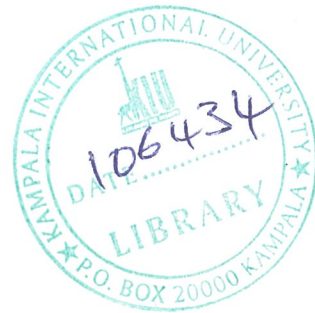


**DETERMINANTS OF ADOPTION OF ONLINE TAX SERVICES BY
TAXPAYERS IN KISUMU CITY OF KENYA**

BY

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HG179
5954
2010



**A THESIS SUBMITTED TO THE SCHOOL OF POST GRADUATE STUDIES IN
PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF
THE DEGREE OF MASTER OF BUSINESS ADMINISTRATION OF KAMPALA
INTERNATIONAL UNIVERSITY**

MAY 2010

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DECLARATION

This thesis is my original work and has not been presented for an award of a degree in any other university or institution of higher learning. Ideas and information obtained from other sources have been duly acknowledged.

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Signed:  _____ Date: 21.07.2010

APPROVAL BY THE SUPERVISOR

This thesis has been conducted under my supervision and is ready for submission to the School of Post Graduate Studies of Kampala International University in partial fulfillment for the award of the degree of Master of Business Administration with my approval.

Signed: _____ Date: _____

Prof. Sunday Olwor
Supervisor

No Signature??

ACKNOWLEDGEMENT

My utmost gratitude is extended to my family members, relatives and friends for their continuous support and encouragement to aim higher in life. Specifically, I extend my gratitude to my mother, Ruth, for her moral and enduring financial support she has unceasingly been giving me.

To my supervisor Prof. Sunday Olwor, I appreciate his invaluable guidance and direction that enabled me to produce this thesis.

I am grateful to the Kenya Revenue Authority for rolling out online tax services which were the subject of this study.

Last but most importantly, I greatly acknowledge our Almighty God for His grace and guidance without which I would not have come this far.

ABSTRACT

Developing countries are faced with the need for more government revenue due to population pressure, growing fiscal deficit, unsustainable national debt coupled with challenges of globalization, HIV/AIDS and increasing poverty levels among other reasons. In order to deal with these challenges, revenue collection agencies must come up with the most effective tax collection methods that are convenient and efficient to the taxpayers. To achieve this, Kenya Revenue Authority embarked on tax modernization programme that encompassed automation of processes and development of a professional workforce in order to meet taxpayers' expectations as well as increase revenue collected for the government. As part of the automation of processes, Kenya Revenue Authority rolled out online tax services that are available to all taxpayers on the internet.

This study aimed at establishing determinants of adopting the online tax services by taxpayers in Kisumu city of Kenya by testing a modified Technology Acceptance Model (TAM) adopted from Technology Acceptance Model (Davis, 1989). This study extended TAM by concentrating on perceived ease of use, perceived usefulness, attitude and behavioral intentions of taxpayers towards use online tax services.

By use of questionnaires, a sample of 50 taxpayers from Kisumu were surveyed to establish why and how they are adopting the online tax services. The data obtained was analyzed using descriptive statistics and then compared with the factors proposed by technology acceptance model to see if the adoption follows the modified Technology Acceptance Model.

It was established that perceived ease of use of online tax services, perceived usefulness and attitude towards the online tax services and their influence on behavioral intentions to use online tax services are the determinants of adopting online tax services by taxpayers in Kisumu city of Kenya.

LIST OF ABBREVIATIONS

EDM – Expectation- Disconfirmation Model
IDT – Innovation Diffusion Theory
KRA – Kenya Revenue Authority
PAYE - pay as you earn
PEOU - perceived ease of use
PU - perceived usefulness
TAM – Technology Acceptance Model
TMP – Tax Modernization Programme
TPB - Theory of Planned Behaviour
TRA – Theory of Reasoned Action
TTFM – Task Technology Fit Model
UTAU – Unified Theory of Acceptance and Use
VAT – Value Added Tax
RARMP - Revenue Administration Reforms and Modernization Program
DO in IS - Diffusion of Innovations Theory in Information Systems
OECD – Organization for Economic Cooperation and Development

DEFINATION OF TERMS

Online Tax Services – these consist of electronic registration and electronic filing services provided by Kenya Revenue Authority through the website <http://www.kra.go.ke/portal>.

Revenues - the gross proceeds received from taxes, fees, and other levies.

Tax- is a financial charge or levy imposed on an individual or a legal entity by a state such that failure to pay is punishable by law.

Tax Modernization- the creation, amendment, or repealing of numerous tax-related statutes and review of procedures and methods of work performance.

Taxpayer- all income earning entities including individuals, partnerships and companies

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CHAPTER ONE INTRODUCTION

1.1.1 Background to the Study

Many developing countries are faced with the need for more government revenue due to population pressure, growing fiscal deficit, unsustainable national debt coupled with challenges of globalization, HIV/AIDS and increasing poverty levels among other reasons. One of the key reasons for undertaking tax reforms in developing countries is to raise enough revenue at the least possible cost to address the fiscal challenges facing such countries (Ghura, 1998).

1.1.2 What Taxes are and their Purpose

A tax is a financial charge or other levy imposed upon an individual or legal entity by a state or the functional equivalent of a state such that failure to pay is punishable by law.

The purpose of taxes is to raise money to finance government programs and services; taxes regulate or restrict certain types of business practices, products or services; income, sales, estate, gift and property taxes are meant to generate revenue; and finally, excise taxes and import duties are regulatory taxes. The purposes overlap such that some type of tax maybe regulatory while at the same time generating revenue for the state. (www.civil-liberties.com)

1.1.3 History of Taxation

The first known system of taxation was in Ancient Egypt around 3000 BC - 2800 BC in the first dynasty of the Old Kingdom (<http://www.upenn.edu>).

Ancient records document that pharaoh would conduct a biennial tour of the kingdom collecting tax revenues from the people (Olmert, 1996).

Early taxation is also described in the Bible. In Genesis Chapter 47, verse 24 of the New International Version, it is stated that "But when the crop comes in, give a fifth of it to Pharaoh. The other four-fifths you may keep as seed for the fields and as food for yourselves and your households and your children." Joseph was telling the people of Egypt how to divide their crop, providing a portion to the Pharaoh. A share (20%) of the crop was the tax. Another example of the earliest taxes mentioned in the Bible of a half-shekel per annum from each adult Jew (Exodus 30:11-16) was a form of poll tax.

During the 17th century, Government expenditures and revenue in France went from about 24.30 million livres in 1600-10 to about 126.86 million livres in 1650-59 to about 117.99 million livres in 1700-10 when government debt had reached 1.6 billion livres. In 1780-89 it reached 421.50 million livres. (Hoffman, Phillipe and Kathryn Norberg, 1994).

Taxation as a percentage of production of final goods may have reached 15% - 20% during the 17th century in places like France, the Netherlands and Scandinavia. During the war-filled years of the eighteenth and early nineteenth century, tax rates in Europe increased dramatically as war became more expensive and governments became more centralized and adept at gathering taxes. This increase was greatest in England, Peter Mathias and Patrick O'Brien (www.wikipedia.org) found that the tax burden increased by 85% over this period.

Another study confirmed this number, finding that per capita tax revenues had grown almost six fold over the eighteenth century, but that steady economic growth had made the real burden on each individual only double over this period before the industrial revolution. Average tax rates were higher in Britain than France the years before the French Revolution, twice in per capita income comparison, but they were mostly placed on international trade. In France, taxes were lower but the burden was mainly on landowners, individuals, and internal trade and thus created far more resentment. (Hoffman et al 1994)

Taxation as a percentage of gross domestic product in 2003 was 56.1% in Denmark, 54.5% in France, 49.0% in the Euro area, 42.6% in the United Kingdom, 35.7% in the United States, 35.2% in The Republic of Ireland and among all OECD members an average of 40.7% (<http://www.oecd.org/>).

1.1.4 Tax Reforms in Kenya

Kenya like most Sub-Saharan African countries gradually started tax reforms only after 1980s under the Revenue Administration Reform and Modernization Programme (RARMP) (KRA, 2010). One of the key reasons for undertaking tax reforms in Kenya was to address issues of inequality and to create a sustainable tax system that could generate adequate revenue to finance public expenditures. In this respect, the tax modernization programme introduced in the country was to achieve a tax system that was sustainable in the face of changing conditions domestically and internationally (WB, 1990).

Advancement in technology and the need to maximize revenue collection at the least cost possible are the reasons for the Kenya Revenue Authority to engage in tax reforms that have now been extended to incorporate the use of the internet by taxpayers.

The Kenya Revenue Authority embarked on a tax modernization programme that aimed at provision of services to taxpayers efficiently and timely. The focus was on automation of processes and development of a professional workforce in order to meet taxpayers' expectations as well as increase revenue collected for the government. The services offered online, now available on the Kenya Revenue Authority website, include electronic taxpayer registration services, electronic filing services and electronic payment services.

1.1.5 Information technology and online services

Information Technology has rapidly developed in the recent past and dramatically changed how people live.

With interconnection of computers all over the world, people can communicate without knowledge of previously known national or international borders thereby the world becoming a global village.

With the continued human civilization, it is inevitable that all organizations and individuals will adopt technology willingly and in some cases mandatorily. As a result of technological advancements, businesses have opportunities to trade via e-commerce.

E-commerce is fundamentally conducting of business between buyers and sellers over computer networks. In the same spirit, other developments have emerged along the same principles. Even tax authorities have decided to deal with taxpayers directly over the internet. This is advantageous to both the taxpayer and the tax authorities because both are enabled to cover long distances and make tax collection and payment logistically easier. Tax returns can now be made in many countries over web based applications. In these applications, taxpayers login into the application using unique numbers and signatures allocated by the tax man. The Kenya Revenue Authority in the financial year 2008/2009 launched online tax services available to all taxpayers that have access to the internet. These services can be accessed through a web page using the address <http://www.kra.go.ke/portal/index>.

This study aimed at establishing how taxpayers are adopting online tax services by testing a modified Technology Acceptance Model (TAM). Technology Acceptance Model was developed to explain computer usage behaviour. This concept later found applications in studying adoption of consumer products like Cellular phones and now this study extends it to adoption of online tax services.

To understand taxpayers' behaviour towards online services, it is important to understand the technology adoption process. The technology acceptance model consists of two beliefs, perceived utilities and perceived ease of application, which determine attitudes to adopt a new technology. The attitude towards adoption depicts the prospective adopter's positive or negative orientation or behaviour about adopting a new technology. Attitudes are determined by relevant internal beliefs.

Attitude towards adoption is influenced by factors such as perceived ease of adoption, apprehensiveness, perceived utilities of technology or extrinsic motivation and enjoyment or intrinsic motivation (Fishbein and Ajzen, 1975).

Other individual characteristics like age, qualification, prior experiences in adopting technology, technology suppliers' commitment, availability, compatibility with existing technology, social pressure and enhanced value are important influence factors.

1.1.6 Statement of the Problem

One of the main reasons for undertaking tax reforms is to create a sustainable tax system that could harness adequate revenue to finance government expenditures. In this respect, tax modernization programmes have endeavored to achieve a tax system that is sustainable in collecting the highest amounts of revenue at the least possible cost. Kenya Revenue Authority rolled out online services to all taxpayers so that taxpayers can get information, register and make their returns online. The Authority did realize that taxpayers were faced with challenges of travel to and queuing up at tax authority's offices to make manual returns.

Similarly, the Authority is faced with huge return processing costs in terms of salaries paid to return processing officers, cost of return in the forms, computers and computer time and man hours used in processing tax returns. It is because of this concern that this study was undertaken to determine how taxpayers are adopting online services and factors motivating them to adopt the services and establish if this adoption follows a Technology Acceptance Model (TAM).

What is the purpose of the study?

1.1.7 Objectives of the Study

The research objectives of this study included the following:

1. To study taxpayers' attitudes towards online tax services in Kisumu city.
2. To establish the reasons for the adoption of online tax services in Kisumu city.
3. To study the behavioral intentions of taxpayers towards adoption of online tax services in Kisumu city.
4. To establish if the adoption process in Kisumu city follows a modified technology acceptance model (TAM).

1.1.8 Research Questions

In order to achieve the study objectives, the researcher was guided by the following research questions:

1. What are taxpayers' attitudes towards online tax services in Kisumu city?
2. What are the reasons for the adoption of online tax services by taxpayers in Kisumu city?
3. What are the behavioral intentions of taxpayers towards adoption of online tax services in Kisumu city?
4. Is the adoption process of the online tax services in Kisumu city following the technology acceptance model (TAM)?

1.1.9 Scope of the Study

This study examined how and why taxpayers are adopting online tax services since the time the services were launched in March 2009 up to March 2010 in Kisumu city.

1.1.10 Significance of the Study

This research aimed at illuminating light onto the determinants of adopting online tax services by taxpayers in Kisumu City. The Kenya Revenue Authority will also gauge if it is achieving the objectives of rolling out online tax services to taxpayers. If all taxpayers made all their returns online, the Authority will save millions of shilling that are spend annually on tax return processing. Lastly to researchers and academia in this area as it will contribute to a wider knowledge of tax reforms and use of online tax services by the taxpayers and the Government.

1.2 Conceptual Framework

Most of the in this area are more concerned with the adoption of various information technology but none of them has focused on electronic Government services specifically adoption of online tax services. This study has extended the Technology Adoption Model to take care of adoption of online tax services provided by the Kenya Revenue Authority in Kisumu city.

In order to do this, the following model will be used:

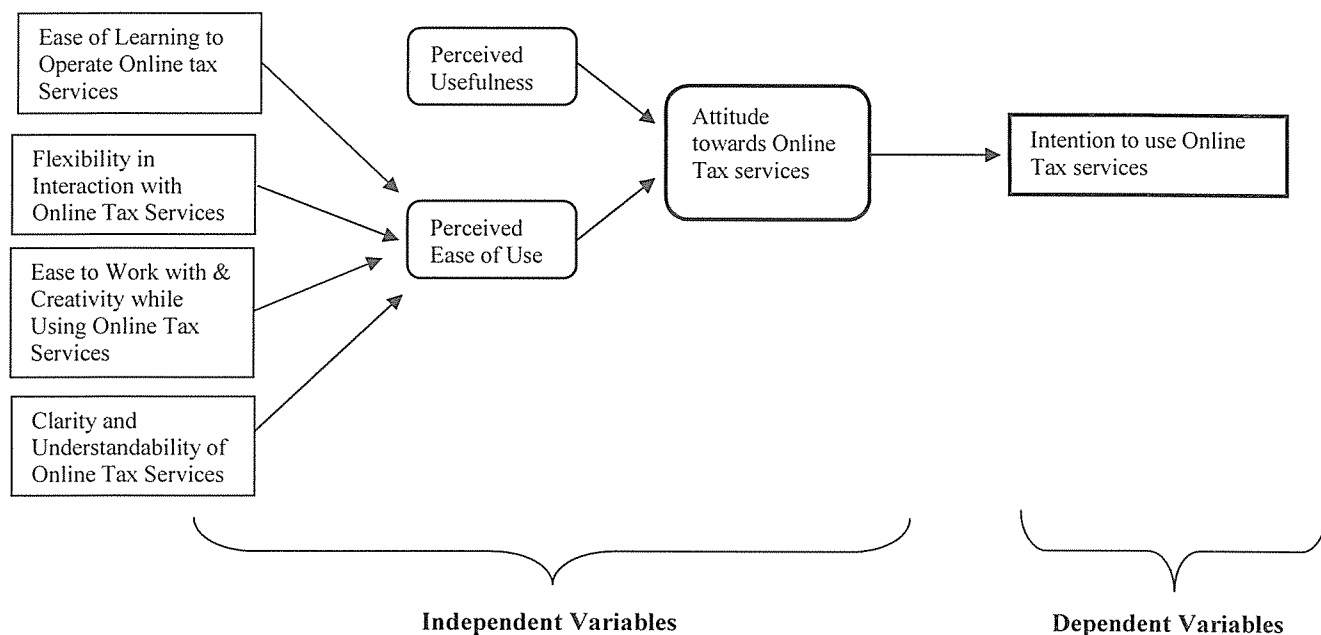


Figure 1.1: Research Model: Adapted from Technology Acceptance Model (Davis, 1989)

Perceived ease of use of online tax services covers issues related to how easy it is to learn to use, interact, work with, be creative with the online tax services and how clear and understandable the services are to taxpayers.

Perceived usefulness is concerned with speed, accuracy and productivity of the online tax services.

The attitude towards online tax services is covered by how good, beneficial, wise and positive the online tax services are perceived to be. These factors hypothesized to be largely influenced by perceived ease of use and perceived usefulness.

Behavioral intentions are the aggregate impact of all the above factors on tax payers so much so that they intent to use the online tax services.

CHAPTER TWO

REVIEW OF RELEVANT LITERATURE

2.1 Introduction

This chapter gives reference to what other scholars have written about technology adoption. This chapter looks at tax reforms at the Kenya Revenue Authority and the theoretical framework.

2.2 Tax Reforms in Kenya

Kenya's tax reforms have been undertaken in two phases. Phase one occurred between 1963/4 to 1983/4 while phase two started from 1984/5 to date. Under phase one minimal tax reforms were carried out on the inherited British tax systems. This was a period of lower fiscal deficits and the government was able to foot for all its public expenditures. However, the economy was adversely upset as a result of both internal and external shocks of the late 1970s which led to chronic fiscal deficits.

It was then imperative that the Kenyan government had to start major tax reforms from 1984/5 to mobilize domestic revenues to tackle the fiscal deficits, ushering in phase two reforms. (Mureithi and Moyi, 2003). Through the Sessional Paper No. 1 of 1986 (GOK, 1986), the government adopted Tax Modernization Programme (TMP) in 1986. This programme aimed to achieve a sustainable tax system by raising taxpayers' compliance level. The compliance level could be raised by among others low and rationalized tax rates, tax modernisation to enhance taxpayers' self-assessment and effective data management systems, and enhancing enforcement mechanism through tax penalties (Fjeldstad, 2003).

Kenya Revenue Authority (KRA) was established in 1995 as result of TMP, to provide operational autonomy in revenue administration and administration of tax reforms in Kenya (Moyi and Ronge, 2006). As part of wider reforms by KRA, tax reforms under Revenue Administration Reforms and Modernization Program (RARMP) commenced in 2004/05.

To raise an adequate amount of revenue to finance public expenditure, there was need to create a sustainable tax system. The Revenue Administration Reform and Modernization Programme (RARMP) introduced in Kenya aims to achieve a tax system that is sustainable in the face of changing conditions domestically and internationally (KRA, 2010). The Kenya Revenue Authority embarked on a tax modernization programme that aimed at provision of services to taxpayers efficiently and timely. The focus was on automation of processes and development of a professional workforce in order to meet taxpayers' expectations as well as increase revenue collected for the government. Automation has enabled Kenya Revenue Authority to offer online tax services now available on the Kenya Revenue Authority website. Tax reform has seen significant growth in revenue. The KRA's tax collection has been rising since the financial year 2002/03 when the total revenue was Ksh.201,699 million, Ksh.229,277 million in 2003/04, Ksh.274,252 million in 2004/05, Ksh.309,810 million in 2005/06, Ksh. 360,191 million in 2006/07, Ksh. 433,915 million in 2007/08 and lastly to Ksh. 480,569 million in 2008/09.

Tax collection is an expensive affair especially in return processing. In a given country, there are usually millions of returns processed yearly for annual income taxes and on monthly or shorter periods for sales tax or value added tax (VAT) as well as for pay as you earn (PAYE). Processing millions of taxpayer returns costs a lot of resources in terms of salaries paid to return processing officers, cost of documentation, cost of computer usage and time. As part of tax reforms to minimize tax collection and tax payment costs, Kenya Revenue Authority rolled out online tax services that are available to all taxpayers to make their returns online thereby reducing the time used to queue up at tax authority's offices, paper work and reduce the computer time used in processing such returns.

2.3 Theoretical Framework

A model is a holistic abstract of related realities that enable the description or understanding of an object or event. Models provide conceptual frameworks that facilitate study of adoption, diffusion and growth of technologies. Models are reliable and valuable in information technology studies.

To understand the user's behaviour towards new innovation, one must learn the technology adoption process. The technology acceptance model consists of two beliefs, perceived utilities and perceived ease of application, which determine attitudes to adopt a new technology. The attitude towards adoption depicts the prospective adopter's positive or negative orientation/behaviour about adopting a new technology. Attitudes are determined by relevant internal beliefs.

Attitude towards adoption is influenced by factors such as perceived ease of adoption, apprehensiveness, perceived utilities of technology or extrinsic motivation and enjoyment or intrinsic motivation (Fishbein and Ajzen, 1975).

Technology acceptance research has been of interest to researchers since the early days of information systems science and is one of the most mature research areas in contemporary information systems research (Hu, P.J., Chau P.Y.K., Sheng, O.R.L, and Tam, K.Y., 1999). The subject has remained of interest, and new models are still being developed (Constantiou, 2008). The vast research in this area has resulted in a number of models explaining user behaviour and information systems research has seen theoretical models with roots in various academic fields. However, the objective of the theories remains the same that is, explaining user behaviour in connection with new Information Technology. Halawi and McCarthy (2006) list seven major Information Technology theories involving technology acceptance research. These are the Theory of Reasoned Action (TRA), Theory of Planned Behavior (TPB), the Unified Theory of Acceptance and Use of Technology (UTAUT), the Task-Technology Fit (TTF) and the Diffusion of Innovation Theory in Information Systems (DOI in IS), the Cognitive Fit Theory (CFT) and the Technology Acceptance Model (TAM). These seven theories provide the state of the art for this study. In the following, the aforementioned theories are presented in more detail.

2.3.1 Theory of Reasoned Action (TRA)

The theory of reasoned actions (TRA) was presented by Fishbein and Ajzen in 1975.

The roots of the theory stem from the field of social psychology, a field that is concerned with explaining how and why attitude impacts behaviour. TRA seeks to explain and even predict behaviour based on the beliefs, attitudes and intentions of individuals. These three factors in cooperation are, according to TRA, the driving factors behind an individual's behaviour. According to Fishbein and Ajzen (1975), behaviour is driven by behavioural intention. An individual's behavioural intentions are affected by the attitude toward the behavior as well as the subjective norms surrounding the performance of the behaviour. The construct of the TRA is shown in Figure 2.1 below. Attitudes are made up of various types of belief that an individual accumulates during his or her lifetime. The beliefs may be descriptive, formed by direct experience, informational, formed by accepting information provided by an outside source or inferential, beliefs that go beyond directly observable experiences and can often be traced to descriptive beliefs. As a person evaluates and forms beliefs about an object she or he simultaneously acquires a positive, negative, or neutral attitude toward the object. On a more general level, people like objects that are associated with positive things and acquire negative feelings toward object associated with bad things. Similarly, a person has an assessment of beliefs about the consequences arising from certain behaviour, as well as an evaluation of the desirability of these consequences and, accordingly, positive or negative associations about performing a behaviour. (Fishbein and Ajzen, 1975)

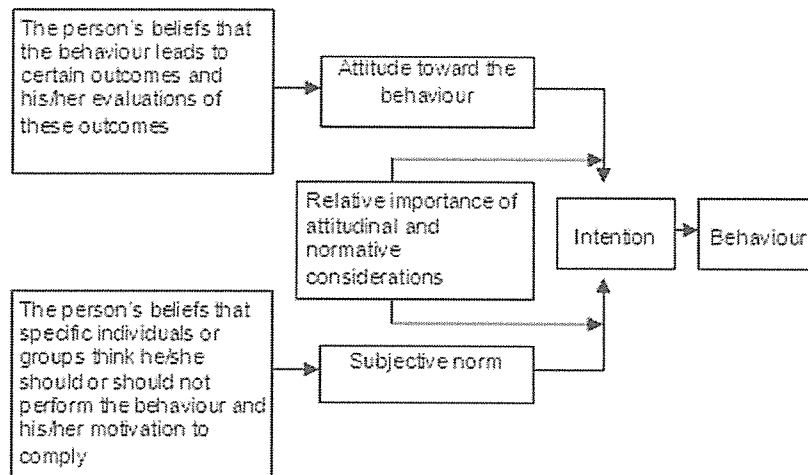


Figure 2.1 The TRA model. The TRA model describes behaviour as a result of intention to behave, which is affected by the attitude toward the behaviour and subjective norm (adapted from Ajzen and Fishbein, 1975).

Subjective norms are a combination of normative belief and motivation to comply. Normative beliefs are the assumed opinions of other individuals that are significant to the person regarding the behaviour and whether or not it should be performed. Motivation to comply signifies the motivation to perform the behaviour weighted by the intention to comply with the opinions and expectations of others. In other words subjective norm is a function of “the perceived expectations of specific referent individuals or groups, and by the person’s motivation to comply with those expectations” (Ajzen and Fishbein, 1975).

Behavioural intention is affected by the individual’s attitudes toward a behaviour and the subjective norms toward the behaviour. It measures a person’s strength of intention or the probability, as rated by the subject, to perform a behaviour.

Behavioural intention as a result of attitude and subjective norm has been found to predict actual behaviour (Ajzen and Fishbein, 1975). Limitations of the TRA include, for example, subjective reporting, since observation cannot be applied to the model, as well as confounding between attitudes and norms. Furthermore, the model stems from the assumption that behaviour is consciously thought out before acting. In addition, the theory fails to consider that some behaviours are not under the individual's control (Lorig 2001).

2.3.2 Theory of Planned Behavior (TPB)

The Ajzen's Theory of Planned Behavior (TPB) is a well known theory grounded on sociology that has been used to explain social behavior and information technology use (Ajzen, 1985, 1991). More specifically, according to Ajzen, intention is an immediate predictor of behavior. This intention is loaded by subjective norm (SN), perceived behaviour control (PBC) and one's attitude towards a behavior (A). Further, a behavioral belief weighted by the evaluated desirability of this outcome forms an attitude (Kwon & Onwuegbuzie, 2005). A behavioral belief is a belief that a specific behavior will lead to a specific outcome. Ajzen (1991) defines Perceived Behaviour Control as "the perceived ease or difficulty of performing the behavior". Subjective Norm is the perceived social pressure to perform the behaviour. Theory of Planned Behavior views the control that people have over their behavior as lying on a continuum from behaviors that are easily performed to those requiring considerable effort and resources.

2.3.3 Unified Theory of Acceptance and Use of Technology (UTAUT)

The unified theory of acceptance and use of technology (UTAUT) was presented by Venkatesh, V., Morris M., Davis G., Davis, F. in 2003. The theory seeks to explain the user intention to use an information system, as well as the subsequent behaviour of users. The theory has its background in a number of other theories, which have been combined in an attempt to produce a more complete model of user behaviour (Venkatesh et al 2003).

The UTAUT theory holds that four constructs play a significant role as direct determinants of user acceptance and user behaviour. These constructs are performance expectancy, effort expectancy, social influence and facilitating conditions. The first three constructs create a behavioural intention to act and, thus, jointly affect use behaviour. The fourth construct, facilitating conditions, does not affect user intentions, but directly influences use behaviour. In addition to the four constructs that directly impact use behaviour, there are four moderators that indirectly impact behavioural intention and use behaviour. The four moderators are gender, age, experience and voluntariness of use. Each moderator impacts one or more of the four constructs (Venkatesh et al 2003). The construct of the UTAUT theory is depicted in figure 2.2.

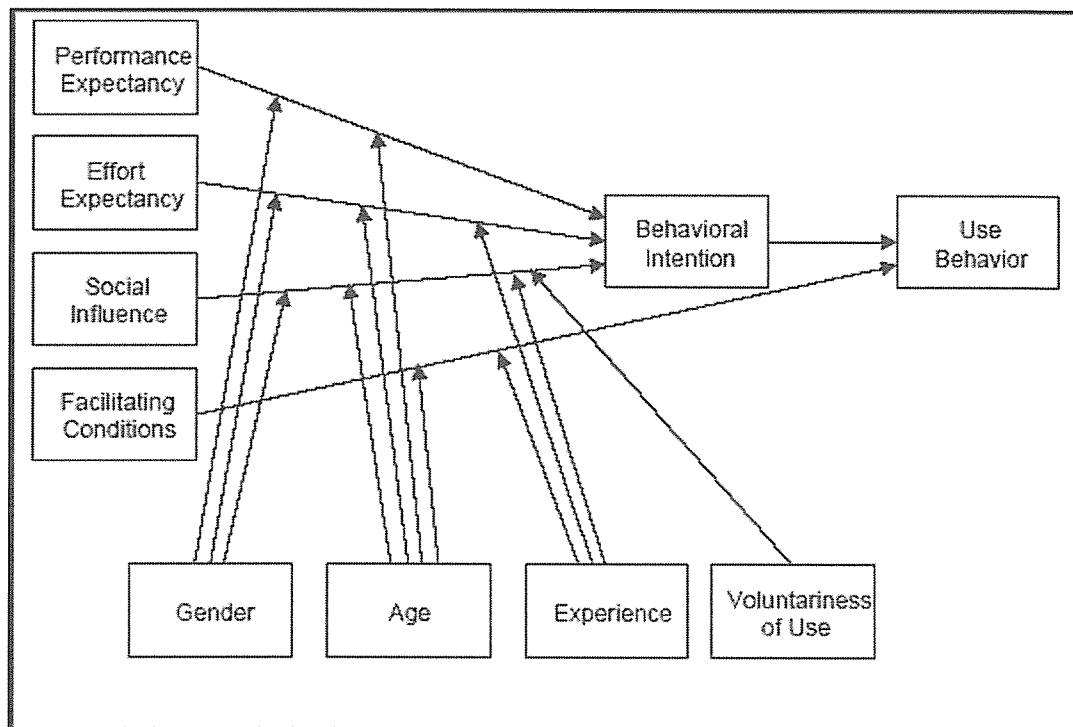


Figure 2.2 The UTAUT model: Factors affecting behavioural intention and use behaviour (Venkatesh et al 2003).

According to Venkatesh et al (2003) the first of the four constructs, performance expectancy is “the degree to which an individual believes that using the system will help him or her to attain gains in job performance”. Performance expectancy is the strongest predictor of user intention. The construct is moderated by gender and age and stronger for men and particularly younger men.

Effort expectancy regards the ease of use associated with the use of a system or service (Venkatesh et al 2003). Earlier models capture this concept in perceived ease of use, complexity, and ease of use.

The effect of this construct will be most clearly moderated by gender, age and experience, where especially young women at early stages of experience are expected to be affected (Venkatesh et al 2003).

The third construct, social influence, signifies “the degree to which an individual perceives that important others believe he or she could use the new system” (Venkatesh et al 2003). The construct holds that an individual is influenced by the way she thinks others will view her as a result of having used the technology. Social influence is represented as subjective norm in six of the theories contributing to the UTAUT. This construct is affected by all four indirect moderators; gender, age, voluntariness and experience, and the most influenced parties will be older women in early stages of learning (Venkatesh et al 2003).

Facilitating conditions are defined as “the degree to which an individual believes that an organizational and technical infrastructure exists to support use of the system” (Venkatesh et al 2003). Researchers have found that older workers attach more importance to receiving support than younger workers do, and more experienced workers find support through several channels within an organisation. Accordingly, facilitating conditions are moderated by experience and age in particular, which have a significant impact on usage (Venkatesh et al 2003).

UTAUT considers aspects of the user’s characteristics, as well as some conditions at the time of the possibility to use a certain system or service.

Furthermore, it considers the degree of voluntariness of the user, which is unmentioned by several other theories. The focus of UTAUT is on using one technology (Venkatesh et al 2003).

2.3.4 Task-Technology Fit (TTF)

The task technology fit (TTF) theory draws on two complementary streams of research; user attitudes as predictors of utilization and task-technology fit as a predictor of performance. The theory states that for technology to have a positive impact on individual performance, the technology must fit the tasks that the user must perform, and the technology must be utilized (Goodhue and Thompson, 1995).

According to Goodhue and Thompson (1995) TTF is “the degree to which a technology assists an individual in performing his or her portfolio of tasks” and, more specifically, “the correspondence between task requirements, individual abilities and the functionality of the technology”. In order to measure the task technology fit, four components affecting performance were identified: Task characteristics, that is nonroutineness, interdependence and job title; Technology characteristics which are measured focusing on the information system used, as well as the department in which they are used; Utilization, that is the proportion of times users choose to utilize systems, or the perceived dependence on a system, and performance impact, that is the perceived impact on effectiveness, productivity and performance. The model and its components are depicted in figure 2.3

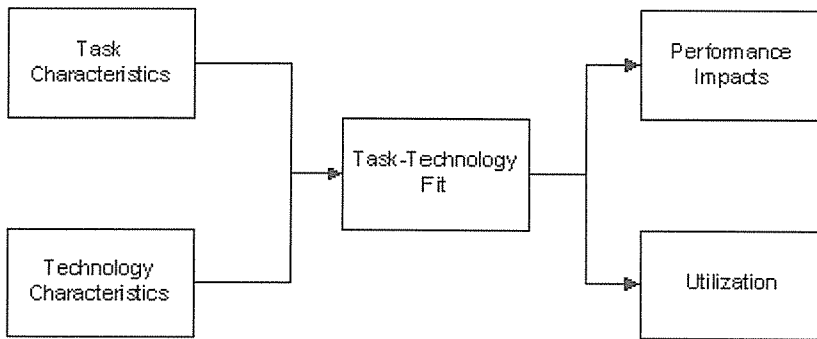


Figure 2.3 The TTF model. According to TTF, a fit between task and technology characteristics leads to improved performance. (Goodhue and Thompson, 1995).

The fit between the four performance components can be tested by measuring eight significant factors identified by Goodhue and Thompson. The eight significant factors for measuring task technology fit are “data quality, locatability of data, authorization to access data, data compatibility between systems, training and ease of use, production timeliness, systems reliability, and relationship with users, all of which are measured using two to ten questions” (Goodhue and Thompson, 1995). By measuring the eight TTF factors, the compatibility of the components can be established, showing possible weaknesses in the fit. A better fit is expected to create improved performance impacts, and a worse fit leads to poorer performance. In similarity with several other technology acceptance models, TTF places focus on the fit between performance and task and technology characteristics (Goodhue and Thompson, 1995).

2.3.5 Diffusion of Innovations Theory

The theory of the Diffusion of Innovations was presented by Rogers in 1962, and was designed to apply to most innovations, from food to technology. According to Rogers (1962), there are “four crucial elements in the analysis of the diffusion of innovations; the innovation, its communication from one individual to another in a social system that is a population of individuals and engaged in collective behaviour over time. In this context communication is synonymous with diffusion, the process by which an innovation spreads from its source to the ultimate users. Time of the adoption process includes the user stages awareness, interest, evaluation, trial and adoption. The diffusion of an innovation is impacted by the type of individual faced with the innovation, as well as five factors affecting the user’s perception of the innovation. An individual’s willingness to accept an innovation is steered by her characteristics, placing her in one of five categories of individual innovativeness - innovators, early adopters, early majority, late majority or laggards - depending on their willingness to adopt innovations. The rate of adoption is, in turn, impacted by how the innovation is perceived in terms of relative advantage - the degree to which an innovation is superior to ideas it supersedes; compatibility - the degree to which an innovation is consistent with existing values and past experiences; complexity - the degree to which an innovation is relatively difficult to understand and use; divisibility, later trialability - the degree to which an innovation may be tried on a limited basis; and communicability, later observability - the degree to which the results of an innovation may be diffused or communicated to others of the innovation (Rogers, 1962). Additionally, the rate of adoption is affected by the initial innovation growth as well as the rate of later growth.

DOI has been adapted to the field of Information Systems (IS) by Moore and Benbasat (1991). Unlike Rogers, Moore and Benbasat proposed that the rate of adoption was impacted by users' perceptions of using an innovation rather than the innovation itself, thus separating characteristics of innovations into primary attribute, such as cost price, and secondary attribute, such as the perception of cost (Moore and Benbasat, 1991). By focusing on perceived characteristics of using an innovation, Moore and Benbasat found that Rogers' original five factors were inadequate, and adjusted them to be more versatile and reliable. Consequently, DOI in IS uses eight factors affecting the adoption of innovations: trialability; relative advantage; compatibility; voluntariness, that is the degree to which use of the innovation is perceived as being voluntary; image, that is the degree to which use of an innovation is perceived to enhance one's image or status in one's social system; ease of use; result demonstrability, that is the more the innovation is demonstrated and the more visible the advantages are, the more likely it is to be adopted; and visibility, the actual visibility of the innovation (Moore and Benbasat 1991).

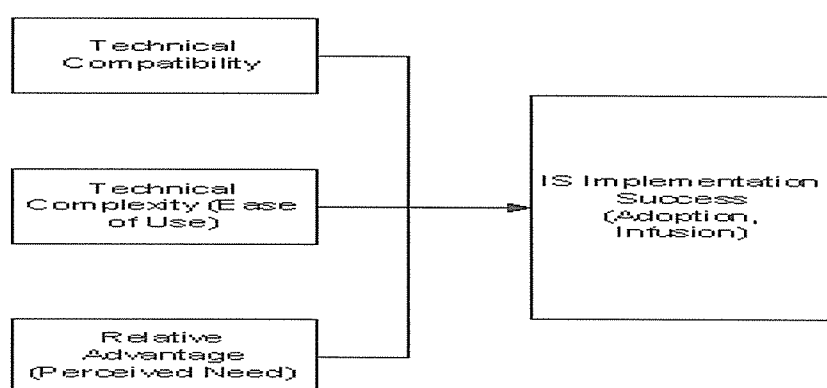


Figure 2.4 The DOI in IS model. Implementation of an information system is mainly dependent on technical compatibility, technical complexity and relative advantage (Schneberger and Wade, 2008).

DOI theory has been applied and adopted widely in the field of IS. Three factors in particular, technical compatibility and complexity, as well as relative advantage, have received support (Crum, Michael R, Premkumar, G and Ramamurthy K. (1996, 1999) Bradford and Florin 2003). These three factors have come to play a significant role in studies regarding acceptance of IS, and their influence on technology acceptance is depicted in figure 2.4. DOI is one of the oldest theories used in acceptance research, but is still used today. In DOI, the focus is on one technology and how the use of the specific technology spreads to other users.

2.3.6 Cognitive Fit Theory (CFT)

Cognitive fit theory (CFT) was developed by Iris Vessey from a general theory of problem solving (Vessey, 1991). Cognitive fit proposes that problem solving is “an outcome of the relationship between problem representation and problem-solving task” (Vessey, 1991). According to CFT, the solution to a problem is derived from the mental representation, which is formulated from the problem representation and the problem solving task, and the interaction between the two (Vessey 1991).

Vessey (1991) proposes that when the same type of information is emphasized by both problem solving processes task and representation; these processes create a similar mental representation. Consequently, the mental representation also uses similar processes to produce the problem solution. Hence, when the process used to act on the representation and completing the task match, the entire problem solving-process is facilitated. This process is depicted in figure 2.5. This means that the problem solving performance will be superior to any task where the processes are not facilitated.

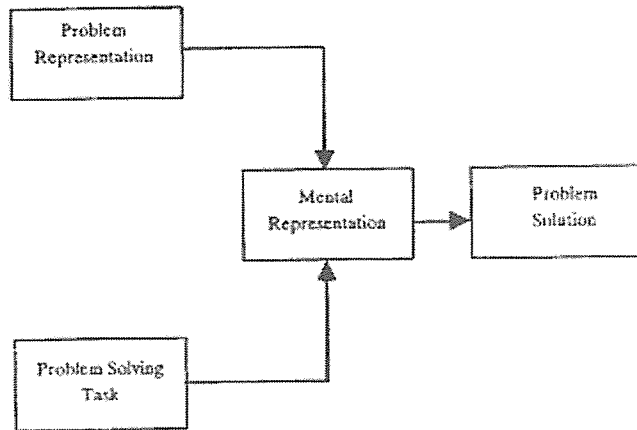


Figure 2.5 The Cognitive Fit Model. Creating a fit between the problem representation and the problem solving task results in improved performance (Vessey 1991).

When the problem representation and the task do not match, the problem solver cannot use similar processes for acting on problem representation and solving the problem. In such cases the problem-solver will not be guided in the choice of problem-solving process, but will be forced to base the mental representation on one of the two problem solving elements. According to Vessey (1991) the performance in such a case will be worse than in cases where the problem solver is supplied with a representation emphasizing what type of information to use for a particular case.

Galletta and Vessey (1991) extended the theory to include problem-solving skill as a factor affecting mental representation of a task. Skill is defined as the procedures which are used to deal with situation as they arise, and skill exists only in the context of a task.

Additionally, the terms external problem representation and internal or mental representation were introduced, internal representation being “the way the problem represents the problem in human working memory” (Galletta and Vessey, 1991). The problem maintainer’s knowledge of software and software development were later also incorporated in the model as factors affecting the mental representation of the software (Shaft and Vessey 2006). Cognitive fit theory focuses mainly on how to create a fit between task and problem representation in order to improve performance. It enables the possibility of testing various technologies to improve the result. However, the theory does not consider characteristics or the experience of the user, it does not consider the circumstances surrounding the task, nor does the voluntariness of use become clear in the theory.

2.3.7 Technology Acceptance Model (TAM)

The technology acceptance model (TAM) is an adaptation of the theory of reasoned action, and it was developed to fit the field of information systems. It was originally specified by Davis in 1986 and later refined by Davis in 1989 and Davis, Bagozzi and Warshaw in 1989. TAM replaces attitude toward the behaviour and subjective norm of the TRA with two technology acceptance measures; the perceived ease of use and the perceived usefulness. These two measures have clearly differentiated the TAM from the TRA, although the TAM remains strongly influenced by behavioural elements due to its origin.

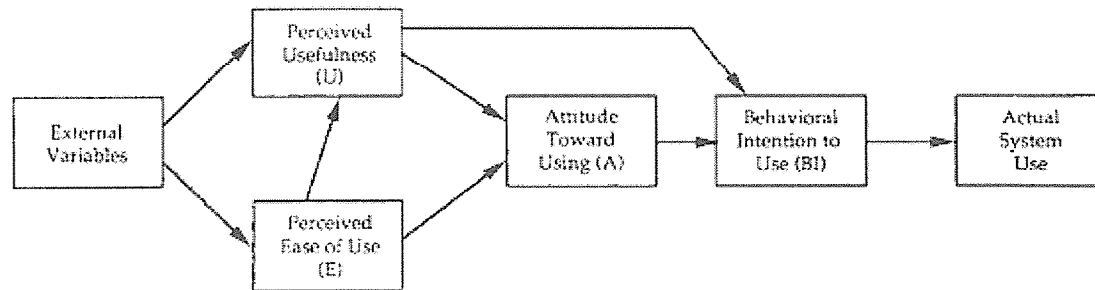


Figure 2.6 The TAM model. TAM places focus on how perceived ease of use and perceived usefulness affect the intention to use and actual use of technology (Davis, Bagozzi and Warshaw 1989, p. 985).

TAM models how users come to accept and use technology. As figure 2.6 shows, actual system use is believed to be determined by behavioural intention of use, which is affected by the attitude toward use and the perceived usefulness of using the new system. An individual's attitude toward use of technology is jointly determined by perceived ease of use and perceived usefulness. Perceived usefulness and perceived ease of use are affected by external variables (Davis, Bagozzi and Warshaw, 1989). Perceived ease of use is described as "the degree to which an individual believes that using a particular system would be free of physical and mental effort" (Davis, 1986).

Perceived ease of use has a causal and significant effect on the perceived usefulness, which is defined as "the degree to which an individual believes that using a particular system would enhance his or her job performance" (Davis, 1986). TAM assumes that when an individual has formed the intention to act, she will be free to act. However, several factors, such as social or environmental limitations, may affect whether or not the individual will act (Bagozzi 2007).

Several attempts have been made to extend TAM, and the most widely used extended version is known as TAM2. According to Halawi and McCarthy (2006) TAM2 is used to study end-user acceptance for adoption of information technology systems in a number of different disciplines. TAM2 “clearly investigates and tackles the role of the end-user when new technology is initiated” (Halawi et al 2006). TAM theory made an important distinction in identifying the constructs “perceived usefulness” and “perceived ease of use”. The theory gives attention to the fact that the user has an individual image or estimation of the new technology, which affects the behaviour of the user. TAM focuses on a user’s attitude toward one specific technology (Davis et al 1989).

2.4 Summary

By going through seven different models that study technology acceptance, this chapter has provided an overview of the state of the art theories in acceptance research today. The overview of theories shows different viewpoints as well as similarities.

The technology acceptance model consists of two beliefs, perceived utilities and perceived ease of application, which determine attitudes to adopt a new technology. Attitude towards adoption is influenced by factors such as perceived ease of adoption, apprehensiveness, perceived utilities of technology or extrinsic motivation and enjoyment or intrinsic motivation. Other influence factors include individual characteristics like age, qualification, prior experiences in adopting technology, technology suppliers'

commitment, availability, compatibility with existing technology, social pressure and enhanced value.

This study extended TAM by concentrating on perceived ease of use of online tax services, perceived usefulness and attitude towards the online tax services and the influence on behavioral intentions of taxpayers to use online tax services.

CHAPTER THREE RESEARCH METHODOLOGY

This chapter outlines the general methodology that was used to conduct the study. It specifies the research design, population of interest, sampling, data collection and data analysis.

3.1 Research Design

This refers to a plan for carrying out research (Amin E.M., 2005). This was a longitudinal survey intended to study the adoption process of online services by taxpayers in Kisumu city of Kenya, the reasons for the adoption, and whether the adoption process of the online tax services follows a modified Technology Acceptance Model. In this survey, primary research data is collected through the use of a questionnaire. The research is guided by the methodology put forth TRA by Ajzen and Fishben.

The sociological product that forms the study base is attitude and behavioral intentions displayed by the test object.

3.2 Target Population and Sampling

The population of interest comprises of the all taxpayers who have ever used the online tax services in the Kisumu city of Kenya. This population is ideal in that it has access to the internet and therefore online tax services. Further, members of this population have factual basis for making judgment on the online tax services they have used. Non users have no basis for making responses.

how many? population size??

State the number!!

from what population?

A representative random sample of 50 taxpayers was selected from all taxpayers that are from Kisumu city. This sample enabled the study objectives to be achieved while addressing the main issues under investigation. In order to bring out the effects of adoption of online services, the study investigated the adoption process against a modified Technology Acceptance Model (TAM) for the selected taxpayers. The selection was for taxpayers who are aware and have used the online tax services.

how did you determine this?

3.2.1 Sampling Procedure

The research adopts a non-probability convenience sampling. Selection of a very large sample would not affect the findings due to the nature of the questionnaire. Therefore a representative sample of 50 respondents was selected. This number was deemed convenient by the research to test the effectiveness of the developed model.

?

3.3 Methods of Data Collection

Structured questionnaires (Appendix A) were used to gather data from the respondents. Taxpayers were required to provide information on adopted online services by choosing the closest option according to their opinion. The instructions were that the completion of the questionnaire is voluntary and confidential.

used only one instrument?

3.4 Validity and Reliability

The research instruments were pretested before actual administration to few of sampled respondents in order to establish their validity and reliability. This assisted to correct ambiguities, in the research instruments and established their validity and reliability.

3.5 Data Collection Procedures

The drop and pick procedure was used to administer questionnaires. Those taxpayers who were readily available and can be reached directly were used in the study. Respondents were guided on how to fill in the questionnaire and those who could complete the questionnaire immediately, it was picked immediately. However, those who needed more time were allowed and the completed questionnaires collected within one week.

3.6 Data Analysis

Amin (2005) observes that analysis involves a number of closely related operations which are performed with the purpose of summarizing the collected data and organising these in such a manner that they answer the research questions. All the questionnaires from the respondents were collected and sorted to ensure that only those which are properly filled are used. The data collected was quantified and analyzed using descriptive statistics where averages and percentages based on frequencies were calculated. Tables, pie charts and graphs were used to present the results of the analysed data.

3.7 Limitations

Three of the respondents did not give back the questionnaires although they had agreed to complete them. One of the questionnaire was not properly filled therefore it was rendered invalid for the study.

What effect did this
have on your Research?

CHAPTER FOUR DATA ANALYSIS AND INTERPRETATION

4.0. Introduction

The results of the study are presented, analyzed and interpreted in this chapter.

4.1. Response Rate

Research's data collection instruments (questionnaires) were administered within a period of one week. A total of 47 questionnaires were successfully completed and picked. This collection represented a response rate of 94% given that an aggregate of 50 respondents were targeted. The realized response rate was assessed and subsequently accepted as a close representation of the entire target population of taxpayers from Kisumu city. The response rate is presented in table 4.1.

Table 4.1: Respondents' Response Rate

Target City	Questionnaires Issued	Questionnaires Returned	Response Rate
Kisumu	50	47	94%

(Source: Research data, 2010)

respondents?
are they 46 or 47?

Three of the respondents did not give back the questionnaires although they had agreed to complete them. One of the questionnaire was not properly filled therefore it was rendered invalid for the study. Therefore the effective response rate is 46 respondents that is, 92%, a sufficient response for the study.

4.2. Frequency of Use of Online Tax Services

As a preliminary intent to measure the frequency of use of online tax services responses from the subjects, the researcher established the frequency of use for the sample as shown in figure 4.1.

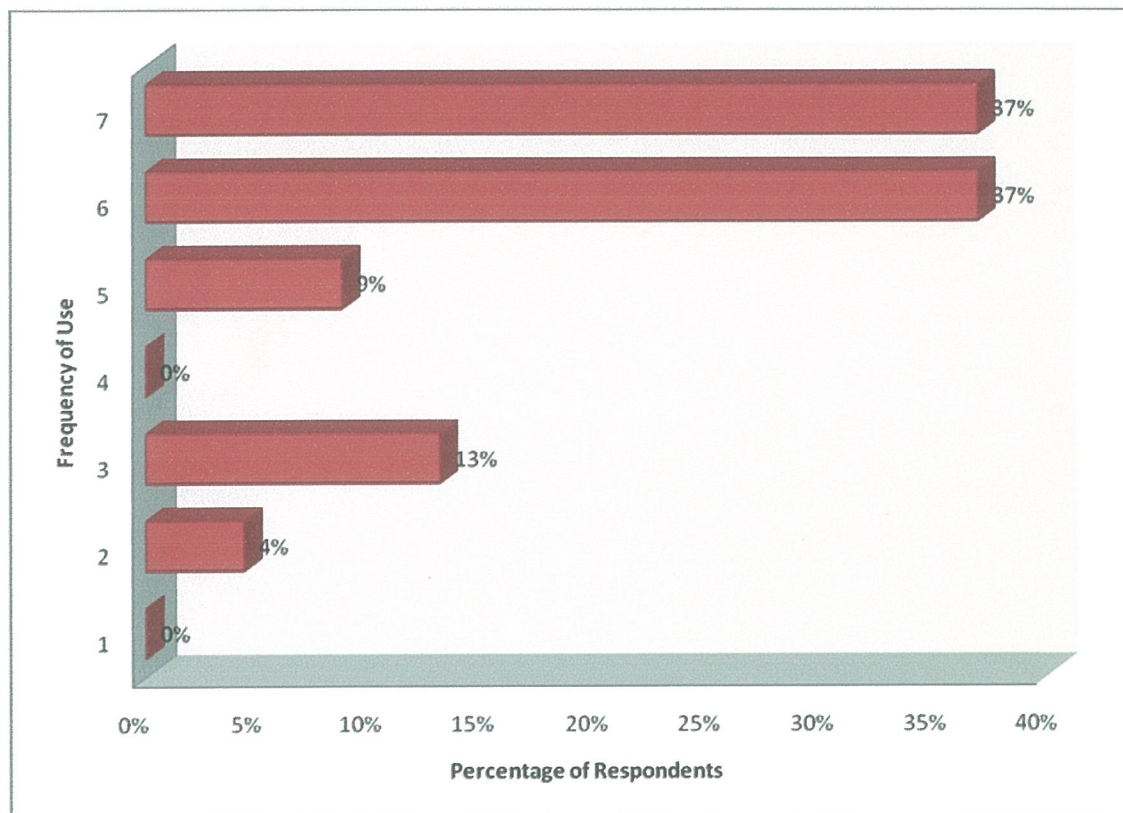


Figure 4.1 Frequency of use of online tax services

(Source: Research data, 2010)

As indicated above, majority of the taxpayers are using the online tax services frequently. 37% percent of the respondents are using the online services frequently and another 37% of the respondents are using the online services very frequently.

4.3 Attitude towards Using Online Tax services

All things considered, respondents were required to rate using online tax services on four scales as to whether the use of online tax services in making tax returns was a good, beneficial, wise and positive idea. On each of the scales, the results are illustrated in detail below.

4.3.1 Perception of the Online Tax services as a Good Idea

Table 4.2: Perception the Online Tax services as a Good idea

Likert Ranking (X)	1	2	3	4	5	6	7	Total
No. of Responses (W)	2	0	2	0	8	18	16	46
% Response	4	0	4	0	17	39	35	100
XW	2	0	6	0	40	108	112	268
Mean score	268/46 = 5.8							

(Source: Research data, 2010)

Respondents constituting 39% agreed that online tax services are good and 35% said that the services are extremely good. Only 8% disagreed with 4% strongly disagreeing with the statement. The overall mean score was 5.8. This mean-score tended towards the positive side thereby indicating that online tax services are good on the overall.

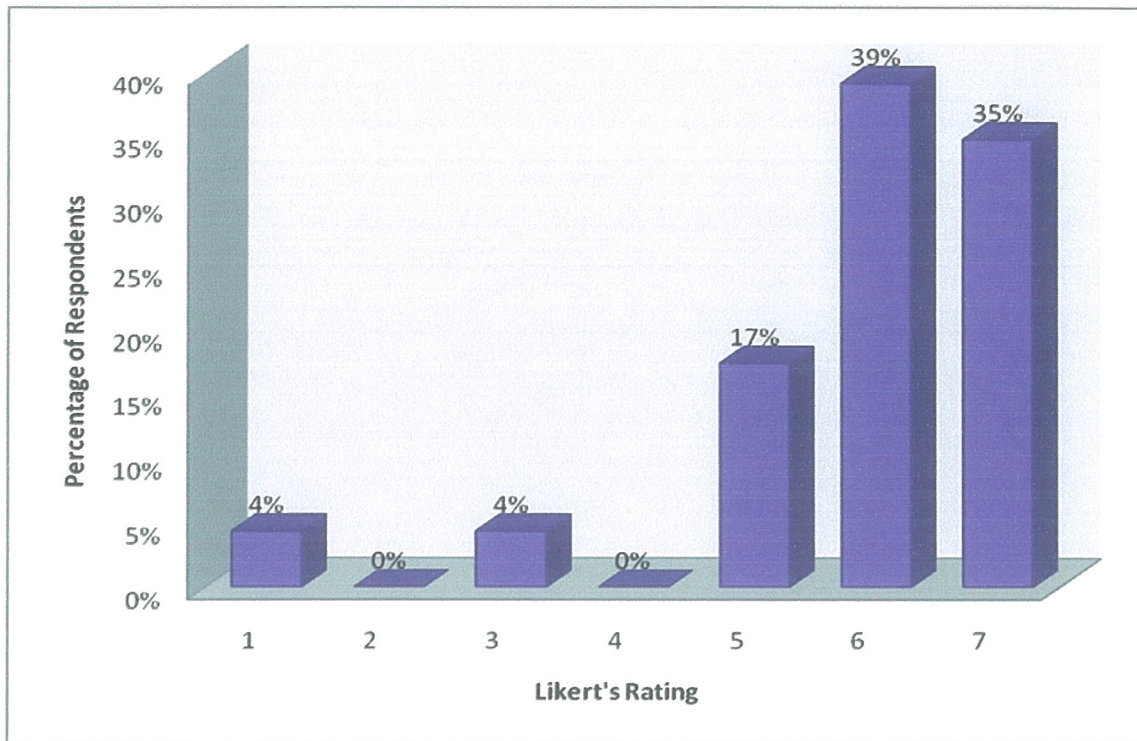


Figure 4.2 Perception that the online tax services are a good idea

(Source: Research data, 2010)

From the above illustration, only 8% of the respondents said that these services are a bad idea, leaving 92% of the respondents who indicated that the use of online tax services is a good idea.

4.3.2 Perception that Online Tax Services are a Beneficial Idea

Table 4.3: Perception that Online Tax Services are a Beneficial Idea

Likert Ranking (X)	1	2	3	4	5	6	7	Totals
No. of Responses (W)	2	0	4	4	4	21	11	46
% Response	4	0	9	9	9	46	24	100
XW	2	0	12	16	20	126	77	253
Mean score	$253/46 = 5.5$							

(Source: Research data, 2010)

Respondents constituting 46% agreed that online tax services are beneficial. On the contrary, 9% disagreed while 4% strongly disagreed with the statement. The overall mean score was 5.5. This mean-score tended towards the positive side thereby indicating that online tax services are beneficial on the overall.

4.3.3 Perception that Online Tax Services are a Wise Idea

Table 4.4: Perception that Online Tax Services are a Wise Idea

Likert Ranking (X)	1	2	3	4	5	6	7	Total
No. of Responses (W)	0	4	4	2	4	13	19	46
% Response	0	9	9	4	9	28	41	100
XW	0	8	12	8	20	78	133	259
Mean score	259/46 = 5.6							

(Source: Research data, 2010)

Respondents constituting 41% agreed that online tax services are a very wise idea while 28% indicated that it is quite a good idea. On the contrary, 9% disagreed with the statement by saying that the online tax services are slightly a foolish idea and another 9% saying the services are quite a foolish idea. The overall mean score was 5.6. This mean-score tended towards the positive side thereby indicating that online tax services are a wise idea on the overall.

4.3.4 Perception of Online Tax services as a Positive Idea

Table 4.5: Perception of Online Tax services as a Positive Idea

Likert Ranking (X)	1	2	3	4	5	6	7	Total
No. of Responses (W)	0	2	0	0	4	13	27	46
% Response	0	4	0	0	9	28	59	100
XW	0	4	0	0	20	78	189	291
Mean score	291/46 = 6.3							

(Source: Research data, 2010)

Respondents constituting 59% strongly agreed that online tax services are a positive idea while 28% indicated that it is a positive idea. On the contrary, 4% disagreed with the statement. The overall mean score was 6.3. This mean-score tended towards the positive side thereby indicating that online tax services are indeed a positive idea on the overall.

4.3.5 Summary Results for Attitude towards Online Tax Services

Table 4.6: Summary Results for Attitude towards Online Tax Services

Likert Ranking (X)	1	2	3	4	5	6	7	Total
Good	2	0	2	0	8	18	16	46
Beneficial	2	0	4	4	4	21	11	46
Wise	0	2	0	0	4	13	27	46
Positive	0	4	4	2	4	13	19	46
Total (T)	4	6	10	6	20	65	73	184
Average (W) = T/4	1.0	1.5	2.5	1.5	5.0	16.3	18.3	46
% Response	2	3	5	3	11	35	40	100

(Source: Research data, 2010)

On the aggregate, respondents constituting 40% expressed a strongly positive attitude towards online tax services with another 35% indicating that it is a positive attitude. This means that respondents tended to have a positive attitude towards online tax services.

4.4 Perceived Ease of Use of Online Tax services

The respondents were asked to indicate how easy it was to use online tax services with specific reference to ease of learning on how to operate the online service, flexibility in interaction with the services, level of ease to work with the online tax services, allowance of creativity by the services as well as clarity and understandability of the online services. The findings of each of these are presented below.

4.4.1 Learning to Operate the Online Tax Services

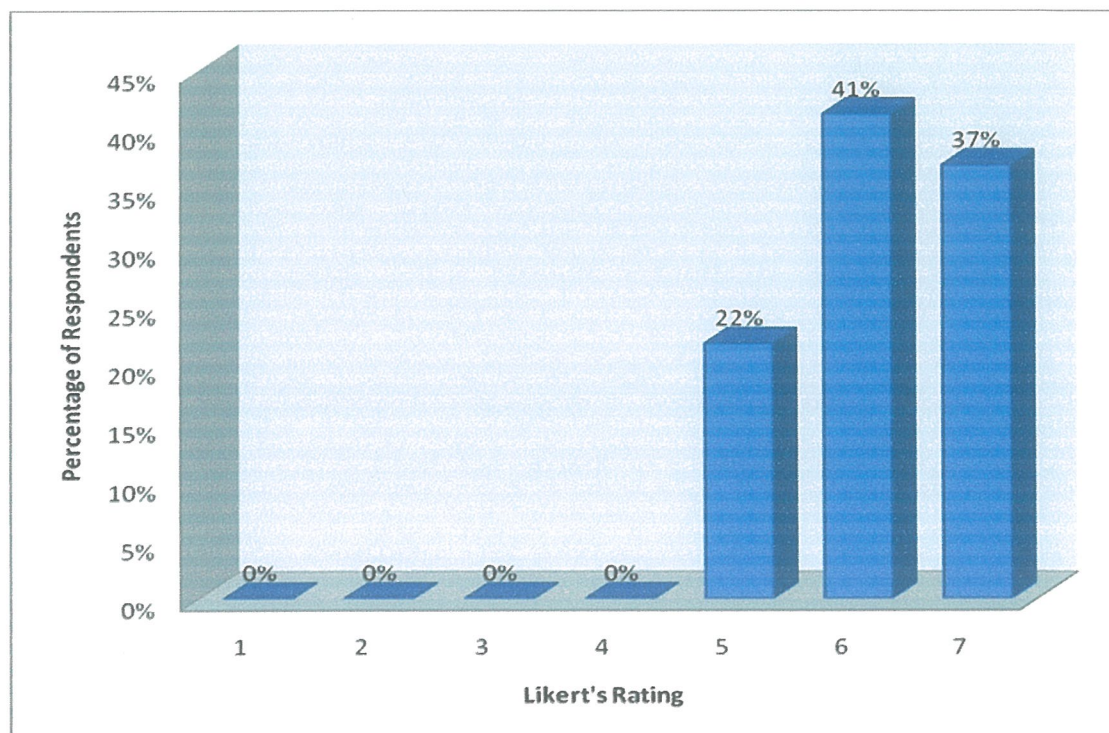


Figure 4.3 Learning to operate the online tax services

(Source: Research data, 2010)

From the above illustration, all respondents said that it is easy to learn how to operate the online tax services with 41% agreeing with the statement and a further 37% that they found it very easy to operate the online tax services.

4.4.2 Interaction with the Online Tax Services

Table 4.7 Interaction with the Online Tax Services

Likert Ranking (X)	1	2	3	4	5	6	7	Total
No. of Responses (W)	0	0	0	0	13	17	16	46
% Response	0	0	0	0	28	37	35	100
XW	0	0	0	0	65	102	112	279
Mean score	279/46 = 6.1							

(Source: Research data, 2010)

Majority of the respondents perceived that it was easy to interact with online tax services. Respondents constituting 37% agreed that online tax services are easy to interact with while another 35% of the respondents indicated that they found online tax services very easy to interact with. The overall mean score was 6.1. This mean-score tended towards the positive side thereby indicating that online tax services are easy to interact with.

4.4.3 Working with Online Tax Services

Table 4.8 Working with Online Tax Services

Likert Ranking (X)	1	2	3	4	5	6	7	Total
No. of Responses (W)	0	0	6	0	10	17	13	46
% Response	0	0	13	0	22	37	28	100
XW	0	0	18	0	50	102	91	261
Mean score	261/46 = 5.7							

(Source: Research data, 2010)

Majority of the respondents perceived that it was easy to work with online tax services. Respondents constituting 37% agreed that online tax services are easy to interact with while another 28% of the respondents indicated that they found online tax services very easy to interact with. However, 13% of the respondents indicated that it is slightly difficult to interact with the online tax services. The overall mean score was 5.7. This mean-score tended towards the positive side thereby indicating that online tax services are generally easy to work with.

4.4.4 Skillfulness while using Online Tax Services

Table 4.9: Skillfulness while using Online Tax Services

Likert Ranking (X)	1	2	3	4	5	6	7	Total
No. of Responses (W)	0	0	0	0	11	20	15	46
% Response	0	0	0	0	24	43	33	100
XW	0	0	0	0	55	120	105	280
Mean score	280/46 = 6.1							

(Source: Research data, 2010)

Respondents constituting 43% strongly agreed that it is easy for them to be skillful when using online tax services with a further 33% indicating that they become very skillful with the online tax services. The overall mean score was 6.1. This mean-score tended towards the positive side thereby indicating that it is generally easy to become skilful while using online tax services.

4.4.5 Clarity and Understandability of the Online Tax Services

Table 4.10: Clarity and understandability of the online tax services

Likert Ranking (X)	1	2	3	4	5	6	7	Total
No. of Responses (W)	0	0	0	0	7	22	17	46
% Response	0	0	0	0	15	48	37	100
XW	0	0	0	0	35	132	119	286
Mean score	286/46 = 6.2							

(Source: Research data, 2010)

Respondents constituting 48% agreed that online tax services are clear and understandable while 37% indicated that they found the online services very clear and understandable. The overall mean score was 6.2. This mean-score tended towards the positive side thereby indicating that online tax services are indeed clear and understandable to taxpayers.

4.3.6 Summary Results for Ease of Use of Online Tax Services

Table 4.11: Summary results for ease of use of online tax services

Likert Ranking (X)	1	2	3	4	5	6	7	Total
1.Learning to Use	0	0	0	0	10	19	17	46
2.Interaction	0	0	0	0	13	17	16	46
3.Working with	0	0	6	0	10	17	13	46
4.Skillfulness	0	0	0	0	11	20	15	46
5.Clarity	0	0	0	0	7	22	17	46
Total (T)	0	0	6	0	51	95	78	230
Average T/5	0	0	1.2	0	10.2	19	15.6	46
% Response	0	0	3	0	22	41	34	100

(Source: Research data, 2010)

On aggregate, 41% of the respondents found online tax services easy to use and a further 34% indicating that they found the online services very easy to use. However, 3% of the respondents said that they found the online tax services slightly difficult to operate. Generally, this means that the online tax services are easy to use.

4.5 Perceived Usefulness of Online Tax Services

The researcher sought to establish how useful the taxpayers perceived the online tax services. The respondents were asked to rank their perception on the online services in terms of speed, accuracy and productivity. The findings on the individual factor are presented below.

4.5.1 Speed in Making of Tax Returns

Table 4.12: Speed in making of tax returns

Likert Ranking (X)	1	2	3	4	5	6	7	Total
No. of Responses (W)	2	0	0	2	8	20	14	46
% Response	4	0	0	4	17	43	30	100
XW	2	0	0	8	40	120	98	268
Mean score	268/46 = 5.8							

(Source: Research data, 2010)

Respondents constituting 30% strongly agreed that online tax services are fast in processing returns and 43% indicated that the services are quite fast. On the contrary, 4% strongly disagreed with the statement. The overall mean score was 5.8. This mean-score tended towards the positive side thereby indicating that online tax services generally fast in making tax returns.

4.5.2 Accuracy of Online Tax Services

Table 4.13: Accuracy of Online Tax Services

Likert Ranking (X)	1	2	3	4	5	6	7	Total
No. of Responses (W)	0	2	0	2	4	16	22	46
% Response	0	4	0	4	9	35	48	100
XW	0	4	0	8	20	96	154	282
Mean score	283/46 = 6.1							

(Source: Research data, 2010)

Respondents constituting 48% agreed that online tax services are very accurate in making tax returns and 35% indicated that they found the online services quite accurate. The overall mean score was 6.1. This mean-score tended towards the positive side thereby indicating that online tax services are indeed clear and understandable to taxpayers.

4.5.3 Productivity as a Result of Using Online Tax Services

Table 4.14: Productivity as a result of using Online Tax Services

Likert Ranking (X)	1	2	3	4	5	6	7	Total
No. of Responses (W)	2	0	0	2	8	11	23	46
% Response	4	0	0	4	17	24	50	100
XW	2	0	0	8	40	66	161	277
Mean score	277/46 = 6.0							

(Source: Research data, 2010)

Respondents constituting 50% agreed that online tax services made them very productive in making tax returns and 24% indicated that they quite productive as a result of using the online services to make returns.

The overall mean score was 6.0. This mean-score tended towards the positive side thereby indicating that taxpayers are generally very productive when using online tax services.

4.5.4 Overall Usefulness of Online Tax Services

Table 4.15: Overall usefulness of online tax services

Likert Ranking (X)	1	2	3	4	5	6	7	Total
No. of Responses (W)	0	2	0	0	3	25	16	46
% Response	0	4	0	0	7	54	35	100
XW	0	4	0	0	15	150	112	281
Mean score	281/46 = 6.1							

(Source: Research data, 2010)

From the Table 4.15, respondents constituting 54% agreed that online tax services are useful and 35% indicated that online services are very useful. The overall mean score was 6.1. This mean-score tended towards the positive side thereby indicating that online tax services are generally useful to taxpayers.

4.5.5 Summary Results for Perceived Usefulness of Online Tax Services

Table 4.16: Summary Results for Perceived Usefulness of Online Tax Services

Likert Ranking (X)	1	2	3	4	5	6	7	Total
1.Speed	2	0	0	2	8	20	14	46
2.Accuracy	0	2	0	2	4	16	22	46
3.Productivity	2	0	0	2	8	11	23	46
4.Overall Usefulness	0	2	0	0	3	25	16	46
Total (T)	4	4	0	6	23	72	75	184
Average (T/4)	1	1	0	1.5	5.75	18	18.75	46
% Response	2	2	0	3	13	39	41	100

(Source: Research data, 2010)

On aggregate, 41% of the respondents found online tax services very useful and a further 39% indicating that they found the online services quite useful. This means that the online tax services are very useful.

4.6 Behavioral Intentions

For taxpayers to use online tax services, they must perceive them mainly to be easy to use and useful to their needs. In this section, the researcher sought to establish if taxpayers intent to use online tax services in making their returns and how frequently. The findings are presented as follows.

4.6.1 Intention to Use Online Tax Services

Table 4.17: Intention to use online tax services

Likert Ranking (X)	1	2	3	4	5	6	7	Total
No. of Responses (W)	0	2	0	2	8	11	23	46
% Response	0	4	0	4	17	24	50	100
XW	0	4	0	8	40	66	161	279
Mean score	279/46 = 6.1							

(Source: Research data, 2010)

From the Table 4.13, respondents constituting 50% strongly agreed that they intend to use online tax services in making tax returns and 24% indicated that they intend to use the online services to make returns. The overall mean score was 6.1. This mean-score tended towards the positive side thereby indicating that taxpayers intend to use online tax services in making their returns.

4.6.2 Intention to Use Online Tax Services Frequently

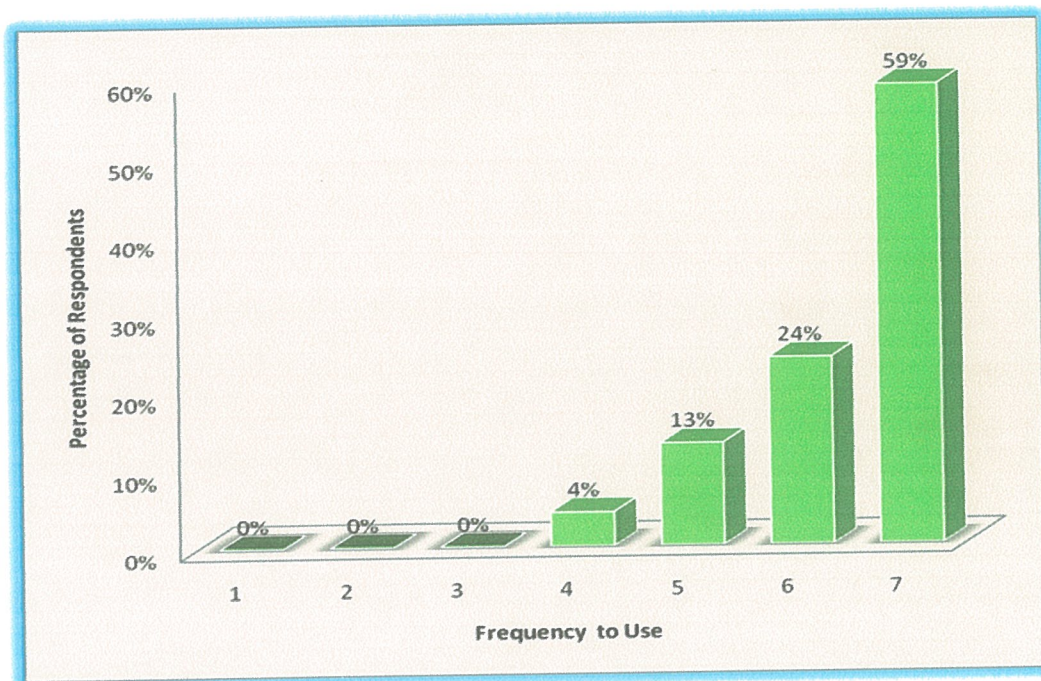


Figure 4.4: Intention to use online services frequently

As illustrated by Figure 4.4, 59% of the respondents strongly agreed that they intend to use online tax services very frequently, 24% and 13% also indicated agreed that they intend to use the online services quite frequently. However, 4% of the respondents were indifferent. This means that experience of usage has made taxpayers to intend to use online tax services in making their returns.

4.7 Benefits

4.7.1. Overall, the Perception that the use of Online Tax Services is Beneficial

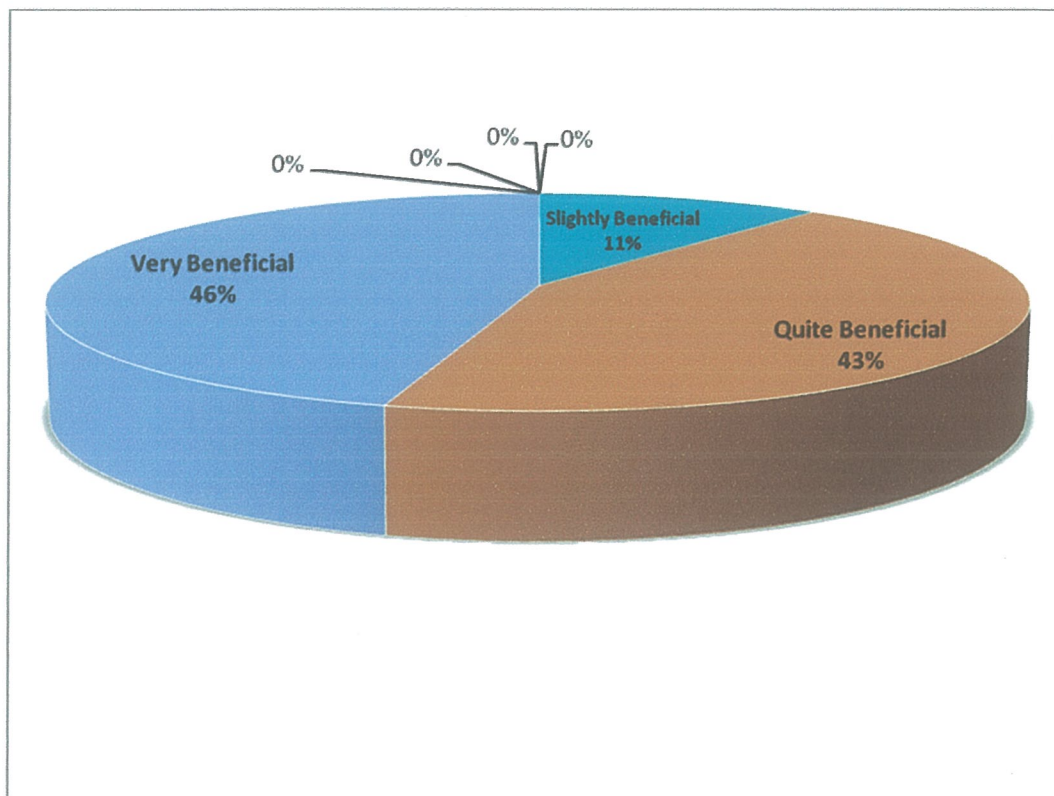


Figure 4.5: Overall, the use of online tax services as beneficial

All respondents agreed that use of online tax services is beneficial generally with 46% of them saying the services are very beneficial, 43% saying that the services are quite beneficial and the 11% said it is slightly beneficial.

4.8 Wrap up of the Findings

Table 4.18: Summary of Findings

Likert Ranking (X)	1	2	3	4	5	6	7	Total
Variable								
Attitude								
Average Responses	1.0	1.5	2.5	1.5	5.0	16.3	18.3	46
% Response	2	3	5	3	11	35	40	100
Ease of Use								
Average Responses	0	0	1.2	0	10.2	19	15.6	46
% Response	0	0	3	0	22	41	34	100
Usefulness								
Average Responses	1	1	0	1.5	5.75	18	18.75	46
% Response	2	2	0	3	13	39	41	100
Intention to Use								
No. of Responses	0	2	0	2	8	11	23	46
% Response	0	4	0	4	17	24	50	100

(Source: Research data, 2010)

As illustrated in table 4.14 above, respondents constituting 86% expressed a positive attitude towards online tax services, 3% were indifferent and 10% expressed a negative attitude towards the online tax services.

On perceived ease of use, 97% of the respondents said that they found online tax service to be easy to use. However, 3% said that found online tax services slightly difficult to use.

On perceived usefulness, 92% of the respondents said that they found the online tax services very useful. However, 4% of the respondents said that found online tax services not useful while 3% were indifferent.

Majority of the respondents intend to use the online tax service with 96% of the respondents agreeing and 4% being indifferent.

Respondents constituting 96% expressed their intention to use online services frequently, however, 4% were indifferent. See figure 4.4.

As seen in figure 4.5, all respondents said that they found the online tax services beneficial to them.

ok. but your
original Respondents
of 47 differ from 46.

~~10~~

NO recommendation?

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0. Introduction

This chapter presents summary of findings, discussions, relevant conclusions, study recommendations and suggestions for further investigations.

5.1. Summary of Major Findings

The first research question was about the attitudes of taxpayers towards online tax services. To be more specific, taxpayers were required to rank their attitudes by stating how good, beneficial, wise and positive the idea of online tax services was.

The research found out that 40% of the respondents have a strong positive attitude towards online tax services with another 35% expressing a quite positive attitude and 11% expressing a slightly positive attitude. Therefore majority of respondents constituting 86% expressed a positive attitude towards online tax services, 3% were indifferent and 10% expressed a negative attitude towards the online tax services.

The second research question was intended to find out reasons for adoption of online tax services by taxpayers in Kisumu city. The reasons for adoption were hypothesized to be perceived ease of use and perceived usefulness. The respondents were required to rank each of factors after decomposing them into sub factors.

Perceived ease of use had the following five sub variables: if the taxpayers found the online tax services easy to learn, easy to interact with, easy to work with, easy to become creative with it and whether they found the online tax services clear and understandable.

A summary of findings for the above factors showed that 41% of the respondents found online tax services easy to use and a further 34% indicating that they found the online services very easy to use. Another 22% of the respondents found the online tax services slightly easy to use. However, 3% said that found online tax services slightly difficult to use. Therefore, 97% of the respondents said that they found online tax service to be easy to use.

On perceived usefulness, respondents were required to rank how they perceived online tax services on four attributes. These included speed, accuracy, productivity and overall usefulness.

A summary of findings for the above attributes indicated that 41% of the respondents found online tax services very useful and a further 39% indicating that they found the online services quite useful. Another 13% found the services slightly useful. However, 4% of the respondents said that found online tax services not useful while 3% were indifferent. Therefore on perceived usefulness, 92% of the respondents said that the found the online tax services are useful.

The third research question sought to establish the behavioral intentions of taxpayers towards online tax services. The respondents were asked to state if they intended to use online tax services and how frequently they intend to use the services.

The research established that respondents constituting 50% strongly agreed that they intend to use online tax services and 24% indicated agreed that they intend to use the online services.

Further, 59% of the respondents strongly agreed that they intend to use online tax services very frequently in making tax returns, 24% and 13% also indicated agreed that they intend to use the online services quite frequently. However, 4% of the respondents were indifferent. Therefore, Majority of the respondents intend to use the online tax service with 96% of the respondents agreeing.

The forth research question sought to determine whether the adoption of online tax services followed an extended Technology Acceptance Model (TAM). The extended research model consisted of the following factors: perceived ease of use of online tax services, perceived usefulness, attitude towards the online tax services and behavioral intentions to use online tax services.

The researcher established that the adoption of online tax services followed a technology acceptance model. Perceived ease of use of online tax services, perceived usefulness and attitude towards the online tax services have been found to influence behavioral intentions to use online tax services.

5.2. Conclusion

This study investigated the determinants of adoption of online tax services by taxpayers in Kisumu City. The research employed a survey intended to show how and why taxpayers are adopting online tax services by taxpayers and if this adoption follows a modified technology acceptance model (TAM). A sample of 50 taxpayers was selected from Kisumu city. From the findings, it has been established that perceived ease of use of online tax services, perceived usefulness and attitude towards the online tax services influence behavioral intentions to use online tax services. This finding confirms that the adoption process of online tax services follows the modified technology acceptance model (TAM).

5.3 Recommendations

Based on the foregoing findings, it is recommended that the Kenya Revenue Authority increases its efforts to popularize the online services to the larger Kisumu District and the larger Nyanza province.

Taxpayers nationwide should be encouraged to adopt the online tax services because they are easy to use, useful and such taxpayers reap benefits in terms of time saved to queue up at the Revenue Authority to fill in manual returns.

Kenya Revenue Authority should continuously improve on the online tax services to make their interface more user friendly and thereby make taxpayers view the online services as easy to use and useful to them.

To policy makers, implementation of electronic government services should be tailored on the technology acceptance models so that they are readily accepted by the citizenry. Further, to make the services as accessible to as many citizens as possible, the government should embark on taking the internet to the rural areas.

5.4 Suggestions for Further Research

This research opens the way to other researchers to study electronic services offered by the private as well as public sectors. Further research can be undertaken on other e-government services that are being rolled out by other government agencies in Kenya.

The Nairobi city council is adopting electronic collection of rates and other levies, the Ministry of Lands recently computerized their systems to enhance collection of land rates and the Ministry of Finance which is allowing constituents to check how their legislatures are using the constituency development funds (CDF).

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- <http://www.kra.go.ke/rarmp/rarmp.html>
- http://www.oecd.org/topicstatsportal/0,2647,en_2825_495684_1_1_1_1_1,00.html.
- <http://www.upenn.edu/almanac/v48/n28/AncientTaxes.html>

Appendix A - Questionnaire

Dear respondent,

This research is meant for academic purpose only. It will try to assess the adoption of online tax services offered by Kenya Revenue Authority in Kisumu city.

Declaration: Answers to questions contained in this questionnaire will be kept confidential.

Please tick [√] where appropriate.

Section I: Actual Use

1. How frequently do you believe you use online tax services?

frequent | | | | | | | infrequent
extremely quite slightly neither slightly quite extremely

2. Which of the online tax services listed below do you use? Tick all applicable.

| | | | |
Taxpayer Registration | VAT3 Returns | Pay As You Earn | Information only | None at all

Section II: Attitude Towards Using Online tax Services

Please check (X) your response about using online tax services on the following four scales based upon what you think to be the most appropriate response for filling in the blank.

All things considered, my using online tax services in making tax returns is a(n) ____ idea.

3. Good | | | | | | | Bad
extremely quite slightly neither slightly quite extremely

4. Harmful | | | | | | | Beneficial
extremely quite slightly neither slightly quite extremely

5. Wise | | | | | | | Foolish
extremely quite slightly neither slightly quite extremely

6. Negative | | | | | | | Positive
Extremely quite slightly neither slightly quite extremely

Section III: Perceived Ease of Use

	Very Likely	Quite Likely	Slightly Likely	Neither	Slightly Unlikely	Quite Unlikely	Very Unlikely
7 Learning to operate the online tax services is easy for me.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 I find online tax services to be flexible to interact with.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9 I find it easy to get online tax services to do what I want to do.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10 It is easy for me to become skillful at using online tax services.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11 My interaction with online tax services is clear and understandable.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Section IV: Perceived Usefulness

	Very Likely	Quite Likely	Slightly Likely	Neither	Slightly Unlikely	Quite Unlikely	Very Unlikely
12 Using online tax services would enable me to accomplish making of returns more quickly.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13 Using online tax services would improve my making of tax returns more accurately.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14 Using online tax services would increase my productivity.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15 I find online tax services useful to me.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Section V: Behavioral Intentions

	Strongly Agree	Quite Agree	Slightly Agree	Neither	Slightly Disagree	Quite Disagree	Strongly Disagree
16 I intend to use online tax services in making tax returns.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17 I intend to use online tax services <i>frequently</i> when making tax returns.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Section VI: Benefits

	Strongly Agree	Quite Agree	Slightly Agree	Neither	Slightly Disagree	Quite Disagree	Strongly Disagree
18 Overall, the use of online tax services is beneficial to me.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

-----Thank you for your participation-----

Appendix B –Kisumu City



Source: <http://majimbokenya.com/home/wp-content/uploads/2008/06/kisumu-city-centre.jpg>

Where is your
fine frame?

Appendix C – Budget

Item	Quantity	Unit cost (Ksh)	Total cost (Ksh)
STATIONERY			
Printing papers	10 Reams	400	4,000
Writing pads	10	100	1,000
Flash disks	3	2,000	6,000
Photocopying services and internet time			10,000
Data collection and field work			10,000
Printing	Proposal and Final paper	20 per page	13,000
Data Analysis			10,000
Total			54,000

Appendix D – Letter of Introduction



Kampala International University
PO Box 20000
Kampala

Institute of Open and Distance Learning
kulewarren@gmail.com

22.01.2010

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

RE : ANDREW WAFULA SULULU (MBA/22585/72/DF)

This is to introduce to you the above named who is a student in the Institute of Open and Distance Learning, pursuing a Master of Business Administration.

He would like to carry out research in your organization entitled: **Determinants of Adoption of Taxpayer Online Services by Taxpayers in Kisumu City, Kenya**

Any assistance rendered to him regarding his research will be highly appreciated

Yours truly,

Kule Julius Warren

Deputy Director

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