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Effect of Main Stream Media Education on Tax Compliance among Motor Vehicles Spares Traders in Suburb Area of Nakuru Town, Kenya

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Abstract

A major challenge facing both developed and developing countries in the world is non-compliance with current tax laws and obligations. There are several reasons why tax payers do not comply with tax laws, including poor education, complex tax laws, low risk of being caught and a culture of corruption. In Kenya, the authority mandated with tax revenue collection is faced with the challenge of tax compliance among the tax payers. What this one means therefore is that Kenya Revenue Authority does not meet its tax collection targets. Due to tax revenue collected not being enough to finance government development and recurrent expenditure, the government is forced to turn to both domestic and foreign debts. The purpose of this study was to determine the effect of main stream media education on tax compliance among motor vehicles spares traders in Suburb area of Nakuru town, Kenya. This study employed an explanatory research design. This study target population was 300 motor vehicles spare traders operating in the suburb area of Nakuru town. The sample size of the study was 150-motor vehicle spare traders operating in the Nakuru town suburb area. The study found that main stream media taxpayer education is significant in influencing taxpayers' decisions to comply to taxation systems. The study has concluded that taxpayers' education through main stream media enlightens the motor vehicles spare traders on the need to pay taxes. In addition, the education programmes impact positively on the ability and willingness of the tax payers to file their returns. This type of education changes the attitude of the tax payers towards paying their obligatory taxes to the tax authorities and thus, leads to increased tax revenue collection. The business traders need to acknowledge the information updated on the social media platforms, newspapers as well as the ones advertised on national televisions. The study also recommends introduction of tax education to the Kenya Education curriculum both for primary and secondary education to better prepare learners who are future tax payers to the importance of tax compliance at an early age.

Keywords: *Main Stream Media Education, Tax Compliance, Suburb Area*

1.0 Introduction

Tax is a compulsory payment that is imposed by the government on its subjects with no assurance of a direct benefit from the tax paid (Lymer & Oats, 2009). Tax compliance can be described as the willingness by the taxpayer to pay taxes (Kirchler, 2007). In regard to taxation, the principal objective of the government is to maximize the amount of revenue collected from its citizens as taxes. On the other hand, citizens are working towards reducing the burden of taxation. In the process of reducing their tax burden, the citizens may work towards achieving this objective either through tax avoidance or tax evasion. Tax compliance is a global concern and governments worldwide are faced with the problem of tax non-compliance (Maseko, 2014).

In an effort to increase tax compliance, the Japanese government introduced the Self-Assessment System through the Japanese National Tax Administration (NTA) in 1947, which played a key role in the tax learning process. Rani (2005) argues that activities such as public relations, tax education, tax guidance and tax consultancy have been introduced by the Government of Japan to improve tax compliance levels. The introduction of such non-punitive measures such as tax education to enhance tax compliance is a departure from the past practices of punishing and levying fines to enforce tax compliance.

Ignorance of tax laws is seen as a major issue facing the tax authority in Nigeria in its effort to improve tax compliance among tax payers. The main factor that creates a problem to the proper planning and tax administration in Nigeria is the low level of tax-payers' education. Azubike (2009) observed that there is lack of information among the taxpayers in Nigeria regarding the relevant tax laws. This therefore emphasizes the uphill task the government of Nigeria faces in improving tax compliance. With this observation of lack of information among the tax payers, the government of Nigeria is instituting education programs to educate its taxpayers regarding the provisions of the tax laws in the country. Tax payers' education was adopted by the Nigerian government as a major reform to enhance tax compliance. Lagos State Internal Revenue adopted Public enlighten measures such as the use of radio, television, newspapers, bill boards and printing of T-shirts (Olowookere *et al* 2013).

In Kenya, depending on their business turnover or income levels, taxpayers are categorized as small, medium or large. Regardless of one's classification, taxpayers in Kenya are required to comply with tax laws. Businesses in the informal sector, vital to most economies, are the engines of growth. In Kenya, these enterprises are an essential part of the economy and are the source of various economic contributions through the generation of income through exports, the provision of new job opportunities, the stimulation of competition, the driving force of employment, the contribution to economic growth, the aid to industrial development, the satisfaction of local demand for services and the introduction of innovation and support for large enterprises. Nevertheless, the sector remains the smallest contributor to tax revenue in Kenya. There is therefore a need to assess the role of main stream media education for taxpayers in determining the tax compliance of companies in the informal sector.

1.1 Problem Statement

A major challenge facing both developed and developing countries in the world is non-compliance with current tax laws and obligations. There are several reasons why tax payers do not comply with tax laws, including poor education, complex tax laws, low risk of being caught and a culture of corruption (Aksnes, 2011). In Kenya, the authority mandated with tax revenue collection is faced with the challenge of tax compliance among the tax payers. What this one means therefore is that Kenya Revenue Authority does not meet its tax collection targets. Due to tax revenue collected not being enough to finance government development and recurrent expenditure, the government is forced to turn to both domestic and foreign debts (CBK, 2019).

To enhance tax compliance particularly in the informal sector aimed at making it possible to hit tax revenue targets, the government through Kenya Revenue Authority has embarked on extensive tax payers education through various modes (Kamau, 2014). In the past KRA has largely concentrated on the more formal sector leaving out the informal sector untaxed of their billions despite a report by KRA annual report of 2012, approximating that Kes 108 billion could be tapped from the informal sector (KRA, 2012). Fjeldstad and Ranker (2003) posits that tax payers education involves coming up with a group of tax officers and properly training them and mandating them with the responsibility of training tax payers. Even though taxpayers' education has been a key initiative, not much has been documented as to whether it has borne fruits. There's thus a need for research to assess whether these efforts are gaining fruits in enhancing tax compliance.

A research study on the impact of tax payer education on VAT tax compliance was conducted by Ndirangu (2014) and found that tax knowledge and education have a positive impact on VAT compliance among motor vehicle part dealers in Nairobi CBD, thus presenting a geographical gap. A similar study was conducted by Gitaru (2017) on the impact of tax payer education on SMEs in Nairobi CBD and found out that tax payer education plays a very critical role in tax compliance thus presenting a geographical gap.

To the best of the researcher's knowledge, no local study focused on the role of tax payer education in improving tax compliance among spare motor vehicle traders in Nakuru town's Suburb area. This study therefore sought to fill the existing research gap by examining the effect of main stream media education on tax compliance among motor vehicles spares traders in Suburb area of Nakuru town, Kenya

2.0 Literature Review

2.1 Theoretical Framework

Optimal tax theory was developed by Ramsey (1927). It looks at how to best optimize a tax system in order to reduce any distortion and inefficiency that may arise. Government's operatives must therefore strike a balance when coming up with a tax system. In its effort to raise revenue from taxation, the government must not create a distortion in economic choices by tax payers. Ramsey argued that a tax that is neutral is a tax which fully avoids distortion and inefficiency. The theory suggests that a benevolent tyrant who respects both individual and social interests in order to attain equality, makes the policy. Auerbach (1986) argued that one may chose to ignore this theory based on the fact that the actual tendency is for the policy makers to represent the interests of some specific groups.

It's safe to say that if any tax system creates distortion and inefficiency, compliance level will most likely be low (Mankiw, Weinzierl &Yagan, 2009). The principle is relevant to this research as it explains situations or events when tax compliance may be low. It points out the need for efficient tax systems that do not encourage non-compliance. Previous studies such as Maxwel (2003), Ndirangu (2014) and Williams and Round (2009) also applied the theory in their researches on effects of tax payers education on tax compliance.

2.2 Empirical Review

Tax education to the tax payers through this media is mainly passed through televisions and radio stations. It's worth noting that most homes in Kenya have access to either a television or a radio station. Tax authorities should therefore use this opportunity to reach tax payers and sensitize them on the need to comply with the set tax laws and regulations. In the area of study, it was found that most of the traders have either a television or a radio to kill the boredom that comes spending too much time in one place. Others keep televisions and radios to attract more customers (OECD, 2011). Therefore, any tax information passed through these two Medias would effectively reach the traders.

Sas (2007) argued that use of electronic media to view the tax payers and pass tax education would enhance compliance by applying dynamic comprehensive approaches. The researcher further argued that this approach to electronic media would allow the tax payer to have a single view of the revenue authority or any agency, increase auditor productivity and enhance performance management.

Mathias *et al.* (2013) carried out a research to determine if electronic media coverage on tax matters led to tax compliance. The findings showed that media reports dealing with tax problems had the potential to affect the trust of citizens in government authorities. The findings also showed that the approach to electronic media had a positive effect on the intent of taxpayers to pay their taxes. They also found that information passed through electronic media about the tax system's accountability, service orientation, and government credibility had a positive and important effect on government confidence that contributed to tax enforcement.

Cyan, Koumpias and Martinez-Vazquez (2016) analyzed the efficacy of TV and national newspaper media initiatives used by Pakistan's Federal Revenue Board to increase visibility, tax filing, and, eventually, tax morale. For respondents who were exposed to TV and newspaper ads, the researchers found enhanced expectations of tax compliance. Since the latter is more effective, the choice of the advertising delivery device is essential. Their results provide empirical proof that well-timed campaigns can increase voluntary tax filing enforcement.

Koumpias (2017) examined the impact on collections of unpaid personal income tax obligations in Greece of phone call compliance reminders by the tax authority. The goal of the reminders is to raise awareness of the payment deadlines and, in the event of non-compliance, to warn about the possible tax levies. An e-mail is received by all tax delinquent individuals with a registered e-mail address, while a subset of individuals also receive a follow-up phone call alert, resulting in a natural experiment. The results show that nudging of data can lead to two-way behavioral responses and even backfire under some circumstances. Recipients of compliance reminders for phone calls pay less. The effect is influenced by the especially negative reactions of those with tax arrears in previous years, while the payments of newly-delinquent taxpayers do not change dramatically.

3.0 Research Methodology

This study employed an explanatory research design. This study target population was 300 motor vehicles spare traders operating in the suburb area of Nakuru town. The sample size of the study was 150-motor vehicle spare traders operating in the Nakuru town suburb area. This study collected primary data using structured questionnaires. Data was analysed using Statistical Package for Social Sciences (SPSS) v21.0) and findings presented in form of tables and figures.

4.0 Results and Discussion

4.1 Descriptive Statistics

The study's objective was to determine the impact of mainstream media education on tax compliance among spare motor vehicle spares traders in the Nakuru Town suburb of Kenya. The participants were requested to rate their agreement or otherwise against each statement posed to them. The results are indicated in Table 1.

Table 1: Descriptive Statistics on main stream media education

Statements	1	2	3	4	5	M	Std. D
Main stream media taxpayer education has enlightened the motor vehicle spares traders on the need to pay taxes	4.30%	9.40%	10.30%	35.90%	40.20%	3.98	1.13
Main stream media taxpayer education programs have enabled motor vehicles spares traders file their returns easily	2.60%	8.50%	20.50%	32.50%	35.90%	3.91	1.07
Main stream media taxpayer education programs by KRA have led to increased tax revenue collection	18.80%	6.80%	17.10%	30.80%	26.50%	3.39	1.43
Main stream media taxpayer education programs have helped in changing the attitude of the motor vehicles spares traders.	16.20%	14.50%	17.90%	21.40%	29.90%	3.34	1.45
Average						**3.66**	**1.27**

The findings in Table 1 show that the majority of respondents (76.10 percent) agreed that the mainstream education of taxpayers in the media informed the traders about the need to pay taxes. The results also revealed that most of the respondents (68.40 percent) agreed that mainstream taxpayer education programs in the media have allowed traders to easily file their returns. In addition, (57.30 percent) of the respondents agreed that KRA's mainstream media taxpayer education programs led to increased collection of tax revenue. The findings also showed that (51.30 percent) of the respondents agreed that mainstream taxpayer education programs in the media helped change taxpayers' attitudes. The average mean of the responses on a five-point scale was 3.66 with a standard deviation of 1.27. This means that most of the respondents agreed with the mainstream media education statements.

4.2 Correlation Analysis

This section provides findings on the correlation between the main stream media education and tax compliance. Table 2 shows the outcome.

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Table 2: Correlation Matrix

Correlations		Y	X_1
	Pearson Correlation	1	
	Sig. (2-tailed)		
Y	N	117	
	Pearson Correlation	.533**	1
	Sig. (2-tailed)	0.000	
X_1	N	117	117

** Correlation is significant at the 0.01 level (2-tailed).

The results in Table 2 show that the relationship between mainstream media education and tax compliance was positive and significant (r=0.533 **, p=0.000).

4.3 Regression Analysis

Table 3: Regression Results; Main stream media education and Tax compliance

Variable	β	Std. Error	t	Sig.
(Constant)	1.894	.293	6.455	.000
Main Stream Media Education	.534	.079	6.763	.000
R square	0.285			
Adj. R square	0.278			
F statistic	45.743			
Sig (F statistics)	0.000			

The results in Table 3 show that mainstream media education has a positive and significant impact (β=0.534, p=0.000) on tax compliance. This indicates that a one-unit increase in mainstream media education would enhance tax compliance by 0.534 units. The F statistic of 45.743 and P value of 0.000<005 further indicate that main stream media education is a significant predictor of tax compliance. Additionally, the R square of 0.285 imply that individually, main stream media education accounts for 29% of total variations in tax compliance among motor vehicles spare traders.

5.0 Conclusion

The study concluded that main stream media taxpayer education is significant in influencing taxpayers' decisions to comply to taxation systems. The study has confirmed that taxpayers' education through main stream media enlightens the motor vehicles spare traders on the need to pay taxes. In addition, the education programmes impact positively on the ability and willingness of the tax payers to file their returns. This type of education changes the attitude of the tax payers towards paying their obligatory taxes to the tax authorities and thus, leads to increased tax revenue collection.

6.0 Recommendations

The business traders need to acknowledge the information updated on the social media platforms, newspapers as well as the ones advertised on national televisions. The study also recommends introduction of tax education to the Kenya Education curriculum both for primary and secondary education to better prepare learners who are future tax payers to the importance of tax compliance at an early age.

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