

**BINDURA UNIVERSITY OF SCIENCE EDUCATION
FACULTY OF COMMERCE**



BACHELOR OF ACCOUNTANCY DEGREE

**THE IMPACTS OF TAXATION POLICIES ON THE GROWTH OF SMES IN A
VOLATILE ECONOMIC ENVIRONMENT. A CASE STUDY OF BUHERA DISTRICT.**

BY

B201172B

**A DISSETATION SUBMITTED TO THE SCHOOL OF COMMERCE IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE BACHELOR
OF ACCOUNTANCY DEGREE.**

DECLARATION

I, B201172B, do hereby declare that this project is a presentation of my own work except to the indicated in the acknowledgement, references and by comments included in the body of the report, and that it has not been submitted in part or in full to any other University or any other Institution of higher learning.

APPROVAL FORM

The undersigned relevant authorities certify that they have read and recommended to the Bindura University of Science Education for acceptance of a research project titled: Effects of corporate governance practices on the financial performance of SMEs in Zimbabwe in partial fulfillment of the requirements of the Bachelor of Accountancy Honors Degree.

Morris Chakanetsa



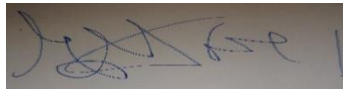
27/9/2024

STUDENT

SIGNATURE

DATE

N.HOVE



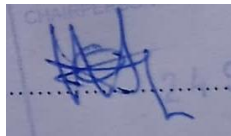
27/9/2024

SUPERVISOR

SIGNATURE

DATE

O.MANYANI



27/9/2024

DEPARTMENT CHAIRPERSON

SIGNATURE

DATE

ACKNOWLEDGEMENT

This successful completion of this project would not have been possible without the assistance and support from other people.

Firstly, I would like to express my indebtedness to my supervisor for the guidance and support, which led to the production of this research project.

I want to thank all the selected participants for their contributions to the study.

I also want to extend my profound gratitude to my parents, my wife and my sisters and for their patience and understanding, as I spend several hours and days without attending them.

I thank you all for the support given.

DEDICATION

To my parents, wife and sisters

ABSTRACT

Small and Medium Enterprises play a crucial role in the economic landscape of both developed and developing economies by fostering employment and growth. However, SMEs frequently face challenges such as high tax rates, unfavorable tax policies impacting profits, and significant tax compliance costs. In this study, the main focus is to examine the impact of tax policies on the growth of SMEs in a volatile economic environment. A descriptive survey design was utilized to analyze 325 SMEs. Data was collected through structured questionnaires from Small and Medium Enterprises respondents. This study employed multiple linear regression to assess the significance of five descriptive variables in relation to SME growth in a volatile economic environment. The findings indicate that tax compliance costs and business experience exhibit a constructive and significant bond with SME growth. Conversely, tax rate and complexities, as well as tax policy, show a statistically significant adverse impact on SME growth. The study also suggests that reducing tax rates for businesses, particularly SMEs, could benefit their growth. Additionally, it recommends that tax policies aimed at private sector should consider the specific needs of SMEs.

Table of Contents

DECLARATION.....	i
ACKNOWLEDGEMENT.....	iv
DEDICATION.....	v
ABSTRACT.....	vi
CHAPTER ONE	1
1.1 Introduction.....	1
1.2 Background of the study	1
1.3 Statement of the problem	2
1.4 Research Objectives.....	2
1.5 Research Questions.....	2
1.6 Significance of the study	3
1.7 Scope of the research under study.....	3
1.8 Delimitations of study	3
1.9 Limitations.....	4
1.10 Assumptions.....	4
1.11 Definition of terms	4
1.12 Chapter Summary	4
CHAPTER 2.....	5
LITERATURE REVIEW	5
2.0 Introduction.....	5
2.1 Review of Theories.....	5
2.1.1 The Ability to Pay Theory of Taxation	5
2.1.2 The notation of economic deterrence	6
2.1.3 Theory of planned behavior	8
2.2 Conceptual review.....	9
2.2.1 SMEs definition and its importance.....	9
2.2.2 Characteristics of SMEs	10
2.3 Roles and contributions of SMEs	11
2.4 Economic volatility and its implications to SMEs.....	12

2.5 Causes of economic volatility	13
2.6 Impacts of economic volatility on SMEs	14
2.7 Tax rate and complexity and SME growth.....	15
2.7.1 Tax rate and incentives for SMEs	16
2.7.2 Tax policy and growth of SMEs.....	16
2.7.3 Costs of Tax Legislation to SMEs	17
2.8 Empirical review	18
2.9 Conceptual Framework.....	19
2.10 Gaps in the literature.....	19
2.11 Summary of chapter	20
CHAPTER THREE	22
RESEARCH METHODS	22
3.0 Introduction.....	22
3.1 Research design.....	22
3.2 Study area	23
3.4 Data collection instruments.....	25
3.5 Validity and reliability of research instruments	26
3.6 Data collection procedures	27
3.7 Measurement of variables	28
3.7.1 Dependent variables.....	28
3.7.2 Independent and control variables.....	28
3.8 Data processing and analysis	29
3.9 Model of the study.....	30
3.10 Chapter summary	31
CHARPTEr FOUR.....	32
RESULTS AND DISCUSSIONS	32
4.0 Introduction.....	32
4.1 Demographic Information.....	33
4.2 The Effects of Tax Rate and Complexities on SMEs	36
Table: The effects of tax rates and complexities on SMEs	36
4.3 The influence of tax policies on SMEs growth in a volatile economic environment	37
Table: The effects of tax policies on the growth of SMEs	38
4.4 Relationship between Tax Compliance Cost and Growth of SMES	39

Table: Tax Compliance Cost and Growth of SMEs	39
4.5Regression Analysis	40
Table: The regression model.....	40
model r R square square estimate.....	40
4.6 ANOVA Analysis Results	41
Table: Model Coefficients	41
4.7 Chapter Summary	43
CHAPTER FIVE	44
SUMMARY, CONCLUSION AND RECOMMENDATIONS.....	44
5.0 Introduction.....	44
5.1 Summary and Findings	44
5.2 Conclusion	45
5.3 Recommendations	45
5.4 Suggestions for Further Research	46
REFERENCES	47
APPENDICES	51
A. DEMOGRAPHICS	51
GROWTH OF SMEs	53
(SD).....	53
C. THE INFLUENCE OF TAX POLICY ON THE GROWTH OF SMEs	54
Strongly Disagree (SD).....	54
D. EFFECT OF TAX COMPLIANCE COST ON THE GROWTH SMEs	55
E. IMPACT OF TAXATION ON SMES' GROWTH	55
Strongly Disagree (SD).....	56

CHAPTER ONE

1.1 Introduction

This research illustrates the impacts of tax policies on the growth of Small to Medium Enterprises (SMEs) in Zimbabwe's unstable economic conditions, specifically in Buhera District. The study examined how the government's application of taxation affects the growth and development of SMEs. All the background underpinning core of the study, including the statement of the problem, research objectives, guiding questions, limitations, delimitations, and definitions of key terms used in the study are outlined.

1.2 Background of the study

Taxation refers to the compulsory financial charges levied by the government on income, property, sales, and other forms of economic activity (Tee, Baadi, and Opoka, 2016). Taxes are obligatory payments that the government imposes on citizens, firms, and organizations, not as a penalty for wrongdoing but as a source of revenue to fund government expenditures and support the economy (Chude and Chude, 2011). The Zimbabwean tax system includes corporate tax, value-added tax, and pay-as-you-earn (PAYE) deductions.

Challenges faced by small businesses, such as low profitability and stunted growth, have been attributed to the tax burden they face (Chude and Chude, 2011). Taxation has become a hindrance to the growth of Small to Medium Enterprises (SMEs) in Zimbabwe, as it significantly impacts corporate profitability (Njanike, 2019). Taxation is one of the government policies that directly impedes the expansion of SMEs, as taxes are levied based on the amount of income earned by the business.

SMEs in Zimbabwe, such as tuck shops, small retail stores, and service providers, are required to comply with the taxation policy by obtaining operator licenses and registering with the Zimbabwe Revenue Authority (ZIMRA) for corporate tax. However, the limited operations and returns of these SMEs often lead them to evade the taxation policy. This study aims to highlight the problems faced by SMEs in Zimbabwe due to the implementation of the taxation policy and its impact on the growth of their businesses.

1.3 Statement of the problem

While taxation has a significant impact on corporate profitability, certain tax policies, such as value-added tax (VAT), do not directly affect a company's financial performance. This is because the tax burden with VAT can be passed on to consumers through higher prices. However, if businesses choose to pass some of the tax burden onto consumers by raising prices, this can negatively impact the bottom line. The increase in prices may lead to a decrease in consumer demand, which could offset any potential gains from passing on the tax.

1.4 Research Objectives

1. To explore the impact of tax rates and intricacies on the expunction of small and medium businesses in a dynamic economic climate.
2. To investigate how tax policies affect the expunction of small and medium enterprises in a fluctuating economic environment.
3. To analyze how the costs associated with tax compliance impact the expansion of small and medium businesses in an unstable economic setting.

1.5 Research Questions

1. How do tax rates and complexities impact the expunction of small and medium enterprises in a volatile economic climate?
2. In what ways do tax policies shape the expunction of small and medium enterprises in a volatile economic environment?
3. What is the link between tax compliance costs and growth of small and medium enterprises in a volatile economic setting?

1.6 Significance of the study

1. To the Researcher: The research was conducted as partial fulfillment of a Bachelor of Accounting degree. The researcher was well-versed in the subject matter and interested in pursuing further professional studies.
2. To the University: The study's findings will be valuable for other scholars at Bindura University of Science and Education. The research can serve as a resource and reference material for future academics studying related topics.
3. To SME and Corporate Owners: The study highlights the significant impacts and effects of taxation on the growth of Small and Medium Enterprises (SMEs). It demonstrates how increased tax burdens directly impact the financial performance and growth of SMEs. The study aims to advise SME owners on strategies to survive tax policy changes, such as apportioning tax liability between the business and consumers.
4. To the Government: The research indicates that various taxation policies directly hinder business growth. The findings can provide relevant information to government officials overseeing the tax system, enabling them to reassess and adjust the taxation policy to better support the growth of SMEs.

1.7 Scope of the research under study

In a dynamic economic climate, this study primarily looks at how tax affects the expansion of SMEs in Manicaland's Buhera District. This study will investigate how tax laws impact the financial performance of SMEs, which in turn impacts the SMEs' overall growth.

1.8 Delimitations of study

Foreground of the project mainly enlightened on implications of taxation on the growth of SMEs leaving behind authorities like ZIMRA and how noncompliance of the SMEs on taxation affect the economy and the government expenditures.

1.9 Limitations

Access to certain data of the subject matter was restricted due to confidentiality. A quantitative study was adopted for the study with a view to gather information from the managers of retail shops though some individuals were ignorant and feared to dispose of information for the research.

1.10 Assumptions

The researcher assumed that information gathered was reliable, accurate and up to date that it could be relied on.

1.11 Definition of terms

Taxation

It refers to the charges imposed on individuals and businesses by the government. It is an obligatory payment required from citizens, firms, and organizations, used as a source of income for the government to cover its expenses

1.12 Chapter Summary

In this chapter, an outline of the study's contents was provided along with a concise explanation of the problem statement, research goals, questions, scope, and rationale. The next chapter will establish theoretical foundation of the project and include an analysis of literature, perspectives, and debates from various academic sources

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

The introduction section of the study emphasizes the importance of analyzing relevant literature, including conceptual, empirical, and theoretical works. A strong theoretical framework was established through a literature review, while empirical studies were reviewed to understand prior research and measurement methodologies of variables. The conceptual analysis helped establish relationships between independent and dependent variables, with theories serving as valuable support for research hypotheses. Notable theories explored include economic deterrence theory, ability to pay theory of taxes, and the planned behavior hypothesis, offering valuable insights into the research topic.

2.1 Review of Theories

In this section, the literature review focused on examining theories that supported the research hypotheses. These theories were developed by academics and are relevant to the research topic. The theories explored in this section include the economic deterrence theory, ability to pay taxes, and planned behavior hypothesis. These theories deliver clear visions and perspectives that add to the understanding of the research topic

2.1.1 The Ability to Pay Theory of Taxation

This theory of taxation proposes that taxes must be levied on individuals centered on their financial situation or income. This theory forms the base for a progressive tax system, where the tax rate increases proportionally with taxable income. A central argument of this theory is that taxes should be distributed among members of society in accordance with their ability to pay, ensuring fairness and equity in taxation. According to the ability to pay theory, individuals or companies with higher incomes or wealth should be obligated to pay a higher amount of taxes

compared to those with lower income. This principle emphasizes the notion that those who are financially capable must pay a bigger share to the tax burden. The ability to pay theory is considered to provide the most equitable tax structure and is commonly used in industrial economies. It ensures that those with higher incomes contribute a greater proportion of taxes, aligning with the notions of fairness and equality in tax system.

The theory is relevant in understanding the potential effects of taxes on small and medium-sized enterprises (SMEs) operating in a volatile economic environment. Over-taxation can have adverse consequences on the profitability of SMEs, leading to stagnant growth. When SMEs face excessive tax burdens, their profitability is compromised, hindering their capacity to invest, expand, and thrive in the market. Understanding the impact of taxation on SMEs' ability to pay is crucial for evaluating the potential negative outcomes on their profitability and overall growth.

This theory proposes that taxes must be charged based on individuals' financial situation or income. It ensures fairness and equity in taxation by distributing tax liability according to individuals' ability to pay. It is relevant in understanding the potential impact of taxes on SMEs' profitability and growth.

2.1.2 The notation of economic deterrence

Economic deterrence theory suggests that individuals are motivated by economic factors and their desire to maximize their own utility when it comes to tax compliance. Taxpayers weigh the potential benefits of non-compliance, such as increased profits, against the potential costs, such as the likelihood of being caught and facing penalties. The theory posits that taxpayers are more likely to comply with tax obligations when the cost of non-compliance outweighs the benefits. If the potential punishment for not paying taxes is significant and the perceived benefits of non-compliance are minimal, taxpayers are more likely to fulfill their tax obligations.

The penalty system plays a crucial role in deterring tax evasion. By imposing penalties on non-compliant taxpayers, the government aims to increase the perceived costs of non-compliance and reduce the potential benefits. The fear of facing penalties acts as a deterrent, encouraging individuals to comply with tax laws and fulfill their obligations. Allingham and Sandmo (1972) proposed that the likelihood of being caught and the severity of the penalty are inversely related.

Regions with a higher probability of detection should impose lighter fines, while areas with a lower likelihood of detection should have more severe penalties. This approach considers the significant presence of an unorganized informal sector, where tax evasion tends to be prevalent.

Allingham and Sandmo (1972) also suggested that in situations where the likelihood of detection is low, even mild punishments can serve as effective deterrents, comparable to more severe penalties. This finding challenges the traditional notion that stronger penalties are always necessary to deter non-compliance. Instead, it highlights the importance of perceived risks and the potential for detection in shaping taxpayer behavior. Taxpayer behavior is influenced by their attitude towards risk. Allingham and Sandmo argued that when taxpayers have a low aversion to risk, a rise in the tax rate would lead to a decline in tax dodging. On the other hand, taxpayers with higher income levels are more likely to have a reduced inclination towards tax evasion.

Lyons (1974) suggests that creating a favorable economic environment, which enables taxpayers to increase their incomes, can lead to a reduction in tax evasion. By promoting economic growth and providing opportunities for individuals to enhance their financial well-being, the motivation to engage in tax evasion would diminish. Research centered on this theory suggests that taxpayers are more responsive to severity penalties rather than probability of detection, particularly when the likelihood of being caught is very low.

Incorporating positive inducements as part of a comprehensive tax compliance strategy can serve as a valuable tool in deterring tax evasion. By incorporating positive incentives for compliance, policymakers can encourage voluntary compliance and enhance deterrence. It is vital to identify the drawbacks of depending merely on penalties to address tax evasion. A comprehensive approach that combines penalties with positive inducements and rewards may be more effective in promoting compliance.

Understanding the motivations and behaviors of taxpayers can help policymakers design strategies that go beyond punitive measures and focus on creating a conducive environment that encourages voluntary compliance. This approach acknowledges the complexities of tax evasion and emphasizes the importance of addressing underlying factors that drive non-compliance. Creating an enabling business environment is identified as a key aspect in promoting tax compliance. When

businesses thrive and generate more revenues, the owners are more likely to be motivated to fulfill their tax responsibilities without resorting to evasion. This highlights the importance of fostering economic growth, providing support for businesses, and creating favorable conditions that incentivize taxpayers to comply voluntarily.

2.1.3 Theory of planned behavior

This Theory focuses on direct connection between an individual's intention and subsequent behavior. It is particularly relevant in discussions about policy changes aimed at influencing taxpayer behavior, especially in the context of tax compliance. Taxpayers' intentions are crucial as they determine voluntary participation, which in turn affects revenue collection.

Predicting and understanding taxpayers' intentions to comply is essential for policymakers to develop effective strategies that influence compliance behavior. Recognizing the differences between intentional and unintentional non-compliance helps tailor interventions to address specific issues and improve overall compliance rates. The TPB stresses the significance of understanding taxpayers' intentions and aligning policy interventions accordingly to shape compliance behavior effectively.

In addition to intention, the TPB considers behavioral control, which includes perceived and actual control. Understanding both aspects helps policymakers address psychological and practical influences on taxpayer behavior. Theory of Reasoned Action (TRA) closely relates to TPB, focusing on motivational factors behind behavior and highlighting behavioral intentions as key determinants of actual behavior. TRA emphasizes individuals' motivations and commitments to specific behaviors through their intentions, providing insights that guide policymakers in designing interventions that influence behavior by shaping intentions effectively.

The TRA's emphasis on attitudes towards behavior and subjective norms as determinants of intention offers a comprehensive understanding of behavioral intentions. Attitudes reflect evaluations of behaviors based on outcome beliefs, while subjective norms capture the influence of social factors on intentions. This understanding enables targeted interventions that address factors shaping intentions, promoting desired behaviors such as tax compliance.

By considering individuals' emotions, perceptions of fairness, and attitudes towards tax compliance, policymakers and researchers can gain insights into factors shaping compliance behavior. Understanding the impact of emotions, perceived benefits, and costs associated with compliance on taxpayer behavior can inform interventions that encourage positive attitudes and foster tax compliance beyond enforcement-based strategies.

The theory underscores the role of attitudes, beliefs, and emotional aspects in shaping compliance behavior, especially for small and medium enterprises (SMEs). By considering attitudes of SME managers as well as owners towards tax compliance, perceptions of fairness, utility of tax payments, and how tax revenues are utilized, policymakers can develop strategies that promote voluntary compliance and positive perceptions of the tax system.

2.2 Conceptual review

The objective of this segment is to delve into the concepts pertinent to the study. This involves analyzing past research to elucidate the variables under scrutiny and their measurement techniques. This stage is critical as it lays the groundwork for the theoretical framework governing the selection of these variables in the study. Particularly, the variables at hand include rate of tax and its effect on expansion of SMEs, the impact of taxation on SME development, and correlation between tax expenses and SME growth. Furthermore, the assessment of SME growth is explored, and the difficulties encountered by taxpayers and the progression of SMEs are also examined.

2.2.1 SMEs definition and its importance

In the literature, small businesses are commonly defined based on criteria such as the number of businesses and employees. However, there can be confusion due to the subjective nature of these criteria and the varying definitions used by different official sources. SMEs play a crucial part in the long run. They are often referred to the backbone of the economy because of their significant contribution in creating employment. SMEs are major job creators in both developed and developing countries. They provide employment opportunities to a significant portion of the workforce, especially at the local level.

Economic Growth and Innovation, they are important drivers of economic growth and innovation. They contribute to the overall GDP of a country and foster entrepreneurship. SMEs often bring fresh ideas and innovative solutions to the market, promoting competition and driving overall economic development.

Regional Development, SMEs are particularly important for regional development, especially in rural and underdeveloped areas. They can help reduce regional disparities by creating employment opportunities and stimulating economic activities in areas that may otherwise lack major industries or investments. SMEs also contribute to the development of local supply chains and foster collaboration among local businesses.

Flexibility and Adaptability, SMEs can adapt their strategies, products, and services more easily, making them more resilient to economic downturns or changes in consumer preferences. This flexibility allows them to seize new opportunities and contribute to economic stability.

Nurturing Entrepreneurship, SMEs provide a breeding ground for entrepreneurship. They offer an entry point for individuals with innovative ideas and limited resources to start their own businesses. The low entry barriers and relatively lower risks associated with SMEs compared to large enterprises make it easier for aspiring entrepreneurs to test their ideas, gain experience, and grow their ventures.

Diversification and Competition, SMEs contribute to market diversification and healthy competition. Their presence encourages innovation, drives product differentiation, and offers consumers more choices. This competition stimulates larger companies to stay competitive and innovate, ultimately benefiting consumers and the overall market.

SMEs are of paramount importance to the economy due to their significant contributions in terms of employment generation, economic growth, innovation, regional development, flexibility, and nurturing entrepreneurship. Supporting and promoting the growth of SMEs is crucial for sustainable and inclusive economic development.

2.2.2 Characteristics of SMEs

SMEs possess several common characteristics. Firstly, they are often privately owned and operated, and their management is typically handled by the owners or a small management team.

Decision-making processes in SMEs are usually more centralized and quicker compared to larger organizations.

SMEs often have a local or regional focus, serving customers within a specific geographical area. However, with advancements in technology and globalization, SMEs can also operate on a national or international scale. SMEs can quickly reply to customer needs, market trends, and emerging opportunities, which gives them a competitive advantage over larger organizations.

Limited resources are a common challenge faced by SMEs. They often struggle with limited financial resources, access to capital, and technological capabilities. These constraints can create difficulties in terms of funding, accessing markets, and investing in research and development. Innovation and entrepreneurship are also key characteristics of SMEs. They are more likely to introduce new products, services, and business models compared to larger corporations.

Overall, SMEs have unique characteristics that distinguish them from larger corporations. Understanding these characteristics is important for policymakers, researchers, and stakeholders in supporting and promoting the growth and development of SMEs.

2.3 Roles and contributions of SMEs

Small and medium enterprises are instrumental in driving economic growth and development. They fulfill various important roles and make significant contributions to the economy. They offer employment opportunities to a significant portion of the workforce. Due to their labor-intensive nature, SMEs contribute significantly to overall employment levels.

SMEs are important drivers of economic growth and innovation. SMEs are known for their entrepreneurial spirit, which enables them to introduce innovative products, services, and business models. This leads to increased competitiveness and productivity across industries.

They are vital for promoting regional development, especially in underdeveloped or rural areas. They have the potential to reduce regional disparities by creating employment opportunities and stimulating economic activities in areas that lack major industries or investments. SMEs often utilize local resources, foster local supply chains, and contribute to the overall development and growth of regions.

To add on, SMEs provide a platform for nurturing and encouraging entrepreneurship. They offer an entry point for individuals with innovative ideas and limited resources to start their own

businesses. The relative ease of starting an SME compared to larger enterprises reduces barriers to entry and encourages aspiring entrepreneurs to take risks, gain experience, and contribute to economic development.

SMEs can play a significant role in export and international trade. They often specialize in niche markets or specific products and services, giving them a competitive edge in global markets. SMEs engaged in international trade contribute to foreign exchange earnings, expand market reach, and raise the country's profile in international trade.

Moreover, SMEs form an integral part of supplier networks and value chains. They provide goods, services, and components to larger companies, contributing to the overall production and distribution processes. SMEs' participation in value chains promotes collaboration, innovation, and efficiency throughout the supply chain, benefiting both SMEs and larger enterprises.

SMEs can have a positive impact on society and culture. They often have strong connections to local communities, preserving cultural heritage, and supporting community development initiatives. SMEs can also be more responsive to social and environmental considerations, contributing to sustainable and responsible business practices.

SMEs play diverse and vital roles in an economy, including employment generation, economic growth, innovation, regional development, entrepreneurship, international trade, value chain participation, and social contribution. Recognizing and supporting the growth and development of SMEs is essential for fostering a dynamic and inclusive economy.

2.4 Economic volatility and its implications to SMEs

Growth can be assessed through examining number of jobs created by SMEs. To support small and medium enterprises, the Reserve Bank of Zimbabwe should enforce the requirement for proper record-keeping by SMEs, which is necessary for banks to provide loans to individuals. Furthermore, the RBZ should strengthen its monetary policy instruments to stabilize the overall cost of doing business and borrowing in Zimbabwe. These measures aim to create a more conducive environment for SMEs to thrive.

Economic volatility indeed poses several challenges for SMEs, but it also presents opportunities for those who can adapt and innovate. The points mentioned highlight the various ways in which SMEs can be affected by economic fluctuations, including financial challenges, uncertain business

environments, reduced access to capital, decreased consumer confidence, supply chain disruptions, increased business risks, and the potential for innovation and adaptation.

It is important to recognize the unique position of SMEs, which often operate with limited resources and have less capacity to absorb sudden changes. They may face difficulties in accessing financing, forecasting market changes, and adapting to disruptions in supply chains. However, it is also crucial to acknowledge that SMEs can be agile and responsive to economic volatility, finding ways to differentiate themselves, diversify their customer base, and explore new markets.

To support SMEs during periods of economic volatility, governments and policymakers can play a significant role. They can implement targeted policies, provide access to financing, and create a supportive business environment. By doing so, they can help mitigate the impact of economic volatility on SMEs and foster their long-term sustainability.

Economic volatility presents both challenges and opportunities for SMEs. While SMEs may face financial hurdles, uncertain business environments, and other risks, those that are resilient and proactive can also find avenues for growth and innovation. By understanding the implications of economic volatility and implementing supportive measures, we can create an environment that enables SMEs to thrive even in times of economic uncertainty.

2.5 Causes of economic volatility

Economic volatility refers to the fluctuations and instability in key economic indicators over a relatively short period of time. Economic volatility reflects the uncertainty and unpredictability in the overall economic environment, as it measures the magnitude and frequency of fluctuations in economic indicators that deviate from their long-term trends.

Economic volatility is closely tied to business cycles. During expansionary phases, economic indicators tend to be positive and growing. However, during contractionary phases or recessions, economic indicators decline, leading to increased volatility.

Government policies and central bank actions can influence economic volatility. Changes in fiscal policies, such as taxation and government spending, or monetary policies, such as interest rate adjustments or money supply changes, can have significant impacts on economic indicators and contribute to volatility.

Economic volatility can also be driven by global economic factors. Events such as financial crises, trade disputes, geopolitical tensions, or shifts in global commodity prices can have ripple effects across economies, leading to increased volatility in various economic indicators.

Investor behavior and market speculation can contribute to economic volatility. Financial markets are influenced by investor sentiment and expectations. Market participants' reactions to news, economic data, or perceived risks can lead to rapid changes in asset prices and contribute to overall economic volatility.

Economic volatility can be caused by natural disasters, political unpredictability, or international pandemics. These events can upset supply chains, reduce consumer confidence, and lead to sudden and significant changes in economic indicators.

It is important to note that economic volatility can have both positive and negative implications. While it can lead to uncertainties and challenges, it can also create opportunities for innovation, market entry, and growth. Policy interventions, regulatory frameworks, and effective risk management policies can help mitigate the impacts caused by economic volatility and foster stability and sustainable economic growth.

2.6 Impacts of economic volatility on SMEs

Economic volatility can have significant impacts due to their smaller size, limited resources, and reduced capacity to absorb sudden changes. Some key impacts of economic volatility on SMEs include financial challenges, an uncertain business environment, reduced access to capital, decreased consumer confidence, supply chain disruptions, increased business risks, and opportunities for innovation and adaptation.

During times of economic volatility, lenders and investors tend to become more risk-averse. This can result in reduced access to capital for SMEs. Banks may tighten lending requirements, making it harder for SMEs to secure loans or lines of credit. Similarly, investors may be more hesitant to invest in SMEs during uncertain times, limiting their ability to raise funds for expansion, innovation, or working capital.

Economic volatility can erode consumer confidence, leading to changes in consumer behavior. During periods of economic uncertainty, consumers may reduce discretionary spending, delay

purchases, or opt for cheaper alternatives. This directly impacts SMEs that rely on consumer spending, resulting in reduced sales revenue and profitability.

Economic volatility can disrupt supply chains, affecting SMEs that rely on suppliers or distributors. Fluctuations in input costs, changes in trade policies, or disruptions in global supply chains can lead to increased production costs, delayed deliveries, or limited access to key inputs. SMEs may face challenges in managing these disruptions.

To add on, economic volatility increases business risks for SMEs. Uncertain economic conditions and market fluctuations expose SMEs to increased credit risks, market risks, and operational risks. SMEs may struggle to adapt to sudden changes in demand, manage inventory levels, or navigate price volatility. Consequently, SMEs may face higher business failure rates during periods of economic volatility.

Despite the challenges, economic volatility can also present opportunities for SMEs. SMEs that are agile and adaptable can respond to changing market conditions, identify emerging trends, and seize new opportunities. Economic volatility can drive innovation as SMEs seek ways to differentiate their products or services, diversify their customer base, or explore new markets.

Economic volatility significantly impact SMEs, leading to financial challenges, an uncertain business environment, reduced access to capital, decreased consumer confidence, supply chain disruptions, and increased business risks. However, SMEs that are resilient, proactive, and adaptable can also find opportunities for growth and innovation during periods of economic volatility. Government support, access to financing, and targeted policies can help mitigate the impact of economic volatility on SMEs and foster their long-term sustainability.

2.7 Tax rate and complexity and SME growth

Taxation imposed to SMEs have a major influence on their growth and development. Higher tax rates, as well as the complexity of taxation, can have an adverse effect on the establishment and expunction of SMEs. Business income tax plays a role in shaping financial and investment decisions for SMEs. Setting business taxes below the upper personal income tax threshold and allowing personal income tax deferral through profit reinvestment can incentivize businesspersons to incorporate their businesses. By reducing business income tax, more businesses may be

encouraged to register and operate legitimately, as they would be less fearful of excessive taxation (Graham and Mills).

2.7.1 Tax rate and incentives for SMEs

Governments around the world recognize the significance of SMEs in driving economic growth and job creation, and therefore, they often design tax policies to support their development. The points mentioned highlight some of the common aspects related to tax rates and incentives for SMEs.

Tax rates for SMEs can vary based on factors like company size, industry, and taxable income. Governments may set lower tax rates for SMEs compared to larger corporations to provide them a competitive advantage and encourage their growth.

To promote entrepreneurship and support new businesses, many countries offer specific tax incentives. These incentives can include tax holidays or reduced tax rates for a certain period, allowing start-ups to retain more profits during the initial years. Governments may also provide accelerated depreciation allowances or investment tax credits to encourage investment in new assets and technologies.

Simplified tax compliance measures are often implemented to reduce the administrative burden on SMEs. This can include simplified tax filing procedures, reduced reporting requirements, and exemptions from complex tax provisions.

Governments may introduce investment and expansion incentives for SMEs, such as provisions for accelerated depreciation, tax deductions for investments in specific regions or industries, or tax credits for job creation. These incentives aim to encourage SMEs to expand their operations, invest in new facilities, and create employment opportunities.

Some jurisdictions provide VAT or sales tax relief for SMEs up to a certain revenue threshold. This relief reduces the tax burden on SMEs and improves their cash flow by allowing them to retain a portion of the VAT or sales tax collected from customers.

2.7.2 Tax policy and growth of SMEs

Resources that will be allocated by SMEs to tax legislation could have been used for their growth. Therefore, taxes and a complex tax system are likely to place a disproportionate burden on smaller businesses in the future. According to Slemrod (2008), compliance costs for small and medium

firms will continue to discriminate against smaller firms. This will result in increased tax revenues because simplified rules for small businesses will reduce the size of the gray economy and the number of registered taxpayers (Slemrod). Due to their complexity, a significant number of companies will also not register and will not fulfill their tax obligations (Lisi, 2015). This will continue to rise the burden on taxpayers attempting to comply with the tax code and weaken their future compliance.

Future implications of a complex and over-regulated tax system suggest that it will continue to be unreasonably burdensome and mostly detrimental to the growth of SMEs. This is because SMEs often attempt to transform their operations into forms that offer lower burden of tax. These issues are expected to persist in the future, further hindering the growth and development of SMEs.

2.7.3 Costs of Tax Legislation to SMEs

The costs associated with complying with tax regulations have been extensively discussed by researchers, government decision-makers, and companies. Past empirical data has consistently demonstrated that regulations have a disproportionate impact on SMEs (Pope and AbdulJabbar, 2008). Neglecting to follow the rules also leads to unmanageable tax compliance costs. SMEs may fail to file their tax returns on time, refuse to file tax returns altogether, underreport income, overstate deductions, or neglect to pay estimated tax by the due date. These behaviors further exacerbate the challenges faced by SMEs in complying with tax regulations.

These obligations encompass tax filing, record-keeping, reporting, and compliance with various laws and regulations. SMEs must file tax returns and report financial activities, which can be time-consuming and complex due to multiple tax jurisdictions and regimes. Professional assistance may be necessary. Accurate financial record-keeping is crucial for tax compliance and may require significant resources, especially for businesses with high transaction volumes or complex operations. Apart from taxes, SMEs must adhere to labor laws, environmental regulations, health and safety standards, and data protection rules. Compliance involves paperwork, policies, procedures, and potential inspections or audits.

Due to the complexity of tax laws and regulations, SMEs often seek professional help, incurring additional costs that may be more burdensome for smaller enterprises. Staying updated with tax laws and compliance requirements requires continuous learning and training, which may involve investing in training programs or allocating time for staff growth.

Non-compliance can result in penalties and fines, necessitating allocation of resources to minimize risks through internal controls, risk management, and potential legal representation. Compliance costs can vary across jurisdictions due to differences in tax systems, regulatory frameworks, and reporting requirements, posing additional complexities for businesses operating in multiple regions.

Governments acknowledge the importance of reducing administrative burden and compliance costs, particularly for SMEs. They may implement measures to simplify tax filing, introduce electronic systems, provide compliance assistance, and streamline regulatory requirements. However, businesses still need to allocate resources and seek guidance from professionals to effectively manage compliance costs while meeting their objectives.

2.8 Empirical review

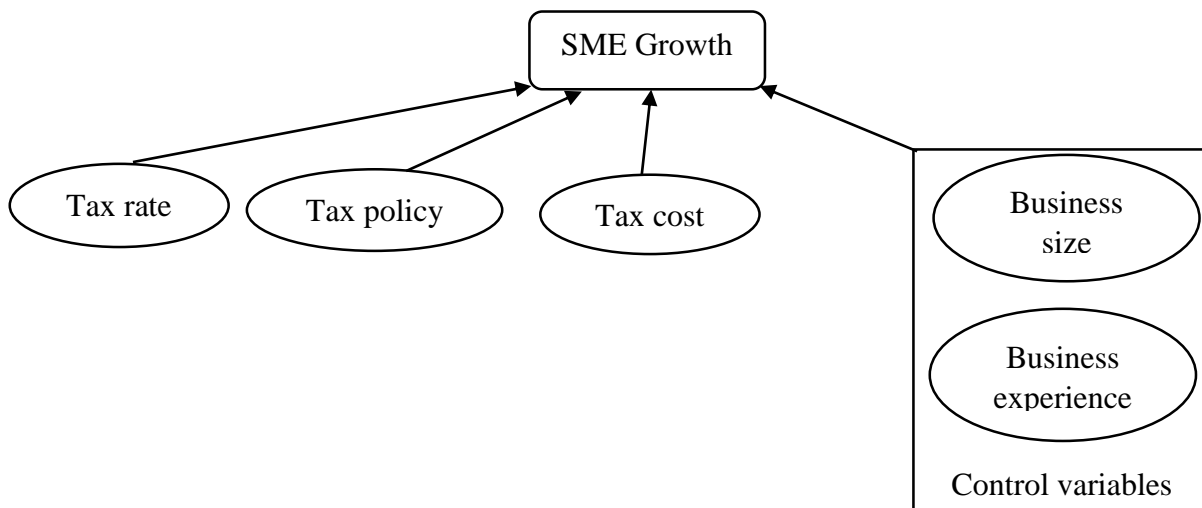
The literature review explored existing research on impact of taxation on SMEs, including studies conducted worldwide and specifically Zimbabwe. A study by Keith (2012) in the United States found that federal tax laws resulted in high tax burdens that adversely impacted the growth of SMEs. It also revealed that high personal income taxes reduced the availability of external financing for SMEs.

Nyakundi's (2018) study in Kenya found that tax regulations for SMEs were relatively low due to factors like poor management, internal controls, and an informal approach to business setup and operations. Machogu and Amayi's (2016) study in Tanzania investigated managers' perceptions of the tax system and its effect on SME growth. It concluded that tax scheme had a negative effect on SME growth, as the tax payments reduced funds available for business expansion.

A Zimbabwean study by Nyamwanza et al. (2014) used a descriptive research design to evaluate the effectiveness of a plausible tax collection scheme and its effect to SME. Findings showed an inverse relationship between expected taxation and SME profitability. This highlights the key insights from the empirical review, which provides context and background for the current study on the factors influencing tax compliance and their impact on SME growth in Zimbabwe.

2.9 Conceptual Framework

It focuses on relationships between dependent on and independent variables in research. In this particular study, the dependent variable of interest is the growth of SMEs, while the independent variables include tax rate, tax policy, and tax costs. The relationship is shown in figure 1 below.



This study also indicates that the tax rate imposed on SMEs is related to their growth. Higher tax levels and the complexity of taxation have a detrimental impact on the growth and development of SMEs and entrepreneurship. These elevated tax levels lead to increased production costs, which ultimately result in greater fees for SMEs' products and services. The costs associated with tax compliance also negatively affect the growth of SMEs. Limited financial resources and scarce knowledge to comply with various and complex rules further hinder SMEs' growth.

Additionally, this study acknowledges that size of firm and the number of years of operation act as control variables, positively influencing the growth of SMEs.

2.10 Gaps in the literature

There are some important gaps in the current literature on SMEs, economics, and management. Research will explore how factors like gender, race, ethnicity, and socioeconomic status intersect to shape opportunities and outcomes for entrepreneurs, particularly SME owners. This can provide insights into creating more inclusive and equitable business environments.

While many studies focus on immediate impacts, there is a need to examine the lasting effects of policies and interventions on SME growth, sustainability, and overall economic development.

Understanding the lasting impacts can inform policymakers in designing more effective support mechanisms.

With the increasing digitization of the economy, more research is needed on how SMEs adopt and utilize digital technologies, the impact on their performance, and the challenges they face in navigating the digital landscape. This research can help SMEs effectively harness the potential of digital technologies.

Further research is required to understand the specific challenges faced by SMEs in accessing capital and explore various financing options available to them. Investigating the impact of financing constraints on SME growth, innovation, and survival can inform policies and strategies for improving access to capital.

The integration of sustainable and socially responsible practices within SMEs needs more research. Understanding how SMEs adopt and implement these practices, their motivations, and the impact on performance and stakeholder relationships can help SMEs navigate responsible business practices.

Further research is needed to examine the challenges and strategies for SMEs entering global markets. Understanding market entry modes, cultural differences, regulatory complexities, and resource constraints can inform policies and support mechanisms for SMEs seeking international expansion.

By addressing these gaps, this research will contribute to a better understanding of these topics and provide valuable insights for policymakers, practitioners, and SMEs themselves.

2.11 Summary of chapter

This chapter examined relevant theories that reflects the association between taxation and SMEs growth: tax capacity theory, economic disincentive theory, and planned behavior theory. These theories helped to provide insights into how taxpayers perceive and respond to their tax obligations, and how this, in turn, affects the growth of SMEs.

The theoretical review explored various variables of interest in the study and their potential impact on SME growth. Variables such as tax rate and complexity were predicted to have either a negative or positive effect on SME growth. However, the empirical review of existing literature yielded inconclusive results. Studies conducted in Zimbabwe and other parts of the world suggested an

inverse association between SME growth and tax policies. This implies that higher taxation levels may hinder the growth of SMEs.

CHAPTER THREE

RESEARCH METHODS

3.0 Introduction

The introduction provides a comprehensive overview of the section on research methodology, which includes various important elements. These elements consist of the research design, target group, data gathering tools, and the method to analyzing the collected data.

The research design refers to overall structure and framework of the study, outlining the specific steps and procedures to be followed. It serves as a roadmap for conducting the research and ensures the reliability and validity of the findings. Defining the research design clearly helps researchers address the research questions and achieve the study objectives systematically.

The target group refers to the specific people that the research aims to study or gather data from. Clearly defining the target group is crucial to ensure that the findings accurately represent the intended group. This clarity helps in generalizing the research findings to a broader population or specific subgroups, depending on the research goals.

Data collection instruments are the tools or techniques used to gather information or data for the research. These instruments can take various forms, such as surveys, interviews, observations, or existing datasets. The choice of data collection instruments depends on the research objectives and the nature of the data being sought. Researchers need to select the most appropriate instruments considering their strengths and limitations.

The approach to analyzing data involves the techniques and methods used to interpret and make sense of the gathered information. It is a crucial step in deriving meaningful insights and drawing conclusions from the data. The chosen approach may involve statistical analysis, qualitative coding, thematic analysis, or other relevant methods based on the research objectives and the type of data collected.

3.1 Research design

The use of a descriptive survey design in this study is indeed appropriate for investigating the impact of taxation on small and medium-sized enterprises (SMEs) in a volatile economic

environment. This design aims to identify and describe the characteristics of the observed phenomenon, which in this case is the effects of taxation on SMEs.

By employing a survey design, the researchers can gather data from a sample of SMEs to gain insights into how taxation influences their operations and growth. This design allows for the collection of quantitative data through structured questionnaires or surveys administered to the target population of SMEs.

Through the survey, the researcher can describe important characteristics of the population of SMEs, such as their size, industry, revenue, and tax burdens. This information gives a comprehensive view of current state of SMEs as well as their tax related challenges in a volatile economic environment.

Moreover, the collected data can be used to infer cause-and-effect relationships between taxation and various outcomes, such as profitability, investment, or business sustainability. By analyzing the survey responses, the researchers can draw meaningful conclusions about the impact of taxation on SME performance and viability within the specific economic context.

Overall, the descriptive survey design is well-suited for this study as it allows researcher to capture a snapshot of the current state of SMEs and provide valuable insights into the effects of taxation on their operations and growth in a volatile economic environment

3.2 Study area

The study's focus is on population of small and medium enterprises that are registered to Zimbabwe Revenue Authority (ZIMRA) is appropriate given the direct link between the population and ZIMRA. By including these SMEs in the study, it ensures relevance and alignment with the tax authority's records.

Adopting ZIMRA's definitions for small and medium taxpaying units provides consistency and clarity in categorizing the SMEs based on their taxpaying status.

This approach enables accurate targeting and analysis of the SMEs registered with ZIMRA, ensuring that the study's findings are specific to this population.

By examining the taxpaying status of these SMEs, the study can provide insights into their compliance with taxation policies. This analysis can potentially shed light on the impact of such policies on the operations and growth of SMEs. Understanding the relationship between taxation

and SME performance in Buhera District can contribute to a better understanding of the overall economic landscape and inform policy decisions.

Therefore, the study's focus on the population of SMEs registered with ZIMRA and the adoption of ZIMRA's definitions for categorization ensures relevance, accuracy, and valuable insights into the impact of taxation on SMEs in Buhera District.

3.3 Sampling procedure

The statement by Kumeckpor (2002) accurately captures the essence of sampling in research. Sampling involves carefully selecting a proportion or subset of units from a larger population to gather knowledge and insights that can be generalized to the entire population.

The primary goal of sampling is to obtain a representative sample that adequately reflects the characteristics and diversity of the population being studied. This ensures that the selected sample possesses similar attributes and characteristics as the larger population, enabling valid inferences and generalizations.

Sampling is a practical and efficient approach in research since it makes the research process more manageable. Instead of taking the whole population researcher can focus on a smaller, more manageable sample that still captures the key characteristics and variability of the population.

By employing proper sampling techniques, researchers can ensure that the findings and conclusions drawn from the sample can be extended or generalized to the larger population. This allows for meaningful inferences and enables researchers to draw conclusions that have broader applicability beyond the sample itself.

Table 1: Medium Taxpayer and Small Taxpayer Offices

Location	No. of OST	No. of MTO	Total Tax Office	No. of Respondents Nominated
Birchenough Bridge	1	1	2	90
Gaza	1	0	1	50
Buhera Centre	1	0	1	50

Murambinda Town	1	0	1	60
Dorowa	1	0	1	60
Total	5	1	6	310

Primary data, 2024

The sample selection process described in the scenario follows a convenience sampling approach. Convenience sampling is a non-probability sampling method commonly used when the target population is not easily accessible or when obtaining a random sample is challenging. In this case, since registered taxpayers were not readily accessible, convenience sampling was chosen as a practical approach to gather data from individuals who were willing to engage and participate. It is important to acknowledge that convenience sampling may introduce potential biases into the study, as the sample may not fully represent the entire population. However, despite these limitations, convenience sampling can still provide valuable insights and information, especially when it is difficult to obtain a random or more representative sample.

By employing convenience sampling in this study, the researchers were able to gather data from accessible taxpayers who were willing to participate, even if the sample may not fully represent the entire population of registered taxpayers. This approach can still provide valuable insights into the perspectives and experiences of these individuals regarding taxation issues within SMEs.

It's worth noting that while convenience sampling is a practical approach, the findings and conclusions drawn from this type of sample should be interpreted with caution and may not be generalizable to the entire population. Researchers should acknowledge the limitations of convenience sampling and consider them when interpreting the results of their study.

3.4 Data collection instruments

The design of the questionnaires was carefully planned to ensure they aligned with the study objectives and effectively gathered information from the respondents. The Likert scale, consisting of 5 points, was chosen as a measurement tool to gauge the respondents' agreement or disagreement with given statements. This scale provided a range from "strongly disagree" (1) to "strongly agree" (5) for the respondents to express their opinions.

To cover different aspects related to the study, the questionnaire was separated into several segments. Segment A dedicated on demographic variables, aiming to gather background information about the respondents, such as business size, sector, number of works, method of funding, and years of experience. This segment provides context and helps establish a foundation for analyzing the data.

Section B addressed questions regarding the impact of tax rates on the growth of SMEs. The respondents were asked to share their opinions and perspectives on how tax rates affect their businesses' growth. This section seeks to uncover insights into the relationship between tax rates and SME growth.

Section C specifically delved into tax compliance costs and their influence on the growth of SMEs. The objective was to explore the respondents' experiences and perceptions regarding the costs associated with tax compliance and how these costs impact their business growth, particularly in a volatile economic environment. This section aims to provide insights into the challenges and considerations related to tax compliance.

The final section of the questionnaire focused on tax policy and its relationship with SMEs' growth in a volatile economic environment. The aim was to gather the respondents' opinions and perspectives on the impact of tax policies on growth of their businesses. This segment aims to uncover insights into the role of tax policies and their potential effects on SME growth.

By using structured questionnaires with specific sections aligned with the study objectives, the researchers aimed to systematically collect data on various aspects related to tax rates, compliance costs, tax policies, and their influence on the growth of SMEs in a volatile economic environment. This approach allows for a comprehensive understanding of the respondents' perspectives and experiences regarding these factors, ultimately contributing to a deeper analysis of the research topic.

3.5 Validity and reliability of research instruments

Indeed, conducting a pilot study is a crucial step in the research process. It allows researcher to identify and address any potential issues with the questionnaire or research instrument before the actual data collection begins. In this particular study, the pilot study was conducted in the

Birchenough Bridge taxpayer office, which was chosen due to its resemblance to other offices in the study area. This selection enabled the researchers to test the questionnaire and make any necessary modifications to improve its clarity and simplicity.

Reliability plays a substantial role in the effectiveness of a research tool as it ensures consistency in measuring what the instrument is intended to measure. In this study, dependability of the research instrument was assessed using the Cronbach Alpha coefficient method, a commonly used measure of internal consistency. This coefficient can be calculated using statistical software like SPSS and involves administering the survey twice to measure the consistency of responses.

The obtained Cronbach Alpha coefficient value of 0.8545 indicates a high level of inner consistency and dependability of significant constructs measured. Generally, a value above 0.7 is considered acceptable for research instruments, so the obtained alpha value suggests that the questionnaire used in this study has good internal consistency.

By conducting a pilot study and assessing the dependability of study instrument through Cronbach Alpha coefficient, the researcher has taken important steps to safeguard the rationality and dependability of the data collected. These efforts contribute to the overall robustness of the research findings and enhance confidence in the study's results

3.6 Data collection procedures

The researcher administered questionnaires to respondents in different taxpayer offices. Most respondents completed the questionnaires on spot, while few requested to take them and return the following day. With the assistance of Zimbabwe Revenue Authority (ZIMRA) employees, spent two weeks collecting the data. There was initially some reluctance from taxpayers to participate. Through further explanations and the help of ZIMRA staff, most taxpayers agreed to take part in the research.

90 questionnaires were administered in Birchenough Bridge, accounting for 30% of the total. Birchenough Bridge had a higher number of questionnaires due to it having 2 taxpayer offices and a larger figure of taxpayers compared to other 4 offices. 45 questionnaires were distributed in Gaza and Buhera Centre each. 60 questionnaires were distributed in Murambinda Town and Dorowa. The total number of questionnaires distributed across the five taxpayer offices was 325.

By administering the questionnaires in multiple locations and considering the variations in the number of taxpayers, the researcher aimed to gather a diverse range of responses and ensure representation from different areas within the study region. This approach helps in obtaining a comprehensive understanding of the research topic by incorporating perspectives from various locations and taxpayer offices. It allows for a more robust analysis and generalizability of the findings to the broader population of taxpayers in the study area.

3.7 Measurement of variables

3.7.1 Dependent variables

In this study, the dependent variable is the growth of SMEs. To measure it, the researcher adopted a method used by Bannier and Zahn (2012), which involves assessing the annual increase in the workers of the SMEs.

By focusing on the growth of SMEs, the study aims to understand and analyze the changes and developments that occur within these businesses over time. Workforce growth is considered a significant indicator of SME growth, as it reflects the expansion and capacity-building efforts of these enterprises. By capturing the percentage increase in the workforce, the researchers can assess the level of employment generation, job creation, and overall growth experienced by the SMEs in the study.

Using the growth of SMEs as the dependent variable allows the researchers to examine the relationship between taxation and the expansion of these businesses. It provides insights into how taxation policies and practices influence the ability of SMEs to grow and create employment opportunities. By analyzing the data collected on the workforce growth, the researchers can draw conclusions and make recommendations regarding the impact of taxation on SMEs' growth.

3.7.2 Independent and control variables

In this study, several independent variables were considered to assess their impact on SME growth. These independent variables include;

Tax rate and complexities: This variable measures level of tax rates imposed to SMEs and the complexities associated with the tax system. A score of 1 indicates that this factor have no ipact on SME growth, while a score of 5 indicates a significant impact on SME growth.

Tax compliance cost: This variable captures the costs incurred by SMEs to comply with tax obligations. It assesses the financial and administrative burden associated with tax compliance. A score of 1 implies that tax compliance cost has no effect on SME growth, while a score of 5 indicates a significant impact.

Tax policy: This variable evaluates the overall tax policies and regulations in place and their effect on SME growth. It considers factors such as tax incentives, exemptions, and overall tax structure. A score of 1 suggests that tax policy has no influence on SME growth, while a score of 5 indicates a significant impact.

Additionally, there are two moderating variables:

Size of business: This variable takes into account the size of the SME in terms of revenue, assets, or number of employees. It assesses how the size of the business interacts with tax factors and influences SME growth.

Business experience: This variable considers the level of experience and expertise of SME owners or managers. It examines how their knowledge and understanding of tax matters impact SME growth.

For each of these independent and moderating variables, a score ranging from 1 to 5 is assigned. A score of 1 indicates no effect, while a score of 5 represents a significant impact on SME growth. This scoring system allows for a quantitative assessment of the influence of these variables on SME growth.

By considering these independent variables and their respective scores, the study aims to analyze the relationship between taxation factors and SME growth, while also considering the moderating effects of business size and experience.

3.8 Data processing and analysis

The collected data underwent an editing process to identify and correct any inconsistencies or errors in the respondents' responses. This step ensured that the data was of high quality and could be reliably used for analysis. The edited data was coded using the Statistical Product for Service

Solution software. SPSS is a widely used statistical analysis software that enables researchers to perform various statistical tests and generate descriptive statistics. Descriptive tools were employed to analyze the data and create tables and frequencies. Tables were used to present categorical data, and frequencies provided information on the occurrence of specific response categories within each variable.

The use of SPSS and descriptive analysis techniques allowed for a systematic and organized examination of the data. This approach enabled researchers to draw meaningful conclusions and make informed interpretations based on the collected data. The comprehensive analysis provided a solid foundation for the research findings.

3.9 Model of the study

The researchers utilized multiple regression analysis, specifically the Ordinary Least Squares (OLS) method, to examine the relationship between the dependent variable (SME growth) and the independent variables. OLS regression is a statistical technique that estimates the relationship between independent variables and a dependent variable by minimizing the sum of squared differences between observed and predicted values.

By employing OLS regression, the researchers can assess the strength and direction of the relationships between the independent variables and SME growth. Resulting regression equation provides quantitative information on how changes in the independent variables are associated with changes in the dependent variable. OLS regression assumes a linear relationship between the independent variables and the dependent variable. The regression equation estimates coefficients (regression weights) for each independent variable, indicating the magnitude and direction of their impact on SME growth. The regression equation can then be used to predict the expected value of the dependent variable (SME growth) based on the values of the independent variables.

The use of OLS regression helps the researchers gain insights into the specific effects of the independent variables on SME growth. This analysis allows the researchers to uncover the relative importance and significance of these factors in driving or hindering SME growth in a volatile economic environment.

The model equation used (1), and the detailed regression model for this study equation (2), GR represents the growth of SMEs, TRc is tax rates and complexities, TCc is tax compliance costs, TP is tax policy, SIZE represents the size of the business, a is a constraint, and ε denotes the error term.

Equation (1): $GR = f(TRc, TCc, TP, SIZE, BE, a, \varepsilon)$

Equation (2): $GR = \beta_0 + \beta_1(TRc) + \beta_2(TCc) + \beta_3(TP) + \beta_4(SIZE) + \beta_5(BE) + \varepsilon$

3.10 Chapter summary

In this study, the population of interest comprises registered taxpayers at the Small Tax Offices (STOs) in a volatile economic environment. To select the study samples, the researchers used a convenient sampling technique. This method was chosen due to the distribution of the population, making it more feasible and practical to select participants conveniently.

To ensure the validity and reliability of the data collection instrument, the researchers took necessary measures. Validity ensures that the instrument accurately measures what it intends to measure, while reliability ensures the consistency and stability of the instrument's measurements. By establishing validity and reliability, the researchers can have confidence in the accuracy and consistency of the collected data.

The collected data was entered into Statistical Product for Service Solution software for further examination. SPSS provides a platform for organizing, analyzing, and interpreting data using various statistical techniques. By coding the data into SPSS, the researchers can perform statistical analyses, such as descriptive statistics, regression analysis, or other relevant analyses, depending on the research questions and objectives.

The results generated from the SPSS analysis will be discussed in subsequent chapters of the study. These results may include descriptive statistics to summarize the data or regression analysis to examine the relationships between variables, among other relevant statistical analyses. The discussion of these results will provide insights into the relationships and implications for SME growth in the given volatile economic environment

CHAPTER FOUR

RESULTS AND DISCUSSIONS

4.0 Introduction

In this study section, the emphasis is on analyzing the responses received, exploring participant demographics, summarizing the research variables descriptively, as well as conducting regression analysis to assess the influence of tax policies in a changing economic landscape. The study findings were discussed in relation to the research goals and hypotheses outlined in the study.

4.1 Demographic Information

The following section of data analysis provides information regarding characteristics of participants.

Table: Demographic Information of respondents

		Frequency	%
Size of Business	Small	196	64.5
	Medium	108	35.5
Post	Proprietor	38	12.5
	Accountant	148	48.7
	Manager	118	38.8
Experience of Business	< 1	16	5.3
	1- 5 years	66	21.7
	6-10 years	141	46.4
	Over 10 years	81	26.6
Educational Level	Primary	12	3.9
	O Level	30	9.9
	A Level	82	27.0
	Diploma	79	26.0
	Undergraduate	80	26.3

	Postgraduate	21	6.9
Business Sector	Manufacturing	30	9.9
	Trading	111	36.5
	Services	143	47.0
	Agriculture and Agro-Processing	20	6.6
Number of Staff	< 6 people	113	37.2
	6-9 people	117	38.5
	10-29 people	70	23.0
	30-100 people	3	1.0
	>100 people	1	.3

N = 304

Primary data, 2023

Classification:

- Small Taxpayers: 64.5%
- Medium Taxpayers: 35.5%

The majority of SMEs included in the study fall under the category of small taxpayers.

Occupational Distribution:

- Accountants: 48.7%
- Managers: 38.8%

- Owners: 12.5%

A significant number of SMEs have accountants managing financial affairs and tax records.

Years in Operation:

- 6 to 10 years: 46.4%
- 1 year or over 10 years: 94.7%

Most SMEs have been operating for a considerable period, providing valuable insights on tax matters.

Educational Background:

- A Level: 27%
- Undergraduate Degree: 26.3%
- Diploma: 26%
- Master's Degree: 6.9%
- O Level: 9.9%
- Primary: 3.9%

All respondents possess varying levels of education, indicating a literate group capable of grasping research topics.

Sector Classification:

- Service Sector: 47%
- Trading Sector: 36.5%
- Manufacturing Sector: 9.9%
- Agriculture/Agro-processing Sector: 6.6%

SMEs from the service sector dominate the study sample.

Workforce Size:

- 6 to 29 employees: 61.5%
- 1 to 5 employees: 37.2%
- 30 to 100 employees: 1%
- Over 100 employees: 0.3%

4.2 The Effects of Tax Rate and Complexities on SMEs

This section delves into the influence of tax rates and complexities SMEs functioning in a fluctuating economic landscape. It explores how tax-related factors affect the operations and decision-making processes of SMEs amidst economic uncertainties. The analysis aims to provide insights into the challenges and opportunities faced by SMEs in managing

Table: The effects of tax rates and complexities on SMEs

Proclamation	n	min	max	mean	Std. dev	Position
The growth of my enterprise is adversely affected by high tax rates	304	2	5	4.47	.568	4th
Tax complexities have a negative impact on my enterprise	304	2	5	4.30	.580	5th
The combination of high tax rates and tax complexities has led to reduced profits for my enterprise	304	2	5	4.66	.572	2nd

Both high tax rates and complexities 304 5 4.56 .523 3rd
have resulted in decreased turnover of 3
my enterprise

Primary data 2024

- The study assessed the correlation between tax rates, tax complexities, and SME growth using scale of 1 to 5.
- Respondents largely agreed on the negative impact of high tax rates and complexities on SME growth.
- The variable with the highest mean value (4.71) was related to increased production costs and price hikes due to high tax rates, indicating a strong consensus among respondents.
- Factors like high tax rates and complexities were found to limit profit generation and lead to decreased turnover over time.
- Respondents highlighted the detrimental impact of high tax rates and complexities on growth of SMEs, emphasizing challenges in tax return filing and reduced demand due to escalating prices.
- Reducing tax rates and simplifying tax processes are crucial for governments to support and enhance SME resilience in volatile economic environments.

4.3 The influence of tax policies on SMEs growth in a volatile economic environment

In this section, the primary focus is on analyzing the connection between tax policy and the growth trajectory of small and medium-sized enterprises (SMEs). The aim is to delve into how tax policies impact the expansion, sustainability, and overall performance of SMEs in various economic landscapes. By studying this correlation, insights can be gained into the role of tax policies in fostering or hindering potential SMEs growth.

Table: The effects of tax policies on the growth of SMEs

statement	N	Min	max	Mean	Std. dev	position
The intricate tax regulatory system creates excessive pressure on SMEs' operations	304	2	5	4.2	.813	4th
Overly regulated tax systems have an excessively burdensome and harmful impact on SME growth	304	1	5	4.5	.613	1st
Inefficient implementation of tax systems results in time wastage during tax payments	304	1	5	4.5	.658	2nd
Imposing similar compliance requirements and costs on small and large businesses is detrimental to growth of SMEs	304	2	5	4.3	.740	3rd
Primary data, 2024						

The data presented in the table indicates that SME respondents recognized the significant impact of tax policy on SME growth, with mean values above 4 for Likert scale items related to this aspect. Respondents highlighted that overly regulated tax systems can burden SMEs, impeding their growth prospects. Particularly in Zimbabwe, stringent tax regulations posed challenges for SMEs in managing operations and pursuing growth objectives.

Respondents emphasized that poor tax structure implementation leads to time wastage in meeting obligations, with excessive regulation negatively affecting SME growth. The study revealed concerns about imposing uniform compliance requirements and costs on businesses of all sizes,

with SMEs being disproportionately affected due to their differing capacities compared to larger corporations. Tee et al. (2016) also noted the discriminatory nature of such practices.

Furthermore, the study found that a complex tax regulatory framework can add undue pressure on SME operations, impacting their growth trajectory. This aligns with Lisi's (2015) perspective that excessive pressure not only burdens compliant taxpayers but also discourages future compliance efforts, potentially leading to adverse consequences for SMEs in fulfilling tax commitments

4.4 Relationship between Tax Compliance Cost and Growth of SMES

The focus is on examining the correlation between tax compliance costs and the growth trajectory of small and medium-sized enterprises (SMEs). The aim is to understand how the financial burden of tax compliance impacts the ability of SMEs to grow and thrive in their respective industries. By delving into this relationship, insights can be gained into the challenges and implications of tax compliance costs on potential of SMEs growth.

Table: Tax Compliance Cost and Growth of SMEs

Cost	Frequency	%
ZWL 0- ZWL 500	2	.7
ZWL 501- ZWL1000	22	7.2
ZWL 1001- ZWL1500	10	3.3
ZWL 1501- ZWL 2000	126	41.4
More than ZWL 2000	144	47.4
Total	304	100.0

Primary data, 2024

In the survey conducted to explore the correlation between tax compliance expenses and the growth of small and medium-sized enterprises (SMEs), participants were asked about the average costs incurred to meet their tax duties. These costs included both financial expenditures and time commitments, covering expenses related to internal staff and outside consultants like charges to external accountants. A significant number of SMEs reported spending more than ZWL 2000 on

compliance, representing 47.4% respondents. Additionally, 41.4% of SMEs indicated expenses ranging between ZWL 1501 and ZWL 2000, while individuals spending between ZWL 500 and ZWL 1500 collectively accounted for 11.2% of SMEs.

4.5 Regression Analysis

In order to examine how taxation policies, impact the growth of SMEs in a volatile economic setting, a multiple linear regression analysis was carried out to evaluate the extent to which 5 variables predict SME growth significantly. Findings and specifics of this analysis are outlined in the accessible presentation.

Table: The regression model

			Adjusted R	Std. error of
model	r	R square	square	estimate
1	.396 ^a	.157	.134	1.007

Source: Primary Data, 2024

Table: Analysis of Variance

	Total		Mean		
Model	Squares	Df	Square	F	Sig.
Regression	34.064	5	6.813	6.713	.000 ^b
Residual	221.249	298	1.015		

Total	255.313	303
-------	---------	-----

-
- a. The dependent variable in the regression model is the Growth of SMEs.
 - b. The independent/predictor variables in the regression model are rate of tax and complexities, tax cost, tax policy, size of the business and experience.

This indicates that the study used a multiple regression analysis to examine how the independent variables of tax-related factors (tax rates, complexities, and compliance costs), tax policy, business size, and business experience predict or influence the dependent variable of SME growth. The regression model is attempting to quantify the connection between these various factors and growth performance of SMEs. This allows the researchers to understand which variables have a significant impact on SME growth and the direction and magnitude of those relationships.

4.6 ANOVA Analysis Results

The regression model is statistically significant and appropriate for predicting the relationship between the independent variables and the dependent variable (SME Growth). This is evidenced by the p-value being less than 0.05, indicating statistical significance. The F-value of 6.713 also suggests the model is a good fit.

The total deviation in the dependent variable (SME Growth) that is explained within the model is 255.313. This means the independent variables included in the regression model are able to account for 255.313 units of the total variation observed in the SME Growth variable.

Table: Model Coefficients

Model	Unstandardized	Standardized Coefficients		t	Sig.
	B	Error	Beta		
1 (Constant)	2.538	0.678		3.743	0.000

Tax rate and	-0.289	0.092	-0.223	-3.128	0.002
Complexities					
Tax cost	0.178	0.077	0.164	2.306	0.022
Tax policy	-0.240	0.072	-0.240	-3.332	0.001
Business size	0.020	0.020	0.071	1.016	0.311
Enterprise	0.181	0.081	0.156	2.228	0.027

Source: Primary data, 2024

Tax Rate and Complexities

The study reveals a negative correlation between tax rates, complexities, and SME growth (p-value = 0.002). High tax rates and complex filing procedures are shown to impede SME growth, supporting Keith's (2012) findings on how personal income taxes can limit SMEs' access to external funding sources.

Tax Compliance Cost

A significant positive relationship is observed between tax compliance costs and SME growth (p = 0.022). Higher compliance costs can potentially enhance SME growth as businesses aim to reduce tax expenses by effectively managing compliance costs, aligning with previous studies by Flores et al. (2016) and Machogu and Amayi (2016).

Tax Policy

Tax policy is inversely related to SME growth, with a unit increase in tax policy leading to a 0.240 decrease in SME growth (p = 0.001). This indicates that tax policies imposing a heavier burden on SMEs can hinder their growth, consistent with Atawodi and Ojeka's (2012) findings on the negative impact of tax policy on SME growth.

Size of Business

The size of the business was found to have an insignificant coefficient in explaining SME growth.

Business Experience

Business experience demonstrates a significant positive impact on SME growth, i.e. $p\text{-value} = 0.027$, suggesting that older businesses tend to experience more growth. Bannier and Zahn (2012) emphasized the importance of business age in survival and growth, linking age, size, and growth in empirical literature.

These insights emphasize the intricate relationship between taxation policies, compliance costs, tax rates, business experience, and SME growth. Policymakers are urged to consider these factors when crafting tax frameworks for SMEs.

4.7 Chapter Summary

The study findings highlight that in a volatile economic environment, both rate of tax and complexities have a considerable adverse impact on growth of small and medium enterprises (SMEs). Elevated tax rates were found to lead to higher production costs, subsequently increasing the prices of goods and services. Moreover, a significant negative relationship between tax policy and SME growth was observed.

The study also indicated that the size of the business plays a predictive role in SME growth, showing an inverse correlation in a volatile economic setting. On the other hand, business experience was positively associated with SME growth, suggesting that more experienced businesses tend to exhibit higher growth rates

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.0 Introduction

This study provides a summary of key findings and conclusions, as well as policy recommendations for the future. The aim of this project was to explore impacts of tax on SMEs in a volatile economic environment. The study aimed to understand impact rates of tax as well as difficulties on growth of SMEs, analyze how tax policies influence SMEs growth, and assess effect of tax compliance costs on growth. The goal was to gain a deeper understanding of how various tax-related factors affect the growth and development of small and medium-sized businesses operating in a challenging economic climate.

5.1 Summary and Findings

The study found that the majority of businesses surveyed (64.5%) were registered with small taxpaying units of the Zimbabwe Revenue Authority (ZIMRA). Most participants held roles as Accountants within their enterprises (48.7%), and a significant proportion (27%) had advanced level education. The businesses represented four sectors: service, manufacturing, trading, and agricultural. A large portion of these enterprises had between 6 to 29 employees, suggesting they were medium-sized SMEs.

The key findings include tax rates and complexities were found to significantly hinder SME growth, with increases in these factors leading to declines in growth. Higher tax compliance costs were associated with reduced SME growth, a statistically significant relationship at the 5% confidence level. Elevated tax rates resulted in increased production costs, higher prices, and decreased profits for enterprises. Consequently, some SMEs resorted to defaulting on tax payments to stimulate their growth. The project identified an adverse correlation between tax policy and SME growth. Business size was shown to inversely predict SME growth, while business experience positively influenced SME growth.

Overall, the findings indicate that high tax rates, complex tax systems, and burdensome compliance costs pose significant challenges to the growth and development of SMEs in the studied environment.

5.2 Conclusion

The study's results indicate that the growth of small and medium-sized enterprises (SMEs) is negatively affected by high tax rates and complex tax systems. Additionally, the findings show that the costs associated with tax compliance have a positive impact on SME growth, as these expenses may lead some SMEs to default on tax payments, ultimately aiding in their growth. The relationship between tax policy and SME growth is significantly negative, highlighting how inappropriate tax regulations and management practices can impede SME growth. Lastly, the study suggests that business experience plays a positive role in SME growth, suggesting that grown-up enterprises are more likely to succeed compared to recently established business.

5.3 Recommendations

To counter the adverse effects of high tax rates and complex tax systems on SME, it is advised that the government takes steps to lessen the tax burden on businesses, particularly SMEs. Tax policies should be crafted with a focus on simplifying tax filing processes and associated accounting tasks to reduce the compliance challenges.

Moreover, it is suggested that tax systems be restructured to lower the costs linked to adhering to tax laws. This move can motivate more SMEs to comply as it would require less time and money to fulfill their tax responsibilities, ultimately resulting in increased revenue for the Zimbabwe Revenue Authority.

As the study highlights the significant impact of government tax policies on SME in a volatile economic environment, it is recommended that tax regulations be tailored to support SMEs adequately. Acknowledging the private sector as a key driver of Zimbabwe's economy, tax policies should be responsive to the specific needs and obstacles faced by SMEs to effectively foster their growth.

Zimbabwe Revenue Authority must prioritize streamlining tax filing requirements and payments to make them more cost-efficient and user-friendly. This effort will help alleviate the financial burden on SMEs and serve as an incentive for timely tax compliance

5.4 Suggestions for Further Research

It would be beneficial to investigate the relationship between factors influencing tax compliance among SMEs in Zimbabwe and their growth. This proposed study would delve deeper into understanding how various factors related to tax compliance, such as administrative burdens, perceived fairness of the tax system, access to tax advisory services, etc., impact the growth and performance of small and medium-sized enterprises in Zimbabwe.

Explore taxation effects on SME development on a national scale. Other authors suggest that expanding the scope of the research to a national level could provide valuable insights into the broader impact of tax policies on the development and growth of the SME sector across Zimbabwe. This wider perspective could help identify trends, challenges, and opportunities that may not be evident in a more localized study.

By pursuing these two avenues of further research, the authors aim to gain a more comprehensive understanding of the complex interactions between taxation, tax compliance, and the growth trajectories of small and medium businesses in Zimbabwe. Findings from such studies could inform more evidence-based policymaking to support the SME sector and its contribution to the country's economic development.

REFERENCES

Aizenman, J., & Jinjark, Y. (2009). Globalization and developing countries—a shrinking tax base? *The Journal of Development Studies* 45(5), 653- 671.

Ajzen, I. (2011). The theory of planned behavior: Reactions and reflections. In (Vol. 26, pp. 1113-1127.): Taylor & Francis.

Allingham, M. G., & Sandmo, A. (1972). Income tax evasion: A theoretical analysis. *Journal of public economics*, 1(3-4), 323-338.

Asante, S. (2012). Estimating the underground economy and tax evasion. Available at SSRN 23(2), 34-54.

- Atawodi, O. W., & Ojeka, S. (2012). Factors that affect tax compliance among small and medium enterprises (SME). *International Journal of Business Management*, 7(12), 34-67.
- Bahl, R. W., & Bird, R. M. (2008). Tax policy in developing countries: Looking back—and forward. *National Tax Journal*, 12(2), 279-301.
- Zimbabwe Revenue Authority (ZIMRA) Strategic Plan 2019-2023
- Bannier, C. E., & Zahn, S. (2012). Are SMEs large firms in miniature? Evidence from the growth of German SMEs. *International Journal of Entrepreneurship Small Business*, 17(2), 220-248.
- Barungi, J. A. (2018). Taxation and the Performance of Small and, Medium Enterprises in Nakawa division, Kampala Uganda. (Master), Uganda Management Institute, Uganda.
- Becker, G. S. (1968). Crime and punishment: An economic approach. The economic dimensions of crime (pp. 13-68): Springer.
- Breckler, S. J., & Wiggins, E. C. (1991). Cognitive responses in persuasion: Affective and evaluative determinants. *Journal of Experimental Social Psychology* 27(2), 180-200.
- Brunner, J. K., & Falkinger, J. (1999). Taxation in an economy with private provision of public goods. *Review of Economic Design* 4(4), 357-379.
- Busha, C. H., & Harter, S. P. (2008). Research methods in librarianship: Techniques and interpretation (Vol. 51): Academic Press.
- Calipinar, H., & Ulas, D. (2013). Model Suggestion for SMEs Economic and Environmental Sustainable Development. In *Small and Medium Enterprises: Concepts, Methodologies, Tools, and Applications* (pp. 420-440): IGI Global.
- Chorlton, K., Conner, M., & Jamson, S. (2012). Identifying the psychological determinants of risky riding: An application of an extended Theory of Planned Behaviour. *Accident Analysis Prevention*, 49(2), 142-153.
- Cusmano, L., & Koreen, M. (2017). Fostering Greater SME Participation in a Globally Integrated Economy. *Journal of Management*, 22(2), 22-45.
- Drake, K. D., Lusch, S. J., & Stekelberg, J. J. J. o. A., Auditing. (2019). Does tax risk affect investor valuation of tax avoidance? *Journal of Accounting, Auditing Finance Correspondents Association of Nigerian*, 34(1), 151-176.
- Eichfelder, S., & Vaillancourt, F. (2014). Tax compliance costs: A review of cost burdens and cost structures. *Journal of Management*, 34(3), 1-34.
- Flores, M., Andrés-Rosales, R., & Villarreal, A. (2016). An Exploration of Regional Labor Productivity Patterns of Manufacturing SMEs in Mexico. *Journal of Reviews on Global Economics*, 5(3), 116-130.

- Gordon, M. J. (1963). Optimal investment and financing policy. *The Journal of Finance*, 18(2), 264-272.
- Graham, J. R., & Mills, L. F. (2008). Using tax return data to simulate corporate marginal tax rates. *Journal of Accounting Economics, Business*, 46(2-3), 366-388.
- Harju, J. J. N. T. J. (2014). Policy evaluation methods in tax research—new evidence and interpretations. 2014(1), 76-92.
- James, S., & Edwards, A. (2010). An annotated bibliography of tax compliance and tax compliance costs. *Journal of Taxation*(22), 1-33.
- Jones, G. R. (2014). *Strategic management: theory: an integrated approach* (Vol. 4): Cengage Learning.
- Keith, E. G. (2012). The Impact of Taxation on Small Business. *Law Contemp. Probs.*, 24(3), 98-123.
- Kumar, S., & Rao, P. (2015). A conceptual framework for identifying financing preferences of SMEs. *Small Enterprise Research*, 22(1), 99- 112.
- Kumekpor, T. K. (2002). *Research methods and techniques of social research* (Vol. 4): SonLife Press & Services.
- Langbroek, I., & De Beuckelaer, A. (2007). Between-method convergent validity of four data collection methods in quantitative means-end- chain research. *Food quality preference*, 18(1), 13-25.
- Levy, M., & Powell, P. (2004). *Strategies for Growth in SMEs: The Role of Information and Information Sytems* (Vol. 47): Elsevier.
- Lisi, G. (2015). Tax morale, tax compliance, and the optimal tax policy. *Economic Analysis Policy*, 45(5), 27-32.
- Lyons, F. O. (1974). The Assessment of Flats, Chambers, and Offices for Local Taxation. *he Economic Journal*, 19(75), 395-403
- Millar, R., & Shevlin, M. (2003). Predicting career information-seeking behavior of school pupils using the theory of planned behavior. *Journal of Vocational Behavior*, 62(1), 26-42.
- Mugenda. (2013). Qualitative research methods. In (Vol. 34, pp. 12-34): Nairobi: Applied Research and Training Services.
- Mutai, D. K. (2015). Effects of gowin's vee heuristic teaching strategy on secondary school students' conceptual understanding and metacognition in the topic of moments in physics, in Uasin Gishu County, Kenya. (Masters), Egerton University, Kenya.
- National Board for Small Scale Industries, N. (2016). Small and medium-sized Enterprises (SMEs) accessibility to public procurement: SMEs entity perspective in Ghana. Retrieved from Ghana:

- Nyakundi, J. B. (2018). The effect of tax compliance strategies expenditure on government tax revenue in Kenya. (Masters), University of Kenyatta, Kenya.
- Nyamwanza, T., Mavhiki, S., Mapetere, D., & Nyamwanza, L. (2014). An analysis of SMEs' attitudes and practices toward tax compliance in Zimbabwe. *SAGE Open*, 4(3), 21-45.
- Ocheni, S., & Gemade, I. (2015). Effects of multiple taxations on the performance of small and medium scale business enterprises in Benue State. *International Journal of Academic Research in Business Social Sciences*, 5(3), 345-357.
- Ogbonna, G., & Ebimobowei, A. (2012). Impact of petroleum revenue and the economy of Nigeria. *Current Research Journal of Economic Theory*, 4(2), 11-17.
- Parker, C. M., Bellucci, E., Torlina, L., Zutshi, A., & Fraunholz, B. (2014). Towards a method for measuring the quality of environmental improvement communications on SME websites. *Knowledge Process Management*, 21(3), 187-197.
- Petersen, T., & Schoof, U. (2015). The impact of income inequality on economic growth. *Impulse*, 5(3), 1-12.
- Pirttilä, J., & Selin, H. (2011). Income shifting within a dual income tax system: Evidence from the Finnish tax reform of 1993. *Scandinavian Journal of Economics*, 113(1), 120-144.
- Pope, J., & Abdul-Jabbar, H. (2008). Small and medium-sized enterprises and tax compliance burden in Malaysia: Issues and challenges for tax administration. *Small Enterprise Research*, 16(1), 47-60.
- Reinganum, J. F., & Wilde, L. L. (1986). Equilibrium verification and reporting policies in a model of tax compliance. *International Economic Review*, 54(3), 739-760.
- Rojsurakitti, T. (2015). SMEs high-growth in Thailand. *Archives of Business Research*, 3(1), 56-65.
- Rousseau, J.-J. (1985). *The social contract: And, the first and second discourses* (Vol. 1). USA: Yale University Press.
- Saunders, M. N., & Thornhill, A. (2011). Researching sensitively without sensitizing: Using a card sort in a concurrent mixed methods design to research trust and distrust. *International Journal of Multiple Research Approaches*, 5(3), 334-350.
- Šeba, M. G. (2016). Financing Preferences of European SMEs. In *Economic Development and Entrepreneurship in Transition Economies* (Vol. 16, pp. 185-204): Springer.
- Slemrod, J. (2008). Tax Compliance and Tax Evasion. *The New Palgrave Dictionary of Economics: Volume 1—*, 66(3), 6523-6527.
- Tee, E., Boadi, L., & Opoku, R. (2016). The effect of tax payment on the performance of SMEs: the case of selected SMEs in Ga west municipal assembly. *European Journal of Business Management*, 8(20), 311-317.

QUESTIONNAIRE

Please, tick [√] or fill in as appropriate.

A. DEMOGRAPHICS

1. What is the size of your business?

a. Small ☐

b. Medium ☐

c. Other (please specify)

2. Please, what is your position?

a. Owner ☐

b. Accountant ☐

c. Manager ☐

d. Others (please specify)

3. For how long has your business been in operation?

- a. Less than 1 year ☐
- b. 1-5 years ☐
- c. 6- 10 years ☐
- d. Over 10 years ☐

4. Please indicate your education level

- a. Primary Level ☐
- b. Ordinary Level ☐
- c. Advanced Level ☐
- d. Diploma ☐
- e. Degree ☐
- f. Masters ☐
- g. None
- h. Others (please specify)

5. In which sector did your business fall into?

- a. Manufacturing ☐ b. Trading ☐
- c. Service sector ☐ d. Agricultural and Agro-processing ☐
- e. Others (Please specify)

6. How many employees do you have?

- a. Less than 6 people ☐ people b. 6-9 ☐
- c. 10-29 people d. 30-100 ☐ people e. more than 100 people

B. THE EFFECT OF TAX RATE AND COMPLEXITIES ON THE

GROWTH OF SMEs

7. To what extent do you agree to the effect of tax rate and tax complexities on the *growth* of your enterprises? Please indicate the extent of agreement with the statements measuring the effect using the symbol [√]; **5- Strongly agree**

(SA), 4- Agree (A) 3- Neutral (N), 2-Disagree (D), 1- Strongly Disagree

(SD)

	Tax rate and complexities on the growth of SMEs	Please tick [√]				
	Statement	SD	D	N	4A	SA
i.	High tax rate negatively impacts on the growth my enterprise					
ii.	Tax complexities influence my enterprise negatively					

iii.	My enterprise's cost of production upsurges due to high tax rate leading hikes in prices of goods and services provided					
iv.	High tax rate and tax complexities resulted in lower profits of my enterprise					
v.	High tax rate and complexities reduced the turnover of my business over the years					

C. THE INFLUENCE OF TAX POLICY ON THE GROWTH OF SMEs

8. To what extent do you agree that *tax policy* impacts on SMEs growth?

Please indicate the extent of agreement with the statements using the symbol

[√]; **5- Strongly agree (SA), 4- Agree (A) 3- Neutral (N), 2-Disagree (D), 1-**

Strongly Disagree (SD)

	Tax policy and growth of SMEs	Please tick [√]				
	Statement	SD	D	N	A	SA

i.	Complex tax regulatory system put undue pressure on SMEs operations					
ii.	Excessively regulated tax system unduly onerous and detrimental effect on the growth of SMEs					
iii.	Poorly implanted tax system leads to a waste of time when paying tax					
iv.	Same compliance requirement and cost for both small and large business is inimical to SMEs growth					

D. EFFECT OF TAX COMPLIANCE COST ON THE GROWTH SMEs

9. On average, how much do you spend annually to be able to comply with the tax compliance requirement?

.....

.....

E. IMPACT OF TAXATION ON SMES' GROWTH

10. Please indicate the number of employees you have for the respective years as provided in the table below.

Year	2014	2015	2016	2017	% increase
No. of employees					

11. To what extent do you agree that the following impact on the growth of your enterprise?
Please indicate the extent of agreement using the symbol [√];

5- Strongly agree (SA), 4- Agree (A) 3- Neutral (N), 2-Disagree (D), 1-

Strongly Disagree (SD)

	Factor (Variable)	Please tick [√]				
		SD	D	N	A	SA
i.	Tax rate and complexities					
ii.	Tax compliance cost					
iii.	Tax policy					
iv.	Size of business					
v.	Business experience					

Thank you for your participation