Determinants of Compliance towards Tourism Licensing Within Uasin Gishu County, Kenya: Hotels and Restaurants Managers Perspective

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Abstract: *Studies relating to the contextual factors that affect the relationship between motivations and compliance have been overlooked. Therefore, this current study approaches this literature gap by establishing whether organizational capacity moderates the relationship between mixed motivations and compliance. The study is based on an exploratory survey of hotels and restaurants managers in Uasin Gishu County. It was grounded on four theories, economic deterrence theory, political legitimacy theory, behaviour change theory and Siegwart's goal framing theory. The sample size comprised of 395 respondents who were chosen through proportional random sampling technique. Data was collected using close ended questionnaires. The respondent's demographic information was analyzed using descriptive methods while the model was evaluated through inferential methods mainly structural equation modelling and further, exploratory factor analysis and path analysis was employed. The study demonstrated that economic motivation, normative motivation and social motivation were individually significant predictors of compliance to tourism regulations with economic motivation being the most significant predictor of the three. The results also revealed that organisational capacity failed to moderate the relationship between mixed motivations and compliance towards tourism licensing. The study recommended that a further study on the same research topic be carried out on other Counties in Kenya.*

Key words: *Mixed motivations, organisational capacity, licensing, compliance*

1. INTRODUCTION

Compliance with regulations and laws such as licensing is vital for the sustainable development of any industry. However, licensing regulation implementation faces constant resistance from some regulated entities who believe it is not profitable (Ayuba, Saad&Ariffin, 2016). As a result, non-compliance with licensing regulations has become a worldwide problem that cuts across different sectors (Gunningham& Sinclair, 2017). Conversely, some business firms are in support of licensing regulations because they believe that it protects the interests of their business and that of consumers (Lähteenmäki-Uutela, Yliskylä-Peuralahti, Repka&Mellqvist, 2019). In this regard, compliance can be defined as operating in a way that is in line with the requirements of a given regulation (Decoene&Beyens, 2013). In this study compliance is operationalised as the conformance to Tourism Regulatory authority [TRA] licensing regulations by hotels and restaurant managers in Uasin Gishu County.

Adherence to tourism licensing regulations is essential for the sustainable growth of the tourism sector. A regulation refers to a rule or a law that is implemented by independent organisations and backed by a regulatory system to combat disobedience in the interest of the government (Walker, 2017). Tourism licensing therefore, helps to ensure that minimum operational standards of the tourism industry are met by spelling out the boundaries of acceptable behaviour and ensuring that businesses act responsibly (Nielson, 2018). Licensing regulations in the tourism industry include registration, taxation and licensing of hotels and restaurants (Tourism Regulatory Authority [TRA] Regulations, 2014; Tanzania Tourism Accommodation Regulations, 2015).

Compliance and the respective applicable licensing regulations vary based on geographical location. For example, in the Maltese context, tourism industry is regulated by Malta Tourism Authority [MTA] (Malta Travel &Tourism Services Act, 2016). It is mandatory for all hotels, bars and restaurants to be licensed to operate by the authority. The authority records a high compliance rate of over 85% yearly from hotels and restaurants. For instance, there are 138 hotels in the island and 132 are licensed yearly (MTA licence register, 2020). There are over 3000 restaurants and bars in Malta and 2897 are licensed annually (MTA licence register, 2020).

In Rwanda, tourism industry is regulated by the Rwanda Development Board [RDB] which is guided by the Rwanda Tourism Act 2014 as a legal instrument. Under the Act, all tourism businesses have to be registered, licensed annually (Rwanda Tourism Act, 2014). According to the regulator, the compliance level to the licensing regulation is still low. Compliance levels of accommodation facilities are higher than that of bars and restaurants. For instance, 67 facilities were licensed in 2017 while 212 facilities were licensed in 2018 and as at January 2020, 224 accommodation facilities have been licensed while 28 bar and restaurants have been licensed (RDB licence register, 2020). The Head of Communications and Marketing in RDB attributed the low compliance numbers to lack of awareness of the regulations among private sector tourism stakeholders (RDB, 2019).

Compliance is influenced by a variety of factors. According to Yan, van Rooij and van der Heijden (2016) compliance is influenced by amoral calculation, legitimacy and the ability to comply while Parker and Nielsen (2017) and Fidiana (2020) posit that motivation is the key factor that influences compliance. Motivation which is derived from the word 'motive' can be defined as a need or a reason within individuals that drives them to behave or act in a particular way (Varisco, Downs, Rathburn, Fleming & Thornton, 2020). Mixed motivations can be classified into three broad groups that include normative, social and economic (Winter & May, 2001; Nielsen & Parker, 2012). Economic motivations include cost benefit calculation, likelihood of detection and severity of sanctions while normative motivations include civic duty and legitimacy (Gunningham& Sinclair, 2017). Social motivations include maintaining public image, maintaining good relations and having a good reputation (Bottoms, 2019).

All the three motivations work simultaneously to influence compliance at all times. However, some studies have established that one aspect of the motivations is usually stronger in influencing compliance (van Wijk& six, 2014). For example, in the United Kingdom, on instances where the regulated entity is aware of the law and regulations, normative motivations tend to surpass social and economic motivations in influencing tax compliance behaviour (Onu, Oats &Kirchler, 2019). In Southern and Eastern Africa, economic motivation is the key factor that influences compliance to regulations as regulated entities are keen to maximize on profits and avoid sanctions (Ali, Fjelstad& Sjursen, 2014). As a result, deterrence strategies to curb noncompliance including high penalties, sanctions and enforcement are highly embraced in Sub Saharan Africa.

Recent studies have determined the indirect influence of additional factors in the association between motivations and compliance. According to Parker and Nielsen (2017), the linear relationship that exists between motivations and compliance is indirectly affected by various contextual factors which include organisational capacity, organisational characteristics and environments. These contextual factors act indirectly at either a personal or organisational level (Wijk& Six, 2014).

In Kenya, tourism industry is a top revenue earner among the country's economic sectors. The industry is regulated by Tourism Regulatory Authority (TRA), which is guided by the Tourism Act, 2011 of Kenya and TRA regulations 2014. Under the TRA regulations 2014, the hotels and restaurants stakeholders have to acquire an operational licence from TRA. Recent data shows low compliance to TRA licensing annually 1000 tourism facilities are licensed each year in Kenya (TRA, 2019). This could not only have a significant effect in tourism development in the region but also sabotage the productivity of the input of the regulator (Burdon &Sorour, 2018). In this regard, this study seeks to determine the effect of mixed motivations on compliance behaviour of hotels and restaurant managers to tourism licensing within Uasin Gishu County, Kenya with regards to the role of organizational capacity as a moderator.
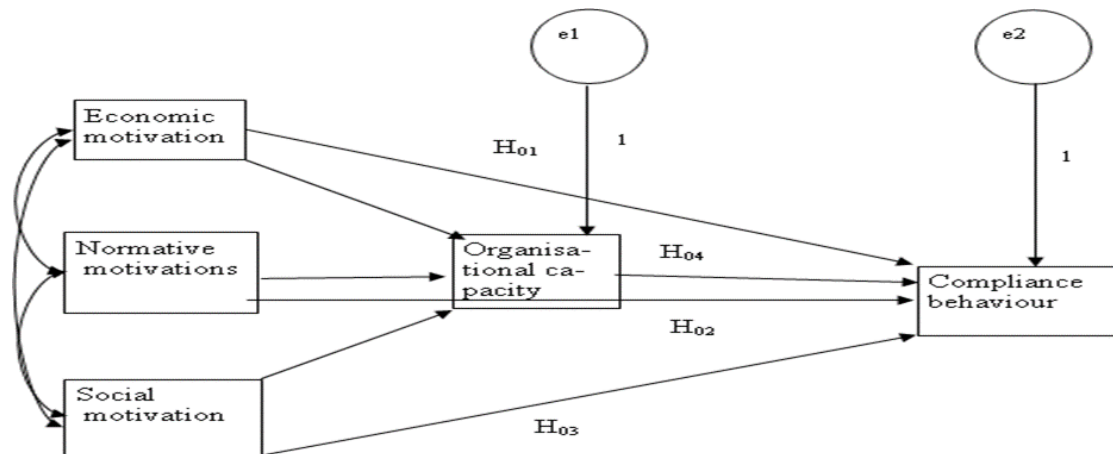
Figure1. *Hypothesised model of the association among mixed motivations, organisational capacity and compliance*

2. METHODOLOGY

A qualitative methodological approach was employed in the study. Questionnaires were administered to respondents to facilitate data collection. Content validity of the questionnaires was performed. This allowed the preparation of the final questionnaire used to capture the needed data. Cronbach's Alpha was used to test for reliability. Correlated scores and the coefficient of reliability was found to be at 0.8386(83.86%) which is an adequate reliability index, thus, the questionnaire relied as valid and reliable. The research was carried out in Uasin Gishu county, Kenya. The target population comprised of 1440 managers of hotels and restaurants registered by TRA in Uasin Gishu county. Three hundred and ninety-five respondents were randomly selected from three hundred hotels and one hundred and eighty restaurants. Two hundred and forty-seven respondents were from hotels while one hundred and forty-eight respondents were from restaurants. Anonymity and confidentiality were maintained during the data collection process and this ensured honesty from the respondents. Administration of the questionnaires was done through a "wait and fill" basis for a period of three months. 395 questionnaires were distributed and 355 were returned. This in turn resulted to a 76.96% rate. Collected data was cleaned and coded and analysed through descriptive and inferential statistics which included hierarchical regression and structural equation modelling. This was done using Statistical Package for Social Sciences and Analysis moment of Structures. The findings obtained were presented descriptively using tables and figures.

3. RESULTS

3.1. Socio-Demographic Attributes of the Managers

Data analysis commenced with descriptive analysis of the demographic data. This included the respondent's gender, age, education level, years of experience, business size and type of business operated. These findings were presented in the table below.

Table1. *Demographics and personal information*

Variable	Category	Frequency	Percentage
Age	Below 25 years	9	2.96
	26 – 35 years	37	12.17
	36 – 45 years	96	31.58
	46 – 55 years	81	26.64
	Above 55 year	81	26.64
Education	Primary	9	2.96
	Secondary	34	11.18
	College	151	49.67
	University	110	36.18
Experience	< 5years	75	24.67
	5 – 10 years	84	27.63
	11 – 15 years	90	29.61
	> 15 years	55	18.09

Business size	Small	115	37.82
	Medium	136	44.74
	Large	53	17.43
Business type	Hotel	100	32.89
	Restaurant	204	67.11

Source: *Authors*

Only 3% of the managers were below 25 years, majority (84.9%) were above 35 years. This implies that older managers are preferred (Kunze, Boehm and Bruch (2011). In line with the findings of Jafari-Sadeghi, Kimiagari and Biancone (2019), half (49.7%) of the managers had middle level college certificates followed by those with university degrees (36.2%). Years of experience was almost equally distributed from less than 5 years to over 15 years. However, most of the managers had more than five years' experience. This implies that more years of experience is an important determinant considered when hiring management staff (Hanak, 2018).Three quarters of the establishments were restaurants.

3.2. Factor Analysis

EFA was first executed on the mixed motivations attributes. Most of the variables interconnected at r=0.3 and above in line with the correlation matrix. Results of the KMO (0.892) and Bartlett's test of sphericity (p=0.001) indicated that the data was adequate for factorization.

Based on the EFA, the eigenvalues of six components exceeded 1 (11.397, 3.377, 1.995, 1.436, 1.194, 1.043) and a total variance of 64.17%. Further, an examination of the scree plot showed an abrupt break after the second factor. As a result, a second factor analysis was done on the two factors. Strong loadings (above 3) on the first and second components were reported. Consequently, two factors were maintained for consequent analysis.

Table2. *Eigenvalues from EFA*

Component number	Actual eigenvalues from EFA	Decision
1	11.397	Accept
2	3.377	Accept
3	1.995	Reject
4	1.436	Reject
5	1.194	Reject
6	1.043	Reject

Source: *Authors*

Varimax with Kaiser normalisation brought forth a rotated solution with most of the factors slotting above0.5.'Belief_that_TRA_licence_renewal_is_necessary','Belief_that_registration_by_TRA_is_ne cessary','Belief_that_TRA_licence_followup_is_mandatory','Honesty','Desire_to_obey_central_gov ernment_regulation','Trust','Agreement_with_regulation','Civic_duty',Desire_to_be_good_cooperat e_citizen','Fair_treatment','Good_reputation','Avoiding_bad_image','Pressure_from_customers','G ood_relations_with_other_business','Compliance_benefits','Good_TRA_relations'   and   'Good_ NTRA_relations' slotted on the first componentsaccording 42.21 percent of the variance.

'Fear_of_fine','Fear_of_business_closure','Fear_of_imprisonment','Detection_by_related_authorotie s','Detection_by_TRA','Detection_by_other_business','Influence_from_other_managers',and 'High_compliance_costs' loaded on component 2. The second factor contributed 12.51% and hence the total component solution explained a total variance of 54.71%. All the variables loaded on the components and were utilised in the final model measurement.

Table3. *EFA on mixed motivations*

Attribute	Factor Factor 1	Facto r 2	Eigenvalue s	Explained % Variance	Comm unality
Factor 1			11.396	42.21	
Belief_that_TRA_licence_renewal_is_necessary	.933				.932
Belief_that_registration_by_TRA_is_necessary	.926				.924

Belief_that_TRA_licence_followup_is_mandatory	.914				.900
Honesty	.900				.882
Desire_to_obey_central_government_regulation	.896				.894
Trust	.896				.863
Agreement_with_regulation	.885				.855
Civic_duty	.884				.846
Desire_to_be_good_cooperate_citizen	.872				.864
Fair_treatment	.871				.818
Good_reputation	.842				.828
Avoiding_bad_image	.826				.831
Pressure_from_customers	.637				.727
Good_relations_with_other_business	.620				.725
Compliance_benefits	.572				.583
Good_TRA_relations	.555				.436
Good_NTRA_relations	.554				.705
Pressure_from_NTRA					.785
Factor 2			3.378	12.51	
Fear_of_fine		.788			.831
Fear_of_business_closure		.764			.798
Fear_of_imprisonment		.725			.805
Detection_by_related_authoroties		.632			.677
Detection_by_TRA		.525			.600
Detection_by_other_business		.475			.734
Influence_from_other_managers		.423			.398
High_compliance_costs		.423			.508
Incentive_availability					.695
Total variance explained				54.71	

Extraction Method: Principal Component Analysis

Rotation Method: Varimax with Kaiser Normalization [a]

a. Rotation converged in 8 iterations.

Source: *Authors*

3.3. Structural Model Testing

The goodness of fit of the model of the association among mixed motivations, compliance and organizational capacity was estimated using Amos version 22. Fitness tests such as RMSEA, IFI, TLI, CFI, NFI AND GFIproduced the values shown in the table below. These valuesindicated a good model fit as advanced by (Hutcher 1994; Byrne, 2001; Hu &Bentler, 1999;Min, 2012; Kline, 2005; Schumacker& Lomax, 2004; Thompson, 2004)

Table4. *Summary of model fit statistics*

Fit statistics	Value (N=304)	Acceptable value
Normal fit index (NFI)	1	≥ 0.90
Incremental fit index (IFI)	1	≥ 0.90
Tucker Lewis index (TLI)	1	≥ 0.90
Comparative fit index (CFI)	1	≥ 0.90
Relative fit index (RFI)	1	≥ 0.90
Goodness-of-fit index (GFI)	1	≥ 0.90
Root mean square error of approximation (RMSEA)	0.07	≤0.08

Source: *Authors*

The standardized path coefficient (Table 5) indicated positive association between economic motivation and organisational capacity (.094, $p < 0.001$), followed by compliance (.000, $p < 0.001$), normative motivation (-.122, $p < 0.001$) and social motivation (-.475, $p < 0.001$). The association between motivations and compliance also showed both weak but positive correlation coefficient and a weak negative interaction. There was a positive association between normative motivation and compliance (.214, $p < 0.001$), followed by social motivation (.160, $p < 0.001$) while economic motivation had a weak negative association with compliance (-.297, $p < 0.001$).

Table5. *Standardized regression coefficient*

Relation			Standardised Coefficient	Path S.E.	C.R.	P	Value
OCAPACITY	<---	SOCIAL	-.475	.098	-4.851	***	
OCAPACITY	<---	NORMATIVE	-.122	.050	-2.423	.015	
OCAPACITY	<---	ECONOMIC	.094	.100	.943	.346	
COMPLIANCE	<---	OCAPACITY	.000	.035	-.004	.997	
COMPLIANCE	<---	SOCIAL	.160	.061	2.605	.009	
COMPLIANCE	<---	NORMATIVE	.214	.031	6.990	***	
COMPLIANCE	<---	ECONOMIC	-.297	.060	-4.926	***	

*** $p = < 0.001$, $p = 0.05$

Source: *Authors*

The model was found to be statistically significant. Organisational capacity had no effect 0.002% on the relationship between motivations and compliance. Economic motivation, normative motivation and social motivation were significantly influenced compliance, accounting for 36% of its variance (Figure 2). Based on the weight of the standardized coefficients, normative motivation dimension was the most influential predictor of compliance while the weakest link was between economic motivation and compliance (Figure 2).
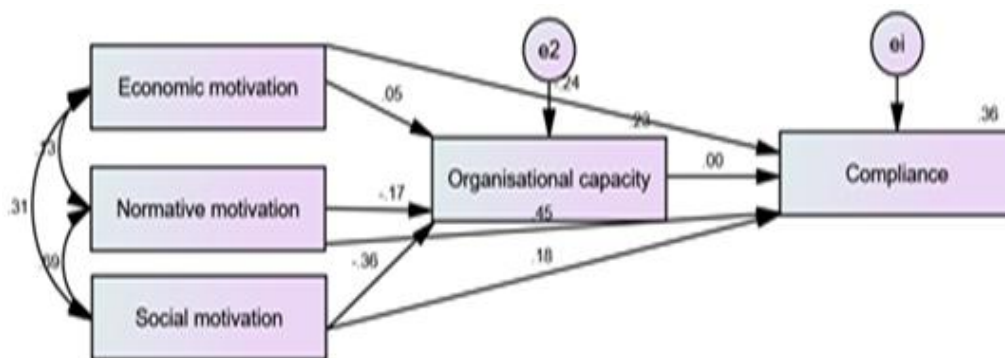

Figure2. *Results of the hypothesised model with standard regression estimates*

4. DISCUSSION

This study puts forward new understandings into the association between mixed motivations, organizational capacity and compliance to tourism regulations from the perspectives of hotels and restaurants managers. Despite the fact that studies have been conducted on the relationship between mixed motivations and compliance, the effect of contextual factors on this relationship has been overlooked (Parker & Nielsen, 2017). Therefore, from an academic perspective, the study advances knowledge on the relationship between mixed motivations, organizational capacity and motivation and contributes to both compliance and tourism regulation literature by bringing forth pragmatic proof that the influence of mixed motivations on compliance is not influenced by organizational capacity as backed by data.

The normative motivation factor with sub constructs duty, legitimacy and morals was the most significant in explaining compliance. Studies have shown a significant shift from non voluntary factors to voluntary factors in explaining compliance(Gunningham& Sinclair, 2017) and this has been attributed to many regulators putting an emphasis of engaging stakeholders and their associations more and creating widespread awareness of the respective regulations. Through this, managers of hotels and restaurants are able to understand the regulations better and understand their civic duty as stakeholders in enhancing sustainable tourism industry growth. When regulated entities dig into their civic duty and compliance increases (Howell & Fielding, 2019; Jackson et al., 2012)Managers of hotels and restaurants have made efforts to create collaborations with respective regulators whilst regulators have made their activities more open and fair, and improved service delivery based on their service charter thereby increasing the legitimacy of the authorities and hence increase compliance (Phaneuf &Requate, 2017; Barrios, Benmelech, Hochberg, Sapienza, &Zingales , 2021)

Social motivations also significantly influenced the managers compliance level. Prior studies show that the peer influence and maintaining good relations and good reputation can influence compliance(Nielsen & Parker, 2012; Van Wijk, 2014). Herd mentality can influence managers to adopt compliant behavior (Alm et al., 2014; Bursztyn & Jensen, 2015; Filby, Stockin & Scarpaci, 2015;Kornilaki, Thomas &Font, 2019). Similarly, hotels and restaurants associations require their members to be compliant of certain regulations to maintain membership and hence increase compliance. Some facilities choose to be compliant in a bid to avoid any negative publicity being associated with its brand (van Wijk& Six, 2014)

Economic motivations have shown to be very functional in influencing compliance in underdeveloped and economically developing countries. Human beings rationality is an important motivator of the compliance behavior of a person. This is based on the rationale that a person is most likely to choose whether or not to comply based on what will enable one to gain most. This is supported by economic deterrence theory that asserts the decision whether to comply or not is an aftermath of a 'cost- benefit analysis' conducted by regulated entities, and an entity will only comply in instances where profits are guaranteed (Allingham &Sandmo, 1972; Mengere, 2014).These results support the findings of antecedent studies in the effects of the cost of compliance on compliance that determined that cost of compliance affected compliance behaviour (Abdul &Wang'ombe 2018; Ali 2018; Adam &Yusof, 2018; Alam, 2018)

Notwithstanding that the mixed motivations had a significant correlation with compliance, organizational capacity failed to moderate the relationship between the two variables. That is to say, the capability of an organization does not affect the motivation to comply. This finding contradicts with the studies by (Nielsen and parker, 2012; Parker and Nielsen, 2017; van Wijk and Six, 2014) that established positive effect of organizational capacity on the association between mixed motivations and compliance.

5. CONCLUSION

This study expands previous studies on the relationship between mixed motivations, compliance and organizational capacity. Despite the fact that studies have been conducted on the relationship between mixed motivations and compliance, the effect of contextual factors on this relationship has been overlooked. The results of the study provide empirical evidence that mixed motivations had a strong effect oncompliance, while organizational capacity had no significant effect on the relationship between mixed motivations and compliance. Economic motivations had a weak positive relationship with organizational capacity while social motivation and normative motivation had negative relationship with organizational capacity. Specifically, the regulator should invest more on engaging the stakeholders and creating more awareness and boosting brand visibility of the regulator. Further, the respective associations should lobby for the interests of the members and at the same time advise their members accordingly based on the existing regulations.

The study was limited to hotels and restaurants managers in Uasin Gishu County and TRA licensing regulations 2014 and the results may not be generalized to other counties and other regulations. As a result, further studies to consider other geographical locations and other regulations. The research focused on studying compliance from 'below' that is from the regulated entities perspective and therefore no attention was paid on the regulator and the activities of the regulator.Further research may consider looking at compliance based on the perspective of both the regulator and the regulated entity. The research considered effect of organisational capacity on the relationship between mixed motivations and compliance behaviour of hotels and restaurants managers with tourism licensing and thereby didn't look at the effect of other contextual factors. Further research should consider the effect of other contextual factors.

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