TECHNOLOGY ACCEPTANCE AND TAX COMPLIANCE AMONG HOTELS IN TAITA TAVETA COUNTY, KENYA

BY

JOASH OMARIBA NYANDIEKA

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DECLARATION

Declaration by the Student

This thesis is my original work and has not been presented for the award of any degree in any university.

Signed... Date...

Joash Omariba Nyandieka

KESRA/105/0156/2016

Declaration by the Supervisors

This thesis has been submitted with my approval as University Supervisor.

Signed... Date...

Dr. Marion Nekesa

Department of Accounting and Finance,

School of Business and Economics

Kenya School of Revenue Administration

Signed... Date...

Dr. Naomi Koske

Department of Accounting and Finance,

School of Business and Economics

Moi University

DEDICATION

This research project is dedicated to my wife Snefa and my sons Xavi, Jay and Lee for their support and encouragement.

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LIST OF ABBREVIATIONS

AJBUMA - African Journal of Business Management

ASTCUDA -Automated System Customs Data

BI - Behavioral Intentions

CSI - Client Satisfaction Index

DOI - Diffusion of Innovation Theory

FIRS - Federal Inland Revenue Service

IBT - Institute of Business Technology

ICMS - Integrated Customs Management System

ICPAK - Institute of Certified Public Accountants of Kenya

IS - Information System

IT - Information Technology

ITMS - Integrated Tax Management System

KNBS - Kenya National Bureau of Statistics

KRA - Kenya Revenue Authority

OLS -Ordinary Least Squares

PEOU - Perceived Ease of Use

PU - Perceived Usefulness

SAO - Sub-district Administrative Organization

SPSS   - Statistical Package for Social Sciences

TAM   - Technology Acceptance Model

TPB   - Theory of Planned Behavior

TRA   - Theory of Reasoned Action

UTAUT   - Unified Theory of Acceptance and Use of Technology

OPERATIONAL DEFINITION OF TERMS

Perceived Ease of Use is defined as a degree to which a potential adopter views the usage of target technology to be relatively free of effort (Hamid *et al*., 2016).

Perceived Risk of Use is defined as taxpayers' perception on the reliability of the systems usefulness/functionality and control of their personal data information in online environment (Azmi & Bee, 2010).

Perceived Usefulness is defined as individual belief to improve the degree of job performance through using particular new technology and information system (Seo, Lee & Lee, 2013).

Tax compliance is defined as the extent to which a taxpayer complies with the tax regulations in their country. Tax compliance behavior can be identified through filing compliance, reporting compliance and payment compliance (Bello, 2014).

ABSTRACT

Tax is the main source of Government revenue accounting for over 80% of the total revenue. Due to this, the Kenya revenue authority has over time tried to ensure total tax compliance by coming up with new technological systems moving from integrated tax management system in 2014 to the current i-tax system for tax registration, filing of tax returns and payment of tax due by tax payers. Even with the advancement in technology and making e-filing compulsory, the Kenya Revenue Authority is yet to achieve full tax compliance. This is manifest in failure by the Kenya Revenue Authority to meet its targets by an average of 10% between year 2014 to year 2018. This study was conducted to establish the relationship between technology acceptance and tax compliance for hotel sector in Taita Taveta County. The specific objectives of the study were to establish relationship between Perceived ease of use and tax compliance for hotel sector in Taita Taveta County, to establish relationship between perceived usefulness and tax compliance for hotel sector in Taita Taveta County and to establish relationship between perceived risk of use and tax compliance for hotel sector in Taita Taveta County. The study was guided by the following four theories: deterrence theory, behavioral theory, theory of technology acceptance and diffusion of innovations theory. The study targeted hotel managers and adopted explanatory research design. A pilot study was conducted in Kinango Sub-county of Kwale County to test the validity and reliability of research instruments that were used for the study. The study collected primary data from a sample of 71 hotel managers selected through simple random sampling from a population of 240 hotels. Data was tested for validity and reliability and analyzed using descriptive and inferential statistics. The adjusted R^2 of the regression model was 0.598. The findings indicated that perceived usefulness had a positive and significant relationship with tax compliance (β=1.175, p=0.000). Perceived ease of use had a positive and significant relationship with tax compliance (β=0.432, p=0.027). Perceived risk of use had a negative and significant relationship with tax compliance (β= -0.915, p=0.000). The study concluded that there was a significant relationship between technology acceptance and tax compliance. Based on the findings, the study recommended that management of the hotels in Taita Taveta should educate their employees on the importance and usefulness of using technology. They should create an environment that allows employees to accept technology such as investing in the best information technology infrastructure. The management should also invest in training their employees on information technology skills. This will make it easy for employees to adopt and use tax information technology systems. Further, the management should find ways of eliminating possible risks associated with use of technology including financial risks, privacy risk and performance risk. The government should also put measures and policies in place that protect users of electronic tax systems such as i-tax.

CHAPTER ONE

INTRODUCTION

1.1 Overview

Chapter one presents an outline of the study which includes background to the study, statement of the problem, general objectives, specific objectives, research hypothesis, significance of the study, and scope of the study.

1.2 Background of the Study

Franzoni (2000) highlights that a taxpayer reports the real tax base to tax authorities, compute correctly the tax liabilities, file the tax returns on time, and pay the amounts due on time in order to be fully compliant with tax law. If one of the rules is broken, then the taxpayer becomes non-compliant. Non-compliance can be in two forms, tax avoidance and tax evasion. Tax avoidance is legal as it assumes the use of legislative loopholes with the purpose of reducing taxes therefore committing no crime (James and Alley, 2002; Webley, 2004); It is within the letter of the law but not the spirit of the law. Tax evasion on the other hand is illegal because it refers to deliberately breaking the law with the purpose of reducing taxes, therefore committing a crime (Elffers, Weigel and Hessing, 1987); It is neither in the letter of the law nor in the spirit of the law.

The acceptance and use of information technology is a topic which has received attention from researchers and professionals in computer science area, information systems and information science, since they work on the perspective that a well-developed system will be used, because of the assumption that good solutions in software, may bring competitive advantages to companies and/or the individuals (Bueno *et al*., 2004; Saleh, 2004). However, a perceptible problem which disturbs the

management activities of information systems is in the inability in measuring the quality of the delivered systems as well as in the users' behavior in using it (Bueno *et al*., 2004). To understand and create the conditions under which information systems are adopted by the human organizations remain, however, being a research area of high priority (Davis, 2000).

1.2.1 Global Perspective

A study done in Europe in Italy and United Kingdom by Library of Science, 2016, revealed that complete compliance- 44.1% of participants declares 100% of their earned income, partial evasion- 27.5% of participants under report their income to some degree and complete Evasion: 28.4% of participants report that they earn 0 income. The study further noted that gender, economics training, risk attitudes, and beliefs about others behaviors are correlated with compliance. Also, individuals who believe that others are dishonest are themselves likely to comply (importance of social norms on tax compliance). The study also found out that men and economists are less compliant.

Another study done on, 'The Antecedents of Taxpayers Compliance Behavior and the Effectiveness of Thai Local Government Levied Tax', by Institute of Business Technology (IBT) Journal of Business Studies, (Spring 2014) mentioned four antecedents of tax compliance behavior as; 1) tax fairness perception, 2) tax knowledge and understanding, 3) attitude towards taxation, and 4) tax service quality. Tax is the burden that people do not like to pay (Prajuabmoa, 2001, Cheutong, 2007). On tax compliance behavior, the study found out that the government should design the tax system in such a way that tax collectors and taxpayers have no chance to cooperate for tax evaders' gain nothing from tax evasion (Kewpradit, 2009).

According to 'Behaviorism School', man have brain for thinking and remembering brought by 'Exogenous Factors' which will influence human behavior both in the present and in the future (Phalalerd, 2005; Julphanthong, 2010). Honest paying tax involves filling out tax assessment forms truthfully, continuous paying annual tax, and persuading other people to do so accordingly to tax calendar. People's complete tax payment will strengthen their Sense of Belonging to SAO. Lack of participation among people was due to failure to realize that many facilities built by SAO central government were from revenues from their own tax payment (Punagngam, 2009; Krueathep, 2012). People participant behaviors include following the SAO's regulations, supporting SAO's development schemes, joining SAO's election as a candidate, examining and watching SAO's performances, joining SAO's team for public relation in seeking participation of people and paying tax honestly (Puang-ngam & Chotchuang, 2001;Yolau & Kasemnet, 2008).

Amabali *et al.* (2009) did a study on the antecedents of paperless income tax filing by young professionals in India. The aim of this research was to establish how young Indian experts will accept or act towards online submission of tax returns with the goal of improving compliance. The regression examination carried out found that the antecedents of young professionals depended on the perceived ease of the tax structure, personal innovativeness in information technology, comparative benefits, performance of filing service, and compatibility. The consequence of the results to the current study is that for any online system to succeed whether for small, medium, or large taxpayers' category there must be the ease of use, innovativeness and accessibility.

In Uganda, with the commencement of an e-filing system code named 'e-Tax' in June 2009, at least UShs 7 trillion worth of revenue resulting from 1.4 million payments has been receipted through electronic tax payments. This revenue is a result of over 360,000 tax returns that have been received online (Mwonge, 2011). The web-based application was developed to automate Uganda Revenue Authority's services enabling taxpayers to access tax services such as registration, returns, payments and objections, and appeals through the online platform daily from any part of the world. In 2011, e-Tax was linked to the customs' Automated System for Customs Data (ASYCUDA) to further ease transactions. According to URA's Manager Business Analysis, Myra Ochwo, "Countrywide, taxpayers have embraced the e-Tax system and to date over 130,000 electronic Taxpayer Identification Numbers (TINs) have been issued." (Mwonge, 2011).

1.2.2 Kenyan Perspective

In Kenya, especially in Kenya Revenue Authority, different studies have been done about technology and tax compliance with specific reference to tax filing. Muita (2010) and Makanga (2010) did a study on the acceptance of technology as a measure for enhancing tax compliance in Kenya. The case study was based on large taxpayers which included companies with a turnover Kshs. 750 million and above, or government ministries and corporations. The objective of the study was to determine the role technology would play in Kenya to enhance tax compliance among large taxpayers. The study found that in the fast-changing business world, technology has become key component in performance of business and the economy. Either KRA or large taxpayers must adopt new technology to improve efficiency in tax compliance. Muita (2010) also, did a study on the factors that affect acceptance and use of

technology system among large taxpayers in Kenya. The study examined the skills required by the users of e-filing, the technology required and the tax authority's preparedness in enhancing the adoption of tax compliance-based technology. The findings were that for technology to be accepted in Kenya skills, infrastructure and a favorable business environment are necessary.

Another local study on how the Taxpayers' Attitudes Influence Compliance Behavior among SMEs Business Income Earners in Kerugoya Town, Kirinyaga District confirms a very strong relationship between taxpayers' attitude and tax compliance (African Journal of Business & Management (AJBUMA, 2010). The findings were that there is a very strong relationship between the taxpayers' attitudes and tax compliance in Kenya i.e. taxpayers' attitudes encourage tax compliance in Kenya since there is a correlation of 0.846. And all that influence the taxpayers' attitudes, equally affect the taxpayers' compliance with the tax requirement, that is, taxpayers' attitudes encourage tax compliance in Kenya.

A local study done in Kenya confirms that online tax filing has a significant effect on tax compliance trends among small taxpayers in Meru County (International Journal of economics, commerce, and Management, 2015). The main objective of this research was to find out whether the online tax registration, online tax return filing and online tax remittance affect the tax compliance in Meru County. It was found out that these three metrics of online tax system significantly positively affect the tax compliance among the small taxpayers in Meru County. Partial correlation analysis shows that individually, each of these independent variables had strong positive correlation with the tax compliance. In addition, a multiple linear regression and correlation analysis reveal a strong linear relationship between online tax system and

tax compliance. This implies that the combined effect of the three independent variables on tax compliance is positive and significant. However, existing literature has not looked at technology acceptance and tax compliance in the hotel sector in Kenya. Therefore, this study sought to establish the relationship between technology acceptance and tax compliance in the hotel sector in Kenya.

1.3 Statement of the Problem

Tax is the main source of Government revenue accounting for over 80% of the total revenue. Due to this, KRA has over time tried to ensure total tax compliance by coming up with new technological systems moving from ITMS in 2014 to the current i-tax system for tax registration, filing of tax returns and payment of tax due by tax payers. Even with the advancement in technology and making e-filing compulsory, KRA is yet to achieve full tax compliance. This is manifest in failure by KRA to meet its revenue targets over years. Statistics from National Treasury analyzed by Kenya National Bureau of Statistics (KNBS) in their annual economic surveys between 2014 and 2018 show that KRA did not achieve its projections for that period. Year 2013/2014 KRA collected Kshs. 911.8B against projection of Kshs.945.2B, year 2014/2015 collection of Kshs.1,022.1B against projection of Kshs.1,130.1B, and year 2015/2016 collection of 1,136.9B against projection of 1,289.1B. Year 2016/2017 actual collection of Kshs. 1,277.2B against Kshs.1, 338.3B projected and year 2017/2018 a provisional collection of Kshs.1, 341.4B against a budget of Kshs.1, 466.2B. The above statistics indicate a continuous trend in KRA's failure to meet the revenue collection targets signaling that there is a challenge of tax compliance in Kenya.

The technology incorporation in tax management is based on the premise that given proper adoption by taxpayers, it will guarantee tax compliance and thus increased revenue collection. The challenges in tax compliance by taxpayers is manifested by inadequate participation by taxpayers during introduction of new tax management system, lack of knowledge in use of technology, poor internet coverage in other areas and system failure when overloaded (Kira, 2017).

Previous studies have linked technology acceptance to tax compliance. Carter and Belanger (2004) found that perceived ease of use had a significant influence on use of online tax system. Rotchanakitumnuai (2007) established that performance risk was significant to the adoption of the e-payment method. Agarwal and Prasad (2000) found that taxpayers' perceived ease of use of online tax structure led to increase in tax compliance and increase in revenue generation. However, the above studies revealed contextual gaps since they were not conducted in the local context and also did not focus on hotel sector. The current study therefore sought to fill the existing gaps by investigating the relationship between technology acceptance and tax compliance among hotels in Taita Taveta County, Kenya.

1.4 General Objective

The general objective of the study was to establish the relationship between technology acceptance and tax compliance among hotels in Taita Taveta County, Kenya.

1.4.1 Specific objectives

The specific objectives of the study were:

i. To determine relationship between perceived usefulness (PU) on tax compliance in Taita Taveta County.

ii. To determine the relationship between perceived ease of use (PEOU) on tax compliance in Taita Taveta County

iii. To determine the relationship between perceived risk of use (PROU) and tax compliance in Taita Taveta County.

1.5 Research Hypotheses

i. Ho: Perceived usefulness has no significant relationship with tax compliance in Taita Taveta County

ii. Ho: Perceived ease of use has no significant relationship with tax compliance in Taita Taveta County

iii. Ho: Perceived risk of use has no significant relationship with tax compliance in Taita Taveta County

1.6 Significance of the Study

1.6.1 Taxpayers

This study may assist in educating taxpayers in hotel sector on the benefits of technology adoption on tax compliance. Technology acceptance in tax filing is likely to increase operational efficiency in terms of costs and time taken to process returns, increase service quality and time. Technology also reduces a lot of paperwork and provides a mechanism where information can be stored for future reference. Tax compliance will assist taxpayers to avoid penalties and interest that arise due to non-compliance, it reduces compliance costs and time that arise from tax audits and

inspections from tax authorities, reduces costs and time that arise due to disputes from assessed taxes by tax authorities, litigation procedures that are rigorous and time consuming.

1.6.2 The Kenya Government

The Kenyan government heavily relies on taxes collected by KRA to fund its expenditures. The study may assist KRA in its quest to bridge revenue deficits. It will give suggestions on how to fully employ technology and continuously automate its operations to ensure it curbs tax leakages which will in turn assist KRA to meet its revenue targets. Through automation of its operations, KRA will spend less in compliance costs through audits and investigations. The vision 2030 sees IT as key pillar and KRA as single revenue collector in Kenya. Therefore, for KRA to achieve this, technology acceptance is key.

1.6.3 Future Research

The study will highlight the key areas which need further research in future and create a pool of knowledge regarding technology usage and tax compliance. It will also guide researchers and scholars who will have interest in this area of study in future.

1.7 Scope of the Study

The study focused on relationship between Technology Acceptance and Tax Compliance for hotel sector. The specific variables of focus were perceived usefulness, perceived ease of use and perceived risk of use. The hotel sector comprised of formerly registered hotel businesses operating in Taita Taveta County. The study adopted explanatory research design and collected primary data using closed ended questionnaires from hotel managers. The study was conducted between 2019 and 2020.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter views the study on a wider perspective by reviewing previous studies related to technology acceptance by examining how prevailing literature relates to tax compliance. The chapter also reviews theories and empirical literature and presents conceptual framework.

2.2 Concepts of the Study

2.2.1 Tax Compliance

Tax compliance can be defined as filing all required tax returns at the proper time and that returns accurately report tax liability in accordance with the tax law applicable at the time the return is filed (Comunale, Barragato & Buhrau, 2019). According to Fauziati, Minovia, Muslim and Nasrah (2016), the scope of tax compliance includes, reporting income and paying all taxes in accordance with the applicable laws, regulations, and court decision. Tax compliance typically means, true reporting of the tax base, correct computation of the liability (accuracy), timely filing of the return, and timely payment of the amounts due (Jayawardane & Low, 2017).

Another definition of tax compliance is a person's act of filling the income tax form, declaring all taxable income accurately, and disbursing all payable taxes within the stipulated period without having to wait for follow-up actions from the authority (Mohamad & Ali, 2017). Taxpayers need to prepare all the relevant information in the income tax form within the period given, and the form must report accurate tax liability in accordance with the needs of laws, regulations, and court judgments.

Those who fail to adhere to taxation laws intentionally or otherwise are considered as having committed an offence (Comunale, Barragato & Buhrau, 2019).

2.2.2 Technology Acceptance

Technology Acceptance refers to how people accept and adopt some technology for use (Samaradiwakara & Gunawardena, 2014). The Technology Acceptance Model (TAM) assumes that individuals are more likely to use computers if they see positive benefits from their use. In 1986, Fred Davis developed the TAM foundation to explain how and when users decide to accept and use a technology. The main elements of Davis's TAM model are perceived usefulness and perceived ease of use. The model suggests that when users are presented with a new software package, perceived usefulness and perceived ease of use influence their decisions about how and when they will use the new software.

Recently, numerous studies have been conducted using the original TAM—or an extended version of TAM—to examine the usage of IT. For example, Davis, Bagozzi, and Warshaw (1989) examined an intention model called the Theory of Reasoned Action (TRA) with TAM to discover "synthesizing elements of the two models in order to arrive at a more complete view of the determinants of user acceptance." Taylor and Todd (2001) extended, integrated, and compared the TAM model with two variations of the Theory of Planned Behaviour (TBP) to determine which model is the most helpful in understanding the technology usage. Venkatesh, Morris, Davis, and Davis (2003) extended TAM, building a new model called Unified Theory of Acceptance and Use of Technology (UTAUT), which helps managers assess the likelihood of technology success as well as understand the drivers of technology acceptance.

2.2.2.1 Perceived Usefulness

Perceived Usefulness (PU) is defined as a prospective user's which is subjective or with the likelihood of using a specific innovation to enhance its processes. Jiang, Hsu, Klein, and Lin (2000) expanded PU as the development and utilization of the internet technology model to explore the ways by which it is been implemented. PU is also defined as individual belief to improve the degree of job performance through using particular new technology and information system (Davis et. al., 1989; Gefen et.al., 2003).

2.2.2.2 Perceived Ease of Use

Perceived ease of use is defined as a degree to which a potential adopter view the usage of target technology to be relatively free of effort (Davis, 1989). PEOU also indicates how ease individual learn how to operate or use new technology or information system (Davis *et al*., 1989; Gefen *et al*., 2003).

If taxpayers perceived online tax structure to be easy to use and is less complicated, there is a high possibility of it being adopted and used by prospective users (Agarwal & Prasad, 2000). Hence, this will lead to increase in tax compliance and increase in revenue generation because the self-employed taxpayers feel the ease of using the online tax system in filling in their tax return.

2.2.2.3 Perceived Risk of Use

Azmi and Bee (2010) defined perceived risk as taxpayers' perception on the reliability of the systems usefulness/functionality and control of their personal data information in online environment. They further defined privacy risk as the concerns over the safeguard of various types of data that are collected during taxpayers' interaction with the e-filing system due to concerns on third parties accessing their personal

information. The performance risk refers to the possibility of the system failing to deliver on its promises. In the study on the interaction between the perceived risk and the traditional perceived usefulness and the perceived ease of use, Azmi & Bee (2010) argue that complex systems that take time to learn are considered risk to adopt and use.

2.3 Theoretical Framework

2.3.1 Deterrence Theory

This theory was developed by Thomas Schelling (1966) and assumes that behavior is influenced by factors such as, tax rate (which determine the benefit of tax evasion) and penalties for fraud and probability of detection (which determine costs). The economic deterrence model in its basic form views the individual taxpayer as a rational economic agent, who assesses the costs (determined by probability of detection and penalties for fraud) and benefits (determined by tax rate) of evading taxes, and thus chooses not to pay, if the benefit of non-compliance outweighs the costs (Walsh, 2012).

The model thus reduces the problem to that of rational decision making under uncertainty whereby tax evasion either pays off in terms of lower taxes or subjects one to sanctions, (Fjeldstad, Schulz-Herzenberg & Sjursen, 2012). The implication of this assumption is that when there are low audit probabilities and low penalties, the tendency for evasion will be higher, while if there is a high tendency for detection and penalties are severe, fewer people will evade taxes (Fjeldstad, Schulz-Herzenberg & Sjursen, 2012). It is based on this assumption that the model advocates stricter audit and heavy penalties for offenders as a basis for reducing non-compliance. The

economic deterrence model has over the years, undergone series of modifications and extensions, and still enjoys prominence in most studies on taxpayer compliance.

The deterrence theory is relevant to this study since it brings out the idea of rational decision-making regarding tax compliance. Theorists argue that individuals make a rational decision to pay tax based on their perception of benefits or costs accruing. This means that taxpayers are likely to be tax compliant when they perceive it to be beneficial. At the same time, they are likely to be non-compliant if they perceive it to be costly. The theory thus links taxpayers' perception to tax compliance.

2.3.2 Behavioral Theory

The theory was founded by Skinner (1967) and is built on the grounds of sociological and psychological determinants. Taxpayers are no longer seen as selfish utility maximizers, but as human beings motivated to pay taxes on the basis of different attitudes, norms, beliefs, perceptions, feelings, social characteristics, cultural backgrounds like age, gender, religion. (Schmolders, 1960; Fishbein and Ajzen, 1975; Meier and Johnson, 1977; Lewis, 1978; Jackson and Milliron, 1986; Ajzen, 1997; Frey 1997; Mumford, 2001; Wenzel, 2003; Wenzel, 2004a; Wenzel, 2004b; Wenzel, 2005a; Wenzel, 2005b).

One such behavioral model of tax compliance which encompasses these socio-psychological determinants is the 'slippery slope' framework proposed by Kiechler, Hoelzl and Wahl (2008). According to the 'slippery slope' framework, trust in authorities and power of authorities are two main dimensions shaping tax compliance. Trust in authorities is defined as the general opinion of individuals an social groups that the tax authorities are benevolent and work beneficially for common good' and power of authorities is defined as 'taxpayers' perception of the potential of tax

officers to notice criminal tax dodging and to penalize tax dodging (Kirchler, Hoelzl and Wahl, 2008). Both trust in authorities and power of authorities increase tax compliance, but the quality of compliance differs voluntary tax compliance is achieved by increasing levels of trust; enforced tax compliance is achieved by increasing levels of power.

The theory is relevant to this study since it explains the tax behavior and attitudes of taxpayers towards compliance or non-compliance. This means that the tendency of taxpayers to comply with tax requirements is based on their attitude and perceptions. The theory supports the relationship between taxpayers' perceptions and tax compliance.

2.3.3 Theory of Technology Acceptance Model

Technology Acceptance Model (TAM) was proposed by Davis (1989), being an adaptation of the model Theory of reasoned Action (TRA). However, according to Davis (1989), for being so universal, the TRA was modified specifically, to create models of acceptance in information technology, as in the specific case of TAM.

The intention of the development of the model TAM resulted from an IBM Canada contract with the Massachusetts Institute of Technology (MIT), in the 80s to evaluate the market potential to new products of the brand and to make it possible an explanation of the determinants of computers use (Davis; Bagozzi; Warshaw, 1989).

Davis (1989) proposed the TAM to focus on the reason the users accept or reject the information technology (IT) and how to improve the acceptance, offering, this way, a support to foresee and explain the acceptance. Davis (1989) conducted a survey of 112 users at Canada IBM and in 40 MBA students at Boston University. The

validation of the TAM model was based in the acceptance of a software text editor (Davis, 1989; SA, 2006)

Silva (2006) adds that Davis (1989) on this sample found out that the perceived use had the higher impact in the behavior than the perceived facility. The TAM has the advantage of being specific to IT and has a strong theoretical base, besides the wide empirical support, as claims Davis (1989).

The model TAM was designed to comprehend the causal relation between external variables of user's acceptance and the real use of computer, trying to understand the behavior of this user through the utility knowledge and use facility perceived by him (Davis, 1989). For Davis (1989) the people tend to use or not certain technology with the objective to improve his performance at work- perceived use. However, even if this person understands that determined technology is useful, its use may be damaged if it is too complicated, in a way that the effort is not worthwhile the use- perceived facility. This way, the TAM is based basically in two constructs: the perceived utility and perceived facility, seeing that both measured completely the effects of external variables, such as features systems, development process, and training in the use intention (Davis 1989). The intention of this model is to represent the impact of external factors related to information system, under those internals of individual, as the attitudes and use intentions (Davis; Bagozzi; Warshaw, 1989; Dillon; Morris, 1996; Lee *et al*., 2003; Venkatesh *et al*., 2003). Davis (1989) defines the two main determinants of TAM on the following way: Perceived utility- degree in which a person believes that the use of particular system may improve his performance. Facility of perceived use- degree in which a person believes that the use of an information system will be free of effort. The exposed in the diagram suggests that the

individuals will use a determined technology if they believe that this use will provide

positive results, focusing in the perceived ease of use and in the perceived usefulness.
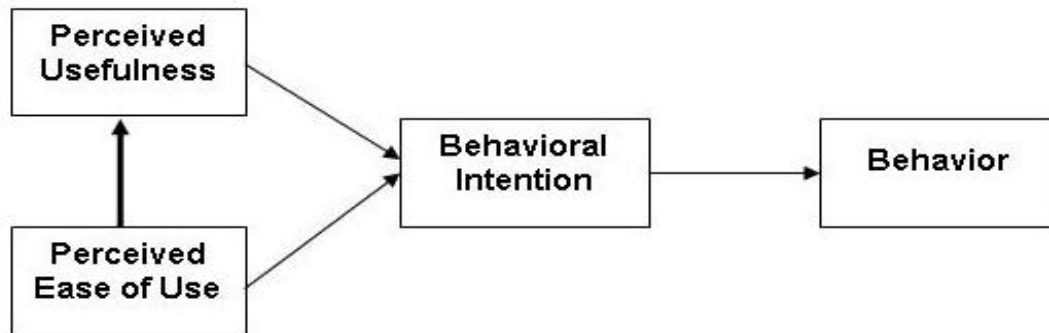
Figure 2.1: Technology Acceptance Model

Source: Davis-1989

The theory is relevant to this study since it explains the concept of technology

acceptance. Based on the theory, individuals will use a determined technology if they

believe that this use will provide positive results, focusing in the perceived ease of use

and in the perceived usefulness. In this research, the theory supports the connection

between technology acceptance aspects (perceived usefulness, perceived ease of use

and perceived risk of use) and tax compliance.

2.3.4 Diffusion of Innovations (DOI) Theory

Diffusion of innovations is a theory profound by Everett Rodgers (1962) that seeks to

explain how, why and at what rate new ideas and technology spread. Rodgers argues

that diffusion is the process by which an innovation is communicated over time

among the participants in a social system. For Rogers (2003), acceptance is a choice

of full use of an invention as the best course of action accessible and refusal is a

choice not to accept an invention. He defines innovation as an idea, practice, or object

that is perceived to be new by an individual or other unit of adoption. Communication is a process in which participants create and share information with one another to reach a mutual understanding (Rodgers, 1995).

Diffusion study has concentrated on the features of an invention which may affect its acceptance, the decision making procedure that takes place when people think about accepting new invention on products or technology, the features of people that make them likely to accept an invention, the effects for people and society of accepting an invention and communication ways used in acceptance process.

Rodgers proposes that four main elements influence the spread of new idea: the innovation itself, communication channels, time and social system. Invention diffusion study has attempted to explain the variables that impact how and why users accept a new information system, such as the internet. Opinion leaders exert the influence on audience behavior via their personal contact, but additional intermediaries called change managers and caretakers are also included in the procedure of diffusion.

Inventions are often accepted by organizations through two invention-choices: collective invention decisions and authority invention decisions. Collective decision occurs when adoption is by consensus. The authority decision occurs by accepting among very few people with high positions of command within an organization. Unlike the discretionary invention choice procedure, these decision procedures only occur within an organization (Minishi-Majanja & Kiplang'at, 2005).

The theory is relevant to this study since it explains how, why and at what rate new ideas and technology spread. In this study, the focus was on technology diffusion or

adoption in the tax filing process in the hotel sector. The prediction was that hotels that accept the use of technology were more likely to be tax compliant.

2.4 Empirical Review

2.4.1 Perceived Usefulness and Tax Compliance

Perceived usefulness (PU) is defined as a prospective user's which is subjective or with the likelihood of using a specific innovation to enhance its processes. Jiang, Hsu, Klein, and Lin (2000) expanded PU as the development and utilization of the internet technology model to explore the ways by which it is been implemented. PU is also defined as individual belief to improve the degree of job performance through using particular new technology and information system (Davis *et al*., 1989; Gefen *et al*., 2003). Perceived usefulness may be described as the degree at which the user believes that the use of a particular system will support his work" (Davis, 1989). In this research work, PU denotes the perception of taxpayers on the usefulness of using an electronic system of paying taxes (e-filing).

Perceived usefulness has been empirically verified by researchers on the adoption of new technology. These empirical researches were done by Mustapha (2013); Mamta (2012); Othman (2011); Ozgen & Turan (2007) and so on. Perceived usefulness has also been examined in relation to the ability of the system to increase performance, productivity, and effectiveness. The studies found that perceived usefulness is a significant determining factor of intention to use a particular system. The significance of PU has been well discussed in different fields. It has also been gathered in the previous studies that perceived usefulness has a direct effect on behavioral intention to utilize internet shopping, real-time training on the web, internet banking, e-commerce, and electronic government services like e-filing (Ashoori, Noorhosseini,

&Alishiri, 2015; Ibrahim, 2012; Mustapha, 2013). E-filing system has been introduced by FIRS in Nigeria to reduce the taxpayers' effort that is needed for the manual process of tax filing.

2.4.2 Perceived Ease of Use and Tax Compliance

Perceived ease of use is defined as a degree to which a potential adopter views the usage of target technology to be relatively free of effort (Davis, 1989). PEOU also indicates how ease individual learn how to operate or use new technology or information system (Davis *et al*., 1989; Gefen *et al*., 2003).

If taxpayers perceived online tax structure to be easy to use and is less complicated, there is a high possibility of it being adopted and used by prospective users (Agarwal & Prasad, 2000). Hence, this will lead to increase in tax compliance and increase in revenue generation because the self-employed taxpayers feel the ease of using the online tax system in filling in their tax return.

Davis, (1989) identified PEOU as a primary determinant of information system adoption at the pre-implementation stage. Several surveys have established the direct impact of PEOU on BI (Dwivedi & Butcher, 2008; Ojha, Sahu & Gupta, 2009; Zakaria *et al*., 2009). However, few studies establish no direct effect of PEOU and technology acceptance or online tax system (Hernandez, Jimenez, & Jose Martin, 2009; Wu & Wang, 2005).

Studies on adoption of an online tax system have found PEOU to have significant influence on the use of technology (Carter & Belanger, 2004). Enquiries on factors influencing consumers' BI in accepting broadband in Pakistan (Dwivedi, Williams,

Weerakkody, Lal, & Bhatt, 2008) scholars use PEOU as one of the control concepts and found it to have a major impact on the use of Information System (IS).

A survey of the perceptions of 97 respondents in Sungai Petani, Kedah towards e-filing Zakaria & Hussin (2010), PEOU was discovered to be significant in a single stage model. Ojha *et al.* (2009) found that young Indian professionals' effort in using e-tax filing was determined by the PEOU, compatibility, and relative advantage, perceived innovativeness of information technology and performance of the e-filing system.

2.4.3 Perceived Risk of Use and Tax Compliance

Azmi and Bee (2010) defined perceived risk as taxpayers' perception on the reliability of the systems usefulness/functionality and control of their personal data information in online environment. They further defined privacy risk as the concerns over the safeguard of various types of data that are collected during taxpayers' interaction with the e-filing system due to concerns on third parties accessing their personal information. The performance risk refers to the possibility of the system failing to deliver on its promises. In the study on the interaction between the perceived risk and the traditional perceived usefulness and the perceived ease of use. Azmi and Bee (2010) argue that complex systems that take time to learn are considered risk to adopt and use.

The dependence on the third parties to assist a taxpayer undertakes online tax return has the effect of the taxpayer losing data privacy (Lai & Choong, 2010). The taxpayer needs to reveal personal financial details about his business such as the income derived from the business (Lukwata, 2011). Majority of the taxpayers may not be

comfortable divulging such information to third parties who are not connected to their business (Ramoo, 2006).

This is because it exposes them to security risk of being robbed. In this context, the taxpayer may opt to fill the manual tax returns in a bid to protect the privacy of his data (Ssetuba, 2012). The lack of the computer literacy in general and the lack of confidence around the online filing system may lead to psychological predispositions that may influence the adoption of electronic filing (Muhangi, 2012). For example, Mandola (2013) argues that a feeling of increased anxiety and stress due to lack of experience or comfort with using technology or feeling threatened by technology could prevent a customer being inclined to adopt the e filing system.

Concerns over security issues or perceived risks on the usage of the online filing services inhibit its adoption. Ramoo (2006) argues that perceived risk influences the adoption and usage of the online filing. The perceived risk is defined as the taxpayers' perception on the reliability of the system's usefulness/functionality and the control of their personal data information in an online environment (Ramoo, 2006). In this context, taxpayers using the online system could be concerned on whether third parties can access their personal tax information without their knowledge or permission (Geetha & Sekar, 2012). The failure of the system to deliver on its objectives due to either technical issues or other reasons affects the potential users' adoption of the system. In this context, Kamarulzaman & Azmi (2010) argues that the risk factor that taxpayers perceived to have towards the system, which promise to complete their transaction securely and to maintain the privacy of their personal information, will affect their voluntary adoption of the e-filing system.

A study done in Malaysian Inland Revenue Board on perceived risk and the adoption of tax e-filing showed that perceived risk significantly affects the behavioral intention of current and potential users of the e-services. However, the perceived risk measured the effect of overall risk on behavioral intention. According to the study, five facets of perceived risk influence an individual's decision to adopt or reject e-filing system: performance risk, time risk, psychological risk, privacy risk and overall risk. Results from the study confirm that perceived risk of e-filing adoption is affected by performance risk, time risk, psychological risk, privacy risk and overall risk. The study also found out that different facets of perceived risk have contributed to the positive relationship between perceived risk and adoption of e-filing. An early study by Che Azmi *et al*., (2010) on Malaysian tax e-filing system found that perceived risk is negatively related to e-filing adoption. This was due to the age of respondents and different facets of risk which have different associations with adoption of e-filing.

Rotchanakitumnuai (2007) investigated the effect of three risk factors-privacy risk, performance risk, and fair financial audit risk on the tax e-payment system in Thailand and the results showed that only performance risk was significant to the adoption of the e-payment method.

2.5 Critique of Literature

Davis (1989) proposed the TAM to focus on the reason the users accept or reject the information technology (IT) and how to improve the acceptance, offering, this way, a support to foresee and explain the acceptance. For Davis (1989) the people tend to use or not certain technology with the objective to improve their performance at work-perceived use. However, even if this person understands that determined technology is useful, its use may be damaged if it is too complicated, in a way that the effort is

not worthwhile the use- perceived facility. This way, the TAM is based basically in two constructs: the perceived utility and perceived facility, seeing that both measured completely the effects of external variables, such as features systems, development process, and training in the use intention (Davis, 1989).

Theory of Reasoned Action (TRA) has its genesis in the social psychology that searches to identify the determinant factors of the consciously intentional behavior (Fishbein; Ajzen, 1979). It defines the relationship between beliefs, attitudes, norms, intentions and behavior that is, a determined behavior for example, technology use or rejection is the result of an intention in making the behavior, and this intention is influenced conjointly by the individual attitudes been this attitude determined by beliefs and subjective norms in relation to the aimed behavior (Quintella; Pellicione, 2016).

From the two theories above, TAM works on the basis that perception is the driver to adoption or rejection of technology while TRA identifies beliefs and social psychology to drive technology acceptance or rejection.

2.6 Research Gap

A critical review of past literature show that several conceptual and contextual research gaps existed in the relationship between technology acceptance and tax compliance. KRA has over time upgraded its tax management systems. From ITMS to itax, from Simba 2005 to integrated customs management system (ICMS) among others with the aim of curbing non-compliance so as to meet its revenue targets, but there is still tax non-compliance among taxpayers making KRA not to achieve its projections. There is therefore, a gap in knowledge as to whether there is a relationship between technology acceptance and tax compliance.

2.7 Chapter Summary

Tax is the burden that people do not like to pay (Prajuabmoa, 2001, Cheutong, 2007). The government should design the tax system in such a way that tax collectors and taxpayers have no chance to cooperate, for tax evaders' gain nothing from tax evasion (Kewpradit, 2009).

Technology has become a very important and key element to success of most tax authorities in the world in both developed and developing economies in terms of speedy delivery of products and services. Most organizations including tax authorities are taking advantage of technological advancements. In Kenya, KRA has shown tremendous improvements in its revenue collection due to automation of its systems. However, tax evaders are also working round the clock to ensure they manipulate the system to evade taxes. There is therefore, need for increased efforts by KRA and other government agencies to ensure technology is continuously improved and used to ensure maximum tax compliance.

2.8 Conceptual Framework

From the literature review, the study conceptualizes the relationship between technology acceptance and tax compliance. The researcher conceptualizes that tax compliance is affected by variables that include Perceived Usefulness (PU), Perceived Ease of Use (PEOU), and Perceived Risk of Use (PROU). The study attempted to establish relationship between the Independent variables and dependent variables as shown in figure 2.2.

Independent Variables   **Dependent Variable**

```
┌─────────────────────────────┐
│ Perceived Usefulness        │
│   • Job Performance         │
│   • Filing returns quickly  │
│                             │
└─────────────────────────────┘
                                          ┌─────────────────────────────┐
┌─────────────────────────────┐           │      Tax Compliance         │
│ Perceived Ease of Use       │           │   • Timely                  │
│   • Implementation of       │           │     Registration            │
│     system                  │──────────▶│   • Timely filing of        │
│   • Operation of system     │           │     returns                 │
│   • Computation of tax      │           │   • Timely Payment          │
│                             │           │     of tax                  │
└─────────────────────────────┘           └─────────────────────────────┘

┌─────────────────────────────┐
│ Perceived Risk of use       │
│   • Privacy risk            │
│   • Performance risk        │
│   • Financial risk          │
│                             │
└─────────────────────────────┘
```
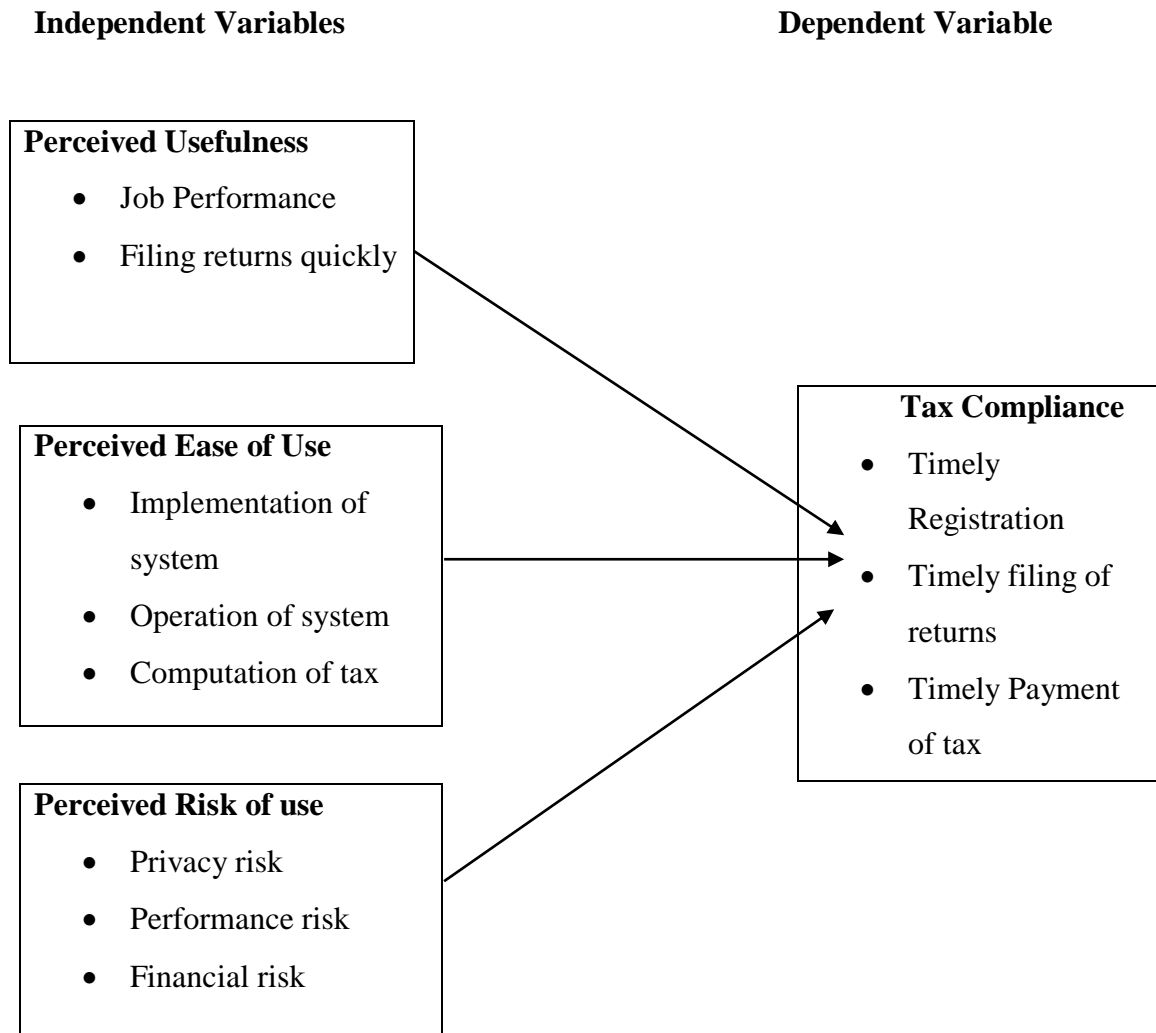
Figure 2.2: Conceptual Framework

Source: Study 2020

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter describes the methodology that was used in the study. It discusses research design, the target population and sample and sampling techniques. It also addresses data collection methods, piloting, data analysis and presentation, measurement of variables and ethical considerations.

3.2 Research Design

According to Kothari (2004) research design is a plan, a roadmap and blueprint strategy of investigation conceived so as to obtain answers to research questions, it is the heart of any study. The research design sticks or fastens the research project together. A research design is used to arrange the research, to demonstrate how all the main elements of the research, the samples, sets, determines treatment or programs and methods of assignments work together to try to address the central research questions.

The study design used explanatory research design. The design sought to obtain complete and accurate information on the relationship between technology acceptance and tax compliance. The explanatory study was used because allowed for collection of data by use of closed questionnaires which were analyzed quantitatively using descriptive and inferential statistics (Sunders *et al*., 2009). The explanatory survey design was adopted to study and to advance the relationship among the variables under study. According to Saunders *et al.* (2011), studies that establish causal relationships between variables use explanatory design.

3.3 Study Location

The study location was hotels operating within Taita Taveta County. The reason for choosing this area was because it was far from urban centers in Kenya where IT access was perceived to be limited but e-filing is mandatory for all taxpayers. Another reason was Taita Taveta County is located in between Tsavo East and Tsavo West National Parks where there are so many hotels coming up due to increased tourist activities.

3.4 Target Population

A target population is a group of individuals selected for the study or research. The study targeted 240 registered hotels in Taita Taveta County (Taita Taveta County Hospitality Department, 2019). The target respondents included managers from all the hotels. One manager was selected from each of the hotel. The choice of managers was suitable because they are involved in decision making regarding use of technology in their organizations.

3.5 Sample Size and Sampling Technique

3.5.1 Sampling Frame

The sampling frame was 240 managers from selected hotels. A sampling frame is a list of population from which a sample is drawn (Leary, 2001; Sarndal, Swensson & Wretman, 2003. Bailey (2008) argues the sampling frame facilitates formation of a sampling unit that refers to one member of a set of entities being studied which is the material source of the random variable.

3.5.2 Sampling Techniques

A survey of hotels in Taita Taveta County was carried out. The sample was selected using simple random sampling method. The process involved randomly selecting hotels within Taita Taveta until the sample size was attained.

3.5.3 Sample Size

The study employed Nassiuma's (2009) formula to calculate the size of the sample. The formula to scientifically derive the sample from the target population is illustrated hereunder.

$n = NC^2/C^2+(N-1)e^2$

Where

n = Sample size

N = Size of target population

C = Coefficient of variation (0.5)

e = Error margin (0.05)

Substituting these values in the equation, estimated sample size (n) was:

= 240(0.5)2 / (0.52+ (240-1)0.052))

n = 71 hotels

The study therefore utilized a sample size of 71 hotels, which were selected using simple random sampling method. The method is suitable since it gives equal chances for all participants to be selected as part of the sample. Therefore, 71 managers from the selected 71 hotels constituted the sample size.

3.6 Data Collection Methods

The study relied on primary data and used questionnaires. Primary data are those which are collected afresh and for the first time and thus happen to be original in character.

3.6.1 Data Collection Instruments

The study used questionnaire to collect primary data. The questionnaire was administered by trained research assistant to sampled taxpayers. The questionnaire contained closed ended questions.

3.6.2 Data Collection Procedures

Data was collected using questionnaires administered to the respondents. The questionnaires were circulated with the help of research assistants. The research assistants went through training prior to the distribution. The training assisted them to understand the contents of the questionnaire to be able to guide the respondents in case of any questions during circulation. Because of distance and the terrain of Taita Taveta County, some questionnaires were emailed to respondents who filled and returned them through email. The researcher was in constant communication with the respondents reminding them to fill in the questionnaires.

3.7 Pilot Study

A pilot study is a pre-test study using questionnaires to help determine effectiveness of questions and type of responses from the participants before actual study. According to Cooper (2010), a pilot test is necessary for testing the reliability of data collection instruments. The pilot test was conducted in Kinango Sub County, Kwale on the selected hotels because it neighbors Taita Taveta County. Seven hotels (10% of

the sample size) were piloted. According to Riff, Lacy and Fico (2014), 5 to 10% of the population sample is adequate for piloting the research instruments.

3.7.1 Reliability of research Instruments

Reliability concerns the extent to which a research instrument produces consistent data or results after recurrent trials (Mugenda, 2003). Reliability implies the extent which measures were free from random error. The Cronbach's alpha was used to test the reliability of measures as well as the internal consistency of measurement items. Cronbach's alpha was used since it was widely recommended for social science research (Hair, Black, Babin & Anderson, 2010). An item to total correlation was performed using SPSS software to check acceptable threshold. According to Hair *et al.*, (2006), the generally agreed upon lower limits of Cronbach alpha is >0.70. The study adopted Cronbach alpha of >0.70.

3.7.2 Validity of the research instruments

Validity refers to the extent to which the instrument measures what it is intended to measure (Engel & Schutt, 2005). In this regard, validity is the extent to which a questionnaire asks the right questions pertaining accuracy. For a research tool to be considered valid, the substance chosen and included in the questionnaire must be applicable to the variable being examined (Kothari, 2004). In this study, content validity was determined. Specifically, the research supervisor went through the questionnaire and made recommendations on areas that needed improvement.

Factor analysis was also used to test for validity of the instrument. According to Kaiser (1974), factor loading values greater than 0.4 should be accepted and values below 0.4 should lead to the collection of more data to help the researcher to determine the values to include. Values between 0.5 and 0.7 are mediocre, values

between 0.7 and 0.8 are good, values between 0.8 and 0.9 are great, and values above 0.9 are superb. The study used items with values of 0.4.

To check the suitability of data for structure detection, two statistical tests, that is, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's Test of Sphericity were used. Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy indicates the proportion of variance in your variables that might be caused by underlying factors, whereby high values (close to 1.0) generally indicate that a factor analysis may be useful with your data (Pallant, 2010). Bartlett's Test of Sphericity tests the hypothesis that one's correlation matrix is an identity matrix, which would indicate that the variables are unrelated and therefore unsuitable for structure detection. Small values ($P < 0.05$) of the significance level indicate that a factor analysis may be useful with one's data.

3.8 Data Analysis and Presentation

Data was cleaned for completeness, coded and entered into Statistical Package for Social Sciences (SPSS version 20) for analysis. It was analyzed using descriptive statistics to generate frequency distributions, mean comparisons and standard deviation. Purpose of conducting descriptive statistics was to summarize data and analyze items and constructs. Inferential statistics (Pearson's correlation and regression analysis) were conducted to establish the relationship between technology acceptance and tax compliance. The dependent variable (tax compliance) was represented by Y while the independent variables (PU, PEOU, and PROU, Xi and the equation were represented as shown below:

$$Y_i = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon_i$$

Where:

Y = Tax compliance

α = Constant

X1= Perceived Usefulness

X2 = Perceived Ease Of Use

X3= Perceived Risk Of Use

β1, β2 and β3 = Coefficients of independent variables

Ɛ = Error term

3.9 Assumption of Linear Regression

The following linear regression assumptions were tested:

3.9.1 Linearity Test

Linearity assumes the relationship between X and the mean of Y is linear, ANOVA test was used to test for linearity of the data, a significant level of 0.05 is sufficient. It is expected that the relationship between variables should be fairly linear before the regression models are applied (Jain, Agarwal, Thinakaran & Parekhji, 2017).

3.9.2 Normality Test

Normality assumes that the residuals are normally distributed for any fixed value of X, Y is normally distributed. The study used the Shapiro-Wilk test for comparison, based on the correlation between the data and the corresponding normal scores (Saunders & Thornhill, 2012).

3.9.3 Multicollinearity Test

 Multicollinearity assumes that the independent variables are not highly correlated with each other. How to check: Use of the VIF factor. VIF value <10 suggests no multicollinearity whereas a value of >10 implies serious multicollinearity (Yanuar, Tillah & Devianto, 2018).

3.9.4 Heteroscedasticity Test

If the error variance is not constant, then there is Heteroscedasticity in the data. Running a regression model without accounting for Heteroscedasticity would lead to biased parameter estimates. To test for Heteroscedasticity, the Breusch-Pagan/Godfrey test (1979) will be applied. The null hypothesis indicates that the error variance is homoscedastic, thus the null hypothesis is rejected if the error term is found to be varying.

3.9.5 Autocorrelation Test

Autocorrelation test was conducted to establish whether or not the residual were serially correlated, Durbin-Watson test for autocorrelation was used. The Durbin Watson test reports a test statistic, with a value from 0 to 4, where: 2 denotes no autocorrelation; 0 to 2<2 denotes a positive autocorrelation, while >2 denotes a negative autocorrelation. The decision rule is that test statistic values in the range of 1.5 to 2.5 are relatively normal. Values outside this range could be cause for concern.

3.10 Measurement of Study Variables

The dependent variable in this study was tax compliance. The variable measurements were borrowed from previous studies including Hernandez, Jimenez and Jose Martin (2009); and Wu & Wang (2005). The specific measurements included timely registration, timely filling of returns and timely payment of tax.

The independent variable in this study was technology acceptance elements. Perceived usefulness, whose measurements included filing returns quickly and job performance as adopted from Davis (1989) and Agarwal & Prasad (1999). Perceived ease of use, whose measurements included computation of tax, implementation of system and operation of system adopted from Vankatesh & Davis (1996). Perceived risk of use, whose measurements included financial risk, privacy risk and performance risk adopted from Featherman & Pavlou (2003).

Table 3.1: Measurement of Study Variables

Variable Scale Measurement	Source	Indicator	
Perceived usefulness	Davis (1989), Agarwal & Prasad (1999)	● Job Performance ● File returns quickly	5-pt Likert
Perceived Ease of Use	Vankatesh & Davis (1996)	● System Implementation ● Operation of the system ● Computation of tax	5-pt Likert
Perceived Risk of use	Featherman & Pavlou (2003)	● Privacy Risk ● Performance risk ● Financial Risk	5-pt Likert
Tax Compliance	Chau & Hu (2001)	● Timely registration ● Timely filing of tax returns ● Timely payment of tax	5-pt Likert

3.11 Ethical Considerations

The study ensured the respondents' right to informed consent, privacy, confidentiality, anonymity, and the researcher's responsibility as regards to the study. The participants were explained to sufficiently as to the aim of the study, the period, and the benefits of the study. The researcher trained research assistants and ensured that they signed confidentiality agreements for the time they assisted the researcher. The researcher received recommendation/ introductory letter from the University to carry out the study.

CHAPTER FOUR

DATA ANALYSIS, INTERPRETATION AND PRESENTATION

4.1 Introduction

This chapter presents the data analysis, presentation, and interpretation of the study results. The aim of the study was to establish the relationship between technology acceptance and tax compliance among hotels in Taita Taveta County.

4.2 Response Rate

Table 4.1: Response Rate

Response	Frequency	Percentage
Returned	61	85.9%
Unreturned	10	14.1%
Total	**71**	**100%**

Source: Research Data (2020)

Out of the 71 questionnaires administered to the respondents, 61 were properly filled and returned. This represented 85.9% response rate. The remaining 10 questionnaires were either unreturned or not valid. According to Mugenda and Mugenda (2003), a return rate above 50% is adequate for analysis. This implied that the response rate in this study was adequate for research.

4.3 Reliability Results

Table 4.2: Reliability Results

Variables	Number of items	Cronbach's Alpha	Comment
Tax Compliance	5	0.722	Reliable
Perceived Usefulness	6	0.869	Reliable
Perceived Ease of Use	5	0.790	Reliable
Perceived Risk of Use	6	0.762	Reliable
Average		**0.786**	Reliable

Source: Research Data (2020)

The findings in Table 4.2 reveal that tax compliance items had an alpha coefficient of 0.722; perceived usefulness, 0.869; perceived ease of use, 0.790; and perceived risk of use, 0.762. The overall alpha coefficient was 0.786, which was greater than the threshold of 0.7. This implied that all the sub-variables were reliable.

4.4 Factor Analysis for Independent and Dependent Variables

Factor analysis was conducted to test the validity of the data collection instrument. According to Kaiser (1974), factor loading values that are greater than 0.4 should be accepted and values below 0.4 should lead to the correction of more data to help the researcher to determine the values to include. Values between 0.5 and 0.7 are mediocre, values between 0.7 and 0.8 are good, values between 0.8 and 0.9 are great, and values above 0.9 are superb. The study, therefore, used items with values of 0.4 and above and dropped those with the values below 0.4.

4.4.1 Tax Compliance

To check the suitability of data for structure detection, two statistical tests, that is, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's Test of

Sphericity were used. Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy indicates the proportion of variance in your variables that might be caused by underlying factors, whereby high values (close to 1.0) generally indicate that a factor analysis may be useful with your data (Pallant, 2010). Bartlett's Test of Sphericity tests the hypothesis that one's correlation matrix is an identity matrix, which would indicate that the variables are unrelated and therefore unsuitable for structure detection. Small values ($p < 0.05$) of the significance level indicate that a factor analysis may be useful with one's data.

Table 4.3: KMO and Bartlett's Test; Tax Compliance

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.717
Bartlett's Test of Sphericity	Approx. Chi-Square	112.747
	df	10
	Sig.	0.000

Source: Research data (2020)

Table 4.3 indicates that the KMO value is 0.717 which was close to 1. This meant that factor analysis was suitable. With $P < 0.05$ in the Bartlett's Test of Sphericity, this is an indication of the suitability of data for structure detection. Based on the above results, factor analysis for the variable, tax compliance was conducted, and results presented in Table 4.4.

Table 4.4: Factor Loading; Tax Compliance Items

Items	Factor Loadings
It is unfair for KRA to charge penalize tax for late filing of returns	0.895
It is the responsibility of taxpayer to pay instalment taxes when due	0.687
It is important to maintain proper accounting records for tax purposes.	0.794
It is always important to use tax management systems to file returns and pay taxes	0.698
It is the responsibility of taxpayers to register for tax obligations on i-tax	0.743

Source: Research data (2020)

Table 4.4 shows the set of items under the variable tax compliance that had factor loadings. All the items had values more than 0.4 and therefore were accepted.

4.4.2 Perceived Usefulness

Table 4.5: KMO and Bartlett's Test; Perceived Usefulness

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.611
Bartlett's Test of Sphericity	Approx. Chi-Square	310.926
	df	15
	Sig.	0.000

Source: Research data (2020)

Table 4.5 indicates that the KMO value is 0.611 which was close to 1. This meant that factor analysis was suitable. With $P < 0.05$ in the Bartlett's Test of Sphericity, this is an indication of the suitability of data for structure detection. Based on the above results, factor analysis for the variable, perceived usefulness was conducted, and results presented in Table 4.6.

Table 4.6: Factor Loadings; Perceived Usefulness

Items	Factor Loadings
Technology Improves my performance in tax filing.	0.654
Technology enhances my effectiveness in tax filing	0.808
I think using technology in tax filing is valuable to me	0.653
The content on KRA online tax filing system is useful to me	0.519
Online tax filing system is functional	0.432
Overall, I find online tax filing system useful	0.897

Source: Research data (2020)

Table 4.6 shows the set of items under the variable perceived usefulness that had

factor loadings. All the items had values more than 0.4 and therefore were accepted.

4.4.3 Perceived Ease of Use

Table 4.7: KMO and Bartlett's Test; Perceived Ease of Use

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.731
Bartlett's Test of Sphericity	Approx. Chi-Square	114.419
	Df	10
	Sig.	.000

Source: Research data (2020)

Table 4.7 indicates that the KMO value is 0.731 which was close to 1. This meant that

factor analysis was suitable. With $P < 0.05$ in the Bartlett's Test of Sphericity, this is

an indication of the suitability of data for structure detection. Based on the above

results, factor analysis for the variable, perceived ease of use was conducted and

results presented in Table 4.8.

Table 4.8: Factor Loadings; Perceived Ease of Use

Items	Factor Loadings
It is easy for me to become skillful in using technology in tax management.	0.637
I find technology easy to use in tax management	0.806
Learning to operate technology in tax management is easy for me	0.696
I find technology in tax administration flexible to interact with.	0.492
I find it easy to access technology in tax administration.	0.411

Source: Research data (2020)

Table 4.8 shows the set of items under the variable perceived ease of use that had

factor loadings. All the items had values more than 0.4 and therefore were accepted.

4.4.4 Perceived Risk of Use

Table 4.9: KMO and Bartlett's Test; Perceived Risk of Use

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.545
Bartlett's Test of Sphericity	Approx. Chi-Square	207.421
	Df	15
	Sig.	.000

Source: Research data (2020)

Table 4.9 indicates that the KMO value is 0.545 which was close to 1. This meant that

factor analysis was suitable. With P < 0.05 in the Bartlett's Test of Sphericity, this is

an indication of the suitability of data for structure detection. Based on the above

results, factor analysis for the variable, perceived risk of use was conducted and

results presented in Table 4.10.

Table 4.10: Factor Loadings; Perceived Risk of Use

Items	Factor Loadings
Filing returns and paying taxes online may not perform as expected	0.881
Filing returns and paying taxes online may not adequately protect my financial details.	0.926
I may lose money by installing expensive internet which may fail to assist in filing and paying taxes due to poor connectivity	0.907
I am concerned that my business strategies may be exposed to competitors if I file returns and pay taxes using internet.	0.928
I am concerned that data processed during online filing of returns and payment of taxes may not be accurate, leading to penalties and interest	0.762
I am concerned that system hang-ups may lead to delay in submission of returns and payment of tax during tax filing periods	0.876

Source: Research data (2020)

Table 4.10 shows the set of items under the variable perceived risk of use that had factor loadings. All the items had values more than 0.4 and therefore were accepted.

4.5 Test of Regression Assumptions

The study utilized Ordinary least squares (OLS) in the estimation of regression models. The use of OLS is based on several assumptions including normality, linearity, multicollinearity, heteroscedasticity, and autocorrelation. This section presents the test statistics to verify the satisfaction of these assumptions by the sample data.

4.5.1 Linearity Test

Table 4.11: Linearity Test; Analysis of Variance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	3.157	3	1.052	30.757	.000b
	Residual	1.95	57	0.034		
	Total	5.107	60			

a Dependent Variable: TC
b Predictors: (Constant), PROU, PEOU, PU
Source: Research Data (2020)

The ANOVA results presented in Table 4.11 revealed that the model was statistically significant. The results indicated that there exist, a linear relationship between perceived usefulness, perceived ease of use and perceived risk of use and tax compliance. This was supported by a significance value of 0.000<0.05 at 95% confidence level.

4.5.2 Normality Test

Normality of the study data was conducted using Shapiro-Wilk test. Results are illustrated in Table 4.12.

Table 4.12: Shapiro-Wilk Test of Normality

	Statistic	df	Sig.
TC	0.894	61	0.122
PU	0.886	61	0.061
PEOU	0.858	61	0.062
PROU	0.958	61	0.155

a Lilliefors Significance Correction
Source: Research Data (2020)

The findings indicated Sig. values greater than 0.05 at 95% confidence interval for all the research variables. This led to acceptance of the null hypothesis that data was normally distributed. Therefore, the variable data was normally distributed.

4.5.3 Multicollinearity Test

Table 4.13: Multicollinearity Test Using VIF

Variable	Tolerance	VIF
PU	0.17	5.878
PEOU	0.186	5.391
PROU	0.125	8

a Dependent Variable: Tax compliance

Source: Research Data (2020)

Results in table 4.13 indicate that the variables perceived usefulness, perceived ease of use and perceived risk of use had VIF values less than 10. According to Hair, Black and Babin (2010) VIF value of less than 10 denotes no multi-collinearity. Therefore, the study established that the independent variables were not highly correlated.

4.5.4 Heteroscedasticity Test

Table 4.14: Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance
Variables: fitted values of TC
chi2(1)   =   5.95
Prob > chi2 =   0.0647

Source: Research Data (2020)

Results in Table 4.14 indicate a probability value of 0.0647>0.05. This led to acceptance of the null hypothesis of constant variance. Therefore, the error term was homoscedastic implying that there was no problem of heteroskedasticity.

4.5.5 Autocorrelation Test

Table 4.15: Durbin-Watson test of Autocorrelation

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.786a	0.618	0.598	0.18496	1.723

a Predictors: (Constant), PROU, PEOU, PU
  b Dependent Variable:
      TC

Results in Table 4.15 reveal a Durbin-Watson value of 1.723 implying that the null hypothesis of no autocorrelation was accepted and thus residuals were not auto-correlated.

4.6 Demographic Information Results

4.6.1 Age of the Respondents

The respondents were asked to state their age and the results presented in Table 4.16.

Table 4.16: Age of the Respondents

	Frequency	**Percent (%)**
26-30 years	23	37.7
31-35 years	7	11.5
36-40 years	18	29.5
Above 40 years	13	21.3
Total	**61**	**100**

Source: Research Data (2020)

The findings indicated that a big number of the respondents were aged 26-30 years and 36-40 years respectively. This implied that hotels in Taita Taveta are managed by relatively young individuals.

4.6.2 Gender of the Respondents

The respondents were asked to state their gender. The results are shown in Figure 4.1.
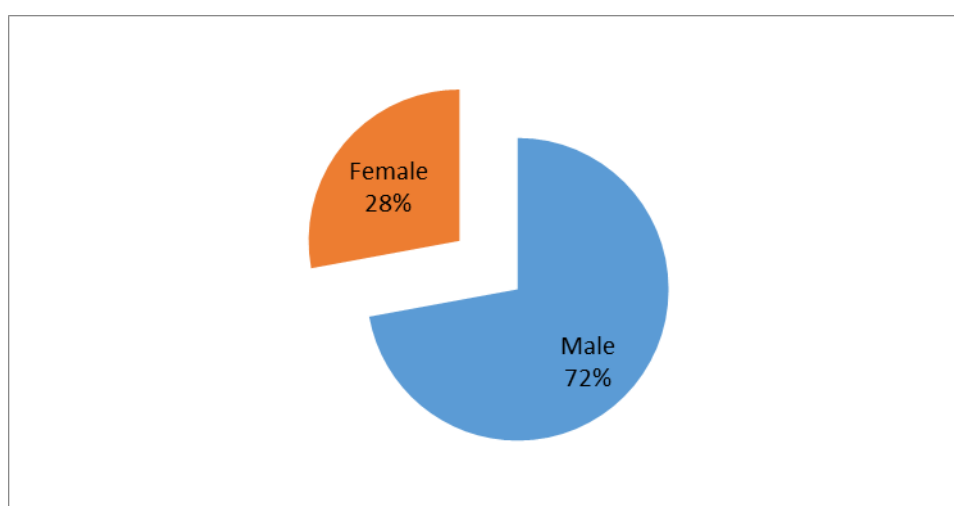
Figure 4.1: Gender

Source: Research Data (2020)

Findings indicated that majority of the respondents (72%) were male while the remaining 28% were female. The results reveal dominance of male managers in the hotel sector within Taita Taveta.

4.6.3 Type of Work

The respondents were asked to specify the type of work they use information technology and results are shown in Table 4.17.

Table 4.17: Type of work

Type of Work	Frequency	Percent (%)
Accounting	16	31
Bookkeeping	6	12
Filing taxes	14	27
Marketing	12	23
Sales and procurement processes	4	8
Total	**52**	**100**

Source: Research Data (2020)

The findings in Table 4.17 reveal that most of the respondents used information technology for accounting purposes, filing taxes, marketing, bookkeeping and sales and procurement processes.

4.6.4 Period

The respondents were asked to state the period of time they had used information technology. Results are shown in Figure 4.2.
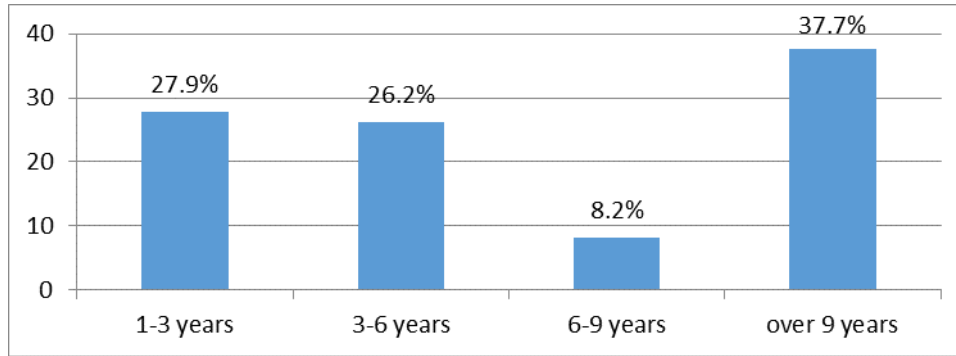
Figure 4.2: Period

Source: Research Data (2020)

The results in Figure 4.2 revealed that majority of the respondents have been using information technology for a period of 1-6 years. Further, a big number of the respondents also noted that they have used IT for over 9 years. It is expected that respondents who have used IT for long would be more comfortable to use electronic tax systems.

4.6.5 Tax information technology system

The researcher asked the respondents to state whether they have ever used tax IT system in the past. Results are indicated in Figure 4.3.
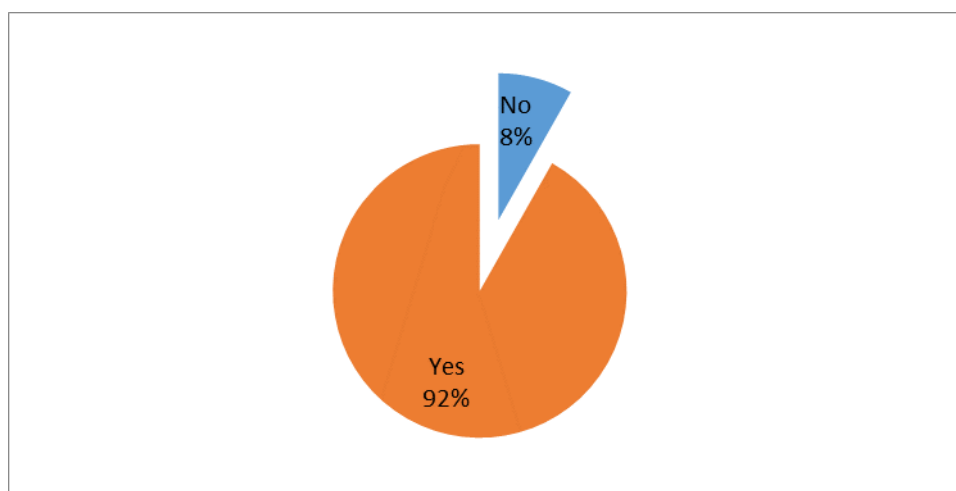
Figure 4.3: Tax IT system

Source: Research Data (2020)

The findings revealed that majority of the respondents (92%) cited that they had used tax IT system before, while only 8% had not used the system. Furthermore, majority of the respondents disclosed that they had used itax system and a few mentioned electronic tax register.

4.6.6 Use of tax information technology

The respondents were asked to state how long they had used tax information technology. Results are illustrated in Figure 4.4.
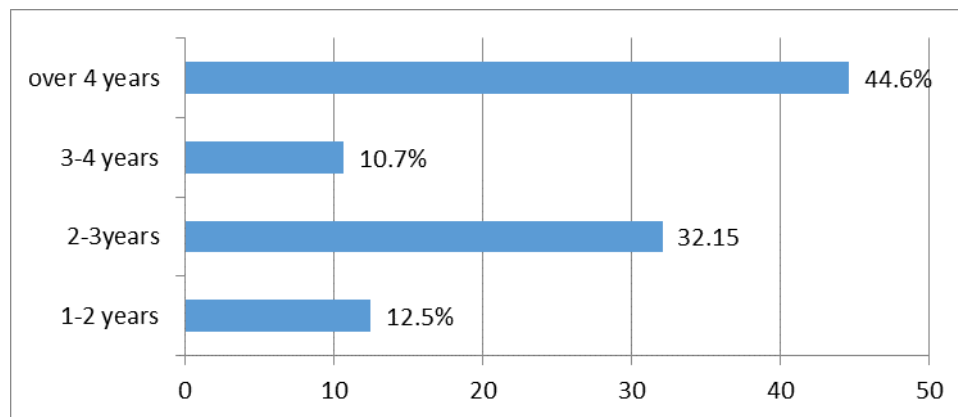
Figure 4.4: Use of tax information technology

Source: Research Data (2020)

Most of the respondents observed that they had used tax information technology for over four years. Notably, over 80 per cent of the respondents had used tax information technology for at least two years.

4.6.7 Position

The participants were asked to specify their position in the organization. Results are indicated in Figure 4.5
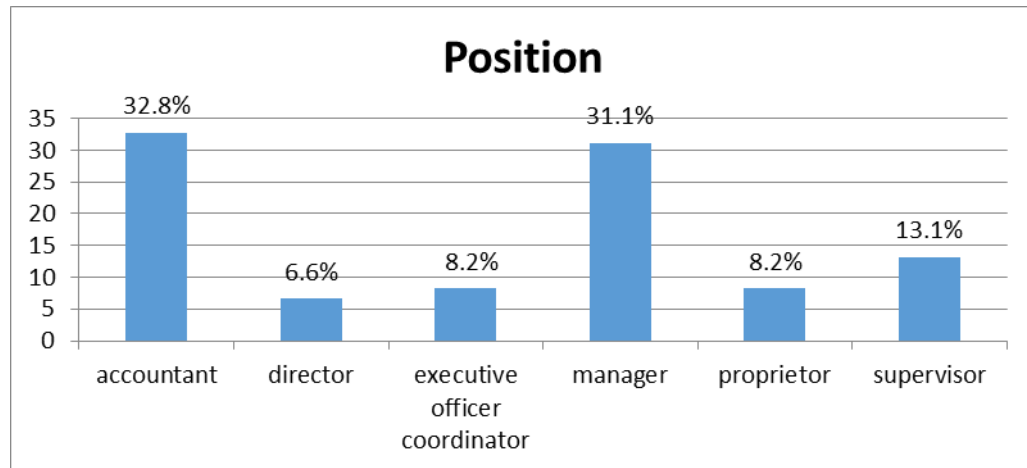
Figure 4.5: Position

Source: Research Data (2020)

From the findings, the respondents indicated various positions with most of them being accountants, managers, and supervisors. Persons holding financial and managerial positions are expected to have some level of IT knowledge, particularly, in dealing with electronic tax systems.

4.6.8 Level of Education

The respondents were asked to indicate their level of education. Results are shown in Figure 4.6.
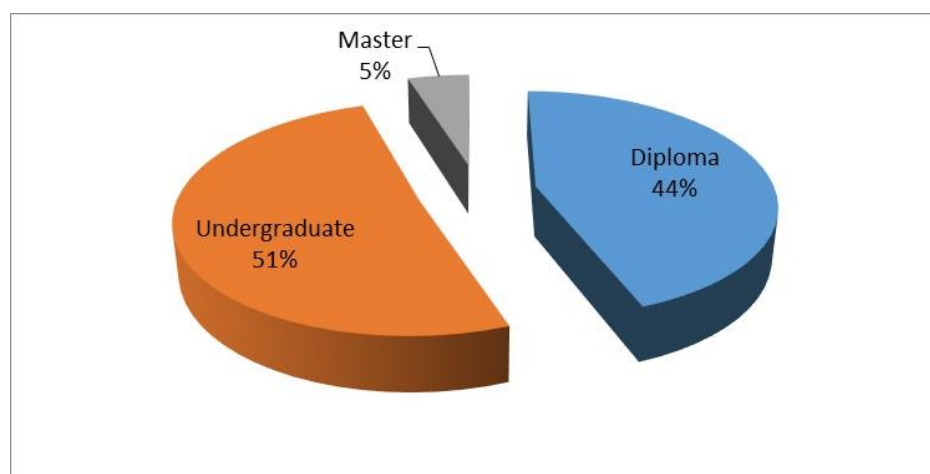
Figure 4.6: Level of Education

Source: Research Data (2020)

The findings revealed that majority of the respondents (51%) had undergraduate degree, 44% had diploma and only 5% had masters. This meant that the hotel managers had a minimum of diploma level of education.

4.7 Descriptive Statistics

This section presents descriptive statistic results relating to the study variables. The specific descriptive statistics included: percentages, mean and standard deviation. This was done using the 5-point scale of strongly agree (1) agree (2) neutral (3) disagree (4) and strongly disagree (5).

4.7.1 Perceived Usefulness

Table 4.18: Descriptive Results; Perceived Usefulness

	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Mean	Std. dev
Technology Improves my performance in tax filing.	50.5%	40.6%	4.9%	2.0%	2.0%	1.5	0.6
Technology enhances my effectiveness in tax filing	38.6%	50.5%	4.9%	4.0%	2.0%	1.6	0.6
I think using technology in tax filing is valuable to me	44.3%	50.8%	0.0%	4.9%	0.0%	1.7	0.7
The content on KRA online tax filing system is useful to me	41.9%	29.5%	19.7%	4.9%	4.0%	1.8	0.9
Online tax filing system is functional	14.7%	40.5%	32.8%	5.0%	7.0%	2.1	0.7
Overall, I find online tax filing system useful	29.5%	60.6%	0.0%	4.9%	5.0%	1.8	0.7
Aggregate mean						**1.8**	**0.7**

Source: Research Data (2020)

The aggregate mean of 1.8, with a standard deviation of 0.7 as shown in Table 4.18 revealed that majority of the respondents were in agreement in most of the statements on perceived usefulness. Notably, most of the respondents observed the following: technology improves performance in tax filing, technology enhances effectiveness in tax filing and online tax filing system is useful and functional.

4.7.2 Perceived Ease of Use

Table 4.19: Descriptive Results; Perceived Ease of Use

	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Mean	Std. dev
It is easy for me to become skillful in using technology in tax management.	30.6%	45.9%	4.9%	6.6%	12.0%	1.8	0.8
I find technology easy to use in tax management	10.0%	70.5%	11.5%	0.0%	8.0%	1.9	0.5
Learning to operate technology in tax management is easy for me	19.7%	55.7%	13.1%	11.5%	0.0%	2.2	0.9
I find technology in tax administration flexible to interact with.	4.9%	54.4%	32.8%	4.9%	3.0%	2.4	0.7
I find it easy to access technology in tax administration.	4.9%	75.2%	9.8%	10.0%	0.0%	2.1	0.4
Aggregate mean						**2.1**	**0.7**

Source: Research Data (2020)

The aggregate mean of 2.1, with a standard deviation of 0.7 as shown in Table 4.19 revealed that majority of the respondents were in agreement in most of the statements on perceived Ease of Use. In particular, most of the respondents noted that it was easy for them to become skillful in using technology in tax management, they find technology easy to use in tax management, they find technology in tax administration

flexible to interact with, they find it easy to access technology in tax administration and learning to operate technology in tax management was easy for them.

4.7.3 Perceived Risk of Use

Table 4.20: Descriptive Results; Perceived Risk of Use

	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Mean	Std. dev
Filing returns and paying taxes online may not perform as expected	21.3%	20.6%	24.6%	29.5%	4.0%	2.6	1.1
Filing returns and paying taxes online may not adequately protect my financial details.	4.9%	15.0%	27.9%	49.2%	3.0%	3.2	0.9
I may lose money by installing expensive internet which may fail to assist in filing and paying taxes due to poor connectivity	0.0%	55.7%	4.9%	34.4%	5.0%	2.7	0.9
I am concerned that my business strategies may be exposed to competitors if I file returns and pay taxes using internet.	11.5%	11.5%	9.8%	62.3%	4.9%	3.4	1.1
I am concerned that data processed during online filing of returns and payment of taxes may not be accurate, leading to penalties and interest	16.4%	36.1%	18.0%	29.5%	0.0%	2.6	1.1
I am concerned that system hang-ups may lead to delay in submission of returns and payment of tax during tax filing periods	24.2%	55.7%	13.1%	4.9%	2.0%	2.0	0.8
Aggregate mean						**2.8**	**1.0**

Source: Research Data (2020)

The aggregate mean of 2.8, with a standard deviation of 1.0 as shown in Table 4.20 revealed that majority of the respondents moderately agreed with most of the statements on perceived Risk of Use. In particular, most of the respondents noted that they were concerned that data processed during online filing of returns and payment of taxes may not be accurate, leading to penalties and interest, the system hang-ups may lead to delay in submission of returns and payment of tax during tax filing periods, filing returns and paying taxes online may not perform as expected and they may lose money by installing expensive internet which may fail to assist in filing and paying taxes due to poor connectivity.

4.7.4 Tax Compliance

Table 4.21: Descriptive Results; Tax Compliance

	Strongly Agree	Agree	Neutral	Disagree	Strongly disagree	Mean	Std. dev
It is unfair for KRA to charge penalize tax for late filing of returns	34.4%	19.7%	21.3%	24.6%	0.0%	2.4	1.2
It is the responsibility of taxpayer to pay instalment taxes when due	4.9%	6.6%	4.9%	57.4%	26.2%	3.9	1.0
It is important to maintain proper accounting records for tax purposes.	60.9%	31.1%	0.0%	8.0%	0.0%	1.3	0.5
It is always important to use tax management systems to file returns and pay taxes	36.0%	50.0%	0.0%	9.0%	5.0%	1.6	0.5
It is the responsibility of taxpayers to register for tax obligations on i-tax	30.3%	45.9%	5.8%	14.0%	4.8%	1.7	0.7
Aggregate mean						**2.2**	**0.8**

Source: Research Data (2020)

The aggregate mean of 2.2, with a standard deviation of 0.8 as shown in Table 4.21 revealed that majority of the respondents agreed with most of the statements on tax compliance. The respondents observed that it is unfair for KRA to charge tax penalties for late filing of returns, it is important to maintain proper accounting records for tax purposes, it is always important to use tax management systems to file returns and pay taxes and it is the responsibility of tax payers to register for tax obligations on i-tax.

4.8 Inferential Analysis

This section presents inferential analysis results (Pearson's correlation and regression) that determine the relationship between the independent variables and the dependent variable.

4.8.1 Correlation Analysis

This sub-section presents findings on the correlation between technology acceptance aspects and tax compliance. Table 4.22 shows the results.

Table 4.22: Correlation Matrix; Technology Acceptance and Tax Compliance

		TC	PU	PEOU	PROU
TC	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	61			
PU	Pearson Correlation	.717**	1		
	Sig. (2-tailed)	0.000			
	N	61	61		
PEOU	Pearson Correlation	.618**	.756**	1	
	Sig. (2-tailed)	0.000	0		
	N	61	61	61	
PROU	Pearson Correlation	-.537**	-.705**	-.796**	1
	Sig. (2-tailed)	0.001	0	0	
	N	61	61	61	61

** Correlation is significant at the 0.01 level (2-tailed).
Source: Research Data (2020)

The findings in Table 4.22 indicated that there was a positive and significant relationship between perceived usefulness and tax compliance. This was supported by a correlation value of 0.717 and a p value of 0.000<0.05 at 95 per cent confidence level. This implied that an increase in perceived usefulness was associated with increase in tax compliance.

The results also revealed that there was a positive and significant relationship between perceived ease of use and tax compliance. This was supported by a correlation value of 0.618 and a p value of 0.000<0.05 at 95 per cent confidence level. This implied that an increase in perceived ease of use was associated with increase in tax compliance.

Further, results showed that there was a negative and significant relationship between perceived risk of use and tax compliance. This was supported by a correlation value of -0.537 and a p value of 0.001<0.05 at 95 per cent confidence level. This implied that an increase in perceived risk of use was associated with decrease in tax compliance.

4.8.2 Regression Analysis

This sub-section presents regression results on combined effect of perceived usefulness, perceived ease of use and perceived risk of use on tax compliance in the hotel sector. Results on model summary, ANOVA and regression coefficients are presented in Tables 4.23, 4.24 and 4.25 respectively.

Table 4.23: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.786a	0.618	0.598	0.184965

a Predictors: (Constant), PROU, PEOU, PU

Source: Research Data (2020)

Results in Table 4.23 indicate that all the three predictor variables in this study jointly explains 60% (adjusted R^2= .598) of the total variations in the tax compliance. The adjusted R-squared was preferred because the constant value in Table 4.25 is insignificant. These results confirm the correlations output in Table 4.22 that a significant relationship exists between all predator variables and the dependent variable.

Table 4.24: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	3.157	3	1.052	30.757	.000b
	Residual	1.95	57	0.034		
	Total	5.107	60			

a Dependent Variable: TC

b Predictors: (Constant), PROU, PEOU, PU

Source: Research Data (2020)

The findings in Table 4.24 indicate that the model was accurate (a good data fit) as supported by F statistic of 30.757 and reported p value of 0.000<0.05. This meant that perceived usefulness, perceived ease of use and perceived risk of use were significant predictors of tax compliance in the hotel sector.

Table 4.25: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-0.517	0.52		-0.995	0.324
	PU	0.62	0.105	1.175	5.92	0.000
	PEOU	0.25	0.11	0.432	2.274	0.027
	PROU	-0.393	0.1	-0.915	-3.95	0.000

a Dependent Variable: TC
Source: Research Data (2020)

All the predictor factors of perceived usefulness (X1), perceived ease of use (X2) and perceived risk of use (X3) have identical (Likert) scales, however, the constant value in the model is insignificant, hence the use of standardized coefficients beta scores as opposed to unstandardized B-coefficients.

The multiple regressions results, in Table 4.25 indicated that perceived usefulness had a positive and significant effect on tax compliance. This was supported by a coefficient of 1.175 and a p value of 0.000<0.05 at 95% confidence interval. This implied that a unit increase in perceived usefulness of the managers would result to increase in tax compliance by 1.175 units.

The study findings were consistent with what previous studies also found. Perceived usefulness has a direct effect on behavioral intention to utilize internet shopping, real-time training on the web, internet banking, e-commerce, and electronic government services like e-filing (Ashoori, Noorhosseini, &Alishiri, 2015; Ibrahim, 2012; Mustapha, 2013)

Results also indicated that perceived ease of use had a positive and significant effect on tax compliance. This was supported by a coefficient of 0.432 and a p value of 0.027<0.05 at 95% confidence interval. This implied that a unit increase in perceived ease of use of the managers would result to increase in tax compliance by 0.432 units.

The study findings were similar to those from previous research. If taxpayers perceived online tax structure to be easy to use and is less complicated, there is a high possibility of it being adopted and used by prospective users (Agarwal & Prasad, 2000). Hence, this will lead to increase in tax compliance and increase in revenue generation because the self-employed taxpayers feel the ease of using the online tax

system in filling in their tax return. Studies on adoption of an online tax system have found PEOU to have significant influence on the use of technology (Carter & Belanger, 2004).

Further, the findings revealed that perceived risk of use had a negative and significant effect on tax compliance. This was supported by a coefficient of -0.915 and a p value of 0.000<0.05 at 95% confidence interval. This implied that a unit increase in perceived risk of use of the managers would result to decrease in tax compliance by 0.915 units.

The findings concurred with those of previous studies as Ramoo (2006) who observed that majority of the taxpayers may not be comfortable divulging such information to third parties who are not connected to their business. The lack of the computer literacy in general and the lack of confidence around the online filing system may lead to psychological predispositions that may influence the adoption of electronic filing (Muhangi, 2012).

The hypothesized model ($Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$) was estimated as follows:

$$Y = 1.175\ X_1 + 0.432\ X_2 - 0.915\ X_3$$

Where;

Y = Tax compliance

X1= Perceived Usefulness

X2 = Perceived Ease of Use

X3= Perceived Risk of Use

4.9 Discussion of the key Findings

The reliability results indicated that the items measuring tax compliance, perceived usefulness, perceived ease of use and perceived risk of use were reliable. This was confirmed by Cronbach alpha coefficients greater than 0.7. From the descriptive statistic findings, majority of the respondents agreed with statements relating to the study variables. This was confirmed by aggregate means of 1.8, 2.1, 2.8, and 2.2 for perceived usefulness, perceived ease of use, perceived risk of use and tax compliance, respectively.

Further, the correlation results indicated that there was a positive and significant relationship between perceived usefulness, perceived ease of use and tax compliance. This was confirmed by correlation value of 0.717 and 0.618 for perceived usefulness and perceived ease of use, respectively. On the other hand, the findings revealed a negative and significant relationship between perceived risk of use and tax compliance. This was supported by a correlation value of -0.537.

Finally, regression findings indicated that perceived usefulness had a positive and significant effect on tax compliance (β=1.175, p=0.000). This implied that a unit increase in perceived usefulness of the managers would result to increase in tax compliance by 1.175 units. Results also indicated that perceived ease of use had a positive and significant effect on tax compliance (β=0.432, p=0.027). This implied that a unit increase in perceived ease of use of the managers would result to increase in tax compliance by 0.432 units.

Further, the findings revealed that perceived risk of use had a negative and significant effect on tax compliance (β= -0.915, p=0.000). This implied that a unit increase in

perceived risk of use of the managers would result to decrease in tax compliance by 0.915 units.

4.10 Hypotheses Testing

Table 4.26: Summary of Hypotheses Test and Results

No	Hypotheses	P value	Decision
H0	Perceived usefulness has no significant relationship with tax compliance in Taita Taveta County	**0.000<0.05**	**Reject**
H0	Perceived ease of use has no significant relationship with tax compliance in Taita Taveta County	**0.027<0.05**	**Reject**
H0	Perceived risk of use has no significant relationship with tax compliance in Taita Taveta County	**0.000<0.05**	**Reject**

Source: Research data (2020)

The first null hypothesis, (H01), that perceived usefulness has no significant relationship with tax compliance in Taita Taveta County was rejected. This implied that perceived usefulness has a significant relationship with tax compliance in Taita Taveta County.

The second null hypothesis, (H02), that perceived ease of use has no significant relationship with tax compliance in Taita Taveta County was rejected. This implied that perceived ease of use has a significant relationship with tax compliance in Taita Taveta County.

The third null hypothesis, (H03), that perceived risk of use has no significant relationship with tax compliance in Taita Taveta County was rejected. This implied that perceived risk of use has a significant relationship with tax compliance in Taita Taveta County.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary of the findings, conclusions, recommendations and suggestions for further research. This is done in line with the study objectives.

5.2 Summary

5.2.1 Perceived Usefulness

The first objective of the study was to determine relationship between perceived usefulness (PU) on tax compliance in the hotel sector in Taita Taveta County. The regression results indicated that perceived usefulness had a positive and significant effect on tax compliance (β=1.175, p=0.000). This resulted to rejection of the null hypothesis in favour of the alternative implying that perceived usefulness had significant relationship with tax compliance.

5.2.2 Perceived Ease of Use

The second objective of the study was to determine the relationship between perceived ease of use (PEOU) on tax compliance in the hotel sector in Taita Taveta County. The regression results indicated that perceived ease of use had a positive and significant effect on tax compliance (β=0.432, p=0.027). This resulted to rejection of the null hypothesis in favour of the alternative implying that perceived ease of use had significant relationship with tax compliance.

5.2.3 Perceived Risk of Use

The third objective of the study was to determine the relationship between perceived risk of use and tax compliance in the hotel sector in Taita Taveta County. The regression results indicated that perceived risk of use had a negative and significant

effect on tax compliance (β= -0.915, p=0.000). This resulted to rejection of the null hypothesis in favour of the alternative implying that perceived risk of use had significant relationship with tax compliance.

5.3 Conclusions

5.3.1 Perceived Usefulness

Based on the findings, the study concluded that perceived usefulness had a positive and significant effect on tax compliance among hotels in Taita Taveta County. The implication is that an increase in taxpayers' perceived usefulness of technology is likely to increase their tax compliance. However, if taxpayers perceive technology not to be useful, then their level of compliance is likely to decrease.

5.3.2 Perceived Ease of Use

From the findings, the study concluded that perceived ease of use had a positive and significant effect on tax compliance among hotels in Taita Taveta County. The implication is that an increase in taxpayers' perceived ease of use of technology is likely to increase their tax compliance. However, if taxpayers perceive the use of technology to be hard, their compliance level is likely to decline.

5.3.3 Perceived Risk of Use

From the findings, the study concluded that perceived risk of use had a negative and significant effect on tax compliance among hotels in Taita Taveta County. The implication is that an increase in taxpayers' perceived risk of use of technology is likely to lower their tax compliance. However, if taxpayers perceive the use of technology to be less risky, their compliance level is likely to increase.

5.4 Recommendations

5.4.1 Recommendations to Theory

The study established a significant relationship between technology acceptance and tax compliance. The research, therefore, makes significant contribution to theory in terms of predicting the effect of technology acceptance on tax compliance.

5.4.2 Recommendations to Policy and Practice

The study established a significant positive relationship between perceived usefulness and tax compliance. Therefore, the study recommended that management of the hotels in Taita Taveta should educate their employees on the importance and usefulness of using technology. They should create an environment that allows employees to accept technology such as investing in the best IT infrastructure.

The study also established a significant positive relationship between perceived ease of use and tax compliance. Therefore, the study recommended that management of the hotels in Taita Taveta should invest in training their employees on IT skills. This will make it easy for employees to adopt and use tax information technology systems.

Finally, the study established a significant negative relationship between perceived risk of use and tax compliance. Therefore, the study recommended that management of the hotels in Taita Taveta should find ways of eliminating possible risks associated with use of technology including financial risks, privacy risk and performance risk. The government should also put measures and policies in place that protect users of electronic tax systems such as i-tax.

5.4.3 Recommendations for Further Studies

The study focused on the relationship between technology acceptance and tax compliance in the hotel sector in Taita Taveta County. The research only focused on three technology acceptance elements. Future studies should consider other elements such as behavioral intentions to use. Also, the elements included in the study accounted for 62 percent variations in tax compliance. Future studies should consider other factors that may account for the remaining 38 percent and not included in this study.

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APPENDICES

Appendix I: Introduction Letter

2nd January 2020

Dear Sir/Madam,
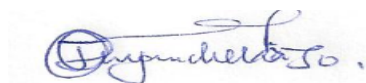
RE: INTRODUCTION

I am a student at Moi University undertaking master's degree in Tax and Customs Administration. I am currently undertaking a research study entitled **"Technology Acceptance and Tax Compliance among Hotels in Taita Taveta County".**

The study is expected to provide useful information that will be beneficial for improved tax compliance for Hotel Sector. You have been identified as one of the respondents to provide information for the study. This is therefore, to request you to complete the questionnaire attached as honestly as possible. All information that you provide will be treated with maximum confidentiality and will be used solely for the purpose of this study.

Thank you for your cooperation.

Yours Faithfully,

Joash Omariba Nyandieka

Appendix II: Questionnaire

Below are statements about you which you may agree or disagree or give your opinion. The information given will be kept in the strictest confidence and will never be reported individually or associated with your survey information (Tick/cycle one box on each statement.)

Section A: Demographic Information

D1 Age: (01) Below 25 years (02) 26-30 years (03) 31-35 years (04) 36-40 years (05) Above 40 years.

D2 Gender: (01) Male   (02) Female

D3 What type of work do you use information technology on?
....

D4 How long have you been using information technology? (01) Below 1 year (02) 1-3 years   (03) 3-6 years (04) 6-9 years (05) over 9 years

D5 (a) Indicate yes/no if you have ever used tax information technology system in the past

....

   (b) If yes, specify which one?

....

(c) For how long have you used tax information technology?
(01) Below 1 year (02) 1-2 years (03) 2-3years (04) 3-4 years (05) over 4 years

D 6 What is your position in the organization?

....
.

D 7 What is your level of education?

   (01) Certificate (02) Diploma (03) Undergraduate (04) Masters (05) Doctor of
       Philosophy

Section B: Perceived Usefulness

No.	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
		1	**2**	**3**	**4**	**5**
1	Technology Improves my performance in tax filing.					
2	Technology enhances my effectiveness in tax filing					
3	I think using technology in tax filing is valuable to me					
4	The content on KRA online tax filing system is useful to me					
5	Online tax filing system is functional					
6	Overall, I find online tax filing system useful					

Section C: Perceived Ease of Use

No.	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
		1	2	3	4	5
1	It is easy for me to become skillful in using technology in tax management.					
2	I find technology easy to use in tax management					
3	Learning to operate technology in tax management is easy for me					
4	I find technology in tax administration flexible to interact with.					
5	I find it easy to access technology in tax administration.					

Section D: Perceived Risk of Use

No.	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
		1	2	3	4	5
1	Filing returns and paying taxes online may not perform as expected					
2	Filing returns and paying taxes online may not adequately protect my financial details.					
3	I may lose money by installing expensive internet which may fail to assist in filing and paying taxes due to poor connectivity					
4	I am concerned that my business strategies may be exposed to competitors if I file returns and pay taxes using internet.					
5	I am concerned that data processed during online filing of returns and payment of taxes may not be accurate, leading to penalties and interest					
6	I am concerned that system hang-ups may lead to delay in submission of returns and payment of tax during tax filing periods					

Section E: Tax Compliance

No.	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
		1	2	3	4	5
1	It is unfair for KRA to charge penalize tax for late filing of returns					
2	It is the responsibility of taxpayer to pay instalment taxes when due					
3	It is important to maintain proper accounting records for tax purposes.					
4	It is always important to use tax management systems to file returns and pay taxes					
5	It is the responsibility of taxpayers to register for tax obligations on i-tax					

Appendix III: Authorization Letter from KESRA

Kenya School of Revenue Administration

KENYA REVENUE AUTHORITY
ISO 9001:2015 CERTIFIED

REF: KESRA/NBI/036

29th January, 2020

TO WHOM IT MAY CONCERN

RE: REQUEST FOR RESEARCH PERMIT:
JOASH NYANDIEKA - REG. NO. /KESRA/105/0156/2016

This is to confirm that the above named is a student at Kenya School of Revenue Administration (KESRA) Nairobi Campus pursuing Masters in Tax & Customs Administration.

The named student is undertaking Research on "**The relationship between technology acceptance and tax compliance (A case study for hotel sector in Taita Taveta County).**"

The purpose of this letter is to request your good office to assist the above student with the information to enable him work on his project.

Thank you.

Dr. Marion Nekesa PHD,
Head Academic Research
KESRA

P. O. Box 48240 – 00100, Nairobi   Email: kesratraining@kra.go.ke   Tel: +254715877533/9

Tulipe Ushuru Tujitegemee /

Appendix IV: NACOSTI Permit

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY & INNOVATION

Ref No: 66/9842

Date of Issue: 27/September/2020

RESEARCH LICENSE

This is to Certify that Mr. Joash Omariba Nyandieka of Moi University, has been licensed to conduct research in Taita-Taveta on the topic: THE RELATIONSHIP BETWEEN TECHNOLOGY ACCEPTANCE AND TAX COMPLIANCE FOR HOTEL SECTOR IN TAITA TAVETA COUNTY for the period ending : 27/September/2021.

License No: NACOSTI/P/20/6865

66/9842

Applicant Identification Number

Director General
NATIONAL COMMISSION FOR
SCIENCE, TECHNOLOGY &
INNOVATION

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