

**EFFECT OF TAXATION ON THE PERFORMANCE OF SMALL AND MEDIUM
ENTERPRISES IN VOI TOWN, KENYA**

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JULY, 2020

DECLARATION

This research project is my original work and has not been presented for any award in any other academic or non-academic institution.

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Signature

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HDB336-C016-2371/2016

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Date

This research project has been submitted for examination with my approval as the supervisor.

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Date

DEDICATION

This research project is dedicated to my family who constantly ensure I aim higher.

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ABBREVIATIONS AND ACRONYMS

IEA	Institute of Economic programme
IJBIR	International Journal Business Innovation and research
SMEs	Small and Medium Enterprises
KRA	Kenya Revenue Authority

DEFINITION OF KEY TERMS

Tax	refers to the contribution to state revenue, levied by the government on workers' income and business profits, or added to the cost of some goods, services, and transactions (Muturi & Kiarie, 2015)
SME	refers to a business enterprise with revenue not exceeding kshs5,000,000 per annum and more than kshs500,000 in sales (OECD, 2013)
Tax Policies	is the choice by a government as to what taxes to levy, in what amounts, and on whom (OECD, 2015).
Tax Rates	refers to the percentage at which an individual or corporation is taxed based on an individual's taxable income or business earning (Mandola, 2013).
Tax Reforms:	is the process of changing the way taxes are collected or managed by the government and is usually undertaken to improve tax administration or to provide economic or social benefits (Rao, 2014).

ABSTRACT

SMEs are faced with the problem of high tax rates, multiple taxation, complex tax regulations and lack of proper enlightenment or education about tax related issues. It was in this regard that the researcher sought to establish the effects of taxation on the performance of SMEs in Voi Town. The study was guided by the following objectives: To assess the effect of tax policies on performance of SMEs in Voi town, Kenya, to evaluate the effect of tax rates on performance of SMEs in Voi town, Kenya and to ascertain the effect of tax reforms on the performance of SMEs in Voi town, Kenya. The study will be of great value to the management of SMEs and formulation tax policies pertaining to KRA. To provide the basis of the study, the researcher relied on the following theories: ability to pay theory, economic theories and optimal theory of taxation. The study adopted a cross-sectional research design, where 130 SMEs of the town were targeted. The study used Yamen's formulae to determine a sample of 98 SMEs which were stratified into various business categories. The study used structured questionnaires which were distributed to the management and owners of these SMEs. The returned questionnaires were analyzed using SPSS to establish the relationship between the study variables. The study relied on a response rate of 72.4% (71) for data analysis and findings. The analysis showed that there was a significant negative very weak relationship between tax policies and SMEs performance ($\beta = -0.185$; $p = 0.030$). Secondly, it was determined that there was a weak negative and significant relationship between tax rates and SMEs performance ($\beta = -0.212$; $p = 0.009$). Finally, on the relationship between tax reforms and SMEs performance, a weak positive relationship between the two study variables ($\beta = 0.204$; $p = 0.004$). The study concluded that tax rates and tax policies has a significant negative effect on tax performance, while tax reforms has a significant positive effect on SMEs performance. The study recommended that tax regulations governing SMEs should be simplified in order to improve their growth and to make compliance easier for them. Further, tax administration should use current tax reform to reduce tax complexity with tax authorities which should focus and help taxpayer during filing taxes with returns information. Finally, tax administrators should improve their support services towards SMEs.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Small and Medium Enterprises have always been considered an important force for economic development and industrialization in smaller economies (Aryeetey & Ohene, 2014; Oludele & Emilie, 2012). These small enterprises have increasingly been recognized as enterprises that contribute considerably to the creation of jobs, economic growth and eradication of poverty in Africa. World Bank(2015) reported that the creating of “sustainable” jobs and opportunities for smaller entrepreneurs are the key strategies to take people out of poverty. Small and medium enterprises are mostly private enterprises and they face difficulties when dealing with the government in general and the tax administration in particular mostly the developing countries. Baurer (2015) adds that many of the difficulties with the tax authorities may be deemed as the consequences of poorly conceived tax policies and a lack of certainty regarding future policy changes. However, it would be rare indeed to not observe complaints about the complication and/or ambiguity of the tax laws as well as high tax rates.

If the tax structure is not adequately designed to the specific environmental conditions, it may create a greater burden to the tax-paying organizations and eventually affecting the final consumer due to the shifting ability of tax. The majority of small businesses are less likely to attain or maintain their growing profitability due to factors including tax policies. This implies that as a policy maker and regulator, Government must consider the factors that could affect the competitiveness of the small enterprises (Mnewa & Maliti, 2018).

Africa is set to have a decline in economic growth with less than 3% average growth forecast for 2017. Nevertheless, pockets of countries in Africa, mainly non-resource intensive countries such as Côte d’Ivoire, Ethiopia, Kenya and Senegal, are foreseen to continue to grow at more than 6%. According to the IMF, growth in these countries have been supported by infrastructure investment efforts and strong private consumption. Many African countries are turning to entrepreneurs to support future growth. With entrepreneurship playing a vital role in the development of a vibrant and formal small business-sized sector, there is much scope for SMEs to support African growth. (Deloitte 2016)

Taxation practice in Ivory Coast became more pronounced and prevalent in the late 1980's. This concern was first raised by Foluso (2017) who noted that about 154 taxes had identified in the country, and expressed doubt whether these taxes could attract serious investors into the county. According to him, taxation undermines the quest for economic transformation and it is pushing organizations to retrench staff because of the high cost of doing business.

Gambia, companies pay taxes on more than 100 items imposed by both the state and its various Local Governments. It has been identified several effects of successful taxation as economically: counterproductive, destroys investor confidence, raises cost of doing business and it is one of the major threats to the growth of manufacturing sector in Gambia (Cordes, Hertzfeld & Vonortas, 2019).

In Kenya, SMEs play a key role in economic development and job creation. In 2014, 80 percent of jobs created were dominated by these enterprises. Under the Micro and Small Enterprise Act of 2012, micro enterprises have a maximum annual turnover of KES 500,000 and employ less than 10 people. Small enterprises have between KES 500,000 and 5 million annual turnover and employ 10-49 people. However, medium enterprises are not covered under the act, but have been reported as comprising of enterprises with a turnover of between KES 5 million and 800 million and employing 50-99 employees (Simiyu, 2013).

Some studies estimate that informal businesses account for 35-50% of GDP in many developing countries. Similarly, in Kenya, the informal sector is quite large, estimated at 34.3% and accounting for 77% of employment statistics .Over 60% of those working in the informal sector are the youth, aged between 18-35 years, 50% being women (IEA 2012).The First 1993 Small & Medium Enterprises (SME) baseline survey revealed that there were approximately 910,000 SMEs employing up to 2 million people. The second SME baseline survey (1995), estimated the size of the SME sector at 708,000 enterprises employing up to 1.2 million people. Compared to the other sectors of the economy, the contribution of the SME sector to the country's Gross Domestic Product (GDP) increased from 13.8% in 1993 to over 18% in 1999, (Sessional Paper No. 2 of 2005). Currently, it is estimated that the contribution to the GDP by this sector stands at over 25% (KNBS, 2012).

Most SMEs fall under the informal sector and by extension, the term informal refers to people in self-employment or small-scale industries. The informal sector is estimated to constitute 98 percent of business in Kenya, contributing 30 percent of jobs and 3 percent of Kenya's GDP. The government recognizes the role of the informal sector and seeks ways to integrate these businesses into the formal sector. According to the 2017 Doing Business in Kenya report, the ease with which businesses can be registered has a bearing on the number of entrepreneurs who start businesses in the formal sector, leading to jobs and more government revenue. In Kenya, starting a business involves seven procedures, takes 22 days and costs 21.1 percent income per capita for both men and women. Although the country has generally made progress in making it easier to start a business, there are questions as to how easy starting a business is especially for SMEs (World Bank 2017)

The authorities and the administrators of taxes should seek to balance their educational and assistance role with the enforcement role. According to Atawodi and Ojeka (2012), the rationale behind the whole system of tax is consistent with two of the three major theories of tax namely; the Ability-to-Pay Principle and the Equal Distribution Principle. The two principles stress equality and fairness. The Ability-to-Pay theory is of the view that individual should be taxed based on the individuals' ability to pay while on the other breadth, the Equal distribution Principle proposes that the incomes, wealth as well as the monetary transactions of the individuals should be taxed at a fixed percentage. This implies that, the individuals who earn more and buy more should pay more taxes, but will not pay a higher rate of taxes (Atawodi & Ojeka, 2012)

The desire to build a civilized country with a strong and sound economy is the desire of every country, including Kenya. Tax payment is the demonstration of such desire, although some income earners see it as a means of exploitation by the government. Tax payment is a voluntary contribution imposed by the government on personal income earners, companies, investors, exporters, importers etc. Revenue realized from taxation is a major source of revenue to the government of Kenya, and as such is important tool used in development of Kenya and the economy. A country's tax policies and systems are greatly related with the business ventures in the country. An economy that enacts favorable and progressive tax laws and policies will definitely breed successful and finance healthy business organizations. Once business flourish,

the economy flourishes as well, as there is no quicker way of stirring up the matters of economy without help of organizations that move services, goods, money and investments from those with surplus to those with deficit; those with marketable ideas/ output to those who need these ideas and products. Favorable tax regime creates a room for profitability hence increase in country's GDP (BR professional education, 2013)

Voi town owes its origin to the construction of the Kenya-Uganda railway line during the late 1890s where small businesses largely owned by Indians constructing the railway line began to spring up. Over the years Voi has grown to be a central business hub especially for the agricultural and meat products from the fertile Taita Hills as well as other surrounding areas like Taveta. Voi's town centre consists of mostly general stores, shops, markets, kiosks and a few hotels. Having been located in the vast Tsavo plains, *it is* largely a wildlife territory, with game roaming from the Tsavo National Park.

1.2 Statement of problem

SMEs are engines of growth, vital to most economies. Research suggests that micro businesses and SMEs account for 95% of firms in most countries. They create jobs, contribute to GDP, aid industrial development, satisfy local demand for services, innovate and support large firms with inputs and services. In Africa, SMEs create 80% of employment, establishing a new middle class and stimulating demand for new goods and services. (Shingirai 2014). The highest proportion of the underground economy in Kenya was recorded in the 1990s when it averaged 20 per cent of GDP. The potential tax accruable from the underground economy averaged 4 per cent of the GDP, thus the tax authority has the potential to expand the tax base by 4 per cent of GDP. For the year 2005, this would have raised tax collections by about Ksh 55 billion. The figure also reveals that the size of the underground economy has been increasing over the years, probably due to improved technology, more stringent regulations and burdensome taxation measures that force many hidden economic activities to emerge. The government may exploit MSEs though tax regime to achieve its target without considering the negative effect on such measures (IEA, 2012). Institute

Although there is a general perception that tax is an important source of fund for development of the economy and provision of social services, there is problems in the area of negative

relationship between taxes and the business' ability to sustain itself and to expand. SMEs are faced with the problem of high tax rates, multiple taxation, complex tax regulations and lack of proper enlightenment or education about tax related issues. Not minding other challenges that SMEs are facing in other developing countries like Nigeria; inadequate capital, poor technical and managerial skills, environmental effects and the government regulations which is most affecting the operation of SMEs in Nigeria especially this issue of multiple taxation which is a worm eating deeply and the large chunk of revenues generated by these SMEs for their growth and survival. These have led to increase in record of death of Small and Medium Scale Enterprise (Adebisi 2013)

In many SMEs, income tax plays a pertinent role on the growth of the business. When government wants to increase its income they mostly target SMEs due to their tax base. By increasing income tax brackets, government mostly affects SMEs since they have to pay more as taxes hence consuming their little returns. Any tax decision made by the government affects SMEs due to their incomplete operations or lack of required tax knowledge (Jepkogei, 2014). KNBS (2016) showed that close to half a million small enterprises in Kenya die annually as the business environment in the country gets bumpy and approximately 400,000 SMEs does not celebrate their second anniversary in the last five years. It is believed that income tax rates charged on SMEs are not accurate since it base on assumption without assessing the enterprise capability of paying that tax. Income tax administration plays a pertinent role regarding revenue collection and enterprise profitability as well. This research is going to establish the various taxation methods that generally affect the SMEs that continuously expand and has the potential to increase the revenue flows but which have been otherwise left out in the tax bracket. Generally the informal sector remains untaxed and as more people transition in to the sector, the government is likely to continue losing billions of shillings. Such a scenario will affect the government's ability to achieve its targets and consequently its development agenda.

1.3 Objectives of the study

1.3.1 General Objective

The general objective of this study was to establish the effect of taxation on the performance of micro, small and medium enterprises in Voi town, Kenya.

1.3.2 Specific Objectives

- i) To assess the effect of tax policies on performance of SMEs in Voi town, Kenya.
- ii) To evaluate the effect of tax rates on performance of SMEs in Voi town, Kenya.
- iii) To ascertain the effect of tax reforms on the performance of SMEs in Voi town, Kenya.

1.4 Research Questions

The research answered the following questions:

- i. How does tax policies affect performance of Small and Medium Enterprises in Voi town, Kenya?
- ii. What is the effect of tax rates on performance of Small and Medium Enterprises in Voi town, Kenya?
- iii. How does tax reforms affect the performance of Small and Medium Enterprises in Voi town, Kenya?

1.5 Justification of the Study

The study will help to ascertain how tax as one of the main cost in SMEs affects the overall operation of several SMEs within Voi town in Taita Taveta County. The research will try to establish whether several taxes imposed to SMEs affects their general performance. This research will benefit the following groups;

Micro, Small and Medium firms (SMEs) constitute 98 percent of businesses in Kenya, contribute 30 percent of jobs as well as 3 percent of Kenya's Gross Domestic Product (GDP). KRA can use this research to assist SMEs by making working environment conducive so that they can generate more income hence paying their taxes on time the role of SMEs in Kenya and the contribution they have in wheeling the economy cannot be over-emphasized. The government will benefit by this research since it will know how to help SMEs so that they can be more efficient in their operation hence contributing to the economy

County government collects fees from all businesses conducted within their territory. SMEs promotes the county government through this fees and providing employment within the county. This research will enable the county government to project how much they can collect from

SMEs within Voi town and how they can support this SMEs so that they can attract more of such businesses.

1.6 Limitations of the Study

The findings of this study cannot be generalized to other towns since it was based on SMEs in Voi Town. Also, variables considered in the study that is tax policies, tax rates and tax reforms can only explain 46.4% of SMEs performance in Voi Town. Finally, the study was only limited on the small and medium enterprises, leaving out other sectors, which contributes to tax collection in the country.

1.7 Scope of the Study

The study was undertaken in Voi town, Taita Taveta County, whereby questionnaires were employed on a target number of respondents. The study considered observation methods which the researcher used to come up with this conclusive evidence. This is because Voi formed the centre of most general stores, shops, markets, supermarkets, kiosks and hotels unlike the other three sub-counties namely Mwatate, Wundanyi and Taveta.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

In this chapter, the author will systematically review the literature to examine effects of taxation on SMEs and similar work done by other people in literature. The author has organized the work done in the ascending order of published year. According to Glutton and Randy (2015), this is an effective way to write a literature review that helps to build an image for the reader to know where the problem started from, where it stands today, and how this study will contribute to it.

2.2 Theoretical Review

The effect of tax on Small and Medium Enterprises can be explained by three main theories.

2.2.1 The Theory of Optimal Taxation

The standard theory of optimal taxation acknowledges that a tax system should be chosen to maximize a social welfare function subject to a set of constraints (Farzbod, 2010). The literature on optimal taxation typically treats the social planner as a utilitarian: that is, the social welfare function is based on the utilities of individuals in the society. This theory states that organizations should be taxed in such a way that they will be in a position to pay the imposed tax without ‘harming’ the overall operations of the organization optimal taxation theory and practice (Masato, 2019)

The optimal tax system is obtained when the adverse behavioral effect and the positive redistribution effect (weighted by the relevant population shares) form a reasonable relationship. The defining feature of an optimal tax system is that there exists no reform of the marginal tax rates in any income range such that social welfare in the population improves after the reform. The optimality condition in the model expresses this condition in formal terms using the three elements that is, elasticity of taxable income with respect to the marginal tax rate, the distribution of abilities and the social preference for redistribution. The theory of optimal taxation is also normative, essentially assuming that policy is made by a benevolent dictator who respects individual preferences as well as some ‘social’ preference for equality. One can choose to dismiss this body of theory by pointing out that actual policy makers typically represent specific interest groups and that actual policies tend to reflect some compromise between conflicting

interests rather than the maximization of a Bergson-Samuelson social welfare function (Koehne 2017). This theory can be used by tax administrators in the formulation of tax policies for the optimal taxation of SMEs in the country.

2.2.2 Ability to Pay Theory

The most popular and commonly accepted principle of equity or justice in taxation is that citizens of a country should pay taxes to the government in accordance with their ability to pay. It appears very reasonable and just that taxes should be levied on the basis of the taxable capacity of an individual (Braithwaite, 2013). This theory states that, citizens should not be charged taxes which they are not able to pay. According to the theory, taxes should be based upon the amount of money people earn. For example, those who earn more money are expected to pay a higher rate of taxes--which means a higher portion of their income--than people who earn less money. Remember, governments impose taxes to pay for services, like public schools, roads, police, and governance. The ability-to-pay theory of taxation does not take into consideration the amount of these services that taxpayers actually use. It seems that if the taxes are levied on this principle as stated above, then justice can be achieved (Coso, 2012).

The theory will be relevant to the study because it justifies equity as a principle of taxation and can also be applicable to SMEs to improve performance. The SMEs sacrifice part of their income and it is turned over to the government to be spent on public services. The sacrifice is measured both in terms of the burden that SMEs bears on sacrificing their income to the public but also the ease with which they got that income (Jepkosgei, 2014).

2.2.3 Economic Based Theories

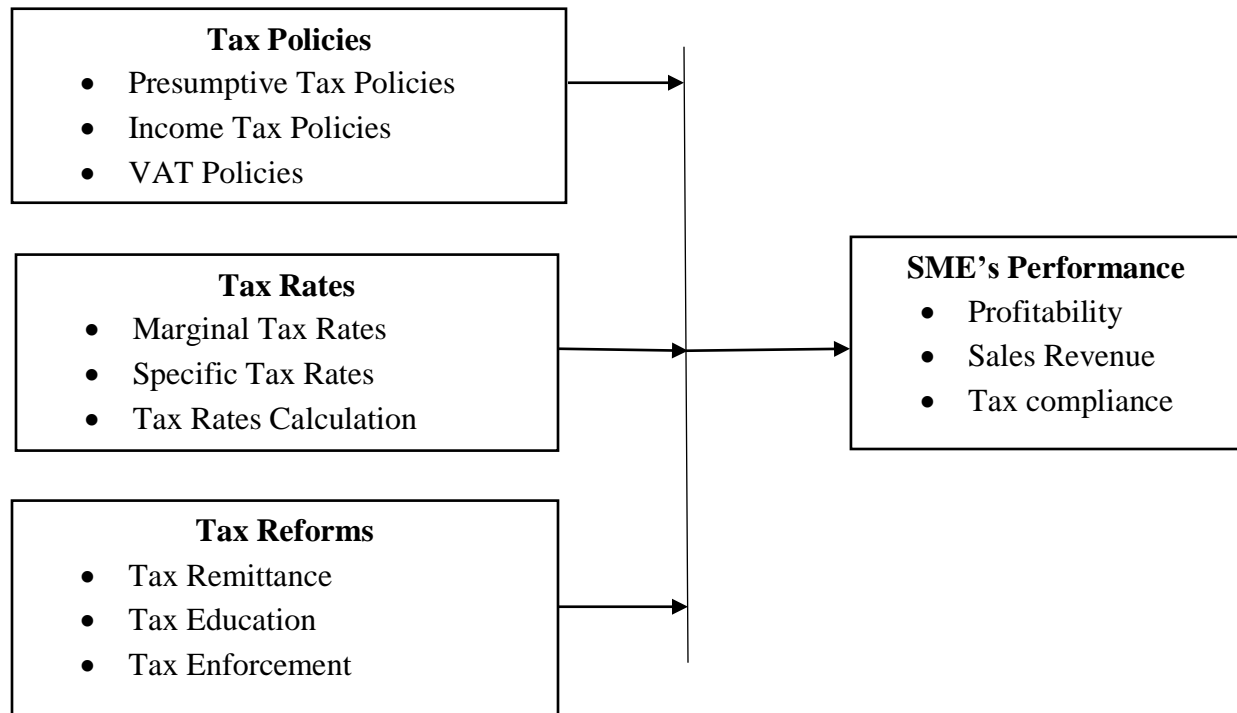
They are also known as deterrence theory and they place emphasis on incentives as acknowledged by Gupta. The theory suggests that taxpayers are amoral utility maximizers- they are influenced by economic motives such as profit maximization and probability of detection. As such they analyze alternative compliance paths for instance whether or not to evade tax, the likelihood of being detected and the resulting repercussions and then select the alternative that maximizes their expected after tax returns after adjusting for risks (Ojochogwu, 2012)

Ibn Khaldun's economic theory of taxation has been considered as one of the most important contributions to economic thought. Khaldun related the theory of taxation with the government

expenditure and argued for low tax rate so that incentive to work is not killed and taxes are paid happily. According to him, at the beginning of a dynasty, taxation yields a large revenue from small assessment, but at the end of a dynasty, taxation yields a small revenue from large assessment. The effect of taxation on incentives and productivity is so clearly visualized by Ibn Khaldun that he seems to have grasped the concept of optimum taxation. He also analyzed the effect of government expenditure on the economy. He advocates a policy of wise and productive public expenditure. By these economic insights, Ibn Khaldun has been considered as the forerunner of modern recommendations that high tax rates shrink the tax base because they reduce the economic activity.

2.3 Conceptual Framework

According to Hong and Pluye (2018) a conceptual framework is network, or “a plane” of interconnected concepts that together provide a comprehensive understanding of a phenomenon or phenomena. The researcher will adopt the following for the study, where independent variables (tax policies, tax rates and tax reforms) are interlinked with the dependent variable (SME’s performance).



Independent Variables

Dependent Variables

Figure 2. 1: Conceptual Framework

2.4 Review of Study Variables

2.4.1 Tax Policies

Tax policy is the choice by a government as to what taxes to levy, in what amounts, and on whom (Evans, 2013). It's argued that the resources smaller companies direct towards tax compliance are resources that could otherwise be used for reinvestment, facilitating future growth. Hence, there is a belief that taxes and a complex tax system put disproportionate pressure on smaller businesses. Small taxpayers under the regular system of taxation are discriminated against, since the compliance requirements, cost of compliance and tax rate are the same for both small and large enterprises. Reducing the compliance costs and tax rate increases the small enterprises profit margin (Tomlin, 2018). It also increases the Government's tax revenue, since the simplified provisions for a micro enterprise historically reduce the size of the shadow economy and the number of non-complying registered taxpayers (Vasak, 2018).

Furthermore, SMEs usually have to operate in an overbearing regulatory environment with the plethora of regulatory agencies, multiple taxes, cumbersome importation procedure and high port charges that constantly exert serious burden on their operations (Vasak, 2018).

An overly complex regulatory system and tax regime or one opaque in its administration and enforcement makes tax compliance unduly burdensome and often have a distortionary effect on the development of SMEs as they are tempted to morph into forms that offer a lower tax burden or no tax burden at all (Masato, 2019) and this results in a tax system that imposes high expenses on the society. A poorly executed tax system also leads to low efficiency, high collection charges, waste of time for taxpayers and the staff, and the low amounts of received taxes and the deviation of optimum allocation of resources (Farzbod, 2015). Existing empirical evidence clearly indicates that small and medium sized businesses are affected disproportionately by these costs: when scaled by sales or assets, the compliance costs of SMEs are higher than for large businesses. Among the factors militating against SME tax compliance with are: high tax rates, Low efficiency, high collection charges, waste of time for taxpayers and the staff, and the low amounts of received taxes and the deviation of optimum allocation of resources.

If a large proportion of SME costs are devoted to paying tax, they will be forced to shift the tax burden onto the consumer, and this will ultimately make their goods and services uncompetitive, which will have a negative impact on their performance and growth. The impact of high taxes on sales revenue is demonstrated by the program of import substitution which was adopted in Kenya after independence (Republic of Kenya, 2016). The tax regime under import substitution was a protectionist policy, intended to promote local businesses, including SME, to produce essential goods instead of importing them. However, import substitution had a number of unforeseen consequences, including the creation and sustaining of an anti-export bias, due to high tariff structures and import controls that encouraged importation of inputs even where the same could be sourced locally. This was because, ironically, import substitution sought to boost local production, yet the local cost of capital equipment was very high (due to taxation) which forced SME to import equipment, contrary to the goals of the program (Holban, 2017).

2.4.2 Tax Rates

The tax rate is the percentage of an income or an amount of money that has to be paid as tax. Indirect taxes can be defined as taxation on an individual or entity, which is ultimately paid for by another person. The body that collects the tax will then remit it to the government. But in the case of direct taxes, the person immediately paying the tax is the person that the government is seeking to tax. A proportional tax applies the same tax rate across low, middle, and high-income taxpayers. In contrast, the progressive tax system adjusts tax rates by incomes. A marginal rate tax system, such as the flat tax, has a constant rate for both businesses and individual taxpayers (Bolboros, 2016)

In Kenya, different rates are applied to different tax heads as directed by Kenya Revenue Authority. Bolboros (2016) studied the impact of tax rate and financial performance in Vintila. The purpose of the study was to examine the impact of income tax rates on organizational performance. The study had adopted survey study as the research design. The research instruments were the use of questionnaires. The data was collected from secondary sources in 2009 to 2013 on the firm's earnings. The study used correlation analysis and chi-square to establish the relationship between individual variables in tax rates. The study found out that tax rates is influenced by government demands. Therefore, study only deals with tax rates on revenue collection leaving the tax rate at which tax collected and their impact on financial performance which create a gap for this study. Tax rates had a great impact on economic financial performance and regulations of money circulations. Progressive tax rates influence tax collection with increase in income tax. (2017) conducted a study of public financial theory. The study used regression analysis whereas the findings indicated that the influence of tax rate was negative to return on assets.

The impact of tax rates on financial performance was conducted by Noor-Halp(2011) who used 345 employees from fuel consumptions in Nigeria. The study used regression analysis to test the findings from tax rates. The study adopted descriptive statistics which found that the coefficient of tax rates are positively and significantly associated with financial performance in Nigeria since there is 5% decrease by probabilities. The tax rate is used as the model of collecting more revenue from different financial practices. The study used correlation analysis which was expressed as relationship between probabilities of F test findings at 0.000 which is less than .005.

The study findings indicated that R2 can be categorized by this coefficient of determinants of tax rates is used to verify and describe financial performance of Enterprise in ratio of 4:5 in which the agreement was met, but the study did not analyze the impact tax rate on financial performance which call for a study.

The impact of taxation and net profit of the firm in Australia by Toader and Dragoti (2014) who found that tax rates had influence on profitability. Also the study found out that tax rates between 2009 and 2013 was not constant even variability was not clear. The data was collected from 26 firms where marketing firms in investment sectors in the country with census sampling was adopted by all respondents. Data collected was analyzed by descriptive statistics where by correlation was employed to examine the connection between variables in the study.

Ali, Sjursten and Michelsen (2015) studied factors affecting tax compliance attitude in Africa, Evidence from Kenya, Tanzania, Uganda and South Africa. Findings indicated that the impact of corporate incomes tax rates is borne by business owners through decreased profits either by employees through decreased wages or by customers through prices. However, in tax equity finance is the investment transaction where an investor with large tax liabilities makes an equity investment in another business accruing tax credits, investors return comes from realizing those tax credits against their tax liabilities. It is generally believed that a high tax rate is the main cause of dismal performance and noncompliance by SMEs. Incentives to evade tax depend on the marginal rates of taxation because these govern the gains from evasion as a sum of the sum evaded (Kaldor, 2016). One major tax evasion is the high personal income tax rates which tend to lead tax payers to evade tax. Too many and complicated rules and regulations imposed by the government tend to lead to tax evasion. Small scale enterprises find it generally difficult and often not profitable to do business legally.

2.4.3 Tax Reforms

Tax reform is a main component of macroeconomic policy. Tax reforms are considered as the most important part of fiscal policy and also in agreement with monetary policy (Holban, 2017). Tax policy depends on its use as special tax preferences and/or as an incentive to support start-up and business growth. The aim of tax reform is to raise revenue effectively in consistence with each country's uniqueness and administrative capacity. Analysing a country's situation before

employing any tax reform results to a proper functioning tax system. The objective of tax reforms is to save collection cost while reducing the revenue loss as well as minimal economic disruption, less inequity and reduction in tax burden.

Mostly, tax reform seeks to improve the efficiency and productivity of taxation (Wagacha, 2019). He said that tax reforms can be split into three as follows: custom reforms, VAT and excise duty reforms, and income tax reforms. Cobham (2012) said that in order to achieve the tax reforms it's of great importance to first strengthen the administrative capacity of the tax institution. The strengthening measures that need to be taken include taxpayers' e-registration, e-tax filing, and introduction of stifle tax penalties, taxpayer education and taxpayer services.

According to Bjork (2013) tax reforms improves compliance and reducing non-compliance means more tax collection. Regulatory and tax burdens mostly fall disproportionately on SMEs due to the limited size and structure (Pope& Abdul-Jabbar, 2018). This makes the tax compliance an important issue for SMEs as they are constrained of resources and relevant skills to comply with tax codes. Also, high costs of compliance results to tax avoidance and tax evasion among SMEs. This inhibits investment by diminishing county competitiveness as a result of poor taxation attractiveness.

Osambo (2019) found that nature of business is the main obstacle which hinders government from ensuring that the SMEs are brought into tax net. Mistrust and weak structural co-operation between SMEs and government is another factor that makes it hard to tax the informal sector. Atawodi and Ojeka (2012) in their study on factors that affect tax compliance among SMEs in Nigeria. They found out that tax rate is the main challenge facing SMEs. The high tax rate mostly aid non-compliance and affect the growth of SMEs as most tend to stagnate in the informal sector. The findings agrees with another study carried out in Ghana by Carroll (2011), who found out that the amount of taxes paid had an adverse effect on the wellbeing of taxpayers. The respondents reported a decrease in after tax profits after paying taxes and some felt their willingness and ability to cater for their families was adversely affected by the amount of tax paid.

2.4.4 SMEs Performance

Tax compliance is a complex term to define. According to Brown and Omweri (2010), tax compliance is multi-faceted measure and theoretically, it can be defined by considering three distinct types of compliance such as payment compliance, filing compliance, and reporting compliance. Tax compliance costs are the costs incurred by taxpayers in meeting the requirements laid on them by the tax law and the revenue authorities. These are costs over and above the actual payment of tax and over and above any distortion costs inherent in the nature of the tax. These costs would disappear if the tax was abolished. They include the costs of collecting, remitting and accounting and submitting tax on the products and profits of the business and on the wages and salaries of its workers, and also the costs of acquiring and updating the knowledge to enable this work to be done, including knowledge or legal obligations and penalties. (Ouyang 2017)

Most enterprises fall under SMEs hence forming a broad scope for revenue collection. Small scale enterprises have so many definitions due to different criteria employed by different people and institutions in defining it. The concept pertaining to SMEs are relative and dynamic. SMEs in Kenya are characterized by the nature of ownership, size of the firm and the number of assets under this firms as well. According to government, firms are defined as ‘micro’ when they have between one and ten employees and turnover not exceeding Ksh 500,000 and they are considered small ‘small’ when they have between 11 and 50 employees with turnover not exceeding Ksh 5 million (Kwarteng, 2016)

According to Ocheni (2015), the resources small companies use to pay taxes would rather be used for other activities that would facilitate future growth. Hence, there is a belief that taxes and a complex tax system put disproportionate pressure on smaller businesses which makes the situation too hard for survival. Small taxpayers under the regular system of taxation are discriminated against, since the compliance requirements, cost of compliance and tax rate are the same for both small and large enterprises. Reducing the compliance costs and tax rate increases the small enterprises profit margin.

Majority of SMEs are concentrated in the service and commercial sectors across the country. These SMEs offer different services and goods and this is their main source of income which

enables their operations. However, this firms can only increase their profits by minimizing their operational costs which affects this profit a large extent. If a large portion of SME costs are devoted in paying taxes, SMEs will shift this burden to their consumers which means the price of their commodities will go up affecting their total sales hence their profit (IJBIR 2015)

2.4 Empirical Review

On the global perspective, Awirothanon (2019) studied the relationship between tax planning and financial performance in Thailand Stock Exchange. The study adopted purposive sampling techniques, basing on the availability of financial statements. The study concluded that tax planning (measured with ETR) significantly and positively affects financial performance while tax planning (measured by tax/asset) has a significantly negative effect on the financial planning. The study recommended that listed companies should employ BIG4 auditors since the results indicate that the relationship between tax planning and financial planning for BIG 4 auditors is significantly positive, while for non-BIG 4 auditors the relationship is significantly negative.

Tee, Boadi and Opoku (2016), examined the effect of tax payment on the performance SMEs in West Municipal Assembly in Ghana. The study is based on a survey of 102 managers/ Executive officers of the selected SMEs in the municipality, where structured questionnaires and interviews were used. The study found out that taxes imposed on small and medium enterprises impact their growth in terms of profits and it was further established that changes in tax rates lead to the changes in prices of various goods and services. The study recommended that tax regulations governing SMEs should be simplified in order to make compliance easier for them. This includes clear and simple tax regulations, and an undemanding tax filing process. The use of information technology should be encouraged.

Ocheni and Gemade (2015), examined the effects of multiple taxation on the performance of SMEs in Benue, Nigeria. The study involved a survey research design with a population of 91, out of which a sample size of 74 SMEs was relied on as the respondents to questionnaires. The study found out that multiple taxation has negative effect on SMEs' survival and the relationship between SMEs' size and its ability to pay taxes is significant. It was finally recommended that government should come up with uniform tax policies that will favour the development of SMEs

in Nigeria and government should put into consideration the size of SMEs when formulating tax policies.

Locally in Kenya, Okongo (2018), studied the impact of taxation on financial performance of small-scale enterprises in Ugenya. The study adopted descriptive survey design with both qualitative and quantitative technique was used for the study. Both qualitative and quantitative techniques were collected. The target population was 265 SSBs in Ugenya Sub County. The study found that business entity is aware of the consequences of failing to pay tax obligations in time. The study found also that taxpayers take low tax rates in Kenyan tax rates in relations to financial performance. The findings indicated that tax administration improve tax payer's convenience in tax assessment. It was also recommended that taxpayers should have more Information about taxation not only awareness.

2.5 Critique of Existing Literature

Awirothanon (2019) study in Thailand only focused on the companies listed in the stock exchange and only relied on the availability of financial statements between 2014-2016. Tee, *et al*, (2016) study was conducted in the Greater Accra region particularly Ghana West Municipality hence it does not examine regional and municipal variations in Ghana. Secondly, it was possible that some entrepreneurs did not provide their true opinions during the interviews because they regarded some of the questions as sensitive. Ocheni and Gemade (2015), study failed to establish the percentage of SMEs performance that could be explained multiple taxation administered by the tax authority. Okongo (2018) study, independent variables (Tax Purpose, Tax, Tax Awareness/Knowledge and Tax Administration), could only explain 41.9% of financial performance. The study also relied on the responses of 35 SMEs which was too small for generalization of the findings.

2.6 Research Gaps

Several factors both internal and external have been attributed to either the success or failure of a business enterprise. From the literature herein, several studies had been carried out by several various researchers to shed light on what affects profitability. However, it was of concern that little has been done especially locally to ascertain the effects of taxation on the performance of SMEs, study by Okongo (2015), study in Ugenya relied on responses from 35 SMEs thus creating a knowledge gap that the study objectively attempted to fill. Previous studies especially

abroad on the effect of taxation on organisational performance had majorly targeted large companies and mostly those listed such as Awirothanon (2019, yet Tomlin (2018) argued that small and medium enterprises sacrifice funds to pay taxes, which could otherwise be invested in business performance and the general development of entrepreneurial culture. Studies by Tee, *et al*, (2016) and Ocheni and Gemade (2015), failed to identify types of taxes which negatively affects SMEs performance, thus creating a conceptual research gap.

2.7 Summary of Literature

Many scholars have addressed the questions that emerge from this literature especially the in-elasticity of tax location decision with respect to tax differences across jurisdictions. The issue of incomplete integration between personal and corporate tax has been addressed. Government need to review tax bias against entrepreneurs and design tax policies for entrepreneurship to remedy market failures, while avoiding adverse side effects. Marginal tax rates exert a statistically and quantitatively significant influence on the performance of SMEs. Marginal tax rate may be defined as the amount of tax paid on an additional income. This leads to the conclusion that raising income tax inhibits the growth of SMEs. These factors should provide a sound basis for tax policy decision-making in any country. However, most SMEs see that the taxation system is not fair for them and that they pay the same amount as large enterprises. In this case, the system should apply differently to each one, and the large enterprise should pay more than the SME. Governments can simplify or make a new system that suits SMEs, which would remove the comparison with larger enterprises because SMEs would have a system of their own. In order to implement effective reform, governments and SMEs need to make an agreement to satisfy both parties. This would require both parties to compromise on the considerable benefits they are seeking. Large enterprises should be taxed and support given to SMEs for their survival in the market

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter presented the methodology that were used to collect data for the study. It covered the research design, the target population, data collection instruments and procedures. This chapter required the researcher to understand and consider the unique characteristics of specific research subjects and the settings in which they were located.

3.2 Research Design

A research design is an arrangement of conditions a researcher intends to follow while conducting the study, it is blue print on ways to carry out the study while seeking to answer research questions (Kothari, 2013). This research adopted cross-sectional survey where the population of interest in the Voi SME were visited and data collected through questionnaire, interview and conversation analysis. A cross-sectional survey is defined as an observational research type that analyzes data of variables collected at one given point of time across a sample population, population or a pre-defined subset. This study type is also known as cross-sectional analysis, transverse study or prevalence study. The data collected in a cross-sectional study is from people who are similar in all variables except the one variable which is under study. This variable remains constant throughout the cross-sectional study. Alise and Teddlie (2010) opined that cross-sectional survey is concerned with finding out the what, where and how of a phenomenon and the research design was chosen because it enabled the researcher to generalize the findings to the larger population. The design was deemed appropriate because the chosen SME is typical of many others and therefore stands as a representative of the whole class.

3.3 Population

Creswell (2010) depict population as all components that meet the criteria for consideration in an examination and furthermore express that population incorporates all components that meet certain criteria for consideration in an investigation. While, Newing (2011), depicts a population as the arrangement of sampling units or cases that the analyst is occupied with. The target population for this study was 130 SMEs from all the SMEs registered in Voi database of 2020.

Table 3. 1: Target Population

Categories	SMEs	Percentage
Financial services	18	13.8%
Supermarkets and shops	22	16.9%
Production	14	10.8%
Hoteliers	22	16.9%
General hand wares	16	12.3%
Transport services	19	14.6%
Information&Technology services	19	14.6%
Total	130	100%

Source: Taita Taveta County SMEs database (2020)

3.4 Sampling Frame

Sampling frame is a list of all individuals of the population a researcher intends to study (Borg & Gall, 2013). While Ngulube (2012) defines sampling frame as the list of the names where the researcher intends to obtain a sample from the population. Borg and Gall (2013), further adds that sampling frame must be representative of the population and people out of the frame have no chances of being sampled. It is important in ensuring that we are not subjected to unsatisfactory samples. The sample frame of this study constituted SMEs from the following categories: financial services, supermarkets and shops, production, hoteliers, general hardware, transport services and information and technology services. Sampling frame is important in ensuring that we are not subjected to unsatisfactory samples.

3.5 Sample Size and Sampling technique

Cooper and Schindler (2013) describe sample or sample size as a subject of a population that is studied through a research study and generalized into the entire population. The study adopted stratified random sampling procedure as it enabled the population of interest if not homogeneous to be subdivided into groups or strata so as to obtain a representative sample. It also gave each SME in the population an equal chance of being selected. Kothamarandan (2010) avers that a large sample size reduces sampling variability and also reduces the probability of biases. In order

to select appropriate sample size the study employs probability sampling technique and in particular stratified sampling. As defined by Mugenda and Mugenda (2013), any meaningful study, 10-20% of the sample is adequate. The frame is organized into separate "strata." Each stratum is then sampled as an independent subpopulation, out of which individual elements will be randomly selected.

Stratified sampling was used to pick the 98 SMEs staffs from 130 SMEs from the various categories of business as per Voi Town Business Database (2020). This makes up 75% of the population and which were adequately representative. The sample of 98 SMEswere selected on the basis of the following formula adopted from Mugenda and Mugenda (2013).

$$n = \frac{130}{1 + 130(0.05^2)}$$

=98

Table 3. 2: Sampling Table

Categories	SMEs	Sample Proportion	Sample Size
Financial services	18	75%	13
Supermarkets and shops	22	75%	16
Production	14	75%	10
Hoteliers	22	75%	16
General hand wares	16	75%	15
Transport services	19	75%	14
Information & Technology services	19	75%	14
Total	130	75%	98

Source: Taita Taveta County SMEs database (2020)

3.5 Data collection

Data collection is the process of gathering and measuring information on variables of interest, in an established systematic fashion that enables one to answer stated research questions, test hypothesis, and evaluate outcomes (Mugenda & Mugenda, 2013). The researcher used questionnaire as the primary data collection instrument. The questionnaire was designed to give a

brief background information of the SME's and were divided into sections representing the various variables adopted for study. For each section of the chosen study were closed ended questions. The questionnaire were administered through drop and pick method or face to face interviews to the selected SME owners or managers. The researcher used assistants to distribute by hand the questionnaires to be completed by the selected respondents and the research assistants ensured high completion rates and return of the completed questionnaires

3.6 Data Collection Instruments

The study adopted a structured questionnaire with likert scale of 1-5 indicating the extent to which one agrees or disagrees. Cooper (2014) defines a questionnaire as a structured form, either written or printed consisting of a formalized set of questions designed to collect information on some subject or subjects from one or more respondents. Cooper (2014) further adds that the questionnaires provide uniformity of questions, standardized questions and low cost for data collection. Additionally, questionnaires were used due to their potential in reaching out to many respondents within a short time, gives respondents adequate time to respond to the listed items under research, provide some form of confidentiality to the respondent and it is an objective method since it is free from bias resulting from personal characteristics as in an interview.

3.7 Data Collection Procedure

According to Cooper and Schindler (2014), questionnaire is a primary data collection technique that involves questioning people and recording their responses for analysis. Questionnaires are distributed by researcher to the target population for the study. Questionnaires simplified the process of data collection, as all selected respondents were reached faster and in time. The purpose of the research is explained to the target population when distributing the instruments. Mugenda & Mugenda (2013) noted that it is important to explain the research, objectives and instruments before administering the instruments to improve the response and the validity of the instrument.

3.8 Piloting testing

Piloting refers to the conduct of preliminary research, prior to the main study. It provides a structured opportunity for informed reflection on, and modification of, the research design, the research instruments, costing's, timing, researcher security and indeed a whole gamut of issues concerning the everyday conduct of the research (Kothari, 2013). Piloting therefore involves the

field testing and development of the formal scheme of the research that was initially elaborated to secure research funding and research access. A pilot study was undertaken on 9 SMEs in Voi Town to pretest data collection instrument for validity and reliability. The study managed diverse groups of experts familiar with SMEs and issue them with questionnaires. The experts were required to survey if the pollshelped in deciding tax collection and development of SMEs. The coefficient of the information were assembled from the pilot contemplate were processed with help of Statistical Package for Social Sciences (SPSS). Data legitimacy was assumed an essential part towards generalization of the collected data to mirror the genuine qualities of the study problems

3.8.1 Validity

Validity ensures that an instrument measures what it is made to measure (Neuman, 2014). The Kaiser-Meyer-Olkin Measure of Sampling Adequacy is a statistic that indicates the proportion of variance in your variables that might be caused by underlying factors. High values (close to 1.0) generally indicate that a factor analysis may be useful with your data. If the value is less than 0.50, the results of the factor analysis probably won't be very useful.

Bartlett's test of sphericity tests the hypothesis that your correlation matrix is an identity matrix, which would indicate that your variables are unrelated and therefore unsuitable for structure detection. Small values (less than 0.05) of the significance level indicate that a factor analysis may be useful with your data.

3.8.2 Reliability

Reliability of research was conducted to determine whether the study accurately measures the variables it intends to. The validity of the questionnaires were determined using construct validity method. Cronbach's Alpha method was employed to check on the reliability of the instruments used by determining the internal consistency of the scale used. Data reliability was essential towards generalization of the collected data to reflect the true characteristics of the study problem. Cronbach's Alpha is a reliable coefficient that indicates how well items are positively related to one another. Cronbach's alpha values of 0.7 and above is considered adequate. This helped in deciding if the variables are consistent.

3.9 Data Analysis and Presentation

Collected data was first checked for accuracy before analysis was done. Only fully filled questionnaires were considered so as to help in testing for the distribution of data. Data was analyzed using both descriptive and inferential statistics. The descriptive statistics used included mean, standard deviations, percentages and frequencies. According to Kothari (2012) the clustering tendency and describing of data characteristics can be done using descriptive statistics. Statistical Package for Social Sciences was used to compute, analyze and present the research findings. The collected data was first coded to enable the categorization of the responses. Data was also cleaned by checking for any errors that may have been committed during entry. Thus, interpretation of the data was done by drawing inferences from the computed correlation, coefficient of determination, ANOVA and regression coefficient tables. The findings of the study was presented using tables and equations. The following regression model:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where:

Y = Performance of SMEs

β_0 = constant (coefficient of intercept)

X_1 = Tax Policy, X_2 = Tax rate, X_3 = Tax Reforms

$\beta_1, \beta_2, \beta_3$ = regression coefficient of Tax policy, Tax rate and Tax reforms respectively.

ε = Error term

CHAPTER FOUR
DATA ANALYSIS AND DISCUSISIONS

4.1 Introduction

This chapter captured an analysis on response rate, reliability and validity of the research instruments, profile of the SMEs (registration, ownership, years of operation, turnover of the SMEs and number of employees). The chapter also captures descriptive, inferential statistics and finally discussions on the research hypothesis.

4.2 Response Rate

The researcher distributed 98 questionnaires to the various SMEs in Voi town but only 71 questionnaires were properly filled and returned. This represented an overall successful response rate of 72.4% as shown on Table 4.1. According to Mugenda and Mugenda (2013) and also Kothari (2014) a response rate of above 50% is adequate for a descriptive study. Babbie (2014) also asserted that return rates of above 50% are acceptable to analyze and publish, 60% is good, 70% is very good while above 80% is excellent. Based on these assertions from renowned scholars, 72.4% response rate was excellent for the study.

Table 4. 1: Response Rate

Response	Frequency	Valid Percent
Returned Questionnaires	71	72.4
Unreturned Questionnaires	27	27.6
Total	98	100.0

4.3 Pilot Study Results

4.3.1 Validity of the Research Instruments

Factor analysis was carried out in order to determine the constructs of taxation and even SMEs performance. Hair *et. al.*, (2010) highlighted that factor analysis is necessary in research to test for construct validity and highlight variability among observed variables and to also check for any correlated variables in order to reduce redundancy in data. Mwititi (2013) suggested that variables with factor loadings greater than 0.5 were the ones that had the highest significance and influence.

Table 4. 2: Validity of the Research Instruments

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.797
Bartlett's Test of Sphericity	Approx. Chi-Square	784.44
	Df	465
	Sig	0.000

KMO measures on study variables had 0.797 which represented great acceptability of the use of factor analysis and sufficient inter-correlations. Bartlett's test of Sphericity is significant since (chi-square=784.44, $p < 0.000$). Bartlett's test checks if the observed correlation matrix diverges significantly from the identity matrix.

4.3.2 Reliability of the Research Instruments

The measurement of the reliability and the validity of a data instrument helps the researcher to gauge the goodness of the variables of measurement (Sekaran and Bougie, 2010). Reliability was measured using Cronbach's Alpha coefficient which was used to measure the internal consistency of the variable measures.

Table 4. 3: Reliability of the Instruments

Variable	Number of Items	Cronbach's Alpha
Tax Policies	5	0.872
Tax Rates	5	0.946
Tax Reforms	5	0.812
SMEs Performance	5	0.855

The study measures were found to be highly reliable in that they all had alpha coefficient greater than the minimum accepted Cronbach's alpha coefficient of 0.70 (Hair *et al.*, 2010). Tax policies had an alpha of 0.872 while tax rates had an alpha of 0.946, production alliances had an alpha of 0.812, tax reforms and finally SMEs performance had an alpha of 0.855.

4.4 Demographic Analysis

In this section the researcher sought to determine the following about the SMEs; registration, ownership, years of operation, turnover of the SMEs and number of employees

4.4.1 Registration of the SMEs

The owners and management of SMEs were asked to indicate whether their SME was a sole proprietorship, partnership and limited company.

Table 4. 4: Registration of SMEs

Business Type	Frequency	Valid Percent
Sole Proprietorship	36	50.7
Partnership	28	39.4
Limited Liability	7	9.9
Total	71	100.0

SMEs registered as sole proprietorship were 50.7% (36) followed by 39.4% (28) which were registered as partnership while 9.9% (7) were registered as limited liability companies. The analysis indicated that SMEs involved in the study were distributed across different business types.

4.4.2 Ownership of the SMEs

The researcher also sought to determine the ownership of SMEs in Voi Town.

Table 4. 5: Ownership of SMEs

Ownership	Frequency	Valid Percent
Owner-Managed	42	59.2
Co-ownership Partnership	13	18.3
Shareholding	7	9.9
Family-Owned	9	12.7
Total	71	100.0

Ownership and management of the SMEs in Voi Town was dominated by owner-managed SMEs representing 59.2% (42). SMEs that were co-owned by the partners represented 18.3%(13) while shareholding agent management of SMEs represented 9.9% (7). Finally, 12.7% (9) of the SMEs were family owned. It was evident that SMEs in Voi Town were distributed across different ownership.

4.4.3 SMEs Years of Operations

The respondents were further asked to indicate the number of years the SME has been in operation.

Table 4. 6: SMEs Years of Operations

SMEs Years of Operations	Frequency	Valid Percent
Less than 1 year	31	43.7
Between 1 to 2 years	29	40.8
Between 2 to 3 years	8	11.3
Above 3 years	3	4.2
Total	71	100.0

Majority of the SMEs had been in operation for less than 1 year with 43.7%(31), followed by 40.8% (29) of the SMEs had been in operation for between 1 to 2 years, followed by 11.3% (8) of the SMEs which had been operation for between 2 to 3 years and finally 4.2% (3) of the SMEs had been in operation for above 3 years. The analysis indicated that majority of the SMEs in Voi Town had been in operation for less than 2 years. This supports the report by KNBS (2017) which reported that approximately 400, 000 SMEs in the country do not celebrate their second birthday.

4.4.4 Turnover of SMEs in Voi Town

The researcher further sought to determine the turnover of SMEs in Voi Town.

Table 4. 7: Turnover of SMEs in Voi Town

Turnover	Frequency	Valid Percent
Below 250,000 Ksh	26	36.6
250,001-500,000 Ksh	16	22.5
500,001 -1,000,000 Ksh	12	16.9
1,000,001 – 5,000,000 Ksh	5	7
5,000,001 – 10,000,000 Ksh	9	12.7
Over 10,000,001 Ksh	3	4.2
Total	71	100.0

The analysis indicated 36.6% (26) of SMEs had a turnover of below 250, 000 Ksh, followed by 22.5% (16) of the SMEs had a turnover of between 250,001 to 500,000 Ksh, followed by 16.9% (12) of the SMEs had a turnover of between 500,001 to 1,000,000 Ksh, followed by 12.7% (9) of the SMEs had a turnover of between 5,000,001 to 10,000,000 Ksh, followed by 7% (5) had a turnover of between 1,000,001 – 5,000,000 Ksh and finally 4.2% (3) of the SMEs had a turnover of over 10,000,001 Ksh. The analysis indicated that majority of the SMEs in Voi Town had a turnover of less than 500, 000 Ksh, this contradicts the report by KAAA (2016), which reported that Small enterprises have between KES 500,000 and 5 million of turnover in Kenya.

4.4.5 Number of Employees in the SME

The research also sought to determine number of employees employed by the SMEs in Voi Town.

Table 4. 8: Number of Employees in the SME

Number of Employees	Frequency	Valid Percent
1-5 employees	23	32.4
6-10 employees	15	21.1
11-20 employees	11	15.5
21-50 employees	6	8.5
51-100 employees	8	11.3
101-150 employees	4	5.6
151-250 employees	4	5.6
Total	71	100.0

From the analysis it was determined that 32.4% (23) of the SMEs had between 1 to 5 employees, followed by 21.1% (15) of the SMEs had between 6 to 10 employees, followed by 15.5% (11) of the SMEs had between 51 to 100 employees, followed by 11.3% (8) of the SMEs had between 21 to 50 employees, followed by 8.5% (6) which had 101 to 150 employees and finally there was a tie between 151 to 250 employees and 101 to 150 employees with both 5.6% (4) of the SMEs . It was evident that majority of the SMEs had less than 10 employees, which also contradicts the report by KAAA (2016), which stipulates that SMEs employ 10-49 people.

4.5 Descriptive Analysis

This section presents the descriptive statistics on tax policies, tax rates, tax reforms and SMEs performance.

4.5.1 Tax Policies

On the first independent variable the respondents were asked to indicate the extent in which they agree with the various statements on tax policies. The following scale was used: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral 4 = Agree and 5 = Strongly Agree.

Table 4. 9: Tax Policies

Opinion Statements	Mean	Std. Deviation
Tax levied on the business is simple hence no need of tax consultation services	4.0000	.97333
SMEs does not require elaborate tax records	3.9231	1.17842
SMEs usually charges VAT on all its products during sale	3.9231	1.22226
Penalties on VAT non-compliance usually affect the operations of the SMEs	3.8718	1.23926
Information on income tax policy are readily available to SMEs	3.6154	1.28995
Overall	3.8667	1.18063

The analysis showed that the respondents strongly agreed that tax levied on the business was simple hence no need of tax consultation services with (M=4.0000; SD=0.97333). The respondents agreed that SMEs does not require elaborate tax records KRA with (M=3.9231; SD=1.17842) and they agreed that SMEs usually charges VAT on all its products during sale with (M=3.9231; SD=1.22226). The respondents further agreed that penalties on VAT non-compliance usually affect the operations of the SMEs with (M=3.8718; SD=1.23926) and they finally agreed that information on income tax policy were readily available to SMEs with (M=3.6154; SD=1.28995). The overall mean of 3.8667 and standard deviation of 1.18063, indicated that majority of the owners and managers agreed that tax policies affects performance of SMEs and there was a strong variance between those who agreed and disagreed. These findings supports the findings of Vasak, (2018), who opined that SMEs usually have to operate

in an overbearing regulatory environment with the plethora of regulatory agencies, multiple taxes, cumbersome importation procedure and high port charges that constantly exert serious burden on their operations.

4.5.2 Tax Rates

On the second variable, the respondents were further asked to indicate the extent in which they agree with the various statements on tax rates and SMEs performance. The following scale was used: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral 4 = Agree and 5 = Strongly Agree.

Table 4. 10: Tax Rates

Opinion Statements	Mean	Std. Deviation
SMEs require low marginal tax rates to ensure that revenue decreases commensurate inflation	4.3590	1.03840
Specific tax rates are necessary for SMEs to enhance tax collection by KRA	4.2821	.88700
Tax rates for SMEs should be reduced to encourage entrepreneurial culture in the town	4.1538	1.13644
Tax rates for SMEs should change from time to time depending on the prevailing economic situation	4.0769	1.01007
Tax rates computation for SMEs are computed without the actual assessment of the revenue	4.0256	1.03840
Overall	4.1795	1.0221

The analysis showed that the respondents strongly agreed that SMEs require low marginal tax rates to ensure that revenue decreases commensurate inflation with (M=4.3590; SD=1.03840) and they strongly agreed that specific tax rates were necessary for SMEs to enhance tax collection by KRA with (M=4.2821; SD=0.88700). The respondents further agreed that tax rates for SMEs should be reduced to encourage entrepreneurial culture in the town with (M=4.1538; SD=1.13644) and they strongly agreed that tax rates for SMEs should change from time to time depending on the prevailing economic situation with (M=4.0769; SD=1.01007). Finally, the

respondents strongly agreed that tax rates computation for SMEs were computed without the actual assessment of the revenue with (M=4.0256; SD=1.03840). The overall mean of 4.1795 and standard deviation of 1.0221, which implied that the respondents strongly agreed that tax rates affects SMEs performance. These findings support the findings of Toader and Dragoti (2014), who established that tax rates had influence on profitability

4.5.3 Tax Reforms

On the final independent variable, the respondents were further asked to indicate the extent in which they agree with the various statements on tax reforms and SMEs performance. The following scale was used: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral 4 = Agree and 5 = Strongly Agree.

Table 4. 11: Tax Reforms

Opinion Statements	Mean	Std. Deviation
Training offered by KRA on online tax system is worth it as it improves SMEs tax Compliance	4.1282	1.00471
The SMEs constantly remits its taxes before and on due date to avoid tax penalties	4.0769	.95655
The SMEs are conversant with the enforcement rules and penalties	4.0769	.92863
Some of the enforcement rules of KRA discourages the growth of SMEs in the town	4.0513	.99865
Tax rates remitted to KRA has been favorable for the SMEs	3.6410	1.18070
Overall	3.9949	1.01385

Table 4.11 showed that the respondents strongly agreed that training offered by KRA on online tax system was worth it as it improves SMEs tax Compliance with (M=4.1282; SD=1.00471) and they strongly agreed that SMEs constantly remits its taxes before and on due date to avoid tax penalties with (M=4.0769; SD=0.95655). The respondents strongly agreed that the SMEs were conversant with the enforcement rules and penalties with (M=4.0769; SD=0.92863) and they further strongly agreed that some of the enforcement rules of KRA discourages the growth of SMEs in the town with (M=4.0513; SD=0.9986). They finally agreed that tax rates remitted to KRA has been favorable for the SMEs with (M=3.6410; SD=1.18070). The overall mean of

3.9949 and standard deviation of 1.01385, which implied that respondents agreed that tax reforms affects SMEs performance in Voi Town. This supports the findings of Bjork (2013), who determined that tax reforms improves compliance and reducing non-compliance means more tax collection

4.5.4 SMEs Performance

On the dependent variable, the respondents were asked to indicate the extent in which they agree with the various statements on the SMEs performance. The following scale was used: 1 = Strongly Disagree, 2 = Disagree, 3 = Neutral 4 = Agree and 5 = Strongly Agree.

Table 4. 12: SMEs Performance

Opinion Statements	Mean	Std. Deviation
Tax paid by SMEs reduces their profitability	3.3118	1.12268
The amount of tax levied on the small-scale business is too much	3.1828	1.02094
Tax policies and tax rates contributes non-compliance by the SMEs	2.9892	1.13726
Tax policies and reforms has failed to address the pricing aspects of SMEs and hence lowers their sales revenue	2.9785	1.34309
Small SMEs’ portfolio in their operations are prone to risks taxation and hence affects their performance	2.6667	1.16408
Overall	3.0258	1.38506

Based on the analysis it was evident that the respondents agreed that tax paid by SMEs reduces their profitability with (M=3.3118; SD=1.12268) and they agreed that the amount of tax levied on the small-scale business was too much with (M=3.1828; SD=1.02094). The respondents were neutral on the statements that tax policies and tax rates contributes non-compliance by the SMEs with (M=2.9892; SD=1.13726) and they were neutral that tax policies and reforms had failed to address the pricing aspects of SMEs and hence lowers their sales revenue with (M=2.9785; SD=1.34309). They were neutral that small SMEs’ portfolio in their operations were prone to risks taxation and hence affects their performance with (M=2.6667; SD=1.16408). The overall mean of 3.0258 and standard deviation of 1.38506, implied that

respondents agreed that taxation affects SMEs performance. These supports the findings of Ocheni (2015), who opined that reducing the compliance costs and tax rate increases the small enterprises profit margin.

4.6 Correlation Analysis

Pearson correlation analysis was carried out to test the theoretical proposition regarding relationships between independent, moderating and dependent among the variables. This analysis was also carried as initial step in statistical modelling to determine the relationship between the variables. The values are interpreted between 0 (no relationship) and 1 (perfect relationship). Also, the relationship is considered weak when $r = \pm 0.1$ to ± 0.29 , while the relationship is considered medium when $r = \pm 0.30$ to ± 0.49 , and when r is ± 0.50 and above, the relationship can be considered strong.

Table 4. 13: Pearson Correlation

		SP	X1	X2	X3
SMEs Performance (SP)	Pearson	1			
	Correlation				
Tax Policies (X1)	Sig (2-tailed)				
	Pearson	-.304*	1		
Tax Rates (X2)	Correlation				
	Sig (2-tailed)	.025			
Tax Reforms (X3)	Pearson	-.267**	-.025	1	
	Correlation				
	Sig (2-tailed)	.004	.550		
	Pearson	.403**	.165	-.163	1
	Correlation				
	Sig (2-tailed)	.002	.234	.242	

* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).

The correlation between SMEs performance and tax policies was determined as ($r = -0.304$; $p = 0.025$), this implied that there exists a negative medium relationship between tax policies and SMEs performance and the relationship was statistically significant since p -value < 0.05 . The correlation between tax rates and SMEs performance was determined as ($r = -0.267$; $p = 0.004$),

this meant that there existed a weak negative relationship between tax rates and SMEs performance and the relationship was statistically significant since $p\text{-value} < 0.01$. Finally, the correlation between tax reforms and SMEs performance was determined as ($r=0.403$; $p=0.002$), which implied there was a moderate positive relationship between tax reforms and SMEs performance and the relationship was statistically significant. This supports the findings of Tee, Boadi and Opoku (2016), who found out that taxes imposed on small and medium enterprises impact their growth in terms of profits and it was further established that changes in tax rates lead to the changes in prices of various goods and services. Ocheni and Gemade (2015), further adds that that multiple taxation has negative effect on SMEs' survival and the relationship between SMEs' size and its ability to pay taxes is significant.

4.7 Regression Analysis

4.7.1 Coefficient of Determination

To determine the percentage of SMEs performance which can be explained using the independent variables, R^2 was determined

Table 4. 14: Coefficient of Determination

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.698 ^a	.487	.464	.62848

a. Predictors: (Constant), Tax Policies, Tax Rates, Tax Reforms

The analysis indicated there a strong positive relationship between taxation and SMEs performance since ($r=0.698$) The analysis further showed an adjusted r^2 of 0.464, which implied that taxation (tax policies, tax rates and tax reforms) can explain only 46.4% of SMEs performance in Voi Town.

4.7.2 Analysis of Variance

To determine the significance of the constructs of taxation in determining SMEs performance the study used ANOVA analysis.

Table 4. 15: Analysis of Variance

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	11.255	3	3.7517	21.208	.000 ^b
	Residual	11.849	67	.1769		
	Total	23.104	70			

a. Dependent Variable: SMEs Performance

b. Predictors: (Constant), Tax Policies, Tax Rates, Tax Reforms

The ANOVA model showed ($F\{3,67\} = 21.208$; $p=0.000$), the analysis indicated that the model was statistically significant since $p\text{-value} < 0.05$. Hence the constructs of taxation (tax policies, tax rates and tax reforms incorporated in this study significantly determines SMEs performance. This corroborates the findings of Okongo (2015), who established taxation has a significant impact on the financial performance of SMEs in Ugenya.

4.7.3 Regression Coefficients

A regression coefficient was carried out in order to explain the nature and relationship between each independent variables and dependent variable.

Table 4. 16: Regression Coefficients

Model	Unstandardized		Standardized	t	Sig.	
	Coefficients		Coefficients			
	B	Std. Error	Beta			
(Constant)	.679	.511		1.327	.190	
1	Tax Policies	-.185	.082	-.258	-2.233	.030
	Tax Rates	-.212	.078	-.314	-2.701	.009
	Tax Reforms	.204	.067	.364	3.019	.004

a. Dependent Variable: SMEs Performance; Durbin-Watson= 1.704

Based on the regression coefficient table, the following regression equation was determined:

$$SP = -0.185X_1 - 0.212X_2 + 0.204X_3$$

Where

SP=SMEs Performance

X1=Tax Policies

X2=Tax Rates

X3=Tax Reforms

On the relationship between tax policies and SMEs performance, the analysis showed ($\beta = -0.185$; $p = 0.030$), this implied a unit increase in tax policies would lead to 18.5% significant decrease in SMEs performance. Secondly on the relationship between tax rates and SMEs performance, it was determined that ($\beta = -0.212$; $p = 0.009$), this meant that a unit increase in tax rates would lead to 21.2% significant decrease in SMEs performance. Finally, on the relationship between tax reforms and SMEs performance, it was determined that ($\beta = 0.204$; $p = 0.004$), which implied that a unit improvement in tax reforms would lead to 20.4% increase in SMEs performance. The above findings conforms with that of Tee, Opoku and Boadi (2016) on their study on the effect of tax payments on performance of SMEs in Ga West Municipality, Nigeria.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 Introduction

This chapter addressed the following areas on the effect of taxation on the SMEs performance in Voi Town: summary of findings, conclusions, study implications and recommendations. The chapter further outlined suggestions for further studies.

5.2 Summary of Findings

On the profile of the SMEs in Voi, the study found out that that majority of the SMEs in Voi Town were registered as sole proprietorship and they were mainly owner-managed. The study further found out that more than 80% of the SMEs had been in operation for less than 2 years and majority of them had a turnover of below of Ksh 250, 000. Finally, the analysis further showed that majority of the SMEs had between 1 to 5 employees.

5.2.1 Effects of Tax Policies on SMEs Performance

The study found out that tax policies significantly and negatively affects the performance of SMEs in Voi Town. The study determined that tax levied on the business was simple hence no need of tax consultation services and SMEs does not require elaborate tax records. The study further showed that SMEs usually charges VAT on all its products during sale and penalties on VAT non-compliance usually affect the operations of the SMEs. Finally, on this objective, the study showed that information on income tax policy are readily available to SMEs and Fluctuations of income tax rates affects the performance of SMEs.

5.2.2 Effects of Tax Rates on SMEs Performance

The study found out that an increase in tax rates significantly and negatively affects performance of SMEs in Voi Town. The study further found out that SMEs require low marginal tax rates ensured that revenue decreases commensurate inflation and specific tax rates were necessary for SMEs to enhance tax collection by KRA. The study further determined that tax rates for SMEs should be reduced to encourage entrepreneurial culture in the town and tax rates for SMEs should change from time to time depending on the prevailing economic situation. The study established that tax rates computation for SMEs were computed without the actual assessment of the revenue and VAT tax rate rationalization has improved sales revenue of the SME.

5.2.3 Effects of Tax Reforms on SMEs Performance

On the final, objective the study found out that an improvement on tax reforms would significantly improve SMEs performance in the town. The study determined that tax rates remitted to KRA has not been favorable for the SMEs and SMEs constantly remits its taxes before and on due date to avoid tax penalties. The study showed that SMEs were conversant with the enforcement rules and penalties and some of the enforcement rules of KRA discourages the growth of SMEs in the town. The study determined that training offered by KRA on online tax system was worth it as it improves SMEs tax Compliance and technical training team from KRA has helped SMEs in understanding tax policies and rates of the country.

5.3 Conclusion

The study concludes that tax policies and tax rates negatively affect performance of SMEs, while tax reforms leads to positive improvement of performance. The study concludes that tax paid by SMEs reduces their profitability and amount of tax levied on the small-scale business was too much. The study concludes that tax policies and tax rates contribute non-compliance by the SMEs and tax policies and reforms has failed to address the pricing aspects of SMEs and hence lowers their sales revenue. Finally, the study concludes that small SMEs' portfolio in their operations are prone to risks taxation and hence affects their performance and Uncertainty and regressive nature of taxes interferes with the SMEs performance.

5.4 Recommendations of the Study

- i. Tax regulations governing SMEs should be simplified in order to improve their growth and to make compliance easier for them. This includes clear and simple tax regulations, and an undemanding tax filing process. The use of information technology should be encouraged.
- ii. Further, tax administration should use current tax reform to reduce tax complexity with Tax authorities and should also focus on helping taxpayer with filing taxes returns information. However, tax authority provides greater assistance to tax payers; it should create favorable conditions for tax compliance not only tax awareness.
- iii. Tax administrators should improve their support services towards SMEs for example, small business owners should be educated on issues such as taxes they are expected to pay and the incentives and exemptions they are eligible for.

- iv. All SMEs should endeavor to pay their taxes as at when due. This should be done by Government providing enabling environment for them to operate and see it as one of the benefit accrued to such payment of taxes to the Government. Also Government should adequately create awareness on the need for SMEs to pay their taxes appropriately. Government should consider increasing tax incentives and exemptions as this will not only attract investors who are potential tax payers, it will encourage voluntary compliance and ultimately leads to expansion of existing business interests of the SMEs in Voi Town as well as Kenya as a whole. If these are done all SMEs will willingly pay their taxes as at when due.

5.5 Suggestions for Further Studies

There were some very important issues raised but the study did not look into their details. These issues could be captured by interested researchers in future. Some suggested areas for further studies include: Assessment of the role of tax towards the growth of SMEs sector in Kenya by focusing on different contexts; and the perception of tax authorities / regulatory bodies towards the growth of Small and Medium Enterprises (SMEs) in Kenya. The study recommended for further study on the impact of Tax Awareness/Knowledge on business financial performance on other business including SMEs. The study further recommended for a study on the impact of taxation on financial performance of both large and small organization. Future studies should incorporate, additional factors in to explain SMEs performance, since tax rates, tax policies and tax reforms could only explain 46.4% of SMEs performance.

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APPENDICES

APPENDIX 1: INTRODUCTION LETTER



ISO 9001:2015 CERTIFIED

KRA/KESRA/MSA/106

25th February 2020

TO WHOM IT MAY CONCERN

Dear Sir/Madam,

RE: REQUEST TO COLLECT RESEARCH DATA

This is to certify that the following is bona fide student of the Kenya School of Revenue Administration Mombasa Campus undertaking Post Graduate Diploma in Tax Administration.

Name	Admission Number
JENTA NGALI	HDB336-C016-2371/2016

The above- mentioned student is in her final year of study at the school and currently conducting research on “EFFECT OF TAXATION ON THE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN VOI TOWN, KENYA.”

The student is in the process of gathering data and thereafter, compile a report that will strictly be used for academic purposes only. The School would therefore like to seek your permission to allow her collect information that relates to her research from your organization.

Thank you in advance for your support and cooperation.

Yours sincerely,

Mumia B.J.
For Principal– KESRA, Mombasa Campus



Tulipe Ushuru Tujitegemee !



APPENDIX II: QUESTIONNAIRE

Dear respondent, you are kindly requested to assist in filling this questionnaire on the effect of taxation on the performance of small and medium enterprises in Voi town, Kenya. Any information that you give will be treated with confidentiality and will not be used for any other purposes other than for this research study. Kindly spare a few minutes of your time to go through the questionnaire and answer the following questions as objectively as possible:

SECTION A: PROFILE OF SMEs

1. (Registered as a : Sole Proprietorship Partnership Limited Company Other
2. Ownership: Owner-Managed () Partnership () Shareholding ()
Family-owned () Other ()
3. Number of years in operation: less than 1 year () Between 1 to 2 years () Between 2 to 3 years Above 3 years
4. Turnover for the past year (Ksh): Below 250,000 () 250,001-500,000 () 500,001 - 1,000,000 () 1,000,001 – 5,000,000 () 5,000,001 – 10,000,000 ()
Over 10,000,001 ()
5. Number of employees: 1-5 () 6-10 () 11-20 () 21-50 ()
51-100 () 101-150 () 151-250 ()

SECTION B: Study Variables

Tax Policies

Please indicate the extent in which you agree with the following statements on the tax policies on SMEs. Using the following scale: 1=strongly disagree, 2=disagree, 3=not sure, 4=agree, 5=strongly agree.

Opinion Statements	1	2	3	4	5
Tax levied on the business is simple hence no need of tax consultation services					
SMEs does not require elaborate tax records					
SMEs usually charges VAT on all its products during sale					
Penalties on VAT non-compliance usually affect the operations of the SMEs					
Information on income tax policy are readily available to SMEs					
Fluctuations of income tax rates affects the performance of SMEs					

Tax Rates

Please indicate the extent in which you agree with the following statements on the tax rates on SMEs. Using the following scale: 1=strongly disagree, 2=disagree, 3=not sure, 4=agree, 5=strongly agree.

Opinion Statements	1	2	3	4	5
SMEs require low marginal tax rates to ensure that revenue decreases commensurate inflation					
Specific tax rates are necessary for SMEs to enhance tax collection by KRA					
Tax rates for SMEs should be reduced to encourage entrepreneurial culture in the town					
Tax rates for SMEs should change from time to time depending on the prevailing economic situation					
Tax rates computation for SMEs are computed without the actual assessment of the revenue					
VAT tax rate rationalization has improved sales revenue of the SME					

Tax Reforms

Please indicate the extent in which you agree with the following statements on the tax reforms on SMEs. Using the following scale: 1=strongly disagree, 2=disagree, 3=not sure, 4=agree, 5=strongly agree.

Opinion Statements	1	2	3	4	5
Tax rates remitted to KRA has been favorable for the SMEs					
The SMEs constantly remits its taxes before and on due date to avoid tax penalties					
The SMEs are conversant with the enforcement rules and penalties					
Some of the enforcement rules of KRA discourages the growth of SMEs in the town					
Training offered by KRA on online tax system is worth it as it improves SMEs tax Compliance					
Technical training team from KRA has helped SMEs in understanding tax policies and rates of the country					

SMEs Performance

Please indicate the extent in which you agree with the following statements on the SMEs Performance. Using the following scale: 1=strongly disagree, 2=disagree, 3=not sure, 4=agree, 5=strongly agree.

Opinion Statements	1	2	3	4	5
Tax paid by SMEs reduces their profitability					
The amount of tax levied on the small-scale business is too much					
Tax policies and tax rates contributes non-compliance by the SMEs					
Tax policies and reforms has failed to address the pricing aspects of SMEs and hence lowers their sales revenue					
Small SMEs' portfolio in their operations are prone to risks of taxation and hence affects their performance					
Uncertainty and regressive nature of taxes interferes with the SMEs performance					

APPENDIX III: LIST OF SMEs IN VOI AS PER 2020 DATABASE

1.	Mwarongo Corner Shop
2.	Timbila Commnications
3.	Steppur Investment
4.	Gajesh General Stores
5.	Gajesh Enterprises Limited
6.	The Hills View General Shop
7.	Corner Bar-Landi Market
8.	Taita Hills Wildlife Safari Lodge
9.	Chaudry Interprises
10.	Bafagih Supermarket
11.	Mascot Filling Station
12.	Truth Enterprises
13.	Golden Touch Cosmetics
14.	The Hills View General Shop
15.	Eye Witness System
16.	Rumbi Enterprises
17.	Riziki General Stores
18.	Rands Contractions Company
19.	Mwatate Mixed Secondary School
20.	Mwamba Imara
21.	Peerless General Stores
22.	Mambura Vision Self Help Group
23.	Boda Auto -Mwatate
24.	Bafagih Supermarket
25.	Joyras Enterprises
26.	Roam Communications
27.	Thodcom General Enterprises
28.	Daniel Msagha Mwachala Hardware
29.	Mama Jones Shop
30.	Susan Ndela-Top Millenium
31.	Faithmark Beauty Center
32.	Vission Dressmaking
33.	Faykays General Shop
34.	The Pentagons Wines And Spirit
35.	Osibisa Wines&Spirits
36.	Steppur Investment
37.	Neema Kiosk
38.	Mwanedu Grocers
39.	Mwanedu Kiosk
40.	Parero Parlour
41.	Vission Dressmaking
42.	Furaha Butchery -Ndile
43.	Ronge Farmers' Cooperative
44.	Mwanedu Enterprises
45.	Uvumilivu Kiosk
46.	Tizal Aquatic Hotel

47.	Parero Parlour
48.	Taifa Kubwa -Kishamba
49.	Andrew Ontiri-Silent Pub
50.	Bafagih Bakery
51.	Zicom Limited
52.	Hakikah Bakers
53.	Qwetu SACCO
54.	Voi Engineering Services
55.	Mghendi Sub – Distributors
56.	Jacma Technologies
57.	Pamec Hardware
58.	Victory Printers
59.	Emaka Timber sales And Hardware
60.	Dawash Auto Spares
61.	Mkunda Investment
62.	New Milka Bar
63.	Inspire World Services
64.	Super Collector
65.	Vosa Financial Services Association (Fsa)
66.	Good Shepherd Spares And Service
67.	Ethmu Enterprises
68.	Digital Electronics Voi
69.	Merchar Enterprises
70.	Voi Auto Mart
71.	Powermax Electronics
72.	Reskompics
73.	Baraka Shop
74.	Philipinah Salon
75.	It Works Communication
76.	My Kindy Shop
77.	T.S.S Grains
78.	Kaisari Collections
79.	Downhill Metal Works
80.	Vickchrome Enterprises
81.	Meru Shop
82.	Mwangaza Microenterprises Limited
83.	Mogs General Suppliers
84.	G4s Security Service Kenya Ltd
85.	Victorious Fashions
86.	Frelista Co. Ltd
87.	Nyembo Supplies
88.	Jai-Hari Supermarket
89.	Big Daddy Video Show & Games
90.	Bafagih Bakeries Ltd
91.	Tsavo Agro - Hardware Limited
92.	Neema Tailoring
93.	Hunters Bar

94.	Da Star Saloon
95.	Ramco Shop
96.	Blessing Kiosk
97.	Divine Communications
98.	Quik Tech Cyber Cafe
99.	Jolly Bee Butchery
100.	Plany Limited
101.	Dixis Auto Spares
102.	Tebruja Enterprises Limited
103.	Baraka Cafe
104.	Trendz Salon
105.	Bafagih Hides & Skin
106.	Burrel And Cuctus Distributors
107.	Faith Kiosk
108.	Anguo Feeds
109.	Ashway Farms And Machinery Ltd
110.	Davis And Shirtlift Ltd
111.	Mwagho Co. Ltd
112.	Allyru Enterprise
113.	Bridgeways Ceramics And Hardware
114.	Allyru Enterprise
115.	Omega General Enterprises
116.	Oridhos Pub
117.	New Valley Inn
118.	Iyale Foods Parlour
119.	New Generation Electronics Shop
120.	Mwangaza Microenterprises Limited
121.	Sureshelter Architects
122.	Petca Enterprises
123.	Sifa FM Stations Limited
124.	Mvoi Ventures
125.	Sajufa Steel Fabricators
126.	Wangurez Salon
127.	High And Tatste Ltd
128.	Cesscolina East Africa Ltd
129.	Base Poa Bar
130.	Joe Timber Hardware

Source: Taita Taveta County SMEs database (2020)