

**EFFECT OF TAXATION ON THE PERFORMANCE OF SMALL AND  
MEDIUM-SIZED ENTERPRISES IN MOMBASA COUNTY**

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TECHNOLOGY**

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**DECLARATION**

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

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**HDB336-C016-7328/2016**

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

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## **DEDICATION**

This research project is dedicated to my family for their continuous encouragement and assistance. Thank you for giving me all the support to complete my research.

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## **ABBREVIATIONS AND ACRONYMS**

<b>CBD</b>	Central Business District
<b>EU</b>	European Union
<b>FDI</b>	Foreign Direct Investment
<b>GDP</b>	Gross Domestic Product
<b>GTZ</b>	German Technical Co-operation Agency
<b>KRA</b>	Kenya Revenue Authority
<b>OECD</b>	Organization for Economic Corporation and Development
<b>P.A.Y.E</b>	Pay As You Earn
<b>RBV</b>	Resource Based View
<b>SMEs</b>	Small & Medium Enterprises
<b>SPSS</b>	Statistical Package of Social Science
<b>TFP</b>	Total Factor Productivity
<b>V.A.T</b>	Value Added Tax
<b>WTO</b>	World Trade Organization

## DEFINITION OF KEY TERMS

<b>Income Tax:</b>	Tax charged annually on the income of individual taxpayers or corporate using a specified tax rate (Goerke, 2015).
<b>Excise Tax:</b>	This is duty imposed on goods manufactured in Kenya or imported in Kenya specified in the 1 <sup>st</sup> Schedule to Excise duty act ,2015 (Mwangi, 2014).
<b>Performance of SMEs:</b>	Growth and increase in assets by the business enterprises leading to creation of more job opportunities (Herath & Mahmood, 2015).
<b>Small and Medium Enterprises:</b>	Business entities that have a maximum annual sales turnover of Ksh. 500,000 and that employ less than ten individuals (Agyemang & Ansong, 2017).
<b>Tax:</b>	A compulsory financial contribution imposed by a government to raise revenue, levied on the income or property of persons or organizations, (Downer, 2016).
<b>Value Added Tax:</b>	A form of consumption tax charged on products whenever value is added at every stage of the supply chain up to the point of sale (Kingsley et al., 2017).

## **ABSTRACT**

This study sought to examine the effect of taxation on the performance of small and medium-sized enterprises in Mombasa County. The study sought to address the following specific objectives; to determine the effect of Value Added Tax on the performance of small and medium-sized enterprises in Mombasa County, to evaluate the effect of Income Tax on the performance of small and medium-sized enterprises in Mombasa County and to assess the effect of Excise tax on the performance of small and medium-sized enterprises in Mombasa County. The study was anchored on three theories; Ability-To-Pay theory; Benefit Theory of Taxation and Kaleckies Theory of Taxation. The research adopted cross-sectional research design. The target population of this study comprised of 1,229 SMEs. Simple random sampling was used to select the sample size of 302 from the different business/activity sectors. This study used questionnaires with fixed choice formats, as well as interviews as the main data collection instruments. A pilot study was undertaken on 30 of the respondents to test the reliability and validity of the questionnaire. Quantitative data were analyzed using SPSS version 25 where relationships between the variables were assessed using correlation and regression analysis. Quantitative data were analyzed using SPSS version 25 where relationships between the variables were assessed using correlation and regression analysis. The study found out that there was a positive and significant relationship between Value Added Tax and performance of SMEs. Further, the results revealed that there was a positive and significant relationship between Income Tax and performance of SMEs. Lastly, there was a positive and significant relationship between Excise Tax and performance of SMEs. Based on the findings, the study concluded that Value Added Tax, Income Tax and Excise Tax have a positive and significant effect on performance of SMEs. The study recommends that as a broad-based tax on final consumption, VAT regimes must determine whether, or the extent to which, the purchase should be treated as acquired for business purposes or for private consumption. To eliminate the tax burden among SMEs brought about by income tax, policy makers should extend exemption to transactions necessitated by regulatory changes, compulsory government acquisitions and internal restructures considering that such transactions are rarely undertaken for a commercial gain. Excise tax should be developed in such a way that it would stimulate rather than stop the development of enterprises

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

Small and Medium Enterprises are an essential element in the economic growth and development of every nation (Atawodi & Ojeka, 2015). The micro enterprises contribute significantly to the creation of employment opportunities and growth of the economy. A 2005 World Development Report stated that creation of jobs that are sustainable coupled with opportunities is integral to poverty eradication (Herath & Mahmood, 2015). SMEs are private enterprises and are faced with a myriad of challenges when dealing with government tax administration especially in the developing countries. The performance of SMEs is considered a significant element of the economy since such entities are the backbone of the economy (Al Asheq & Hossain, 2019).

Entrepreneurship that thrives in the SMEs is the main engine of economic growth in Europe. Good performance of SMEs in 2015 within Europe led to 3.9 trillion Euros being generated by only 23 million enterprises (European Commission, 2017). Moreover, the SMEs in Romania generated 50% of the value added to the economy in the year 2015. SMEs play a key role in the reduction of unemployment within Europe and other decentralized economies globally. The SMEs performance in Europe and the Americas was robust and quick to recover following the 2008 financial crisis that shook the global economy (Jerkovic, 2017). The versatility and ability to adapt to challenges within the SMEs ensures that such entities are strong in the long-term and able to overcome the challenges of a financial meltdown. The actions and policies undertaken by government in terms of business development are crucial to performance of the SMEs in Malaysia and Asia-Pacific region (Isaga, 2018).

The tax regime is cited as a significant factor that determines the financial performance of the SME entities that thrive in Malaysia. Similarly, Isaga (2018) asserts that the innovation policy within the United Kingdom has a significant impact of the

performance of SMEs within the manufacturing sector. Innovation drives the productivity and resilience of SMEs. Moreover, organization performance correlates with the SME performance within the nation and the network the entrepreneur has in the industry (Mohammed & Hicham, 2018). Subsequently, the performance of the SMEs relies heavily on multiple variables both externally and internally. The entrepreneur can work towards improving the internal factors such innovation capability and the marketing aspects but external factors such as taxation and government policy are beyond the scope of the entrepreneur. Consequently, there is a consistent pattern of SMEs performance depending on the government policies and regulations.

SMEs occupy the largest portion of all businesses in Africa and represent 90% of all business entities within South Africa where they contribute 50% of the nation's GDP (Ngek, 2018). Unfortunately, the performance of most SMEs faces significant challenges that lead to 50-95% of the businesses failing within the first five years. Moreover, the emphasis has been on internal factors that limit growth of the SMEs but external challenges have not been explored comprehensively (Everest-Phillip & Sandall, 2019). Some of the limitations to SME performance include customer relationship that can reduce the amount of products sold on a regular basis. The characteristics of entrepreneurs determine the interaction of the business with other stakeholders including government officers and this leads to a predetermined level of efficiency and profitability. Isaga (2018) research states that the performance of SMEs in Tanzania is directly correlated with the personal traits of the entrepreneur in the particular industry. The profitability of the SME determines whether the business has enough funds to undertake operations in the following years.

Muturi (2016) asserts that SMEs performance in Kenya is affected by the capital held by entrepreneur and the resources available to the business. SMEs in Kenya rely on banks for capital financing or some use retained earnings from previous profits made by the business. Unfortunately, the performance of SMEs lags behind the multinationals and big corporations that can pool resources easily under short timelines (Erard, 2017). Developing nations such as Kenya have clear understanding on the importance of SME performance in fueling the growth of the economy. SMEs contribute at least 98% of the

national GDP and 50% of the workforce (Dinis, Martins & Lopes, 2017). Subsequently, the profitability of such enterprises is significant to the government and the tax administrators since they rely on positive performance and cash flow availability in the SMEs in Kenya.

## **1.2 Statement of the Problem**

Small and medium-sized enterprises are unable or they find it hard to expand their business operations due to high taxation by the government, many SMEs hence resort to tax evasion and many other non-compliance methods in order to maintain their business operations. This can be evidenced by Ndemo (2015) who found that; the majority of businesses particularly small and medium-sized enterprises are not registered and carry out business without both county and national government licenses. Using data posted by KRA (2015), most Small and medium-sized enterprises have evaded tax between 35% and 33.1 in 2012 and 2011 respectively. Furthermore, various studies (Shalfman et al., 2019; Mohammed & Hicham, 2018) have established that the taxation environment surrounding SMEs is a vital element of the economy and requires close monitoring to ensure vibrancy. According to Shlafman (2019) SMEs are vital stakeholders in the economy and government agencies must create a favorable environment for the good performance of such entities through appropriate taxation. Moreover, SMEs contribute 70% of all jobs in the economy and 35-55% of GDP in developing and developed nations respectively.

The research undertaken in regards to taxation and compliance has mostly focused on large corporations and there is no particular focus on SMEs. There have not been any empirical studies on the effect of taxation on the performance of small and medium-sized enterprises in Mombasa County. Limited research in the field contributes to the need for more studies on the topic. Some of the studies have focused on taxation (Newman et al., 2018; Ndemo, 2015; Zafiris, 2016; Mohammed & Hicham, 2018; Muturi, 2016; Ngeek, 2018) and have investigated the association between taxation compliance among SMEs, and taxation environment. There is limited research on the effect of taxation of the performance of the SMEs in Mombasa County. Consequently,

this study sought to investigate the effect of taxation on the performance of small and medium-sized enterprises in Mombasa County.

### **1.3 Objectives Of The Study**

This study was guided by the general and specific objectives as outlined.

#### **1.3.1 General Objective**

The general objective of this study was to examine the effect of taxation on the performance of small and medium-sized enterprises in Mombasa County.

#### **1.3.2 Specific Objectives**

This study was guided by the following specific objectives: -

- i. To determine the effect of Value Added Tax on the performance of small and medium-sized enterprises in Mombasa County.
- ii. To evaluate the effect of Income Tax on the performance of small and medium-sized enterprises in Mombasa County.
- iii. To assess the effect of Excise tax on the performance of small and medium-sized enterprises in Mombasa County.

### **1.4 Research Questions**

- i. What is the effect of Value Added Tax on the performance of small and medium-sized enterprises in Mombasa County?
- ii. What is the effect of Income Tax on the performance of small and medium-sized enterprises in Mombasa County?
- iii. What is the effect of Excise tax on the performance of small and medium-sized enterprises in Mombasa County?

### **1.5 Significance of the Study**

The current study sought to find out the effect of taxation on the performance of small and medium-sized enterprises in Mombasa County. Consequently, the findings of the research generated knowledge to tax administrators regarding the impact different forms of taxation have on the performance of SMEs in Mombasa County.

Government acknowledges the significance of the SMEs in Kenya and therefore will use the information and findings to create a favorable environment for the SMEs. Moreover,

the study will provide KRA information regarding the impact of taxation on the growth of SMEs in Kenya.

KRA as the designated revenue collection agency in Mombasa and Kenya in general will use the information gathered to streamline the taxation process and become more efficient in tax collection.

On the other hand, stakeholders in academia will gain knowledge on the best practices for SMEs taxation in the country. Future scholars undertaking research in a similar field will use the current research to augment their work.

### **1.6 Scope of the Study**

This academic research focused on effect of taxation on the performance of small and medium-sized enterprises in Mombasa County. The study focused on SMEs within Mombasa County since they represented the entire population of SMEs in the nation. Moreover, the study targeted SMEs within Mombasa Central Business District as this will enable the researcher manage the financial costs of collecting data from a wide area. Research was undertaken for three months between May and July 2020 to collect relevant data.

### **1.7 Limitations of the Study**

The researcher faced several limitations as some respondents were reluctant to provide the information due to fears that the information they provided could be used against them or bear some adverse effects on the manufacturing firms and therefore they did not wish to participate in the study. This limitation was overcome by the introductory letter from the KESRA reassuring them that the information was strictly for academic purpose and would be treated with confidentiality. Lastly, the extensive coverage of the sampled SMEs which covered essentially the entire county necessitated that the researcher makes elaborate logistic arrangements to cover all of them to guarantee an acceptable response rate.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

This chapter reviewed the theoretical, conceptual and empirical literature pertinent to the study. The empirical literature on various themes was also reviewed to establish research gaps inherent in the studies. Lastly, critique of literature, summary and research gaps too, form key components of this section.

#### **2.2 Theoretical Framework**

In this study, the researcher used the Ability-To-Pay theory; Benefit Theory of Taxation and Kaleckies Theory of Taxation.

##### **2.2.1 Ability-To-Pay Taxation Theory**

The theory on Ability-to-pay is a progressive principle that guides taxation administration in different jurisdictions. According to the principle, taxes payable by an entity should be premised on the amount of money that people and businesses earn from their operations. Subsequently, people who earn more money should and are expected to pay more money through higher rates of taxation. Higher taxation rates imply that a significant portion of the income of the business ends up as taxation (Downer, 2016). The ability-to-pay theory does not consider the amount of services that the taxpayers use. The taxation model can be described as a form of progressive taxation that holds that taxes should always be levied based on the taxpayer's capability to pay. Moreover, the provisions of the theory stipulate that individuals with most resources contribute towards the public services available to the masses. Businesses and the public within a country rely on government services such as healthcare, education and security. Subsequently, ability-to-pay theory ensures that businesses and individuals that can best pool financial resources should pay more taxes.

According to the theory on ability-to-pay, low-wage earners most likely require all their earnings and having a low taxation rate ensures that they keep a larger percentage as this will stimulate the economy (Schwarz, 2017). The theory is subjective as it considers the

sacrifice an individual or business undergoes in paying a tax. Payment of tax causes disutility and the individual feels a pinch that equates to the sacrifice they make in the process of business operations. Tax burden that individuals and businesses undergo should be apportioned among taxpayers in a manner that allows for equal marginal sacrifice of utility. Subsequently, an individual is protected from disutility in paying taxes through the ability-to-pay theory. The theory is premised on the idea that when all taxpayers pay so much tax that marginal sacrifice of utility is similar, then the loss of total utility by the society reduces significantly. Therefore, through the theory the tax burden should be divided based on the welfare on the entire society.

According to Schwarz (2017), the minimum sacrifice by the taxpayers is the ultimate principle of taxation. Consequently, the less the aggregate sacrifice by the taxpayers, the better the distribution of the burden of tax within the community. Equal taxpayers and individuals should be treated equally and therefore, persons with similar ability to pay taxes should pay similar taxes. The theory, of ability-to-pay corresponds with the study independent variables of VAT, Income Tax and Excise taxes. SMEs business decisions depend on the availability of funds which can be constrained through high rate of taxes that limit liquidity. Taxation administration success and influence on the SMEs correlates with the level of utility in taxation payments.

### **2.2.2 Benefit Theory of Taxation**

The benefit theory of taxation states that taxes should be levied on individuals based on the benefit conferred to the same people or businesses. Subsequently, the more benefits an entity or taxpayer derives from state activities then the more taxes they should pay. The benefit theory bases taxes for payment on public-goods expenditure on politically-revealed willingness to compensate for the benefits provided (Meier & Wrede, 2016). Under the benefit of taxation theory one likens the duty of prices in the allocation of private goods or items. The benefit principle assesses the prevailing efficiency of the taxes charged and appraisal of the nation's fiscal policy. Subsequently, the benefit theory considers a market-fashioned approach to the issue of taxation. The main goal is the accurate determination of the optimal revenue amount that requires to be spent on

the public goods. Benefit theory is more equitable to the taxpayers including the SMEs since they pay for what they get from the government.

Under the benefit theory of taxation, taxes are similar to the prices that businesses and individuals pay for the services they receive from the government. Subsequently, the benefit theory advocates for specific charges to the taxpayers which are more direct where the preference of the businesses is the first consideration. The benefit theory posits that taxpayers understand the cost of public goods and what they expect from the government when they pay taxes. Furthermore, benefits theory of taxation advocates for the consumer sovereignty in the provision of social goods. The benefit theory helps explain the expectations of SME taxpayers once they pay VAT, Income Tax and Excise taxes. Consequently, the benefit theory corresponds with the independent variables of this current study.

### **2.2.3 Kaleckies Theory of Taxation**

Kaleckies, M (1971) as cited by Kent (2019) undertook an essential research to determine the effect of three different taxes. The taxes included tax on wage goods, capital tax and taxation on capitalist income. Subsequently, making an assumption that the proceeds of the taxation process were used on behalf of unemployed individuals. The research established that taxation imposed on the wage goods had no particular effect. On the other hand, the demand on dole receipts provided a boost on spending on its entirety but the products had a higher price by a figure similar to the taxation and without the fear that market share would be lost. Taxation was deemed ad valorem for all wage goods (Kent, 2019). Consequently, such taxation brings about only a rise in prices and not the production level.

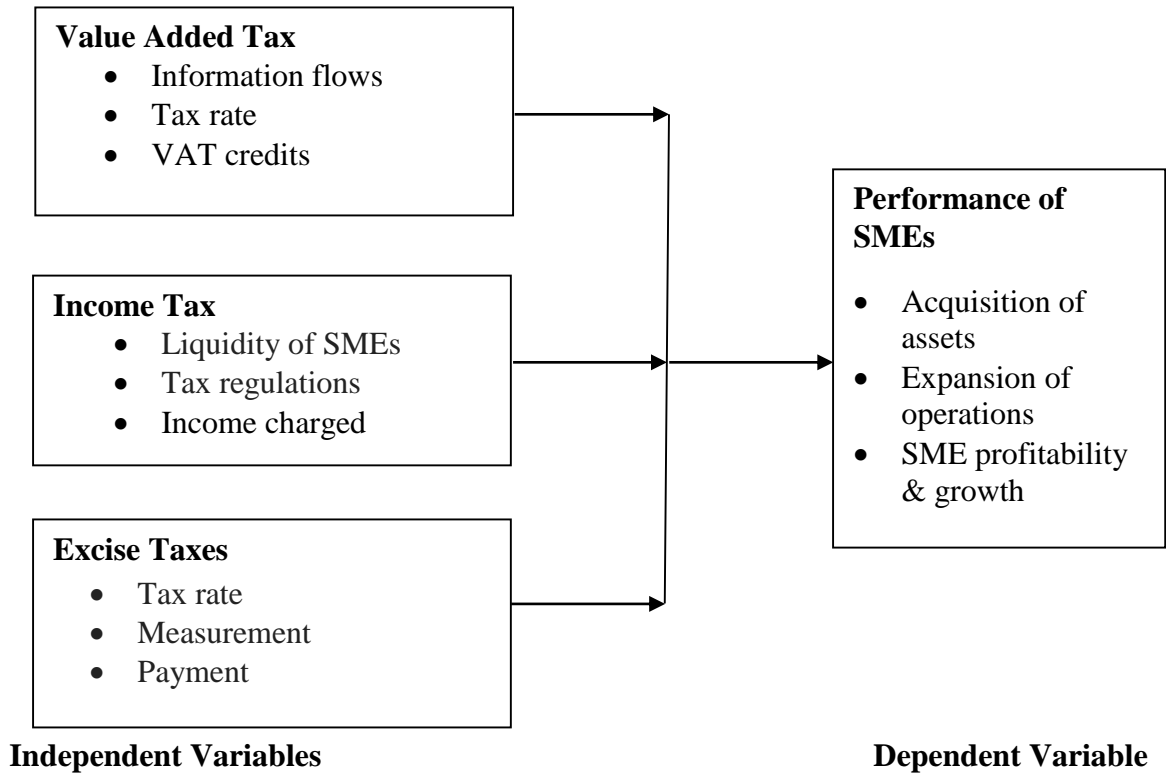
On the other hand, there was a positive effect of the national income and employment. Subsequently, Kent (2019) was able to show that once tax was charged on income rather than goods, producers were more likely to decline extending that tax burden onto the consumers. The producers were fearful of losing their market dominance through a price increase. Consequently, a rise in demand emanating from dole receivers was satisfied through increased production. Therefore, the profits made by the capitalists in a class, heightened by an amount, as demonstrated, equaled to the reduction in income caused by

the tax burden (Mwangi, 2014). Kent (2019) added that the positive effects of the tax may be limited by lenders ability to shift taxation to entrepreneurs with a resultant lowering of net profitability and investments.

Similarly, Shlafman (2019) established that capital tax did not have the negative effects since heightened spending by dole receivers only generated positive effects. Capital tax could not shift from the lenders to entrepreneurs since it was applicable to different assets. The net profitability of investment remains unaffected by the capital taxation. Kent (2019) came to the conclusion that capital tax can contribute to a rise in national income together with employment creation. Subsequently, the principles by Kent (2019) correlate with the current study where the effect of different taxes is explored in the context of SMES.

### 2.3 Conceptual Framework

The conceptual framework reveals the relationship and linkage that exists between the dependent variable and the independent variables (Singh, 2014).



**Figure 2.1: Conceptual Framework**

## **2.4 Review of Variables**

### **2.4.1 Value Added Tax**

Alm and El-ganainy (2016) argues that the main basis for taxing consumption rather than one's income is the fact that consumption taxes tend to discourage level of consumption while encouraging saving. Such provisions help generate higher levels of economic growth. Value added tax is a broad-based consumption taxation that has a direct impact on the operations of businesses and taxpayers. Findings by Alm and El-ganainy (2016) show that VAT tax rate has a negative correlation with the prevailing level of aggregate consumption in a nation's economy. Value added tax targets consumption and this generates more savings and thereby higher growth. VAT targets the consumers of the products generated by SMEs and this ensures that the businesses do not feel obligated to pay for services beyond what they use in the society. The use of a consumption tax such as VAT affects other aspects of the SMEs and the economic environment including tax evasion, labor supply and the portfolio choice (Alm & El-ganainy, 2016). Similarly, the tax base under the use of VAT is easier to manage.

Zafiris (2016) posits that VAT is a progressive consumption tax that requires businesses to collect the consumption tax that is imposed on goods sold or distributed. Moreover, businesses are allowed to claim a credit for consumption tax they had previously paid on inputs. Value added tax affects uniformity of the factor incomes that are produced within the enterprise. Subsequently, the value added tax excludes the costs arising from materials and the unfinished products. Subsequently, firms are forced to specialize on what they do best by having a distinctive competitive edge in the industry. Value added tax is a non-discriminatory tax regime especially in regards to the choice of debt over equity finance in businesses. Moreover, value added tax supports SMEs through contractual and entrepreneurial resources.

The use of VAT as part of the tax regime helps achieve neutrality and adds advantages through better use of entrepreneurial inputs. Value added tax is a form of taxation that facilitates enforcement through a comprehensive incentive structure (Pomeranz, 2015). VAT is a significant revenue component for most revenue administrations globally. Subsequently, VAT collections determine the social goods that taxpayers enjoy in the

society. VAT is self-enforcing such that businesses have to deal with the tax collections monthly to ensure that they are compliant and can transact with consumers and the suppliers within the logistics chain. The VAT tax regime requires businesses to pass information to the different revenue officers and this ensures the proper implementation of the tax regime.

#### **2.4.2 Income Tax**

Income taxation regime is a form of direct tax charged on the revenues generated by the individual (Isaga, 2018). Income taxation can be on the individual or a corporate where a set tax rate applies to the final profit that the business generates. The tax is levied directly by the government on the income generated by individuals and non-individual taxpayers. The type of incomes charged under the income tax policy includes interest income, capital gains and the sale of financial investments (Ngek, 2018). The rate of income tax depends on the category in which the level of income lies. Subsequently, the level of income determines how much the taxpayer is charged by the revenue administrator. Income taxation for companies affects their productivity and level of production of goods and services (Isaga, 2018). The corporate income tax is charged on the surplus of revenues minus expenses. Subsequently, the tax relies on expenses as a main tax base.

Dinis et al., (2017) argues that the income tax regime helps develop a clear view of financial consequences of the taxation in businesses. Tax burdens charged on businesses influence the management decisions since income tax targets the income of the SME rather than consumption in the economy. On the other hand, the findings by Dinis et al., (2017) indicate that a reduction in the rate of income tax does not lead to a concomitant reduction in tax burden. A low income tax rate corresponds with a wider tax base to ensure that the revenue administration retains similar or higher tax revenues (Ngek, 2018). The reduction in the rate of income tax among SMEs encourages the different taxpayers to heighten their level of tax payment.

Menjo and Kotut (2015) assert that company income taxation has a significant role in the developing economies. There are many critics who argue that taxing the income of the corporate and SMEs discourages the level of productivity and should focus on the

consumption side of the economy. Furthermore, Menjo and Kotut (2015) posit that income taxation of enterprises constrains the growth potential of the taxpayers and hinders economic development in the future. On the other hand, governments and revenue administrators have to ensure a balance between the tax collections and the provision of social goods (Erard, 2017). Subsequently, the taxation of income negatively affects the performance of the businesses. Taxation regime and policies can have a positive or negative impact on the level of compliance and the revenues generated by the revenue administrator.

### **2.4.3 Excise Taxes**

According to Menjo and Kotut (2015), this is a duty of excise imposed on; goods manufactured in Kenya, or; imported into Kenya and specified in the 1st schedule to Excise Duty Act, 2015. Companies and Partnerships dealing in excisable good and services are required to pay excise duty. The List and types of Excisable goods and services are listed in the 5th Schedule as read together with Section 117 (1) (d) of the Customs and Excise Act, CAP 472 Laws of Kenya. They include; Mineral water, Juices, soft drinks, Cosmetics and Preparations for use on hair, Mobile cellular phone services, Fees charged for money transfer among others, Other beer made from malt and Opaque beer. Excise taxes are charges on every unit of the commodity sold or service rendered instead of percentage. One of the main goals of charging excise by the government apart from raising revenue is to discourage the consumption of certain products (alcohol, cigarettes & betting services) or services considered detrimental to the society (Mwangi, 2014).

According to Deletovi and Miloevi (2017), excise taxes based on the British concept and consistent with many commonwealth countries is a tax levied on production instead of sale imposed only on commodities and not on services on domestic activities, at a specific rate and quantitative control. This modern concept is significantly broader and applies to either sale or production of domestic or imported type with either specified ad-valorem rates, with physical accounts or control and can apply to services as well. Excise taxes are an important means of revenue collection by both the National & county governments. Raising taxes on excisable products results in their price increase

and eventually consumption. Since most of SMEs depend largely on these products for their business operations, reduced consumption will affect their cash flows negatively and in turn hinder the growth of these enterprises & hence performance. Since the amount of excisable goods consumed is an important function of excise duty, raising excise taxes results in the overall reduction in the quantity sold as the prices consumers pay increases and revenues producers get reduce (Herath & Mahmood, 2015).

Excise taxes are measured in two main ways; as cash payments which is the method commonly used by most traders and business owners and it can be measured by determining the loss imposed on the tax payer as a consequence of the excise tax. Another measurement is that of reduction of consumers profits and surplus induced by the excise tax which is a common method widely used by micro and public economists. This form of measurement relies on the extent of the reduction of market transaction (Mwangi, 2014).

In summary since the profitability of most SMEs Is measured by the revenues earned from their transactions mostly with excisable goods, a variety taxes hinder their cash flows and hence performance.

#### **2.4.4 Performance of SMEs**

Financing of any business entity is a complex undertaking that begins with assessment of the financial needs of the organization. SMEs face this challenge on a regular basis when they are handling payroll or seeking to expand (Samuel, 2018). The performance of SMEs requires tangible resources that serve as inputs to the business and enable the business owner undertake daily operations efficiently. The biggest challenge to SMEs growth is the limited access to finances or availability of cash flow within the business organization (Herath & Mahmood, 2015). Subsequently, the performance of SMEs directly depends on the financial resources available to the organization. Unfortunately, SMEs face a difficult time seeking funds from banks and micro-finance institutions that insist on rigid regulations to release funds. Similarly, tax obligations exert cash flow pressure on the SMEs and this hinders the growth and performance of the SMEs.

SMEs have a high rate of failure in the developing world and many do not go beyond the infancy stage (Mwangi, 2014). The main reasons cited for the poor performance of the SMEs includes limited access to credit facilities, management issues, barriers in marketing, education and the government regulatory framework. The significance of the SMEs in the economy implies that the challenges limiting performance of such enterprises influences the performance of the national economy. SMEs performance has an impact on the gross domestic product and the level of unemployment prevailing in the country. The performance of the SME is greatly influenced by the internal environment of the enterprise which correlates with the financial resources available. Research by Samuel (2018) shows that human resource practices and ineffective entrepreneurship affects the performance of the SMEs. Similarly, Swistak (2016) asserts that SMEs have a difficult time fulfilling their tax obligations as it constrains the available funds for growth and performance of the business enterprises.

SMEs play a key role in the economic development of every nation globally since they generate most jobs in each country (Samuel, 2018). SMEs tend to be more innovative compared to large firms and are also more dynamic. The efficiency of the SMEs is therefore integral to the overall performance of a country's economy. Performance of SMEs is varied since such entities are heterogeneous and operate in different industries (Herath & Mahmood, 2015). Subsequently, the performance of different SMEs is best evaluated using quantitative parameters such as sales turnover, and the absorption rate for new technologies. The performance of the SMEs is influenced by both internal and external factors such as taxation (Samuel, 2018). Taxation affects the availability of funds to the SME and therefore the turnover of the entity. Taxation is a significant variable in determination of the performance of the SME in every nation.

## **2.5 Empirical review**

Odhambo (2017) undertook a study to establish the influence of different factors including education, training, age and gender on business performance of SMEs. The study targeted SMEs in the auto garage sector where 122 respondents participated. The study consequently concluded that one does not require high level of education to manage an auto garage business. Moreover, the study established that there lacks gender

equity in the auto garage sector. Education was found to be an integral element that determines the success and profitability of the SMEs in the auto garage sector.

On the other hand, Muturi (2016) undertook a study with the view of determining the factors that influence performance of SMEs in Kenya. The study targeted petroleum dealers operating within Nairobi County. Through a descriptive design the researcher undertook collection of data from 74 dealers. The study concluded that petroleum dealers within Nairobi county operate in a dynamic environment but have adapted by offering value added services to customers. The study further found the use of seminars and workshops as essential in uplifting the performance of SMEs within Nairobi county.

Similarly, Menjo and Kotut (2015) did a study on the decomposition of the tax-to-income elasticity of major taxes in Kenya. The study used time series on data from government institutions such as KRA, Central bank and KNBS. The study concluded that tax-to-income elasticity can heighten through raising responsiveness of the individual taxes. Subsequently, Menjo and Kotut (2015) recommend the use of appropriate policies to curtail discretionary measures on the tax and macroeconomic environment.

Zafiris (2016) undertook a study to determine the effect of temporary tax incentives on the equipment investment through shifts in the accelerated depreciation. The researchers analyzed over 120,000 SMEs and established that bonus depreciation augmented investment in the eligible capital relative to the ineligible capital. The research further found that small firms are more responsive compared to the big corporations.

Bisrat (2010) has undertaken a descriptive research design with the view of determining the link between tax administration and value added tax-compliance within Ethiopia. The study targeted 112 respondents who provided essential data to the researchers in the study. Subsequently, following a comprehensive study the researchers came to the conclusion that government revenue from VAT can heighten through compliance by traders. Similarly, non-compliance by taxpayers can reduce through fairness of fines and penalties coupled with an environment that guarantees similar incomes by the different taxpayers.

## **2.6 Critique of Existing Literature**

The level of taxation for any business influences the rise in cost of capital as provided by Atawodi and Ojeka (2015). The findings correlate with those of Kent (2019) on the fact that taxes lead to distortions in the level of capital allocation. On the other hand, Muturi (2016) asserts that SME performance is influenced by managerial skills and employee relationship. The study had a small population of 50 respondents and this number is too small to use in generalization of findings. Moreover, the study failed to explore the impact of taxation on the performance of SMEs. Furthermore, Odhiambo (2017) established the influence of education and age on auto garage SMEs in Nairobi. The study did not explore the impact of tax administration on the business operations of SMEs and their eventual performance. Similarly, Menjo and Kotut (2015) findings on effects of tax rates correspond with the current research. Tax rates have a significant impact on the allocation of productive capacity.

The research by Gnat (2019) established the positive influence of tax incentives structure by focusing on advanced economies which are dissimilar to the Kenyan context. On the other hand, Isaga (2018) established the negative effect of corporate tax on productivity of companies. The research failed to explore the SMEs which have different business environment compared to big corporations with significant capital. Zafiris (2016). findings on the importance of the efficiency of public spending is significant since tax collection revenues can only benefit SMEs and the public through proper spending. Similarly, the findings by Swistak (2016) provide that tax exemption can help benefit the SMEs performance.

On the other hand, the research by Menjo and Kotut (2015) confirms that tax reporting compliance can be improved through simplified procedures for the SME businesses. The study by Bisrat (2010) lays focus on VAT and does not investigate property taxes and income taxes. Moreover, the research uses a small sample of respondents in generalizing the findings. The findings on level of penalties and fines is factual as most taxpayers comply with the issue of taxes based on fairness of the entire tax administration system.

## **2.7 Research Gap**

There is a gap in the literature of past studies (Menjo & Kotut, 2015; Zafiris, 2016; Gnat, 2019; Swistak, 2016) on the topic since the focus by previous researchers has been on taxation on large corporate and not SMEs. Past researches on taxation and performance of small and medium-sized enterprises have more sided tax compliance which favors the tax bodies and tax administrators. Previous studies have failed to explore the impact of specific taxes on the overall performance of different business entities. Considering the significance of SMEs to the economy, this study is determined to fill these gaps by providing relevant variables on taxation and the performance of small and medium-sized enterprise in Kenya.

## **2.8 Summary**

This chapter has discussed the various theories that show the effect of taxation on performance of SMEs. There is also an in-depth review of the variables under study and an empirical review of previous studies relevant to the study. The main purpose being to identify the research gap so that we can try to bridge the gap as we answer the research questions under the study. A conceptual framework was drawn to act as a road map that would help the researcher to pursue his research investigations and thus answer the various research questions.

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1 Introduction**

This chapter outlined how the study will be carried out. It covered the design used to do the research in terms of research procedures, the target population and sample size, which data collection methods was used and how data was analyzed.

#### **3.2 Research Design**

The current research utilized the cross-sectional research design which follows observational design where the investigator is able to measure the outcome and arising exposure among the participants (Gupta et al., 2016). The participants in the cross-sectional research design were selected through the inclusion and exclusion chosen by the researcher during the study. The research will embrace a cross-sectional approach that will rely on the use of descriptive and quantitative designs. According to Karafiath (2014), cross sectional studies provided a snapshot of the events regarding the study variables. Subsequently, through the cross-sectional study the researcher was able to determine the causal relationship.

#### **3.3 Target Population**

A population refers to entire gathering of elements are made or is a group of the variables that is being studied (Haradhan, 2017). The target population was 1,229 comprising of SMEs drawn from General trade, wholesalers, retailers, workshops and industry plants. Moreover, the respondents were drawn from the Mombasa central business district.

**Table 3.1: Target Population of the Study**

<b>Stratum</b>	<b>Target Population</b>
General trade, Whole, Retail, Stores	1056
Workshops, Industry plants	173
<b>Total</b>	<b>1,229</b>

Source: County government of Mombasa Integrated Financial Operations Management Systems (2019)

### **3.4 Sampling Frame**

The sampling frame contains a list of the population units from where the sample will be selected (Gupta et al., 2016). Subsequently, sampling frame provides a physical representation of the target population and comprises different units that serve as potential members of a sample. The sampling frame for this study was derived from County Integrated Financial Operations Management Systems, County of Mombasa, 2019. The sampling frame incorporated different aspects of sampling by having a list of the respondents. The respondents were drawn from Mombasa CBD.

### **3.5 Sample Size and Sampling Technique**

Sampling technique or procedure which a researcher adopts when selecting sample items (Gupta et al., 2016). A sample of 302 SMEs industry employees, business managers and owners were selected using simple random sampling method. The advantage of this method is that each member of the population has a known and equitable chance of being selected from the strata list (Haradhan, 2017). Deciding on sample size is a vital issue since sample tests that are too vast may result to wastage of resources in terms of time and finances while samples tests that are too little may prompt incorrect outcomes. According to Singh (2014), the bigger the size of the sample, the lower the possible error in taking a broad view of the population. The sample size is the number of sampling units selected from the population for investigation (Singh, 2014). The researcher used Yamane' (1967) formula to calculate sample size.

$$n = N / (1 + Ne^2)$$

## Where

n= corrected sample size,

N = population size,

and e = Margin of error (MoE), e = 0.05 based on the research condition.

$$N = 1,229 / (1 + 1,229(0.05^2)) = 302$$

**Table 3.2: Sample Size Determination**

<b>Stratum</b>	<b>Target Population</b>	<b>Sample Size</b>
General trade, Whole, Retail, Stores	1056	259
Workshops, Industry plants	173	43
<b>Total</b>	<b>1,229</b>	<b>302</b>

## 3.6 Data Collection Instruments

The researcher used questionnaires as primary data collection instrument. Haradhan (2017) defines a questionnaire as a tool that consists of a number of questions printed or typed in a definite order on a form or set of forms, sent to persons concerned with a request to answer the questions and return the questionnaire. It can be administered or mailed to the respondents. In this study, due to specialized nature of SMEs, the questionnaires were self-administered by the researcher and with the help of research assistants. Self-administered questionnaires are usually preferred for purposes of developing close relationship with the respondents and also assist in providing clarifications sought by respondents on the spot. The questionnaires were collected immediately after they were filled and any omission was detected. A five-point Likert scale used to answer questions from section B to E as it allowed respondents to give answers with a degree of agreement making answering the questions easier. Five choices provided for in every statement ranging from strongly disagrees and strongly agree.

### **3.7 Data Collection Procedure**

Data was collected through administration of questionnaires with the help of the research assistants. The questionnaires were administered to the employees considered to be holding the top management positions in the SMEs operating in Mombasa County. The questionnaires were first dropped with an introductory letter of authority to carry out research to the firms and follow up was done through telephone and personal visits to secure appointments with the respondents from the firms. This was useful to ensure consistency in the interpretation of questions in order to achieve high response level and avoid any misinterpretation of questions or inconsistent responses.

### **3.8 Pilot Study**

Pilot test is an activity that assists the research in determining if there are flaws, limitations, or other weaknesses within the data collection instruments. It allows the researcher to make necessary revisions prior to the implementation of the study. According to Singh (2014), conducting a pilot involves a few of the target population being given the questionnaires with an intention of pre-testing the questions. A pilot study was therefore undertaken on 30 SMEs to test the reliability and validity of the questionnaire. This primarily depends on the standard guideline of 1 to 10 percent of the sample ought to comprise the pilot test (Gupta et al., 2016). However, the 30 SMEs did not form part of the final study.

#### **3.8.1 Validity**

Validity is the instruments or scale by which one can measure the outcomes of a certain research hypothesis about how strong the outcomes are. With the help of validity, one can answer the question such as are we right about the research methodology or the outcomes. Validity is more concerned whether the measure has been done with the right concept or not (Haradhan, 2017). It indicates how accurate the data obtained in the study represents the variables of the study as hinted by Singh (2014). The researcher used the most common internal consistency measure known as KMO-Bartlett's test. It may be safe to say that its value varies from 0 to 1, but satisfactorily value is required to be more than 0.6 for the scale to meet validity.

### **3.8.2 Reliability**

Reliability is the scale or instrument of measurement that is consistent with its result. It means if any test is taken using any instrument for a particular subject and the result of the test will be similar in every attempt then it will be considered as reliable. Reliability is more concerned with the consistency and the stability of the test result (Haradhan, 2017). This was done by determining the association between scores obtained from different administrations of the scale. If the association is high, the scale yields consistent results, thus it is reliable. Cronbach's alpha was used to determine the internal reliability of the questionnaire that was used in this study. Values range between 0 and 1.0; while 1.0 indicates perfect reliability, the value 0.7 is deemed to be the lower level of acceptability (Singh, 2014).

### **3.9 Data Analysis and Presentation**

Statistical Package for Social Sciences (SPSS version 25) was used to analyze data. Descriptive analysis measures such as frequency, percentage, mean and standard deviation were used in data interpretation. Regression analysis was used to examine effects of taxation system independent variables; Value Added Tax, Income Tax and Excise Tax on performance of SMEs (the dependent variable) of SMEs in Mombasa County. The  $R^2$  analysis was used to measure the goodness of fit of the model being assessed. Multiple linear regression analysis was carried out to determine the form of the mathematical model that defines the relationship between the dependent variable and independent variables.

The following model for the regression model was used to analyze the relationship: The multiple regression formula is presented as;

$$Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + e_i$$

Where:

$Y$  = Performance of SMEs

$\beta_0$  = Constant

$X_1$  = Value Added Tax

$X_2$  = Income Tax

$X_3$  = Excise Tax

$e_i$  = Stochastic term

## CHAPTER FOUR

### DATA ANALYSIS, RESULTS AND DISCUSSIONS

#### 4.1 Introduction

This chapter describes the findings and discussion of results of the study on the effect of taxation on the performance of small and medium-sized enterprises in Mombasa County. The data collected in this study was evaluated, discussed and inferences made, in an effort to address the specific objectives of the study. Descriptive and inferential statistics were used to analyze the data on each variable. Data was presented in the form of frequency distribution tables to facilitate description and explanation of the study findings. The inferential statistical analysis was conducted for the purposes of testing hypotheses that were stated in chapter one and determining the relationship between independent and dependent variables. Data analysis was in line with specific objectives where patterns were investigated, interpreted and implications drawn on them. Data was presented in figures and frequency tables. The researcher tested reliability and regression model results were provided.

#### 4.2 Response Rate

The total population of SMEs in Mombasa County was 1,229 where a sample of 302 SMEs was targeted. A total 302 questionnaires were delivered to the respondents in the sample. However, 68 questionnaires were not returned leaving a total of 234 in usable form. This represents a response rate of 77.5% for the SMEs in the sample. The response rate was considered appropriate because a response rate of more than 75% was considered good according to (Singh, 2014). Studies by Isaga (2018) and Herath and Mahmood (2015), obtained similar response rates hence adequate. The recorded high response rate as shown in Table 4.1 was attributed to the data collection procedures, where the researcher pre-notified the potential participants of the intended survey, utilized a self-administered questionnaire where the respondents completed and immediately after, they were picked. Follow up calls were also made to clarify queries in the questionnaires.

**Table 4.1: Response Rate**

<b>Response</b>	<b>Frequency</b>	<b>Percentage (%)</b>
Returned	234	77.5
Unreturned	68	22.5
<b>Total</b>	<b>302</b>	<b>100</b>

### **4.3 Pilot Study**

According to Schindler, (2011), pilot testing, conducted to identify the faults in research design and data collection instruments. Pilot study was important in ensuring the questionnaire was valid and reliable.

#### **4.3.1 Reliability Analysis**

Reliability is the measure that the data provided is consistent with what previous research literature has said. The Cronbach's alpha coefficient ranges between 0 and 1 (Singh, 2014). A reliability coefficient of zero indicates that the test scores are unreliable. On the other hand, the higher the reliability coefficient, the more reliable or accurate the test scores. For social science research purposes, tests with a reliability score of 0.7 and above are reliable (Singh, 2014). The reliability of the questionnaire was tested using the Cronbach's Alpha correlation coefficient with the aid of SPSS software. Okelo (2015) postulates that Cronbach Alpha value greater than 0.7 is regarded as satisfactory for reliability assessment. As shown in table 4.3 Cronbach alpha values for all the variables; Value Added Tax, Income Tax, Excise tax and performance of SMEs were greater than 0.7. From these findings it can be concluded that the constructs measured had the adequate reliability for the subsequent stages of analysis since all the Cronbach Alpha values were greater than 0.7.

**Table 4.2: Reliability Test**

<b>Scale</b>	<b>Cronbach's Alpha</b>	<b>Number of Items</b>	<b>Remarks</b>
Value Added Tax	.816	5	Valid
Income Tax	.812	5	Valid
Excise Tax	.861	5	Valid
Performance of SMEs	.809	5	Valid

### **4.3.2 Validity**

Factor analysis was used to check validity of the constructs. Factor analysis is used to find factors among observed variables to produce a small number of factors from a large number of variables which is capable of explaining the observed variance in the larger number of variables (Singh, 2014). Prior to extraction of the factors, several tests were used to assess the suitability of the respondent data for factor analysis. The tests included Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy and Bartlett's Test of Sphericity.

Kaiser-Meyer-Olkin Measures of Sampling Adequacy (KMO) & Bartlett's Test of Sphericity is a measure of sampling adequacy that is recommended to check the case to variable ratio for the analysis being conducted. In most academic and business studies, KMO & Bartlett's test plays an important role for accepting the sample adequacy. While the KMO ranges from 0 to 1, the world-over accepted index is over 0.5. Also, the Bartlett's Test of Sphericity relates to the significance of the study and thereby shows the validity and suitability of the responses collected to the problem being addressed through the study. For Factor Analysis to be recommended suitable, the Bartlett's Test of Sphericity must be less than 0.05 (Karafiath, 2014).

The study applied the KMO Measures of Sampling Adequacy and Bartlett's Test of Sphericity to test whether the relationship among the variables was significant or not as shown in Table 4.2. The Kaiser-Meyer-Olkin Measures of Sampling Adequacy shows

the value of test statistic as 0.841, which is greater than 0.5 hence an acceptable index. While Bartlett's Test of Sphericity shows the value of test statistic as 0.000 which is less than 0.05 acceptable indexes. These result indicate a highly significant relationship among variables.

**Table 4.3: Factor analysis -KMO and Bart**

<b>KMO and Bartlett's Test</b>		
Kaiser-Meyer-Olkin	Measure of Sampling Adequacy.	.841
Bartlett's Test of Sphericity	Approx. Chi-Square	652.970
	df	6
	Sig.	.000

#### **4.4 Demographic Analysis**

This section outlined the demographic data.

##### **4.4.1 Demographic Data**

The study sought to establish the demographic data of the respondents. The researcher begun by a general analysis on the demographic data obtained from the respondents which included; level of education and business longevity. This research targeted 302 respondents in regard to examining the effect of taxation system on the performance of small and medium-sized enterprises in Mombasa County.

##### **4.4.2 Level of Education**

The outcomes depicted in Table 4.4 shows that respondents with the highest percentage at 40% had obtained Bachelor's degrees. It was also observed that 24% of the respondents had basic education and obtained certificates from colleges. A few of the respondents, however, indicated they had a postgraduate qualification (that is, Masters and Doctorate degrees) 22%. This implies that majority of businesses in the study area had their human resources who have acquired basic education from colleges and

universities. Very few respondents (that is, 14% of the respondents) did not take up any formal education after high school.

**Table 4.4: Level of Education**

<b>Level</b>	<b>Frequency</b>	<b>Percent (%)</b>
Secondary	32	14
Diploma	56	24
Degree	94	40
Postgraduate	52	22
<b>TOTAL</b>	<b>234</b>	<b>100</b>

#### **4.4.3 Age of Business**

The study sought to determine the age of SMEs in the study area. It was found out that majority of SMEs as shown in Table 4.5, were in operation for 6 - 10 years, representing 30.8% of the SMEs in the study area. About 26.5% of SMEs were more 3 - 5 years. Few businesses were still new and have been in operation for less than 3 years accounting for 20.5%. It was noted that SMEs that have been in existence for more than a decade reflected a percentage of 22.2%.

**Table 4.5: Age of Business**

<b>Level</b>	<b>Frequency</b>	<b>Percent (%)</b>
Below 3 years	48	20.5
Between 3 – 5 years	62	26.5
Between 6 – 10 years	72	30.8
Above 10 years	52	22.2
<b>TOTAL</b>	<b>234</b>	<b>100</b>

## 4.5 Descriptive Analysis

The following presents the findings on the various study variables.

### 4.5.1 Value Added Tax

The study sought to determine the effect of Value Added Tax on the performance of small and medium-sized enterprises in Mombasa County. Table 4.6 summarizes respondents' level of agreement on the effect of Value Added Tax on the performance of small and medium-sized enterprises in Mombasa County. The statement that the current VAT rate is favorable to my business had a mean score of 4.29. The statement that VAT taxation affects business operations had a mean score of 4.22. The statement that the VAT filing process is simple and user friendly had a mean score of 4.25. KRA officers have provided adequate information regarding VAT processing and filing had a mean score of 4.13. The statement that the size of an enterprise has a direct impact on its ability to administer and manage the VAT function internally had mean score of 4.23.

This finding is consistent with that of Alm and El-ganainy (2016) who argue that the use of a consumption tax such as VAT affects other aspects of the SMEs and the economic environment including tax evasion, labor supply and the portfolio choice. Similarly, the tax base under the use of VAT is easier to manage. This finding also agree with Zafiris (2016) who posit that VAT is a progressive consumption tax that affects uniformity of the factor incomes that are produced within the enterprise. The value added tax excludes the costs arising from materials and the unfinished products.

**Table 4.6: Value Added Tax**

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
The current VAT rate is favorable to my business	234	4.29	.587
VAT taxation affects business operations	234	4.22	.417
The VAT filing process is simple and user friendly	234	4.35	.486
KRA officers have provided adequate information regarding VAT processing and filing	234	4.13	.564

The size of an enterprise has a direct impact on its ability to administer and manage the VAT function internally	234	4.23	.422
Valid N (listwise)	234		

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#### 4.5.2 Income Tax

The study sought to evaluate the effect of Income Tax on the performance of small and medium-sized enterprises in Mombasa County. Table 4.7 summarizes respondents' level of agreement on the effect of Income Tax on the performance of small and medium-sized enterprises in Mombasa County. The statement that income tax charged by KRA is fair had a mean score of 4.34. The statement that the income tax charges have an impact on the cash flow of the business had a mean score of 4.34. The statement that KRA has provided a favorable environment for income tax processing had a mean score of 4.21. The statement that the income taxes charged are commensurate with the services provided by government had a mean score of 4.22. The statement that the Income Tax Act does contain a number of benefits for a taxpayer that is classified as a small business corporation, for example, special wear and tear rates had mean score of 4.29.

These study findings are supported by Dinis et al., (2017) who argues that the income tax regime helps develop a clear view of financial consequences of the taxation in businesses. Tax burdens charged on businesses influence the management decisions since income tax targets the income of the SME rather than consumption in the economy. On the other hand, the findings by Dinis et al., (2017) indicate that a reduction in the rate of income tax does not lead to a concomitant reduction in tax burden. According to Ngek (2018), the reduction in the rate of income tax among SMEs encourages the different taxpayers to heighten their level of tax payment. In addition, taxing the income of the corporate and SMEs discourages the level of productivity and should focus on the consumption side of the economy. Erard (2017) also opined that income taxation of enterprises constrains the growth potential of the taxpayers and hinders economic development in the future thus negatively affects the performance of most SMEs.

**Table 4.7: Income Tax**

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
Income tax charged by KRA is fair	234	4.34	.474
The income tax charges have an impact on the cash flow of the business	234	4.34	.500
KRA has provided a favorable environment for income tax processing	234	4.21	.412
The income taxes charged are commensurate with the services provided by government	234	4.22	.417
The Income Tax Act does contain a number of benefits for a taxpayer that is classified as a small business corporation, for example, special wear and tear rates	234	4.29	.503
Valid N (listwise)	234		

### 4.5.3 Excise Tax

The study sought to assess the effect of Excise Tax on the performance of small and medium-sized enterprises in Mombasa County. Table 4.8 summarizes respondents' level of agreement on the effect of Excise Tax on the performance of small and medium-sized enterprises in Mombasa County. The statement that excise taxes charged are fair had mean score of 4.19. The statement that the level of excise taxation has a great impact on investment and entrepreneurship had a mean score of 4.24. The statement that a simple tax base and a small number of excise taxes that is easily calculated can reduce administrative and compliance costs had a mean score 4.32. The statement that KRA provides awareness on the excise tax payment processes had a mean score of 4.37. The statement that lump-sum taxation is able to reduce excess tax burden because it does not

affect the relative price rates, unlike an excise tax that distorts them had a mean score of 4.19.

These study findings are supported by Shlafman et al., (2019) who found that tax policy should have a trade-off with administrative costs, for a high probability of auditing implies more active monitoring by taxation authorities. Thus, it could be of greater use to try to attack both administrative and compliance costs at the same time through simplifying the requirements of taxation system. In that case, the simplicity criterion would also be satisfied. Hence, in order to reduce administrative and compliance costs it would be of great importance to have a simple tax base and a small number of excise taxes that could be easily calculated.

According to Tee et al., (2016), the level of taxation has a great impact on investment and entrepreneurship. For instance, if an entrepreneur has to pay an excise tax on the value of sales, there is “tempting” pressure to understate those in order to pay less. Moreover, if an entrepreneur has to pay taxes on capital, he or she has no incentive to invest in physical capital and expand business. Therefore, excise tax should be developed in such a way that it would stimulate rather than stop the development of enterprises in order for government revenue not to decrease.

**Table 4.8: Excise Tax**

	N	Mean	Std. Deviation
Excise taxes charged are fair	234	4.19	.395
The level of excise taxation has a great impact on investment and entrepreneurship	234	4.24	.430
A simple tax base and a small number of excise taxes that is easily calculated can reduce administrative and compliance costs	234	4.32	.471
KRA provides awareness on the excise tax payment processes	234	4.37	.527
Lump-sum taxation is able to reduce excess tax burden because it does not affect the relative price rates, unlike an excise tax that distorts them	234	4.19	.392
Valid N (listwise)	234		

#### 4.5.4 Performance of SMEs

The respondents were requested to state their individual opinions on four specific statements regarding performance of SMEs in Mombasa county. The statement that tax policies have direct effect on your firm's performance (Return on Investment) had a mean score of 4.33. The statement that regardless of the changes in the taxation system, SMEs will still grow in its profits had a mean score of 4.35. The statement that taxation affects the business operations had a mean score of 4.19. The statement that tax policies create a favorable business environment had a mean score of 4.29. The statement that taxation reduces the amount of money for dividends had a mean score of 4.28. According to Swistak (2016), SMEs have a difficult time fulfilling their tax obligations

as it constrains the available funds for growth and performance of the business enterprises.

**Table 4.9: Performance of SMEs**

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
Tax policies have direct effect on your firm's performance (Return on Investment)	234	4.33	.472
Regardless of the changes in the taxation system, SMEs will still grow in its profits	234	4.35	.503
Taxation affects the business operations	234	4.19	.392
Tax policies create a favorable business environment	234	4.29	.467
Taxation reduces the amount of money for dividends	234	4.28	.489
Valid N (listwise)	234		

#### **4.6 Correlation Analysis**

To establish the relationship between the dependent and independent variables, the study conducted a correlation analysis which involved coefficients of correlation and determination.

##### **4.6.1 Coefficient of Correlation**

Pearson Bivariate correlation coefficient was used to determine the correlation between the dependent variable, performance of SMEs in Mombasa county and the independent variables; Value Added Tax, Income Tax and Excise Tax. As stated by Singh (2014), the correlation is assumed to be linear with correlation coefficient ranging from -1.0 (perfect negative correlation) to +1.0 (perfect positive relationship). The correlation coefficient was computed to establish the strength of the relationship between dependent and independent variables (Haradhan, 2017).

From table 4.10, the results generally indicate that independent variables (Value Added Tax, Income Tax and Excise Tax) were found to have positive significant correlations on performance of SMEs in Mombasa county at 5% level of significance. There was a strong positive and highly significant correlation between Value Added Tax and performance of SMEs ( $r = 0.714$ ,  $P < 0.05$ ). There was a strong positive and highly significant correlation between Income Tax and performance of SMEs ( $r = 0.701$ ,  $P < 0.05$ ). There was a strong positive and highly significant correlation between Excise Tax and performance of SMEs ( $r = 0.640$ ,  $P < 0.05$ ). The results imply that independent variables; Value Added Tax, Income Tax and Excise Tax significantly influenced performance of SMEs in Mombasa county. This is supported by Bunyasi et al., (2015) where they showed that taxation has a positive influence on the growth of businesses.

**Table 4.10: Pearson Correlations**

		<b>Value Added Tax</b>	<b>Income Tax</b>	<b>Excise Tax</b>	<b>Performance of SMEs</b>
<b>Value Added Tax</b>	Pearson Correlation	1			
	Sig. (2-tailed)				
	N	234			
<b>Income Tax</b>	Pearson Correlation	.818**	1		
	Sig. (2-tailed)	.000			
	N	234	234		
<b>Excise Tax</b>	Pearson Correlation	.710**	.749**	1	
	Sig. (2-tailed)	.000	.000		
	N	234	234	234	
<b>Performance of SMEs</b>	Pearson Correlation	.714**	.701**	.640**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	234	234	234	234

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

## 4.7 Regression Analysis

### 4.7.1 Model Summary

An overall regression analysis was conducted between all the independent variables (Value Added Tax, Income Tax and Excise Tax) and performance of SMEs. The results presented in Table 4.10 present the fitness of model used of the regression model in explaining the study phenomena. Value Added Tax, Income Tax and Excise Tax were found to be satisfactory in explaining performance of SMEs in Mombasa County. This is supported by coefficient of determination also known as the R square of 0.564. This means that Value Added Tax, Income Tax and Excise Tax explain 56.4% of the variations in the dependent variable which is performance of SMEs.

**Table 4.11: Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.751 <sup>a</sup>	.564	.559	.22584

a. Predictors: (Constant), Excise Tax, Value Added Tax, Income Tax

### 4.7.2 Analysis of Variance (ANOVA)

The ANOVA result displays the sum of squares due to regression and due to residuals. It also displays the F ratio value and its significance. The F depicts the significance or the fitness of the regression model. It indicates how significant the predictors can predict the dependent variable. The results findings show that the Regression Model is significant ( $F = 99.303$ ,  $p = 0.000$ ). The significance of a regression model is considered significant if its p-value is less or equal to 0.05. In table 4.11, is a regression model established with its p-value of 0.000 significance which is less than 0.05. This indicates that the regression model was statistically significant in predicting the effect of taxation system on the performance of small and medium-sized enterprises in Mombasa County. This shows that the overall model was significant and that Value Added Tax, Income Tax and Excise Tax have an effect on performance of SMEs.

**Table 4.12: ANOVA**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	15.194	3	5.065	99.303	.000 <sup>b</sup>
	Residual	11.731	230	.051		
	Total	26.925	233			

a. Dependent Variable: Performance of SMEs

b. Predictors: (Constant), Excise Tax, Value Added Tax, Income Tax

### 4.7.3 Multiple Regression

Table 4.12 presents the Regression Coefficients and the Significance of the Regressions (p-value). From the regression result, the coefficient of Value Added Tax is .387. This implies that a unit change in Value Added Tax, increases performance of SMEs by .387 units holding other factors constant. Therefore, Value Added Tax was found to have statistically significant effect on performance of SMEs in Mombasa County ( $\beta = 0.374$ ;  $t = 4.771$ ;  $p < 0.05$ ). From the regression result, the coefficient of Income Tax is .288. This implies that a unit change in Income Tax, changes performance of SMEs by .288 units holding other factors constant. Therefore, Income Tax was found to have statistically significant effect on performance of SMEs in Mombasa County ( $\beta = 0.260$ ;  $t = 3.123$ ;  $p < 0.05$ ). From the regression result, the coefficient of Excise Tax is .215. This implies that a unit change in Excise Tax, changes performance of SMEs by .215 units holding other factors constant. Therefore, Excise Tax was found to have statistically significant effect on performance of SMEs in Mombasa County ( $\beta = 0.180$ ;  $t = 2.652$ ;  $p < 0.05$ ).

**Table 4.13: Multiple Regression (Coefficients)**

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.514	.231		2.227	.027
	Value Added Tax	.387	.081	.374	4.771	.000
	Income Tax	.288	.092	.260	3.123	.002
	Excise Tax	.215	.081	.180	2.652	.009

a. Dependent Variable: Performance of SMEs

$$Y = 0.514 + 0.387X_1 + 0.288X_2 + 0.215X_3$$

Where:

$Y$  = Performance of SMEs

$\beta_0$  = Constant

$X_1$  = Value Added Tax

$X_2$  = Income Tax

$X_3$  = Excise Tax

$e_i$  = Stochastic term

#### 4.7.4 Discussion of the Key Findings

Pearson Bivariate correlation was used to compute the correlation between Value Added Tax and performance of SMEs in Mombasa County. There was a strong positive and highly significant correlation between Value Added Tax and performance of SMEs ( $r = 0.714$ ,  $P < 0.05$ ). Standard multiple regression was conducted and there was positive and statistically significant effect of Value Added Tax on performance of SMEs in Mombasa County ( $\beta = 0.374$ ;  $t = 4.771$ ;  $p < 0.05$ ). This finding is consistent with that of Alm and

El-ganainy (2016) who argue that the use of a consumption tax such as VAT affects other aspects of the SMEs and the economic environment including tax evasion, labor supply and the portfolio choice. Similarly, the tax base under the use of VAT is easier to manage. This finding also agree with Zafirris (2016) who posit that VAT is a progressive consumption tax that affects uniformity of the factor incomes that are produced within the enterprise. The value added tax excludes the costs arising from materials and the unfinished products. According to Downer (2016), the VAT debit-and-credit system may not only affect firms' choice of tax regime, but also their choice of trade partners given their tax regime. For a given tax regime, firms would likely have a stronger incentive to trade with other firms in the same tax regime. As a result, firms may not necessarily choose the best supplier for their products, and such distortions of their production decisions may reduce the overall efficiency of an economy.

Pearson Bivariate correlation was used to compute the correlation between Income Tax and performance of SMEs in Mombasa County. There was a strong positive and highly significant correlation between Income Tax and performance of SMEs ( $r = 0.701$ ,  $P < 0.05$ ). Standard multiple regression was conducted and there was positive and statistically significant effect of Income Tax on performance of SMEs in Mombasa County ( $\beta = 0.260$ ;  $t = 3.123$ ;  $p < 0.05$ ). These study findings are supported by Dinis et al., (2017) who argues that the income tax regime helps develop a clear view of financial consequences of the taxation in businesses. Tax burdens charged on businesses influence the management decisions since income tax targets the income of the SME rather than consumption in the economy. On the other hand, the findings by Dinis et al., (2017) indicate that a reduction in the rate of income tax does not lead to a concomitant reduction in tax burden. According to Ngeek (2018), the reduction in the rate of income tax among SMEs encourages the different taxpayers to heighten their level of tax payment. In addition, taxing the income of the corporate and SMEs discourages the level of productivity and should focus on the consumption side of the economy. Erard (2017) also opined that income taxation of enterprises constrains the growth potential of the taxpayers and hinders economic development in the future thus negatively affects the performance of most SMEs.

Pearson Bivariate correlation was used to compute the correlation between Excise Tax and performance of SMEs in Mombasa County. There was a strong positive and highly significant correlation between Excise Tax and performance of SMEs ( $r = 0.640$ ,  $P < 0.05$ ). Standard multiple regression was conducted and there was positive and statistically significant effect of Excise Tax on performance of SMEs in Mombasa County ( $\beta = 0.180$ ;  $t = 2.652$ ;  $p < 0.05$ ). According to Tee et al., (2016), the level of taxation has a great impact on investment and entrepreneurship. For instance, if an entrepreneur has to pay an excise tax on the value of sales, there is “tempting” pressure to understate those in order to pay less. Moreover, if an entrepreneur has to pay taxes on capital, he or she has no incentive to invest in physical capital and expand business. Therefore, excise tax should be developed in such a way that it would stimulate rather than stop the development of enterprises in order for government revenue not to decrease. This argument is also supported by Goerke (2015) who posits that where a company has distributable profits but has not paid taxes as a result of being in a tax loss position arising from significant capital allowances, the company would potentially incur liability for compensating tax.

## **CHAPTER FIVE**

### **SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

#### **5.1 Introduction**

The study sought to examine the effect of taxation on the performance of small and medium-sized enterprises in Mombasa County. Value added Tax, Income Tax and Excise Tax were the independent variables of the study. This chapter provides a summary of the findings of the study based on the objectives of the study, presents the conclusions from the findings and gives recommendations to the beneficiaries of the study and areas of further research in order to fill the gaps identified in the study.

#### **5.2 Summary of Findings**

##### **5.2.1 Value Added Tax**

The first objective of the study was to determine the effect of Value Added Tax on the performance of small and medium-sized enterprises in Mombasa County. Value Added Tax was found to be satisfactory in explaining performance of SMEs. Further, results showed that Value Added Tax are good predictors of performance of SMEs. Correlation analysis revealed that Value Added Tax were positively and significantly associated to performance of SMEs. Regression of coefficient revealed that there was a positive and significant relationship between Value Added Tax and performance of SMEs. This means that an improvement in Value Added Tax lead to an improvement in performance of SMEs.

##### **5.2.2 Income Tax**

The second objective of the study was to evaluate the effect of Income Tax on the performance of small and medium-sized enterprises in Mombasa County. Income Tax was found to be satisfactory in explaining performance of SMEs. Further, results showed that Income Tax are good predictors of performance of SMEs. Correlation analysis revealed that Income Tax were positively and significantly associated to performance of SMEs. Regression of coefficient revealed that there was a positive and significant relationship between Income Tax and performance of SMEs. This means that an improvement in Income Tax lead to an improvement in performance of SMEs.

### **5.2.3 Excise Tax**

The third objective of the study was to assess the effect of Excise tax on the performance of small and medium-sized enterprises in Mombasa County. Excise Tax was found to be satisfactory in explaining performance of SMEs. Further, results showed that Excise Tax are good predictors of performance of SMEs. Correlation analysis revealed that Excise Tax were positively and significantly associated to performance of SMEs. Regression of coefficient revealed that there was a positive and significant relationship between Excise Tax and performance of SMEs. This means that an improvement in Excise Tax lead to an improvement in performance of SMEs.

### **5.3 Conclusions**

Based on the findings, the study concluded that Value Added Tax has a positive and significant effect on performance of SMEs. Value added tax is a broad-based consumption taxation that has a direct impact on the operations of businesses and taxpayers. The use of a consumption tax such as VAT affects other aspects of the SMEs and the economic environment including tax evasion, labor supply and the portfolio choice. It was observed that tax base under the use of VAT is easier to manage. VAT is a progressive consumption tax that affects uniformity of the factor incomes that are produced within the enterprise.

Based on the findings, the study concluded that Income Tax has a positive and significant effect on performance of SMEs. Tax burdens charged on businesses influence the management decisions since income tax targets the income of the SME rather than consumption in the economy. The reduction in the rate of income tax among SMEs encourages the different taxpayers to heighten their level of tax payment. Income taxation of enterprises constrains the growth potential of the taxpayers and hinders economic development in the future. It was also observed that the Income Tax Act does contain a number of benefits for a taxpayer that is classified as a small business corporation, for example, special wear and tear rates.

Based on the findings, the study concluded that Excise Tax has a positive and significant effect on performance of SMEs. The industries that suffer the most when there is increases in excise duty include tobacco, alcoholic and non-alcoholic beverages, low

value second-hand motor vehicles dealers, and motorcycles dealers. This tends to have a negative spiral effect on SMEs that rely on these industries across the production and distribution chain. Some traders will be forced to shoulder a portion of the excise duty to protect their sales resulting in lower margins.

#### **5.4 Recommendations**

1. As a broad-based tax on final consumption, which is understood to mean final consumption by households, it necessarily follows that the burden of the VAT should not rest on businesses. In practice, if a business acquires goods, services or intangibles that are used in whole or in part for the private consumption of the business owners, VAT regimes must determine whether, or the extent to which, the purchase should be treated as acquired for business purposes or for private consumption.
2. To eliminate the tax burden among SMEs brought about by income tax, policy makers should extend exemption to transactions necessitated by regulatory changes, compulsory government acquisitions and internal restructures considering that such transactions are rarely undertaken for a commercial gain. This will eliminate the tax burden that would otherwise have arisen on transactions that were not undertaken for a commercial motive.
3. Cases when it is impossible to use lump-sum taxes excise taxes should be used, their tax base should be simple, rates and the general number of taxes should not be large or taxes should be equal. As a result of such a policy, distortions in the economy due to taxation would be minimized, as well as administrative and compliance costs should be held at the lowest level. Thus, SMEs welfare would be maximized. Moreover, the excise tax should be developed in such a way that it would stimulate rather than stop the development of enterprises.

#### **5.5 Areas for Further Research**

The study sought to examine the effect of taxation on the performance of small and medium-sized enterprises in Mombasa County. This called for the analysis of Mombasa County SMEs only, thus area for further studies could consider other counties for purpose of making a comparison of the findings with those of the current study. The

study used only three variables that affect performance of SMEs. This is supported by coefficient of determination of 56.4%. This means that Value Added Tax, Income Tax and Excise Tax explain 56.4% of the variations in the dependent variable which is performance of SMEs. Future studies can incorporate other variables which are not captured by this study.

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KRA/KESRA/MSA/106

25th August 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
OSCAR OJUMA	HDB336-C016-7328/2016

The above mentioned student is in his final year of study at the school and currently conducting research on the **EFFECT OF TAXATION ON PERFORMANCE OF SMES IN MOMBASA**. 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 him/her collect information that relates to his research from your organization. Thank you in advance for your support and cooperation.

Yours sincerely,



**Mumia B.J.**  
**Associate Head of Research KESRA, Mombasa Campus**



*Tulipe Ushuru Tujitegemee !*



## **Appendix II: RESEARCH QUESTIONNAIRE**

*This questionnaire is meant to gather information regarding your views on the on effect of taxation on investment decisions of SMEs in Mombasa County.*

### **CONFIDENTIALITY CLAUSE:**

The responses you provide will be used for academic research purposes, will be strictly confidential and will be handled ethically.

### **SECTION A: BASIC INFORMATION**

#### 1. Education Level achieved

Secondary [ ] Diploma [ ] Degree [ ] Postgraduate [ ]

#### 2. Age of the business

a. Below 3 years [ ]

b. Between 3 – 5 years [ ]

c. Between 6 – 10 years [ ]

d. Above 10 years [ ]

**Section B: Effect of Value Added Tax on the Performance of SMEs in Mombasa County**

Kindly put a tick alongside the level of your disagreement or agreement with the statements to express the one that describes your position under the range of scale shown.

**Strongly Disagree (1), Disagree (2), Neutral (3), Agree (4), Strongly Agree (5).**

No.	Statement	1	2	3	4	5
1	The current VAT rate is favorable to my business					
2	VAT taxation affects business operations					
3	The VAT filing process is simple and user friendly					
4	KRA officers have provided adequate information regarding VAT processing and filing					
5	The size of an enterprise has a direct impact on its ability to administer and manage the VAT function internally					

**Section C: Effect of Income Tax on the Performance of SMEs in Mombasa County.**

Kindly put a tick alongside the level of your disagreement or agreement with the statements to express the one that describes your position under the range of scale shown.

**Strongly Disagree (1), Disagree (2), Neutral (3), Agree (4), Strongly Agree (5).**

No	Statement	1	2	3	4	5
1	Income tax charged by KRA is fair					
2	The income tax charges have an impact on the cash flow of the business					
3	KRA has provided a favorable environment for income tax processing					
4	The income taxes charged are commensurate with the services provided by government					
5	The Income Tax Act does contain a number of benefits for a taxpayer that is classified as a small business corporation, for example, special wear and tear rates					

**Section D: Effect of Excise Tax on the Performance of SMEs in Mombasa County.**

Kindly put a tick alongside the level of your disagreement or agreement with the statements to express the one that describes your position under the range of scale shown.

**Strongly Disagree (1), Disagree (2), Neutral (3), Agree (4), Strongly Agree (5).**

No.	Statement	1	2	3	4	5
1	Excise taxes charged are fair					
2	The level of excise taxation has a great impact on investment and entrepreneurship					
3	A simple tax base and a small number of excise taxes that is easily calculated can reduce administrative and compliance costs					
4	KRA provides awareness on the excise tax payment processes					
5	Lump-sum taxation is able to reduce excess tax burden because it does not affect the relative price rates, unlike an excise tax that distorts them					

### Section E: Performance of SMEs

Kindly put a tick alongside the level of your disagreement or agreement with the statements to express the one that describes your position under the range of scale shown.

**Strongly Disagree (1), Disagree (2), Neutral (3), Agree (4), Strongly Agree (5)**

	Statement	1	2	3	4	5
1	Tax policies have direct effect on your firm's performance (Return on Investment)					
2	Regardless of the changes in the taxation system, SMEs will still grow in its profits					
3	Taxation affects business operations					
4	Tax policies create a favorable business environment					
5	Taxation reduces the amount of money for dividends					

### Appendix III: Sample Frame

1.	DemixLtd	192	Tracks Building & Construction Co Ltd
2.	World Premium Chemical Laboratory Ltd	193	Trade Base Co Ltd
3.	Mombasa Real Estates Agencies Limited	194	Tradeline Express Ltd
4.	Swale House Partners Inc.	195	Tradewinds International Cargo Ltd
5.	TransNational Computer LLC	196	World Freight Logistics
6.	Nescho Suppliers & Hardwares	197	Winban Cargo Services Ltd
7.	World Tracking Company	198	World Link Freight Co Ltd
8.	Daniel Chege Web Designs	199	World Link Logistics
9.	Mombasa Commercial & Industrial Enterprises Ltd	200	Yasir Agencies
10.	Romollas Hardware	201	Wings of Good Hope
11.	Yascom Africa	202	World Leather Freighters
12.	Alltech Appliances & Services	203	Dee Pee Distributors Ltd
13.	Coast Battery Distributors	204	Fulus Bureau De Change Ltd
14.	Kibmatloss Assessors	205	Hasman Traders
15.	Maritime Forex Bureau Ltd	206	Island Forex Bureau
16.	Dunamis Tech and Online Solutions	207	Jorg's Forex Bureau Ltd
17.	Pakhus Enterprises	208	Union Freight Services Ltd
18.	Fuji Trading	209	Waheguru Transporters
19.	Kingston Trading	210	Universal Freight & Logistics (K) Ltd
20.	Burhan's Boutique	211	Walford Meadows Ltd
21.	Dipek	212	United Vanlines Ltd
22.	Commercial Cleaning Services	213	Penguin Forex Bureau Ltd
23.	Westin Enterprises Ltd	214	Wadia Construction Co Ltd
24.	Finsbury Trading Ltd	215	United Clearing Company Ltd
25.	Rakal Ltd	216	Vora Construction Co Ltd
26.	Fort Jesus Forex Bureau Ltd	217	United (E A ) Warehouses Ltd
27.	Premium Wood And Hardware	218	Voyage Services Ltd
28.	Abubaker Wholesalers	219	United Builders & Contractors (Africa) Ltd
29.	Afham Trading	220	Kingston Trading Co Ltd
30.	Avenue Forex Bureau	221	Union Logistics Ltd
31.	Bahaji Holdings CO Ltd	222	Leo Forex Bureau Ltd
32.	Coast Forex Bureau Ltd	223	Privateer Enterprise
33.	Cool Products Ltd	224	Pwani Forex Bureau Ltd
34.	Dawood Emporium	225	Waki Clearing & Forwarding Agent

35.	Vivek Investments Ltd	226	Peponi Wholesalers
36.	Savla Enterprises Ltd	227	Privateer Enterprise Ltd
37.	Transeast Ltd	228	Trade Masters Marketing Ltd
38.	Tullalink International Ltd	229	Unimar Africa Trading
39.	Transfleet Limited	230	Wholesalers Ltd
40.	Tulon Freight & Travel	231	Tripro Clearing & Forwarding Co Ltd
41.	Transeast Ltd	232	Trishul Construction Ltd
42.	Emirate Agencies Ltd	233	Tristar Transport Ltd
43.	Dharamshi Stores	234	Tradewise Logistics (K) Ltd
44.	Transafrik Corporation Ltd	235	Trivela Ltd
45.	Tss Express Ltd	236	Trading Floor Ltd
46.	Trans Africa Merchants (K) Ltd	237	Trontech Kenya Ltd
47.	Transafrik Corporation Ltd	238	Trading Trucks Ltd
48.	Acmat Trading Co Ltd	239	Tropical Focus (K) Ltd
49.	Al Ain Trading Establishment Ltd	240	Trancity Gargo Forwarders Ltd
50.	Al Ashraf Trading Co Ltd	241	Tropical Fresh Ltd
51.	Alsaafi Wholesale Trading & CO Ltd	242	Tripro Clearing & Forwarding Co Ltd
52.	Al wahat Ltd	243	Trishul Construction Ltd
53.	Al Zahra Traders	244	Tristar Transport Ltd
54.	Asma Trading Co Ltd	245	Tradewise Logistics (K) Ltd
55.	Audler Trading CO Ltd	246	Trivela Ltd
56.	Everest Wholesalers	247	Dhanani & CO Ltd
57.	Bahaji Store	248	Diani Tourist Bazaar
58.	Copro Enterprises	249	East Africa Provision Mart
59.	Trans Africa Merchants (K) Ltd	250	Espaf Traders
60.	Tropical Sky Cargo Ltd	251	Fiji Wholesalers
61.	Trans Express	252	Generation Wholesalers
62.	Tropics Sun Travels Ltd	253	Hamoud Trading Agencies
63.	Trans Express Bus Services	254	Hasnain Trading CO
64.	Truck Forwarders Co Ltd	255	Mukilink Trading CO
65.	Trans Ocean Express Ltd	256	Mumin Enterprises
66.	Truckers Kenya Ltd	257	Nelcom Trading Ltd
67.	H p tajbhai & CO Ltd	258	Oryx Trading International Ltd
68.	Hussaba Trading Co Ltd	259	Valesco Holdings
69.	Kagwi Wholesale Traders	260	Waruhiu Construction Ltd
70.	Tropical Sky Cargo Ltd	261	Valji Karsan Contractors
71.	Trans Express	262	Wasafiri Services
72.	Tropics Sun Travels Ltd	263	Valji Visram & Co
73.	Trans Express Bus Services	264	Washline Agencies Ltd
74.	Truck Forwarders Co Ltd	265	Valmo Ltd
75.	Trans Ocean Express Ltd	266	Waterwaves Agencies Ltd
76.	Truckers Kenya Ltd	267	Vanga Express Limited
77.	Transafrik Corporation Ltd	268	Valesco Holdings

78.	Marben Enterprises	269	Waruhiu Construction Ltd
79.	Universal Link Limited	270	West Coast East Africa Ltd
80.	Walmo Clearing & Forwarding Co	271	Verity Cargo Services Ltd
81.	Ltd	272	Westcon Contractors Ltd
82.	Uplands Cargo Conveyors Ltd	273	Vibrrasi Enterprises Ltd
83.	Walsord Meadows	274	Western Bus Services
84.	Uplift Express (Kenya) Ltd	275	Victoria Aquatics & Mercantile Ltd
85.	Wambuka Freighters Ltd	276	Western Logistics Services Ltd
86.	Universal Link Limited	277	Victoria International Logistics Ltd
87.	Walmo Clearing & Forwarding Co	278	West Coast East Africa Ltd
88.	Ltd	279	Verity Cargo Services Ltd
89.	Uplands Cargo Conveyors Ltd	280	Westcon Contractors Ltd
90.	Walsord Meadows	281	Vibrrasi Enterprises Ltd
91.	Uplift Express (Kenya) Ltd	282	Western Bus Services
92.	Wambuka Freighters Ltd	283	Victoria Aquatics & Mercantile Ltd
93.	Urgent Cargo Handling Ltd	284	Western Logistics Services Ltd
94.	Wandey Freight Services	285	Victoria International Logistics Ltd
95.	Utu Bora Transport Agencies	286	West Coast East Africa Ltd
96.	Wansar Kenya Ltd	287	Verity Cargo Services Ltd
97.	V Naran Mulji Properties Ltd	288	Westcon Contractors Ltd
98.	Warentokil (K) Ltd	289	Vibrrasi Enterprises Ltd
99.	Vaded (K) Ltd	290	Warton Agencies
100.	Urgent Cargo Handling Ltd	291	Vakkep Building Contractors Ltd
101.	Wandey Freight Services	292	Waru Enterprises Ltd
102.	Utu Bora Transport Agencies	293	Waylinks Services Ltd
103.	Wansar Kenya Ltd	294	Vanity Freighters
104.	V Naran Mulji Properties Ltd	295	Wayto Associates Ltd
105.	Warentokil (K) Ltd	296	Vapco Construction Co
106.	Vaded (K) Ltd	297	Welfast Construction Co Ltd
107.	Urgent Cargo Handling Ltd	298	Warton Agencies
108.	Wandey Freight Services	299	Vakkep Building Contractors Ltd
109.	Utu Bora Transport Agencies	300	Waru Enterprises Ltd
110.	Wansar Kenya Ltd	301	Waylinks Services Ltd
111.	V Naran Mulji Properties Ltd	302	Vanity Freighters
112.	Warentokil (K) Ltd	303	Wayto Associates Ltd
113.	Vaded (K) Ltd	304	Vapco Construction Co
114.	Urgent Cargo Handling Ltd	305	Welfast Construction Co Ltd
115.	Wandey Freight Services	306	Warton Agencies
116.	Utu Bora Transport Agencies	307	Vinbush Enterprises Ltd
117.	Wansar Kenya Ltd	308	Widenet Freight Agencies
118.	V Naran Mulji Properties Ltd	309	Vincenzo Hotel Contractors Ltd

119.	Warentokil (K) Ltd	310	Wigedoje Enterprises Ltd
120.	Willfield Freighters Co Ltd	311	Vinep Forwarders Limited
121.	Visaro Construction Co	312	Wigglesworth Exporters Ltd
122.	Willing Freight Services	313	Vintage Warehouse Agencies
123.	Vishvakarma Joiners & Builders	314	Wilkesy & Macgeorge Ltd
124.	Willmon Freight Agencies	315	Virchand Virpal & Sons Ltd
125.	World Cargo Logistics Ltd	316	Vinbush Enterprises Ltd
126.	Wilsaki Freight Forwarders Ltd	317	Widenet Freight Agencies
127.	Willfield Freighters Co Ltd	318	Vincenzo Hotel Contractors Ltd
128.	Visaro Construction Co	319	Wigedoje Enterprises Ltd
129.	Willing Freight Services	320	Vinep Forwarders Limited
130.	Vishvakarma Joiners & Builders	321	Wigglesworth Exporters Ltd
131.	Willmon Freight Agencies	322	Vintage Warehouse Agencies
132.	World Cargo Logistics Ltd	323	Wilkesy & Macgeorge Ltd
133.	Premchand Depar & CO	324	Virchand Virpal & Sons Ltd
134.	Pwani Trading Agencies Ltd	325	Vinbush Enterprises Ltd
135.	Raichand Panachand & CO	326	Widenet Freight Agencies
136.	Roma Trading CO Ltd	327	Vincenzo Hotel Contractors Ltd
137.	Sahem Bin Abeid & CO	328	Wigedoje Enterprises Ltd
138.	Wrap & Pack Cargo (K) Ltd	329	Vinep Forwarders Limited
139.	Ziofreight Clearing & Forwarding Co	330	Wigglesworth Exporters Ltd
140.	Ya-Fatah Clearing & Fowarding	331	Vintage Warehouse Agencies
141.	Zobra Builders Limited	332	Wilkesy & Macgeorge Ltd
142.	Yalfa Cargo Handling Ltd	333	Asfaw Trading Co Ltd
143.	Zobra Constr & Co	334	Allcliff Agencies
144.	Yara East Africa Ltd	335	Asg Transport Ltd
145.	Zomark Freighters	336	Alliance Cargo Forwarders Ltd
146.	Westin Enterprises Ltd	337	Ashdhi Co. Ltd
147.	Zounhaize(K)Ltd	338	Alliance Logistics (K) Ltd
148.	Weston Logistics Ltd	339	Asia Pacific Clearing & Forwarding Ltd
149.	Zula Transporters	340	Allports Forwarders Ltd
150.	Wrap & Pack Cargo (K) Ltd	341	Ask Cargo Ltd
151.	Ziofreight Clearing & Forwarding Co	342	Al-Mubarak Forwarders 138
152.	Ya-Fatah Clearing & Fowarding	343	Associated Building & Civil
153.	Zobra Builders Limited	344	Engineering Contractors
154.	Yalfa Cargo Handling Ltd	345	Almug (K) Ltd
155.	Sanostadi Trading CO	346	Asfaw Trading Co Ltd
156.	Shah Method Dharahi & CO	347	Allcliff Agencies
157.	Sojpar Gosar & CO	348	Asg Transport Ltd
158.	Sorakant Wholesalers	349	Alliance Cargo Forwarders Ltd
159.	Wem Freight Consultants Co Ltd	350	Ashdhi Co. Ltd
160.	Venture Africa Co Ltd	351	Zafora Investments

161.	Wermort Flowers	352	Worldwide C Frieght Ltd
162.	Venus Maritime (K) Ltd	353	Zakhem Construction (Kenya) Ltd
163.	Westgate Cargo Marketing	354	Worldwide E A Ltd
164.	Victoria Nile Freight Services	355	Zeft Freighters
165.	Whispers Investments (K) Ltd	356	Worldwide Kenya Ltd
166.	Victory Construction Co Ltd	357	Zein Freight Services
167.	Whiteline Ltd	358	Worldwide Logistics Ltd
168.	Wem Freight Consultants Co Ltd	359	Zigler Express Ltd
169.	Venture Africa Co Ltd	360	Worldwide Movers Kenya Ltd
170.	Wermort Flowers	361	Zafora Investments
171.	Venus Maritime (K) Ltd	362	Worldwide C Frieght Ltd
172.	Westgate Cargo Marketing	363	Zakhem Construction (Kenya) Ltd
173.	Victoria Nile Freight Services	364	Worldwide E A Ltd
174.	Whispers Investments (K) Ltd	365	Zeft Freighters
175.	Victory Construction Co Ltd	366	Worldwide Kenya Ltd
176.	Whiteline Ltd	367	Yuston Cargo Ltd
177.	Afri Global Ltd	368	Worldrich Services Ltd
178.	Alfa Logistics	369	Zilphique Enterprises
179.	Amalgaed Agencies	370	Afreen Enterprises
180.	Amritlal Premchand & Company	371	Yuston Cargo Ltd
181.	Anwarali & Brothers Ltd	372	Worldrich Services Ltd
182.	Apollo Eleven Properties Ltd	373	Zilphique Enterprises
183.	Arcpro Agencies Ltd	374	Afreen Enterprises
184.	Arcpro Logistics Ltd	375	Avandu General Merchants Ltd
185.	Arkan Holdings Ltd	376	Ayman Travels
186.	Beeline Enterprises Ltd	377	Azusa Ltd
187.	Wakara Enterprises	378	B T A Bigtimer Agencies Ltd
188.	Velji Muljee Store	379	Vaghji Velji & CO
189.	Tayari Wholesalers (1995) Ltd	380	United Traders (Mombasa) Ltd
190.	Tamu Enterprises	381	Stocklot Market and Trading Ltd
191.	Squaredeal Traders	382	Stezan General Traders