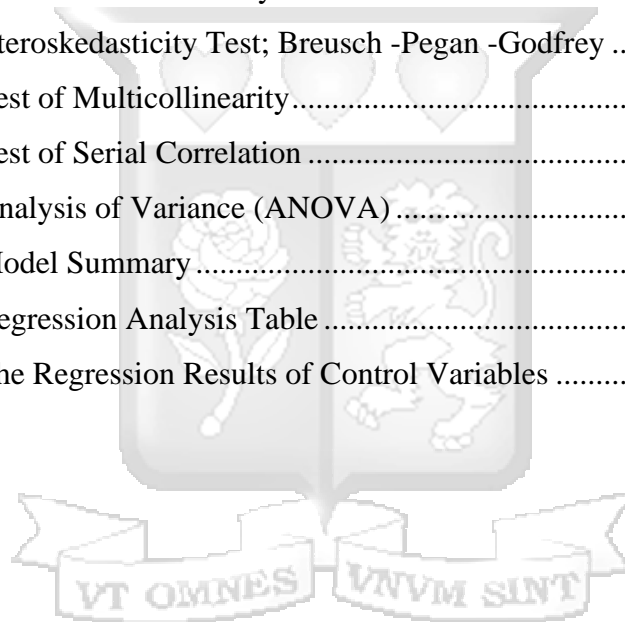
Appendix 4: Nacosti Research Permit .....88

Appendix 5: Ethical Clearance .....89



## LIST OF TABLES

Table 2.1: Summary of Research Gaps .....	25
Table 2.2: Operationalization of Variables.....	30
Table 4.1: Voluntary Tax Compliance .....	40
Table 4.2: Social Accountability .....	40
Table 4.3: Institutional Accountability.....	43
Table 4.4: Economic Accountability .....	45
Table 4.5: Tax Audit and Voluntary Tax Compliance .....	46
Table 4.6: Social Norm and Voluntary Tax Compliance .....	48
Table 4.7: Personal Norms and Voluntary Tax Compliance.....	49
Table 4.8: Test of Multicollinearity.....	52
Table 4.9: Heteroskedasticity Test; Breusch -Pegan -Godfrey .....	52
Table 4.10: Test of Multicollinearity.....	53
Table 4.11: Test of Serial Correlation .....	54
Table 4.12: Analysis of Variance (ANOVA).....	55
Table 4.13: Model Summary .....	55
Table 4.14: Regression Analysis Table .....	55
Table 4.15: The Regression Results of Control Variables .....	57



## LIST OF FIGURES

Figure 2.1: Conceptual Framework .....29



## ABSTRACT

The effective functioning of a nation's government relies on resources to fulfill its duty of providing public goods and services to citizens. Taxation constitutes a significant portion of the country's internal revenue. However, implementing tax policies poses a considerable challenge, particularly in developing economies where a substantial part of the economy operates informally. Despite the informal sector being the primary employer in Kenya, most of the tax revenue is derived from personal taxes and value-added tax (VAT), not the informal sector. Apart from this, taxpayer apathy plays a significant role in influencing tax compliance. Yet many studies in this sector have been done in developed countries which are more transparent than countries in developing economies. To fill this gap this study therefore sought to establish the effect of government accountability on voluntary tax compliance of motor garages in Kenya. This research endeavors to explore the viability of the government creating a psychological understanding with merchants, particularly concentrating on those involved in wholesale and retail activities within the motor vehicle and motorcycle repair domain, commonly known as garages. The aim was to evaluate how the government's commitment to social, institutional, and economic accountability influences the voluntary adherence to taxation by these traders. This study was anchored on the legitimacy theory, the theory of predatory rule, and the fiscal exchange theory. The study used a census model to investigate all the 109 registered garages at the Kenya Motor Repairers Association. The study used the ordinary least square regression methodology and found that social and institutional accountability enhances voluntary tax compliance. Economic accountability was found not to have any statistical impact on voluntary tax compliance. KRA should therefore continue with their taxpayer education as this will lead to improvement in compliance. Additionally, the study found that tax audits enhance voluntary tax compliance, personal norms increase voluntary tax compliance while social norms affect tax compliance negatively. This implies that taxpayers comply because they fear tax audits, but taxpayers can also be negatively affected by the behaviors of peers not to pay taxes.

## **LIST OF ABBREVIATIONS AND ACRONYMS**

<b>KEMRA</b>	Kenya Motors Repairer Associations
<b>KNBS</b>	Kenya National Bureau of Statistics
<b>KRA</b>	Kenya Revenue Authority
<b>OECD</b>	Organization for Economic Cooperation and Development
<b>PAYE</b>	Pay as You Earn
<b>SMEs</b>	Small and Medium-sized Enterprises
<b>VAT</b>	Value-Added Tax



## DEFINITION OF KEY TERMS

**Economic Accountability** – This involves ensuring efficient, economical, and effective public spending (Mikuli, 2021).

**Government accountability** - is explained as the pursuit of the government to fulfill the needs of its citizens whether brought about by the authoritative push from the citizens or by voluntary compliance by the state (Mulgan, 2000).

**Institution Accountability** – is explained as the capacity to ensure a tax system is simple and has clear tax procedures and laws (Chang, 2020).

**Social Accountability** – described as a framework for responsibility, it centers on civic participation, establishing a relational form of accountability between regular citizens and the government (Ahmad, 2008).

**Voluntary Tax Compliance** – the capacity and readiness of taxpayers to adhere to tax laws, accurately disclose income for each specific period, and promptly settle the appropriate tax amount without the need for enforcement have been highlighted in previous research (Ibn, 2021).

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

The need for governments to build internal capacities in different aspects and most importantly financial capacity cannot be underestimated especially after the experiences from the recent pandemic. Many developing countries faced far greater challenges to both their economies and their societies than was the case with industrialized countries, it was a tradeoff between lockdowns to contain or control the spread of the pandemic at the expense of the country's economic stability or to risk having more people suffer from hunger. The World Bank Group (2020) explains that the reason the developing countries were hit harder economically by the COVID-19 pandemic was due to a lack of sufficient fiscal space, which means the inability to apply public funds to counter larger negative shocks. The insufficiency of fiscal space in these nations, as per the World Bank, is attributed to factors such as the vulnerability of their debts to exchange rate fluctuations, maturity risk, lower credit ratings, underdeveloped financial markets, and challenges associated with a small tax base and inefficient tax administration.

Governments in developing countries need to expand their revenue generation to ensure economic safety. This is particularly important to reduce the impact of globalization and economic volatility from the world markets. The government of Kenya has been on a journey to mobilize domestic resources. For example, the demonstrated effort included the drafting of the national tax policy in 2022 which analyses the flaws of the current tax system (Government of Kenya, 2022). The objective of the tax policy is to offer direction on approaches to broaden the tax base. A diminished level of voluntary tax compliance adds additional burdens to the already restricted tax system, as enforcement measures must be enforced, further constraining the country's fiscal capacity. Therefore, the government must encourage voluntary tax compliance, leading to increased net resources (Mohammad, Reza & Sobhkhiz1, 2020).

To respond to economic shocks and increase service provision the government of Kenya has been increasing its tax collection. A report by CEIC (2019) indicates that there has been a 136% increase in tax collection from the fiscal year 2011/2012 to 2020/2021. For example, in the fiscal year 2020/2021, the government successfully gathered 1.669 trillion, marking a notable increase from the 1.607 trillion recorded in 2019/2020. This surge

contrasts sharply with the 707.4 billion collected in 2013/2014. Despite the progress made in enhancing tax collection, the proportion of the country's tax revenue relative to the GDP still falls short of the sub-Saharan averages. Specifically, the tax revenue to GDP ratio was 14.3% in 2020, falling short of the sub-Saharan average of 16% and the developed-nation average of 40%. According to the OECD (2020), a robust economy should ideally maintain a ratio of 40-45%, providing resilience against economic shocks such as those posed by events like COVID-19. Additionally, sustainable economic development is more achievable when driven by internal revenue generation.

To enhance the tax revenue to GDP ratio, the government has implemented a strategy focused on expanding the tax base, which refers to increasing the number of individuals subject to taxation. Primarily, revenue from taxes is sourced from pay-as-you-earn (PAYE), corporate tax, and value-added tax (Munda, 2019). A crucial strategy is to integrate the informal sector into the taxation system, potentially generating an extra 1.78 trillion in revenue. Investigating the broadening of the tax base may be accomplished by concentrating on the motor vehicle repairs sector. This industry accounts for 67.2% of informal sector employment and contributes approximately 8% to the GDP through the second-hand motor vehicle market (Manyeki, 2021). Furthermore, the expansion of the middle class in Kenya has resulted in a surge of cars on the roads, subsequently fueling the growth of the motor vehicle repair sector due to the increased demand for regular servicing (Cheeseman & Griffiths, 2021).

However, despite the considerable expansion in the garage sector, the tax collection derived from these establishments is either negligible or undisclosed. Limited research exists that has specifically examined the sector's contribution to tax revenue. Some potential reasons for the lack of compliance can be inferred from prior literature. Cherop's research in 2020 emphasized the significant impact of institutional accountability on shaping tax compliance in informal sectors. The fairness and simplicity of the tax system were identified as key factors. A notable portion of informal sector taxpayers face challenges due to a lack of technical expertise in handling the compilation, assessment, and submission of tax returns. Moreover, a considerable number of individuals might lack complete awareness regarding the particular taxes they need to fulfill. Despite the ideal scenario of a user-friendly tax system, individuals are, in reality, required to possess a certain level of understanding of accounting and tax laws to ensure the accurate filing of their taxes. Additionally, the

government may lack the essential resources for thorough follow-up on these tax obligations. With numerous small and medium-sized businesses in existence, conducting tax audits becomes challenging, fostering non-compliance, as many taxpayers are aware that government scrutiny may be lacking (Fourie, 2018).

Another potential reason for non-compliance is associated with social responsibility, particularly the way taxpayers perceive the fairness and equity of the tax platform. Deyganto (2018) proposes that people have a higher likelihood of defaulting on their obligations when they perceive the tax system as unjust. Unfortunately, only a few research works have delved into the issues surrounding tax fairness and equality in Kenya. Additionally, numerous taxpayers express dissatisfaction with the central government's perceived lack of economic accountability. Rampant corruption acts as an obstacle for taxpayers to meet their tax obligations, as they perceive minimal value in the process of taxation (Ibrahim & Ahmad, 2017). The decision to investigate these factors is based on the observation that most studies in Kenya have not explored the impact of accountability (institutional, social, and economic accountability) on voluntary tax compliance, especially within the garage sector. The distinct characteristics of our economy may yield different results compared to studies conducted in other contexts.

### **1.1.1 Government Accountability**

Public resource accountability is among the components of public governance and the pillars of democracy. Sørensen and Jacob (2021) explain accountability as a two-dimension concept. Answerability, which means one party grants responsibility to another party with instructions or laid down guidelines, and the executor is to carry out the instructions as per the guidelines. Accountability can be described as the obligation of an individual or group to justify their actions under the oversight or request of another. Additionally, enforcement involves recognizing and rewarding positive behavior while imposing penalties for any violations.

Government accountability can also be explained as the pursuit of the government to fulfill the needs of its citizens whether brought about by the authoritative push from the citizens or by general compliance by the government to fulfill its obligation (accountability as 'responsiveness') (Mulgan, 2000). The government must inform its citizens about its performance by providing data and justifying the same. There should be a likelihood for the citizens to interrogate the government and question the legitimacy of the information

shared and the citizens should have the capacity to pass judgment to the government relying on the information e.g. failure to re-elect or legal actions against failure to justify (Bovens, 2016).

Sebele (2020) emphasized the link between the utilization of tax revenue by the government and its impact on tax morale. The significance of public goods and services, as noted by Sebele, is crucial in shaping taxpayers' decisions to adhere to or avoid taxes. The view of government expenditure is identified as a critical element impacting taxpayers' readiness to meet their tax responsibilities. Expanding on this perspective, Ibn (2021) concluded that the ethical stance of individual taxpayers regarding compliance is positively associated with the effectiveness of government spending.

This research will assess governmental accountability from three vantage points. The first perspective involves social accountability, which centers on the perception of fairness or equity. Equity is a crucial attribute of a proficient tax system and can be examined from various angles. These include the principle that individuals with identical incomes should contribute equally in taxes, the idea that taxes should rise proportionally with taxable income, and the expectation of taxpayers to receive public services of both quality and quantity commensurate with their tax contributions to the government (Deyganto, 2018). In an investigation into the factors influencing Voluntary Tax Compliance by Netsanet (2020), it was revealed that fairness plays a crucial role. The study highlighted the lack of fairness as a predictor variable. This suggests that people who perceive the tax system as unfair are more likely to engage in tax evasion.

The second viewpoint, institutional accountability, underscores the responsibility of government and tax authorities to guarantee the simplicity and effectiveness of the tax system. It supports the establishment of a just, transparent, and enforceable tax framework that contributes to economic well-being, as articulated by Ibn in 2021. In a research conducted by Azuma in 2022 concerning the Influence of Tax Awareness, Simplicity, and Knowledge on Voluntary Tax Compliance in Pakistan, the findings revealed that the simplicity of the tax system plays a crucial role in influencing voluntary tax compliance.

Not very useful

The third aspect to consider is economic accountability, specifically referring to the government's expenditure on public resources. In a research conducted by Adekoya (2020)

titled "Control of Corruption, Trust in Government, and Voluntary Tax Compliance in South-West Nigeria," the study revealed a positive correlation between the government's effective control of corruption and voluntary tax compliance. This implies that taxpayers are more likely to voluntarily comply with tax regulations when they believe that resources are being used efficiently. Another investigation by Adejuwon (2022) delving into the determinants of voluntary tax compliance in Nigeria also emphasized economic accountability as a pivotal factor affecting voluntary tax compliance. The study found a positive relationship between voluntary tax compliance, trust in government, fairness/openness, perceptions of government spending, and government accountability have a positive relationship.

A significant number of garage enterprises in Kenya function within the informal sector, commonly referred to as the "jua kali" (open sun) sector. Furthermore, this sector encounters challenges in record-keeping, attributed to either a shortage of expertise or financial constraints for hiring professionals (KNBS, 2020). The garages though they form a large percentage of the informal sector their revenue as an individual business is not material to warrant a government investment on tax collection, nevertheless when aggregated the sector should be considered to be brought into the tax bracket.

### **1.1.2 Voluntary Tax Compliance**

Tax Compliance involves taxpayers' ability and willingness to comply with tax laws, precisely disclose income for each accounting period, and promptly submit the correct amount of taxes owed (Ibn, 2021). The government anticipates taxpayers to truthfully disclose their income and fulfill the associated tax obligations. Taxpayers may conform willingly or in response to potential threats, such as the prospect of intrusive audits and the fear of facing fines and penalties (James, 2012).

Voluntary tax compliance is where the taxpayers correctly present their income, pay taxes due and on time without any external enforcement or and coercion, the approach is assumed to be that of a service-client relationship and is built on trust and a feeling of obligation to the parties involved (Kirchler, 2007). In the presence of distrust, the government reads mischief from the citizens and assumes the citizens intend to maximize the profit at any cost which would include understating the tax liability or failure to declare completely. Therefore, the approach undertaken will be that of 'cops and robbers' where the

government is in continuous pursuit of the taxpayers to ensure cooperation (Kirchler, 2007).

It is essential to prioritize voluntary tax compliance within a self-evaluation tax framework. This relies on the trust that taxpayers will correctly submit their tax filings and promptly fulfill their tax obligations. As highlighted by Marius (2019), both distributive justice and procedural justice are key factors in encouraging voluntary tax compliance. Distributive justice aims to maintain a fair equilibrium between contributions and benefits, whereas procedural justice underscores the significance of assessing the fairness of methods utilized by authorities in rule enactment, resource allocation, and dispute resolution. This study seeks to contribute to existing knowledge by investigating how garage owners will respond to government accountability and whether they will willingly adhere to their tax obligations, thus upholding their role in the social contract with the State.

### **1.1.3 Motor Garages in Kenya**

According to the data presented by the Kenya National Bureau of Statistics in 2020, there was a consistent annual growth rate of 9% in the number of registered vehicles between 2011 and 2019. This upswing resulted in a rise in vehicles from 1.6 million in 2011 to 3.3 million in 2019. Motorcycles and motorcars played pivotal roles in this expansion, contributing 46% and 32%, respectively. The same report reveals that the informal sector accommodates 5.0 million small enterprises, with 64.9% located in urban areas. Among these urban enterprises, which amount to 3.2 million in total, the major contributors were wholesale and retail trade of motor vehicle repair and motorcycles, constituting 62.2% of all businesses. A distinctive feature of the sector is the prevalence of non-permanent establishments. As outlined in a report on Micro, Small, and Medium Enterprises (SMEs) by the Kenya National Bureau of Statistics (2016), 40.6% of unlicensed businesses operate in open spaces without structures, while 44.1% operate in temporary or semi-permanent structures. Beyond structural challenges, the sector faces additional obstacles such as a lack of support skills, including marketing, record-keeping, and other essential skills (KNBS, 2020).

A notable portion (62.2%) of enterprises operating within the informal sector are involved in the repair of motor vehicles and motorcycles. According to Murunga's 2021 study, the informal sector played a substantial role, contributing 32% to the gross domestic product of the nation in 2020. This emphasizes the importance of the informal sector, raising

expectations of increased government attention to tax collection from this segment. The first-quarter economic and budgetary review for the 2020/2021 financial year. highlights the prevalence of pay-as-you-earn tax, comprising 26% of the total tax revenue during that period. Consequently, it can be deduced that the formal sector remains the primary financial supporter of the government. Despite various attempts to integrate small and medium-sized enterprises (SMEs) into the tax base, such as the unsuccessful introduction of turnover tax (TOT), the government later implemented presumptive taxes, though without achieving significant success.

The focus of the study on motor garages is motivated by the data from KNBS (2020) where the predominant industry within the informal sector was wholesale and retail trade, with repair of motor vehicles, and motorcycles at 62.2 percent of the total businesses. The nature of the garage enterprises in Kenya is that of informal set-up with temporary structures thus not easily accessible, therefore the study aims to use the Kenya Motor Repairers Association located in an industrial area with 109 members. The study has the objective of establishing whether the government addressing the legitimate expectations of the motor repairers' sector through accountability, would enhance their relations to promote their social contract and consequently bring in the garages to the tax bracket voluntarily and the larger informal sector by extension. Having the garages and the larger informal sector in the tax bracket will mean a larger tax base and in addition to voluntary tax compliance, this will mean more revenue raised at lower costs.

## **1.2 Problem Statement**

Taxes are critical for a country's economic development, particularly in developing countries that have more vulnerable populations (Ng'eni, 2016). These economies are more susceptible to global economic shocks than the developed countries. An alternative to financing public expenditure is public debt. However, most developing countries are already over-indebted (Dube & Casale, 2019). For instance, Kenya's public debt to GDP is 67.3%. This means that the country is fast moving towards the cutoff point of 77% where debt begins to stifle economic growth. The government must therefore increase its efforts in collecting taxes to support its service provision and economic growth. This can either be done by increasing the taxes or expanding the base. Data from KRA (2021) indicates that most of the taxes come from the formal sectors in terms of PAYE and VAT. This implies that most of the potential taxpayers in the informal sector have not been included in the tax

bracket. This is because it is not efficient to locate and administer taxes in the informal sector (Stankevicius & Kundeliene, 2017).

Therefore, a departure from conventional inspection and monitoring tools employed by tax authorities is needed. For instance, promoting transparency and accountability can enhance voluntary tax compliance. Taxpayers, feel a stronger sense of duty towards supporting a government that is aligned to their needs. It becomes imperative for the government to establish a transparent connection between tax payments and the provision of public services (Anuradha, 2013). The transparent approach appears less resource-intensive and has the potential to alleviate tensions between the government and SMEs. This relationship fosters mutual expectations and encourages negotiation rather than coercion. Previous empirical studies have consistently demonstrated a positive correlation between government accountability and voluntary tax compliance (Ibn, 2021; Netsanet, 2020).

However, these studies are conducted in developed nations with more robust tax frameworks, where businesses generally exhibit greater organizational structure. These countries have more transparent governments, witnessing fewer instances of public fund mismanagement (Abu-Hassan, Yunus & Ramli, 2017; Saruji, 2019; Abba, 2018 & Djajanti, 2020). The results are therefore likely to be different in a context like Kenya which has numerous corruption cases that are public knowledge (Wadesango, Mwandambira, Mhaka & Wadesango, 2018). Furthermore, Many citizens believe that the Kenya Revenue Authority (KRA) discriminates against taxpayers, fostering an unjust distribution of the tax burden (Thiga & Muturi, 2015). This study, therefore, aimed to examine the relationship between government accountability and voluntary tax compliance within motor repairs.

### **1.3 Research Objectives**

#### **1.3.1 General Objective**

To explore the impact of governmental accountability on the voluntary tax compliance of motor garages in Kenya.

#### **1.3.2 Specific Objectives**

- (i) To investigate the impact of government social accountability on the voluntary tax compliance of motor garage traders in Kenya.
- (ii) To investigate the impact of government institutional accountability on voluntary tax compliance of the Motor garage traders in Kenya.

- (iii) To investigate the impact of government economic accountability on voluntary tax compliance of the Motor garage traders in Kenya.

#### **1.4 Research Questions**

- (i) What is the impact of government social accountability on the voluntary tax compliance of motor garage traders in Kenya?
- (ii) What is the impact of government institutional accountability on voluntary tax compliance of the Motor garage traders in Kenya?
- (iii) What is the impact of government economic accountability on voluntary tax compliance of the Motor garage traders in Kenya?

#### **1.5 Significance of the Study**

The role of government accountability in voluntary tax compliance has not been effectively studied in the context of developing economies. This study therefore fills the academic gap in literature review and opens it up for further studies. The academia will therefore gain from the contributions of this study to the literature, moreover, the suggestions for further research will expand the study areas for future research.

The results of the study also impact policy formulation, The results of the study expose the role of government accountability in voluntary tax compliance. The shift from enforcement to collaboration is relatively new and can have impactful results. Therefore, the findings of the study should assist KRA in developing policies focused on enhancing voluntary compliance among motor repairers and, consequently, within the informal sector. Thus, leading to the expansion of the tax bracket without stringent enforcement measures and consequently reducing tax collection expenses.

#### **1.6 Scope of the Study**

The study aimed to investigate how government accountability influences the voluntary tax compliance of SMEs, particularly focusing on motor garages in Kenya. According to KNBS (2020), there were 5.0 Million SME enterprises in the informal sector out of which 64.9% were located in the urban areas. Of the 64.9% which equates to 3.2 Million enterprises, 62.2 % were traders running wholesale and retail motor garages with semi-formal or completely informal setups. In this study since most of the garages in the sector are not registered and therefore operating informally, the garages in consideration were the ones registered under the Kenya Motor Repairers Association, the association has been in

existence since 2002 with the mission of bringing together garages and improves on their trading welfare. KEMRA has approximately 109 active registered members and the study will look at all of them.

The data was collected from August 2023 to September 2023. This study delved into three theories, one of which is the theory of predatory rule. This theory posits that the government's interaction with its citizens can be likened to a predator-prey dynamic. In this scenario, the government consistently seeks revenue, leading to a sense of insecurity among citizens, prompting them to foster a state of resistance (Holcombe, 2019). The second theory is the fiscal exchange theory. It suggests that there exists bargaining power between the government and the taxpayers which is important for building resource accountability by the government, mutual rights between both the government and the citizens, and the creation of obligations from each side (Adeyeye, 2019). The third theory is the legitimacy theory, positing the existence of a social contract between an organization and society. This social contract is established out of the dependency that the organization has on the community (Hybels, 1995). The theory also assumes that there are inherent expectations from the society. These social expectations emanate from the fact that the players within an organized society expect the organization to comply with the norms. These expectations are economic in nature, social, and environmental.

In terms of accountability, the research investigated government social accountability by assessing members' views on equity and scrutinized institutional accountability by gauging perceptions of the effectiveness of the tax authority and the simplicity of tax filing. Additionally, economic accountability was explored by examining members' perceptions of government spending. The overarching objective was to comprehend how government accountability influences the voluntary compliance of the participants.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

Similar to many developing nations, the Kenya Revenue Authority is encountering challenges in achieving tax compliance. The government requires citizens to comply with tax regulations, and, reciprocally, citizens hold expectations from the government as the guardian of the state's assets. The government seeks to minimize tax collection costs while maximizing revenue, and citizens aim to receive optimal returns from their tax contributions. Establishing mutual benefits at minimal cost is possible through trust. According to Chindengwike (2021), fostering tax compliance requires both taxpayers and tax authorities to play a role, emphasizing the importance of transparency for voluntary tax compliance.

This chapter's objective is to review existing literature on voluntary tax compliance and explore how the government can enhance it through accountability. The research explores voluntary tax compliance as the dependent variable, with government accountabilities serving as the independent variable. Three control variables namely, tax audits, personal norms, and social norms are investigated to assess their influence on the correlation between the dependent and independent variables.

#### **2.2 Theoretical Framework**

In this segment, essential theories that constitute the foundation of the research are introduced. Scholars have developed various theories to elucidate the connection between voluntary tax compliance and governmental accountability. The current research centers on three main theories: the predatory rule theory, the Fiscal exchange theory, and the Legitimacy theory. The study has adopted a metatheoretical approach to explain the theoretical relationship among the various independent variables, control variables, and the dependent variable.

##### **2.2.1 Theory of Predatory Rule**

The concept of predatory rule posits that countries need resources to run their operations but in addition to that the rulers need resources to rule and have a sense of control. The theory explains that rulers are predatory since they work towards obtaining as much revenue as possible from the population (Levi,1989). The rulers may have personal interests, social needs, or ideologies that are for the good of the population, whatever the

end is they will need the revenue as a means to attain it (Levi, 1989). In the pursuit of revenue maximization by the government, they are faced with several constraints. One of the constraints faced by the rulers is the bargaining power constraint. The rulers have no absolute power, they need to interact with other players in the state and formulate policies to be able to rule. For the rulers to navigate these constraints they use coercion and economic means. These methods include regulating economic activities or through political means, by creating powerful alliances with part of the population (Levi,1989).

Secondly, the rulers face the existence of transaction costs: for the ruler to maximize the revenue from the population he must minimize the costs. These costs are the costs of measuring, monitoring, creating, and enforcing population compliance. Rulers also face their discount rate as a constraint i.e., how do they value the future? The discount is high when the leaders do value not the future and so what concerns them is now. That may be due to the insecurity in the leadership or the rivalry (Levi,1989). The theory, therefore, explains the relationship between the state and population relationship in a predatory-prey manner. The population views itself as prey in a predatory state hence feeling unsafe, consequently, the citizens develop some form of resistance to protect themselves. They look at the rulers as persons in authority, using coercion and only pursuing their interests. The state needs to alter its approach towards the populace, showcasing that its actions align with the public interest, as emphasized by Holcombe in 2019.

It is evident from the two assumptions that the citizens will always try to evade taxation particularly if they do not believe in the government. It is therefore important for the government of the day to act responsibly and convince its citizens that they are responsible for how the taxes are spent. One of the strategies that the government can use to win the citizens out of the negative perception of taxes is by being accountable. The citizens are more likely to support the government if they feel that their money is properly used (Eragbhe, 2012). Economic, social, and institutional accountability strengthen the relationship between the rulers and citizens. A state that manages to convince its citizens that they are accountable is likely to receive little resistance on tax collection. On the other hand, a country that has high incidences of misallocation of funds is likely to experience high levels of non-compliance. Hence, there is an anticipation that the positive correlation between economic, social, and institutional accountability will influence voluntary tax compliance.

### **2.2.2 Fiscal Exchange Theory**

The concept combines elements from economic pressures and social psychological models to analyze tax enforcement as a behavioral challenge solvable through collaboration between taxpayers and the tax authority. This approach explores the taxpayer's disposition, specifically emphasizing their perspective on taxes, feelings of tax pressure, and tax morale (Evans, 2009). The core of this theory is rooted in creating a psychological agreement between taxpayers and the government. In such a contractual relationship, both parties have expectations; here, the government is expected to deliver services to citizens in return for the taxes they contribute (Lars, 2007).

The Fiscal Exchange theory, therefore, suggests that there exists bargaining power between the government and the taxpayers which is important in building resources' accountability by the government, mutual rights between both the government and the citizens, and the creation of obligation from each side (Adeyeye, 2019). Ross (2004) concurred with the Fiscal exchange theory, asserting that while citizens typically have an aversion to paying taxes, their discontent escalates when the government services they receive do not match the proportion of taxes paid. Therefore a government that is perceived as responsible is likely to receive less tax avoidance and evasion than a government that is perceived as less responsible. Social, institutional, and economic accountability are stimuli of tax morale for they are demonstrations of the government fulfilling her part of the psychological contract, and therefore consequently the taxpayers are expected to respond by voluntarily complying with their obligation of tax payments.

### **2.2.3 The Legitimacy Theory**

This is a multidimensional theory that derives its assumptions from sociology and political science (Dowling & Pfeffer, 1975). The theory explains the rationale behind organizational behavior within a community. The theory assumes that organizations are part of a society and as such must comply with the societal norms to survive. The theory was proposed by Suchman (1995) and explains why an organization would comply with what is generally considered right. According to the theory, appropriate behaviors are rewarded while inappropriate behaviors are punished. For instance, customers may decide to punish those organizations that are not tax-compliant by not buying from them. Additionally, the behaviors of other taxpayers within an environment form socially desirable norms. Other

taxpayers within the society are therefore more likely to comply for them to be accepted within the society.

The concept posits the existence of a social contract between an organization and society. This social contract is established out of the dependency that the organization has on the community (Hybels, 1995). An organization derives its resources from society and therefore it must respect the social order to survive. The theory also assumes that there are inherent expectations from the society. These social expectations emanate from the fact that the players within an organized society expect the organization to comply with the norms. These expectations are economic in nature, social, and environmental. Tax compliance is an economic expectation, the society expects organizations to pay taxes to help the government purchase and build public goods (Tilling & Tilt, 2010). Society can also invest in monitoring the behaviors of others to ensure that they are complying with social norms. Tax audits are examples of monitoring mechanisms which is being implemented by the government to ensure that organizations comply with tax regimes.

However legitimacy gaps may exist where society rationalizes bad behaviors and this impacts negatively on the resources (Schiopoiu & Popa, 2013). In terms of tax payments a business sector/industry may decide not to pay taxes and this may harm the new business who may feel justified not to comply because of noncompliance from other sector members. However, in such a society voluntary compliance becomes a business cost since others are not paying taxes. Conversely, a company functioning within a setting where the majority adheres to tax regulations is inclined to observe tax laws, aligning with societal norms. Based on these premises, it becomes evident that individual and societal norms can exert either a positive or negative influence on voluntary tax compliance, contingent on the societal perception of what is deemed favorable or unfavorable. In contrast, tax audits are anticipated to foster positive impacts on tax compliance due to the adverse repercussions associated with non-compliance.

### **2.3 Empirical Review**

The section presents different studies on voluntary tax compliance, government accountability (social, institutional, and economic accountability), and control variables (tax audits, personal and social norms).

### **2.3.1 Voluntary Tax Compliance**

Frey (2003) explains that the process of collecting tax through instilling doubt and fear of consequences is undesirable and may cause more resistance from the taxpayers. He elaborates further, stating that establishing a connection between the state and the taxpayer is a preferable approach. The relationship between the two parties is that of a psychological contract built on emotional ties, loyalty, and trust (Lars, 2007). Frey (2003) further gives three scenarios on how the contract is executed, the first one works by instilling fear of consequences mostly used where the taxpayers are aware that the revenues collected are not used for expenditures from which they will benefit. The second scenario is where the government involves the citizens in determining the purpose for which the government should use the tax revenue collected, these entails public participation. The third scenario is a mixture of both exploitative and participatory.

Anuradha (2013) outlines that the most straightforward method to levy taxes on participants in the informal sector is through indirect means. This involves imposing taxes on all goods and services in the market, ensuring that consumers pay the tax with each purchase. This method of taxing the informal sector may have its limitations which include the revenue collected may not be much since the government must ensure the goods and services are affordable to its citizens and a duty to create a conducive environment for investors to do business, thus any act that would raise the prices of good and services may render the country's market internationally uncompetitive.

Lederman (2018) explains that though there is an intrinsic contract between the state and the citizen about taxes, there is a necessity to ensure the contract is enforced and therefore tax compliance should be accompanied by some enforcement to ensure it is executed. In his study, he establishes that audits, threats for audits, and penalties can be used to enforce voluntary tax compliance. However, he also established that the audits and the penalties had subsequent negative effects on taxpayers who were already compliant during the time of the audit.

The previously cited research provides evidence for the presence of a psychological contract between taxpayers and the state. This contract delineates the expectation that taxpayers fulfill their obligation to pay taxes, and in return, the state is responsible for providing services. Anuradha (2013) proposes voluntary taxation which is indirect by taxing the citizens at the point of purchase which has its limitations. Lederman (2018) gave

the option of enforcing this contract through penalties, threats, and audits. This research will look at the voluntary tax as where the taxpayer correctly presents their income, pays taxes due and on time without any external enforcement or coercion, the approach being of the “service and client” relationship which is built on trust and feeling of obligation to the parties involved (Kirchler, 2007).

### **2.3.2 Government Accountability**

In the psychological contract between the government and the citizen, the latter expects that the government will fulfill its duty by informing them about its performance and providing data justifying the same. There should be a likelihood for the citizen to interrogate the government and question the legitimacy of the information shared, and the citizen should have the capacity to pass judgment on the government relying on the information (Bovens, 2016). If the government neglects its responsibility to deliver what citizens have entrusted to it, there arises a deficit in the trust citizens place in the government's ability to administer public services and manage public enterprises. This situation has resulted in a growing trend of diminishing government involvement through privatization (Julnes, 2006). Levi (1997) in her model of contingent consent explains that citizens are likely to obey the government's demands if they perceive the government to be trustworthy and if they receive information confirming the government's trustworthiness, and in reciprocation, citizens will ethically respond. Tilly (2004) explains that democracy is built on the trust that the citizens have in the government, first, the trust involves the citizens leaning on the government for protection to minimize the exploitation from non-government institutions, secondly, they build into presumptions that the government will fulfill their commitments in the intrinsic contract. This study classifies accountabilities in three forms namely (i) Social accountability, (ii) institutional accountability, and (iii) Economic accountability.

#### **2.3.2.1 Social Accountability**

Social accountability is defined as a form of accountability rooted in civic engagement, establishing a relational connection between ordinary citizens and the government (Ahmad, 2008). This approach serves as a tool to inform citizens about their rights and the expected level of services from public entities. Additionally, it functions as a means to monitor the actual performance of the state, guiding citizens on avenues for seeking redress in case of perceived unfairness (Madhavi, 2020). Deyganto (2018) further characterizes social

accountability as the citizens' perception of fair treatment by the authority, where their contributions align with the benefits received from the governing body.

The social value lies in how individuals perceive fair treatment, contrasting with the social cost associated with perceptions of unfair treatment. When individuals perceive that they are treated justly by those in positions of authority, they are more inclined to follow regulations, promoting compliance. Conversely, resistance tends to prevail when the perception of unfair treatment is prominent (Arndt, 2016). In a study by Ibn (2021), it was established that there is a positive correlation between an individual's perception of fairness and their willingness to voluntarily comply with tax obligations. Moreover, Ibn emphasized that adherence is impacted by equity, considering elements like the frequency of reciprocation and the perception of the government's deeds and omissions.

Fairness within the tax system is characterized by the taxation of individuals on their financial capacity. When individuals perceive the tax system as inequitable, they frequently look for methods to bypass their tax responsibilities (Syatila, 2019). The fundamental objective of an equitable tax system is to guarantee that tax rules and frameworks are unbiased, imposing different rates on individuals with diverse economic capacities, and ultimately supplying public goods to citizens (Abba, 2018). In Kenya, diverse taxes exist, each with its own set of rates. Therefore, it is essential to evaluate whether the tax authority has effectively achieved fairness and equity in the eyes of taxpayers and to analyze the consequences of these measures on voluntary tax compliance. This inquiry forms the basis for hypothesis one.

H<sub>1</sub>: There is no relationship between the perceived fairness and equity in the tax system and the voluntary compliance of motor garages in Kenya.

### **2.3.2.2 Institutional Accountability**

Tax enforcement is often considered a key reform approach to encourage tax compliance. The government, acting through tax authorities, oversees taxpayers to ensure adherence to tax regulations. Instead of depending on a trust-centric method, numerous countries are shifting towards a relational-based approach. In this strategy, tax authorities are viewed as service providers, striving to create a user-friendly and collaborative compliance process for taxpayers (World Bank Group, 2019). Deyganto (2018) underscores that the efficacy of

the tax authority and the simplicity of the tax system play a crucial role in shaping taxpayers' compliance.

The tax authority of a nation functions as the administrative body tasked with collecting tax revenue for the government. Its primary functions include facilitating tax compliance and enforcement while maintaining a cooperative relationship with taxpayers (World Bank Group, 2019). When individuals contemplate tax compliance, they weigh the benefits and risks associated with tax avoidance. Taxpayers are likely to avoid the risks linked to tax avoidance if they perceive them to outweigh the benefits (Djajanti, 2020).

The authority of a tax agency to enforce compliance is demonstrated by its approach to dealing with taxpayers, whether through coercion or legitimacy (Chang, 2020). The crucial role in ensuring tax compliance is played by the interaction between tax authorities and taxpayers. Jayawardane (2015) highlights the significance of a positive relationship, asserting that trust with tax authorities positively impacts the morale of the tax authority, consequently influencing tax compliance. Strict monitoring and severe punishments by tax authorities, however, can diminish taxpayers' morale.

Djajanti (2020) suggests that proportional pressure from tax authorities can effectively deter taxpayers from attempting tax avoidance. Measures such as fines, penalties, a high likelihood of detecting tax fraud, and audits discourage taxpayers due to the associated risks. Martono (2018) concludes that in a self-assessment tax system, trust plays a more prominent role in influencing tax compliance than the authority of tax agencies. Therefore, fostering a relationship based on trust is crucial for tax authorities, rather than relying solely on threats and coercion.

Chang (2020) outlines the components of the tax system, including computation, filing of tax forms, compliance costs, rules, and procedures. He argues for a simple tax system with clear laws and procedures, as this enhances compliance by helping taxpayers understand their obligations. In Kenya, the government has implemented measures like the I-tax system, training, and seminars to improve the tax system. Evaluating whether the simplicity and efficiency of the tax system are key factors in voluntary compliance for garages becomes essential in this context, forming the basis for the second and third proposed hypotheses;

H<sub>2</sub>: Simplicity of the tax system has no impact on motor garage tax compliance.

H<sub>3</sub>: There is no relationship between voluntary compliance, the attitude of traders, and the organizational efficiency of the tax authority.

### **2.3.2.3 Economic Accountability**

The government is obligated to guarantee financial accountability to its citizens, given their contribution to revenue through taxation. Financial accountability encompasses ensuring efficient, economical, and effective utilization of public funds (Piotr, 2021). Taxation provides citizens with a foundation to demand services from the government, and they invest time in monitoring the performance of elected leaders (Gadenne, 2017). Consequently, higher taxation should translate to increased government performance in delivering public services.

Joseph (1997) contends that when citizens cannot obtain accountability from the government, confidence in the government diminishes. This, in turn, results in a reluctance to provide essential resources such as taxes, professionals' willingness to collaborate with the government, and voluntary compliance with laws. Eragbhe (2012) concludes that government accountability is a contributing factor that fosters and ensures the maintenance of tax morale, making voluntary tax compliance a reciprocal response to the government fulfilling its fiscal contract in providing public services.

High tax compliance has been linked to reduced instances of corruption, participatory budgeting, and various manifestations of direct democracy, as indicated by the World Bank Group in 2019. Efforts by anti-corruption authorities that encourage citizen participation in government budgeting, allowing them to express preferences in expenditure, lead to a significant increase in tax morale. Taxpayers, especially those making substantial contributions, are sensitive to government expenditure. When taxpayers believe that government expenditures are directed toward unnecessary activities, they might be inclined to engage in tax evasion (Damayanthi, 2015). Enhancing tax compliance requires more than enforcement and facilitation; citizens want tangible results from the government regarding the resources they have contributed.

The mentioned studies underscore the crucial role of government accountability in building trust with citizens. The fulfillment of obligations by each party in this psychological contract ensures voluntary compliance with tax regulations and laws by citizens, while the government reciprocates by ensuring efficient, economical, and effective spending of

revenue. The 2010 constitution of Kenya has improved the accessibility of information on government spending to the public. Members of the public can assess government institutions based on information provided by the auditor general or other entities responsible for checks and balances in government spending. Therefore, it is essential to investigate the impact of government spending on voluntary tax compliance, forming the basis for the fourth hypothesis.

H<sub>4</sub>: A favorable perception of government spending among traders does not influence the voluntary tax compliance of motor garage traders.

### **2.3.3 Control Variables**

This subsection will address the control variables that could impact the robustness of the association between the dependent variable (voluntary tax compliance) and independent variables (social, institutional, and economic accountability). Three specific control variables will be examined: tax audits, personal norms, and social norms.

#### **2.3.3.1 Tax Audit and Voluntary Tax Compliance**

Tax audits play a crucial role in ensuring compliance, primarily due to the psychological apprehension they instill in taxpayers. The awareness of potential audits significantly deters individuals from neglecting their tax responsibilities (Olaoye & Ogundipe, 2018). Tax administrators employ audits as a preventive measure to encourage accurate disclosure of taxes and timely remittance. These examinations are typically more thorough and independent than routine audits, aiming not only to impose fines but also to gather substantial evidence for potential legal proceedings (Fave & Dabari, 2017).

In contemporary practice, tax authorities conduct audits not only to penalize noncompliance but also to investigate the underlying reasons for it. Addressing issues affecting taxpayers is in the interest of tax authorities. Consequently, the final audit report includes an analysis of whether noncompliance resulted from intentional manipulation of records to achieve a specific outcome or from a lack of awareness regarding expected tax obligations (Adekanmi, Olaniyan, & Efuntade, 2022).

The objective of tax audits extends beyond penalizing noncompliant taxpayers; it also involves addressing uncertainties in tax laws. Despite citizens' general aversion to taxes, they seek ways to minimize their tax liabilities, often hiring professional accountants for

assistance (Olaoye & Ekundayo, 2019). Tax audits play a crucial role in helping tax administrators enforce compliance. The fear of potential audits motivates taxpayers to provide accurate information, prompting tax administrators to publicize audit cases to underscore their reality and the consequences of noncompliance (Jemaiyo & Mutai, 2016). Despite the crucial role tax audits play, there is insufficient research in Africa exploring their effect on tax compliance. Thus, the current study seeks to examine the impact of tax audits on voluntary tax compliance.

H<sub>5</sub>: Tax audits do not influence the willingness of taxpayers to comply with tax regulations.

### **2.3.3.2 Social Norms and Voluntary Tax Compliance**

Social norms are a deeply rooted system of behavior that influences the behavior of an individual. They emanate from the traditions and culture of a society. Good and bad behaviors are usually defined by society (Górecki & Letki, 2020). Members of society are constantly looking for acceptance and affirmation based on how they behave. A firm or an individual can either be accepted or rejected if they do not follow social norms. A purely capitalistic society is likely to accept tax planning as a norm because in such a society profit maximization is encouraged (Mannan, 2020). While a socialist society is likely to promote moralistic behaviors in these societies, people look at tax compliance as a contribution towards the advancement of their society. Therefore people are likely to pay more taxes in a socialist society than in a capitalistic society (Subramaniam, 2019).

The social behavior of customers and other competitors may also influence tax compliance significantly. A society that attaches a reputation to tax compliance is likely to attract more taxes, in such a society customers would demand fiscal receipts and even report non-compliance. Companies that comply will therefore attract more customers than those that don't comply (Alm, Schulze, Bose, & Yan, 2019). However, in some societies particularly in developing countries, customers encourage non-compliance because they either don't ask for fiscal receipts or are just unbothered about compliance. Customers may also encourage non-compliance if this will reduce the cost of goods and services (Gürdal, Torul, & Vostroknutov, 2020). Indeed many studies aver that the behavior of one taxpayer cannot be independent of other taxpayers. Taxpayers influence each other in terms of behavior if compliance is accepted by most peers then one will be inclined to comply however if most taxpayers don't comply then even the good taxpayers would opt not to comply (Alm, 2018).

The influence of social norms is noteworthy in fostering tax compliance. The imperative to meet customer expectations, along with peer influence, is a substantial contributing factor to tax compliance (Nguyen, 2022). The need to be accepted within the business community is another driver of tax compliance. Customers look at compliant businesses as socially responsible (Dularif & Rustiarini, 2022). However, the garage sector in Kenya has mixed behavior. On one hand, corporate clients enforce tax compliance by asking for fiscal receipts while normal retail/individual customers don't ask for receipts. Moreover, due to their informal business operations, many garages may not be issuing receipts since less or no record-keeping is being done. Hence, it is crucial to examine this variable to assess its impact on tax compliance in Kenya.

H<sub>6</sub>: Social norms do not influence voluntary tax compliance.

### **2.3.3.3 Personal Norms and Voluntary Tax Compliance**

Personal norms are the intrinsic factors that affect the taxpayers' propensity to comply. These ethics are consequently influenced by religion, education, and the philosophical persuasions of an individual. It is noteworthy to mention that personal norms may be derived from social norms (Taing & Yongjin, 2020). However, not all individuals conform to social norms, some individuals rebel against the social norms or modify their belief system to satisfy their economic gain. The fact that norms are set by the society and the belief system of a society is unchallenged, however, the decision to comply is personal. This, therefore, justifies why a highly religious country may still struggle with tax compliance even though religious teachings support tax compliance. The choice to comply remains largely personal hence the need to look at these personal norms and ethics (Doerrenberg & Andreas, 2018).

While social norms focus on how the external behaviors of other taxpayers affect an individual taxpayer, personal norms are based on the intrinsic belief system of an individual. These belief systems end up impacting the decision-making process of the taxpayer. These personal belief systems are highly influenced by the economic philosophies followed by an individual (Nguyen, 2022). For instance, an individual who believes that he is likely to maximize his economic welfare by evading and avoiding the tax is highly unlikely to comply with the tax regime. Consequently, the lack of individual faith in government policies will cause one not to comply. In contrast, the belief system of religion and its teachings are known to affect personal decision-making. Strong followers

of religion are believed to prefer to comply while non-followers are known not to comply (Amina & Kedir, 2015).

**H7:** Personal Norms do not influence voluntary tax compliance.

#### **2.4 Summary of Literature and Gaps.**

Most research exploring the influence of social accountability on tax compliance consistently indicates a positive correlation (Arndt, 2016; Ibn, 2021). These studies highlight the crucial importance of fairness in the tax system as a motivating factor for taxpayers to comply with regulations. However, empirical evidence suggests that even in the presence of a fair tax system, personal and social norms can influence taxpayers' compliance decisions. For example, an individual may choose not to comply due to personal economic or religious beliefs, despite the fairness of tax regulations. It is crucial to account for such personal biases, as existing studies often overlook this aspect, potentially introducing bias into their results. Moreover, the influence of societal norms is substantial in molding the connection between social accountability and voluntary compliance. This underscores the importance of taking them into account in research studies.

Similarly, studies on institutional accountability generally assert that a simpler tax system corresponds to higher compliance levels (Chang, 2020; Djajanti, 2020; Martono, 2018). However, this assumption oversimplifies the complex reality of environments like Kenya, where taxpayers actively seek ways to minimize their tax liability. Furthermore, numerous individuals within the informal sector who are obligated to pay taxes might not possess adequate awareness regarding their tax obligations (Cherop, 2020; Miswa, 2019). Therefore, incorporating tax awareness into models of institutional accountability is essential. The World Bank Group (2019) also recommends adopting a relationship-based model by tax authorities instead of a punitive approach, a factor not considered in studies focusing on institutional accountability.

Finally, prior research on the relationship between economic accountability and tax compliance typically affirms a positive correlation (Piotr Mikuli, 2021; Eragbhe, 2012; Damayanthi, 2015). These studies argue that governments exhibiting economic accountability through the provision of public goods are likely to experience higher taxpayer compliance. However, personal norms, such as beliefs in narrow capitalism or the idea that businesses shouldn't pay taxes due to their role in job creation, may encourage

non-compliance. Social norms also play a role, yet these variables are often overlooked in current studies, highlighting the need for their inclusion and control in future research.



**Table 2.1: Summary of Research Gaps**

<b>Study</b>	<b>Focus of study</b>	<b>Findings</b>	<b>Research Gap</b>	<b>The focus of the current study</b>
Ibn e Hassan (2021)	Voluntary tax compliance behavior of individual taxpayers	A direct correlation exists between an individual's perception of fairness and their willingness to comply with taxes voluntarily.	The study focused on individual taxpayers in Pakistan and no control variables	The research will concentrate on the informal sector, specifically motor garages in Kenya. It will incorporate three control variables: personal norms, social norms, and tax audits.
Djajanti (2020)	Impact Tax Authority power, Trust, and the fairness of tax system to voluntary tax compliance	The results of the investigation revealed that voluntary tax compliance is positively influenced by the degree of authority exercised by the tax agency and the degree of trust. Conversely, the equity of the tax platform was identified as having a detrimental effect.	The study focused on low-income earners only in Indonesia	The research will concentrate on the informal sector in Kenya, encompassing businesses with earnings spanning from low to middle-income levels.

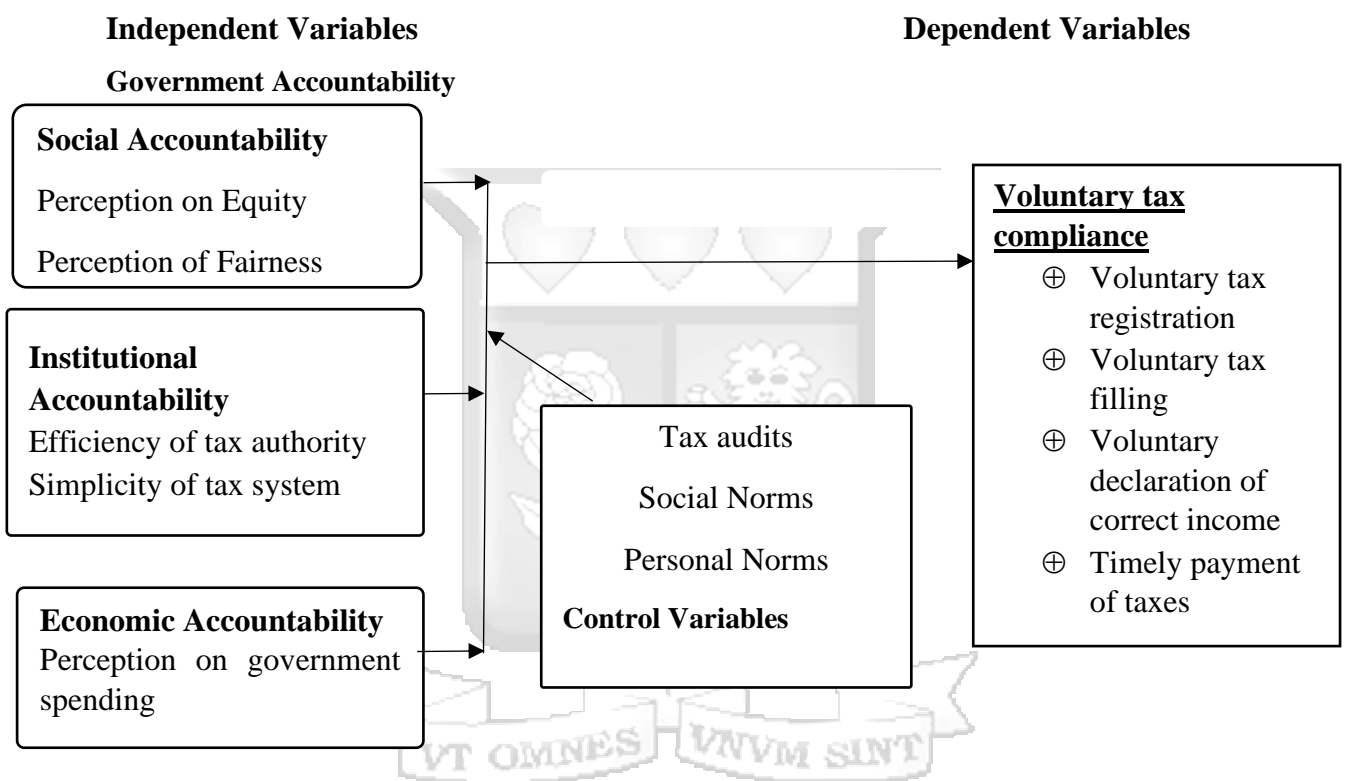
Chang (2020)	Determinants of tax compliance intentions focusing on the theory of planned behavior.	The results of the investigation suggest that the degree of tax complexity has a notable impact on individuals' inclination to adhere to tax regulations. Nonetheless, the research did not identify a substantial correlation between the authority's influence and trust in the government regarding tax compliance.	The study did not focus on any tax group or tax type.	The research will concentrate on the informal sector, specifically garages, constituting a significant portion of the informal sector in Kenya.
Sebelu-Mpofu (2020)	Quality of governance and tax morale and compliance	The impact of tax revenue utilization by the government, encompassing both the quality and quantity of public goods and services, has a substantial influence on tax morale. How the government allocates its spending plays a role in influencing taxpayers' decisions	The study focused on tax administrators and tax experts as the source of the data	The study aims to use garage traders to represent the informal sector to understand the effect government accountability will have on their voluntary compliance. Control variables also will be introduced

		regarding tax compliance or evasion.		
Netsanet Shiferaw ( 2020)	Determinants of Voluntary Tax Compliance	Adherence to regulations is impacted by nine crucial elements, which include Age, Education, Tax knowledge, Financial Constraints, Lack of Fairness, the Role of the Tax Authority, complexity of the Tax System, Absence of Tax Audits, and Government Spending.	They focused on Category “A” & Category “B” of the taxpayers whose revenue is between high to medium level	The study focuses on low to medium-level income earners in the informal sector motor repairer industry.
Azma (2022)	Influence of Tax Awareness, Simplicity, and Knowledge on Voluntary Tax Compliance in Pakistan	Factors like tax knowledge, awareness, conformity to social norms, the simplicity of the tax system, and the perception of tax fairness all contribute positively to voluntary tax compliance.	The primary emphasis in this research centered on economic aspects, including factors such as penalties, audits, and tax rates.	The study will focus on the three perspectives of accountability-Social, economic & institution

<p>Adejuwon, J. A. (2022)</p>	<p>Determinants of Voluntary Tax compliance in Nigeria.</p>	<p>The study outcomes suggest that voluntary tax compliance in Nigeria is influenced by multiple factors, such as the tax system, perceived marginal benefit, trust in governance, government spending, and government accountability.</p>	<p>The case study methodology was used; specifically, Caleb University, Lagos, Nigeria as a case study</p>	<p>The study will use the informal sector, specifically motor vehicle garages</p>
<p>Adeyeye, J. O. (2019)</p>	<p>Informal Sector Taxpayer's perception of the influence of Government Accountability on voluntary tax compliance and the moderating role of fiscal exchange.</p>	<p>The study's findings suggest that the impact of fiscal exchange is more evident in motivating taxpayers to voluntarily adhere to tax laws and regulations.</p>	<p>The research centered on fiscal exchange as a moderating element in the relationship between government accountability and voluntary tax compliance.</p>	<p>The study will focus on government accountability and three control variables (tax audits personal norms, and social norms) to ascertain their influence.</p>

## 2.5 Conceptual Framework

This research employs a theoretical framework where government accountability serves as the independent variable and voluntary tax compliance acts as the dependent variable. The introduction of tax audits, social norms, and personal norms serves as controlling variables. The main objective of this research is to explore the potential impact of government accountability on voluntary tax compliance. Additionally, the study aims to assess the roles of tax audits, tax norms, and social norms in shaping the dynamics of this association.



Source: Author (2024)

Figure 2.1: Conceptual Framework

**Table 2.2: Operationalization of Variables**

#	Type of variable	Variable	Measurement indicator	Data collection tool	Data Analysis	Source
1	Dependent Variable	Voluntary Tax Compliance	Tax registration without enforcement	5 -Point Likert scale. 1. Strongly agree 2. Agree 3. Relatively agree 4. Disagree 5. Strongly disagree	Quantitative analysis	Lederman (2018) & Abba (2018)
			Filing of taxes without enforcement			
			Declaration of correct income, claims, and deductions			
			Timely Payment of taxes			
2	Independent variable	Government Accountability	Fairness and equity of tax system.	5 -Point Likert scale 1. Strongly agree 2. Agree 3. Relatively agree 4. Disagree 5. Strongly disagree	Quantitative analysis	Syatila (2019), Chang (2020) & Piotr (2021)
			Simplicity of tax system			
			Tax authority efficiency in administering tax laws			
			Efficient government spending			
3	Control Variable	Tax Audit	The influence of tax audits on registration for relevant taxes	5 -Point Likert scale 1. Strongly agree 2. Agree 3. Relatively agree	Quantitative analysis	Olaoye & Ekundayo (2019) and Adekanmi, Olaniyan, & Efuntade (2022)
			The influence of tax audits on filling the relevant taxes			

			The influence of tax audits on disclosure of correct income and deductions	4. Disagree 5. Strongly disagree		
			The influence of tax audits on remittance of taxes in good time			
4	Control Variable	Social Norms	The influence of other industry players on voluntary compliance	5 -Point Likert scale 1. Strongly agree	Quantitative analysis	Górecki & Letki (2020), Alm, Schulze, Bose & Yan (2019) and Alm (2018)
			The environmental; customer influence on voluntary compliance	2. Agree		
			The influence of societal morals on voluntary compliance	3. Relatively agree 4. Disagree 5. Strongly disagree		
5	Control Variable	Social Norms	The influence of personal ethics on voluntary registration of taxes	5 -Point Likert scale 1. Strongly agree	Quantitative analysis	Nguyen (2022) and Taing & Yongjin (2020)
			The influence of personal ethics on the voluntary filling of taxes	2. Agree		
			The influence of personal ethics on voluntary disclosure and remittance of correct taxes	3. Relatively agree 4. Disagree 5. Strongly disagree		

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This section outlines the research methods and procedures utilized during the study, offering a thorough overview of the steps and techniques applied for data collection, processing, and analysis. The chapter's structure is outlined as follows: initially, it documents the research philosophy guiding the study. Subsequently, it delves into discussions about the chosen research design. The third section addresses the study's population and outlines the sampling techniques employed for selecting qualifying respondents. Following this, the chapter discusses the methods used for data collection, followed by a section on data analysis and presentation. The sixth segment focuses on research quality, addressing issues of validity and reliability. Lastly, the chapter addresses ethical considerations pertinent to the research process.

#### **3.2 Research Philosophy**

This involves a collection of beliefs and assumptions that are essential to the process of knowledge development. In research, these assumptions consist of epistemological assumptions rooted in human knowledge, ontological assumptions derived from encountered realities, and axiological assumptions shaped by the researcher's values impacting the research process (Saunders, 2019).

This study adopted the positivism paradigm from the five research philosophies, which include critical realism, interpretivism, pragmatism, postmodernism, and positivism. Positivism emphasizes objective data and facts, untainted by the subjective experiences of the researcher (Saunders, 2019). The main objective of this study is to investigate the perspectives of motor garages in Kenya regarding government accountability and subsequently ascertain the causation between government accountability and voluntary tax compliance by taxpayers.

#### **3.3 Research Design**

A research design is characterized as a systematic framework of procedures serving as a connection between the research objectives and the practical execution of the study. Its structured nature, characterized by planned observations, sets research apart from other observation methods (Blanche, 2006). A research design functions as a strategic plan,

guiding to ensure the research leads to well-founded conclusions. The research utilized both descriptive and explanatory research methodologies. The descriptive design addressed inquiries about motor garages' perceptions of social, economic, and institutional accountability by the government. Meanwhile, the explanatory research design focused on elucidating the influence of government accountability on the voluntary tax compliance of motor garages in Nairobi.

### **3.4 Population**

To identify garages for the study, a census method was employed by leveraging the Kenya Motor Repairers Association (KEMRA), which has approximately 109 registered members nationwide. KEMRA members were selected because they represent medium-sized and large garages that have a physical location. These garages also have the basic organization structure which comprises operations, accounts sales. Moreover, they also serve corporate clients mainly insurance companies which may require them to comply with tax regulations. This implies that they may have some knowledge about taxation thus making them the best candidates for research.

The focus of the analysis was on individual garage owners, with data collection centering around the impact of government accountability on their motivation to willingly register, declare, and remit taxes. The entire study targeted the 109 registered members of KEMRA. The census approach was used because it was economically manageable to interview all of the KEMRA members. Employing a census approach, the research involved distributing questionnaires to all 109 registered members of the association.

### **3.5 Data Collection Method**

The research gathered primary data from motor garages through the utilization of questionnaires. These questionnaires comprised a combination of semi-structured questions, encompassing both open-ended and close-ended formats. The survey consisted of six segments: Section A covered the enterprise profile, while Sections B, C, D, E, and F delved into subjects including voluntary tax compliance within motor garages, perceptions of the tax authority, government accountabilities (social, economic, and institutional), and various control variables (tax audits, personal norms, and social norms). The majority of the questions were designed on a Likert 5-point scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The study employed online methods to facilitate the administration of the questionnaire.

### 3.6 Data Analysis and Presentation

The research utilized both descriptive and econometric data analysis techniques. The gathered data underwent presentation and analysis employing descriptive methods like frequency tables, means, and standard deviation. Additionally, the analysis employed the Ordinary Least Squares (OLS) regression methodology using SPSS version 20. This method enabled the investigation of the correlation between independent variables and tax compliance, identified as the dependent variable, while also evaluating the strength of this association.

The regression analysis sought to explore the association between government accountability and voluntary tax compliance. The proposed model was expressed as  $Y = \beta_0 + \beta_1 X + \varepsilon$ , where  $\beta_0$  and  $\beta_1$  represented the model parameters, and  $\varepsilon$  indicated the error reflecting the deviation from the mean (Cooper & Schindler, 2014). The independent variables related to government accountability were regressed against the dependent variable of voluntary tax compliance. The equation is detailed below;

$$Y = \beta_0 + \beta_1 S_1 + \beta_2 I_2 + \beta_3 E_3 + \beta_4 TA_4 + \beta_5 SN_5 + \beta_6 PN_6 + \varepsilon$$

Where;

The dependent variable (Y-Voluntary tax compliance) was tested as per the equation with the below independent variable;

S- Social Accountability

I- Institutional Accountability

E- Economic Accountability

TA- Tax Audits

SN – Social Norms

PN- Personal Norms

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5, \beta_6$  = coefficients of independent variables representing the value and direction of influence.

$\beta_0$  = constant.

$\varepsilon$  – Error term

### T-Test and F-Test

The study employed a t-test to assess the coefficients related to social, institutional, and economic accountability concerning voluntary tax compliance. Furthermore, an f-test was employed to assess the overall significance of the model, investigating the existence of a linear relationship among the three variables considered together.

H0:  $\beta_1 = \beta_2 = \beta_3 = \beta_4 = \beta_5 = \beta_6 = 0$ , therefore no linear relationship

HA: at least one  $\beta_j \neq 0$ , (at least one independent variable affects Y)

### **3.7 Research Quality**

Reliability and validity stand as the fundamental characteristics in assessing measurement instruments and conducting sound research.

#### **3.7.1 Validity**

Validity refers to the instrument's ability to measure its intended constructs (Mohajan, 2017). It entails evaluating credibility, truthfulness, and the ability to accurately capture what it purports to measure in the research (Zohrabi, 2013). To guarantee the questionnaires' validity, a comprehensive analysis of their content was performed. The internal validity underwent scrutiny through a peer review of the research data, involving impartial tax experts. External validity was maintained by presenting the questionnaires in an unbiased manner, ensuring the established findings could be generalized.

#### **3.7.2 Reliability**

Reliability concerns the level of confidence attributed to gathered data, specifically addressing the degree to which measurement tools manage errors in the research process (Mohajan, 2017). It evaluates the stability, dependability, and reproducibility of the research findings (Zohrabi, 2013). This study elucidates the sampling process, questionnaire administration, data analysis, and presentation, ensuring that reliability is assured by meticulously following these procedures.

To assess the fitness of the data, three tests were conducted: normality, multicollinearity, and heteroscedasticity. The objective of the normality test was to determine if the sample data followed a normal distribution, employing the Shapiro-Wilk (SW) test. Originally designed for sample sizes less than 50, the SW test has been enhanced to be applicable for any sample size in the range  $3 \leq n \leq 5000$  (Yap, 2011). The W value, ranging from zero to

one, is indicative of normality, with smaller values leading to the rejection of normality and a value of one indicating normal data.

To assess potential multicollinearity within the regression model and identify correlations among the independent variables, a test was conducted using the variance inflation factor (VIF). The VIF serves as a metric for the presence of linear relationships within the set of multiple regression variables (Youssef, 2022). A VIF equal to 1 suggests no multicollinearity, while a VIF greater than 1 indicates a moderate correlation among regressors. A VIF within the range of 5 to 10 suggests a substantial correlation, potentially leading to challenges (Akinwande, 2015).

Homoscedasticity, a fundamental assumption of linear regression, implies constant and equal variance of random errors for all observations. When the classical linear regression model's random errors exhibit non-constant variance, termed heteroscedasticity, it occurs when the variances between two sample data ranges are unequal (Terzic, 2020). The assessment for homoscedasticity utilized the Breusch-Pagan test. The hypothesis holds if the regression coefficient estimates from the least squares method do not significantly deviate from the most probable estimates (Halunga, 2017).

### **3.8 Pilot Testing**

A preliminary investigation was conducted to assist the researcher in assessing the viability of the questionnaire. By Mugenda and Mugenda's recommendation, which proposes that pilot studies encompass a minimum of 1% of the targeted population, this research aimed to include 11 garages (1% of 109) in the pilot study. Members of KEMRA were randomly selected to participate in the pilot study. The main aim of the pilot study was to find out the possible faults with the instrument and take corrective action before the final rollout. The questionnaire was initially administered to the selected participants, this was followed up after two weeks with a similar administration of the same questions. The responses were analyzed using correlation analysis and were found to be consistent.

### 3.9 Ethical Consideration

Ethics involves considerations about how individuals should interact with one another (Kitchener Karen, 2011). To ensure ethical practices in the research process, prior permission was sought from Strathmore Business School, which involved obtaining clearance from the Institutional Ethics Review Committee. Furthermore, an introductory letter from the school and a research permit from NACOSTI were acquired.

When presenting the questionnaire to research participants, their consent was actively sought, elucidating the research's purpose and the estimated response time of 20 minutes. To further uphold confidentiality, codes were employed on the data instrument, avoiding the use of enterprise names. Respondents' anonymity was preserved through the assignment of numbers.



## CHAPTER FOUR

### DATA ANALYSIS AND INTERPRETATION

#### 4.1 Introduction

In this segment, the study discloses its results derived from the examination of gathered data. The initial parts of this section offer information about the participants' response rate and demographic characteristics. Additionally, a descriptive analysis of different themes, aligned with the study objectives, will be presented. Furthermore, the findings of the regression analysis will be detailed, along with their interpretation.

#### 4.2 Response Rate

The response rate is characterized as the proportion of successful responses to the expected responses. In this investigation, 97 responses were obtained from a target of 109 respondents, constituting an 89% response rate. This exceeds the 80% benchmark established by Quiera, Jessica, and Bijal (2021). The research indicates that response rates exceeding 80% offer a level of quality assurance for the majority of social science research.

#### 4.3 Demographic Characteristics of Respondents

This part will examine the demographic features of the participants. This section will provide the analysis of respondents' characteristics by the type of customers they serve, the tax pin status, tax filing status, and the ease of filing taxes.

##### 4.3.1 Respondents Classification by Customer Type

Respondents were asked about the type of customers they serve mostly in their garages. The results indicate 74% of customers are individuals while 26% are organizations. This is consistent with the distribution of motor vehicle ownership in Kenya. A report by KNBS (2022) indicates that 73% of vehicles are owned by individuals in Kenya while 27% of vehicles are owned by companies.

**Table 4.1 Demographic Classification**

<b>Demographic Classifier</b>	<b>Yes</b>	<b>No</b>
Do you serve individuals or organizations	74%	26%
Do you keep sales and expense records?	24%	76%
Do you file the garage's tax returns?	74%	26%
Do you think that it is easy to file taxes in Kenya,	34%	66%

**Source (Research Findings, 2024)**

Respondents were asked if they file garage taxes, the results indicate that 74% of respondents file taxes while 26% do not file taxes. Respondents were also asked if they think that it is easy to file taxes in Kenya, only 34% agreed that it is easier to file taxes while 66% think that it is difficult to file taxes. This is because filling taxes requires specialized skills. The laws governing tax filing are complex and require specialized knowledge in accounting.

#### **4.4 Descriptive Analysis**

This section details the data analysis conducted according to the identified themes to fulfill the research objectives. The descriptive statistics will include the analysis by mean score and percentages. This section will provide an in-depth analysis based on the following themes. Voluntary tax compliance, social accountability, institutional accountability, economic accountability, tax audits, social norms, and personal norms. The descriptive analysis will provide preliminary insights which will be confirmed through regression analysis.

##### **4.4.1 Voluntary Tax Compliance**

Conducted via a five-point Likert scale, the survey on voluntary tax compliance in Kenya is succinctly summarized in Table 4.1. The participants, comprising 97 respondents, conveyed their perspectives on various facets of tax compliance. Analysis of the table reveals a consensus among respondents regarding the importance of readily registering for all applicable taxes, evidenced by a mean score of 3.91 and a median of 4. However, when addressing the filing of applicable taxes for businesses, the level of agreement experiences a slight decline, reflected in a mean of 3.69 and a median of 3. This nuanced view among respondents is further indicated by a slightly higher coefficient of variation (2%), suggesting a tad more variability in opinions regarding tax filing practices.

Likewise, a distinct contrast emerges in the voluntary declaration of accurate financial information. The combination of a mean score of 3.62 and a median of 3 highlights a decreased level of consensus and an increased degree of variability in responses, as indicated by a 5% coefficient of variation. This discrepancy suggests a lack of unanimity among respondents in voluntarily disclosing precise financial details. An additional dimension considered in the study pertains to the punctual payment of all relevant taxes for businesses. Despite an average agreement reflected in a mean score of 3.91 and a median

of 4, the higher coefficient of variation (4%) signifies a somewhat greater diversity in responses, hinting at a less uniform stance regarding timely tax payments.

In summary, the composite average score for all inquiries related to voluntary tax compliance stands at 3.78, with a median of 4 and a 4% coefficient of variation. This conveys a mixed result, showcasing varying degrees of agreement and disagreement among respondents concerning the principles of voluntary tax compliance. The findings suggest a nuanced perspective shaped by factors such as perceived tax burden and transparency in tax utilization among the surveyed participants.

**Table 4.2: Voluntary Tax Compliance**

<b>Voluntary Tax Compliance</b>	<b>N</b>	<b>Mean</b>	<b>Median</b>	<b>SD</b>	<b>CV</b>
I readily register for all the applicable taxes.	97	3.91	4	0.13	3%
I file all the applicable taxes for my business.	97	3.69	3	0.09	2%
I voluntarily declare the correct income, claims, and deductions.	97	3.62	3	0.19	5%
I pay all the relevant taxes for my business on time	97	3.91	4	0.17	4%
<b>Average</b>	<b>97</b>	<b>3.78</b>	<b>4</b>	<b>0.14</b>	<b>4%</b>

**Source (Research Findings, 2024)**

#### **4.4.2 Social Accountability**

Table 4.2 presents a thorough examination of respondents' perspectives concerning Social Accountability, specifically focusing on their evaluations of the fairness and equity within Kenya's tax systems. The initial inquiry aimed to assess the fairness with which the Kenya Revenue Authority (KRA) treats taxpayers. The findings reveal a substantial level of agreement among respondents, as evidenced by a mean score of 3.1 and a median of 3.00. This indicates a noteworthy consensus on perceived fairness, supported by a moderate level of consistency in opinions, as indicated by a low standard deviation of 0.06 and a 19% coefficient of variation.

Similarly, participants were surveyed on whether KRA treats all similar taxpayers equally. The results indicate a lower level of agreement, with a mean score of 2.4 and a median of

4.00. This suggests a greater variability in opinions, as reflected in the higher coefficient of variation of 38%, indicating diverse perspectives on the equitable treatment of similar taxpayers.

The examination of whether KRA treats all taxpayers with respect reveals a mean score of 2.3 and a median of 2.00. The moderate level of variability in responses, indicated by a standard deviation of 0.05 and a coefficient of variation of 20%, signifies a mixed sentiment among respondents regarding the respectful treatment of taxpayers by KRA.

Furthermore, the investigation into whether KRA discriminates against taxpayers based on their social status indicates a mean score of 2.2 and a median of 2.00. With a low standard deviation of 0.03 and a coefficient of variation of 12%, the results suggest a relatively consistent viewpoint among respondents, with a majority perceiving KRA as not engaging in discriminatory practices based on social status.

Respondents were also questioned about KRA's willingness to accept negotiated plans for paying taxes during business cash flow challenges. The mean score of 2.5, a median of 0.29, and a high standard deviation of 0.22, along with an 88% coefficient of variation, underscore significant variability in opinions. This reflects diverse perceptions of KRA's support for businesses facing cash flow problems, indicating a range of viewpoints among participants.

Finally, the assessment of whether Kenya's tax laws are fair to taxpayers reveals a mean score of 3.2 and a median of 3.00. The findings show a high level of consistency in opinions, with a low standard deviation of 0.03 and a coefficient of variation of 9%, indicating a prevailing agreement among respondents regarding the fairness of tax laws in Kenya.

On average, the construct of social accountability attains a mean of 2.6, with a median of 1.33. The moderate level of variability in sentiment, as reflected in a standard deviation of 0.08 and a coefficient of variation of 31%, highlights a nuanced perspective among respondents concerning the broader concept of social accountability within the context of Kenya's tax systems.

**Table 4.3: Social Accountability**

<b>Social Accountability</b>	<b>N</b>	<b>Mean</b>	<b>Median</b>	<b>SD</b>	<b>CV</b>
KRA treats all taxpayers fairly	97	3.1	3.00	0.06	19%
KRA treats all similar taxpayers equally	97	2.4	4.00	0.09	38%
KRA treats all taxpayers with respect	97	2.3	2.00	0.05	20%
KRA does not discriminate against taxpayers based on their social status	97	2.2	2.00	0.03	12%
The KRA will accept a negotiated plan for paying taxes in case the business is experiencing a cash flow problem paying taxes.	97	2.5	2.00	0.22	88%
The Kenya tax laws are fair to the taxpayers	97	3.2	3.00	0.03	9%
<b>Average</b>	<b>97</b>	<b>2.6</b>	<b>1.33</b>	<b>0.08</b>	<b>31%</b>

**Source (Research Findings, 2024)**

#### **4.4.3 Institutional Accountability**

Table 4.3 unfolds a quantitative inquiry into respondents' perspectives on Institutional Accountability, delving into critical facets concerning the operational efficacy and support mechanisms of the Kenya Revenue Authority (KRA). The examination of institutional accountability commenced by scrutinizing KRA's provision of affordable training and support on tax filing. The respondents, on average, rated this aspect with a mean score of 3.1, along with a median of 3.00, indicating a generally positive perception. The moderate coefficient of variation (32%) suggests a reasonable level of agreement among participants, with the majority expressing that KRA offers accessible training and support in the realm of tax filing.

Proceeding to the evaluation of the comprehensibility of tax rules, respondents, with a mean score of 2.9 and a median of 2.00, manifest a relatively positive sentiment. Yet, the higher coefficient of variation (38%) indicates a greater variability in opinions regarding the ease of understanding tax rules. The results highlight that there may be differing perceptions among respondents regarding the clarity of tax regulations. Likewise, the appraisal of the ease in computing payable taxes yields a mean score of 2.1, indicative of a less favorable perception, suggesting that a significant portion of respondents find challenges in

computing their payable taxes. The moderate coefficient of variation (38%) and the median of 2.00 emphasize the variability in opinions, showcasing diverse perspectives on the ease of tax computation.

Exploring the ease of filing taxes in the KRA portal, the respondents, on average, found the process moderately easy, as reflected in a mean score of 2.9 with a median of 2.00. The low coefficient of variation (6%) suggests a higher level of agreement among participants, indicating a more consistent perception that the KRA portal facilitates relatively easy tax filing.

In assessing the friendliness and availability of KRA employees for guidance, the mean score of 3.5 reflects a generally favorable perception. The modest coefficient of variation (14%) with a median of 3.00, implies a reasonable consensus among respondents regarding the approachability and availability of KRA staff for assistance.

On average, the institutional accountability construct, represented by the combined scores for the evaluated aspects, has a mean of 2.9. This suggests a moderate to positive overall perception among respondents regarding KRA's institutional accountability. The median score of 2.40 and the coefficient of variation of 26% provide additional context, indicating a relatively balanced distribution of opinions.

In conclusion, this table furnishes a nuanced understanding of respondents' perspectives on diverse dimensions of institutional accountability within KRA. These insights serve as a valuable springboard for further research, facilitating the identification of areas for enhancement and guiding the formulation of strategies to augment the effectiveness and support services offered by the tax authority.

**Table 4.4: Institutional Accountability**

<b>Institutional Accountability</b>	<b>N</b>	<b>Mean</b>	<b>Median</b>	<b>SD</b>	<b>CV</b>
The KRA offers affordable training and support on tax filing.	97	3.1	3.00	0.10	32%
The tax rules are easy to understand	97	2.9	2.00	0.11	38%
It is easy to compute payable tax	97	2.1	2.00	0.08	38%
It is easy to file taxes in the KRA portal	97	2.9	2.00	0.02	6%
The KRA employees are friendly and available to offer guidance when needed	97	3.5	3.00	0.05	14%
<b>Average</b>	<b>97</b>	<b>2.9</b>	<b>2.40</b>	<b>0.07</b>	<b>26%</b>

**Source (Research Findings, 2024)**

#### **4.4.4 Economic Accountability**

In Table 4.4, we present key findings derived from the responses of 97 participants concerning Economic Accountability. The respondents were tasked with conveying their opinions on the government's utilization of public funds, with a particular focus on understanding how economic accountability influences voluntary tax disclosure.

The initial dimension examined the efficiency of government spending on public resources, indicating a mean score of 1.70, with a median of 1.00, suggesting a relatively negative sentiment. The high coefficient of variation (53%) implies a considerable diversity in opinions, showcasing a lack of consensus among respondents regarding the government's efficiency in resource allocation.

The second inquiry centred on whether the government provides taxpayers with an account of how collected taxes are utilized. The mean score of 2.10 and a median of 2.00 suggest a moderately positive perception. However, the high coefficient of variation (81%) points to substantial variability in opinions, indicating a lack of uniformity in respondents' views on the government's transparency in communicating tax utilization.

Participants' inclination to accept tax increases in exchange for efficient public services and goods is reflected in a mean of 2.20 and a median of 2.00. The relatively low standard deviation of 0.07 and coefficient of variation of 32% suggest a more uniform response pattern, indicating a moderate level of agreement among respondents.

The apprehension regarding corruption and the misuse of public resources impacting taxpayers' willingness to file and pay taxes is evident in the mean of 4.70 and a median of 4.00. This signifies a higher level of agreement among participants, implying that corruption and misuse significantly discourage taxpayers. The low standard deviation of 0.07 and coefficient of variation of 15% imply a more consistent response across participants on this matter.

In summary, the average across these economic accountability dimensions is reflected in the mean of 2.68 and a median of 2.25, reflecting a mixed result. The table provides a comprehensive statistical overview of respondents' sentiments, revealing diverse perspectives on the government's economic accountability. These findings underscore the complexity of public opinion on resource management, transparency, and the relationship between taxation and service delivery.

**Table 4.5: Economic Accountability**

<b>Economic Accountability</b>	<b>N</b>	<b>Mean</b>	<b>Median</b>	<b>SD</b>	<b>CV</b>
The government spends public resources well	97	1.70	1.00	0.09	53%
The government provides taxpayers with an account of how taxes collected were used	97	2.10	2.00	0.17	81%
I would agree to an increase in taxes If the government provides efficient public services and goods	97	2.20	2.00	0.07	32%
Corruption and misuse of public resources discourage taxpayers from filing and paying taxes	97	4.70	5.00	0.07	15%
<b>Average</b>	<b>97</b>	<b>2.68</b>	<b>2.50</b>	<b>0.10</b>	<b>45%</b>

**Source (Research Findings, 2024)**

#### **4.4.5 Tax Audits and Voluntary Tax Compliance**

Table 4.5 presents an overview of participants' perspectives on tax audit perceptions and voluntary tax compliance. The information is gathered from the feedback of 97 participants who were tasked with ranking their views on the impact of tax audits on voluntary tax compliance. This table furnishes a thorough insight into how participants view the influence of tax audits on diverse tax-related behaviors.

Firstly, the table reveals that, on average, participants indicated a moderate influence of the possibility of tax audits on their decision to register for applicable taxes with a mean of 4.30. This suggests a high impact, with participants expressing a collective sentiment that falls between low and high influence. The median value of 4.00 indicates a central tendency, implying that the responses are evenly distributed around this midpoint.

Similarly, when it comes to filing proper taxes, participants expressed a slightly higher influence with a mean of 4.50. The median value of 5.00 indicates a tendency for a favorable influence on tax filing behaviors among the surveyed individuals, accompanied by a moderate level of consensus. Concerning the disclosure of precise figures, respondents expressed a mean value of 4.1, suggesting a high impact of tax audits on their inclination to furnish accurate information. The median value of 4.00 suggests that the distribution of

responses is centred around this value, reflecting a consistent perception among participants.

Furthermore, the data suggests that tax audits moderately affect participants' willingness to pay taxes promptly, as evidenced by the mean value of 4.20. The relatively elevated standard deviation of 0.27 and coefficient of variation of 0.64 imply a broader range of responses, indicating diverse perspectives among participants concerning the impact of tax audits on timely tax payments.

In summary, the average score for all questions related to the influence of tax audits on voluntary tax compliance is 4.23, with a median of 4.25 and a 44% coefficient of variation. This suggests a generally strong influence of tax audits on voluntary tax compliance behaviors among respondents, with variations in the degree of impact across different aspects. The findings provide valuable insights into the role of tax audits in shaping voluntary tax compliance behavior within the surveyed population.

**Table 4.6: Tax Audit and Voluntary Tax Compliance**

Questions	N	Mean	Median	SD	CV
The possibility of tax audits influences me to register for applicable taxes	97	4.30	4.00	0.23	53%
Tax audits influence me to file proper taxes	97	4.50	5.00	0.16	36%
Tax audits influence me to disclose accurate figures	97	4.10	4.00	0.10	24%
tax audits influence me to pay taxes on time	97	4.20	4.00	0.27	64%
<b>Average</b>	<b>97</b>	<b>4.23</b>	<b>4.25</b>	<b>0.19</b>	<b>44%</b>

Source (Research Findings, 2024)

#### 4.4.6 Impact of Social Norms on Voluntary Compliance

Table 4.6 presents a thorough analysis of the relationship between social norms and voluntary tax compliance, utilizing data gathered from the feedback of 97 respondents. The table provides insights into participants' views on the precision of tax submissions, punctual tax payments, and the influence of social factors on their commitment to tax regulations. The mean and median values, accompanied by the standard deviation (SD) and coefficient of variation (CV), contribute to a detailed understanding of the nuances in participants' attitudes towards these key aspects of tax compliance.

Respondents expressed their commitment to filing precise taxes, attributing this behavior to the industry norm, which has an average mean value of 2.42. The narrow standard deviation of 0.11 and a coefficient of variation (CV) of 5% suggest a strong consensus among participants. The median value of 2.00 reflects a central tendency, indicating that most respondents share this value. This underscores a prevailing belief that the accurate filing of taxes is influenced by the conduct of businesses within their industry.

Similarly, the average score for paying taxes on time because most businesses in that industry do the same is 2.35, with a low standard deviation of 0.09 and a CV of 4%. The median value of 2.00 reflects a central tendency, indicating widespread agreement among participants that timely tax payments are influenced by the behavior of other businesses in their industry.

Concerning the impact of customers on tax compliance, participants, on average, indicated a mean value of 2.52. The moderate standard deviation of 0.18 and a coefficient of variation (CV) of 7% imply a reasonable level of diversity in responses. The median value of 3.00 indicates a central tendency, highlighting a moderate level of agreement among participants that customer needs, particularly the requirement for tax receipts, influence their compliance behaviors.

Participants expressed a mean value of 2.42 for feeling a moral obligation to pay taxes, with a higher standard deviation of 0.27 and a CV of 11%. The median value of 2.00 suggests a central tendency, but the greater variability in responses indicates diverse perspectives on the moral obligation associated with tax payment.

Concerning adherence to tax regulations to attract customers, survey participants indicated an average rating of 2.53. The standard deviation of 0.25 and a coefficient of variation (CV) of 10% indicate a moderate level of diversity in the responses. The median value of 3.00 indicates a central tendency, reflecting a moderate level of agreement among participants that adhering to taxation rules contributes to appealing to customers.

Overall, the average values across the surveyed aspects of social norms and voluntary tax compliance suggest that participants generally perceive industry practices and customer influence as important factors in shaping their compliance behaviors. The central tendencies indicated by the median values underscore a degree of consensus among

respondents, while the variability, as reflected in the standard deviations and CV, highlights the nuanced nature of individual perspectives within the surveyed group.

**Table 4.7: Social Norm and Voluntary Tax Compliance**

Questions	N	Mean	Median	SD	CV
I file accurate taxes because most businesses in my industry do the same.	97	2.42	2	0.11	5%
I pay taxes on time because most businesses do the same.	97	2.35	2	0.09	4%
My customers influence me to comply since they need tax receipts.	97	2.52	3	0.18	7%
I feel that paying taxes is my moral obligation.	97	2.42	2	0.27	11%
I comply with taxation rules to appeal to my customers.	97	2.53	3	0.25	10%
<b>Average</b>	<b>97</b>	<b>2.45</b>	<b>2</b>	<b>0.18</b>	<b>7%</b>

Source (Research Findings, 2024)

#### 4.4.7 Impact of Personal Norms on Voluntary Compliance

In Table 4.7, the research delves into the realm of personal norms and their connection to voluntary tax compliance, drawing insights from the perspectives of 97 participants. The respondents were specifically queried about their views on the influence of personal norms on the act of voluntarily complying with tax obligations. Firstly, participants indicated a strong influence of personal ethics on the decision to register for relevant taxes voluntarily, with an average score of 4.25 and a median of 4. This suggests a consistent alignment between personal ethical considerations and the inclination to comply with tax registration requirements.

Similarly, the data reveals a significant impact of personal ethics on the decision to file correct taxes voluntarily, as reflected by a mean score of 4.36 and a median of 4. The tight standard deviation of 0.09 suggests a comparatively limited range of variability in responses, underscoring the uniformity in participants' perspectives. Moreover, participants exhibited a notably higher influence of personal ethics on the decision to voluntarily disclose and remit correct taxes, with an average score of 4.57 and a median of 5. This

implies a robust ethical inclination not only to meet tax responsibilities but also to proactively disclose and remit precise tax amounts.

In summary, the mean score of 4.39, along with a median of 4 and a standard deviation of 4, indicates a moderate level of response variability. This implies that, on average, participants consistently view their ethics as influential in voluntary tax compliance. The coefficient of variation (CV) at 12% underscores a moderate degree of dispersion around the mean, highlighting the stability of observed trends in personal norms and their influence on voluntary tax compliance within the sample.

**Table 4.8: Personal Norms and Voluntary Tax Compliance**

Questions	N	Mean	Median	SD	CV
My ethics influence the decision to register for the relevant taxes voluntarily.	97	4.25	4	0.12	3%
My ethics influence the decision to file the correct taxes voluntarily.	97	4.36	4	0.09	2%
My ethics influence the decision to voluntarily disclose and remit correct taxes.	97	4.57	5	0.15	3%
<b>Average</b>	<b>97</b>	<b>4.39</b>	<b>4</b>	<b>0.12</b>	<b>12%</b>

Source (Research Findings, 2024)

#### 4.5 Factor Analysis

Explorative factor analysis was used to determine if all the questions were contributing to the variable development significantly. Tavakol and Wetzel (2020) aver that factor loadings above 0.4 can be accepted to be significant in variable development, factor loadings below 0.4 should be considered insignificant and hence eliminated from the analysis. Voluntary tax compliance as a variable had four constructs(questions) all the questions except question 1 “I readily register for all the applicable taxes” had a factor loading of more than 0.4. This means that this question will be eliminated in computing the average score for the variable.

On the other hand, 2 out of the 6 questions of social accountability were eliminated because they had a factor loading less than 0.4 (“The KRA will accept a negotiated plan for paying taxes in case the business is experiencing a cashflow problem paying taxes” and “The Kenya tax laws are fair to the taxpayers”). The variable institutional accountability had 5

questions, however, two questions had factor loadings of less than 0.4 (“It is easy to compute tax payable” and “It is easy to file taxes in the KRA portal”). These questions were therefore eliminated while computing the aggregate values for regression. The factor loading for the questions on economic accountability was above 0.4 except for one question “I would agree to an increase in tax if the government provides efficient public services and goods” which had a factor loading of 0.38.

**Table 4.9 ;Factor Analysis**

#	Questions	Variable	Factor Loading
1	I readily register for all the applicable taxes.	Voluntary Tax Compliance	0.35
2	I File all the applicable taxes for my business.	Voluntary Tax Compliance	0.76
3	I voluntarily declare the correct income, claims, and deductions.	Voluntary Tax Compliance	0.69
4	I pay all the relevant taxes for my business on time	Voluntary Tax Compliance	0.48
1	KRA treats all taxpayers fairly	Social Accountability	0.79
2	KRA treats all similar taxpayers equally	Social Accountability	0.92
3	KRA treats all taxpayers with respect	Social Accountability	0.81
4	KRA does not discriminate against taxpayers based on their social status	Social Accountability	0.52
5	The KRA will accept a negotiated plan for paying taxes in case the business is experiencing a cashflow problem paying taxes.	Social Accountability	0.32
6	The Kenya tax laws are fair to the taxpayers	Social Accountability	0.37
1	The KRA offers affordable training and support on tax filing.	Institutional Accountability	0.73

2	The tax rules are easy to understand and it's easy to compute payable tax.	Institutional Accountability	0.71
3	It is easy to compute tax payable	Institutional Accountability	0.31
4	It is easy to file taxes in the KRA portal	Institutional Accountability	0.39
5	The KRA employees are friendly and available to offer guidance when needed.	Institutional Accountability	0.69
1	The government spends public resources well	Economic Accountability	0.86
2	The government provides taxpayers with an account of how taxes collected were used	Economic Accountability	0.87
3	I would agree to an increase in tax if the government provided efficient public services and goods	Economic Accountability	0.38
4	Corruption and misuse of public resources discourage taxpayers to file and pay taxes	Economic Accountability	0.82

**Source (Research Findings, 2024)**

#### 4.6 Correlation Analysis

Correlation analysis is used to find out the preliminary association between the variables. The statistic is between negative 1 to positive 1. The correlation coefficient of 0 to +/-0.25 represents no correlation, +/-0.26 to +/-0.4 represent weak correlation while coefficients between +/-0.5 to +/-0.75 represent moderate figures above +/- 0.76 represent the high correlation between variables. Based on these decision criteria, table 4.9 shows that social accountability (correlation coefficient of 0.88) and Institutional Accountability (with a correlation coefficient of 0.76) have a strong positive correlation with voluntary tax compliance. While economic accountability and voluntary tax compliance have a strong negative correlation with a coefficient of -0.79. Additionally, the table shows that the independent variables are not correlated with each other since they have a correlation coefficient of less than 0.25. A more robust statistical test has been conducted on the diagnostic section.

**Table 4.10; Correlation Analysis**

<b>Correlations</b>	<b>Voluntary Tax Compliance</b>	<b>Social Accountability</b>	<b>Institutional Accountability</b>	<b>Economic Accountability</b>
Voluntary Tax Compliance	1			
Social Accountability	0.88	1		
Institutional Accountability	0.76	0.15	1	
Economic Accountability	-0.79	0.06	-0.27	1

**Source (Research Findings, 2024)**

#### 4.5 Diagnostic Tests

These tests are conducted to determine the characteristics of the distributions under study. These tests are important in helping the researcher determine the regression methodology.

##### 4.5.1 Test of Normality

The assessment of distribution normality utilized the Kolmogorov-Smirnov and Shapiro-Wilk tests, which assume that the datasets adhere to a normal distribution. As a result, the null hypothesis is retained if the Sig value surpasses 5%. As indicated in Table 4.8, the data set is considered to be normally distributed, as evidenced by Sig values exceeding 0.05.

**Table 4.11: Test of Multicollinearity**

<b>Variable</b>	<b>Kolmogorov-Smirnova</b>	<b>Shapiro-Wilk</b>
	<b>Sig</b>	<b>Sig</b>
Voluntary Tax Compliance	0.321	0.781
Social Accountability	0.459	0.654
Institutional Accountability	0.821	0.497
Economic Accountability	0.437	0.523
Tax audits	0.512	0.517
Social Norms	0.815	0.895
Personal Norms	0.236	0.311

**Source (Research Findings, 2023)**

##### 4.5.2 Test of Heteroskedasticity

**Table 4.12: Heteroskedasticity Test; Breusch -Pegan -Godfrey**

F-statistics	24.5382	Prob. Chi-Square	0.254
--------------	---------	------------------	-------

Obs\*R-Squared            53.7293  
 Scaled Explained SS    48.9192

---

**Source (Research Findings, 2023)**

The examination of the extent to which certain variables deviate from the mean was carried out using the Breusch-Pagan-Godfrey statistics. This statistical test operates under the assumption that the distributions are not significantly dispersed from the mean. The acceptance of this hypothesis hinges on the Prob. Chi-Square being greater than 0.05; otherwise, it is rejected. The findings reveal that the dataset exhibits homoscedasticity, as the Chi-Square value is 0.25, surpassing the threshold of 0.05. Consequently, it can be concluded that there is no evidence of heteroskedasticity issues.

**4.5.3 Test of Multicollinearity**

**Table 4.13: Test of Multicollinearity**

<b>Variable</b>	<b>Variance Proportion</b>	<b>Condition Index</b>	<b>Eigenvalue</b>
Voluntary Tax Compliance	0.251	8.921	0.123
Social Accountability	0.034	5.645	0.452
Institutional Accountability	0.091	4.578	0.123
Economic Accountability	0.243	11.25	0.654
Tax audits	0.341	8.025	0.421
Social Norms	0.525	4.522	0.321
Personal Norms	0.214	3.614	0.125

---

**Source (Research Findings, 2024)**

The assessment of multicollinearity aims to address the issue of overestimation. In this study, the examination of this concept involved the use of variance proportion, condition index, and eigenvalue. These statistical measures operate under the assumption that multicollinearity is absent when the variance proportion is below 0.9, the condition index is under 30, and the eigenvalue is less than 1. As illustrated in Table 4.4, all the parameters indicate the absence of multicollinearity, affirming that this issue is not present in the analysis.

#### 4.5.4 Test of Serial Correlation

Serial correlation is a challenge in data distribution, arising when a distribution displays a predictable repetitive pattern over time. The assessment of serial correlation is commonly conducted using the Durbin-Watson test. The statistical test generates values ranging from 0 to 4. Values falling between 1.5 and 2.5 indicate the absence of serial correlation. Values from 2.5 to 4 signify negative serial correlation, while those below 1 indicate positive serial correlation. As observed in Table 4.5, the Durbin-Watson statistic is 1.521, falling within the range associated with no autocorrelation, indicating the absence of serial correlation

**Table 4.14: Test of Serial Correlation**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.939a	0.881	0.876	0.162923	1.521

a Predictors: (Constant), Economic Accountability, Social Accountability, Social Accountability, Institutional Accountability  
b Dependent Variable: Voluntary Tax Compliance

**Source (Research Findings, 2024)**

#### 4.6 Regression Analysis

The regression analysis presents the statistical examination of the relationship between the dependent variable and independent variables. In this section, we will delve into the examination of variance, the model summary, the regression model, and the control models.

##### 4.6.1 Analysis of Variance

The evaluation of variance provides insights into the significance of the established model. A model is considered significant when the F-value surpasses 10 or when the Sig value is less than 0.05 (Montgomery, 2017). In the present context, the regression model is deemed significant with an F-value of 168.617 (exceeding the 10 threshold) and a Sig value below 0.05. Hence, the study's findings can be relied upon to faithfully reflect the characteristics of the population.

**Table 4.15: Analysis of Variance (ANOVA)**

Details	Sum of Squares	Df	Mean Square	F	Sig.
Regression	17.903	4	4.476	168.617	.000b
Residual	2.416	91	0.027		
Total	20.319	95			

**a Dependent Variable: Voluntary Tax Compliance**

**Source (Research Findings, 2024)**

#### 4.6.2 Model Summary

The model summary reveals the proportion of the dependent variable explained by the selected independent variables in this study. As per the table, the regression model clarifies 87.6%, as indicated by the adjusted R-Square, leaving 12.4% unexplained, attributable to factors not considered in the research. This underscores the strength of the regression model, capturing more than 80% of the variability in the dependent variable.

**Table 4.16: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.939a	0.881	0.876	0.162923

a Predictors: (Constant), Economic Accountability, Social Accountability, Social Accountability, Institutional Accountability, Tax Audits, Social Norms, and Personal Norms.

b Dependent Variable: Voluntary Tax Compliance

**Source (Research Findings, 2023)**

#### 4.6.3 Regression Analysis

**Table 4.17: Regression Analysis Table**

Variables	Unstandardized Beta Coefficients	Std. Error	Standardized Beta Coefficients	T	Sig.
Constant	0.63	0.18		3.44	0.00
Social Accountability	0.41	0.03	0.62	15.90	0.00
Institutional Accountability	0.09	0.03	0.11	2.76	0.01
Economic Accountability	0.07	0.04	0.07	1.92	0.06
Tax Audits	0.05	0.17	0.05	12.12	0.04
Social Norms	-0.02	0.09	-0.02	8.79	0.02
Personal Norms	0.04	0.08	0.05	7.89	0.01

**Source (Research Findings, 2024)**

Regression analysis unveils the statistical connection among variables, where a variable attains statistical significance if the Sig value is under 0.05. The findings portray a sustained level of government accountability that carries importance, symbolizing tax payments independent of the examined variables, signifying compliance unaffected by any variable. Social accountability displays a positive association with voluntary tax compliance, evident from a Sig value of 0.00, falling beneath the established threshold. A one-unit rise in social accountability corresponds to a 0.62-unit increase in voluntary tax compliance.

The connection between institutional accountability and voluntary tax compliance is positively significant, as evidenced by a coefficient of 0.11 and a Sig value of 0.01 ( $<0.05$ ). This indicates that a one-unit increase in institutional accountability corresponds to a 0.11-unit increase in voluntary tax compliance. However, the results indicate that there is no significant relationship between economic accountability and voluntary tax compliance (Coefficient of 0.07 with a Sig value of  $0.06 > 0.05$ ). This implies that the two variables do not have a statistical relationship (based on the data collected and analyzed). Tax audits and personal norms have a positive relationship while social norms have a negative relationship.

#### **4.6.4 Control Variables**

This research explored the influence of tax audits, social norms, and personal norms on the connection between social, institutional, and economic accountability and voluntary tax compliance. These specific variables were selected based on their potential impact on compliance. The findings demonstrate that the comprehensive model, incorporating tax audit, social norm, and personal norm, holds statistical significance at a 95% confidence level (with an F value of 111.01 surpassing the minimum threshold of 10). This indicates the involvement of these variables in shaping the association between dependent and independent variables. The chosen control variables have the potential to either enhance or diminish compliance.

Table 4.15 outlines the outcomes of the individual control variables on the association between tax compliance and social, institutional, and economic accountability. Examining each variable separately, tax audit positively impacts the relationship with voluntary tax compliance, with a unit increase in tax audit influencing compliance by 0.49 units (The p-value of  $0.00 < 0.05$ , suggesting statistical significance.). This implies that the apprehension of tax audits motivates taxpayers to adhere to the tax regulations. Similarly, the study indicates that personal norm positively affects voluntary tax compliance, with a unit change in personal norm resulting in a 0.40-unit increase in compliance (p-value of  $0.00 < 0.05$ ,

signifying significance). This suggests that personal ethics play a positive role in encouraging taxpayers to fulfill their tax obligations.

In contrast, social norm exhibits a negative relationship with voluntary tax compliance. A unit increase in social norm corresponds to a 0.02-unit decrease in compliance (p-value of 0.05=0.05, indicating significance). This suggests that many garages are negatively influenced by peers who do not comply with tax payments. Compliance becomes more challenging in a market where most participants do not adhere to tax regulations, as it raises business costs. The normalization of noncompliance within the industry influences even those taxpayers who might have complied. Additionally, the lack of demand for receipts from customers eliminates the incentive for compliance.

**Table 4.18: The Regression Results of Control Variables**

Variable	Cumulative		Simultaneous	
	R Square Change	F Change	Beta	P-value
<b>Step 1</b>				
Tax Audits			0.49	0.00
Social Norms	0.22	111.01	-0.02	0.05
Personal Norms			0.40	0.00
<b>Step 2</b>				
Social Accountability			0.62	0.00
Institutional Accountability	0.78	121.48	0.11	0.01
Economic Accountability			0.07	0.06

Source (Research Findings, 2024)

#### 4.7 Discussion of Results

The study demonstrates a positive association between social accountability and voluntary tax compliance. Ensuring equitable and respectful treatment of all taxpayers, coupled with the acceptance of negotiated plans, strengthens the rapport between taxpayers and tax collectors, ultimately leading to heightened voluntary compliance. These results concur with the findings of Arndt (2016), who proposed that taxpayers are more inclined to adhere to tax obligations when they perceive fair treatment from tax authorities. Likewise, the outcomes substantiate Ibn's (2021) claim that a positive connection between taxpayers and tax authorities depends on taxpayers feeling valued and engaged.

The research additionally establishes a positive relationship between institutional accountability and voluntary tax compliance. Strengthened institutional accountability, facilitated through cost-effective training, support, and streamlined tax regulations, leads

to a heightened level of compliance. The availability of accessible personnel from the Kenya Revenue Authority (KRA) also plays a pivotal role in encouraging voluntary tax compliance. These findings align with a 2019 report from the World Bank Group, highlighting a shift in tax authorities' strategies from enforcement to collaboration, with a focus on providing effective customer service personnel to assist taxpayers. Furthermore, Deyganto (2018) acknowledged the effectiveness of tax authorities and the simplicity of the tax system as crucial elements influencing taxpayer compliance.

Nevertheless, the study identifies no statistically significant correlation between economic accountability and voluntary tax compliance. Respondents express disapproval of how the government allocates public resources, and the lack of transparency in detailing tax usage, coupled with widespread corruption, discouraging voluntary compliance. These results support Piotr's (2021) proposition that taxpayers resist compliance when they perceive a lack of government accountability. Conversely, the findings align with the World Bank Group's (2019) conclusion that lower corruption levels and participatory budgeting correlate with higher tax compliance.

Control variables, such as tax audits, are found to positively impact voluntary tax compliance. The possibility of a tax audit influences taxpayers to provide accurate tax figures, as the associated fines not only affect cash flows but also reputation. This aligns with Jemaiyo and Mutai's (2016) findings that tax audits create a psychological fear, compelling businesses to comply voluntarily. Similar conclusions are drawn by Olaoye and Ogundipe (2018), emphasizing the psychological impact of tax audits on taxpayer compliance.

The research also reveals an adverse association between social norms and voluntary tax compliance, indicating that the impacts of industry negatively affect the willingness to make voluntary tax payments. Non-compliance among counterparts and a lack of customer motivation to request tax receipts hinder tax collectors from determining the correct tax payable. These findings resonate with Górecki and Letki (2020), who argue that societal acceptance or rejection based on behavior influences compliance with social norms, indicating a tendency toward non-compliance in a capitalistic nation like Kenya.

Finally, the research establishes a positive impact of personal ethics on voluntary tax compliance. Personal ethics influence decisions to register for taxes, file accurate returns, and timely remit taxes. These findings align with Doerrenberg and Andreas (2018),

emphasizing the personal nature of compliance decisions and the need to consider individual norms and ethics. Taing and Yongjin (2020) also support these findings, emphasizing the intrinsic influence of personal norms shaped by religion, education, and psychological factors on taxpayers' propensity to pay.



## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATION

#### 5.1 Introduction

This section presents an extensive examination of outcomes obtained from various thematic domains. These themes are structured to respond to the research inquiries and facilitate the attainment of research objectives. The following segments in this chapter will provide conclusions extrapolated from the research results along with succinct summaries. The subsequent portion delineates policy suggestions deduced from the research findings, elucidating the practical application of these insights by practitioners. Finally, the chapter proposes directions for future research initiatives.

#### 5.2 Summary

The research aimed to investigate the correlation between government accountability and voluntary tax compliance. Government accountability was further categorized into social accountability, institutional accountability, and economic accountability. The study also incorporated controls for the impact of tax audits, personal norms, and social norms. Data collection employed a structured questionnaire designed around identified themes. The study encompassed a census of 109 garages, with responses received from 97 garages, achieving an 89% response rate. Data interpretation and analysis involved the application of both descriptive statistics and regression analysis. The following sections are devoted to presenting a summary of the results related to the impact of social, economic, and institutional accountability on voluntary tax compliance.

##### 5.2.1 Effect of Government Social Accountability on Voluntary Tax Compliance

Government social accountability pertains to the citizen's perception of the fairness exhibited by the present government. In the context of taxes, social accountability involves the perception of equitable treatment of taxpayers, ensuring that individuals are taxed based on their financial capacity. The impact of government social accountability was investigated using a structured questionnaire that focused on various aspects. These aspects included assessing whether the Kenya Revenue Authority (KRA) treats all taxpayers fairly and impartially, examining the presence of discrimination based on social status, and evaluating the willingness of KRA to accept negotiated tax payment plans, especially when businesses face cash flow challenges. Additionally, the overall fairness of tax laws was explored within this construct.

Descriptive statistics reveal that approximately 50% of the participants acknowledge the equity of the tax system, expressing the view that taxpayers are treated fairly and without discrimination. This group also perceives that KRA is amenable to negotiated payment plans. However, a quarter of respondents remain neutral on these aspects, while another quarter disagrees. Regression analysis further validates that government social accountability relates positively to voluntary tax compliance. This indicates that an enhanced sense of social responsibility by a government aligns with an increased inclination among taxpayers to voluntarily adhere to tax laws. The fair treatment of taxpayers becomes a motivating factor for compliance without the need for coercion. Crucially, this hinges on tax laws being impartial, ensuring that similar economic activities face equal tax rates.

These results are consistent with the findings of Arndt (2016) who concluded that government accountability contributes to voluntary tax compliance positively. The results also confirm the assumptions of legitimacy theory which avers that the government gains legitimacy through transparency. Consequently, taxpayers are more inclined to pay taxes to the government if they feel that the government is transparent and accountable.

### **5.2.2 Effect of Government Institutional Accountability on Voluntary Tax Compliance**

The examination of government institutional accountability focused on the efficiency and simplicity of the tax system. Queries centered on the ease of tax registration, computation of payable taxes, and the accessibility of KRA staff to address taxpayers' concerns. The findings reveal a consensus among most respondents that KRA provides valuable training, with a positive customer experience reflected in the friendly demeanor of officers. Furthermore, respondents acknowledge the ease of computing and filing taxes through the KRA portal, indicating KRA's institutional responsibility. The regression analysis affirms that institutional accountability positively influences voluntary tax compliance. The positive outcomes of KRA training and favorable customer experiences contribute to enhanced voluntary tax compliance.

These results are aligned with the findings of Djajanti (2020), Martono (2018), and Chang (2020) who concluded that institutional accountability contributes to tax compliance. The results confirm the assumptions of the Theory of predatory rule which avers that individuals will avoid paying taxes if they do not believe in government institutions. This theory

postulated that lower public ratings increase noncompliance. Consequently, higher public rating leads to an increase in compliance.

### **5.2.3 The Effect of Government Economic Accountability on Voluntary Tax Compliance.**

Economic accountability involves the government's capability to transparently report to citizens on how tax funds are utilized, evaluating the effective use of resources and the impact of collaboration on developmental goals. This aspect was gauged by assessing the government's prudent use of public resources, with a specific focus on whether it provides a detailed account of tax utilization. Furthermore, it explored whether taxpayers would be willing to contribute more taxes if the government demonstrated efficiency in expenditure. Lastly, the analysis considered whether corruption and the mismanagement of public resources discourage taxpayers from fulfilling their tax obligations.

The majority of respondents expressed disagreement with the perception that the government is economically accountable. This suggests that most respondents doubt the government's responsibility in managing the taxes it collects. Additionally, the study found that corruption hampers the effective utilization of public resources. Notably, the regression analysis uncovered no statistically significant correlation between economic accountability and voluntary tax compliance. This lack of association is attributed to the prevailing belief among respondents that the government lacks accountability, making it challenging for them to connect this perception with voluntary tax compliance.

These results are not consistent with the findings of Damayanthi (2015) who found that economic accountability is positively related to compliance. The study also disagrees with the conclusions of the World Bank Group (2019) report which concluded that corruption and wastage of public resources contribute to noncompliance with tax laws.

### **5.3 Conclusions**

The research reveals that social accountability positively influences voluntary tax compliance. Consequently, it is inferred that the fairness embedded within the tax system contributes positively to voluntary tax compliance. Furthermore, the study asserts that equitable treatment of taxpayers, non-discriminatory policies, and the provision of flexible payment schedules for those facing cashflow challenges foster voluntary tax compliance.

Institutional accountability is identified as another factor positively impacting voluntary tax compliance. The study concludes that the Kenya Revenue Authority's (KRA) effectiveness in fulfilling its mandate has been augmented by its commendable customer experience and responsiveness to taxpayers' concerns. Additionally, the study posits that KRA has gained legitimacy by actively providing services and training to taxpayers, aligning with World Bank recommendations advocating collaboration over coercive measures for tax compliance. In essence, the research underscores the importance of a positive association between taxpayers and tax authorities in fostering improved compliance.

On the flip side, the investigation reveals a lack of a noteworthy relationship between economic accountability and voluntary tax compliance. Consequently, it is concluded that citizens' reluctance to register, file, and pay taxes is rooted in the perceived absence of government economic accountability. Additionally, the study posits that corruption adversely affects voluntary tax compliance, acting as a deterrent for citizens to willingly adhere to tax obligations.

The results of this study confirm the assumptions of the anchoring theory of legitimacy. The positive association between economic accountability and voluntary tax compliance confirms the assumptions of legitimacy theory. Additionally, the positive association between institutional accountability and taxpayers confirms the assumptions of the theory of predatory rule which avers that taxpayers do not pay taxes if they don't have faith in government institutions.

#### **5.4 Policy Recommendation**

This segment explores recommendations that policymakers and tax practitioners, in general, can consider. These suggestions are derived from the insights obtained through research.

##### **5.4.1 Policy Recommendation for Policy**

The results of the study reveal a negative relationship between social norms and voluntary tax compliance. This implies that when businesses disregard tax payments and government penalties lack stringent enforcement, this establishes a norm that negatively impacts other industry participants.

The study also establishes a positive correlation between personal norms and tax compliance. However, given that personal norms are intrinsic and influenced by factors such as religion and the education system, the recommendation is for KRA to collaborate with schools and churches to promote the concept of voluntary tax compliance. This involves integrating tax compliance courses into school curricula, making it a mandatory component.

#### **5.4.2 Policy Recommendation for Practice**

The research revealed that a significant number of respondents lacked awareness of the various tax laws impacting their sectors, leading to repercussions in their registration and payment processes. Consequently, the study recommends a targeted effort by professional tax compliance officers within the Kenyan Revenue Authority (KRA) to enhance communication with Small and Medium Enterprises (SMEs). This can be achieved through organizing workshops and training sessions aimed at educating SMEs on tax regulations, emphasizing the benefits of compliance, and outlining the potential consequences of non-compliance.

Furthermore, the study proposes the establishment of regional industry associations, specifically within the East African context. These associations would serve as platforms for sharing best practices and experiences concerning tax compliance. Such collaborative initiatives could prove beneficial for KRA professionals in gaining insights into how other countries in the region address tax compliance challenges, particularly those impacting SMEs. By participating in these associations, compliance professionals can actively monitor and assess the effectiveness of interventions and recommendations implemented by member countries, potentially adopting successful strategies in their jurisdictions.

#### **5.5 Suggestions for Further Studies**

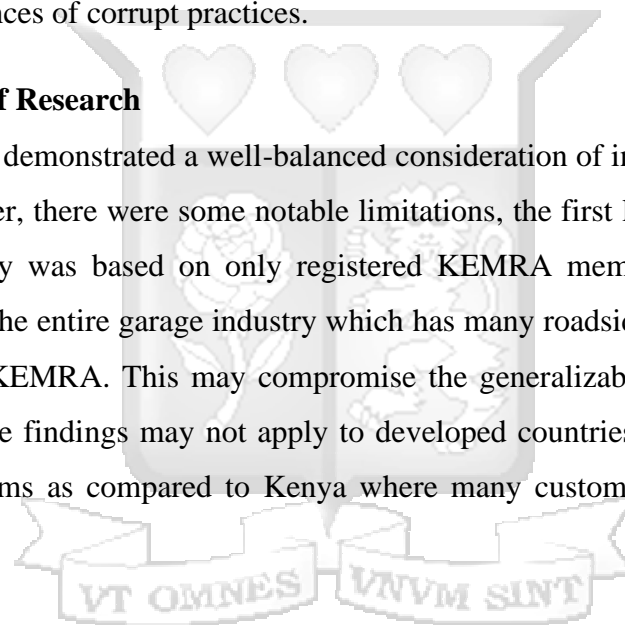
The research explored the connection between government accountability and voluntary tax compliance, controlling for personal norms, social norms, and tax audits. Some of the study's results suggested that institutional accountability positively influences voluntary compliance. A critical factor affecting institutional accountability is the customer experience provided to taxpayers by tax authorities. Consequently, the study recommends a detailed examination of the impact of customer experience. It proposes commissioning a study to investigate the influence of customer experience on voluntary tax compliance in Africa. This research would gather opinions on customer experience and assess its effects

on voluntary tax compliance, shedding light on the positive role of good customer experience in enhancing tax revenues.

Additionally, the study revealed no discernible relationship between economic accountability and tax compliance. Widespread corruption in government contributes significantly to the lack of economic accountability. This corruption, in turn, influences how taxpayers perceive and respond to tax laws, as citizens are discouraged from paying taxes by a wasteful and less accountable government. To tackle this concern, it is imperative to commence an extensive investigation that delves into the repercussions of corruption on voluntary tax compliance. Such a study would empower the government to quantify the financial toll of corruption on tax revenues and devise strategies aimed at diminishing instances of corrupt practices.

### **5.6 Limitations of Research**

Overall, the study demonstrated a well-balanced consideration of independent and control variables. However, there were some notable limitations, the first limitation relates to the fact that the study was based on only registered KEMRA members, this may not be representative of the entire garage industry which has many roadside participants who are not members of KEMRA. This may compromise the generalizability of the findings to small garages. The findings may not apply to developed countries which predominantly have robust systems as compared to Kenya where many customers do not ask for tax receipts.



## REFERENCES

- Abba Ya'u, N. S. (2018). Trust as Moderating Variable in the Relationship between Fairness Perceptions and Voluntary Tax Compliance in Nigeria. *Journal of Advanced Research in Business and Management Studies*.
- Abu-Hassan, N., bt Yunus, N., & bt Ramli, R. (2017). Tax penalties and tax compliance of small medium enterprises (SMEs) in Malaysia. *International Journal of Business, Economics and Law*, 12(1), 81-91.
- Adejuwon, J. A. (2022). Determinants of Voluntary tax compliance in Nigeria. *Baze University Journal of Entrepreneurship and Interdisciplinary Studies*.
- Adekanmi, A. D., Olaniyan, N. O., & Efuntade, A. O. (2022). Tax Audit and Company Paying its Fair Share of Income Taxes: Evidence from Nigeria. *Euro Economica*, 41(2).
- Adekoya A. Augustine, E. P. (2020). Control of Corruption, Trust in Government, and Voluntary Tax Compliance in South-West, Nigeria. *Management Studies*.
- Adeyeye, J. O. (2019). Informal Sectors Taxpayers' perception of the influence of Government accountability on voluntary tax compliance and the moderating role of fiscal exchange.
- Aguinis, H. (1966). Regression Analysis for Categorical Moderators. In D. A. Kenny. New York: Guilford Press.
- Ahmad, R. (2008). Governance, Social Accountability, and the Civil Society. JOAAG.
- Alm, J. (2018). What Motivates Tax Compliance? *Journal of Economic Surveys*, 1–36. <https://doi.org/10.1111/joes.12272>.
- Alm, J., Schulze, W. D., von Bose, C., & Yan, J. (2019). Appeals to social norms and taxpayer compliance. *Southern Economic Journal*, 86(2), 638–666. <https://doi.org/10.1002/soej.12374>
- Amina, Ahmed, and Kedir Saniya. (2015). Tax compliance and its determinants: The case of Jimma zone, Ethiopia. *International Journal of Research in Social Sciences*, 6: 7–21.

- Anuradha Joshi, W. P. (2013). Taxing the Informal Economy: Challenges, Possibilities and Remaining Questions. *IDS working paper*.
- Arndt, E. A. (2016). Perceived Fairness and Regulatory Policy: A Behavioural Science Perspective on Government-Citizen Interactions. *OECD Regulatory Policy Working Papers*, No. 6.
- Asrinanda, Y. D. (2018). The Effect of Tax Knowledge, Self-Assessment System, and Tax Awareness on Taxpayer Compliance. *International Journal of Academic Research in Business and Social Sciences*.
- Azma Batool, H. H. (2022). Influence of Tax Awareness, Simplicity, and Knowledge on Voluntary Tax Compliance in Pakistan: The Mediating and Moderating Role of Tax Fairness and Social Norms. *Pakistan Journal of Economic Studies*.
- Beetham, D. (2013). *The legitimation of power*. New York: Palgrave Macmillan.
- Blanche, M. T. (2006). *Research in Practice: Applied Methods for the Social Science*. Juta and Company Ltd.
- Bovens, M. (2016, January 16). *Analysing and Assessing Public Accountability*. *European Governance Papers*.
- CEIC. (2019). Kenya: GDP: Wholesale and Retail Trade: Economic Indicators: CEIC. Retrieved December 11, 2019, from <https://www.ceicdata.com/en/Kenya/sna2008-gdp-by-industry-current-price/gdp-wholesale-andretail-trade>.
- Chang, H. B. (2020). Determinants of Tax Compliance Intention: Focus on the Theory of Planned Behaviour. *International Journal of Public Administration*.
- Chaudhry, I. S. (2010). Determinants of Low Tax Revenue in Pakistan. *Pakistan Journal of Social Sciences*, 439-452.
- Cheeseman, N. and Griffiths, R. (2021) Effects of Increasing Tax Revenue in Sub-Saharan Africa. *Journal of oxford council of good governance*, 2, 1-23.
- Cherop, J. (2020). Determinants of Tax Compliance in the informal sector in Kenya. *Master's Thesis*. Jomo Kenyatta University of Agriculture and Technology.

- Chindengwike, D. (2021). The Relationship between Tax Transparency, Trust and Taxpayers' Voluntary Compliance in Tanzania James. *International Journal of Innovative Science and Research Technology*.
- Cooper & Schindler. (2014). *Business Research Methods*. New York: McGraw-Hill/Irwin.
- Damayanthi Jayawardane. (2015). Psychological Factors Affect Tax Compliance. *International Journal of Arts and Commerce*.
- Deyganto, K. O. (2018). Factors Influencing Taxpayers' Voluntary Compliance Attitude with Tax System: Evidence from Gedeo Zone of Southern Ethiopia. *Universal Journal of Accounting and Finance*.
- Djajanti, A. (2020). Developing the voluntary taxpayer compliance: The Scale of the tax authority's power, trust, and the fairness of the tax system. *Indonesian Journal of Business and Entrepreneurship*.
- Doerrenberg, Philipp, & Andreas Peichl. (2018). Tax Morale and the Role of Social Norms and Reciprocity: Evidence from a Randomized Survey Experiment. CESifo Working Paper Series No. 7149.
- Dowling, J., & Pfeffer, J. (1975). Organizational legitimacy: Social values and organizational behavior. *Pacific Sociological Review*, 18, 122–136.
- Dube, G., & Casale, D. (2019). Informal sector taxes and equity: Evidence from presumptive taxation in Zimbabwe. *Development Policy Review*, 37(1), 47-66.
- Dularif, M., & Rustiarini, N. W. (2022). Tax compliance and non-deterrence approach: A systematic review. *International Journal of Sociology and Social Policy*, 42(11–12), 1080–1108. <https://doi.org/10.1108/IJSSP-04-2021-0108>.
- Eragbhe, K. M. (2012). Government Accountability and Voluntary Tax Compliance in Nigeria. *Journal of Finance and Accounting*.
- Evans, M. M. (2009). Sustaining Growth in Developing Economies through Improved Taxpayer Compliance: Challenges for Policy Makers and Revenue Authorities. *eJournal of Tax Research*.

- Fave, K.S. & Dabari, I.J. (2017) Empirical Analysis of Tax Revenue Collection by The Federal Government in Nigeria. *European Journal of Accounting, Auditing and Finance Research*, 5, 1-11.
- Favorite, Y. Sebele-Mpofu, T. C. (2019). Tax Knowledge, Tax System Complexity Perceptions and Attitudes of the Commercial Sugarcane Farmers and Their Influence on Tax Compliance in the Lowveld Area, Zimbabwe. *International Journal of Innovative Science and Research Technology*.
- Fourie, F. (2018). Enabling the forgotten sector: Informal-sector realities, policy approaches and formalization in South Africa. *The South African Informal sector: Creating jobs, reducing poverty*. 2018, 439
- Frey, B. S. (2003). Deterrence and tax morale in the European Union. *European Review*, 385-406.
- Gadenne, L. (2017). Tax Me, but Spend Wisely? Sources of Public Finance and Government Accountability. *American Economic Journal: Applied Economics*, 17, 13–26.
- Getachew, A. (2019). Turnover-Based Presumptive Taxation and Taxpayers' Perceptions in Ethiopia. *ICTD African Tax Administration Paper 7*.
- Górecki, M. A., & Letki, N. (2020). Social norms moderate the effect of the tax system on tax evasion: Evidence from a large-scale survey experiment. *Journal of Business Ethics*. 7, 1–26.
- Government of Kenya. (2022). *National Tax Policy*.
- Gürdal, M. Y., Torul, O., & Vostroknutov, A. (2020). Norm compliance, enforcement, and the survival of redistributive institutions. *Journal of Economic Behaviour and Organization*, 178, 313–326. <https://doi.org/10.1016/j.jebo.2020.07.031>
- Halunga, A. G. (2017). A heteroskedasticity robust Breusch–Pagan test for Contemporaneous correlation in dynamic panel data models. *Journal of econometrics*. 192, 134–252.

- Holcombe, R. G. (2019). Progressive Democracy: the ideology of the modern predatory state. *Public Choice. International Journal of Finance and Accounting*, 5(2), 90-97.
- Honorata Mazepus, F. V. (2019). *Fairness matters when responding to disasters: An experimental study of government legitimacy*. Governance Wiley, 5, 92-135.
- Hoshaw-Woodard, S. (2001). *Description and comparison of the methods of cluster sampling and lot quality assurance sampling to assess immunization coverage*. WHO.
- Hybels, R. C. (1995). On legitimacy, legitimation, and organizations: A critical review and integrative theoretical model. *Academy of Management Journal, Best Conference Proceedings*, 38, 241–245.
- Ibn e Hassan, A. N. (2021). Voluntary tax compliance behavior of individual taxpayers in Pakistan. *Finance Innovation* 3, 135–226
- Ibrahim, R., & Ahmad, A. H (2017). The impact of corruption national development in Nigeria. *International Journal of Scientific Research in Social Sciences & Management Studies*, 2 (1), 13-23.
- James Murunga, M. K. (2021). Estimating the size of the informal sector in Kenya. *Cogent Economics & Finance*.
- James, S. A. (2012, November 22). *Tax compliance, self-assessment, and tax administration*. MPRA,3, 27-38.
- Jayawardane, D. (2015). Psychological Factors Affect Tax Compliance- A Review paper. *International Journal of Arts and Commerce*, 7, 1– 36
- Jemaiyo, B. & Mutai, G.C. (2016). Determinants of Tax Compliance and Their Influence on the Level of Tax Compliance in the Real Estate Sector, Eldoret town-Kenya. *African Peer Reviewed Journals*, 12, 555-584
- Joseph, S., Nye JR, P. D. (1997). Why People don't trust the government?

- Julia Black, D. O. (2008). Constructing and contesting legitimacy and accountability in polycentric regulatory regimes *Regulation & Governance. Journal of Financial Accountability*,1–112.
- Julia Black. (2008). Constructing and contesting legitimacy and accountability in polycentric regulatory regimes. *Journal of Regulation & Governance*, 13, 139–193
- Julnes, P. D. (2006). Performance Measurement an Effective Tool for Government Accountability?
- Kenya National Bureau of Statistics. (2016). Micro, Small, and Medium Establishments.
- Kenya National Bureau of Statistics. (2018). Economic Survey. Nairobi: KNBS.
- Kirchler, E. (2007). *The Economy psychology of tax behavior*. Newyork: Cambridge University Press.
- Kitchener Karen, S. (2011). Foundation of Ethical practice, research, and teaching in psychology and counseling.
- Kithae, B. N. (2020). Access to business information, business finance, managerial skills, and performance of SMEs in Kenya.
- KNBS. (2019). 2019 Kenya Population and Housing Census.
- KNBS. (2020). Informal Sectors Skills and Occupations survey.
- KNBS. (2020). Informal Sectors Skills and Occupations Survey. Nairobi: Kenya National Bureau of Statistics.
- Lars, P. F. (2007). Tax Compliance as the Result of a Psychological Tax Contract: The Role of Incentives and Responsive Regulation. *Law & Policy*.
- Lederman, L. (2018). *Does Enforcement Reduce Voluntary Tax Compliance?* Brigham Young University Law Review.
- Leeuwen, H. M. (2019). *Fairness matters when responding to disasters: An experimental study of government legitimacy*. Governance Wiley.

- Levi, M. (1989). *The Theory of Predatory Rule. In Of Rule and Revenue*. University of California Press.
- Levi, M. (1997). *Consent, Dissent, and Patriotism*. Cambridge University Press.
- Madhovi, T. (2020). The Impact of Social Accountability Mechanisms on Fiscal Management Challenges Facing Goromonzi Rural District Council, Zimbabwe. *Journal of Public Administration and Governance*.
- Manguye, A. G. (2021). State legitimacy and tax compliance among small and medium scale enterprises: a case study of Dodowa district, Ghana. *Journal of Financial Crime*.
- Mannan, K. A. (2020). Socio-economic Factors of Tax Compliance: An Empirical Study of Individual Taxpayers in the Dhaka Zones, Bangladesh. *The Cost and Management*, Volume 48, 6.
- Manyeki, J. I. (2021). *Assessing the effects of e-commerce on second-hand vehicle importation business in Nairobi, Kenya (Thesis)*. Strathmore University. Retrieved from <http://su-plus.strathmore.edu/handle/11071/6066>.
- Marius van Dijke, L. B. (2019). Make Me Want to Pay. A Three-Way Interaction Between Procedural Justice, Distributive Justice, and Power and on Voluntary Tax Compliance. *Frontiers in Psychology*.14, 119–174.
- Martono, T. W. (2018). Taxpayer Compliance, Trust, and Power. *Jurnal Keuangan dan Perbankan*. 3, 15–30.
- Michael Olusegun Akinwande, H. G. (2015). Variance Inflation Factor: As a Condition for the Inclusion of Suppressor Variable(s) in Regression Analysis. *Journal of Statistics*, 56–74.
- Micheal Andrea Strebel, D. K. (2019). The importance of input and output legitimacy in democratic governance: Evidence from a population-based survey experiment in four West European countries. *European Journal of Political Research*, 5, 141–196
- MicroSaveconsulting. (2020). Impact of the COVID-19 pandemic on micro, small, and medium enterprises (MSMEs).

- Miswa, B. A. (2019). Assessing the efficacy of price regulation on fuel pump prices in Kenya. (Thesis, Strathmore University). Retrieved from <http://suplus.strathmore.edu/handle/11071/6573>
- Mohajan, H. K. (2017). Economy, Business Economy / Management, Evaluation Research, Socio-Economic Research. *Annals of Spiru Haret University. Economic Series.* 9, 138–296.
- Mohammad Reza Sobhkhiz1, A. M. (2020). Accountability, Legitimacy, and Voluntary Tax Compliance: A Case Study in Tax Offices in Mazandaran Province of Iran. *International Journal of Organization Leadership.* 12, 134–269
- Montgomery, D. C. (2017). Design and Analysis of Experiments. *Journal of the American Statistical Association:*1-34
- Mpofu, F. (2021). Informal Sector Taxation and Enforcement in African Countries: How plausible and achievable are the motives behind? *A Critical Literature Review. Open Economics,* 4(1), 72-97. <https://doi.org/10.1515/openec-2020-0114>
- Mulgan, R. (2000). *Accountability: an ever-expanding concept? Public Administration,* 555–573.
- Munda, C. (2019, September 23). Financial services topple manufacturing as a top source of tax. *Business Daily Africa.* 27
- Nella Hendriyetty, C. E. H. (2022). Taxation in the Digital Economy.
- Netsanet Shiferaw, B. T. (2020). Determinants of Voluntary Tax Compliance (The Case Category A and B Taxpayers in Dire Dawa Administration). *International Journal of Scientific and Research Publications,* 13, 11–56.
- Neubert, Dieter. (2019). Middle-Income Groups in Kenya. Conflicting Realities Between Upward Mobility and Uncertainty. *Journal of Economic Regulations* 23, 1–94.
- Ng'eni, F. B. (2016). Tax administration in Tanzania: An assessment of factors affecting tax morale and voluntary tax compliance towards effective tax administration.

- Nguyen, Thu Hien. (2022). The Impact of Non-Economic Factors on Voluntary Tax Compliance Behaviour: A Case Study of Small and Medium Enterprises in Vietnam. *Economies*, 10,98- 179. <https://doi.org/10.3390/economies10080179>
- Nurkholis, N., Dularif, M., Rustiarini, N. W., & Ntim, C. G. (2020). Tax evasion and service-trust paradigm: A meta-analysis. *Cogent Business and Management*, 7(1), 1. <https://doi.org/10.1080/23311975.2020.1827699>
- Olaoye, C. & Ekundayo, A. (2019). Effects of Tax Audit on Tax Compliance and Remittance of Tax Revenue in Ekiti State. *Open Journal of Accounting*, 8, 1-17.
- Olaoye, O.O. & Ogundipe, A.A. (2018). Application of Tax Audit and Investigation on Tax Evasion Control in Nigeria, *Journal of Accounting, Finance and Auditing Studies*, 4, 79-92.
- Owen, O. (2018). Going legit; Taxation, trust, and attention in agrarian rural Nigeria. *Politique Africaine*, 5, 94 -196.
- Palil, M. R. (2013). The Perception of Taxpayers on Tax Knowledge and Tax Education with Level of Tax Compliance; A Study the Influences of Religiosity. *ASEAN Journal of Economics, Management and Accounting*, 7, 13–26
- Piotr Mikuli, G. K. (2021). *Accountability and the Law; Politics & International Relations*.
- Puneet Bhushan, Y. M. (2013). Determining Tax Literacy of Salaried Individuals. *IOSR Journal of Business and Management* 22, 1–76.
- Ross, M. L. (2004). Does Taxation Lead to Representation? *British Journal of Political Science*.
- Saunders, M. N. (2019). *Understanding Research Philosophies and Approach*. Pearson.
- Schedler, M. F. (1999). *The Self-Restraining State: Power and Accountability in New Democracies*. London: Lynne Rienner Publishers.
- Schiopoiu Burlea, A., Popa, I. (2013). Legitimacy Theory. In: Idowu, S.O., Capaldi, N., Zu, L., Gupta, A.D. (eds) *Encyclopedia of Corporate Social Responsibility*. Springer, Berlin, Heidelberg. [https://doi.org/10.1007/978-3-642-28036-8\\_471](https://doi.org/10.1007/978-3-642-28036-8_471)

- Sebele-Mpofu, F. Y. (2020). Governance quality and tax morale and compliance in Zimbabwe's informal sector. *Cogent Business & Management*.
- Sobhkhiz, M., Mehdizadeh, A., Mojibi, T. and Otadi, M. (2020). Impact of accountability on voluntary tax compliance through influencing taxpayers' public trust. *Journal of International Business and Taxation*. 20. 166-186.
- Sørensen, Eva, and Jacob Torfing. (2021). Accountable Government through Collaborative Governance? *Journal of Administrative Sciences* 11,4-127.
- Stankevicius, E., & Kundeliene, K. (2017). Theoretical approach to taxpayer segmentation. *Statistics*, K. N. (2020). Economic Survey report.
- Subramaniam, Muthaloo. (2019). The impact of social factors on individual tax compliance. *Asia Proceedings of Social Sciences*, 4. 26-28.
- Suchman, M. (1995). Managing legitimacy: Strategic and institutional approaches. *Academy of Management Review*, 20(3), 571-610.
- Syatila Che Saruji, R. M. (2019). Trust in Government and Perceptions of Tax Compliance among Adolescents. *Journal of Advanced Research Design*. 117, 138-197.
- Tavakol, M., & Wetzel, A. (2020). Factor Analysis: a means for theory and instrument development in support of construct validity. *International journal of medical education*, 11, 245-247.
- Taing, Heang Boong, & Yongjin Chang. (2020). Determinants of tax compliance intention: Focus on the theory of planned behavior. *International Journal of Public Administration*, 44, 62-73.
- Terzic, I. D. (2020). Violation of the assumption of homoscedasticity and detection of heteroscedasticity. *Applications in Management and Engineering*. 33, 68-85.
- Thiga, M. N., & Muturi, W. (2015). Factors that influence compliance with tax laws among small and medium-sized enterprises in Kenya. *International Journal of Scientific and Research Publications*, 5(6), 1-12.

- Tilling, M. V., & Tilt, C. A. (2010). The edge of legitimacy: Voluntary social and environmental reporting in Rothman's 1956–1999 annual reports. *Accounting, Auditing, and Accountability Journal*, 23(1), 55–81.
- Tilly, C. (2004). Trust and rule. Columbia University.
- Treasure, T. N. (2021). *Quarterly Economic and Budgetary Review*. Nairobi: Republic of Kenya.
- Wadesango, N., Mwandambira, N., Mhaka, C., & Wadesango, O. (2018). Literature review on the impact of tax knowledge on tax compliance among small medium enterprises in a developing country. *International Journal of Entrepreneurship*, 22(4), 1-15.
- Williams, C. (2007). Research Methods. *Journal of Business & Economic Research*.
- World Bank Group. (2016). *Informal Enterprises in Kenya*. World Bank Group.
- World Bank Group. (2019). *Innovations in Tax Compliance. Macroeconomics, Trade and Investment Global Practice & Governance Global Practice*.
- World Bank Group. (2019, October). *Innovations in Tax Compliance. Macroeconomics, Trade and Investment Global Practice & Governance Global Practice*.
- World Bank Group. (2020). *Research & Policy Briefs. Macroeconomic Policy in the Time of COVID-19: A Primer for Developing Countries*.
- Yamane, T. (1967). *Applied Sampling*. New York: Academic Press.
- Yap, N. M. (2011). Power Comparisons of Shapiro-Wilk, Kolmogorov-Smirnov, Lilliefors and Anderson-Darling Tests. *Journal of Statistical Modelling and Analysis*.
- Yohanes C. Seralurin & Yana Ermawati. (2019). *International Research Journal of Management, IT & Social Sciences*. Influence of Self-Assessment System, Taxation Understanding, and Discrimination Toward Ethics of Tax Evasion: A Case in Papua Indonesia.
- Youssef, A. M. (2022). Detecting Multicollinearity, Autocorrelation, and Heteroscedasticity in Regression Analysis. *Journal of Statistics*, 57, 3–57.

Zohrabi, M. (2013). *Mixed Method Research: Instruments, Validity Reliability and Reporting Findings*. Theory and Practice in Language Studies.



# APPENDICES

## Appendix 1: Research Questionnaire

### Section A: Garage Profile

(1) Name of the garage.....

(2) Other than yourself, how many other people are employed by your garage.....

(3) Are your customers, primarily organization or individual car owners?

Organization  Individual

(4) Do you keep sales and expense records?

- Yes
- No

(5) Do you have a Personal identification number (PIN)?

- Yes
- No

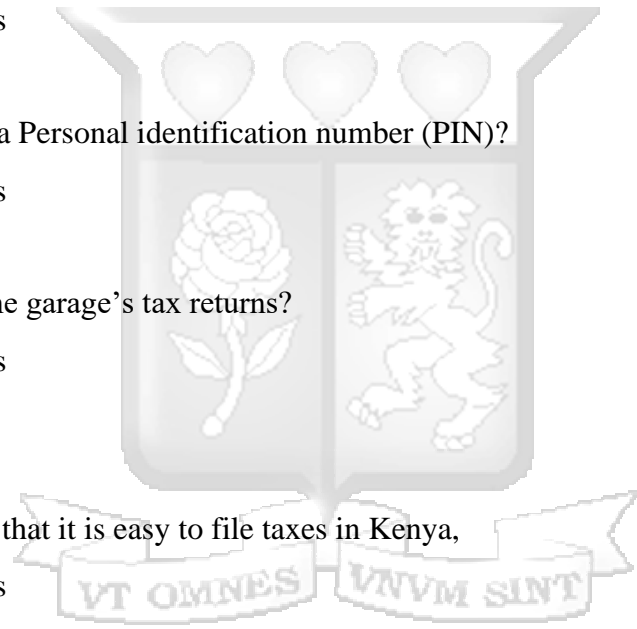
(6) Do you file the garage's tax returns?

- Yes
- No

If yes;

(7) Do you think that it is easy to file taxes in Kenya,

- Yes
- No



## Section B: Voluntary Tax Compliance

Below are some statements regarding voluntary tax compliance. Reply with how much you agree or disagree using a scale of; *strongly agree, agree, relatively agree, disagree, and strongly disagree.* (Kindly tick in the box)

Voluntary Tax Compliance	strongly agree	agree	Relatively agree	disagree	strongly disagree
1. I readily register for all the applicable taxes.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. I File all the applicable taxes for my business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. I voluntarily declare the correct income, claims, and deductions.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. I pay all the relevant taxes for my business on time	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## Section C: Social Accountability; Fairness and Equity of Tax System

Below are some statements regarding the Kenya Revenue Authority and how it relates to the taxpayers. Reply with how much you agree or disagree using a scale of; *strongly agree, agree, relatively agree, disagree, and strongly disagree.* (Kindly tick in the box)

Social Accountability; Fairness and Equity of Tax System	strongly agree	agree	Relatively agree	disagree	strongly disagree
1. KRA treats all taxpayers fairly	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. KRA treats all similar taxpayers equally	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. KRA treats all taxpayers with respect	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. KRA does not discriminate against taxpayers based on their social status	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. The KRA will accept a negotiated plan for paying taxes in case the business is experiencing a cashflow problem paying taxes.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. The Kenya tax laws are fair to the taxpayers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Section D: Institutional Accountability; Simplicity of tax system and organizational efficiency of the tax authority**

Below are some statements regarding the Kenya Revenue Authority and how it relates to the taxpayers. Reply with how much you agree or disagree using a scale of; *strongly agree, agree, relatively agree, disagree, and strongly disagree.* (kindly tick in the box)

<b>Institutional Accountability; Simplicity of tax system and organizational efficiency of the tax authority.</b>	strongly agree	agree	Relatively Agree	disagree	strongly disagree
1. The KRA offers affordable training and support on tax filing.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. The tax rules are easy to understand and it's easy to compute payable tax.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. It is easy to compute tax payable	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. It is easy to file taxes in the KRA portal	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. The KRA employees are friendly and available to offer guidance when needed.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Section E: Economic Accountability; How Well Does the Government Use the Public Funds**

Below are some statements regarding how accountable the government is to public funds. Reply with how much you agree or disagree using a scale of; *strongly agree, agree, relatively agree, disagree, and strongly disagree.* (kindly tick in the box)

<b>Economic Accountability; How Well Does The Government Use The Public Funds</b>	strongly agree	agree	Relatively Agree	disagree	strongly disagree
1. The government spends public resources well	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. The government provides taxpayers with an account of how taxes collected were used	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. I would agree to an increase in tax if the government provided efficient public services and goods	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Corruption and misuse of public resources discourage taxpayers from filing and paying taxes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Section F: The Impact of Tax Audits, Personal Norms, and Social Norms on Voluntary Compliance**

Below are some statements regarding tax audits, social norms, and personal norms. Reply with how much you agree or disagree using a scale of; *strongly agree, agree, relatively agree, disagree, and strongly disagree.* (Kindly tick in the box).

Statement	Strongly Agree	Agree	Relatively Agree	Disagree	Strongly Disagree
<b>Impact of tax audits on voluntary compliance</b>					
The possibility of tax audits influences me to register for applicable taxes					
Tax audits influence me to file proper taxes					
Tax audits influence me to disclose accurate figures					
tax audits influence me to pay taxes on time					
<b>Impact of social norms on voluntary compliance</b>					
I file accurate taxes because most businesses in my industry do the same.					
I pay taxes on time because most businesses do the same.					
My customers influence me to comply since they need tax receipts.					
I feel that paying taxes is my moral obligation.					
I comply with taxation rules to appeal to my customers.					
<b>Impact of personal norms on voluntary compliance</b>					
My ethics influence the decision to register for the relevant taxes voluntarily.					
My ethics influence the decision to file the correct taxes voluntarily.					
My ethics influence the decision to voluntarily disclose and remit correct taxes.					

**Thank you for taking the time to respond to this questionnaire.**

## Appendix 2: Sample Frame: Registered KEMRA Members

#	Garage Name	Location	Phone Number
1	Absolute Motor Services Limited	Industrial Area, Shimo la Tewa Road	722522970
2	Access Panel Craft	Crescent Road, Nairobi	722328603
3	Ace Auto Centre Limited	Along Giligil Road, off	722529178
4	All Auto Services Limited	Factory St, Nairobi, Kenya	720819356
5	Alpha Automobile Limited	Kiambu, Kiambu Rd.	0716-052000
6	A-One Auto Services Limited	Opp Nakumatt Highridge, 3rd Parklands Ave Nairobi	722521446
7	Apex Motor Mart Limited	Off Outer Ring Road,	722817799
8	Auto Extreme	Kisumu	0721-888878
9	Auto fine Limited	Along Rangwe Close,	722207085
10	Auto Village	Opposite Uhuru Gardens, Langata Rd, Nairobi,	020-3563205
11	AutoMan T/A Smarton Equipment Limited	Nairobi	0719-330202
12	Automotive Solutions (Nairobi) Limited	Road A, Off Enterprise Road	721709133
13	Autoskill limited	Autoskill Ltd Bldg, Solai Rd. Nairobi	0722-328666
14	Autospin Garage Nyeri	Nyeri, Along Nyeri-Nanyuki Rd, King'ong'o	722794684
15	Autozone Mombasa Garage	Mombasa, Next to Darajani Hotel, Buxton	0722-710765
16	Axel Engineering	Along South Airport Road,	0722-206262
17	B.K Motors Meru	Meru, KPCU Rd next to the fire station.	0721-849457
18	Bagda's Auto Spares	Nairobi, BASL Hse. Kumasi Rd. off Kirinyaga Rd.	0739-527956
19	Bavaria Garage	Mombasa, Mtwapa along Mombasa-Malindi Rd.	0729-921365
20	Carmate Auto Workshop	Along Muindi Mbingu Street, near	724418779
21	Central Famers Garage	Kitale Town, near CMC	0721-318603
22	Complete Auto Centre Limited	Along KPA Road, off	720771572
23	Concorde Motors Limited	At Hurlingham, behind	720977112
24	Crown Paints (K) Limited	Along Likoni Road, Industrial	713600699
25	Crystal Motors (K) Limited	Along KPA Road,	722707124
26	DAC Motors	Along Wajir Road, off	727709817

27	Daivin Auto Limited	At the junction Of Mogadishu Road and Lunga Lunga Road, Industrial Area -Nairobi	722983411
28	De-Kelvins Auto Service	Along Waiyaki Way, opposite All	722651618
29	Destiny Motors	Along Busia Road, off	722520040
30	Dreamcoat Automotive Refinishing Products Limited	Along Falcon Road,	722519944
31	Echo Kenya Limited	Along Kitui Rd off Kampala Rd, INDUSTRIAL	0722-363216
32	Eureka technical services	Off riverside drive chiromo access Rd Westlands. Nairobi	0720-960752
33	Fast Fit Auto Care	Off Shimo la Tewa Road Next to Macs Pharmaceuticals –Industrial Area.	724974995
34	Forange Auto Allied Suppliers (K) Limited	Along Nanyuki Road,	722522392
35	Foton East Africa Limited	Along Mombasa Road, at	722748843
36	Four Runners Auto Tech Limited	Along Hola Road, off	722703584
37	Golden Auto Centre Limited	Along Road ‘A’, off	722752065
38	Haji Motors Limited	Off Mombasa Road,	722519008
39	Hanspol Auto clinic	Industrial area, Nanyuki Rd Nairobi	0725-623363
40	HI Techz Investments	Voi town, Nairobi-Mombasa Rd.	0722-267501
41	Homeboys Auto Garage	Voi town, Nairobi-Mombasa Rd.	0721-616565
42	Huade Motors Kenya Limited	Along road opposite	712504013
43	Jaffery Motors	Mombasa, Nkurumah Rd. Fort Jesus	722367441
44	Jamii Auto Care Limited	Along Ngong’ Road,	722582296
45	JB Motors	Industrial Area,	722959588
46	Jeet Motors	Kericho Town	0722-284910
47	Jogi Motors	Malindi, Kilifi-Malindi Rd.	0721-855412
48	Joginders Auto Service Limited	Along Butere Road,	722510675
49	Kenya Bus Service Management Limited	Riruta Depot, off Gitanga Road –	724715828
50	Kineticar Auto Garage Limited	Ruiru, Nairobi	722814051
51	Kithan Autocare	Along commercial street off Bunyala Rd next	0718-755100

52	Kombani Auto Works Limited	Kwale, Mombasa-Ukunda Rd	0722-684524
53	Kylin Motors Limited	Kisumu, Makasembo Street.	0722-743297
54	Liya Motors Engineering Contractors	Mombasa, Changamwe.	0722-0450651
55	Logistech Limited	Off Mombasa Road,	722410828
56	Lunka Autoserve Limited	Nairobi	722759766
57	M/S Safari Motors Service Kericho	Kericho Town	0712-336841
58	Markmann & Company Limited	Enterprise Road Kayaba Lane Behind Old Fire Station	721374241
59	Mercantile Enterprises T/A Oserian Motor Services Limited	Donholm, off Outer Ring Road	722293601
60	Midland Auto Care Limited	Along Busia Road, off Enterprise Road, Industrial Area – Nairobi	722311794
61	Mineka Autoworks Limited	Mombasa, Next to King'orani Prison.	0721-539682
62	Modern Auto Maintenance	Opposite Total Petrol Station, Mombasa Island, Lumumba Rd, Mombasa,	722412533
63	Motor Care Limited	Langata Rd, Nairobi City,	722526160
64	Motor Lab Auto Centre	Along Baba Dogo Road,	701328989
65	Motor Zone Auto Repair Shop	Along Ngong' Road,	727029475
66	Motorways (K) Limited	Along Bamburi Road,	722220620
67	Motorworld Fastfit Limited	Jogoo Road, Opposite City Stadium. Nairobi	722820112
68	Mutindwa Toyota	Meru, along Meru-Maua Rd.	0722-888840
69	Muwasa Motors Enterprises	Kisii Town	733965223
70	Naivaboch auto. Electrical	Hobra Rd industrial area	0721-212091
71	New Embu Uhuru Garage	Embu, off Nairobi-Embu Rd.	728715205
72	P.N Kabara Auto Garage Nyeri	Nyeri Town, Kianda Rd.	720715197
73	Palm Motors Limited	Industrial Area, Off Enterprise Road, Dakar Rd, Nairobi	722524511
74	Peter motor works	Mombasa, King'orani.	0722-629387
75	Pistonheads East Africa Limited	Nyumba Moja Rd langata/Karen(Galleria)	725518031
76	Pony Motors Panel Beaters Limited		722529363

77	Quick Star Enterprises Limited	CITY Cabanas, north airport road.	700706641
78	Rallytec Auto	Kisumu, Makasembo Street.	0722-745551
79	Rucini Auto Garage	Thika, Munene Industries	0718-635561
80	Safe Zone Auto Care Limited Limited	Along Changamwe Road,	720329235
81	Sagoo Automech Limited	Nakuru, near K.I.E offices	0722-800904
82	Sagoo Motor Service Limited	Kericho Town	0722-774255
83	Save Time Oil Changers Limited	Nairobi, Rongai	703207105
84	Silver Rano Motors Limited	Off Lusaka Road, next	722704222
85	Sim Autocare Limited	Off Melili Road, South B -Nairobi	722607366
86	Simba Corporation Limited	Mombasa Road, Nairobi	722674589
87	Solex Motors Limited	Along Addis Ababa Road, Industrial	722518340
88	South Coast Auto works	Kwale, Mombasa-Ukunda Rd	0722-307712
89	Spraymaster Limited	Nairobi	722511689
90	St. Austin's Service Station Limited.	Along Ngong' Road,	722707262
91	Stantech Motors Limited	Along Shimo la Tewa Road,	722410736
92	Stephens Auto Engineering Works Limited.	Along Factory Road, opp.	722520075
93	Suba Motors Limited	Nairobi, Utawala, along Eastern Bypass opp. AP Training school	0720-934446
94	Super Touch Auto Centre Limited	Along Addis Ababa Road,	722759310
95	Tabby James and U Auto Limited	Nairobi, Buruburu Phase 1 Estate	0721-222585
96	Teryx Motor Services Limited	Funzi Rd, Nairobi City, Kenya	726395979
97	Thika Motor Dealers(K) Limited	Thika, along Thika-Mwingi Rd.	72172654
98	Top Job Motors	Along Londiani Road, off	721390978
99	Top Quality Auto Limited	Along Thika Road, next to	725852085
100	Topworks Garage Services	Mombasa,Kisimani, Mombasa-Kilifi Rd.	0722-673181
101	Toyotsu Auto Mart (K) Limited	Toyotsu Building, Toyota Kenya Business Park, Popo Rd, Nairobi City	723115734
102	TransAfrica Motors Limited	Mombasa	0722-411114
103	Twiga Panel Beaters Limited	Along Busia Road, off	726572620

104	Unity Auto Garage (Nbi) Limited	Along Kampala Road,	722511028
105	Universal Auto Touch Limited	Along Kikuyu-Dagoretti Road, next	722376640
106	Vas Auto Centre Limited	Along Londiani Road, off	722629782
107	Walker Automec Garage	Meru Town KPCU Rd. Next to fire station	713891476
108	West Fit Motors	Along Kikuyu Road, next	722236728
109	Zhong Shun Motors Limited	Along Nanyuki Road, off	731813317

Source (Kemra, 2022)



## Appendix 3: Strathmore Approval Letter



24<sup>th</sup> July 2023

Ms Nganga Alice Wanjiku,  
alice.nganga@strathmore.edu

Dear Ms Nganga,

**RE: Effect of Government Accountability on Voluntary Tax Compliance of Motor Garages in Kenya**

This is to inform you that SU-ISERC has reviewed and approved your above SU-masters research proposal. Your application reference number is SU-ISERC1817/23. The approval period is from 24<sup>th</sup> July 2023 to 23<sup>th</sup> July 2024.

This approval is subject to compliance with the following requirements:

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






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

Yours sincerely,

**Mr Ambrose Rachier,  
Chairperson; SU-ISERC**



## Appendix 4: Nacosti Research Permit

 <p><b>REPUBLIC OF KENYA</b> National Commission for Science, Technology and Innovation</p>	 <p><b>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY &amp; INNOVATION</b></p>
<b>Ref No: 871138</b>	<b>Date of Issue: 13/August/2023</b>
<b>RESEARCH LICENSE</b>	
	
<p><b>This is to Certify that Miss.. Alice Nganga of Strathmore University, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Nairobi on the topic: EFFECT OF GOVERNMENT ACCOUNTABILITY ON VOLUNTARY TAX COMPLIANCE OF MOTOR GARAGES IN KENYA for the period ending : 13/August/2024.</b></p>	
<b>License No: NACOSTI/P/23/28451</b>	
<b>871138</b> <b>Applicant Identification Number</b>	
 <b>Director General</b> <b>NATIONAL COMMISSION FOR SCIENCE, TECHNOLOGY &amp; INNOVATION</b>	
<b>Verification QR Code</b> 	
<p><b>NOTE: This is a computer generated License. To verify the authenticity of this document, Scan the QR. Code using QR scanner application.</b></p>	
<b>See overleaf for conditions</b>	

## Appendix 5: Ethical Clearance

RHinnO Ethics - SU-ISERC1817/23 - 1 of 1 - Date Issued: 2023-07-24

Strathmore University Institutional Scientific and Ethical Review Committee (SU-ISERC)

---



**Strathmore**  
UNIVERSITY

### Final Decision

This is to certify that the application for ethics clearance submitted by:

**Principal Investigator:** Ms. Nganga, Alice Wanjiku

**Reference number:** SU-ISERC1817/23

**For Study:** "GOVERNMENT ACCOUNTABILITY AND VOLUNTARY TAX COMPLIANCE "

Was reviewed and received the following status: "approved"

**Reviewer Comments**

**The SU-ISERC wishes you all the best with this research undertaking.**

**24 July 2023 10:14:21**

