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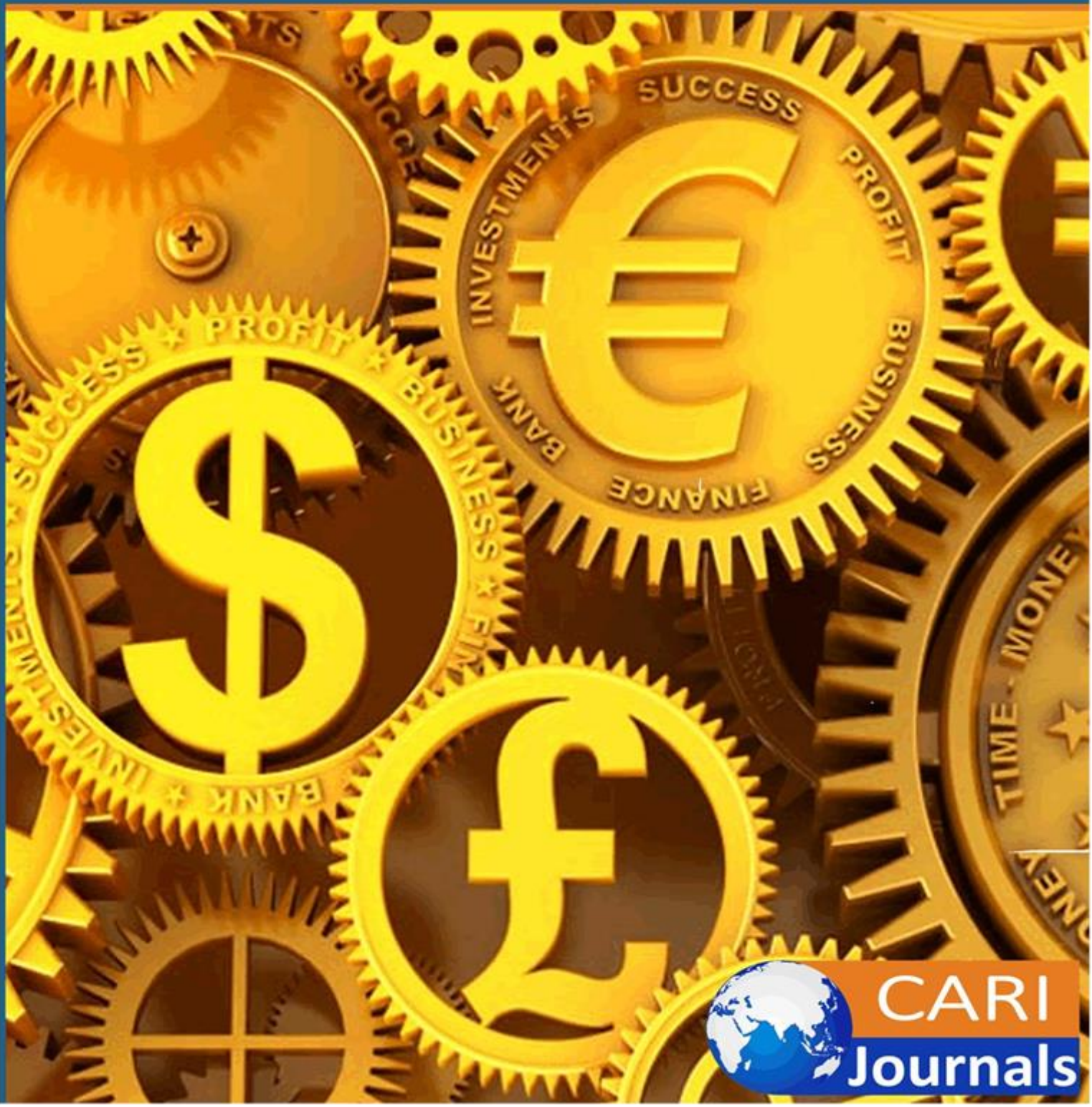

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Effect of Adoption of Tax Systems on Tax Compliance among Small and Medium Enterprises in Meru County, Kenya

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Abstract

Purpose: To evaluate the effect of adoption of tax systems on tax compliance among small and medium enterprises in Meru County, Kenya

Methodology: The study used a descriptive survey design targeting 2,885 SMEs in Meru County, with a sample of 235 firms. Data were collected via structured questionnaires after a pilot test ensured validity. Both descriptive and inferential statistics were employed for analysis.

Findings: The study revealed a strong, statistically significant positive relationship between adoption of tax systems and tax compliance among SMEs in Meru County ($r = 0.765$, $R^2 = 0.585$, $B = 0.816$, $p < 0.05$). Adoption of digital platforms like iTax accounted for 58.5% of the variance in compliance. The adjusted R^2 of 0.582 confirmed model reliability. Findings indicate that digital tax systems enhance voluntary compliance by simplifying filing, minimizing errors, improving accessibility, and fostering trust in tax processes, thereby promoting fiscal accountability among SMEs.

Unique Contribution to Theory, Policy and Practice: This study makes a significant contribution to theory, policy, and practice by demonstrating how digital tax system adoption influences SME tax compliance in Meru County, Kenya. Theoretically, it supports the Technology Acceptance Model by showing that perceived usefulness and ease of use drive digital tax adoption and compliance. Policy-wise, the findings highlight the need for SME-focused reforms such as simplified, mobile-accessible platforms and digital literacy programs. Practically, the study emphasizes user-centered approaches, including technical support, localized access, and feedback mechanisms to improve usability and trust. Incorporating mobile reminders, simplified workflows, and co-designed features can overcome adoption barriers and promote sustained compliance. These insights provide a strategic framework for aligning digital tax systems with the operational needs of SMEs, enhancing voluntary compliance and accountability in low-resource settings.

Keywords: *Tax Systems, Tax Compliance, Technology Acceptance Model, Small and Medium Enterprises, Meru County*

1.0 Introduction

Tax compliance remains a cornerstone of national development, directly influencing a government's capacity to mobilize revenue for infrastructure, public services, and economic growth. Countries that successfully foster voluntary compliance among taxpayers often experience enhanced fiscal stability, reduced dependence on external debt, and strengthened legitimacy of public institutions (Alm & Torgler, 2020). Within this context, the role of Small and Medium Enterprises (SMEs) is critical. SMEs not only contribute significantly to employment and GDP but also form a large segment of the tax base in developing economies such as Kenya. However, their compliance behavior is frequently influenced by perceptions of tax system complexity, administrative burden, and the usability of digital tax platforms (Mwenda & Muriithi, 2021).

In Kenya, particularly in semi-urban and rural counties like Meru, efforts to improve tax compliance among SMEs have centered on digital transformation initiatives led by the Kenya Revenue Authority (KRA). Systems such as iTax and Electronic Tax Registers (ETRs) were introduced to automate filing, reduce human interaction, and improve transparency. However, adoption of these systems has faced persistent challenges. These include limited digital infrastructure, low digital literacy, system inefficiencies, and lack of targeted technical support for SMEs (National Treasury, 2023). These barriers have constrained the effectiveness of digital tax systems, thereby affecting overall compliance outcomes.

The adoption of tax systems, defined as the uptake and consistent use of automated tools for tax registration, filing, and payment, is increasingly recognized as a vital determinant of compliance. Adoption is not only a function of policy enforcement but also of how SME operators perceive the system’s usefulness and ease of use a conceptual framework well-captured by the Technology Acceptance Model (TAM) developed by Davis (1989). TAM posits that digital systems are more likely to be accepted and utilized when they are perceived as beneficial and user-friendly. In the tax context, when digital platforms streamline compliance procedures, reduce errors, and increase filing accuracy, SMEs are more inclined to comply voluntarily (OECD, 2023; Lopez-Gonzalez & Castano, 2023).

Globally, tax agencies have increasingly leveraged technology to enhance efficiency and reduce compliance costs. Countries such as Germany, Canada, and the UK have integrated digital systems with taxpayer education and feedback mechanisms to support SMEs in navigating tax obligations. For instance, Germany’s SME-focused e-filing initiative increased compliance rates by 12% within its first year (Federal Ministry of Finance, 2022), while the UK’s Making Tax Digital program enhanced real-time reporting and reduced filing errors (HMRC, 2021). These examples demonstrate that digital adoption, when designed with user needs in mind, can significantly boost tax morale and reduce evasion.

In contrast, the Kenyan experience presents a mixed picture. While KRA's digital reforms have streamlined some processes, their practical impact on SME compliance remains uneven, especially in underserved regions. In Meru County, SMEs report challenges such as poor internet access, insufficient training on system usage, and recurring platform downtimes. These operational constraints reduce trust in the system and discourage consistent engagement (Mwenda & Muriithi, 2021). Furthermore, the absence of locally tailored support systems and limited taxpayer education exacerbates the digital divide, leaving many SMEs either partially compliant or completely disengaged from the formal tax net.

The significance of this study lies in its focus on the effect of adoption of tax systems on tax compliance among SMEs in Meru County. While previous research has examined broader tax reform impacts, few studies have isolated the role of system adoption, particularly within localized SME contexts. Understanding how technological uptake influences compliance behavior can inform targeted interventions that improve revenue collection without overburdening small businesses. By examining how factors such as system accessibility, perceived usefulness, and digital literacy affect adoption and compliance, this study contributes valuable insights into the design and implementation of inclusive, technology-driven tax policies in Kenya.

1.2 Statement of the Problem

Tax compliance among Small and Medium Enterprises (SMEs) is a pressing issue globally, as governments seek to enhance domestic resource mobilization while promoting equitable economic participation. In Kenya, where SMEs account for over 33% of GDP and employ more than 15 million people (KNBS, 2022), improving tax compliance in this sector is essential for fiscal sustainability. However, compliance rates remain suboptimal, particularly in regions like Meru County, where structural, technological, and administrative constraints continue to impede the adoption of tax systems such as iTax and Electronic Tax Registers (ETRs). Despite national reforms aimed at streamlining processes and reducing tax evasion, compliance among SMEs in Meru has stagnated below the 60% threshold (National Treasury, 2023).

The adoption of digital tax systems intended to automate filing, improve transparency, and reduce administrative burden has yielded positive results in developed economies. For example, the UK's implementation of digital tax accounts led to a 15% improvement in SME compliance (HMRC, 2021), while Germany's SME-focused e-filing system increased real-time reporting and reduced filing errors by 12% (Federal Ministry of Finance, 2022). In contrast, Kenya's adoption trajectory has been uneven. While the iTax platform offers automation and integration with ETRs, SMEs in counties like Meru face barriers such as limited digital literacy, unreliable internet access, and minimal technical support (Mwenda & Muriithi, 2021). These challenges have constrained uptake and compromised the potential benefits of tax technology reform.

Despite the Kenya Revenue Authority's efforts to encourage digitization, studies indicate a persistent disconnect between policy intention and ground-level realities. Karanja and Kihiu (2020) found that 54% of SMEs in Meru County had difficulty accessing or navigating iTax due to inadequate training and support. Moreover, Muturi and Gathenya (2020) observed that frequent and poorly communicated tax changes have contributed to confusion, policy fatigue, and ultimately non-compliance. Informal business practices further complicate enforcement, with many SMEs operating outside the formal tax net, citing complexity, perceived unfairness, and mistrust in tax authorities as core reasons for disengagement.

While empirical literature confirms that automation and simplification can enhance compliance, few studies have rigorously examined the local determinants of tax system adoption within the Kenyan SME context. Particularly in Meru County, where businesses are diverse in size, location, and capacity, there is a lack of contextualized evidence on how adoption of tax systems influences compliance behavior. Additionally, the mediating roles of digital infrastructure, user perceptions, and institutional support remain underexplored in existing policy and academic discourse.

This study therefore sought to determine the effect of adoption of tax systems on tax compliance among SMEs in Meru County. It examined how perceptions of system usefulness, ease of use, and availability of digital support tools influenced compliance. By identifying the barriers and enablers of tax system adoption, the study aimed to inform more inclusive, technology-sensitive tax policies that align with the operational realities of SMEs. Ultimately, this research contributes to closing the evidence gap on technology-driven tax compliance in decentralized, resource-limited settings.

1.3 Purpose of the Study

To evaluate the effect of adoption of tax systems on tax compliance among small and medium enterprises in Meru County, Kenya

1.4 Hypothesis

H_{01} Adoption of tax systems has no significant effect on tax compliance among small and medium enterprises in Meru County, Kenya

2.1 Theoretical Review

The Technology Acceptance Model (TAM), developed by Fred Davis in 1989, served as the theoretical foundation for examining the effect of tax system adoption on tax compliance among Small and Medium Enterprises (SMEs) in Meru County, Kenya. Originally conceptualized to predict user acceptance of computer-based systems, TAM has evolved into a widely applied framework for analyzing how individuals and organizations adopt technological innovations. Central to TAM are two constructs: Perceived Usefulness (PU), defined as the extent to which users believe that a system enhances task performance, and Perceived Ease of Use (PEOU), which

refers to the degree to which the system is perceived as free of effort (Davis, 1989; Venkatesh & Davis, 2000).

In tax administration contexts, high levels of PU and PEOU have been consistently associated with increased adoption of digital tax platforms such as Kenya's iTax and Electronic Tax Registers (ETRs). These systems are intended to simplify return filing, reduce compliance costs, and improve accuracy. However, in regions like Meru County, where digital literacy levels vary widely and technological infrastructure remains uneven, SME adoption rates have been inconsistent. Mwenda and Muriithi (2021) noted that many SMEs in rural Kenya found the iTax system difficult to navigate, contributing to non-compliance. Similarly, Karanja and Kihiu (2020) observed that perceptions of complexity and limited support led to active resistance toward digital tax reforms.

Empirical evidence supports the relevance of TAM in this context. The OECD (2023) reported that SMEs with favorable views of tax automation systems recorded up to 25% higher compliance levels. In Kenya, SMEs that had access to targeted training and awareness campaigns demonstrated significantly improved usage of digital tax tools, reinforcing the importance of enhancing PU and PEOU through structured support (Lopez-Gonzalez & Castano, 2023). Moreover, Maruping et al. (2017) found that taxpayer education directly influences PU and PEOU by demystifying system functions and reducing psychological barriers to adoption.

Nonetheless, TAM has faced valid criticism. Scholars such as Bagozzi (2007) and Torgler (2007) argue that TAM may overemphasize individual cognitive perceptions while neglecting broader contextual and institutional factors such as regulatory complexity, infrastructure deficits, or trust in government institutions. In the case of Kenya, such external barriers have proven significant. Even when SMEs find tax platforms usable, compliance may remain low due to concerns about data security, unpredictable policy changes, or skepticism toward tax authorities. These limitations suggest the value of integrating TAM with other models like the Diffusion of Innovation (DOI) theory, which incorporates social, economic, and institutional drivers of technology uptake.

Despite these critiques, TAM remains a robust and adaptable model for analyzing SME responses to automated tax systems. Its emphasis on user perception provides actionable insights for policy interventions aimed at improving tax compliance. In the context of Meru County, TAM offered a useful framework for investigating how SMEs evaluate the usefulness and usability of digital tax platforms and how these evaluations shape their willingness to comply with tax obligations. By focusing on the cognitive drivers of system adoption, the present study contributes to a deeper understanding of how technological innovations can be harnessed to enhance tax compliance among SMEs, particularly in digitally underserved environments.

2.2 Empirical Review

Adoption of tax systems has increasingly been recognized as a strategic instrument for enhancing tax compliance among Small and Medium Enterprises (SMEs), particularly in developing

economies where informal business practices and administrative inefficiencies remain prevalent. The integration of digital platforms such as iTax, Electronic Tax Registers (ETRs), and Electronic Tax Invoicing Systems (ETIS) has been promoted to streamline tax processes, reduce compliance costs, and improve transparency (OECD, 2023). For SMEs in Meru County, where infrastructural limitations and varying digital capabilities persist, understanding the empirical link between system adoption and compliance behavior is essential to policy and operational reform.

Globally, system adoption has demonstrated a strong correlation with improved tax compliance. In the United Kingdom, Evans et al. (2022) evaluated the Making Tax Digital (MTD) initiative and reported a 22% increase in SME compliance following digital onboarding, attributing the outcome to improved accuracy and timeliness in tax filings. Similarly, Lopez-Gonzalez and Castano (2023), in a longitudinal study in Spain, found a 30% rise in SME compliance within two years of digital system implementation. Their findings highlighted the importance of continuous user support, especially for late adopters lacking foundational digital skills.

In Sub-Saharan Africa, results are mixed but largely promising. Owusu-Antwi and Osei-Assibey (2020), in Ghana, observed that SMEs utilizing digital tax systems had an 18% higher compliance rate compared to those relying on manual processes. However, their descriptive design limited causal interpretations. In Nigeria, Khan et al. (2022) noted that system adoption remained low due to user interface challenges, unreliable internet access, and limited taxpayer awareness barriers particularly salient in semi-rural regions. Smit and Van der Merwe (2022), using a quasi-experimental design in South Africa, found a 28% post-adoption improvement in compliance rates but underscored continued concerns over cybersecurity and uneven digital engagement in remote areas.

Kenyan-based studies present a nuanced picture. Mwenda and Muriithi (2021), focusing on Meru County, found that SMEs with higher usage of iTax demonstrated better compliance outcomes. However, their research revealed that adoption was hindered by digital illiteracy, insufficient training, and connectivity issues in rural zones. Notably, the study did not distinguish between partial and full adopters, limiting the granularity of its findings. Muriithi and Moyi (2020) similarly reported that while iTax facilitated initial taxpayer registration, sustained use for filing and remittances was suboptimal, particularly among micro-enterprises. Their work emphasized the significance of ongoing education and responsive technical support.

Other localized studies have pointed to the critical role of taxpayer training in boosting both adoption and compliance. Karanja and Kihiu (2020) found that SMEs receiving digital tax education were 30% more likely to use online systems consistently and comply with filing obligations. However, their study's limited sample size constrained generalizability. Despite policy mandates under the Finance Act 2020 requiring adoption of platforms like ETIS, resistance remains due to inadequate technical infrastructure and data privacy concerns (Mwenda & Muriithi,

2021). These insights suggest that beyond technological availability, factors such as trust, digital readiness, and institutional support significantly shape adoption behaviors.

Overall, empirical evidence strongly supports the positive relationship between tax system adoption and improved compliance. SMEs that perceive digital platforms as easy to use, secure, and beneficial are more likely to fulfill their tax obligations accurately and promptly. Yet, adoption remains uneven across Kenya's diverse regions. In counties such as Meru, where digital infrastructure and taxpayer literacy vary, targeted interventions are required to bridge adoption gaps. This includes tailored education programs, infrastructural investments, and the simplification of user interfaces to ensure inclusivity.

The reviewed literature recommends that tax authorities such as the Kenya Revenue Authority (KRA) prioritize taxpayer sensitization, enhance user support systems, and develop adaptive digital platforms responsive to SME needs. Future research should explore longitudinal adoption patterns, the impact of perceived audit risk, and sector-specific adoption behavior to build a more comprehensive understanding of what drives or hinders tax system utilization in rural economies.

3.0 Research Methodology

This study was conducted in Meru County, Kenya, and focused on small and medium enterprises (SMEs) operating across various sectors including retail, manufacturing, agribusiness, hospitality, and services. A descriptive survey research design was employed to investigate the effect of adoption of tax systems on tax compliance. According to Creswell (2018), descriptive research allows for the systematic collection and analysis of data to describe current conditions, identify relationships, and detect trends among key variables. This design was appropriate for capturing quantifiable insights into SME adoption of automated tax systems and their perceived impact on compliance behavior.

The target population consisted of 2,885 registered SMEs in Meru County as documented by the Kenya National Bureau of Statistics (KNBS, 2023). The population included SMEs stratified by sector to ensure representation across diverse business types. A stratified proportional sampling technique was used to ensure that respondents were drawn equitably from each sector. Within each stratum, simple random sampling was applied to ensure equal selection probability. The final sample size of 235 participants was calculated using Yamane formula, which allowed for statistically valid generalization while remaining feasible for field data collection (Akintoye & Bolarinwa, 2021).

Data collection was executed using a structured, self-administered questionnaire designed to align with the study's objectives. The instrument included items covering key dimensions of tax system adoption such as iTax usage, Electronic Tax Register (ETR) familiarity, digital literacy, system ease of use, and access to taxpayer support services. A pilot test was conducted with 10% of the sampled SMEs drawn from neighboring sub-counties within Meru to ensure structural and

contextual comparability. Feedback from the pilot led to refinements in the phrasing and sequencing of items to improve clarity and consistency.

Instrument reliability was tested using Cronbach's alpha, and all constructs surpassed the acceptable internal consistency threshold ($\alpha \geq 0.70$), as recommended by Meyer and Hamilton (2021). Validity encompassing content, construct, and face validity was established through expert review by Kenya Revenue Authority officers, local tax consultants, and academic researchers familiar with SME taxation and behavioral compliance studies (Mwenda & Muriithi, 2021; Lopez-Gonzalez & Castano, 2023).

Quantitative data were analyzed using SPSS Version 25. The analysis included descriptive statistics (frequencies, percentages, and means) to summarize trends in SME adoption behavior, and multiple regression analysis to assess the effect of tax system adoption on tax compliance outcomes. To ensure robustness of the statistical model, several diagnostic tests were carried out: normality was assessed using the Kolmogorov-Smirnov and Shapiro-Wilk tests; linearity was verified through ANOVA; multicollinearity was examined using Variance Inflation Factors (VIF); heteroscedasticity was tested using the Breusch-Pagan test; and autocorrelation was evaluated using the Durbin-Watson statistic, consistent with standard econometric procedures (Ahmad & Khan, 2023).

All findings were reported using clearly organized tables and supported by narrative interpretation to enhance comprehension and inform policy recommendations. Ethical considerations were upheld throughout the research process. Clearance was obtained from the National Commission for Science, Technology, and Innovation (NACOSTI) and relevant institutional authorities. Participants were fully informed of the study's objectives and provided voluntary, written consent. Anonymity, confidentiality, and data protection protocols were strictly observed. No personally identifying information was collected, and all responses were treated with the highest degree of integrity in accordance with international research ethics standards (ILO, 2023).

4.0 Results

4.1 Response Rate

A total of 235 questionnaires were distributed to targeted small and medium enterprises (SMEs) across Meru County. Of these, 215 questionnaires were correctly filled and returned, yielding a response rate of 91.49%, as shown in Table 1.

Table 1

Response Rate

Questionnaires	Frequency	Percentage
Returned	215	91.49%
Not Returned	20	8.51%
Total	**235**	**100%**

This response rate surpasses the 70% threshold recommended by Akintoye and Bolarinwa (2021), ensuring adequate statistical power and representativeness of the surveyed SMEs.

4.2 Reliability Test Results

A pilot study involving 24 SMEs from neighboring counties was conducted to test the internal consistency of the instrument. The construct "Adoption of Tax Systems" yielded a Cronbach's alpha of 0.842, indicating excellent reliability.

Table 2

Reliability Test Results

Instrument	Cronbach's Alpha	Number of Items
Adoption of Tax Systems	0.842	6

This reliability coefficient exceeds the minimum benchmark of 0.70 suggested by George and Mallery (2016), confirming the instrument's dependability for data collection.

4.3 Descriptive Statistics on Tax Compliance

Tax compliance was the dependent variable and was assessed using six core indicators. Table 3 summarizes the mean and standard deviation for each item.

Table 3

Descriptive Analysis of Tax Compliance (N = 215)

Statement	Mean	Std. Deviation
My business files and pays taxes accurately and on time.	3.83	1.059
My business voluntarily complies with tax obligations.	3.73	1.124
Tax reporting accuracy has improved due to recent reforms.	3.76	1.091
My business has experienced fewer cases of non-compliance.	3.74	1.085
Recent reforms have reduced compliance costs and effort.	3.61	1.142
Tax reforms have positively influenced my compliance attitude.	3.72	1.108

The results indicate generally favorable compliance levels, with the highest mean (3.83) associated with timely and accurate filing, while the lowest (3.61) highlights lingering challenges with compliance cost-efficiency.

4.4 Descriptive Statistics on Adoption of Tax Systems

The independent variable adoption of tax systems was measured using six items covering digital usage, accessibility, automation, and platform satisfaction.

Table 4

Descriptive Analysis of Adoption of Tax Systems (N = 215)

Statement	Mean	Std. Deviation
I frequently use KRA's digital platforms (e.g., iTax).	3.85	0.921
I consistently log in to file, update, or check records.	3.88	0.906
I am satisfied with the functionality of the digital tax platforms.	3.77	1.008
KRA's digital platforms are accessible from my business location.	3.71	1.032
Automated systems have helped me reduce errors in tax submissions.	3.86	0.975
Digital adoption has improved my adherence to filing deadlines.	3.83	0.958

The data reveal strong adoption of KRA platforms, with consistently high ratings for ease of use and timeliness. However, accessibility (mean = 3.71) remains an area for potential improvement.

4.5 Regression Analysis: Adoption of Tax Systems and Tax Compliance

A simple linear regression was conducted to determine the influence of tax system adoption on tax compliance. Results are shown in Table 5.

Table 5

Model Summary – Adoption of Tax Systems and Tax Compliance

R	R Square	Adjusted R Square	Std. Error of the Estimate
0.467	0.218	0.210	0.296

The R-value of 0.467 indicates a moderate positive correlation between system adoption and compliance. An R^2 of 0.218 suggests that 21.8% of the variance in tax compliance is explained by the adoption of digital tax systems.

4.6 ANOVA: Adoption of Tax Systems and Tax Compliance

The ANOVA test evaluated the model's statistical significance.

Table 6

ANOVA – Adoption of Tax Systems and Tax Compliance

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	284.805	1	284.805	63.610	.000
Residual	1019.795	213	9.271		
Total	**1304.600**	214			

The F-statistic of 63.610 and $p < .001$ indicate a highly significant model, validating the predictive influence of tax system adoption on compliance behavior.

4.7 Regression Coefficients

The regression equation based on unstandardized coefficients is:

$$Y = 2.752 + 0.582X$$

Where:

Y = Tax Compliance

X = Adoption of Tax Systems

Table 7

Coefficients – Adoption of Tax Systems and Tax Compliance

Model	B	Std. Error	Beta	t	Sig.
Constant	2.752	0.345		7.976	.000
Adoption of Tax Systems	0.582	0.073	0.467	7.976	.000

The coefficient of 0.582 indicates that a one-unit increase in adoption of tax systems leads to a 0.582-unit increase in tax compliance, controlling for other variables. These results corroborate Ndung'u and Rotich (2023), who argued that simplified digital platforms foster higher compliance through enhanced user confidence, automation, and accessibility.

5.0 Summary, Conclusion, and Recommendation

5.1 Summary of the Findings

The study established that the adoption of tax systems had a statistically significant and positive effect on the tax compliance of SMEs operating in Meru County. Core elements of system adoption identified by respondents included access to iTax platforms, mobile-filing capabilities, digital payment integration, and automation of submission processes. Descriptive findings revealed that SMEs utilizing these technologies reported improved accuracy, timely return filing, and reduced reliance on manual procedures.

Regression analysis showed that adoption of tax systems accounted for 21.8% of the variance in tax compliance, with a one-unit increase in adoption leading to a 0.582-unit increase in compliance outcomes. Respondents emphasized that systems offering convenience, real-time access, and technical support cultivated an enabling environment for consistent compliance. These results corroborated the findings of Ndung'u and Rotich (2023), who concluded that user-centered digital infrastructure enhances voluntary tax participation and reduces reporting errors among small businesses in Kenya's informal and formal sectors.

5.2 Conclusion

The study concluded that the adoption of tax systems was a critical determinant of tax compliance among SMEs in Meru County. The analysis affirmed that enterprises characterized by frequent use of digital platforms, including online filing, electronic invoicing, and mobile payment integration, demonstrated superior outcomes in meeting tax obligations. While SMEs continued to face infrastructural, digital literacy, and trust-related challenges, the presence of accessible and efficient tax systems helped buffer these constraints by streamlining administrative processes and enhancing user confidence. These findings affirmed earlier assertions by Onyango and Nthiga (2022) and Smit and Van der Merwe (2022), who found that system adoption fosters compliance

by minimizing complexity, reducing transaction costs, and promoting transparency. In resource-constrained and high-informality environments such as Meru, digital adoption emerged not only as a technical reform but as a strategic compliance enabler.

5.3 Recommendations

The study recommends that tax authorities establish digital tax frameworks emphasizing usability, accessibility, and taxpayer support. KRA should improve infrastructure for system deployment in both urban and rural areas, ensuring mobile-friendly, offline-capable platforms integrated with tools like M-Pesa. Tax education programs must be scaled to include onboarding, demonstrations, helplines, and localized training to support SME adoption and reduce technophobia. The scope of digital adoption should extend to return filing, payment scheduling, and compliance history access. System reliability, multilingual support, and user feedback mechanisms are essential for consistent usage. Data security and trust-building measures, including encryption and transparent governance, should be institutionalized to address SME concerns over privacy. These safeguards can reduce resistance and enhance long-term compliance. Overall, the recommendations aim to align digital tax systems with SME realities, fostering greater participation and revenue growth.

5.4 Contribution to the Existing Body of Knowledge

This study contributes to tax compliance discourse by highlighting digital tax system adoption as a key driver of SME compliance in low-to-middle-income economies. Theoretically, it reinforces the Technology Acceptance Model, showing that perceived usefulness and ease of use influence SME behavior. Empirically, it fills a gap by providing validated insights from Meru County, a rural and informal economic setting often overlooked in previous research. Practically, the study offers strategic guidance for enhancing digital infrastructure, taxpayer education, and user support. These insights are essential for advancing Kenya's tax modernization efforts and improving revenue collection. Overall, the findings align global best practices with local SME realities, promoting sustainable compliance.

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