



The effect of perceived usefulness of e-filing system on tax compliance among SMEs in Kakamega County, Kenya

Daniel Sitawa Ouma^{1*}

Ben Oseno²

Dennis Bulla³

^{1*} danielsitawa2016@gmail.com

² boseno@mmust.ac.ke

³ dbulla@mmust.ac.ke

^{1,2,3}Masinde Muliro University of Science and Technology, Kenya

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ABSTRACT

Around the world, many tax agencies that are adopting electronic tax administration systems continue to face significant challenges due to taxpayer opposition, underutilization, and reluctance to use electronic filing systems. This study aimed to investigate the impact of perceived usefulness and perceived ease of use of E-filing on tax compliance among Small and Medium Enterprises [SMEs] in the county. The Technology of Acceptance Model [TAM] guided this research. The study adopted a descriptive research design, and the target population was 2,272 small and medium enterprises within Kakamega County. The sample size of 340 was determined. Data was collected through structured questionnaires comprising both open-ended and close-ended questions. The validity and reliability of instruments were established through conducting a pilot study. The questionnaires gave Cronbach alpha coefficients of α above 0.7, an indication of a high level of reliability. The collected data was then coded and analyzed using the SPSS version 28 computer program. Data was analyzed using descriptive statistics such as frequencies, percentages, means, and standard deviations and inferential statistics such as correlation analysis, multiple regression analysis, analysis of variance, and hypothesis testing. From the results, the corrected R-square value of 0.329 implied that the model explains 32.9% of tax compliance through predictor factors such as perceived usefulness, perceived ease of use, perceived risks, and training and educational programs. The hypothesis testing results showed that perceived usefulness of the E-filing system significantly affects tax compliance. From the study findings, we concluded that the perceived usefulness of the e-filing system was found to have a significant positive effect on tax compliance, which suggests that when taxpayers perceive the e-filing system as useful, they are more likely to comply with tax regulations. Based on the study's findings, conclusions, and recommendations, it is suggested that additional research be performed to better understand the psychological and behavioral aspects that influence SMEs' adoption and consistent usage of e-filing systems. Such a study may look into how characteristics like trust in government institutions and perceived fairness of the tax system affect e-filing uptake.

Keywords: E-Filing System, Perceived Usefulness, SMEs, Tax Compliance

I. INTRODUCTION

Revenue collection is the key to economic stability and development worldwide (Malima, 2017). Tax income is what governments use to fund infrastructure, government activities and other necessary public services (Komanya, 2017). Over the past years, tax systems have undergone technological integration that has transformed the tax administration process to be more efficient, service delivery-focused, and more compliant (Muita, 2021). The tax process has also been made easier through the use of electronic systems, especially e-filing systems through which manual paperwork has been minimised, accuracy and access has been improved.

In the pre-modern information technology era, taxpayers were usually experiencing difficulties during filing and remittance of taxes to the government since it was a bureaucratic process and not all were accessible to the tax offices. Nevertheless, the implementation of e-filing systems significantly improved fiscal management and added to better voluntary compliance with taxes (Teltscher, 2020). Tax compliance is said to be effective when the taxpayers willingly file and pay taxes without forcing them through any coercive means like the audit or enforcement mechanisms.

The implementation of e-filing systems has been effective in many developed nations such as Australia, Canada, the United Kingdom, Germany, Singapore, and India to provide efficient organization of tax administration and facilitate compliance (Ramayah et al., 2023). On the same note, other developing countries like Uganda, Nigeria, Rwanda and Kenya have also adopted electronic filing in order to improve efficiency and transparency in revenue collection (Muita, 2018). The main aim of e-filing is to ensure that taxpayers are at a convenience to pay their taxes without necessarily



having to visit the tax offices to pay taxes.

Tax compliance is one of the issues of concern because it has a direct effect on revenue collection and the capacity of the government to achieve its fiscal and social goals (Tan & Sawyer, 2020). As a strategy to enhance compliance, most nations have implemented measures that seek to enhance the service to taxpayers and their experiences. The perceived usefulness of e-filing systems is very important in determining whether taxpayers will adopt the systems successfully and regularly. The e-filing system is considered convenient, efficient and reliable, the higher the taxpayers will voluntarily comply with tax obligations (Khadijah & Purwanegara, 2024).

This is the case in Kenya where Kenya Revenue Authority (KRA) has done a lot to improve the compliance with taxation by adopting digital platforms like iTax system coupled with deterrent measures such as penalties, audits, and investigations to defaulters. Moreover, rewards to the whistleblowers have been offered as incentives to encourage compliance. Although such efforts have been made, the level of compliance among the Small and Medium Enterprises (SMEs) is lower than expected, and the overall compliance is still lower than the 18 percent Sub-Saharan average and the 20 percent global average (KRA, 2013). This consistent gap brings out the need to determine whether taxpayers in some areas like the Kakamega County are finding the e-filing system to be useful and how this understanding influences compliance behavior.

1.1 Statement of the Problem

Globally, tax authorities that implement electronic tax administration systems are still faced with issues like taxpayer resistance, underutilization, and hesitation to adopt e-filing systems (Electronic Tax Administration Advisory Committee [ETAAC], 2022). It is thus necessary to determine the impact of the perceived usefulness of the e-filing system on tax compliance, particularly in light of the high technology investments as well as the expected cost and efficiency savings. Low tax compliance and substandard administrative system in most developing countries have continued to be an issue, even though there is an attempt to improve the level of revenue collection and delivery of service. Muita (2021) discovered that the implementation of the e-filing systems in Kenya may bring cost and management benefits; yet, as Bird and Zolt (2008) claim, technology in itself cannot guarantee success without the support of contextual factors. The same challenge is witnessed in the developed economies, where institutional and infrastructural conditions are poor to facilitate effective adoption of e-government services (Reddick & Turner, 2012). In the case of small and medium enterprises (SMEs), electronic filing would help lower the compliance costs and make taxation easier. Even with these expected advantages, the research on the effects of perceptions of usefulness of the e-filing systems by the taxpayers on the compliance with the SMEs in Kenya has limited empirical research. In as much as Kenya Revenue Authority (KRA) recently implemented e-filing as a way of modernising its systems, this study aims at filling this knowledge gap by assessing the impact of perceived usefulness of e-filing system on tax compliance among SMEs in Kakamega County.

1.2 Research Objectives

The primary aim of the study was to evaluate the effect of perceived usefulness of E-filing system on tax compliance among SMEs in Kakamega County

1.3 Research Hypothesis

H01: Perceived usefulness of the E-filing system does not have a significant effect on tax compliance among SMEs in Kakamega County.

II. LITERATURE REVIEW

2.1. Theoretical Review

2.1.1. Technology of Acceptance Model

Technology Acceptance Model (TAM) drawing off from Horbj & Fishbein's (Hagger, 2019) TRA model, Davis (2017) created Technology Acceptance Model (TAM). The most common model in information systems research is TAM. Perceived utility and perceived ease of use applied to different settings of technology acceptance comprise the two variables of Davis's (2017) Technology Acceptance Model (TAM) (Amalia, 2019). According to this paradigm, when consumers learn about a new technology, a number of factors will influence their choices about when and how to use it. TAM explains how specific dimensions may have an impact on how well users accept information technology.

The model TAM was developed in the 2019s as a result of an agreement between IBM Canada and Massachusetts Institute of Technology (MIT). Its objectives were to evaluate the prospective market for novel items under the brand and to provide a description of the factors influencing computer use (Davis et al., 2020). In order to better understand why users, accept or reject information technology (IT) and how to increase acceptance established the Technology Acceptance Model (TAM), which provides a framework for anticipating and explaining user adoption.



In 2020, Davis performed a survey with 40 Boston University MBA students and 112 IBM users in Canada. The adoption of a software text editor served as the foundation for the TAM model's validation (Davis, 2017; Sa, 2023). Davis (2017) discovered that, for this sample, perceived convenience had a greater influence on behavior than perceived facility. According to Davis (2017), the TAM has the benefit of being unique to IT and having a solid theoretical foundation in addition to having a large amount of empirical backing.

The TAM model was created to explore the causal relationship between the user's acceptance of external factors and his actual computer use, attempting to interpret the user's behavior based on his perceptions of the value knowledge and use facilities (Davis et al., 2020). According to Davis et al. (2020), people often utilize or don't use specific technologies in an effort to perform better at work. This is known as perceived utilization. Even though this individual is aware of the benefits of some technology, their ability to use it effectively may be compromised if it is overly complex and renders the effort unjustified relative to the apparent utility. The TAM is mainly based on these two constructs because they have comprehensively studied the influence of external factors, such as functional systems, creative processes, and training on intention to use (Dillon & Morris, 2020; Lee et al., 2020; Venkatesh et al., 2020). The goal of this model is to illustrate how external factors related to information systems impact an individual's internal factors, such as attitudes and usage intentions. According to Davis et al. (2020), the two primary TAM factors are as follows: Perceived utility is the extent to which an individual thinks using a specific system will enhance his performance. The degree to which someone thinks using an information system would be effortless is known as the facility of perceived use. The information displayed in the diagram implies that people will utilize a particular piece of technology if they think utilizing it would have a beneficial impact, with a focus on perceived usefulness and simplicity of use.

2.2 Empirical Review

Malonza (2016) also carried out research evaluating how medium company taxpayers in Kenya used iTax and how that affected their corporation tax compliance. The criteria used to gauge compliance were filing, reporting, and payment. Descriptive research methodology was used for the study, and taxpayers were issued a questionnaire to complete in order to gather data. Out of the 1,500 participants in the study, 75 taxpayers were chosen to provide data. The results of the study showed that Kenyan medium taxpayers' compliance increased as a result of using iTax.

Munyoro (2017) conducted research to examine how iTax affected SMEs in Wote town, Makueni county, with regard to Value Added Tax [VAT] compliance. The study's particular goals were to ascertain whether Wote town taxpayers' ICT knowledge had an impact on VAT compliance and how utilizing iTax for VAT registration affected compliance. 581 SMEs from the Wote sub-county made up the study population, and 120 taxpayers were chosen at random through the use of a sample technique. After applying multiple linear regression to evaluate the data, it was discovered that most taxpayers have registered since iTax's launch. Online VAT return filing offers advantages in terms of cost, ease of use, and time required, according to registered iTax businesses. The study came to the conclusion that registering VAT taxpayers through iTax improves KRA revenue collection and closes potential channels for tax fraud.

Kiringa and Jagongo (2016) examined the effect of electronic tax filing on small and medium-sized enterprise (SME) tax compliance in the Kibwezi sub-county of Kenya in another study. The survey described how people felt about filing electronically, as well as their technical proficiency in tax return filing and compliance. The research design used for the study was a descriptive survey, and the data needed for the study was gathered from primary sources utilising an interview schedule and a self-administered questionnaire. Using a straightforward random sampling method, 316 SMEs in total were chosen as the sample size from the 1,800 SMEs that made up the target population. The data was gathered using a questionnaire that was given to 316 SMEs in the sub county of Kibwezi. Descriptive and inferential statistics were employed in the study to Apply t-test analysis to the data analysis. The results of the study showed that filing taxes online does impact SMEs' level of tax compliance in terms of their perceptions about online tax filing and Concerned were the technical aspects of submitting tax returns. The findings of the correlation test showed a negative relationship between tax compliance and the notion of online tax filing there was an increase in the technical proficiency needed to file tax returns.

Kochanova et al. (2017) provided an evaluation of the benefits of e-government for UK businesses. The inquiry was prompted by the need to examine the major obstacles that developing countries have in collecting taxes, including high compliance costs and tax official harassment that discourages investment, stifles economic growth, and encourages tax cheating. It evaluated 150 small businesses by looking at things including how much tax automation costs, how long it takes to file and pay taxes, how often tax officers visit a company, and how taxpayers perceive the cost of tax administration. The results demonstrated that tax automation increases tax compliance while simplifying interactions between the relevant institution and the revenue body at minimal expense.

Sawyer (2016) conducted an investigation on the intricacy of tax simplification in New Zealand, a country known for having a straightforward, transparent, and coherent tax structure. Ninety private sector companies were selected for the study and asked to provide their independent opinions on New Zealand's tax system and associated expenses. Given that the business sector has unfettered access and is allowed to share information with the government, the results showed that the procedure is less expensive and that they experience justice in tax administration. The tiny



population functioning under a clear and cogent tax policy framework supports this. Additionally, the complexity of tax simplifications in Turkey was examined by Budak and Benk (2016). This came about when taxes in the nation had increased to a point where tax rates were regarded as reasonable, cost-effective, and less complicated. A random sample of sixty respondents business owners, legislators, and economists—was used in the study. The findings demonstrated that tax simplification's complexity had a detrimental effect and attracted criticism for being costly. The majority of economists, legislators, and business leaders agreed with this.

III. METHODOLOGY

3.1. Research Design

The study employs a descriptive research design combined with explanatory research design. The descriptive aspect allows for a detailed depiction of the current state of digital lending innovations among commercial banks, while the explanatory design helps identify and explain relationships between the variables (Saunders et al., 2019). The use of these designs aligns with studies by Creswell and Creswell (2017), who argue that descriptive and explanatory designs are effective in social science research where understanding complex relationships is crucial.

3.2 Study Area

Kakamega County is located in the western region of Kenya and is known for its rich cultural heritage and vibrant economy. It is the second most populous county in Kenya, with a population of approximately 1.87 million people as of the 2019 census. The county is predominantly rural, with a significant portion of its population engaged in agriculture, small-scale businesses, and informal sector activities. The county's economic activities are diverse, with a notable presence of small and medium enterprises (SMEs) across various sectors, including agriculture, retail, manufacturing, and services. SMEs play a crucial role in the county's economy, providing employment and contributing to economic growth. The business environment in Kakamega County is characterized by a mix of traditional practices and modern entrepreneurial activities, making it a dynamic area for studying tax compliance behaviors.

By focusing on Kakamega County, this study aimed to provide a detailed understanding of how SMEs perceive the e-filing system and how these perceptions influence their tax compliance behavior. The findings will contribute to enhancing tax administration practices and support the development of targeted interventions to improve compliance rates among SMEs in Kenya. The study was carried out in Kakamega County. The population for this study comprised of Small and Medium Enterprise in Kakamega County who have businesses registered with KRA and are also themselves registered as taxpayers with KRA. Kakamega County for purposes of this study comprised of 12 sub counties in which 1. Market per sub County was targeted. The preliminarily data provided by KRA puts the number of SMES in Kakamega county at 7,133 (Kenya Revenue Authority Tax Base Expansion Office, 2023).

3.3 Population

Mugenda and Mugenda (2008) articulate that a target population constitutes a precisely delineated collection of individuals, services, elements, events, or households that are the focus of investigation. It is posited that the target population in statistics refers to the particular group from which information is sought. The focus of this study was on the entirety of small and medium-sized enterprises located within Kakamega County. Given the substantial number of SMEs, this study concentrated exclusively on those businesses registered with the KRA, totaling 2,272.

This research examines tax compliance within small and medium enterprises in Kakamega County, with particular emphasis on the electronic filing system implemented by the Kenya Revenue Authority. The primary category of taxation under scrutiny encompasses Turnover Tax (TOT), pertinent to small enterprises, alongside additional statutory levies such as Value Added Tax (VAT) and Income Tax, which small and medium-sized enterprises must adhere to when utilizing the e-filing system.

3.4 Data Collection Instruments and Procedures

Mertens (2014) articulates that research instruments serve as tools for the collection of data. In a research endeavor, various methodological instruments may be employed, contingent upon the study's characteristics, the type of data to be gathered, and the specific demographic being examined. This study employed both open-ended and closed-ended questionnaires. A questionnaire serves as a tool for collecting data, facilitating the assessment of a specific perspective. The purpose is to establish a standardized instrument for data collection, thereby achieving objectivity in survey methodologies (Gray, 2019). This study employed a 5-point Likert scale to assess respondents' perceptions and attitudes regarding different facets of taxpayers' views on the e-filing system and tax compliance. The Likert scale was designed to measure the extent of agreement or disagreement with particular statements pertaining to the study variables.

The research instruments exhibited a strong alignment with the conceptual framework, facilitating an assessment of SMEs' adoption of the E-filing system for tax compliance. The assessment of perceived usefulness and ease of use was conducted using Likert-scale items focused on efficiency, accuracy, and user-friendliness,



complemented by open-ended questions that elicited detailed insights into specific benefits and challenges encountered. The evaluation of perceived risk was conducted via statements addressing security, privacy, and system reliability, complemented by open-ended responses that offered a more profound understanding of the concerns held by SMEs. The efficacy of training and education is assessed by examining factors such as accessibility, relevance, and their influence on compliance behavior. The examination of tax compliance behavior was conducted through a series of structured inquiries focusing on the aspects of timely filing, meticulous record-keeping, and awareness of regulatory frameworks. The demographic data served as a foundational element for the analysis. The combination of quantitative and qualitative responses provided a thorough insight into the experiences, challenges, and recommendations of SMEs regarding the enhancement of the E-filing system.

3.5 Data Analysis

Data analysis and presentation utilized descriptive statistics to elucidate patterns and overarching trends within a data set. Descriptive statistics were employed to analyze a single variable at a time. The open-ended questions underwent qualitative content analysis, categorizing responses into principal themes, including efficiency, technological obstacles, security issues, and training deficiencies. A theme coding approach revealed repeating motifs, while frequency analysis indicated the predominant issues and recommendations. Illustrative quotations were employed to substantiate conclusions, and the results were juxtaposed with quantitative Likert-scale data to discern consistencies or differences. This methodology yielded profound insights into SMEs' interactions with the E-filing system, elucidating practical issues and opportunities for enhancement. Descriptive statistics encompassed frequencies, percentages, mean, and standard deviation (Mugenda & Mugenda, 2008). The mean is a statistical measure of central tendency that represents the most representative value within a dataset. Descriptive and inferential statistics were employed to analyze quantitative data following suitable data coding utilizing Statistical Package for Social Sciences (SPSS) version 28. The standard deviation indicates the extent to which the distribution deviates from the mean. Inferential statistics were employed to evaluate the study hypotheses, aiming to identify the correlations and relationships between the independent and dependent variables. The association between the independent and dependent variables was assessed by Pearson Correlation and regression analysis (Creswell & Clark, 2017). The researcher used a linear regression study to determine the association between taxpayers' perceptions of the e-filing system and tax compliance.

IV. FINDINGS & DISCUSSION

4.1 Response Rate

The study distributed a total of 340 questionnaires to SMEs in Kakamega County. Out of these, 247 were satisfactorily filled and returned, resulting in a response rate of approximately 72.6%. The remaining 93 questionnaires (27.4%) were either unsatisfactorily filled (53) or not returned (40). The high response rate enhances the reliability and validity of the findings (Mugenda & Mugenda, 2008).

Table 1

Response Rate

Category	Frequency	Percentage
Satisfactorily filled	247	72.6%
Unsatisfactorily filled	53	15.6%
Unreturned	40	11.8%
Total	340	100%

4.2 Demographics of the Respondents

The study sought to establish the demographic data of the respondents. These data included highest level of education, work experience and the designation of the respondents. The inclusion of demographic data such as highest level of education is of critical importance. These variables help in understanding the context and background of the respondents, which in turn enhances the interpretability and applicability of the research findings.

4.3 Demographic Characteristics of the Respondents

4.3.1 Market Centers of Respondents

The study examined the distribution of respondents across various market centers in Kakamega County. The representation from different market centers is summarized below:

**Table 2***Market Centers of Respondents*

Market Centre	Frequency	Percentage
Malava	28	11.3%
Butere	17	6.9%
Ikolomani	29	11.7%
Khwisero	20	8.1%
Lugari	16	6.5%
Likuyani	18	7.3%
Mumias East	27	10.9%
Mumias West	10	4.0%
Shinyalu	21	8.5%
Navakholo	16	6.5%
Matungu	29	11.7%
Lurambi	16	6.5%
Total	247	100%

The study examined the distribution of respondents across various market centers in Kakamega County. The representation from different market centers is as follows: Malava had 28 respondents, Butere 17, Ikolomani 29, Khwisero 20, Lugari 16, Likuyani 18, Mumias East 27, Mumias West 10, Shinyalu 21, Navakholo 16, Matungu 29, and Lurambi 16. This diverse geographical representation ensures that the findings are not skewed by the characteristics of any single area, thereby providing a comprehensive view of the perceptions of SMEs across the county (Kothari, 2021).

4.3.2 Level of Education of Respondents

The educational background of the respondents is distributed is presented below:

Table 3*Level of Education of Respondents*

Educational level	Frequency	Percentage
PhD	0	0%
Masters	7	3%
Bachelor's degrees	67	27%
Diploma	77	31%
Certificate	96	39%
Total	247	100%

The educational background of the respondents varied significantly. None of the respondents had a PhD, 3% had a master's degree, 27% had bachelor's degrees, 31% had diplomas, and 39% had certificates. This distribution indicates that the majority of the respondents have post-secondary education, which could influence their understanding and perception of the E-filing system. Higher educational attainment is often associated with better comprehension of technological systems, which could affect the adoption and effective use of E-filing (Amalia, 2019).

4.3.3 Duration of SME Operation

The duration for which the respondents' SMEs had been in operation was another key focus of the study. The findings showed that 146 respondents (59.1%) indicated their SMEs had been operational for less than four years, 84 (34.0%) had been operating between 4-10 years, and 37 (6.9%) had been in business for more than 10 years. The table below summarizes this information:

Table 4*Duration of Operation as SME*

Duration of operation	Frequency	Percentage
Less than 4 years	146	59.1%
4-10 years	84	34.0%
More than 10 years	37	6.9%
Total	247	100%



4.4 Descriptive Results of the Study Objectives

Descriptive analysis included description of the perceived usefulness of e-filing system, perceived ease of use of e-filing system, perceived risk of e-filing system, training and educational programme towards e-filing system. The descriptive results also presented the findings for the dependent variable. The responses ranged from strongly disagree (1) to strongly agree (5) on a likert scale where: Strongly agree (SA) =5, agree (A) =4, Neutral (N)=3, disagree (D)= 2, and strongly disagree (SD) =1.

4.4.1 Perceived Usefulness of E-Filing System and Tax Compliance amongst SMEs

These are condensed responses to the query of whether perceived usefulness of e-filing system has an effect on tax compliance amongst SMEs in Kakamega County. The results are displayed in Table 5.

Table 5

Perceived Usefulness of E-Filing System

Statement	SA	D	N	A	SA	Mean	SD
	1	2	3	4	5		
My tax filing performance is enhanced by technology.	3 1.2%	12 4.9%	22 8.9%	119 48.2%	91 36.8%	4.15	0.86
Using technology improves my efficiency while filing taxes	10 4.0%	40 16.2%	20 8.1%	68 27.5%	109 44.1%	3.91	1.24
I find that using technology to file taxes is beneficial.	30 12.1%	13 5.3%	15 6.1%	76 30.8%	113 45.7%	3.93	1.35
I find the information on the KRA online tax filing system to be helpful.	3 1.2%	10 4.0%	21 8.5%	56 22.7%	157 63.6%	4.43	0.90
Online tax filing system is functional	14 5.7%	33 13.4%	5 2.0%	51 20.6%	144 58.3%	4.13	1.28
Overall, I find online tax filing system useful	25 10.1%	27 10.9%	14 5.7%	46 18.6%	135 54.7%	3.97	1.40
The E-filing system is useful for managing my tax obligations.	12 4.9%	37 15.0%	9 3.6%	68 27.5%	121 49.0%	4.01	1.25
Using the E-filing system makes tax compliance easier for my business	20 8.1%	30 12.1%	6 2.4%	55 22.3%	136 55.1%	4.04	1.34
I am likely to continue using the E-filing system for future tax filings	56 22.7%	10 4.0%	3 1.2%	21 8.5%	157 63.6%	3.86	1.68
I am satisfied with the features and functionalities of the E-filing system for tax purposes.	22 8.9%	12 4.9%	119 48.2%	91 36.8%	3 1.2%	3.17	0.89
Aggregate						3.96	1.28

The results of Table 5 indicated that the respondents had a positive attitude towards the e-filing system with a total mean of 3.96 indicating that most taxpayers use the system as useful, efficient, and helpful in tax compliance. This is in line with Malonza (2016), who discovered that the implementation of iTax system in Kenya in the medium enterprises increased their compliance with corporate tax. As was observed by Malonza in the current study results, electronic filing enhanced the accuracy in filing, efficiency in reporting and timely payment of tax. The fact that the respondents agreed that the technology enhances their performance in tax filing (mean = 4.15) and their efficiency (mean = 3.91) is reflective of the conclusion made by Malonza who stated that automation eases compliance procedures and generates confidence in taxpayers of the digital systems.

In line with this good news, Munyoro (2017) found that SMEs in Wote town had enjoyed great advantages in terms of cost reduction, convenience, and time saving upon exploiting iTax. These observations are supported by the current results since the mean scores of statements like the ease of tax compliance with the E-filing system in my business are high (mean = 4.04) and the usefulness of the E-filing system in managing my business is also high (mean = 4.01). These findings show that taxpayers appreciate e-filing as a convenience that facilitates management of operations and compliance as Munyoro has found that iTax system encourages registration of VAT, efficiency and revenue collection.

In addition, that the majority of respondents considered the information in the KRA e-filing system to be helpful and reliable (mean = 4.43, SD = 0.90) also supports the report by Kochanova et al. (2017), who discovered that e-government initiatives minimize contact between taxpayers and tax officials, thereby reducing the cost of compliance and corruption possibilities. It indicates that by digitalizing tax services, the usability is enhanced in addition to promoting transparency and accountability. The availability of information in the KRA system helps taxpayers be more effective in comprehending their tax requirements and creating better outcomes, which corresponds to the conclusion shared by Kochanova et al. that automation promotes trust and compliance.

Nevertheless, the range of the values of some statements, especially when it comes to the efficiency of the system ($SD = 1.24$) and usefulness ($SD = 1.40$), denotes the mixed experiences of taxpayers. This is reminiscent of the study by Kiringa and Jagongo (2016) who have concluded that, although e-filing had a positive effect on compliance, the technical issues, including the lack of ICT skills and challenges with the usability of the system remained the central barriers to its adoption. This observation is supported by the large standard deviation ($SD = 1.68$) of the statement that I am likely to use the E-filing system in future tax filing because this means that although a majority have intentions to continue using the platform, a section of taxpayers is still skeptical, which may be as a result of the difficulty in using the system or the lack of a consistent system performance.

The least mean score of 3.17 of satisfaction about the system features and functionalities also bring areas of concern to light. The responses seemed to be neutral to marginally positive, which indicates that the platform might still be limited in terms of usability, e.g., slowness of the response, confusing interface, or weak support capabilities. This is echoed by the results of Budak and Benk (2016), who noted that complicated or simplified too simplified tax systems will put off the users and earn them disapproval as being expensive and hard to navigate. Therefore, although the situation is in general positive, continuous system improvement and maintenance are necessary to ensure the satisfaction level and improve the compliance rates.

In addition, Sawyer (2016) focused on simplified and open tax systems such as New Zealand, which rely on fairness, accessibility, and efficiency, which Kenyan taxpayers seem to appreciate according to the results of the current study. The uniformity in the majority of the items shows the increasing value to the modernization of the tax processes. However, the middle scores on the levels of satisfaction with features suggest that Kenya e-filing system remains in the process of development until achieving the same level of simplicity and user-friendliness as observed in the developed economies.

Overall, the research results obtained in the present study support a significant part of the empirical data available that indicate that e-filing systems can increase compliance, efficiency, and user satisfaction in the case of a successful implementation. Nevertheless, the differences in reaction confirm the continuation of technical and usability issues which can obstruct the universal adoption. On-going system upgrades, education of taxpayers and easy to use additions are thus important in reinforcing the results of the positive perception and maintaining the gains in compliance that have been witnessed in the course of the study as well as in previous studies.

4.3.2 Tax Compliance

The following are the descriptive findings regarding tax compliance among SMEs. The numerical results are as follows: Strongly agree (SA) =5, agree (A) =4, Neutral (N)=3, disagree (D)= 2, and strongly disagree (SD) =1.

Table 6
Tax Compliance

Statement	SA	D	N	A	SA	M	SD
	1	2	3	4	5		
KRA's imposition of penalties for late return filing is unjust.	38 15.4%	9 3.6%	18 7.3%	76 30.8%	42.9%	3.82	1.41
The purpose is to lower tax liabilities by inflating permitted expenses or claiming disallowable expenses.	6 2.4%	13 5.3%	19 7.7%	82 33.2%	127 51.4%	4.26	0.98
For tax purposes, it's critical to have accurate accounting records.	33 13.4%	37 15.0%	21 8.5%	72 29.1%	84 34.0%	3.55	1.42
Using tax management tools to file returns and pay taxes is always crucial.	10 4.0%	19 7.7%	17 6.9%	76 30.8%	125 50.6%	4.16	1.10
Taxpayers are accountable for registering with i-tax to fulfill their tax obligations.	6 2.4%	50 20.2%	28 11.3%	78 31.6%	85 34.4%	3.75	1.19
My business consistently meets its tax obligations on time.	5 2.0%	50 20.2%	28 11.3%	78 31.6%	85 34.4%	3.75	1.20
I ensure that all required tax forms and documents are accurately filled and submitted.	19 7.7%	42 17.0%	18 7.3%	83 33.6%	85 34.4%	3.70	1.30
I actively seek to understand and comply with changes in tax regulations relevant to my business.	4 1.6%	46 18.6%	44 17.8%	86 34.8%	67 27.1%	3.67	1.11
I keep detailed records of financial transactions and tax-related information for compliance purposes.	00 0.0%	00 0.0%	126 51.0%	102 41.3%	19 7.7%	3.57	0.63
I engage in regular communication with tax authorities to clarify any uncertainties or issues regarding tax compliance.	00 0.0%	15 6.1%	108 43.7%	109 44.1%	15 6.1%	3.50	0.70
Aggregate						3.77	1.11

The results of Table 6 indicate that the respondents, in most cases, consider that tax compliance and management practices of Kenya Revenue Authority (KRA) are important, but not without difficulties. The mean of 3.77 is positive in general showing a sense of positive attitude towards compliance related practices like keeping records, use of tax management tools, and filing on time. Nevertheless, the standard deviation (1.11) is relatively high, which indicates that taxpayers have different experiences and degrees of knowledge. These results are consistent and opposite to a number of studies analyzed in the literature.

Malonza (2016) noted that the iTax system improved the compliance of the medium taxpayers in Kenya significantly because it made the processes of filing, reporting, and paying easier. This can be compared to the result of the current study, which shows that respondents are mostly in agreement with the necessity to register on iTax (mean = 3.75) and ensure compliance by proper record keeping (mean = 3.55). Nevertheless, the wide range of the responses implies that not everyone among taxpayers received the same degree of benefit, which may be explained by the disparities in the system literacy, technical ability, or perceptions of equity.

On the same note, Munyoro (2017) discovered that introduction of iTax enhanced VAT compliance in Wote town, particularly due to its convenience, cost-effective and time-saving features. The current results support this fact in which the respondents were in strong agreement when it comes to the necessity of implementing tax management tools (mean = 4.16). However, the noted difference regarding the effectiveness of KRA punishments (mean = 3.82, SD = 1.41) can be explained by the fact that, although digital systems are more efficient, taxpayers continue to see the mechanisms of punishment as punishment, not rehabilitation. This image can be a barrier to complete voluntary compliance, and Munyoro notes in his comments that the aspects that increase compliance are not only the adoption of the system, but also the fairness of the tax administration.

The findings can also be supported by the Kiringa and Jagongo (2016), who developed the idea that e-filing has an impact on the compliance behavior of SME in Kibwezi, yet it is important to mention that the researchers also reported difficulties associated with technical skills. The difference in the current study in terms of agreeableness to keep adequate records (SD = 1.42) and understanding of the changing tax legislation (SD = 1.11) might be due to the identical factor, that is, the discrepancies between the digital literacy and online adaptation ability of taxpayers. Therefore, as much as technology increases the level of access and efficiency, the differences in user competence still pose a challenge to the achievement of consistent compliance results.

On a bigger scale, the results can be compared to Kochanova et al. (2017) who found that e-government projects increase compliance by ensuring that the taxpayers do not have close direct contact with the tax officials and, therefore, the possibility of harassment and corruption is limited. The mediocre consensus among respondents in the matter of frequent contact with tax authorities (mean = 3.50) provides an indication that though digital platforms have minimized friction, human fact in tax administration is also relevant in the clarification and guidance. This explains the necessity of further taxpayer education and responsive communication lines.

Globally, Sawyer (2016) established that the tax system of New Zealand was simple and transparent, which encouraged the sense of fairness and justice among taxpayers. In its turn, the fact that the present research has found that a high number of participants view the penalties of KRA as unfair makes it clear that the taxation system of Kenya can still be considered slightly excessively punitive or complicated. This perception difference indicates a direction in which Kenya needs to simplify more on tax processes and increase equity in its enforcement to encourage greater voluntary compliance.

The results also partly coincide with Budak and Benk (2016), who mentioned that although tax simplification is intended to make it easier to comply, the implementation process may create new difficulties and expenses occasionally. The overall average consensus of the current study (aggregate SD = 1.11) indicates that Kenyan taxpayers can have both advantages and costs of digitized taxation- enjoying the increase in efficiency and have difficulties in working with complexities of the system and do not feel fairly treated.

On the whole, the findings of the present research confirm the agreement in the literature that the implementation of e-filing systems such as iTax has a positive impact on tax compliance through the increase in convenience and efficiency (Malonza, 2016; Munyoro, 2017; Kochanova et al., 2017). Nevertheless, it also highlights some lingering issues, as observed by past scholars, such as system literacy differences (Kiringa & Jagongo, 2016) and a sense of injustice (Sawyer, 2016; Budak & Benk, 2016). The differences in the experiences of the taxpayers as portrayed by the different standard deviations show the necessity of ensuring that taxpayers are educated continuously, procedures simplified, and mechanisms of fair enforcement put in place to increase the compliance outcomes among the various strata of taxpayers.

4.5 Hypothesis Testing

The study set out a hypothesis where a linear regression was utilized to ascertain. The research employed, the following hypothesis was tested at an alpha level of 0.05 using Regression analysis:

H_{01} : Perceived usefulness of the E-filing system does not have a significant effect on tax compliance



The independent variable is perceived usefulness while the dependent variable tax compliance of SMEs in Kenya. The regression analysis for the effect of digital lending on the financial sustainability of commercial banks in Kenya is presented in Table 7 and Table 8.

4.5.1 Analysis of Variance

The study employed analysis of variance to compare the means of tax compliance and its predictive variables. Table 7 shows the results:

Table 7
ANOVA

Model	Sum of squares	dF	Mean	Mean Square	F	Sig
1	Regression	689.940	4	172.485	31.017	.000 ^a
	Residual	1351.393	243	5.561		
	Total	2041.333	247			

Predictors: (constant): perceived usefulness
Dependent variable: tax compliance

The F-ratio was 31.017 with four degrees of freedom, indicating that the variable factor. The regression model's effect size was significant at 95% confidence level ($p=0.000$), demonstrating that the independent variables can predict tax compliance.

4.5.4 Coefficient Analysis

The coefficient analysis from multiple regression analysis is as follows:

Table 8

Coefficient Analysis

Model		Unstandardized coefficients	standardized coefficients	Beta	t	Sig.
		B	Std Error			
1	(Constant)	2.829	.772			
	Perceived usefulness of the E-filing system	.169	.039	.287	4.33	.000

a Dependent variable: tax compliance

From the table 8, the study established that: Perceived Usefulness of the E-filing System ($t = 4.33, p < 0.05$). This result indicates that perceived usefulness has a strong and statistically significant impact on tax compliance. A high t-value suggests that when SMEs perceive the e-filing system as beneficial and effective in improving tax filing efficiency, they are more likely to comply with tax obligations. Hypothesis 1 (H01) anticipated that the perceived usefulness of the E-filing system had no significant impact on tax compliance. Table 8 shows that perceived usefulness of the E-filing system significantly affects tax compliance ($p < 0.05$). We reject the null hypothesis that perceived usefulness of an e-filing system has no significant impact on tax compliance.

V. CONCLUSIONS & RECOMMENDATIONS

5.1 Conclusions

The perceived usefulness was recognized as a crucial factor influencing tax compliance. The research indicated that taxpayers who perceive e-filing as enhancing efficiency and alleviating the tax filing load are more inclined to comply. These findings correspond with the Technology Acceptance Model (TAM), which posits that individuals are more inclined to accept a system if they see it as advantageous. Perceived utility significantly impacts taxpayer behavior regarding e-filing.

5.2 Recommendations

The study found that perceived usefulness has a considerable influence on tax compliance. As a result, KRA should promote the practical advantages of the e-filing system, such as efficiency, accuracy, and time-saving. Utilize success stories and case studies to demonstrate these benefits and highlight the positive impact on SMEs. KRA should continuously upgrade the e-filing system to include useful features like automatic calculation tools, pre-filled forms, and integration with accounting software. Gather user feedback to prioritize and implement feature enhancements.



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