FACTORS INFLUENCING ADOPTION OF VALUE ADDED TAX (VAT) IN SOCIAL COMMERCE IN KENYA
A CASE OF KENYA REVENUE AUTHORITY

BY
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UNITED STATES INTERNATIONAL UNIVERSITY

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A Research Project Submitted to the School of Business in Partial Fulfillment of the Requirement for the Degree of Masters in Business Administration (MBA)

UNITED STATES INTERNATIONAL UNIVERSITY

SPRING 2014
STUDENT’S DECLARATION

I, the undersigned, declare that this is my original work and has not been submitted to any other college, institution or university other than the United States International University in Nairobi for academic credit.

Signed: ___________________________  Date: ___________________________

Beatrice Macharia
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This project has been presented for examination with my approval as the appointed supervisor.

Signed: ___________________________  Date: ___________________________

Dr. Bernard. Omboi

Signed: ___________________________  Date: ___________________________

Dean, School of Business
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ABSTRACT

The coming of trade via internet affects the Kenya traditional tax system and also government tax revenues. KRA online VAT rates are declining and a reason to this was due to social commerce. Weak formal institutions are also responsible for lower consumer trust in e-commerce and their preference to buy online. Other factors such as lack of awareness, knowledge, skills, and confidence serve as cognitive feedback.

The main objective of this study was to investigate the factors influencing adoption of value added tax (VAT) in social commerce in Kenya. The study was guided by the following specific objectives; to establish the influence of tax policies on the adoption of value added tax (VAT) in social commerce in Kenya, to assess the influence of staff training on the adoption of value added tax (VAT) in social commerce in Kenya, to determine the influence of management commitment level on adoption of value added tax (VAT) in social commerce in Kenya and to assess the influence of internet security levels in the social networks used on adoption of value added tax (VAT) in social commerce in Kenya.

This study covered a period of 10 years i.e. (2004 - 2014) during this period Kenya revenue authority has implemented several tax reforms with the motive of enhancing tax collections and tax efficiency. This research problem was studied through the use of a descriptive research design. The focus of the study was KRA Chief Managers, Middle Level Managers and the Technical staff who total to 1402. Within the context of this study, focus was placed on the KRA headquarters located at Haile Selassie Avenue Nairobi. In order to ensure that these different categories were adequately represented in the sample, stratified sampling was used. Simple random sampling was also used to draw the respondents from each stratum. The researcher selected 420 respondents on whom to conduct the survey. The study used a questionnaire as a primary data collection tool. Data was analyzed using Statistical Package for Social Scientists (SPSS) version 18. Using this package the researcher was able to derive measures of central tendency, frequency distributions, measures of association and measures of dispersion. In addition an advanced statistical technique (inferential statistics) was used. Regression analysis was used to determine the relationship between the independent variables (tax policies, staff training, management commitment level and internet security...
levels) and dependent variable (adoption of VAT in social commerce). The researcher used content analysis to analyze qualitative data.

The study found out that the sets up policies that regulate VAT in social commerce in Kenya through the Chief Managers was to a great extent as shown by a mean score of 3.46. The chief managers indicated that Ministry of Finance sets up policies that regulate VAT in social commerce in Kenya to a great extent as shown by a mean score of 4.31. The findings through the middle management found out that it was a challenge for KRA to administrate and enforce taxation in social commerce to a great extent as shown by a mean score of 4.32. The study through the technical staff aimed at evaluating whether KRA management ensured policies were well implemented to ensure satisfaction at all levels; KRA management ensured policies were well implemented by ensuring fair policies to all stakeholders to a great extent as shown by a mean score of 4.25.

The study through the chief managers and the middle level managers found out that KRA conducted training on VAT adoption in social commerce. According to the findings KRA conducted training by 100% response from the chief managers while on the middle level 83% who were the majority agreed. The chief managers were asked whether KRA allocated money for training during their annual budget, 91% who were the majority agreed. The study aimed at establishing the importance of training from the middle level managers on the organisation and how the training was evaluated in order to improve on the VAT training in the organization. The study found that there was reduction of staff turnover to a great extent as shown by a mean score of 4.21. The study found out that one of the main reasons why compliance was not encouraged was that most social commerce staff users were ignorant about the VAT law and regulations to a great extent as shown by a mean score of 4.42.

The study further found that itax was secure to a moderate extent as shown by a mean score of 3.04. Chief Managers and middle level managers suggest improvement that KRA should adopt in ensuring high security level of VAT compliance via social commerce platform. According to the respondents KRA should champion its literacy campaigns to improve the taxpayers’ ability to understand tax laws i.e. rates of tax, filing and paying dates etc., they should also make the taxpayer feel and understand that they are not paying unfair share of
tax, they should work to improve peer attitude i.e. a belief that neighbours are reporting and paying tax honestly, and rewarding taxpayers i.e. giving a trophy for being best tax-payer via social commerce. On assessing the reliability of the results obtained from social commerce sites from the technical staff in order to improve the security of reliability of social media sites in collection of VAT. The study found that Rupu deals was reliable in collection of VAT to a moderate extent as shown by a mean score of 3.42.

The staff are the most critical component of human resource in Domestic taxes department tasked with the responsibility of ensuring tax compliance. Therefore staff and other stakeholders need to be equipped with the updated skills in order to enhance VAT compliance via social media.

The study concludes that the management commitment is vital in the implementation of the social commerce VAT program. This was found to be so since they are the ones who commit resources such as funding for acquisition of technology and training. Therefore a program success in an organization would have higher chances of success if the management is committed.

The study concludes that security of the VAT system is very important and therefore regular updating of software, ensuring all online transactions are approved by KRA and use of passwords for transaction would ensure control of the security of VAT via social commerce in Kenya that would keep off system hackers.

The study recommends that the tax laws should be revised in order to ensure compliance at the sale point is enhanced. This will ensure improved compliance.

The study recommends all the KRA staff should be regularly trained on social VAT matters; employees who are more conversant with VAT in social commerce activities are supposed to engage with the social platform users to share the knowledge on how and when to pay their VAT online. This will ensure improved compliance rate.

The study also recommends the managements should ensure they commitment level towards the adoption of VAT via social platform is enhanced. This will ensure effective policy
implementation that will ensure their staff are also encouraged to the VAT collection commitment.

The study further recommends that security levels of the i-tax should be upgraded and maintained to user’s satisfaction. This will encourage more people to use the online services in their sales as well as compliance of VAT via social commerce in the country.
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DEDICATION

I dedicate this project to my Father Johnson Macharia and my Mother Jedidah Muthoni for their endless support.
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LIST OF ABBREVIATIONS

EACCMA: East African Community Customs Management Act
EFT: Electronic Funds Transfer
E-tax: Electronic Tax
FIPS: Federal Information Processing Standards
GDP: Growth Domestic Products
GST: Goods and Services Tax
ICT: Information Communication and Technology
IMF: International Monetary Fund
IRC: Internal Revenue Code
IRS: Internal Revenue Service
KNBS: Kenya National Bureau of Statistics
KRA: Kenya Revenue Authority
NIST: National Institute of Standards & Technology
OECD: Organisation for Economic Co-operation and Development
RMT: Real Money Trading
SAGA: Semi Autonomous Government Agency
SCSEMs: Safeguard Computer Security Evaluation Matrices
SP: Special Publication
SPSS: Statistical Package of Social Science
U.S.: United States
UNCTAD: United Nations Conference on Trade and Development
VAT: Value Added Tax
CHAPTER ONE

1.0 INTRODUCTION

1.1 Background of the Study

The fast spread of the Internet use in the 1990s, has ensured a new era of commercial transactions that began the era of electronic commerce (OECD, 2010). Social commerce, understood as all commercial transactions, whether between private individuals or commercial entities, which take place in or over electronic networks, has revolutionized the modern business world. Not only did it change dramatically the way goods and services are supplied, but it has also led to huge amounts of profits gained from electronic transactions conducted worldwide (Bobek, Roberts and Sweeney, 2007). The tremendous growth of online transactions has challenged the existing legal regimes in many respects. The most heated debates are held in the area of taxation in electronic commerce, as the traditional concepts of taxation, which have always been determined by territory and jurisdiction, could not be easily applied to the commercial activity conducted in the borderless cyberspace. In particular, the problems have occurred related to determining the jurisdiction entitled for tax collection, making a distinction between goods and services, establishing a seller’s and a buyer’s identity and location, the low level of tax compliance and the revenue losses. As a consequence, it has been recognized on both national and international levels that the existing tax systems need to be changed (Hajli, 2013).

Social commerce has allowed businesses to increase their market to far off regions and its creation is one of the reasons that have allowed the globalization of African markets. However the management skills by stakeholders are still wanting (Ambele and Bui, 2011). Several scholars propose that social commerce is an important factor behind the process of globalization but on the other hand leaves a gap on VAT collection via the social media platform (Karimov and Brengman, 2011). One of the popular examples of social commerce facilitating globalization and a challenge on VAT compliance is the unprecedented level of interaction between consumers from all over the world on websites and low security levels such as EBay, Ama-zon, PayPal, Google ads, Facebook, OLX, Sokoni etc (Kaplan and Haenlein, 2010).
In Kenya, taxation is the single largest source of government budgetary resources. A study carried out by Doyle, Frecknall and Glaister (2009) found out that between 1995 and 2004, tax revenue constituted 80.4% of total government revenue (including grants). Taxation is used to raise sufficient revenue to fund public spending without recourse to excessive public sector borrowing. Secondly, it is used to mobilize revenue in ways that are equitable and that minimize its disincentive effects on economic activities (Torgler, 2010). Unfortunately, over the same period, Kenya has moved from being a low tax burden country to a high tax burden country, yet the country still faces the obvious need for more tax revenues to maintain public services.

According to Sessional Paper No 1 of 1986 (Karingi et al., 2009), the Kenyan Government initiated essential policy goals: raise the tax revenue-GDP ratio from 22% in 1986 to 24% by the period 1999/2007, promote saving and investment by placing a greater burden on taxation of consumption, devise a tax structure that distributes income equitably and promotes rural-urban balance, make industry more competitive through reviews of import duties and export compensation, design a buoyant and elastic tax system that keeps revenues expanding at the same pace with income growth without annual changes in rates, reduce compliance and administrative costs through low and rationalized tax rates, wider tax bases, self-assessment systems and taxpayer education and services. These reform goals gave birth to the Kenya Revenue Authority (KRA) which was incorporated in 1995. KRA administers different types of taxes under different Laws (Acts) such as Income Tax, Value Added Tax, Custom duties and Excise Tax among many others. Hence, KRA is supposed to ensure taxpayers comply with the respective tax laws (Simiyu 2003).

Value Added Tax, (VAT) policies on consumer expenditure was introduced in Kenya in 1990 in order to replace sales tax, which had been in operation since 1973. It was introduced as a measure to increase government revenue through expansion of tax base, which hitherto was confined to income tax and sales tax. VAT is levied on consumption of taxable goods and services supplied in Kenya or imported into Kenya. Registered persons acting as agents of government of Kenya collect VAT at designated points and then submit to the Kenya Revenue Authority (KRA) (Simiyu 2003). Previous empirical studies conducted by Moyi and Ronge (2006), indicates that VAT contribution is estimated to an average of 5.4% of GDP.
between the year of its introduction (1990) and the year 2005. The average of total tax contribution to GDP for the same period was 19.8%. This clearly indicates that in Kenya, VAT contributes substantially to the growth of the economy. Another study conducted by Waris et al, (2009) reveals that despite the importance of VAT in the national budget, the period between the year 2000-2003 showed that VAT had the highest share of total tax (above 30%). However, the VAT contribution trend declined to total taxes collected from the year 2003 onwards. This trend is worrying and calls for intervention reforms. Kenya revenue Authority (KRA) has since introduced several reforms in its revenue collection system including the introduction of electronic tax registers.

Taxation refers to the act of a taxing authority actually levying tax. Taxation as a term applies to all types of taxes, from income to gift to estate taxes. It is usually referred to as an act; any revenue collected is usually called "taxes" (Wresch and Fraser, 2011). Training is the educational preparation for performing a job that is typically provided to staff by the business that has recently hired them before they become active in service to the company. Employee training is increasingly required to assist the work force in using modern techniques, tools, strategies and materials in their jobs (Seyal and Rahman, 2005). Direct participation by the highest level executives in a specific and critically important aspect or program of an organization. In management it includes setting up and serving on a quality committee, formulating and establishing quality policies and objectives, providing resources and training, overseeing implementation at all levels of the organization, and evaluating and revising the policy in light of results achieved (Chung, 2009). Internet Security is a branch of computer security specifically related to the internet taxation, often involving browser security but also network security on a more general level as it applies to other applications or operating systems on a whole (Braithwaite, 2007).

Ambele and Bui (2011) adds that the low growth of social commerce in developing countries including Kenya is due to insufficient general laws and regulations by KRA related to concerns about privacy; there are few or no business laws for social commerce, such as privacy laws; and internet purchasing taxation concerns. Furthermore, social commerce is a borderless activity and there are no agreed international regulations, so this could raise jurisdiction issues and create conflict in laws such as with regard to taxation issues (OECD,
The current laws in Kenya are fashioned towards physically-oriented business transactions and therefore there is a need for adequate laws which will cater for both physically-oriented and virtual business transactions (Hajli, 2013). The current Kenyan tax laws do not envisage the emergence of e-commerce. However, since e-commerce is imminent in meeting global standard in business transactions, a new tax regime is necessary to cater for taxation of e-commerce; otherwise the purpose of tax as a source of government revenue may be eroded. Despite dramatic improvements in recent years in e-commerce policies, staff training, management commitment and internet security in automated data capture by revenue agencies in order to ensure compliance in VAT, there still exists a gap on the side of the users and revenue agents administrators (Moyi and Ronge, 2006).

1.2 Problem Statement

Social commerce by its very nature involves cross-border trade and it follows that international tax principles require that the source and the residence of the taxpayer guide in determination of the place where tax becomes payable (Alm and Melnik, 2010). There is danger that conventional source and residence based taxation schemes may at times lead to double taxation of income. Bilateral and multilateral treaties attempt to allocate income earned to the source and to the residence according to permanent establishment and to give credits to minimize double taxation. Direct collection of taxes becomes difficult to locate when the business activity is carried over the internet as there is no fixed place of business (Kenny, 2009). Another setback in relation to social commerce is that, indirect taxes such as value added tax (VAT) are usually left out of the multilateral and bilateral treaties that address the problem of double taxation. Most VAT regimes are designed to operate in the geographic location of the parties to transactions. VAT by its very nature is a tax in rem because the personal circumstances of the tax payer are out of consideration (Tigre and Dedrick, 2008).

According to Kenya Data and Statistics (2012), the total social commerce sales for the Kenya in 2012 were approximately 133.6 billion. As more and more retailers engage in e-commerce and the number of consumers using online shopping increase, the online market is expected to grow and become very competitive (KNBS, 2012). The adoption of VAT in social commerce
commerce in Kenya has been faced with a number of challenges which include lack of clear
tax policies to govern the social platform due to the complicated ways of knowing whether
indeed the transaction was done or not and the amount of transaction between the seller and
the buyer remains anonymous (Sakurai and Braithwaite, 2012). There is also a challenge by
KRA in training their staff on how to collect VAT in the social platform due to the said
factors. According to Kenny (2009) the management commitment level of KRA has been
reluctant in addressing this challenges and coming up with innovative ways of dealing with
the VAT compliance in the social platform which has contributed to tax evasion by social
commerce users. Karingi et al., (2009) asserts that the other challenge facing KRA is the
lack of internet security levels in the social networks which can help them trace all online
transaction for the once used currently are so open without any linkage to the tax collector
agency (Kenya Data and Statistics, 2012).

A research by KNBS (2012) shows that that KRA online VAT rates are declining and a
reason to this was due to social commerce. Therefore, Sakurai and Braithwaite (2012) assert
that, in the digital worlds social commerce causes a new problem of smuggling due to lack of
clear online trade policies. The challenge of lack of knowledge of tax compliance behaviour
towards a tax system is serious on the grounds that it may have played part in the Ksh. 3.4
Authority will not control this type of commerce and earn from it, they will encounter revenue deficit. Social commerce has made it impossible for Kenya Revenue Authority to
view the information and tax. Tax payers disappear in the cyberspace and no one knows
where they really are (International Telecommunications Union, 2009). Even in the case of
identifying one businessman internet firm, taxing would be difficult because the time and
place of the transaction are not determined.

1.3 General Objective

The general objective of this study was to investigate the factors influencing the adoption of
value added tax (VAT) in social commerce in Kenya

1.4 Specific Objectives

The study was guided by the following specific objectives:
1.4.1 To establish the influence of tax policies on the adoption of value added tax (VAT) in social commerce in Kenya
1.4.2 To assess the influence of staff training in the adoption of value added tax (VAT) in social commerce in Kenya
1.4.3 To determine the influence of management commitment level in the adoption of value added tax (VAT) in social commerce in Kenya
1.4.4 To assess the influence of internet security levels in the social networks used in adoption of value added tax (VAT) in social commerce in Kenya

1.5 Importance of the Study

The findings of the study will be of importance to the following stakeholders;

1.5.1 KRA Management

The researcher hopes that the findings of the study will go a long way to improve the management of taxation in Kenya. In the first place, the findings are useful to the Kenya Revenue Authority in formulating a policy action plan to address value added tax (VAT) in social commerce in Kenya.

1.5.2 Policy Makers

The recommendations provide useful suggestions to key policy makers and players to enable them deal with the challenges facing the adoption of value added tax (VAT) in social commerce in Kenya. These will include; Ministry of finance, parliament, KRA policy unit and all other relevant policy makers.

1.5.3 Researchers

The outcomes of the study will be a very resourceful reference material to various stakeholders in the economy and readers in general interested in gaining more knowledge on value added tax (VAT) in social commerce in Kenya.
1.5.4 Financial Institutions

Financial institutions will find the information useful when developing products that relate to collection of Value Added Tax (VAT) hence generation of more revenue in the long run. An example is in the new itax programme that the banks have been incorporated into by KRA to help in collection of taxes like VAT.

1.5.5. Investors

Investors will be keen to note how the social commerce platform is playing in the country and the VAT rules in social commerce. This would help them in their investment decisions.

1.6 Scope of Study

The purpose of this study was to assess the factors influencing adoption of value added tax (VAT) in social commerce in Kenya at Kenya revenue authority. The research scope explored the adoption of value added tax (VAT) in social commerce at Kenya Revenue Authority. The study targeted the management team and the staff in Kenya Revenue Authority (KRA) head quarters in Nairobi. The study was carried out in the month of January targeting four chief managers, nine middle level managers and four hundred and seven support staff who total to four hundred and twenty respondents.

1.7 Definition of Terms

1.7.1 Social Commerce

This is a subset of electronic commerce that involves using social media, online media that supports social interaction, and user contributions to assist in the online buying and selling of products and services (Thompson, 2006).

1.7.2 Taxation
Refers to the act of a taxing authority actually levying tax. Taxation as a term applies to all types of taxes, from income to gift to estate taxes. It is usually referred to as an act; any revenue collected is usually called "taxes" (Wresch and Fraser, 2011).

1.7.3 Training

Educational preparation for performing a job that is typically provided to staff by the business that has recently hired them before they become active in service to the company. Employee training is increasingly required to assist the work force in using modern techniques, tools, strategies and materials in their jobs (Seyal and Rahman, 2005)

1.7.4 Management Commitment Level

Direct participation by the highest level executives in a specific and critically important aspect or program of an organization. In management it includes setting up and serving on a quality committee, formulating and establishing quality policies and objectives, providing resources and training, overseeing implementation at all levels of the organization, and evaluating and revising the policy in light of results achieved (Chung, 2009).

1.7.5 Internet Security

This is a branch of computer security specifically related to the internet taxation, often involving browser security but also network security on a more general level as it applies to other applications or operating systems on a whole (Braithwaite, 2007).

1.8 Chapter Summary

This chapter gave an introduction to the study on the factors that influence adoption of VAT in social commerce in Kenya. In particular, the problems identified to influence VAT adoption in social platform include tax policies, staff training, management commitment level and internet security levels in place. As a consequence, it has been recognized on both national and international levels that the existing tax systems used in social commerce need to be reviewed in order to ensure enhanced compliance of VAT.

The section defined social commerce in order to ensure the reader understands the concept. This section indicated courses of the low growth of social commerce in developing countries
including Kenya which was due to insufficient general laws and regulations by KRA related to concerns about privacy; there are few or no business laws for social commerce, such as privacy laws; and internet purchasing taxation concerns. Furthermore, social commerce is a borderless activity and there are no agreed international regulations, so this could raise jurisdiction issues and create conflict in laws such as with regard to taxation issues. The section has also presented the current laws, management commitment, security levels as well as staff training in Kenya which needs to be addressed to cater for both physically-oriented and virtual business transactions.

The next chapter reviewed literature on research done in other parts of the world in the area of social commerce and adoption of VAT in other jurisdictions.
CHAPTER TWO

2.0 LITERATURE REVIEW

2.1 Introduction

The literature review in this study gives an theoretical review in social commerce as well as what some recent studies have found out value added tax (VAT) on social commerce. This section present tax policy, staff training, management commitment level and internet security levels and how they influence adoption of value added tax in the social commerce platform as discussed by other scholars.

2.2 Tax Policies

Beekman (2010) an economic researcher from the American Association of Retired Persons Public Policy Institute, investigated the capital gains/ordinary income distinction in virtual worlds in adoption of VAT. The study found that sales tax provides about 25 percent, on average, of state and local tax revenues. These taxes go uncollected on many Internet sales. This is because the Supreme Court has placed limits on the states' abilities to require certain out-of-state merchants to adopt VAT collection (Adamolekun, 1999). Moreover, consumers have failed to carry out their legal responsibilities to submit the sales tax to their home states. Thus under the existing laws related to VAT in social commerce, identical products may be taxed differently depending on whether they are purchased over the Internet, through a catalogue, or in a traditional "mortar-and-bricks" store.

Traditional retailers accuse that this situation confers a price advantage on catalogue and Internet retailers since they don’t comply to VAT in social commerce (Schick, 1998). Huffaker et al., (2010) investigated the seller activity in a virtual marketplace by ensuring the adoption of VAT. The study found out that the social commerce VAT collection base for state and local governments is shrinking because of the expanded use of services not subject to sales tax and legislatively granted exemptions. These services include purchases made through the Internet, telephone, and catalogs. Ecommerce is merely one of the casual factors in the reduction.
Karimi and Baghaei (2010), aimed to assess electronic commerce and VAT adoption in Iran. According to the findings the Internal Revenue Service (IRS) did not have a specific policy that addresses taxation of income earned within virtual world economies; Iran which is among the growing economies has clearly outpaced current tax law. Fjeldstad (2003) asserts that while it is possible that some people do report the amount earned in RMT it is more likely that virtual worlds are a tax haven for those who make their living through buying and selling virtual goods and services. Section 2.2.1 will review the taxation system and how it influences the adoption of VAT in social commerce.

### 2.2.1 Taxation Systems

Fraser and Wresch (2005) did a study on National competitive advantage in e-commerce efforts and VAT adoption: from five Caribbean nation’s perspectives. According to their findings for a system that the adoption of VAT income was generated when the seller converts virtual profits into real-world currency. In order to ensure the adoption of VAT in the social commerce continue to thrive, even though they would be taxed, they recommend the adoption of VAT in the social commerce maintain a ‘hands-off’ policy but clearly communicate the guidelines and required polices in handling virtual worlds (for example, Linden Labs owns Second Life; World of Warcraft is owned by Blizzard Entertainment convey to buyers and sellers information regarding both the law and the consequences of breaking it) (Adamolekun, 2002).

Coppel (2010) investigated adoption of VAT in the social commerce and policy challenges in the online economy. The authors concluded that virtual asset exchanges constitute income realization events for (Federal income tax) purposes because they involve arms-length exchanges of virtual properties that possess distinct legal and economic entitlements that are capable of being objectively valued to ensure VAT is remitted. Noda and Collis (2010) investigated the evolution of in train industry firm heterogeneity and found that not all virtual worlds should be treated equally when it comes to adoption of VAT in the social commerce. She makes a distinction between game worlds such as World of Warcraft and unscripted worlds such as Second Life, arguing that transactions in game worlds should not adopt VAT in the social commerce until the seller engages in RMT but that in unscripted virtual worlds,
in-world sale of virtual goods and services using virtual currency be VAT compliant even if the transaction stays in-world and the seller does not cash out (Wresch and Fraser, 2011).

Sakurai and Braithwaite (2012) investigated the taxpayers' perceptions of Practitioners rationale for distinguishing between different virtual worlds and their behavior on the adoption of VAT in the social commerce typically focus on conquering challenges, not on commerce whereas an unscripted world such as Second Life encourages its participants to adopt VAT in the social commerce (Walker, 1996). Section 2.2.2 will review the tax policies reforms and how it influences the adoption of VAT in social commerce.

2.2.2 Tax Policies Platforms

Seyal and Rahman (2008) did an investigation of E-Commerce Adoption in Small and Medium Enterprises. The study found out that virtual world transactions in the first type of platform should not be taxed; however, if RMT occurs (even though it is against the terms of service), that transaction generates taxable income. Beekman (2010) did an investigation on Virtual assets and real tax and found that all transactions should be taxed; RMTs trigger a change in net worth and are therefore taxable. Camp (2007) says that while virtual economies have not considered current tax laws, there are some existing laws that do apply. For example, section 61 of the U.S. Internal Revenue Code (IRC) clearly states that all income from whatever source derived is taxable (Alm and Melnik, 2010).

Tigre and Dedrick (2004) argues that activities and/or transactions solely in-world should not be taxed unless those units are converted into cash. When people who’s in world assets become more like a medium of exchange producing income and less like units of play, those transactions should be taxed. The IRS could more easily make the case for taxing the income of people in virtual worlds who have more control over their virtual assets (Beekman, 2010). Castronova (2004) puts the burden on the operator of the virtual world platform. He argues that if a virtual world operator allows virtual transactions to occur, the terms of service should reflect that the platform is intended for economic exchange and the transactions will be taxed. If the virtual world operator does not want transactions to be taxable, the terms of service must forbid RMT and the rule strictly enforced (Braithwaite, 2007).
Mack (2008) puts the entire burden of tax collection on the operator of the virtual world platform. He argues for a “sales-and-use” tax. In this scenario, a system would be in place within the virtual world to automatically deduct a percentage of each transaction. The operator of the virtual world platform would then hold that deduction and forward it on for governmental collection. Chung (2009) suggests since virtual currencies act in many ways like ‘real money’ and are increasingly used in the real world, they represent cash equivalents and should be treated and taxed like foreign currency at the time the currency is converted (cashed out) and an economic gain is achieved. He uses the example of the ‘QQ coin’, a virtual currency created by the Chinese company Tencent that allow users to shop in the company’s virtual world and instant messaging service (Beekman, 2010). The use of QQ coins quickly grew beyond the Tencent services, with shoppers using them to purchase real-world goods and services. QQ coins are so popular that the Chinese government is pressuring Tencent to limit the trade of QQ coins because of the potential for money laundering and the inflation of the real Chinese currency (Lastowka and Hunter, 2011). Section 2.2.3 will review the tax laws and how it influences the adoption of VAT in social commerce.

2.2.3 Tax Laws

Chodorow (2008) approaches the issue of adoption of VAT in the social commerce within the context of the existing U.S. tax laws. The ‘ability to pay’ is a core factor in the adoption of VAT in the social commerce concept. Under that standard he argues that the adoption of VAT in the social commerce should be based on a taxpayer’s ability to cash out; if a virtual world allows participants to cash out then that income should be taxed. Likewise, virtual income earned in worlds that prohibit cashing out should not be taxed; the ability to adopt VAT in the social commerce is not a function of virtual income (Oxley and Yeung, 2010). Huffaker et al., (2011) maintains that once it has been established that the adoption of VAT in the social commerce has value and the participants can cash out, the virtual nature of the income does not warrant VAT treatment different from that which would apply to real-world transactions.

In order to respond to these domestic reforms, policy makers need to first, see the clear synergies that exist between the elements of policy reform which support adoption of VAT in
the social commerce (McGill, 2003). Making substantial progress on one element will not reap all the rewards as expected because of its close relationship with the three foundations for e-commerce readiness. Second, exploiting and discovering present technology available throughout the globe has advantages of interoperability and can jump-start the internationalization of domestic producers (Chung, 2009). Finally, the premier innovation, profit, and increase in economic well-being will be generated by private sector entrepreneurs that account for market niches unique to the domestic market, since domestic entrepreneurs have a better understanding of their own market as well as adoption of VAT in the social commerce (Mann, 2010).

The study has examined tax policies and how they impact on VAT compliance on the social commerce. From the literature the deepening globalization and associated or parallel technological and institutional developments are erecting conditions which may reduce the tax authority ability to sustain VAT compliance in the social platform (Adamolekun, 2002; Sakurai and Braithwaite, 2012). The exponential growth and increasing commercialization of the internet along with sweeping technological and regulatory changes have posed a challenge to the revenue agencies (Camp, 2007); the same has also posed a challenge to the state’s traditional approaches to taxing business activity and its facilitation. State tax administrators and policy makers (Chodorow, 2008), alarmed at the prospect that their tax bases will disappear into cyberspace, are seeking means to accommodate their taxing regimes to e-commerce (Mack, 2008). The said studies were not done in Kenya and hence the need for a study that will be done in an African continent and compare the findings.

2.3 Staff Training

Training at a general level, is inseparable from human life (Huffaker et al., 2011). Since the dawn of human civilization, societies have tried to mould individuals so that they can be able to relate in effective, efficient and meaningful ways with various aspects of their environment (Morrisi, 1996). As civilization advances and deepens, complex institutions and problems emerge that require equally complex solutions mostly in the adoption of VAT in the social commerce. VAT training emerges, as a concept and practice, from the increasing realization that management training is important, if not more, as compared to capital, technology and machines for growth. A feature in repayment compliance across all participating revenue
bodies for both income tax and VAT that distinguishes it from other areas of compliance attention is the presence of a pre-issue verification treatment as a standard component that will enhance and create the adoption of VAT in the social commerce (Tennant, 2010).

Training on the adoption of VAT in the social commerce ensures that all stakeholders are made aware of compliance; the risk of repayment fraud is identified as the principal reason for their maintaining a continuous and ongoing pre-issue of the adoption of VAT in the social commerce strategy (Rosenberg, 2010). Across participating revenue bodies the trend towards greater knowledge on the use of computerized services was a common characteristic of general VAT in social commerce enhancement (Lastowka and Hunter, 2011). Improvements and benefits for taxpayers and revenue bodies in accessibility, timeliness and cost effectiveness are routinely cited as the attraction on the knowledge through employee training towards social commerce (Dholakia and Utpal, 2005).

Training on adoption of VAT in the social commerce service is rarely cited as the specific driver of the organisation pursuing its electronic take-up strategies. However, Australia, Canada, Ireland and the USA offer differentiated their revenue agents training standards across social commerce users as part of their incentive to encourage taxpayer’s migration to electronic filing methods. In those countries experience this is seen as successful, all show improved adoption of VAT in the social commerce rates over recent years (Odedra-Straub, 2006). Notably, except for Ireland, these countries have above average proportions of their personal income tax populations receiving refunds under a non-cumulative system. The conclusion drawn is that under these circumstances staff training on the adoption of VAT in the social commerce has wider appeal and is likely more influential as a consequence (Thompson, 2006). The following are subsection of literature on training and how they influence the adoption of VAT in social commerce.

2.3.1 VAT Training

Training on the adoption of VAT in the social commerce regulation is a process that confidently and openly engages regulates to think about their obligations and accept responsibility for regulating themselves in a manner that is consistent with VAT law (Braithwaite, 2007). The basic idea of staff training on adoption of VAT in the social commerce...
commerce is by having responsive regulation that are responsive to the conduct of those they seek to regulate and law enforces should be responsible to how effectively citizen are regulating themselves before they intervene (Sharma and Gupta, 2008). As highlighted by Sparrow (2000) training on adoption of VAT in the social commerce is by having responsive regulation about how regulators should behave rather than how regulation should be changed. The idea is during interaction with regulatees, responsive regulation requires regulators to conduct themselves in responsive, respectful and professional manner and this can only be achieved through effective training. Through responsive regulation, compliance can be fostered through proper training on the adoption of VAT in the social commerce. Training approach on the adoption of VAT in the social commerce would be a better strategy to be adopted by regulators that may result in cooperation from the regulates (Kshetri, 2007).

A report by UNCTAD (2010) suggests that taxpayers with higher level of tax knowledge through training tend to have positive attitude towards adoption of VAT in the social commerce. Taxpayers with better education through adoption of VAT in the social commerce training may acquire more knowledge about tax law and would be in a better position to understand the requirement to adopt VAT in the social commerce. Similarly, Oxley and Yeung (2010) cross-border survey of VAT compliance finds that taxpayer training level does influence their decision making in effecting the adoption of VAT in the social commerce. Kenny (2009) empirical evidence indicates that uncertainty of VAT systems via social commerce reduces compliance whilst information or knowledge has a positive impact on compliance. Tax administrations are encouraged to use communications as an effective tool to deliver relevant tax knowledge and continuous tax education programs to encourage taxpayers to comply and at the same time will deter them from non-compliance while using social commerce.

The process of VAT training comprises various activities such as risk identification, risk analysis, risk assessment, risk prioritization and risk evaluation. Also, compliance risk management is based on understanding and identifying factors that influence taxpayer’s behaviour and attitudes to adopt VAT compliance in the social commerce and to implement effective responses to manage non-compliant behaviour (OECD, 2010). Literature suggests that adoption of VAT in the social commerce training seems to be one of the determinant
factors which influence taxpayer behaviour toward compliance. Other influencing factors are social and personal norms, tax morale and trusting the tax system, amongst other factors. Section 2.3.2 will review the training on participating revenue bodies and how it influences the adoption of VAT in social commerce.

2.3.2 Employee Training

A study by Molla and Licker (2009), show that a training program for the revenue bodies on online VAT collection in social commerce can serve a range of diverse purposes for many different beneficial reasons both to the revenue agency and the state. In broadcasting one of the strongest motives is the need to respond to challenges presented by new technologies. As online technology changes at an increasingly blur boundaries between previously distinct jobs, producing greater demands for a multi skilled staff. In any event, many persons will need to be trained in the new skills required by technology changes, and some of that retraining will be conducted within their organizations. Improving efficiency and performance to ensure that the organization is capable of responding program but in striving for enhanced efficiency and levels of performance, training should also be seen as a part of individual professional development. An organization can increase the likelihood that will keep valued employees if it demonstrates that it is willing to invest in their professional development, by improving their skills and expertise through organizations support for their training on compliance of VAT via the internet (Gatigson and Robertson, 2007).

Karimi and Baghaei (2010) assert that the symptoms of a lack of proper training are many. The most self-evident are haphazard work, delays and malfunctions because of errors or mistakes, performance and quality standards not met, excessive wear of equipment, and failures to follow established rules and procedures of VAT compliance. Other more subtle signs include a lack of interest in work, untidy work, and lack of a sense of responsibility, absenteeism, and poor communication (Mujahid, 2012). Seyal and Rahman (2005) affirms that an effective training impact is not only a way of doing but also a way of thinking. A well trained person when faced with a problem should be able to respond quickly and wisely. Appropriate training should lead to a better and happier person on the job, an individual who is able to function as part of the organization’s team. Where an organization has dispersed
operations, perhaps with production units located in several different locations, a central training program can even help to promote a sense of “esprit de corps” throughout the organization. Employees who attend training programs will have met people working for other units and made contacts that can be maintained as part of an enriched working environment. Common working practices among employees also ensure that they can work together more efficiently and effectively (Wresch and Fraser, 2011).

Adoption of VAT in the social commerce training minimizes the chances of VAT evasion by social commerce users and this also helps to develop more innovative ways of ensuring compliance. The offsetting of credit outcomes from one tax against liabilities arising in another is common place across many participating revenue bodies (Sofaer et al., 2007). The administrative training provide taxpayers with very timely access to a tax repayment (specific credit) as a consequence of it being delivered via the third party provider as part of the financial transaction that gives rise to the credit (Camp, 2007). Section 2.3.3 will review various training initiatives on alternative method of taxation and how they influence the adoption of VAT in social commerce.

2.3.3 Training on Alternate Methods of Taxation

The other option is for revenue bodies to push tailored information, advice or messages via the electronic service. Most of the participating revenue bodies report their use of targeted push strategies prior to the filing period as means of influencing correct return preparation or flag key areas of risk (Pigato, 2010). Traditional mail-out methods are still the norm in the majority of instances but the use of electronic channels can offer improved timing of the message (e.g. at the time the specific taxpayer is preparing their return). Consistent use of the taxpayer preferred electronic channel may also be a positive influence on electronic take-up and retention rates. There is a note of caution offered by participating revenue bodies regarding the advances and growth in their use of electronic repayment services. The benefits to taxpayers of the use of electronic filing services in particular, are at least equally attractive to those that attempt repayment fraud. Taking an integrated service and compliance approach to implementing enhanced or expanded electronic services is seen as the most desirable
strategy for revenue bodies to deliver appropriately balanced repayment risk outcomes (OECD, 2008).

Tax administrators in developed and developing countries play many roles. They are expected to collect revenue, process returns and information, limit tax evasion, provide services to taxpayers, and, in many countries, implement social programs through the tax systems (Hawk, 2004). The objectives and policies of tax administrators differ among countries and over time. Yet, without a clear understanding of the short-term and long-term objectives, it is difficult to measure the success or failures of tax administrators. It is also difficult to decide how to allocate resources, whether personnel or investments in technology, among the different administrative functions. The IRS has found it hard enough to make the right decisions on such matters; it is not surprising that the task has proven even more challenging in the much more difficult circumstances facing developing countries (Singh and Tanburn, 2012).

According to Pigato (2010) decision-makers have different time frames and objective functions. For example, if the primary focus is on short term tax revenue, decision makers may choose not to invest in projects that have potentially large long term benefits and the potential to strengthen the state by improving its tax interface with society (Mukti, 2010). Such subtleties may be left aside in most developing countries, as these countries lack the relevant information to make such determinations. In many countries, the only data systematically collected by tax administrations are current tax revenue collections. Even the large revenue administration improvement programs funded by international agencies such as the World Bank, have not, to our knowledge, assembled or used data on relative marginal costs and benefits to make informed decisions on different proposed administrative reforms. In this, as in other areas of development policy, faith and ideas derived from experience elsewhere may have determined more allocative decisions than has evidence based analysis (Kenny, 2012).

The study has reviewed the literature on staff training and its influence on VAT compliance in the social commerce platform. Studies by Braithwaite, 2007; Tigre and Dedrick (2004); Karimi and Baghaei (2010); Wresch and Fraser (2011) and Pigato (2010) leave gaps on how
training should be conducted, how often and the contents of training which are supposed to be given to staff and hence this study will aim at filling this gap. The next section will review the management commitment level in ensuring VAT compliance in social commerce as gathered from other scholars.

2.4 Commitment Level of the Management

Today’s competitive environment requires careful analysis in designing the organizational structure most suitable to build competitive advantage (Huffaker et al., 2010). Structure deploys accountabilities so that the organization can achieve its goals and objectives and, ultimately, its mission. The enterprise's mission and goals are the general and specific accountabilities of top management. The goals then are subdivided into objectives that are delegated to the next level of executive management. In effect, a strategy defines both the firm's direction and top management's job (Schick, 1998).

Decision-flow processes, however, are the vehicles companies use to integrate results into coherent patterns for developing, implementing, and controlling decision making (Baghaei, 2010). Without understanding the general course of strategy, employees can't contribute to an effective implementation. What's necessary to help reach this goal is a higher degree of transparency in the decision-making process (Sparrow, 2000). Top management's principal challenge in the cultural context is to set the culture's tone, pace, and character to see that it is conducive to the strategic changes that the executives are charged with VAT implementing (Schlimgen, 2010).

According to Kenny (2009), when implementing VAT, the most important facet is top management's commitment to the VAT implementing strategic direction itself. In fact, this commitment is a prerequisite for VAT implementation. As such, top managers have to show their dedication to the effort. At the same time, this shows a positive sign for all affected employees (Schlimgen, 2010). To implement adoption of VAT in social commerce successfully, senior executives must not assume that lower-level managers have the same perceptions of the VAT strategy and its implementation, its underlying rationale, and its urgency. Instead, the executives must persuade employees of the validity of their ideas.
The following section will present literature on commitment level and how they influence VAT adoption in social platform.

2.4.1 Management Cross-Functional Relations

Huffaker et al., (2010) asserts that VAT implementing processes frequently result in problems or even fail due to management failure due to sometimes duplicated roles in ensuring adoption of VAT in the social commerce. Who's responsible for what? To add to this problem, responsibilities are diffused through numerous organizational units that tend to think in only their own department structures without consulting the management who may have immense knowledge on the adoption of VAT in social commerce (Oxley and Yeung, 2010). That's why cross-functional relations are critical to an implementation effort. Bureaucracy makes this situation even more challenging and can make the whole adoption of VAT in the social commerce a disaster in the system. To avoid power struggles between departments and within hierarchies, policy makers should create a plan with clear assignments of responsibilities regarding detailed implementation activities. Through this approach, management responsibilities become evident, and potential problems can be avoided before they can impact on VAT compliance in the social commerce (Beekman, 2010).

Difficulties associated with tax implementation in reviewing the literature on public institutions, Adamolekun (2002) identified three areas that they believe must be addressed if these institutions are to adopt VAT compliance successfully. These areas are multiple and conflicting goals; constraining financial, legal, contractual, and organizational practices; and difficulties aligning actions of individual members of the organization with its goals (Mack, 2008). These areas represent constraining forces that inhibit the adoption of social commerce in public institutions that can be managed by ensuring the management functions well (Wresch and Fraser, 2011).

Because setting goals for an agency is a highly political process, the tendency is to make the goals of adoption of VAT in the social commerce a reality (Coppel, 2010). Substance gets flushed out in the process of political negotiation and agreement is achieved at the expense of
goals that are ambiguous and sometimes conflicting and, hence, quite difficult to implement. Castronova (2004) emphasized the diverse and ambiguous nature of goals in public institutions. Although the literature emphasizes the problem with goals in the public sector, Sharma and Gupta (2008) report empirical evidence to the contrary. They found that public managers perceive their goals as clear and achievable in the adoption of VAT in the social commerce and directing the same to their staff, but this result may depend on the relative public of the organization. Setting goals in a highly politicized environment can cause difficulties for public managers, especially those in federal agencies that have a variety of stakeholders (Noda and Collis, 2010). Section 2.4.2 will review the management on the adoption of VAT in social commerce.

2.4.2 Management Culture

Culture is composed of the tacit assumptions about rules, rituals, roles, and relationships, which are expressed in values and symbols (Stephens, 2011). Management culture is a general concept with many different meanings and difficult to define or explain precisely. The concept of culture has developed from anthropology. Although, people may not be aware consciously of culture, it still has a pervasive influence over their behavior and actions. There is, however, no consensus on its meaning or its applications to the analysis of work organizations (Wresch and Fraser, 2011). Furthermore, there is sometimes confusion over the difference between the interpretation of organizational culture and organizational climate. A popular and simple way of defining culture is ‘how things are done around here’.

Management culture is the collective programming of the mind, which distinguishes the members of one human group from another (Chan et al., 2000). It is an integrative aggregate of common characteristics that influence how a human group responds to its environment, and it binds a given group of people. Management culture is a set of socially acquired values that managers accepts as a whole and transmits to its members through language and symbols. As a result, management culture reflects a society’s shared meanings and traditions (Coppel, 2010).

Management culture is crucial to an organization because it takes into consideration the fundamental changes in the organisation environment, thus making organizations more
proactive and tax compliant (Sakurai and Braithwaite, 2012). Wresch (2005) postulates that management culture is the first level of bringing vision to the present, and it allows for specific goals to be defined, driving concrete actions, and making the vision a reality. Flexible management culture is therefore the managerial process that entails VAT adoption, and evaluation of strategies that would enable an organization to achieve its goals by developing and maintaining a culture fit between its distinctive competencies against the threats arising from its environment (Huffaker et al., 2010). Management culture is a planning process that is normally supplemented by techniques that allow the organization to be strategically responsive outside of the VAT implementation process (Beekman, 2010). Section 2.4.3 will review the management operation on the adoption of VAT in social commerce.

2.4.3 Managers Operations

Managers of federal agencies do not have unlimited discretion to set the strategic direction of the organization and decide how strategies will be implemented (Hawk, 2004). They must adhere to the legal requirements that circumscribe the agency’s mission and operations. These managers are also agents of the people and stewards of the democratic process and are morally obligated to embody the public interest and the constitutional governance process during strategic planning (Camp, 2007). The legal authority of the public organization can also be used as a coercive measure to achieve the aims of the organization or as a base for adjudicating differences among stakeholders (Seyal and Rahman, 2008).

According to Noda and Collis (2010) bureaucratic rigidity combined with very little support has been shown by the management in ensuring compliance with VAT in social media; the study by Kenny (2009) argues that there are differences between public and private institutions in terms of innovation by the management in ensuring VAT compliance. The bureaucratic character of public institutions management can develop a culture that minimizes risk and inhibits change. According to Alm and Melnik (2010) there are few incentives to change, and rules and regulations often limit the discretion of managers, resulting in a conservative posture toward change.
Like any other government agency or private sector enterprise, managers need to make difficult choices on ensuring the adoption of VAT in social commerce which has so much potential in ensuring revenue collection, different administrative functions, and different types of technology (Pound et al., 2006). To make informed decisions on alternative feasible technology investments, managers need estimates of the current costs of administering the adoption of VAT in social commerce, and the expected costs and benefits from the additional investment. Ideally, managers commitment is the biggest assert any government can achieve since this will ensure total adoption of VAT in social commerce.

### 2.5 Security Levels on the Adoption of Value Added Tax (VAT)

Beekman (2010) suggests perceptions of the fairness of the tax system play a role in VAT compliance behavior. If tax system is perceived as fair, the social norms against VAT compliance in social commerce will be strengthened (Mukti, 2010). VAT evasion, then, become more costly by incurring a higher stake of bad reputation if caught and bad conscience if not caught. In other words, adoption of VAT in social commerce should be higher with a fairer tax system that led the society to perceive evading tax is a bad thing to do (Tigre and Dedrick, 2004).

Trust in government plays a role in the adoption of VAT in social commerce decisions in the same way as the perceptions of fairness of the tax system. That is if taxpayers perceive government as fair and act in their interests and ensure total security of their information, they will be more willing to adopt of VAT in social commerce. Braithwaite (2007) called these taxpayers “contingent consenters”, who cooperate and pay taxes even if it is against their short-term best interests of free-riding. According to Chung (2009) tax compliance has a positive relationship with security across the system in government across countries. Huffaker et al., (2011) survey results of individuals in the United States and Germany also show a positive relationship between adoption of VAT in social commerce and security in government. In other words, higher adoption of VAT in social commerce is associated with higher security measures set by the tax agencies. The explanation is that trust in government could help raise the confidence of taxpayers in knowing that their tax money will be spent fairly and usefully (Dholakia and Utpal, 2005). The following section will review security level areas that influence adoption of VAT in social commerce as reviewed by other scholars.
2.5.1 E-Commerce Information Security

Mann (2010) list insecurity of financial transactions and loss of privacy among the major impediment to the adoption of VAT in social commerce, but in fact most users have onlyague ideas about the threats and risks, and a very limited understanding of the technical and legal options for minimizing their risk. As a result all kinds of misperceptions exist as well as VAT evasion (Tennant, 2010). For instance, the cardholder's risk in sending his or her credit card number over the Internet is typically overestimated (Rosenberg, 2010). At least as of this writing payments over the Internet are treated like mail-order/telephone-order transactions, which means that the cardholder is not liable at all. All risk is with the merchant. On the other hand, the risks in sending sensitive data in an electronic mail are typically underestimated. Probably most users of email know the mere facts: neither confidentiality nor integrity nor availability is guaranteed this hence leads to VAT in social commerce evasion.

Castronova (2004) asserts that many users do not hesitate to send all kind of very personal and sensitive data to their friends or colleagues, unprotected. Unfortunately, developers of VAT and ensuring compliance in social commerce solutions are often as security unaware and ignorant as their prospective users. For instance, still many developers demand that security must be provided by lower layers in a transparent way (Lastowka and Hunter, 2011).

According to Pigato (2010) the required security to be implemented in ensuring adoption of VAT in social commerce are described in the Federal Information Processing Standards (FIPS) Standards for Security Categorizations of Federal Information and Information Systems. NIST categorizes computer security controls to be used in the adoption of VAT in social commerce into three main types: 1) Management, 2) Operational, and 3) Technical (Lastowka and Hunter, 2011). Management security controls focus on managing organizanizational risk and information system security and devising sufficient countermeasures or safeguards for mitigating risk of VAT in social commerce. Management security control families include risk assessment, security planning, system and services acquisition, and risk assessment (Odedra-Straub, 2006). Section 2.5.2 will review operational security controls and how they influence the adoption of VAT in social commerce.
2.5.2 Operational Security Controls

The national laws that regulate electronic commerce over the Internet like evidential value of digital signatures, consumer protection, copyright protection are not harmonized, and are partially contradictory and this have influence the adoption of VAT in social commerce negatively (Kshetri, 2007). One side result is that there is no mutual recognition by the revenue collectors, even where comparable laws exist. The financial risk of a user in a specific transaction depends on his or her liability. In principle, if a user bears no liability, there is no risk in using and complying with VAT in social commerce. The main issue here is fairness: The liability of a user should correspond to the security of his or her technical equipment (McGill, 2003). For instance, if it is technically trivial to forge the digital signature of a user then this party should not be held liable for his or her signatures, in general (Grandon and Pearson, 2011).

Grandon and Pearson (2011) asserts that the Nation’s tax collector and administrator of the Internal Revenue Code, the IRS processed more than 234 million tax returns, of which 143 million came from individuals during FY 2011. Information from these was due to having confidence with the operational security controls while complying with VAT in social commerce (Kenny, 2012). The IRS maintains 178 computer system applications for use by IRS employees and relies extensively on computerized systems to support the adoption of VAT in social commerce. As such, effective information systems security is essential to ensure that data are protected against inadvertent or deliberate misuse, improper disclosure, or destruction and that computer operations supporting user while using social commerce are secured against disruption or compromise this boost confidence of VAT compliance. The IRS faces the daunting task of securing its computer systems against the growing and diverse threats of cyber attacks (Pigato, 2010). As such, the IRS must ensure that its computer systems are effectively secured to protect sensitive financial and social commerce VAT compliance data. According to the Office of Management and Budget’s FY 2011 report to Congress on the implementation of the Federal Information Security Management Act of 2002, the number of cyber incidents affecting Federal Government agencies increased approximately 5 percent in FY 2011, when agencies reported 43,889 cyber attacks to the U.S.
Computer Emergency Readiness Team this had an immense impact on the adoption of VAT in social commerce that financial year (Tennant, 2010).

For FY 2012, Kshetri (2012) designated security for taxpayer data and employees as the top management challenge for the operational security controls. This priority designation was given due to the increasing threats, both cyber and physical, against adoption of VAT in social commerce; the need for the operational security controls to continue improving its security posture; and the large volumes of data collected, processed, and maintained by the revenue agents. The operational security controls are highly visible, with more than 100,000 being guaranteed in ensuring adoption of VAT in social commerce (Mujahid, 2012). Section 2.5.3 will review social site security programs and how they influence the adoption of VAT in social commerce.

2.5.3 Social Sites Security Program

Concerns regarding communications privacy increased after 1930 following the growth in the adoption of VAT in social commerce systems (Kshetri, 2007), which led to the creation of rules governing the collection and handling of personal information, known as VAT compliance Data Protection (Singh and Tanburn, 2012). Information privacy is a form of privacy that constitutes an especially difficult area of law due to the rapid progress in technology, particularly after the commercial success of the World Wide Web (Odedra-Straub, 2006).

Pound et al., (2006) asserts that security of VAT compliance in the social commerce in the traditional marketing methods was hundred by social site security programs which are now considered obsolete. In the context of traditional business activities, it is often stated that the attributes most critical to commercial security success is location (Huffaker et al., 2010). By its nature, however electronic commerce is not restricted by geographical boundaries in the same way as more traditional business forms (Schlimgen, 2010). While the evolution of electronic commerce raises issues in regards to the application of traditional consumption tax rules, the issues are compounded by the potential for different implementation of legislation in individual countries (Hawk, 2004).
In spite of the importance of privacy as a human right, there was no legal protection until the end of the 19th century to enshrine this as one of the basic human rights (Pound et al., 2006). In spite of this deficiency, regulations and national laws have given implicit recognition to this right. This absence of discussion about privacy is due to the fact that privacy is an elusive concept in law, more readily recognised than described (Huffaker et al., 2010). Recently, privacy in the adoption of VAT in social commerce has been defined as the right to select what personal information about is known to what people (Schlimgen, 2010). Hawk (2004) argued convincingly that individuals and groups have the right to decide when, how, and to what extent information about them will be provided to others; these are the concerns of VAT in social commerce legislators. The next section will present summary as well as gaps of the study as reviewed by the researcher.

2.6 Summary

The review of existing literature reveals that there are several important research topics on adoption of value added tax in social commerce. Beekman (2010) argues that there are no good tax policies for treating virtual world activity differently from real world activity for tax purposes. However, she also contends that it would be impossible for the IRS to administrate and enforce taxation in a virtual world. For one thing, the agency would have to rely on self-reporting by the taxpayer, which is problematic. Another issue is the huge administrative burden that would be placed on the IRS. While the administrative concerns should not be the deciding factor in the debate on taxation in virtual worlds, the IRS regularly makes decision based on administrability alone, even when the result is conceptually incorrect (Mujahid, 2012).

Stephens (2011) assert that threatening and enforcement should be the last action to be taken by the revenue authorities after training and persuasion of staff fails. However, low fines for minor tax evasion and high penalties for non-compliance may instill the sense of responsibility to obey the rules but the social commerce users should be trained regularly on issues of compliance. Tigre and Dedrick (2004) suggest that responsive regulation approach may be adopted as an appropriate enforcement mechanism by tax regulators to manage compliance risk. Responsive regulation acknowledges that taxpayers are not all the same and
some behave differently to others. Responsive regulation also encourages education as one of the methods to motivate compliance. Instilling tax knowledge to taxpayers and regulators is part of compliance risk management process to encourage voluntary compliance.

Thompson (2006) explains the commitment of management in dealing with VAT compliance as reflecting the underlying assumptions about the way work is performed; what is ‘acceptable and not acceptable’; and what behaviour and actions are encouraged and discouraged. Making strategic changes may also be hampered by a bureaucratic culture derived from the rule-based environment of public institutions, which tends to support behaviors that maintain the status quo by relying on long-established, elaborate legal and procedural guidelines to guide decisions and actions (Singh and Tanburn, 2012). But it is not completely clear that this bureaucratic constraint leads to a rigid, rule-based organizational management in public agencies (Pound et al., 2006).

The national laws that regulate electronic commerce over the Internet like evidential value of digital signatures, consumer protection, copyright protection are not harmonized, and are partially contradictory (Kshetri, 2007). One side result is that there is no mutual recognition by the revenue collectors, even where comparable laws exist. The financial risk of a user in a specific transaction depends on his or her liability. In principle, if a user bears no liability, there is no risk.

A preliminary search has revealed that there is adequate literature to successfully undertake the study. Tax policy, staff training, management commitment level and internet security levels and how they influence value added tax in the social commerce platform have not been researched under one research. It is therefore a field of study where research can be undertaken and that the purposes of the study can be achieved. The bulk of existing literatures relate to the concept of e-commerce generally and with little materials that are specific on Kenya as a country and social commerce in particular.
CHAPTER THREE

3.0 RESEARCH METHODOLOGY

3.1 Introduction

This chapter sets out various stages and phases that were followed in completing the study. It involves a blueprint for the collection, measurement and analysis of data. This chapter discusses a step by step account of how the research work was carried out to obtain the information necessary to cover the four research objectives.

3.2 Research Design

Research design refers to the way the study is designed, that is, the method used to carry out a research (Denscombe, 1998). This research problem was studied through the use of a descriptive research design. According to Cooper and Schindler (2003), descriptive research is the investigation in which quantitative data is collected and analyzed in order to describe the specific phenomenon in its current trends, current events and linkages between different factors at the current time.

Descriptive research design was chosen because it enables the researcher to generalize the findings to a larger population. The descriptive research design approach has been credited due to the fact that it allows analysis of the relations of variables under study using linear regression as long as the sampling units for the study are many (Stevens, 1991). It also allows greater flexibility in terms of money and time as well as avoiding the hardship of hunting for respondents more than once to produce high response rate (Nyororo, 2006). These reasons justify why this study becomes a descriptive research design. The dependent variable for this study was the adoption of value added tax (VAT) in social commerce while the independent variables are; tax policies, staff training, management commitment level and internet security levels. This study covered a period of less than 10 years i.e. (2004 - 2014) during this period Kenya revenue authority has implemented several tax reforms with the motive of enhancing tax collections and tax efficiency. The study took a period of three weeks to collect the required data. By use of descriptive statistics it helped greatly on flexibility in terms of money and time.
3.3 Population and Sampling Design

3.3.1 Population

A population is defined as the total collection of elements about which we wish to make some inferences (Stevens, 1991). According to Nachmias and Nachmias (1996), a population element is the subject such as a person an organization, customer database, or the amount of quantitative data on which the measurement is being taken. The focus of the study was KRA Chief Managers, middle level managers and the Technical staff who total to 1402 (KRA, Human Resource Office, 2013). The choice of the KRA Chief Managers, middle level managers and the Technical staff was that they were familiar with factors influencing adoption of VAT in social commerce in KRA as an institution. The study targeted the Chief Managers since they were the key policy makers in the organization. The Middle level managers and Technical staff were the technical people serving the public and could easily respond on services delivered to the public.

<table>
<thead>
<tr>
<th>Category</th>
<th>No of staff in the Domestic Taxes Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief managers</td>
<td>12</td>
</tr>
<tr>
<td>Middle level managers</td>
<td>30</td>
</tr>
<tr>
<td>Technical staff</td>
<td>1360</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1402</strong></td>
</tr>
</tbody>
</table>


3.3.2 Sampling Design

3.3.2.1 Sampling Frame

Sampling frame is a complete or partial listing of items comprising the population (Cooper and Schindler, 2003). For the purpose of this study the sample frame was employees of KRA who are based in Nairobi County and specifically located at Haile Selassie Avenue Nairobi who were permanently employed. The sample elements came from the domestic taxes department which comprises of 1402 employees.
3.3.2.2 Sampling Techniques

In order to ensure fair representation and generalization of the findings to the general population, stratified random sampling was used to select the sample elements from the selected population elements.

One importance of sampling is that it saves time and money (Denscombe, 1998). This study employed stratified random sampling within each stratum. Random sampling designs are based on selections where each individual or item has an equal chance of being represented (Cooper and Schindler, 2003). There are many random sampling designs, but the researcher employed two designs: stratified and simple random sampling designs.

In order to ensure that these different categories of chief managers, middle level managers and technical staff are adequately represented in the sample, stratified sampling was used. According to Nachmias and Nachmias (1996), stratified sampling is used primarily to ensure that different groups in the population are adequately represented in the sample.

Balloting was used for the chief managers while systematic random sampling was used for the middle level managers as well as the technical staff. The rule of 30% as envisaged by Gay (1992) has been upheld in Table 3.2. This sample size provided adequate data for analysis and in making conclusive generalizations. The study recognized the need to cover as many respondents as possible in order to ensure availability of adequate data for making generalizations and conclusions about the entire population.

3.3.2.3 Sample Size

The researcher selected 420 respondents on whom to conduct the survey, this figure was satisfactory for the study since the respondents had similar roles a bigger number could have possibly given the same results. A table of showing the target and the sampled population was used to select the individual respondents for the study.
Table 3.2 Sample Distribution

<table>
<thead>
<tr>
<th>Category</th>
<th>Accessible population</th>
<th>% of sample</th>
<th>Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief managers</td>
<td>12</td>
<td>30%</td>
<td>4</td>
</tr>
<tr>
<td>Middle level managers</td>
<td>30</td>
<td>30%</td>
<td>9</td>
</tr>
<tr>
<td>Technical staff</td>
<td>1360</td>
<td>30%</td>
<td>407</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1402</strong></td>
<td><strong>30%</strong></td>
<td><strong>420</strong></td>
</tr>
</tbody>
</table>

Source: Author (2014)

3.4 Data Collection Methods

The researcher developed the instruments with which to collect the necessary information. The researcher used a questionnaire to collect primary data. Questionnaires are commonly used to obtain important information about the population. According to Nyororo (2006), a self-administered questionnaire is the only way to elicit self-reports on people’s opinion, attitudes, beliefs and values. The one set of questionnaire targeted the Chief Managers while the second set of questionnaire targeted Middle level Managers and the Technical Staff. The reason for having one set of questionnaire for the Middle level managers and Technical staff was because they were the technical people serving the public and could easily respond on services delivered to the public.

The questionnaire had items that aimed at answering the study objectives and thus met the research objectives. The choice of this tool of data collection was guided by the time available and the objectives of the study. The questionnaire provided a high degree of data standardization and adoption of generalized information amongst any population. Semi structured questions were used to collect data. The closed ended questions were used for coding and analysis while the open ended questions were used to elicit more information from respondents to complete any missing links. Thematic questions were accompanied by a list of possible alternatives ranging from great extent to no extent, from which respondents were required to select the answer that best describes their situation i.e. no extent on the one extreme to great extent on the other. The questionnaire was structured in five sections where
the first section asked on the respondent’s demographic information. Section two contained questions in regards to tax policies on the adoption of VAT. Third section asked questions on training on the adoption of VAT. Fourth section solicited information on commitment level of managers on adoption of VAT and section five sought to ask the security levels of the social e-programmes used in the adoption of VAT.

3.5 Research Procedures

In order to ensure the validity and reliability, the questionnaires were carefully constructed to avoid ambiguity and as well to facilitate answers to all the research questions. The questionnaires were then pre-tested in a pilot study through a sample of two Chief managers, two Middle level managers and five Technical staff in KRA, after which corrections and adjustments were done and this ensured reliability. The results of the pretest were not included in the study. The time taken to fill the questionnaire was noted. An informal feedback was also obtained from them after they filled the questionnaire. Following discussions and pilot survey, the semi structured questionnaire was refined and made into both semi structured and structured questionnaire.

This tool was personally administered by the researcher to create a rapport with the respondents assuring them of the confidentiality of the information shared. The respondents interested in the results were advised to share their email addresses where the researcher sent a summary of the findings. The researcher used drop and pick method so as to give the respondents enough time as possible to fill the questionnaire. To ensure high response rate, the researcher made personal visits and follow up calls to the respondents for the potential benefits of the study.

3.6 Data Analysis Methods

According to Cooper and Schindler (2006), data analysis usually involves reducing accumulated data to a manageable size, developing summaries, looking for patterns and applying statistical techniques. It can also be described as a measure that allows the researcher to inspect, transform and model data with the goal of highlighting useful information, suggesting conclusions and supporting decision making. The data collected was first scrutinized to ensure completeness and accuracy before entering it into the Statistical
Package for Social Scientists (SPSS) version 18. Using this package the researcher was able to derive measures of central tendency, frequency distributions, measures of association and measures of dispersion. The researcher then used descriptive quantitative analysis to describe the adoption of value added tax (VAT) in social commerce. In the case where the data was quantitative, tables and figures were used in data presentation.

In addition an advanced statistical technique (inferential statistics) was used. Regression analysis was used to determine the relationship between the independent variables (tax policies, staff training, management commitment level and internet security levels) and dependent variable (adoption of VAT in social commerce). The researcher used content analysis to analyze qualitative data.

A multivariate regression model was applied to determine the relative importance of each of the variables with respect to adoption of VAT in social commerce.

The regression model used was as follows:

\[ y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon \]

**Where:**

- \( Y \) = Adoption of VAT in social commerce
- \( \beta_0 \) = Constant Term
- \( \beta_1 \) = Beta coefficients
- \( X_1 \) = Tax policies
- \( X_2 \) = Staff training
- \( X_3 \) = Management Commitment level
- \( X_4 \) = Internet security levels
- \( \varepsilon \) = error term (residual term that includes the net effect of other factors not in the model and measurement errors in the dependent and independent variables).
3.7 Chapter Summary

The chapter described the methodology used in the study. This research problem was studied through the use of a descriptive research design. The focus of the study was KRA Chief Managers, middle level managers and the Technical staff of Domestic Taxes who total to 1402. Balloting was used for the chief managers while systematic random sampling was used for the middle level managers as well as the technical staff. The researcher selected 420 respondents on whom to conduct the study. Questionnaires are commonly used to obtain important information about the population. The questionnaire developed was pilot tested before a refined one was administered to the respondents. The chapter also indicated that, data was analyzed using SPSS and presented in inform of chart, figures and tables. The next chapter presents the findings of the research.
CHAPTER FOUR

4.0 RESULTS AND FINDINGS

4.1 Introduction

This chapter presents the analysis and findings of the study as set out in the research methodology. The results are presented on an analysis of the factors influencing adoption of value added tax (VAT) on social commerce in Kenya. The data was gathered exclusively from the questionnaire as the research instrument.

4.1.1 Response Rate

The study targeted to sample 420 respondents in collecting data. From the study, 325 out of 420 sampled respondents filled in and returned the questionnaire contributing to a 77% response rate. This commendable response rate was made a reality after the researcher made personal visits to remind the respondent to fill-in and return the questionnaires.

4.2 Respondents Information

4.2.1 Respondent’s Gender

The study aimed at investigating the respondent’s gender. According to the findings, 67% who were the majority were female on the chief managers, 67% who were the majority were female from the middle level manager’s category while 54% who were the majority were male in the category of technical staff.

Table 4.1: Respondents gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Chief managers</th>
<th>Middle level managers</th>
<th>Technical staff</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Freq.</td>
<td>%</td>
<td>Freq.</td>
</tr>
<tr>
<td>Male</td>
<td>1</td>
<td>33</td>
<td>2</td>
</tr>
<tr>
<td>Female</td>
<td>2</td>
<td>67</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>100</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: Survey Data (2014)
4.2.2 Respondents Age

On assessing the respondents age the study found that 33% who were the majority represented Chief Managers who were between the age of 36 to 45 years and above. On the side of the middle level managers 50% who were the majority were above 45 years and on the technical staff 28% who were the majority were between the age of 30 to 35 years.

Table 4.2: Respondents age

<table>
<thead>
<tr>
<th>Gender</th>
<th>Chief managers</th>
<th>Middle level managers</th>
<th>Technical staff</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Freq.</td>
<td>%</td>
<td>Freq.</td>
</tr>
<tr>
<td>Below 20 years</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>21-25 years</td>
<td>_</td>
<td>_</td>
<td>-</td>
</tr>
<tr>
<td>26-30 years</td>
<td>_</td>
<td>_</td>
<td>-</td>
</tr>
<tr>
<td>30-35 years</td>
<td>_</td>
<td>_</td>
<td>1</td>
</tr>
<tr>
<td>36-40 years</td>
<td>1</td>
<td>33</td>
<td>1</td>
</tr>
<tr>
<td>40-45 years</td>
<td>1</td>
<td>33</td>
<td>1</td>
</tr>
<tr>
<td>Above 45 years</td>
<td>1</td>
<td>33</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3</td>
<td>100</td>
<td>6</td>
</tr>
</tbody>
</table>

Source: Survey Data (2014)

4.2.3 Respondents Level of Education

The study on establishing the respondent’s level of education found that all of the chief managers as shown by 100% were master’s degree holders. On the side of the middle level managers, 67% who were the majority were Master’s Degree holders, 17% were Bachelor’s Degree holders, 17% were PHD holders. On the technical staff category 64% who were the majority were Bachelor’s Degree holders, 20% were Master’s Degree holders while 16% were Diploma holders.
Table 4.3: Respondents level of education

<table>
<thead>
<tr>
<th>Gender</th>
<th>Chief managers</th>
<th></th>
<th>Middle level managers</th>
<th></th>
<th>Technical staff</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Freq.</td>
<td>%</td>
<td>Freq.</td>
<td>%</td>
<td>Freq.</td>
<td>%</td>
</tr>
<tr>
<td>Diploma</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>51</td>
<td>16</td>
</tr>
<tr>
<td>Bachelor’s Degree</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>17</td>
<td>203</td>
<td>64</td>
</tr>
<tr>
<td>Master’s Degree</td>
<td>3</td>
<td>100</td>
<td>4</td>
<td>67</td>
<td>62</td>
<td>20</td>
</tr>
<tr>
<td>PHD</td>
<td>-</td>
<td>-</td>
<td>1</td>
<td>17</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3</td>
<td>100</td>
<td>6</td>
<td>100</td>
<td>316</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Survey Data (2014)

4.2.4 Respondents Professional Training

On professional training of the respondents 67% of the Chief Managers had CPA/ACCA while 33% had CPS. On the side of the middle level managers 80% had shared CPA/ACCA while 20% had CPS. On the technical staff 80% who were the majority had CPA/ACCA, 11% had CPS, 7% had CISA while 2% had CIA.

Table 4.4: Respondents professional training

<table>
<thead>
<tr>
<th>Gender</th>
<th>Chief managers</th>
<th></th>
<th>Middle level managers</th>
<th></th>
<th>Technical staff</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Freq.</td>
<td>%</td>
<td>Freq.</td>
<td>%</td>
<td>Freq.</td>
<td>%</td>
</tr>
<tr>
<td>CPA/ACCA</td>
<td>2</td>
<td>67</td>
<td>4</td>
<td>80</td>
<td>109</td>
<td>80</td>
</tr>
<tr>
<td>CPS</td>
<td>1</td>
<td>33</td>
<td>1</td>
<td>20</td>
<td>15</td>
<td>11</td>
</tr>
<tr>
<td>CISA</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>10</td>
<td>7</td>
</tr>
<tr>
<td>CIA</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>3</td>
<td>100</td>
<td>5</td>
<td>100</td>
<td>137</td>
<td>188</td>
</tr>
</tbody>
</table>

Source: Survey Data (2014)
4.2.5 Years Worked in KRA

Respondents were asked to indicate the number of years they have worked in KRA. 33% of the Chief Managers had worked for 9 to 12 years, 33% had worked 17 to 20 years and more as well as 33% had worked 20 years respectively. On the side of Middle level managers 67% who were the majority had worked for a period between 9 to 12 years, 17% had worked for a period between 13 to 16 years as well as a similar percentage of 17% had worked for a period between 17 to 20 years. On the technical staff category; 31% had worked for a period between 5 to 8 years, 25% had worked for a period between 9 to 12 years, 25% had worked for a period between 13 to 16 years, 11% had worked for a period between 1 to 4 years, 4% had worked for a period between 17 to 20 years, 3% had worked for a period for less than 1 year while 1% had worked for a period between more than 20 years.

Table 4.5: Years worked in KRA

<table>
<thead>
<tr>
<th>Gender</th>
<th>Chief managers</th>
<th>Middle level managers</th>
<th>Technical staff</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Freq.</td>
<td>%</td>
<td>Freq.</td>
</tr>
<tr>
<td>Less than 1 year</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>1 to 4 years</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>5 to 8 years</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>9 to 12 years</td>
<td>1</td>
<td>33</td>
<td>4</td>
</tr>
<tr>
<td>13 to 16 years</td>
<td>-</td>
<td>-</td>
<td>1</td>
</tr>
<tr>
<td>17 to 20 years</td>
<td>1</td>
<td>33</td>
<td>1</td>
</tr>
<tr>
<td>More than 20 years</td>
<td>1</td>
<td>33</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3</strong></td>
<td><strong>100</strong></td>
<td><strong>6</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data (2014)

The bio data findings show that the respondents had vast knowledge on KRA activities in VAT compliance. Next section 4.3 solicited information on tax policies on the adoption of VAT.
4.3 Tax Policies on the Adoption of VAT

This section aimed at analyzing the tax policies in the adoption of VAT.

4.3.1 Setting up Policies That Regulate VAT on Social Commerce

On investigating who sets up policies that regulate VAT in social commerce in Kenya and to their extent of policy setting through the Chief Managers, it was found to be to a great extent as shown by a mean score of 3.46. The chief managers indicated that Ministry of Finance sets up policies that regulate VAT on social commerce in Kenya to a great extent as shown by a mean score of 4.31, Parliament sets up policies that regulate VAT on social commerce in Kenya to a great extent as shown by a mean score of 4.10 and KRA Policy Unit staff sets up policies that regulate VAT on social commerce in Kenya to a great extent as shown by a mean score of 4.09.

The study found that KRA Board sets up policies that regulate VAT on social commerce in Kenya to a moderate extent as shown by a mean score of 2.97 and that County Government sets up policies that regulate VAT on social commerce in Kenya to low extent as shown by a mean score of 1.84.

Table 4.6: Setting up policies that regulate VAT on social commerce

<table>
<thead>
<tr>
<th>Policy setters</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ministry of Finance</td>
<td>4.31</td>
<td>.856</td>
</tr>
<tr>
<td>KRA Board</td>
<td>2.97</td>
<td>1.114</td>
</tr>
<tr>
<td>Parliament</td>
<td>4.10</td>
<td>.097</td>
</tr>
<tr>
<td>County Government</td>
<td>1.84</td>
<td>.192</td>
</tr>
<tr>
<td>KRA Policy Unit staff</td>
<td>4.09</td>
<td>.932</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>17.31</strong></td>
<td><strong>3.191</strong></td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>3.46</strong></td>
<td><strong>.638</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data (2014)
4.3.2 Ways of Improving the Current Tax Policies

Chief Managers were asked how the current tax policies used in Kenya can be improved. They pointed out that all stakeholders should be incorporated in the amendment of the policies where all their concerns should be addressed in order to improve the current policies. It was also pointed out that the government should be flexible and train the public on being loyal with their social commerce taxes. It was also suggested that there should be trained on online transaction to increase user awareness.

4.3.3 Level of Tax Policies Use on the Adoption of VAT

The study aimed at establishing the middle management level of agreement with the statements that related to tax policies in the adoption of VAT in Kenya. The findings will be implemented by policy makers in ensuring that social commerce transactions comply and VAT is paid.

The study found out that it was impossible for KRA to administrate and enforce taxation in a social commerce to a great extent as shown by a mean score of 4.32, taxpayers failed to carry out their legal responsibilities to submit the VAT from social commerce transactions to KRA to a great extent as shown by a mean score of 4.13, in order to respond to these domestic reforms, policy makers need to first, see the clear synergies that exist between the elements of policy reform to a great extent as shown by a mean score of 4.10, a system would be in place within the virtual world to automatically deduct a percentage of each transaction to a great extent as shown by a mean score of 4.07, the VAT base for state and local governments was shrinking because of the expanded use of services not subject to VAT and legislatively granted exemptions to a great extent as shown by a mean score of 3.86, traditional retailers accuse that the situation conferred a price advantage on catalogue and internet retailers to a moderate extent as shown by a mean score of 3.37.

Respondents felt that social commerce economies had growth outpacing the current tax law to a low extent as shown by a mean score of 2.24 as well as overregulation of tax laws might have resulted in the immediate decline of the virtual economy, lowering its total economic value, and therefore lowering the total federal revenue expected for the regulations as shown
by a mean score of 2.13. The findings show that the level of Tax Policies were used to great extent in the adoption of VAT.

**Table 4.7: Level of tax policies use on the adoption of VAT**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxpayers have failed to carry out their legal responsibilities to submit the VAT from social commerce transactions to KRA</td>
<td>4.13</td>
<td>.090</td>
</tr>
<tr>
<td>Traditional retailers accuse that this situation confers a price advantage on catalogue and Internet retailers</td>
<td>3.37</td>
<td>.926</td>
</tr>
<tr>
<td>The VAT base for state and local governments is shrinking because of the expanded use of services not subject to VAT and legislatively granted exemptions</td>
<td>3.86</td>
<td>.939</td>
</tr>
<tr>
<td>Social commerce economies has growth outpacing the current tax law</td>
<td>2.24</td>
<td>.898</td>
</tr>
<tr>
<td>A system would be in place within the virtual world to automatically deduct a percentage of each transaction</td>
<td>4.07</td>
<td>.792</td>
</tr>
<tr>
<td>It would be impossible for the KRA to administrate and enforce taxation in a social commence</td>
<td>4.32</td>
<td>.402</td>
</tr>
<tr>
<td>In order to respond to these domestic reforms, policy makers need to first, see the clear synergies that exist between the elements of policy reform</td>
<td>4.10</td>
<td>1.109</td>
</tr>
<tr>
<td>Overregulation of tax laws might also result in the immediate decline of the virtual economy, lowering its total economic value, and therefore lowering the total federal revenue expected for the regulations</td>
<td>2.13</td>
<td>.090</td>
</tr>
</tbody>
</table>

*Total* | 28.22 | 5.246 |

*Average* | 3.53 | .656 |

Source: Survey Data (2014)

**4.3.4 VAT Collection by KRA on Social Commerce Trends between 2004 and 2014**

The study aimed at investigating VAT collection by KRA in social commerce collection trends between 2004 and 2014 through the middle level managers. This finding aimed at
ascertaining the level of compliance in the last 10 years and hence project on the policies to be adopted to encourage VAT compliance on social platform.

According to the findings 42% who were the majority indicated that levels of VAT collections in 2004 was moderate, 34% who were the majority indicated that levels of VAT collections in 2005 was moderate, 35% who were the majority indicated that levels of VAT collections in 2006 was very high so was in 2007 as shown by 58%, 34% who were the majority indicated that levels of VAT collections in 2008 was low, 52% who were the majority indicated that levels of VAT collections in 2009 was moderate, 35% who in 2010 it was high as shown by 44%, in the year 2011, 37% of the respondents indicated that the levels of VAT collections was moderate, 35% who were the majority indicated that levels of VAT collections in 2012 was very high the same was indicated for the year 2013 and 2014 as shown by 65% and 76% respectively. The findings show that majority of the VAT Collection by KRA on Social Commerce Trends was moderate.
Table 4.8: VAT collection by KRA on social commerce trends between 2004 and 2014

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Very High</td>
<td>65</td>
<td>20</td>
<td>32</td>
<td>10</td>
<td>114</td>
<td>35</td>
<td>186</td>
<td>58</td>
<td>50</td>
<td>16</td>
<td>7</td>
</tr>
<tr>
<td>High</td>
<td>35</td>
<td>11</td>
<td>98</td>
<td>30</td>
<td>32</td>
<td>10</td>
<td>41</td>
<td>13</td>
<td>76</td>
<td>24</td>
<td>142</td>
</tr>
<tr>
<td>Moderate</td>
<td>134</td>
<td>42</td>
<td>111</td>
<td>34</td>
<td>67</td>
<td>21</td>
<td>51</td>
<td>16</td>
<td>87</td>
<td>27</td>
<td>167</td>
</tr>
<tr>
<td>Low</td>
<td>46</td>
<td>14</td>
<td>49</td>
<td>15</td>
<td>99</td>
<td>31</td>
<td>32</td>
<td>10</td>
<td>110</td>
<td>34</td>
<td>38</td>
</tr>
<tr>
<td>Very Low</td>
<td>42</td>
<td>13</td>
<td>32</td>
<td>10</td>
<td>10</td>
<td>3</td>
<td>21</td>
<td>7</td>
<td>34</td>
<td>11</td>
<td>20</td>
</tr>
<tr>
<td>Total</td>
<td>322</td>
<td>0</td>
<td>322</td>
<td>0</td>
<td>322</td>
<td>0</td>
<td>322</td>
<td>0</td>
<td>322</td>
<td>0</td>
<td>322</td>
</tr>
</tbody>
</table>

Source: Survey Data (2014)
4.3.5 KRA Management Policies Implementation

The study through the technical staff aimed at evaluating whether KRA management ensured policies were well implemented to ensure satisfaction at all levels; KRA management ensured policies were well implemented by ensuring fair policies to all stakeholders to a great extent as shown by a mean score of 4.25, KRA management ensured policies were well implemented by ensuring fair policies to all stakeholders to a great extent as shown by a mean score of 4.25, KRA management ensured policies were well implemented by ensuring fair policies to all stakeholders to a great extent as shown by a mean score of 4.25, KRA management ensured policies were well implemented by ensuring regular checks and balances to a great extent as shown by a mean score of 4.18, KRA management ensured policies were well implemented by ensuring regular checks and balances to a great extent as shown by a mean score of 4.18, KRA management ensured policies were well implemented by ensuring regular checks and balances to a great extent as shown by a mean score of 4.18, KRA management ensured policies were well implemented by ensuring tax compliance education to the public to a great extent as shown by a mean score of 4.09, KRA management ensured policies were well implemented by ensuring tax compliance education to the public to a great extent as shown by a mean score of 4.09, KRA management ensured policies were well implemented by ensuring tax compliance education to the public to a great extent as shown by a mean score of 4.09, KRA management ensured policies were well implemented by ensuring use of incentives and recognition to encourage compliance to a great extent as shown by a mean score of 4.02 while KRA management ensured policies were well implemented by ensuring use of incentives and recognition to encourage compliance to a great extent as shown by a mean score of 4.02 while KRA management ensured policies were well implemented by ensuring use of incentives and recognition to encourage compliance to a great extent as shown by a mean score of 4.02 while KRA management ensured policies were well implemented by ensuring proper staff training to a great extent as shown by a mean score of 3.46.

Table 4.9: KRA Management Policies Implementation

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular checks and balances</td>
<td>4.18</td>
<td>.084</td>
</tr>
<tr>
<td>Proper staff training</td>
<td>3.46</td>
<td>.337</td>
</tr>
<tr>
<td>TAX compliance education to the public</td>
<td>4.09</td>
<td>.524</td>
</tr>
<tr>
<td>Fair policies to all stakeholders</td>
<td>4.25</td>
<td>.231</td>
</tr>
<tr>
<td>Use of incentives and recognition to encourage compliance</td>
<td>4.02</td>
<td>.750</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15.98</strong></td>
<td><strong>1.926</strong></td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>4.00</strong></td>
<td><strong>0.385</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data (2014)

4.3.6 Policies Regulating VAT

Technical staff were asked whether there were policies that regulated VAT in social commerce in Kenya, 86% who were the majority agreed while 11% disagreed.
Figure 4.1: Policies Regulating VAT

![Bar graph showing percentages of yes and no responses.]

Source: Survey Data (2014)

### 4.3.7 VAT Policies Implemented Level

Those who agreed that policies that regulated VAT were implemented through the technical staff; 70% who were the majority policies that regulated VAT were implemented to a moderate extent, 20% policies that regulated VAT were implemented to a great extent, 8% policies that regulated VAT were implemented to a very great extent while 2% policies that regulated VAT were implemented to a little extent

Table 4.10: VAT policies implemented level

<table>
<thead>
<tr>
<th>Response</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very great extent</td>
<td>13</td>
<td>8</td>
</tr>
<tr>
<td>Great extent</td>
<td>32</td>
<td>20</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>110</td>
<td>70</td>
</tr>
<tr>
<td>Little extent</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>No extent</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>158</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data (2014)
The study findings on the tax policies have proved that they influence the adoption of VAT in the social platform in Kenya. Section 4.4 will analyze the influence of staff training on the adoption of VAT.

4.4 Staff Training on the Adoption of VAT

This section aimed at analyzing staff training in the adoption of VAT.

4.4.1 KRA Conducting Training on VAT adoption in Social Commerce

The study through the chief managers and the middle level managers aimed at establishing whether KRA conducted training on VAT adoption in social commerce. According to the chief managers KRA conducted training as shown by 100% response while on the middle level 83% who were the majority agreed while 17% disagreed.

Table 4.11: KRA conducting training on VAT adoption on social commerce

<table>
<thead>
<tr>
<th>Response</th>
<th>Chief managers</th>
<th>Middle level managers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Freq.</td>
<td>%</td>
</tr>
<tr>
<td>Yes</td>
<td>3</td>
<td>100</td>
</tr>
<tr>
<td>No</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>3</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Survey Data (2014)

4.4.2 Training Financiers

The chief managers were asked to indicate who financed the training and the extent of financing. According to the chief managers KRA financed the training to a great extent as shown by a mean score of 4.07, The National Treasury financed the training to a great extent as shown by a mean score of 3.73, Donors financed the training to a moderate extent as shown by a mean score of 3.13 while other Revenue Authorities financed the training to a low extent as shown by a mean score of 2.04.
Table 4.12: Training financers

<table>
<thead>
<tr>
<th>Training financers</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The National Treasury</td>
<td>3.73</td>
<td>.065</td>
</tr>
<tr>
<td>KRA</td>
<td>4.07</td>
<td>.331</td>
</tr>
<tr>
<td>Donors</td>
<td>3.13</td>
<td>.414</td>
</tr>
<tr>
<td>Other Revenue Authorities</td>
<td>2.04</td>
<td>.079</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>12.97</td>
<td>0.889</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td>3.24</td>
<td>0.222</td>
</tr>
</tbody>
</table>

Source: Survey Data (2014)

4.4.3 Training Budget

The chief managers were asked whether KRA allocated money for training during their annual budget, 91% who were the majority agreed while 9% disagreed.

Figure 4.2: Training budget
4.4.4 Extent of VAT via Social Commerce Training and Evaluation Process

Middle level managers who agreed that the training takes place in KRA pointed out that HR manager were involved in the VAT via social commerce training and evaluation process to a moderate extent as shown by a mean score of 3.29, Senior Management were involved in the VAT via social commerce training and evaluation process to a great extent as shown by a mean score of 4.02, Domestic Taxes trainers were involved in the VAT via social commerce training and evaluation process to a great extent as shown by a mean score of 3.76, department managers were involved in the VAT via social commerce training and evaluation process to a great extent as shown by a mean score of 3.68, HR manager were involved in the VAT via social commerce training and evaluation process to a moderate extent as shown by a mean score of 3.30 while trainees were involved in the VAT via social commerce training and evaluation process to a low extent as shown by a mean score of 1.70.

Table 4.13: Extent of VAT via social commerce training and evaluation process

<table>
<thead>
<tr>
<th>Category</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Management</td>
<td>4.02</td>
<td>1.723</td>
</tr>
<tr>
<td>HR manager</td>
<td>3.30</td>
<td>.757</td>
</tr>
<tr>
<td>Line manager</td>
<td>3.68</td>
<td>.199</td>
</tr>
<tr>
<td>Trainer</td>
<td>3.76</td>
<td>.079</td>
</tr>
<tr>
<td>Trainee</td>
<td>1.70</td>
<td>.631</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>16.46</strong></td>
<td><strong>3.389</strong></td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>3.29</strong></td>
<td><strong>.678</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data (2014)

Middle level managers who disagreed (17%) that KRA conducted training pointed out that the management felt that training was not conducted due to inadequacy of resources and lack
of training personnel who were well equipped with the social commerce techniques. On the same the chief managers in support of their answer pointed out that the training was financed by KRA and the National Treasury.

### 4.4.5 Impact of the Training on the Organisation Evaluation

The study aimed at establishing the importance of training from the middle level managers on the organisation and how the training was evaluated in order to improve on the VAT training in the organization.

The study found that there was reduction of staff turnover to a great extent as shown by a mean score of 4.21, cost savings was to a great extent as shown by a mean score of 4.08, reduction of grievances was to a great extent as shown by a mean score of 3.97, increase in VAT revenue was to a great extent as shown by a mean score of 3.74, while quality of work was to a moderate extent as shown by a mean score of 3.20.

**Table 4.14: Impact of the training on the organisation evaluation**

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost savings</td>
<td>4.08</td>
<td>.659</td>
</tr>
<tr>
<td>Quality of work</td>
<td>3.20</td>
<td>1.127</td>
</tr>
<tr>
<td>Increase in VAT revenue</td>
<td>3.74</td>
<td>.846</td>
</tr>
<tr>
<td>Reduction of staff turnover</td>
<td>4.21</td>
<td>.827</td>
</tr>
<tr>
<td>Reduction of grievances</td>
<td>3.97</td>
<td>.430</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>19.2</strong></td>
<td><strong>3.889</strong></td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>3.81</strong></td>
<td><strong>.778</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data (2014)
4.4.6 Training Needs Analysis

The study aimed at investigating KRA training needs analysis targeting the middle level managers. The importance of this question was to assess the training practiced by KRA before training of staff.

The study found out that the appointing of a training co-coordinator who was well conversant with social commerce VAT collection was to a great extent as shown by a mean score of 4.20 gathering of information about skills and abilities of individuals that were needed in the future concerning social revenue collection was to a great extent as shown by a mean score of 4.10, identifying the gaps that existed between the current situation and what was required by the organization was to a great extent as shown by a mean score of 4.09, analyzing of information was to a great extent as shown by a mean score of 3.64 while identifying the objectives of the organization was to a moderate extent as shown by a mean score of 3.37.

Table 4.15: Training needs analysis

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Identifying the objectives of the organization</td>
<td>3.37</td>
<td>1.026</td>
</tr>
<tr>
<td>Appointing a training co-coordinator who is well conversant with</td>
<td>4.20</td>
<td>.972</td>
</tr>
<tr>
<td>social commerce VAT collection</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gathering information about skills and abilities of individuals that</td>
<td>4.10</td>
<td>.097</td>
</tr>
<tr>
<td>are needed now and will be needed in the future concerning social</td>
<td></td>
<td></td>
</tr>
<tr>
<td>revenue collection</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Analyzing that information</td>
<td>3.64</td>
<td>1.192</td>
</tr>
<tr>
<td>Identifying the gaps that exist between the current situation and</td>
<td>4.09</td>
<td>.350</td>
</tr>
<tr>
<td>what is or will be required by the organization</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>19.4</td>
<td>3.637</td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td>3.88</td>
<td>0.7274</td>
</tr>
</tbody>
</table>

Source: Survey Data (2014)
4.4.7 Staff Training on the Adoption of VAT

The study aimed at assessing the level of technical staff agreement with statements on staff training on the adoption of VAT in Kenya. These findings were important in ascertaining whether the users of social commerce understood the need for complying with VAT.

The study found that one of the main reasons why compliance was not encouraged was that most social commerce staff regulators were ignorant about the VAT law and regulations to a great extent as shown by a mean score of 4.42. KRA had less resource on training all staff on social commerce to a great extent as shown by a mean score of 4.19, there was a note of caution offered by KRA regarding the advances and growth in the use of social commerce services to a great extent as shown by a mean score of 4.11, KRA had done a lot as far as outreach and promotions and education were concerned to increase awareness and compliance on VAT in social commerce to a great extent as shown by a mean score of 3.76.

Social commerce was complicated and this led the government to ignore training employees in this area to a moderate extent as shown by a mean score of 3.44 as well users of social commerce were well vast of VAT but tend to ignore VAT payments to a moderate extent as shown by a mean score of 3.41.

Table 4.16: Staff training on the Adoption of VAT

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Users of social commerce are well vast of VAT but tend to ignore VAT payments</td>
<td>3.41</td>
<td>.671</td>
</tr>
<tr>
<td>KRA has less resource on training all staff of social commerce</td>
<td>4.19</td>
<td>.723</td>
</tr>
<tr>
<td>Social commerce is complicated and this has lead the government to ignore training employees in this area</td>
<td>3.44</td>
<td>.757</td>
</tr>
<tr>
<td>There is a note of caution offered by KRA regarding the advances and growth in the use of social commerce services</td>
<td>4.11</td>
<td>.799</td>
</tr>
<tr>
<td>KRA has done a lot as far as outreach and promotions and education are concerned to increase awareness and compliance on VAT in social commerce</td>
<td>3.76</td>
<td>1.07</td>
</tr>
<tr>
<td>One of the main reasons why compliance is not encouraging is that most social commerce staff regulators are ignorant about the VAT law and regulations</td>
<td>4.42</td>
<td>.808</td>
</tr>
</tbody>
</table>
### 4.4.8 Challenges Faced by KRA in Implementation of Training

On establishing some of the challenges that KRA face in the implementation of training of VAT compliance via social commerce through the technical staff. The need for this question was to analyze the training implementation challenges faced by the KRA staff in order to improve it.

According to the findings there was inadequate funds to a great extent as shown by a mean score of 4.38, there was lack of government corporation to a great extent as shown by a mean score of 4.01, there was lack of competent trainers on VAT adoption on social commerce to a great extent as shown by a mean score of 3.94, KRA lacked corporation from staff to a moderate extent as shown by a mean score of 3.07. It was found that poor training planning was to a low extent as shown by a mean score of 2.96.

<table>
<thead>
<tr>
<th>Challenges of VAT compliance via social commerce training</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inadequate funds</td>
<td>4.38</td>
<td>.786</td>
</tr>
<tr>
<td>Lack of Government Corporation</td>
<td>4.01</td>
<td>1.191</td>
</tr>
<tr>
<td>Lack of competent trainers on VAT adoption on social commerce</td>
<td>3.94</td>
<td>.218</td>
</tr>
<tr>
<td>Lack of corporation from staff</td>
<td>3.07</td>
<td>1.585</td>
</tr>
<tr>
<td>Poor training planning</td>
<td>2.96</td>
<td>.779</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>19.06</strong></td>
<td><strong>4.559</strong></td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>3.81</strong></td>
<td><strong>.912</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data (2014)
The study findings on staff training have proved training influence on the adoption of VAT. Section 4.5 will analyze the influence of management commitment level on adoption of VAT.

4.5 Management Commitment Level in Adoption of VAT

This section aimed at analyzing management commitment level in the adoption of VAT.

4.5.1 Improvement of the Collection of VAT via Social Commerce

The chief managers were asked to indicate whether the current management can adopt suggested area in improving the collection of VAT via social commerce in Kenya which was found to be to a great extent as shown by a mean score of 3.88.

According to the chief managers KRA should introduce a social site purely for social commerce which is monitored and controlled by KRA as shown by a mean score of 4.11, there should be measures which will ensure all online transactions were approved by KRA as shown by a mean score of 4.10, it was to a moderate extent that the government to have a website for purely online transactions as shown by a mean score of 3.50, KRA they should introduce giving of incentives to encourage compliance as shown by a mean score of 3.36.

Table 4.18: Improvement of the collection of VAT via social commerce

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensuring all online transactions are approved by KRA</td>
<td>4.10</td>
<td>.382</td>
</tr>
<tr>
<td>The government to set tougher policies on TAX defaulters</td>
<td>4.31</td>
<td>.408</td>
</tr>
<tr>
<td>The government to have a website for purely online transactions</td>
<td>3.50</td>
<td>.738</td>
</tr>
<tr>
<td>Giving of incentives to encourage compliance</td>
<td>3.36</td>
<td>.516</td>
</tr>
<tr>
<td>Introduce a social site purely for social commerce which is monitored and controlled by KRA</td>
<td>2.11</td>
<td>.803</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>17.38</strong></td>
<td><strong>2.847</strong></td>
</tr>
</tbody>
</table>
4.5.2 Influence of management commitment level in adoption of VAT

Both the middle level management and the technical staff were asked to indicate their level of agreement on the influence of management commitment level in adoption of VAT.

<table>
<thead>
<tr>
<th>Response</th>
<th>Middle level management</th>
<th>Technical staff</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Freq.</td>
<td>Percentage</td>
</tr>
<tr>
<td>Very great extent</td>
<td>3</td>
<td>50</td>
</tr>
<tr>
<td>Great extent</td>
<td>2</td>
<td>33</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>1</td>
<td>17</td>
</tr>
<tr>
<td>Less extent</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Not at all</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data (2014)

4.5.3 Management Commitment Level on Adoption of VAT

The study aimed at establishing middle manager’s level of agreement with the statement relating to management commitment level on adoption of VAT which was found to be to a great extent as shown by a mean score of 3.68, to a great extent the KRA management was flexible to VAT changes that keep on changing to accommodate the new technology as shown by a mean score of 4.04, the brand image of the management motivated staff to corporate well to a great extent as shown by a mean score of 3.96, the current management was slow in implementing social commerce VAT collection policies to a great extent as shown by a mean score of 3.86, it was found that skills of the managers were the motivator towards social commerce VAT revenue growth to a great extent as shown by a mean score of 3.86.
The study also found that the current management had improved social commerce VAT revenue collections to a great extent as shown by a mean score of 2.77 as well as the management culture played an important role in the social commerce compliance process 2.57.

**Table 4.20: Management commitment level on adoption of VAT**

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>The current management has improved social commerce VAT revenue collections</td>
<td>2.77</td>
<td>.585</td>
</tr>
<tr>
<td>The brand image of the management motivates staff to corporate well</td>
<td>3.96</td>
<td>.779</td>
</tr>
<tr>
<td>Skill of the managers are the motivator towards social commerce VAT revenue growth</td>
<td>3.86</td>
<td>.575</td>
</tr>
<tr>
<td>Management culture play an important role in the social commerce compliance process</td>
<td>3.57</td>
<td>.454</td>
</tr>
<tr>
<td>The current management is slow in implementing social commerce VAT collection policies</td>
<td>3.86</td>
<td>1.032</td>
</tr>
<tr>
<td>The KRA management is flexible to VAT changes that keep on changing to accommodate the new technology</td>
<td>4.04</td>
<td>.364</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>22.06</strong></td>
<td><strong>3.789</strong></td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>3.68</strong></td>
<td><strong>.634</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data (2014)

**4.5.4 Challenges That Affect Adoption of VAT via the Social Platform**

The study aimed at establishing middle managers level of agreement on the challenges that affected adoption of VAT via the social platform. The findings of this section will ensure that the challenges are focused on and amicable solutions are provided.
The study found out that the effective management of employees was a key variable in the achievement of adoption of value added tax on social commerce in Kenya to a great extent as shown by a mean score of 4.13, the organization frequently did not employ professional experts to manage social commerce in KRA to great extent as shown by a mean score of 3.92, the organization lack well-motivated, skilled workforce to compete effectively in the area of VAT on social commerce compliance to a moderate extent as shown by a mean score of 3.48, however it was to a low extent that the organization did not engage in strategic employee management with the goal of gaining competitive advantage as shown by a mean score of 2.29 as well as the recruiting and keeping good employees represented a major challenge for KRA as shown by a mean score of 2.28.

**Table 4.21: Challenges that affect adoption of VAT via the social platform**

<table>
<thead>
<tr>
<th>Statements</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effective management of employees is as a key variable in the achievement of adoption of value added tax on social commerce in Kenya</td>
<td>4.13</td>
<td>.477</td>
</tr>
<tr>
<td>The organization frequently does not employ professional experts to manage social commerce in KRA</td>
<td>3.92</td>
<td>.405</td>
</tr>
<tr>
<td>The organization does not engage in strategic employee management with the goal of gaining competitive advantage</td>
<td>2.29</td>
<td>1.030</td>
</tr>
<tr>
<td>The organization lack well-motivated, skilled workforce to compete effectively in the area of VAT on social commerce compliance</td>
<td>3.48</td>
<td>.931</td>
</tr>
<tr>
<td>Recruiting and keeping good employees represents a major challenge for this organization</td>
<td>2.28</td>
<td>.305</td>
</tr>
<tr>
<td>Total</td>
<td>16.1</td>
<td>3.148</td>
</tr>
<tr>
<td>Average</td>
<td>3.22</td>
<td>.630</td>
</tr>
</tbody>
</table>

Source: Survey Data (2014)

**Extent to which the management commitment level impacted in the adoption of VAT in social commerce**
The study aimed at investigating the extent to which the management commitment level impacted on the adoption of VAT in social commerce through the technical staff; 42% who were the majority indicated that the management commitment level impacted on the adoption of VAT in social commerce to a very great extent, 35% indicated that the management commitment level impacted on the adoption of VAT in social commerce to a great extent, 17% indicated that the management commitment level impacted on the adoption of VAT in social commerce to a moderate extent, 5% indicated that the management commitment level impacted on the adoption of VAT in social commerce to a little extent while 1% indicated that the management commitment level impacted on the adoption of VAT in social commerce to no extent.

Table 4.22: Extent to which the management commitment level impacted in the adoption of VAT in social commerce

<table>
<thead>
<tr>
<th>Response</th>
<th>Freq.</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very great extent</td>
<td>132</td>
<td>42</td>
</tr>
<tr>
<td>Great extent</td>
<td>110</td>
<td>35</td>
</tr>
<tr>
<td>Moderate extent</td>
<td>55</td>
<td>17</td>
</tr>
<tr>
<td>Little extent</td>
<td>16</td>
<td>5</td>
</tr>
<tr>
<td>No extent</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>316</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data (2014)

4.4.5 Training Programme and Trainer’s Evaluation

The study aimed to assess the aspects of the training programme from the technical staff and to know whether trainers were evaluated. The importance of this question was to know whether training programme contained value addition on VAT compliance in social platform. According to the findings 36% who were the majority agreed that relevance of course to the needs of the trainees was part of evaluated training programme by the trainers, 26% agreed that course objectives was part of evaluated training programme by the trainers, 23% agreed that expertise of trainers was part of evaluated training programme by the trainers while 15% agreed that course content was part of evaluated training programme by the trainers. While
44% who were the majority disagreed on the relevance of course to the needs of the trainees was part of evaluated training programme by the trainers.
Table 4.23: Training programme and trainer’s evaluation

<table>
<thead>
<tr>
<th>Response</th>
<th>Yes</th>
<th></th>
<th>No</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Freq.</td>
<td>%</td>
<td>Freq.</td>
<td>%</td>
</tr>
<tr>
<td>Course objectives</td>
<td>76</td>
<td>26</td>
<td>3</td>
<td>12</td>
</tr>
<tr>
<td>Course Content</td>
<td>45</td>
<td>15</td>
<td>4</td>
<td>16</td>
</tr>
<tr>
<td>Relevance of course to the needs of the trainees</td>
<td>104</td>
<td>36</td>
<td>11</td>
<td>44</td>
</tr>
<tr>
<td>Expertise of trainers</td>
<td>66</td>
<td>23</td>
<td>7</td>
<td>28</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>291</td>
<td>100</td>
<td>25</td>
<td>100</td>
</tr>
</tbody>
</table>

Source: Survey Data (2014)

The study findings on management commitment level have proved to influence adoption of VAT. Section 4.6 will analyze the influence of security levels of the social E-programmes used on the adoption of VAT.

4.6 Security Levels of the Social E-Programmes Used in the Adoption of VAT

This section aimed at analyzing the security levels of the social E-programmes used in the adoption of VAT.

4.6.1 Improvement of the Collection of VAT via Social Commerce

The chief managers were asked to indicate whether the current management can adopted suggested area in improving the collection of VAT via social commerce in Kenya which was found to be to a great extent as shown by a mean score of 3.88.

According to the chief managers KRA should introduce a social site purely for social commerce which is monitored and controlled by KRA as shown by a mean score of 4.11, there should be measures which will ensure all online transactions were approved by KRA as shown by a mean score of 4.10, it was to a moderate extent that the government to have a website for purely online transactions as shown by a mean score of 3.50, KRA they should introduce giving of incentives to encourage compliance as shown by a mean score of 3.36.
Table 4.24: Improvement of the collection of VAT via social commerce

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ensuring all online transactions are approved by KRA</td>
<td>4.10</td>
<td>.382</td>
</tr>
<tr>
<td>The government to set tougher policies on TAX defaulters</td>
<td>4.31</td>
<td>.408</td>
</tr>
<tr>
<td>The government to have a website for purely online transactions</td>
<td>3.50</td>
<td>.738</td>
</tr>
<tr>
<td>Giving of incentives to encourage compliance</td>
<td>3.36</td>
<td>.516</td>
</tr>
<tr>
<td>Introduce a social site purely for social commerce which is monitored and controlled by KRA</td>
<td>2.11</td>
<td>.803</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>17.38</strong></td>
<td><strong>2.847</strong></td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>3.48</strong></td>
<td><strong>.569</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data (2014)

4.6.2 Satisfaction level for staff in the implementation of VAT via social commerce

The study through the chief managers aimed to investigate how KRA management ensured satisfaction level for staff in the implementation of VAT via social commerce. According to the chief managers, KRA management ensured satisfaction level for staff in the implementation of VAT via social commerce through training of staff on online VAT collection to a great extent as shown by a mean score of 4.01, KRA management ensured satisfaction level for staff in the implementation of VAT via social commerce by use of reward and recognition to motivate them to a great extent as shown by a mean score of 4.01, KRA management ensured satisfaction level for staff in the implementation of VAT via social commerce through creation and implementation of compatible IT programs to a great extent as shown by a mean score of 3.89, KRA management ensured satisfaction level for staff in the implementation of VAT via social commerce through implementation of fair policies in tax administration to a great extent as shown by a mean score of 3.78 while KRA management ensured satisfaction level for staff in the implementation of VAT via social commerce through use of high security level of the system to a moderate extent as shown by a mean score of 3.43.
Table 4.25: Satisfaction level for staff in the implementation of VAT via social commerce

<table>
<thead>
<tr>
<th>Statement</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Implementation of fair policies in tax administration</td>
<td>3.78</td>
<td>.504</td>
</tr>
<tr>
<td>Training of staff on online VAT collection</td>
<td>4.01</td>
<td>.311</td>
</tr>
<tr>
<td>Creation and Implementation of compatible IT programs</td>
<td>3.89</td>
<td>.650</td>
</tr>
<tr>
<td>High security level of the system</td>
<td>3.43</td>
<td>.542</td>
</tr>
<tr>
<td>Use of reward and recognition to motivate them</td>
<td>4.01</td>
<td>.909</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>19.12</strong></td>
<td><strong>2.916</strong></td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>3.82</strong></td>
<td><strong>0.583</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data (2014)

4.6.3 KRA Set Security Levels

Middle level managers were asked whether KRA has set security levels in the social e-programmes used in order to ensure VAT compliance was secure 77% who were the majority disagreed while 23% agreed. According to the findings KRA had set security levels for the use of social commerce in Kenya.

Figure 4.3: KRA set security levels

Source: Survey Data (2014)
4.6.3.1 Extent of Security Levels

The middle level managers who agreed (23%) where requested to indicate their level of agreement on KRA setting security levels in the social websites used in order to ensure VAT compliance is secure which was found to be average as shown by a mean score of 3.36. Respondents agreed to a great extent that there should be use of passwords as shown by mean score of 4.16, distinguished rights to system access as shown by mean score of 3.90, monitoring of information sharing was to a moderate extent as shown by mean score 3.00 while encryption of data was to a low extent as shown by mean score 2.39.

Table 4.26: Extent of security levels

<table>
<thead>
<tr>
<th>Security levels</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use of Passwords</td>
<td>4.16</td>
<td>.713</td>
</tr>
<tr>
<td>Encryption of data</td>
<td>2.39</td>
<td>.358</td>
</tr>
<tr>
<td>Monitoring of information sharing</td>
<td>3.00</td>
<td>.055</td>
</tr>
<tr>
<td>Distinguished rights to system access</td>
<td>3.90</td>
<td>.743</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13.45</strong></td>
<td><strong>1.869</strong></td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>3.36</strong></td>
<td><strong>.467</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data (2014)

4.6.4 Penalties Imposed When an Evasion Is Detected

On assessing whether the penalties imposed when an evasion was detected were so severe and acted as a deterrent to illegal access to online information as evaluated from middle level managers. In order to review the current policies that will encourage online compliance of VAT.

The study found that majority (54%) indicated yes while 46% indicated no as their response. The findings show that evasion was detected were so severe and acted as a deterrent to illegal access to online information.
4.6.5 Security of Social Media Sites

The study aimed at investigating how secure the social commerce sites were for KRA online tax assessment from the technical staff in order to know which site was more secure and which once needed to be reinforced.

According to the findings itax was secure to a moderate extent as shown by a mean score of 3.04, Rupu deals 2.57, OLX was secure to a low extent as shown by a mean score of 2.00, Sokoni was secure to a low extent as shown by a mean score of 1.93, N-soko was secure to a low extent as shown by a mean score of 1.93, N-soko was secure to a low extent as shown by a mean score of 1.19 while Facebook was secure to a low extent as shown by a mean score of 1.03.

<table>
<thead>
<tr>
<th>Category of social media sites</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>N-soko</td>
<td>1.19</td>
<td>.447</td>
</tr>
<tr>
<td>Rupu deals</td>
<td>2.57</td>
<td>.554</td>
</tr>
<tr>
<td>itax</td>
<td>3.04</td>
<td>.755</td>
</tr>
<tr>
<td>Facebook</td>
<td>1.03</td>
<td>.611</td>
</tr>
<tr>
<td>OLX</td>
<td>2.00</td>
<td>.449</td>
</tr>
<tr>
<td>Sokoni</td>
<td>1.93</td>
<td>.547</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>11.76</strong></td>
<td><strong>3.363</strong></td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>1.96</strong></td>
<td><strong>.561</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data (2014)
4.6.6 Reliability of Social Media Sites

On assessing the reliability of the results obtained from social commerce sites from the technical staff in order to improve the reliability of reliability of social media sites in collection of VAT.

The study found that Rupu deals was reliable in collection of VAT to a moderate extent as shown by a mean score of 3.42, itax was reliable in collection of VAT to a moderate extent as shown by a mean score of 3.06, Rupu deals was reliable in collection of VAT to a low extent as shown by a mean score of 2.42, OLX was reliable in collection of VAT to a low extent as shown by a mean score of 2.32, Facebook was reliable in collection of VAT to a low extent as shown by a mean score of 2.21, N-soko was reliable in collection of VAT to a low extent as shown by a mean score of 2.08 while Sokoni was reliable in collection of VAT to a low extent as shown by a mean score of 2.06.

Table 4.28: Reliability of social media sites

<table>
<thead>
<tr>
<th>Category of social media sites</th>
<th>Mean</th>
<th>Standard deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>N-soko</td>
<td>2.08</td>
<td>.584</td>
</tr>
<tr>
<td>Rupu deals</td>
<td>2.42</td>
<td>.647</td>
</tr>
<tr>
<td>itax</td>
<td>3.06</td>
<td>.504</td>
</tr>
<tr>
<td>Facebook</td>
<td>2.21</td>
<td>.292</td>
</tr>
<tr>
<td>OLX</td>
<td>2.32</td>
<td>.350</td>
</tr>
<tr>
<td>Sokoni</td>
<td>2.06</td>
<td>.400</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>14.15</strong></td>
<td><strong>2.777</strong></td>
</tr>
<tr>
<td><strong>Average</strong></td>
<td><strong>2.42</strong></td>
<td><strong>.463</strong></td>
</tr>
</tbody>
</table>

Source: Survey Data (2014)
4.6.7 Suggest ways of ensuring high security level of VAT compliance via social commerce platform

Chief Managers and middle level managers to suggest improvement that KRA should adopt in ensuring high security level of VAT compliance via social commerce platform. According to the respondents KRA should champion its literacy campaigns to improve the taxpayers’ ability to understand tax laws i.e. rates of tax, filing and paying dates etc., They should also make the taxpayer feel and understand that they are not paying unfair share of tax, They should work to improve peer attitude i.e. a belief that neighbours are reporting and paying tax honestly, and rewarding taxpayers i.e. giving a trophy for being best tax- payer via social commerce.

4.7 Regression Analysis of the Findings

Multiple regression analysis was conducted for each of the research question indicating whether the individual research questions was statistically supported or not (Cooper and Schindler, 2008). Robustic tests for significance that is f- test was used to test the significance of independent variables with the dependent variable. Inferential statistics tests were also used to help deductions to be made from the data collected and to relate the findings to the sample. The study used regression analysis to determine the relative importance of each of the variables with respect adoption of VAT on social commerce.

Table 4.29: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Standard Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.843</td>
<td>0.742</td>
<td>0.724</td>
<td>0.4216</td>
</tr>
</tbody>
</table>

Source: Survey Data (2014)

a) Predictors: (Constant), Tax policies, staff training, management commitment level, and internet security levels.

b) Dependent variable: Adoption of value added tax (VAT) on social commerce
The study used the R square. The R Square is called the coefficient of determination and tells us how the adoption of value added tax (VAT) on social commerce varied with tax policies, staff training, management commitment level, and internet security levels. The four independent variables that were studied explain 74.2% of the factors affecting adoption of value added tax (VAT) on social commerce as represented by R Squared (Coefficient of determinant). This therefore means that other factors not studied in this research contribute 25.8% of the factors affecting adoption of value added tax (VAT) on social commerce in Kenya.

**ANOVA**

Analysis of variance (ANOVA) test was then used to study the amount of variation within each of the sample relative to the amount of variation between samples before conducting multiple regression analysis which is a test of multi-collinearity. Analysis of variance was used because it makes use of the F-test in terms of sums of squares effects over sums of squares residual.

**Table 4.30: ANOVA**

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>11.72</td>
<td>19</td>
<td>1.302</td>
<td>44.231</td>
<td>.000(a)</td>
</tr>
<tr>
<td>Residual</td>
<td>3.432</td>
<td>296</td>
<td>0.066</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>15.152</td>
<td>315</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Survey Data (2014)

a) Predictors: (Constant), tax policies, staff training, management commitment level, and internet security levels

b) Dependent Variable: Adoption of value added tax (VAT) on social commerce

The study used ANOVA to establish the significance of the regression model from which an f-significance value of p less than 0.05 was established. The model is statistically significant in predicting how tax policies, staff training, management commitment level and internet security levels affect adoption of value added tax (VAT) on social commerce in Kenya. This shows that the regression model has a less than 0.05 likelihood (probability) of giving a
wrong prediction. This therefore means that the regression model has a confidence level of above 95% hence high reliability of the results.

### Table 4.31: Coefficients Results

<table>
<thead>
<tr>
<th></th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>0.116</td>
<td>.186</td>
<td>0.623</td>
<td>.535</td>
</tr>
<tr>
<td>Tax policies</td>
<td>0.577</td>
<td>.068</td>
<td>.559</td>
<td>8.478</td>
</tr>
<tr>
<td>Staff training</td>
<td>0.157</td>
<td>.043</td>
<td>.257</td>
<td>3.676</td>
</tr>
<tr>
<td>Management commitment level</td>
<td>0.082</td>
<td>.042</td>
<td>.301</td>
<td>2.252</td>
</tr>
<tr>
<td>Internet security levels</td>
<td>0.021</td>
<td>.002</td>
<td>.245</td>
<td>6.906</td>
</tr>
</tbody>
</table>

Source: Survey Data (2014)

a) Predictors: (Constant), Tax policies, staff training, management commitment level, and internet security levels

b) Dependent Variable: Adoption of value added tax (VAT) on social commerce

The established regression equation was

\[ Y = 0.116 + 0.577X_1 + 0.157X_2 + 0.082X_3 + 0.021X_4 + \varepsilon \]

The regression equation above has established that holding all factors (Tax policies, staff training, management commitment level and internet security levels) constant, factors affecting adoption of value added tax (VAT) on social commerce will be 0.116. The findings presented also shows that taking all other independent variables at zero, a unit increase in tax policies will lead to a 0.577 increase in the scores of the adoption of value added tax (VAT) on social commerce. A unit increase in staff training will lead to a 0.157 increase in adoption of value added tax (VAT) on social commerce. On the other hand, a unit increase in management commitment level will lead to a 0.082 increase in the scores of the adoption of value added tax (VAT) on social commerce; and a unit increase in internet security levels will lead to a 0.021 increase in the scores of the adoption of value added tax (VAT) on social commerce.
commerce. This infers that tax policies influences the adoption of value added tax (VAT) on social commerce most followed by management commitment level, staff training and then internet security levels. The study also established a significant relationship between adoption of value added tax (VAT) on social commerce and the independent variables; tax policies (p=0.00<0.05), staff training (p=0.036<0.05), management commitment level (p=0.20<0.05) and internet security levels (p=0.001<0.05) as shown by the p values.

4.7.1 Non-parametric correlation

Pearson correlation coefficient was used to test the relationship between independent and dependent variables. The Pearson correlation coefficient is a measure of how closely related two variables are, both of which must be measured at the interval/ratio level. This relationship is assumed to be linear, and the correlation is a measure of how tightly clustered data points are about a correlation line. Correlation ranges from −1.0 (perfect negative relationship) to 1.0 (perfect positive relationship) (Sekaran, 2008). The correlation coefficient was calculated to determine the strength of the relationship between independent and dependent variable. The values of the variables were converted in ranks and then correlated.

The study correlated tax policies, staff training, management commitment level and the internet security levels under the assumption that both of these variables are normal and interval. The results suggest that the relationship between tax policies and staff training (rho = 0.617, p = 0.000) is statistically significant. Tax policies and management commitment level had a rho of 0.547 and a p value of 0.000 therefore denoting statistical significance. Similarly, the tax policies and internet security levels posted a rho of 0.667 with a p value of 0.000 therefore providing a statistical significance. Staff training and management commitment level had a rho of 0.437, p=0.000 further pointing to a statistical significance. On the same note, the staff training and the internet security levels correlated at rho=0.235 and p=0.001. This therefore is statistically significant. Finally, the management commitment level and internet security levels stood at a correlation of rho=0.441 and p= 0.002 revealing statistical significance.
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4.8 Chapter Summary

This chapter has reviewed the findings as received from the field from the respondents and presented in a statistical manner with tables and figures. The regression equation above has established that holding all factors (Tax policies, staff training, management commitment level and internet security levels) constant, factors affecting adoption of value added tax (VAT) on social commerce will be 0.116. The findings presented also shows that taking all other independent variables at zero, a unit increase in tax policies will lead to a 0.577 increase in the scores of the adoption of value added tax (VAT) on social commerce. A unit increase in staff training will lead to a 0.157 increase in adoption of value added tax (VAT) on social commerce. On the other hand, a unit increase in management commitment level will lead to a 0.082 increase in the scores of the adoption of value added tax (VAT) on social commerce; and a unit increase in internet security levels will lead to a 0.021 increase in the scores of the adoption of value added tax (VAT) on social commerce. This infers that tax policies influences the adoption of value added tax (VAT) on social commerce most followed by management commitment level, staff training and then internet security levels. The next chapter will discuss the findings draw conclusion and give recommendations.
CHAPTER FIVE

5.0 DISCUSSION, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter gives the summary of the study findings, discussions of the research findings where the findings are compared with the findings of other relevant studies which were earlier carried, conclusions that were drawn by the researcher according to the findings of the study and the recommendations made by the researcher for the status improvement. The study further illustrates the recommendations that can be adopted by the relevant authority to ensure effectiveness on the management of organizational change for efficiency in operation.

5.2 Summary

This study was undertaken to fill the research gap that exists by investigating the factors influencing adoption of value added tax (VAT) on social commerce in Kenya. The general objective of the study was to investigate the factors influencing adoption of value added tax (VAT) on social commerce in Kenya. The specific objectives for the study were: to establish the effect of tax policies on the adoption of value added tax (VAT) on social commerce in Kenya, to assess the extent of staff training on the adoption of value added tax (VAT) on social commerce in Kenya, to determine the effects of management commitment level on adoption of value added tax (VAT) on social commerce in Kenya and to assess the effect of internet security levels in the social networks used on adoption of value added tax (VAT) on social commerce in Kenya.

The study employed both descriptive and inferential statistics. It adopted both stratified random sampling and simple random sampling. The data was analyzed using qualitative and quantitative techniques. Qualitative method involves content analysis and evaluation of text material. Primary data was collected through the use of questionnaires. The data collections was through drop and pick method where the questionnaires were picked later after they had
been filled according to the agreed time. The data analyzed was presented in tables and charts for clear visualization.

The study found out that the sets up policies that regulate VAT in social commerce in Kenya through the Chief Managers was to a great extent as shown by a mean score of 3.46. The chief managers indicated that Ministry of Finance sets up policies that regulate VAT on social commerce in Kenya to a great extent as shown by a mean score of 4.31, Parliament sets up policies that regulate VAT on social commerce in Kenya to a great extent as shown by a mean score of 4.10 and KRA Policy Unit staff sets up policies that regulate VAT on social commerce in Kenya to a great extent as shown by a mean score of 4.09.

The study through the Chief Managers found that the current tax policies used in Kenya can be improved. They pointed out that all stakeholders should be incorporated in the amendment of the policies were all their concerns should be addressed and adhered to in order to improve the policies. It was also pointed out that the government should be flexible and train the public on being loyal with their social media taxes. It was also suggested that there should be tutorial before any online transaction to increase user awareness.

The findings through the middle management found that it was impossible for the KRA to administrate and enforce taxation in a social commence to a great extent as shown by a mean score of 4.32, taxpayers failed to carry out their legal responsibilities to submit the VAT from social commerce transactions to KRA to a great extent as shown by a mean score of 4.13.

The study aimed at investigating VAT collection by KRA in social commerce collection trends between 2004 and 2014 through the middle level managers. According to the findings 42% who were the majority indicated that levels of VAT collections in 2004 was moderate, 34% who were the majority indicated that levels of VAT collections in 2005 was moderate, 35% who were the majority indicated that levels of VAT collections in 2006 was very high so was in 2007 as shown by 58%, 34% who were the majority indicated that levels of VAT collections in 2008 was low, 52% who were the majority indicated that levels of VAT collections in 2009 was moderate, 35% who in 2010 it was high as shown by 44%, in the year 2011, 37% of the respondents indicated that the levels of VAT collections was moderate, 35% who were the majority indicated that levels of VAT collections in 2012 was
very high the same was indicated for the year 2013 and 2014 as shown by 65% and 76% respectively. The findings show that majority of the VAT Collection by KRA on Social Commerce Trends was moderate.

The study through the technical staff aimed at evaluating whether KRA management ensured policies were well implemented to ensure satisfaction at all levels; KRA management ensured policies were well implemented by ensuring fair policies to all stakeholders to a great extent as shown by a mean score of 4.25, KRA management ensured policies were well implemented by ensuring regular checks and balances to a great extent as shown by a mean score of 4.18.

Technical staff were asked whether there were policies that regulated VAT in social commerce in Kenya, 86% who were the majority agreed. Those who agreed that policies that regulated VAT were implemented through the technical staff; 70% who were the majority indicated that policies that regulated VAT were implemented to a moderate extent.

The study through the chief managers and the middle level managers aimed at establishing whether KRA conducted training on VAT adoption in social commerce. According to the findings KRA conducted training as shown by 100% response while on the middle level 83% who were the majority agreed.

The chief managers were asked to indicated who financed the training and the extent of financing. According to the chief managers KRA financed the training to a great extent as shown by a mean score of 4.07, The National Treasury financed the training to a great extent as shown by a mean score of 3.73.

The chief managers were asked whether KRA allocated money for training during their annual budget, 91% who were the majority agreed.

Middle level managers who agreed that the training takes place in KRA pointed out that HR manager were involved in the VAT via social commerce training and evaluation process to a moderate extent as shown by a mean score of 3.29.
The study aimed at establishing the importance of training from the middle level managers on the organisation and how the training was evaluated in order to improve on the VAT training in the organization. The study found that there was reduction of staff turnover to a great extent as shown by a mean score of 4.21.

The study aimed at investigating KRA training needs analysis targeting the middle level managers. The study found out that the appointing of a training co-coordinator who were well conversant with social commerce VAT collection was to a great extent as shown by a mean score of 4.20.

The study aimed as assessing the level of technical staff agreement with statements on staff training on the adoption of VAT in Kenya. The study found that one of the main reasons why compliance was not encouraged was that most social commerce staff regulators were ignorant about the VAT law and regulations to a great extent as shown by a mean score of 4.42.

On establishing some of the challenges that KRA face in the implementation of training of VAT compliance via social commerce through the technical staff. According to the findings there was inadequate funds to a great extent as shown by a mean score of 4.38, there was lack of government corporation to a great extent as shown by a mean score of 4.01.

The chief managers were asked to indicate whether the current management can adopt suggested area in improving the collection of VAT via social commerce in Kenya which was found to be to a great extent as shown by a mean score of 3.88.

According to the chief managers KRA should introduce a social site purely for social commerce which is monitored and controlled by KRA as shown by a mean score of 4.11. The study through the chief managers aimed to investigate how KRA management ensured satisfaction level for staff in the implementation of VAT via social commerce. According to the chief managers KRA management ensured satisfaction level for staff in the implementation of VAT via social commerce through training of staff on online VAT collection to a great extent as shown by a mean score of 4.01.
Middle level managers were asked whether KRA has set security levels in the social e-programmes used in order to ensure VAT compliance was secure 77% who were the majority disagreed.

The middle level managers who agreed (23%) where requested to indicate their level of agreement on KRA setting security levels in the social websites used in order to ensure VAT compliance is secure which was found to be average as shown by a mean score of 3.36.

On assessing whether the penalties imposed when an evasion was detected were so severe and acted as a deterrent to illegal access to online information as evaluated from middle level managers. The study found that majority (54%) indicated yes.

The study aimed at investigating how secure the social commerce sites were for KRA online tax assessment from the technical staff in order to know which site was more secure and which once needed to be reinforced. According to the findings itax was secure to a moderate extent as shown by a mean score of 3.04.

On assessing the reliability of the results obtained from social commerce sites from the technical staff in order to improve the reliability of reliability of social media sites in collection of VAT.

The study found that Rupu deals was reliable in collection of VAT to a moderate extent as shown by a mean score of 3.42.

Chief Managers and middle level managers to suggest improvement that KRA should adopt in ensuring high security level of VAT compliance via social commerce platform. According to the respondents KRA should champion its literacy campaigns to improve the taxpayers’ ability to understand tax laws i.e. rates of tax, filing and paying dates etc., They should also make the taxpayer feel and understand that they are not paying unfair share of tax, They should work to improve peer attitude i.e. a belief that neighbours are reporting and paying tax honestly, and rewarding taxpayers i.e. giving a trophy for being best tax- payer via social commerce.
Inferential statistics tests were also used to help deductions to be made from the data collected and to relate the findings to the sample. Multiple regression analysis was conducted for each of the research question indicating whether the individual research questions was statistically supported or not. The study used regression analysis to determine the relative importance of each of the variables with respect adoption of VAT on social commerce.

The regression equation established that holding all factors (Tax policies, staff training, management commitment level and internet security levels) constant, factors affecting adoption of value added tax (VAT) on social commerce will be 0.116. The findings presented also shows that taking all other independent variables at zero, a unit increase in tax policies will lead to a 0.577 increase in the scores of the adoption of value added tax (VAT) on social commerce. A unit increase in staff training will lead to a 0.157 increase in adoption of value added tax (VAT) on social commerce. On the other hand, a unit increase in management commitment level will lead to a 0.082 increase in the scores of the adoption of value added tax (VAT) on social commerce; and a unit increase in internet security levels will lead to a 0.021 increase in the scores of the adoption of value added tax (VAT) on social commerce. This infers that tax policies influences the adoption of value added tax (VAT) on social commerce most followed by management commitment level, staff training and then internet security levels. The study also established a significant relationship between adoption of value added tax (VAT) on social commerce and the independent variables; tax policies (p=0.00<0.05), staff training (p=0.036<0.05), management commitment level (p= 0.20<0.05) and internet security levels (p=0.001<0.05) as shown by the p values.

5.3 Discussion

This section gives the researcher’s discussion on the study findings obtained where the findings are compared with the findings of earlier studies which were done by different scholars and institutions.

5.3.1 Tax Policies on the Adoption of VAT

According to the study the way to improve the current tax policies used in Kenya is through the revision of tax base in order to capture and impose the right burden of tax. The study
findings are similar to Beekman (2010) who also found that identical products may be taxed differently depending on whether they are purchased over the Internet, through a catalogue, or in a traditional mortar-and-bricks store. Traditional retailers accuse that this situation confers a price advantage on catalogue and Internet retailers. This would ensure that the right burdens of tax are imposed.

The taxation policy findings are further affirmed by Mack (2008) who puts the entire burden of tax collection on the operator of the virtual world platform. He argues for a sales-and-use tax. In this scenario, a system would be in place within the virtual world to automatically deduct a percentage of each transaction.

According to the study findings KRA has policies regulating the social commerce and are well implemented to ensure satisfaction at all levels. The findings correlated with a study by Beekman (2010) in that the operator of the virtual world platform would then hold that deduction and forward it on for governmental collection.

Beekman (2010) argues that there is no good conceptual justification for treating virtual world activity differently from real world activity for tax purposes. However, she also contends that it would be impossible for the IRS to administrate and enforce taxation in a virtual world. For one thing, the agency would have to rely on self-reporting by the taxpayer, which is problematic. Another issue is the huge administrative burden that would be placed on the IRS. While the administrative concerns should not be the deciding factor in the debate on taxation in virtual worlds, the IRS regularly makes decision based on administration alone, even when the result is conceptually incorrect.

Likewise, virtual income earned in worlds that prohibit cashing out should not be taxed; the ability to pay real-world taxes is not a function of virtual income. Huffaker et al., (2011) maintains that once it has been established that the virtual income has value and the participants can cash out, the virtual nature of the income does not warrant tax treatment different from that which would apply to real-world transactions.
5.3.2 Staff Training on the Adoption of VAT

The study found that training was conducted on social commerce to enhance VAT compliance. The study findings concur with the one carried out by (Tennant, 2010) where he opines that VAT training emerges, as a concept and practice, from the increasing realization that management training is important, if not more, as compared to capital, technology and machines for growth.

A feature in repayment compliance across all participating revenue bodies for both income tax and VAT that distinguishes it from other areas of compliance attention is the presence of a pre-issue verification treatment as a standard component. The study’s findings further concurs with one carried out by Stephens (2011) where he asserts that threatening and enforcement should be the last action to be taken by the revenue authorities after education and persuasion fails. However, low fines for minor tax evasion and high penalties for non-compliance may instill the sense of responsibility to obey the rules.

Tigre and Dedrick (2004) suggest that responsive regulation approach may be adopted as an appropriate enforcement mechanism by tax regulators to manage compliance risk. Responsive regulation acknowledges that taxpayers are not all the same and some behave differently to others Responsive regulation also encourages education as one of the methods to motivate compliance. Instilling tax knowledge to taxpayers is part of compliance risk management process to encourage voluntary compliance.

The study also found out that the respondents agree that involvement of management, value of the training, Content of the programme, Involvement of staff and duration of the training are the considerations that KRA considers while planning for training concerning the adoption of VAT on social commerce (Pigato, 2010).

The study findings concur with the ones carried out by (Kenny, 2012) where he asserts that even with information, decision–makers will have different time frames and objective functions. For example, if the primary focus is on short term tax revenue, decision makers may choose not to invest in projects that have potentially large long term benefits and the potential to strengthen the state by improving its tax interface with society. Such subtleties
may be left aside in most developing countries, as these countries lack the relevant information to make such determinations.

In many countries, the only data systematically collected by tax administrations are current tax revenue collections. Even the large revenue administration improvement programs funded by international agencies such as the World Bank, have not, to our knowledge, assembled or used data on relative marginal costs and benefits to make informed decisions on different proposed administrative reforms. In this, as in other areas of development policy, faith and ideas derived from experience elsewhere may have determined more allocative decisions than has evidence based analysis (Mukti, 2010).

The study findings also concurs with the one carried out by Pound et al., (2006) where he posits that like any other government agency or private sector enterprise, tax administrators need to make difficult choices on allocating scarce resources among different types of taxes, different administrative functions, and different types of technology. To make informed decisions on alternative feasible technology investments, tax administrators need estimates of the current costs of administering the tax system, the costs of administering particular taxes, and the expected costs and benefits from the additional investment.

5.3.3 Management Commitment Level on Adoption of VAT

According to the study finding the influence of management commitment level on adoption of VAT was to a great extent. The findings are similar to Schlimgen, (2010) who propose that the top management's principal challenge in the cultural context is to set the culture's tone, pace, and character to see that it's conducive to the strategic changes that the executives are charged with VAT implementing. When implementing VAT, the most important facet is top management's commitment to the VAT implementing strategic direction itself. In fact, this commitment is a prerequisite for VAT implementation, so top managers have to show their dedication to the effort. At the same time, this shows a positive sign for all affected employees.

To implement VAT successfully, senior executives must not assume that lower-level managers have the same perceptions of the VAT strategy and its implementation, its
underlying rationale, and its urgency. Instead, they must assume they don't, so the executives must persuade employees of the validity of their ideas (Stephens, 2011).

The findings of this study concurs with the ones carried out by Stephens (2011) where he posits that When implementing VAT, the most important facet is top management's commitment to the VAT implementing strategic direction itself. In fact, this commitment is a prerequisite for VAT implementation, so top managers have to show their dedication to the effort. At the same time, this shows a positive sign for all affected employees.

The study also correlated with a study by Schlimgen (2010) in that to implement VAT successfully, senior executives must not assume that lower-level managers have the same perceptions of the VAT strategy and its implementation, its underlying rationale, and its urgency. Instead, they must assume they don't, so the executives must persuade employees of the validity of their ideas.

Beekman (2010) study also have similarities with the findings who affirms that management culture is crucial to an organization because it takes into consideration the fundamental changes in the organisation environment, thus making organizations more proactive and tax compliant.

Wresch (2005) postulates that management culture is the first level of bringing vision to the present, and it allows for specific goals to be defined, driving concrete actions, and making the vision a reality. Flexible management culture is therefore the managerial process that entails VAT adoption, and evaluation of strategies that would enable an organization to achieve its goals by developing and maintaining a culture fit between its distinctive competencies against the threats arising from its environment. Management culture is thus a planning process that is normally supplemented by techniques that allow the organization to be strategically responsive outside of the VAT implementation process.

### 5.3.4 Security Levels of the Social E-Programmes Used On the Adoption of VAT

According to the study finding KRA ensures high security levels of the social commerce VAT collection systems. Similar findings are from Grandon and Pearson (2011) where they posits that operational security controls require technical or specialized expertise and often
rely on management and technical security controls. Operational security control families include personnel security, contingency planning, configuration management, maintenance, system and information integrity, incident response, and awareness and training.

Technical security controls focus on the security controls executed by the computer system through mechanisms contained in the hardware, software, and firmware components of the system. Technical security control families include identification and authentication, access control, audit and accountability, and system and communications protection (Odedra-Straub, 2006).

Further the study found that the respondents agree that the use of reward and recognition to motivate employees, high security level of the system, creation and Implementation of compatible IT programs, Implementation of fair policies in tax administration and Training of staff on online VAT collection are the main strategies that KRA management use to ensure satisfaction level for staff in the implementation of VAT via social commerce (Castronova, 2004). These findings were inline with a study done by Kshetri (2007) who points out on operational security controls focus on mechanisms primarily implemented by people as opposed to systems. These controls are established to improve the security of a group, a specific system, or group of systems.

Operational security controls require technical or specialized expertise and often rely on management and technical security controls (Beekman, 2010). Operational security control families include personnel security, contingency planning, configuration management, maintenance, system and information integrity, incident response, and awareness and training.

Technical security controls focus on the security controls executed by the computer system through mechanisms contained in the hardware, software, and firmware components of the system. Technical security control families include identification and authentication, access control, audit and accountability, and system and communications protection (Schlimgen, 2010).
5.4 Conclusions

According to the study findings obtained under the analysis of the collected data, the researcher makes conclusions with respect to each research question as the data was collected.

5.4.1 Tax Policies on the Adoption of VAT

In this study, the researcher obtained significant results to the research objectives and the research questions. The researcher therefore based on these findings concludes that, the tax policies currently in use ensure VAT compliance is adhered to a moderate extent in KRA.

The study findings on the tax policies have proved that they influence the adoption of VAT in the social platform in Kenya. The findings show that KRA has adopted online policies to encourage social transaction as well to ensure that the users comply and pay VAT.

5.4.2 Staff Training on the Adoption of VAT

The staff are the most critical component of human resource in VAT department tasked with the responsibility of ensuring tax compliance. Therefore staff and other stakeholders need to be equipped with the updated skills in order to enhance VAT compliance via social media.

The study findings on staff training have proved training influence on the adoption of VAT. Without training of both the staff and the public users of social platform on the importance of VAT compliance then the whole process could be on the halt. According to the findings KRA carry out annual training to the public on sensitization on compliance of VAT.

5.4.3 Management commitment level on adoption of VAT

The study concludes that the management commitment is vital in the implementation of the social VAT program. This was found to be so since they are the ones who commit resources such as funding for acquisition of technology and training. Therefore a program success in an organization would have higher chances of success if the management is committed.

The study further concludes that training programs adopted by KRA are according to their needs and the kind of training required. A systematic approach towards training has proved
essential for the KRA in the user’s compliance with VAT on social platform. The study concludes that efforts should be put in addressing the various individual feeling that the KRA need looked into to enhance performance and productive trough effective training and satisfaction.

The study findings on management commitment level have proved to influence adoption of VAT. The management as well has been instrumental in advocating for training and new policies to govern the social platform. The management has been instrumental in ensuring there is a budget on sensitization both to the users and employees of KRA on compliance of VAT.

5.4.4 Security Levels of the Social E-Programmes Used On the Adoption of VAT

The study concludes that security of the VAT system is very important and therefore regular updating of software, ensuring all online transactions are approved by KRA and use of passwords for transaction would ensure control of the security of VAT via social commerce in Kenya that would keep off system hackers.

The study findings on security levels of the social e-programmes have proved to influence adoption of VAT. There are measures taken by KRA in ensuring the websites are well regulated and link up to KRA in order to encourage compliance of VAT. According to respondents there are plans underway of controlling the local online transaction locally by linking the same to KRA website which will ensure compliance on any transactions.

5.5 Recommendation

Based on the study findings, the researcher makes the following recommendations to the study:

5.5.1 Recommendations for Improvement

5.5.1.1 Tax Policies on the Adoption of VAT

The KRA management should ensure that it comes out with a plan on how it could educate all the players in social VAT in order to ensure a better communication in terms of due dates for paying tax and the way to make the payments. This education would go far in reducing
non compliance and other errors relating to tax payment in the social platform transaction. The tax laws should be revised in order to ensure compliance at the sale point is enhanced this will ensure improved compliance.

5.5.1.2 Staff training on the Adoption of VAT

All the KRA staff should be regularly trained on social VAT matters; employees who are more conversant with VAT in social activities are supposed to engage with the social platform users to share the knowledge on how and when to pay their VAT online. This will ensure improved compliance rate.

5.5.1.3 Management commitment level on adoption of VAT

The study recommends the managements should ensure they commitment level towards the adoption of VAT via social platform is enhanced. This will ensure effective policy implementation that will ensure their staff are also encouraged to the VAT collection commitment. The management should come up with evaluation strategies on collecting VAT via social platform. The management should ensure they take part in training and motivating employees on the importance of the social commerce VAT compliance both to KRA and to the nation.

5.5.1.4 Security Levels of the Social E-Programmes Used On the Adoption of VAT

The study recommends that security levels of the e-tax should be upgraded and maintained to user’s satisfaction. This will encourage more people to use the online services in their sales as well as compliance of VAT in the country. This will ensure that the government through KRA collects revenue inform of VAT through the social commerce platform.

5.6 Recommendations for Further Studies

Studies need to be carried out or conducted that would investigate interaction of other variables that may influence compliance of VAT via Social Commerce e.g. working environment, types of transaction etc.

A replication of these study should be carried out but these time using a larger sample, more time should be allocated to the same and a combination of more than one of data collecting
instrument should be used e.g. interview and focus group discussions these will help to counter check the information provided.

A further study needs to be conducted using more variables that seem to be more relevant to this study.
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