

Taxpayer Education and Adoption of Alternative Dispute Resolution in Tax Disputes Moderated by Trust in Tax Authorities Among Medium and Large-Sized Enterprises in Nairobi-East District, Kenya

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Abstract

Alternative dispute resolution (ADR) offers an efficient and affordable way to handle disputes, yet its use in Kenya remains low. Despite being introduced in 2015, ADR has seen a sharp decline, resolving only 97 cases in the financial year 2024/2025. This study investigated the relationships among taxpayer education, stakeholder sensitization programs, trust in tax authorities, and the adoption of ADR in tax disputes among medium- and large-sized enterprises (MLEs) in Nairobi East District, Kenya. The study was informed by Diffusion of innovation theory, Theory of planned behaviour and institutional theory. An explanatory research design was adopted, and 198 active MLEs were targeted using the census approach. Data was collected using a structured questionnaire. A pilot test involving 10% of the 198 was conducted in Nairobi South. Data analysis included descriptive and inferential statistics. Findings showed that stakeholder sensitization programs ($B = 0.362, p < .001$) had a significant positive effect on adoption of ADR. Trust in authorities had a significant independent effect on ADR adoption ($B = 0.279, p < .001$). The moderator did not show any influence, and the interaction terms did not account for any added variation. The study concluded that stakeholder sensitization has a significant positive effect on ADR adoption, and trust in tax authorities independently supports this adoption. It recommends ongoing engagement with enterprise leaders, continuous awareness campaigns, and the provision of accessible, reliable information to strengthen the program's effectiveness. Future research can examine the impact of long-term sensitization programs across different regions and firms.

Keywords: *Taxpayer Education, Alternative Dispute Resolution, Medium and Large-Sized Enterprises, Stakeholder Sensitization, Trust*

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1. Introduction

Alternative Dispute Resolution (ADR) refers to a range of mechanisms used to resolve disputes outside formal court processes, including mediation, arbitration, and negotiation (Brown, 2019; Schneider, 2018). It provides an alternative pathway for taxpayers and revenue authorities to resolve disputes in a timely, cost-effective, and less adversarial manner. Globally, ADR has gained prominence for its potential to reduce litigation costs, shorten dispute-resolution timelines, and improve relationships between disputing parties (Organization for Economic Co-operation and Development [OECD], 2021). ADR is viewed primarily as a substitute for litigation and also a complementary mechanism that supports formal judicial processes (Klynveld Peat Marwick Goerdeler [KPMG], 2018).

Kenya Revenue Authority (KRA) defines ADR as a structured and voluntary dialogue between a taxpayer and the commissioner in relation to a tax dispute (Kenya Revenue Authority [KRA], 2019). Despite its recognized benefits, ADR adoption remains uneven across jurisdictions. One key factor influencing uptake is taxpayer education, which plays a critical role in raising awareness of dispute-resolution options and promoting informed decision-making (World Bank, 2020). Taxpayer education equips taxpayers with knowledge of their rights, obligations, and available mechanisms for resolving disputes, thereby encouraging voluntary compliance. However, limited awareness and inadequate understanding of ADR continue to push many taxpayers toward litigation, particularly among micro and large enterprises (MLEs) with constrained legal capacity (Furaha, 2020). Countries such as the United States and the United Kingdom have integrated ADR mechanisms into their tax systems through initiatives like Fast Track Settlement and Post-Appeals Mediation (Internal Revenue Service [IRS], 2023; Her Majesty's Revenue and Customs [HMRC], 2023). These programs have reduced court backlogs and enhanced taxpayer confidence in tax administration. The OECD (2021) further notes that mediation often resolves disputes within 90 days, offering flexible solutions, such as negotiated payment arrangements, that are not always available through courts.

Taxpayer education strategies, such as stakeholder engagement and institutional trust, are critical variables shaping ADR adoption. The OECD (2021) emphasizes that collaborative engagement between tax authorities, taxpayers, and professional bodies improves acceptance of dispute resolution mechanisms. Drawing on the slippery-slope framework, Kirchler et al. (2008) argue that trust fosters voluntary compliance, whereas reliance on enforcement alone leads to resistance. This evidence suggests that taxpayer education is most effective when accompanied by trust-building measures. In Africa, tax dispute resolution is challenged by low tax literacy, judicial inefficiencies and institutional constraints. The African Tax Administration Forum (ATAF, 2022) identifies ADR as a critical tool for improving tax compliance, although adoption remains limited. Countries such as South Africa and Nigeria have implemented ADR frameworks that allow disputes to be resolved before reaching the courts (South African Revenue Service [SARS], 2023; Federal Inland Revenue Service [FIRS], 2023). In Rwanda and Ghana, targeted education and digital initiatives have increased ADR engagement, although barriers such as digital illiteracy persist (Rwanda Revenue Authority [RRA], 2023).

1.1 Problem Statement

Alternative Dispute Resolution (ADR) is globally recognized as a vital mechanism for improving tax administration by reducing litigation costs, easing judicial burdens and promoting voluntary compliance through amicable settlements (OECD, 2023). In Kenya, KRA introduced ADR in 2015 under the Tax Procedures Act to decongest courts and enhance taxpayer satisfaction. Despite these efforts, ADR uptake has declined sharply, particularly among medium and large enterprises (MLEs) in localized contexts. Generally, KRA data show a downward trend as pertains to ADR: ADR resolved 61.3% of disputes in FY 2019/2020, temporarily rising to 73.1% in FY 2021/2022, before falling to 24.8% in FY 2022/2023, 17.4% (1,184 of 6,776 cases) in FY 2023/2024 and just 97 cases yielding Kshs 15.29 billion in FY 2024/2025, compared with Kshs 65.09 billion through litigation (KRA, 2020-2025).

Nairobi-East District, a key commercial hub hosting over 15,000 businesses and contributing 22% of Nairobi's GDP (Kenya National Bureau of Statistics [KNBS], 2021), faces unique ADR challenges. The district has a dense concentration of MLEs across manufacturing, trade, and services, generating significant tax revenue but also experiencing high dispute volumes due to complex compliance requirements and frequent audits. Nairobi East is also distinct because it contains the Industrial Area, Kenya's main manufacturing hub, with the highest volume of complex VAT and excise tax transactions, making it the most valuable revenue source for the Kenya Revenue Authority (Letting, 2022). This concentration leads the authority to apply audits and compliance checks more frequently than in other districts (Kenya Association of Manufacturers, 2022). At the same time, tax compliance remains persistently low across small, medium, and large enterprises due to limited tax knowledge, high compliance costs, informal practices, and opportunities for evasion (Kaniaru, 2022). As a result, the intense audit activity generates constant tension and significantly more tax disputes than in any other part of Nairobi (Muthoka, 2022).

A report by Muchira (2025) indicates that 20 percent of Nairobi-based businesses remain unaware of ADR options, while 22.4 percent have no ADR clauses in place (Muchira, 2025). KRA's education initiatives, such as the iTax portal and workshops, are criticized for being overly technical and for excluding MLEs with limited legal expertise (Furaha, 2020). Trust in tax authorities, a key moderator of compliance behavior (ATAF, 2022), is also underexplored in this district, where perceptions of fairness and transparency may discourage the use of ADR. Existing studies emphasize national trends and overlook Nairobi-East's specific dynamics. This study addressed this gap by examining how taxpayer education, specifically stakeholder sensitization, influences ADR uptake among MLEs in Nairobi-East, moderated by trust in KRA. Addressing these gaps is essential for improving ADR effectiveness, strengthening taxpayer confidence, and aligning Kenya's dispute resolution framework with international best practices.

2. Literature Review

2.1 Theoretical Review

2.1.1 Institutional Theory

The roots of institutional theory go back to the writings of Weber and Durkheim, but it was modernized by Meyer and Rowan (1977) and later expanded by DiMaggio and Powell (1983). The theory posits that organizations adhere to the accepted norms and expectations of their

surroundings to appear credible and maintain continuity. It highlights how beliefs, cultural systems, and official regulations influence what organizations do, beyond simple business efficiency.

Scott (2008) described institutional theory as having three main pillars: regulatory, normative, and cultural cognitive. The regulatory one is about official rules and policies that make sure organizations follow certain standards. The normative pillar focuses on the values and expectations that guide how people behave in a professional setting. The cultural cognitive pillar deals with the shared ideas and beliefs that guide how people think and act. Together, these pillars influence organizations to do what society expects so they can be accepted, not only to be efficient (Scott, 2014). DiMaggio and Powell (1983) also pointed out that organizations often become similar because they face pressure to follow the same rules and practices.

The major strength of the theory is its focus on social rather than purely economic influences. It helps explain why organizations may adopt certain behaviors to appear legitimate or appropriate, even if those actions are not the most efficient (Meyer & Rowan, 1977). This makes it particularly useful in studying public sector reforms, regulatory compliance, and policy adoption in developing countries where institutional pressures play a vital role. Additionally, institutional theory can account for the persistence of certain behaviors and resistance to change, even when alternatives may be more beneficial. However, institutional theory also has several weaknesses.

One key criticism is its tendency to downplay the role of agency and strategic decision-making by organizational actors. It can overly emphasize conformity and institutional pressure, sometimes neglecting how organizations actively shape and negotiate their environments (Greenwood & Hinings, 1996). Moreover, the theory may struggle to explain rapid or radical organizational changes, especially when such changes deviate from institutional norms. Another limitation lies in its abstract nature, which can make empirical application challenging without careful operationalization of its concepts. In relation to this study, the theory suggests that external factors, such as stakeholder sensitization, shape organizational behavior through regulatory, normative, and cognitive pressures. Stakeholder sensitization programs reflect normative pressures, as enterprises align with expectations from tax authorities, industry associations, or peers, embedding values around compliance and ADR adoption.

2.1.2 Diffusion of Innovations Theory

Diffusion of Innovations (DOI) theory was developed by Everett M. Rogers in 1962, emerging from his pioneering synthesis of research on how new ideas and technologies are adopted across different domains (Rogers, 1962). Building upon studies in agriculture, education and health communication, Rogers formulated a comprehensive explanation of innovation diffusion. The framework has subsequently been adapted for diverse applications in business management, marketing, and public administration. The DOI framework, as proposed by Rogers (2003), conceptualizes innovation adoption as a social and temporal process shaped by four elements: innovation, communication pathways, time dimension, and the surrounding social system. An innovation is any idea or practice that its potential adopters view as new. Its diffusion depends largely on perceived attributes such as advantage over current practices, compatibility, ease of use, ability to experiment, and visibility of results. Rogers also outlined adopter categories (innovators, early adopters, early majority, late majority, and laggards)

representing progressive levels of willingness to adopt change. Communication media, both formal and informal, facilitate the creation of awareness and persuasion. Over time, diffusion progresses through stages, exhibiting an S-shaped growth curve characterized by slow initial adoption, rapid acceleration, and eventual stabilization (Rogers, 2003).

In this study, the DOI theory anchored the investigation of ADR adoption, providing a structured framework to explain relationships among the study variables. The DOI theory helped explain how and why enterprises adopted ADR by focusing on the factors that encourage or hinder adoption. For the first objective, which assessed the effect of stakeholder sensitization programs on ADR adoption, the theory guided the analysis of how these programs, as communication channels, influence enterprises' perceptions of ADR's relative advantage, compatibility, and complexity (Rogers, 2003). Sensitization programs are viewed as interpersonal communication channels that target early adopters and the early majority, accelerating the diffusion process. By examining how these programs shaped enterprises' understanding of and willingness to adopt ADR, the study identified effective strategies to promote uptake.

2.2 Empirical Review

2.2.1 Stakeholder Sensitization Programs and Adoption of ADR

A study by Kalyan et al. (2025) examined what shapes construction industry participants' opinions on alternative dispute resolution. Data from 191 stakeholders were examined using OLS regression to pinpoint factors influencing their views. Results showed a general lack of awareness about ADR, leading to low implementation rates. The study stressed that stronger policies and public education are essential for better results. It also suggested organized sensitization efforts to raise knowledge and promote the adoption of ADR approaches in construction. In another study, Khamis et al. (2024) examined how knowledge levels shape trade unions in Kenya's willingness to embrace alternative dispute resolution methods, a practice supported by the 2010 Constitution. Drawing on the Theory of Perceived Attributes, they used a descriptive survey and stratified random sampling to reach 354 union officials. The results showed that possessing more knowledge led to higher adoption of ADR, but workplace disputes did not noticeably influence this effect.

In their study, Kirimi and Wanjohi (2019) explored why construction stakeholders in Imenti North Sub-County, Kenya, choose alternative dispute resolution methods. The research focused on awareness, communication, cost, and the need to maintain professional relationships. Adopting a descriptive survey approach, data were collected from 45 respondents representing clients, consultants, and contractors through questionnaires and analyzed using both qualitative and quantitative techniques in SPSS. Findings showed that limited knowledge of mediation and the pursuit of affordable, relationship-friendly methods significantly affected ADR uptake. The study determined that relationship preservation was the leading motivator for ADR adoption, followed by cost factors, and it recommended awareness initiatives and clearer contract documentation. Additionally, Wanjiru (2020) conducted a quantitative study to examine why medium-sized taxpayers in Nairobi County choose to use alternative dispute resolution to resolve tax issues. The study, based on the Unified Theory of Acceptance and Use of Technology, used regression analysis to identify key predictors, including awareness, perceived ease of use, and perceived benefits. Results showed that taxpayers who viewed ADR as efficient and simple were more open to adopting it. The research concluded that targeted

awareness campaigns and supportive government policies could significantly increase ADR adoption rates.

2.2.2 Taxpayer Education, Trust in Tax Authorities, and Adoption of ADR

Shome (2024) explored how trust influences taxation-related conflicts in India, finding that taxpayers are more likely to use ADR when they perceive tax administrators as fair and honest. A dedicated, independent dispute management agency helps resolve conflicts efficiently and amicably, strengthening trust in impartiality. Similarly, Filipczyk (2023) examined the role of confidence in tax authorities in Poland's ADR system through interviews with eight taxpayers involved in settlement processes. The study showed that cooperative discussions between officials and taxpayers reflect administrative trust, but institutionalized frameworks are needed to sustain and enhance trust for long-term ADR effectiveness.

Hoyos-Jiménez (2024) highlighted that building trust in tax arbitration requires clear guidelines on arbitrator impartiality and expertise, consistent awards, and reasonable costs. In Ghana, Rakibu and Amoh (2025) examined the effectiveness of tax dispute bodies, including the Commissioner-General's Appeals Committee, the Independent Tax Appeals Board, and the Dedicated Tax Court, using data from the Ghana Revenue Authority and surveys of 1,420 taxpayers. Their findings showed that trust in the fairness and accessibility of these systems increased tax compliance. The ADR emerged as a preferred alternative to litigation despite lacking formal recognition. Skepticism toward perceived biased or inefficient bodies reduced trust and ADR engagement, whereas mechanisms perceived as fair and transparent, such as the Independent Tax Appeals Board, encouraged higher trust and willingness to adopt non-litigious dispute-resolution options.

Ndung'u and Olweny (2024) conducted an explanatory study to assess whether trust changes the strength of the relationship between tax dispute resolution mechanisms (negotiation, internal reviews, and ADR) and VAT compliance among tax agents in Nairobi County, Kenya. Data were obtained from questionnaires administered to 134 respondents and analyzed using hierarchical regression. The findings indicated that negotiation, internal reviews and ADR significantly and positively influenced VAT compliance and that trust significantly moderated the relationship between these mechanisms and compliance. While these studies demonstrate that trust affects compliance behavior and perceptions of dispute-resolution mechanisms, none have examined whether trust influences how taxpayer education influences the decision to adopt ADR. This oversight suggests there is room to study how trust could serve as a condition affecting the relationship between educating taxpayers and their willingness to adopt ADR methods.

2.3 Conceptual Framework

Figure 1 presents the conceptual framework linking taxpayer education initiatives to ADR adoption, moderated by trust in tax authorities. It examines how educational approaches and stakeholder sensitization programs influence enterprises' awareness and use of ADR.

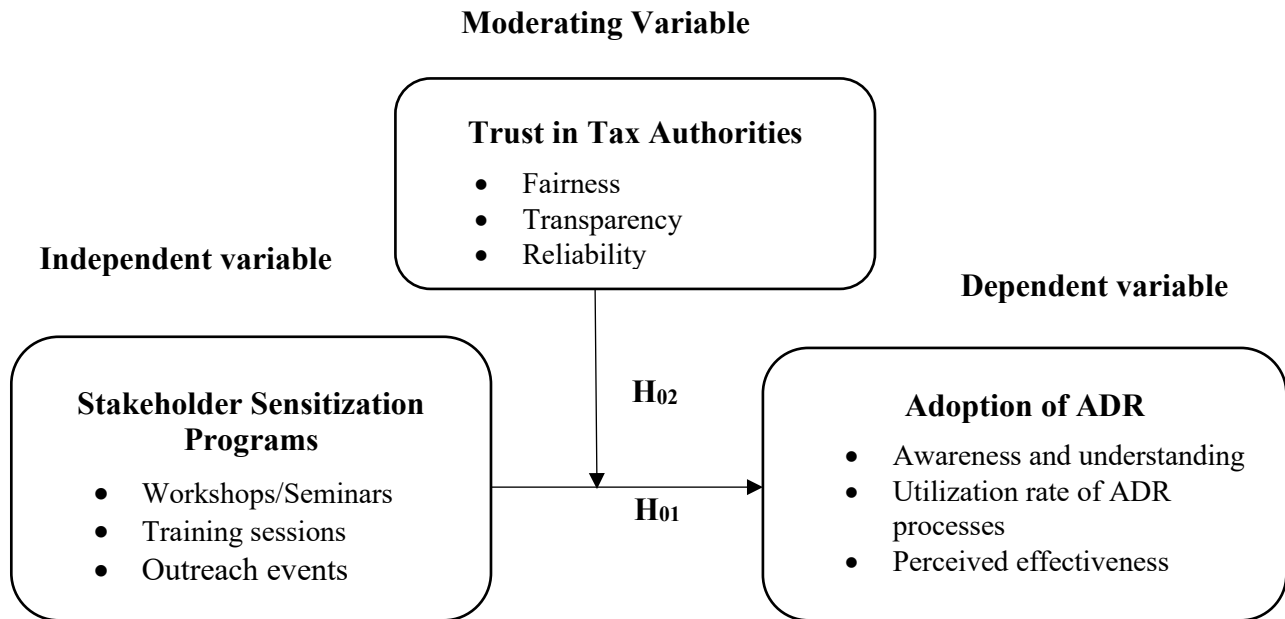


Figure 1: Conceptual Framework

3. Methodology

This study employed an explanatory research design to analyze the causal associations outlined in the study objectives. The study targeted medium and large-sized enterprises operating within the Nairobi-East District of Kenya. According to data from the Nairobi-East District Tax Office (KRA, 2023), there are 235 registered medium and large-sized enterprises, of which 198 are currently active. Through a census approach, the study targeted all 198 active enterprises that had operated continuously for at least five years as of December 2024 and were registered with the Nairobi-East District Tax Office. The study relied on primary data to achieve its research objectives, using a structured questionnaire to collect it. A pilot test involving 10% of the 198 firms was conducted, as recommended by Mugenda and Mugenda (2013).

The study achieved an overall response rate of 82.3%, a level generally regarded as outstanding in survey-based research (Saunders et al., 2021). Cronbach’s alpha was used in the study to measure the internal uniformity. It was used to measure the reliability of the items included in the questionnaire. An alpha value of 0.7 or greater was considered to be acceptable (Hair et al., 2019). Table 1 presents the Cronbach’s alpha values for the study variables.

Table 1: Reliability Test

Variable	Number of Items	Cronbach’s Alpha	Interpretation
Stakeholder Sensitization Programs	4	0.801	Acceptable
Trust in Tax Authorities	5	0.811	Acceptable
Adoption of ADR	5	0.803	Acceptable

A validity test was also conducted to ensure that the questionnaire captured the study's main ideas. Two academic supervisors reviewed the questionnaire for face validity and found the questions easy to understand, suitable, and consistent with the study variables. Content Validity Index (CVI) was used to measure content validity. The overall CVI of 0.84 exceeded the acceptable threshold of 0.80, indicating excellent content validity. Thus, the questionnaire was considered both conceptually sound and appropriate for the main study. Table 2 below shows the CVI results.

Table 2: Validity Test

Variable	No. of Items	CVI	Interpretation
Stakeholder Sensitization Programs	4	0.85	Excellent
Trust in Tax Authorities	5	0.83	Good
Adoption of ADR	5	0.83	Good
Overall CVI	14	0.84	Excellent

Data analysis followed quantitative procedures. Before running the tests, the data were cleaned to identify any missing data, outliers, or inconsistencies. Measures such as mean replacement and removal of extreme data points were implemented to maintain the integrity of the dataset. Descriptive and inferential statistics were used to analyze the data. The results were presented in tables and charts. The study employed hierarchical regression analysis to examine the effects of stakeholder sensitization programs on ADR adoption and the moderating effect of trust in authorities. The analysis was done in three sequential models as shown below:

Model 1: Direct Effect Model

$$Y = \beta_0 + \beta_1 X_1 + \varepsilon$$

Model 2: Moderator Model

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 M + \varepsilon$$

Model 3: Moderation Model

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 M + \beta_3 (X_1 M) + \varepsilon$$

Where:

Y represented the adoption of Alternative Dispute Resolution (ADR);

X₁ denoted stakeholder sensitization.

M represented trust in authorities.

β₀ is the intercept;

β₁, β₂ and **β₃** are regression coefficients; and

ε is the error term.

4. Results and Discussion

4.1 Descriptive Statistics

This section presents a descriptive analysis of the study variables to summarize respondents' views on the key constructs under investigation.

4.1.1 Stakeholder Sensitization Programs

Table 3 shows the effect of Stakeholder sensitization programs on ADR adoption. Stakeholder sensitization programs were perceived and implemented positively; this was shown by an overall mean of 3.73 (SD = 0.85). This suggests that enterprises generally viewed these initiatives as effective. Training sessions on tax matters were the highest-rated, highlighting that they greatly improved understanding of dispute resolution options (mean = 3.84, SD = 0.79). Attendance at workshops was also rated highly, with a mean of 3.76 (SD = 0.83), reflecting active enterprise participation and engagement with KRA sensitization efforts. It was also shown that community outreach programs offer useful information on tax dispute resolution (mean = 3.69, SD = 0.88), though with varying reach across enterprises. The practicality and relevance of information from workshops and seminars received the lowest positive rating of 3.62 (SD=0.91), indicating general satisfaction but a need for more sector-specific content. Overall, the findings revealed that KRA has institutionalized stakeholder sensitization as a key taxpayer education strategy, contributing to increased awareness and engagement in tax dispute resolution.

Table 3: Stakeholder Sensitization Programs

Statement	Mean	Standard Deviation
Training sessions on tax matters have improved our understanding of dispute resolution options	3.84	0.79
Our enterprise has attended workshops or seminars on tax dispute resolution	3.76	0.83
Community outreach events have provided useful information about resolving tax disputes	3.69	0.88
Information from workshops or seminars is practical and relevant to our business	3.62	0.91
Aggregate Mean	3.73	0.85

4.1.2 Trust in Tax Authorities

Table 4 illustrates the effect of trust in authorities as the study moderator. Trust in authorities was generally high, with an overall mean of 3.74 (SD =0.85). This suggested positive perceptions of KRA among enterprises. Respect for taxpayer rights during the resolution of a dispute was rated highest (mean = 3.89, SD = 0.78), indicating strong confidence in due process and procedural fairness. Enterprises also agreed that tax authorities acted fairly when resolving disputes (mean =3.82, SD =0.81) and were transparent in their communication (mean =3.74, SD= 0.86). Trust in the accuracy of the information provided by tax authorities was moderately high (mean = 3.66, SD = 0.88), though there were varied perceptions among the respondents.

Consistency in handling disputes received a low rating (mean = 3.59, SD = 0.91), highlighting uncertainty about the uniform application of procedures.

Table 4: Trust in Tax Authorities

Statement	Mean	Standard Deviation
Tax authorities respect our rights in the dispute resolution process	3.89	0.78
Tax authorities act fairly when resolving disputes	3.82	0.81
Tax authorities are transparent in their communication about tax disputes	3.74	0.86
I trust the information given by the tax authorities about dispute resolution	3.66	0.88
I can rely on tax authorities to handle disputes in a consistent manner	3.59	0.91
Aggregate Mean	3.74	0.85

4.1.3 Adoption of Alternative Dispute Resolution

Table 5 highlights the findings of the adoption of alternative dispute resolution, the dependent variable. Enterprises demonstrated a high level of awareness and positive perception of ADR in resolving tax disputes, with an overall mean of 3.70 (SD = 0.87). Awareness of ADR as an out-of-court dispute resolution mechanism was rated highest (mean = 3.96, SD = 0.77), indicating that most enterprises were well informed about its existence. ADR was also perceived as an effective, quick, and fair method of resolving tax disputes (mean = 3.81, SD = 0.83). Understanding of ADR processes such as mediation and arbitration was fairly strong (mean = 3.74, SD = 0.88). However, regular consideration of ADR was moderate (mean = 3.59, SD = 0.91), and actual use of ADR instead of court processes was the lowest rated (mean = 3.41, SD = 0.97).

Table 5: Adoption of Alternative Dispute Resolution

Statement	Mean	Standard Deviation
Our enterprise is aware of ADR as a method of resolving tax disputes outside of court	3.96	0.77
Our enterprise finds ADR to be an effective way of resolving tax disputes quickly and fairly	3.81	0.83
Our enterprise understands how ADR processes, such as mediation or arbitration, work for tax disputes	3.74	0.88
Our enterprise regularly considers ADR as an option when facing tax disputes	3.59	0.91
Our enterprise has used ADR methods to resolve tax disputes instead of going to court	3.41	0.97
Aggregate Mean	3.70	0.87

4.2 Correlation Analysis

Table 6 displays the results of the correlation analysis. The findings showed that stakeholder sensitization programs were positively and significantly correlated with the adoption of alternative dispute resolution (ADR) ($r = 0.568$, $p < 0.05$), indicating that increased sensitization efforts lead to higher ADR adoption among enterprises. Trust in authorities was also shown to have a strongly positive and significant relationship with the adoption of ADR ($r = 0.621$, $p < 0.05$), suggesting that higher levels of trust encourage the use of ADR mechanisms to resolve disputes. Additionally, stakeholder sensitization was positively correlated with trust in authorities ($r = 0.267$, $p < 0.05$), suggesting that sensitization programs contribute to building trust and support ADR adoption.

Table 6: Correlation Analysis

	ADR Adoption (Y)	Stakeholder Sensitization (X ₁)	Trust in Authorities (M)
ADR Adoption	1		
Stakeholder Sensitization Programs	.568*	1	
Trust in Authorities	.621*	.267	1

*. Correlation is significant at the 0.05 level (2-tailed).

4.3 Hierarchical Regression Analysis Results

Hierarchical regression modeling was employed to analyze the independent effects of taxpayer education initiatives and their moderating influence on trust in tax authorities on the adoption of alternative dispute resolution. The analysis was carried out in three models. Model 1 tested the main effects of stakeholder sensitization programs on ADR adoption. Then, model 2 introduced trust in tax authorities to examine its direct contribution to ADR adoption. Lastly, model 3 included the interaction between stakeholder sensitization programs and trust.

4.3.1 Direct Effect of Stakeholder Sensitization Programs

The results presented in Table 7 revealed that stakeholder sensitization correlates positively with the adoption of Alternative Dispute Resolution (ADR). This was shown by the correlation coefficient of $R=0.660$. The findings further showed that stakeholder sensitization explained 43.6% of the variation in ADR adoption ($R^2 = 0.436$). This means that the remaining 56.4% of the variation in ADR adoption is explained by factors not included in the model.

The study further conducted an ANOVA to assess the overall suitability of the regression model in explaining the link between stakeholder sensitization programs and the adoption of ADR, as shown in Table 7. The findings of the analysis indicate that the model was statistically significant, with an F statistic of 40.80, significant at $p=0.000$. This showed the regression model was suitable for explaining the effect of stakeholder sensitization programs on ADR adoption.

Additionally, the regression results in Table 7 indicate that stakeholder sensitization had a positive, statistically significant effect on ADR adoption ($B = 0.362$, $t = 4.98$, $p < .001$). This indicates that increased stakeholder sensitization programs lead to greater adoption of ADR.

The regression model was statistically significant, which confirmed that stakeholder sensitization is a significant predictor of ADR adoption. The regression equation for the model was expressed as:

$$Y = 0.412 + 0.362 X_1 + \varepsilon$$

Table 7: Regression Results for Stakeholder Sensitization Programs

Predictor	Unstandardized B	Std. Error	Standardized β	t	p
Constant	0.412	0.167		2.47	.015
Stakeholder Sensitization Programs (X ₁)	0.362	0.073	0.311	4.98	.000
R ²	.436				
Adjusted R ²	.425				
F (3, 159)	40.80				.000

4.3.2 Moderator Model for Inclusion of Trust in Tax Authorities

Table 8 presents the findings from the inclusion of trust in tax authorities to determine its contribution to the adoption of ADR beyond stakeholder sensitization. The findings revealed that introducing trust in tax authorities into the model relates positively to the adoption of ADR. This was shown by the model's improved explanatory power, with R² increasing from 0.436 to 0.486. This suggests that 48.6% of the variation in ADR adoption is explained by the combined effect of stakeholder sensitization programs and trust in tax authorities. The remaining 51.4% of the variation in ADR adoption is explained by factors not included in the model.

ANOVA results in Table 8 showed that the model was statistically significant, $F(4, 158) = 37.36$, $p < .001$, suggesting that the model is appropriate for predicting ADR adoption. The regression results shown in Table 8 further indicated that stakeholder sensitization programs ($B = 0.341$, $t = 4.80$, $p < .001$) and trust in tax authorities ($B = 0.279$, $t = 4.16$, $p < .001$) were all positive and statistically significant predictors of ADR adoption. This suggests that increases in these variables are associated with higher ADR adoption. The regression equation for the model was expressed as:

$$Y = 0.317 + 0.341X_1 + 0.279M$$

Table 8: Moderator Model for Inclusion of Trust in Tax Authorities

Predictor	Unstandardized B	Std. Error	Standardized β	t	p
Constant	0.317	0.154		2.06	.041
Stakeholder Sensitization Programs (X ₁)	0.341	0.071	0.293	4.80	.000
Trust in Tax Authorities (M)	0.279	0.067	0.256	4.16	.000
R ²	.486				
Adjusted R ²	.473				
ΔR^2	.047				
Overall F (4, 158)	37.37				.000
ΔF	8.45				.004

4.3.3 Moderation Model for Inclusion of Stakeholder Sensitization Programs and Trust Interaction Terms

Table 9 presents the findings on the interaction terms between stakeholder sensitization programs and trust in tax authorities, examining their moderating effect on the adoption of ADR. The results revealed that the interaction had no significant effect on ADR adoption. The model was statistically significant, $F(5, 157) = 24.72$, $p < .001$, explaining 48.8% of the variation in ADR adoption. The inclusion of the interaction term led to a negligible change in the explained variance ($\Delta R^2 = 0.002$, $p = .192$), suggesting that trust in tax authorities does not significantly moderate the relationship between stakeholder sensitization and ADR adoption. The regression results further revealed that stakeholder sensitization programs ($B = 0.338$, $p < .001$) and trust in tax authorities ($B = 0.271$, $p < .001$) are both positive and statistically significant predictors of ADR adoption. However, the interaction term ($B = 0.039$, $p = .479$) was not significant, confirming the lack of moderation. The regression equation for the model was expressed as:

$$Y = 0.312 + 0.338X_1 + 0.271M + 0.039(X_1M)$$

Table 9: Moderation Model for Inclusion of Stakeholder Sensitization Programs and Trust Interaction Terms

Predictor	Unstandardized B	Std. Error	Standardized β	<i>t</i>	<i>p</i>
Constant	0.312	0.157		1.99	.048
Stakeholder Sensitization Programs (X_1)	0.338	0.074	0.292	4.56	.000
Trust in Tax Authorities (M)	0.271	0.068	0.249	3.99	.000
$X_1 \times M$	0.039	0.055	0.036	0.71	.479
R^2	.488				
Adjusted R^2	.475				
ΔR^2	.002				
<i>F</i> (5,157)	24.72				.000
ΔF	1.64				.192

The results of the hierarchical model are summarized in Table 10.

Table 10: Hierarchical Model Summary

Predictor	Model 1	Model 2	Model 3
Constant	0.412 (0.167) *	0.317 (0.154) *	0.312 (0.157) *
Stakeholder Sensitization Programs (X_1)	0.362 (0.073) **	0.341 (0.071) **	0.338 (0.074) **
Trust in Tax Authorities (M)	-	0.279 (0.067) **	0.271 (0.068) **
$X_1 \times M$	-	-	0.039 (0.055)
R^2	.436	.486	.488
Adjusted R^2	.425	.473	.475
ΔR^2	-	.047	.002
F (overall)	40.80**	37.36**	24.72**
ΔF	-	8.45*	1.64

Note: Unstandardized coefficients are reported with standard errors in parentheses. $N= 163$, * $p < .05$, ** $p < .001$

4.4 Hypothesis Testing

Table 11 summarizes the hypothesis testing results, including the beta and p values, as well as the decisions based on the 95% confidence interval ($p < 0.05$).

Table 11: Summary of Hypothesis Testing Results

Hypothesis	B (Unstandardized)	p-value	Decision
H₀₁: Stakeholder sensitization programs have no statistically significant effect on the adoption of ADR by medium and large-sized enterprises in Nairobi-East District, Kenya.	0.362	.000	Rejected
H₀₂: Trust in tax authorities has no statistically significant moderating effect on the relationship between stakeholder sensitization programs and the adoption of ADR by medium and large-sized enterprises in Nairobi-East District, Kenya.	0.039	.479	Failed to reject

H₀₁: Asserted that stakeholder sensitization programs do not affect ADR adoption. Findings revealed a significant positive effect ($B = 0.362$, $t = 4.98$, $p < .001$), showing that organizations participating in workshops and similar awareness initiatives are more prone to adopt ADR mechanisms. As a result, H₀₁ was rejected, confirming that stakeholder sensitization significantly promotes ADR adoption. The results suggest that deliberate engagement strategies by tax authorities can directly influence enterprise dispute resolution decisions

H₀₂: Proposed that trust in tax authorities does not significantly moderate the relationship between stakeholder sensitization programs and ADR adoption. Results showed that the interaction term was positive but not statistically significant ($B = 0.039$, $t = 0.71$, $p = .465$). This indicates that trust, while independently influential, does not change the effect of stakeholder sensitization programs on ADR uptake. Thus, the null hypothesis was not rejected, suggesting that engagement programs influence ADR adoption regardless of trust levels.

4.5 Discussion

The study found that stakeholder sensitization programs significantly influence ADR adoption among medium and large-sized enterprises in Nairobi East. Regression results indicated that stakeholder sensitization programs had the strongest positive effect on ADR adoption ($B = 0.362$, $t = 4.98$, $p < .001$), indicating that increased engagement in workshops, seminars, and outreach events corresponds with greater adoption of ADR. From a diffusion of innovations perspective, these programs serve as effective channels of interpersonal communication, enhancing enterprises' understanding of ADR's relative advantage, compatibility, and ease of implementation, thereby accelerating adoption among early adopters and the early majority. These results align with previous studies, which highlighted that awareness and knowledge significantly predict ADR adoption (Kalyan et al., 2025; Kirimi & Wanjohi, 2019; Wanjiru, 2020).

5. Conclusion

The study established that taxpayer education initiatives play a central role in promoting the adoption of ADR. Stakeholder sensitization programs were shown to be effective in increasing awareness and encouraging the use of ADR. These findings showed that accessible, well-structured, and diverse communication strategies are essential for helping businesses see ADR as a practical and efficient alternative to litigation. Further, trust in tax authorities was revealed to independently influence enterprises' willingness to adopt ADR. When a tax authority is perceived as fair, transparent, and respectful of taxpayer rights, it fosters engagement with ADR mechanisms. However, the study found that trust did not moderate the relationship among taxpayer education initiatives, stakeholder sensitization programs, and ADR adoption. This suggests that well-designed education programs are effective on their own in encouraging enterprises to adopt ADR, regardless of levels of trust. While trust reinforces engagement, it is not a necessary condition for education to influence behavior.

6. Recommendations

Policymakers should strengthen taxpayer education by institutionalizing stakeholder sensitization programs within the tax administration to enhance the adoption of ADR among medium and large enterprises in Nairobi East District. KRA should develop clear guidelines to support regular workshops, media campaigns, and outreach activities, with adequate funding to ensure consistency and broad coverage. Additionally, collaborating with trade associations and industry bodies would help tailor ADR education to sector-specific needs and improve relevance. Policymakers should also strengthen the institutional trust by promoting transparent and fair ADR procedures. Clear communication of ADR processes, timely updates on dispute cases, and consistent application of rules would help improve enterprise confidence and encourage participation. Future research should further examine the role of education and communication channels in shaping ADR adoption across different regions, enterprise sizes, and sectors. Although trust did not moderate the relationship between education initiatives and ADR adoption, its independent influence warrants further investigation alongside other contextual factors, such as organizational culture and prior dispute experience.

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