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FACULTY OF COMMERCE

DEPARTMENT OF ACCOUNTANCY

THE INFLUENCE OF TAX KNOWLEDGE ON TAXPAYER COMPLIANCE. CASE STUDY OF MSMES IN BINDURA.

BY

B192254B

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Dedication

The dedication is for my loving mother who has put in all of her work and energy towards my future.

Abstract

The purpose of the study was to determine the influence of MSMEs' tax knowledge on their filing compliance, payment compliance and also exploring the effects of tax educational workshops on the tax compliance of MSMEs located in Bindura town. Correlational research design with a population of 892 MSMEs and a sample size of 278 MSMEs was used in the study. The participants were chosen using simple random sampling method. The study used questionnaires to gather information from MSMEs' managers and owners about their knowledge of taxes, attendance at tax engagement workshops, and compliance practices. Collected data was analysed using simple linear bivariate regression as the inferential statistical method on the Statistical Package for Social Science version 20. The findings of the study showed that most MSMEs had a general degree of knowledge of taxes and majority of them attended tax education workshops. Moreover, the research found a positive relationship between tax knowledge and filing compliance, tax knowledge and payment compliance, tax educational workshops and compliance. Study results suggested that providing tax education workshops can be an effective way in improving tax compliance of MSMEs. The study's results highlight the importance of tax training and educational programs for MSMEs in improving their understanding of tax regulations and their obligations. The findings also suggest that tax authorities and other relevant stakeholders should invest in providing regular tax education workshops to MSMEs to promote a culture of being compliant. The study has several policy implications firstly, the tax authorities should focus on developing and implementing effective tax education programs to improve MSMEs' tax compliance. Second, MSMEs must be encouraged to attend tax education workshops in order to increase their knowledge and understanding of tax regulations and finally policymakers should consider introducing tax incentives to encourage MSMEs become compliant to tax laws and regulations. There is need for cooperation between ZIMRA and MSMEs associations and unions in coming up with a legal framework that grants such associations rights to withhold taxes when MSMEs pay for their membership fees.

Keywords: tax knowledge, tax education, tax compliance, MSMEs

Acknowledgements

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List of Abbreviations and Acronyms

GDP   Gross Domestic Product

MSMEs   Micro Small and Medium Enterprises

PAYE   Pay as you earn

SAS   Self-Assessment System

SPSS   Statistical Package for Social Sciences

VAT   Value Added Tax

ZIMCODD   Zimbabwe Coalition on Debt & Development

ZIMRA   Zimbabwe Revenue Authority

CHAPTER I

INTRODUCTION

1.0 Introduction

This research aims to determine the influence of tax knowledge on the compliance of micro, small, and medium-sized enterprises (MSMEs). This chapter considers the background of study, paving the way for formulating the research problem. This chapter also discusses the research objectives and hypotheses. This chapter additionally addresses the significance of the research, assumptions, limitations, and delimitations, and also defining key terms of the study. Finally, the chapter will go over how the study is organized and highlight summary of the chapter.

1.1 Background of the study

According to Kirchler (2007), taxation has always been a major part of daily life for citizens and has served as a chief source of domestic revenue. One of the most effective fiscal measures for governments on achieving objectives of sustainable development and growth as well as poverty reduction is considered to be tax (Zimbabwe Coalition on Debt & Development (ZIMCODD),2014). In recent years, tax compliance has become a growing concern for governments as well as businesses worldwide. To address this challenge, governments, tax authorities, and researchers have explored various approaches to promoting tax compliance, including tax education and knowledge. Several research on Micro mall to Medium Enterprises (MSMEs) tax compliance have been conducted in developed as well as developing nations. These studies have emphasized the significance of taxation knowledge to ensure the tax compliance of MSMEs. Loo (2016) discovered in a Malaysian study that taxation knowledge is one of the most significant aspects in shaping compliance using the Self-Assessment System (SAS). Harris (2013) and Dupont, Smith and Johnson (2019)'s studies on SMEs tax compliance in the UK and France respectively found that SMEs

had sufficient knowledge of tax and generally were aware of their respective countries' tax regulations.

In Africa, several countries have conducted research in this area. Research conducted in Ghana by Amanamah (2016) over half of the potential tax revenue in many developing nations goes uncollected due to a variety of aspects, plus a lack of taxation knowledge. Tax education as well as compliance remain a major challenge for MSMEs, as they frequently have insufficient resources as well as abilities to fully fulfil all of their duties, (Deloitte, 2019).

According to the Zimbabwe Revenue Authority (ZIMRA) annual report (2021), the revenue agency exceeded its tax revenue collection target, collecting net revenue of ZWL$463.57 billion versus a target of ZWL$387.40 billion (19.66% above target) due to increased compliance initiatives, which are part of ZIMRA's Key Strategic Outcomes for 2021 to 2025 by maximising revenue collection and increasing voluntary compliance. In real terms, revenue increased by 4.73% from the year 2020 (after accounting for inflation) against the projected real GDP growth of 5.8% in 2021. In 2021, the ratio of net revenue to Gross Domestic Product (GDP) increased from 15.73% in 2020, clients in the MSMEs were mostly responsible for the overall decline in tax compliance levels for 2021. Despite the country's current economic challenges and extremely low tax compliance rates (less than 30%), ZIMRA has a track record of surpassing revenue collection targets (Commissioner General, ZIMRA 2018). According to the Finscope Zimbabwe MSMEs survey (2022), MSMEs contributed US$8.6 billion to the annual GDP and they employ more than 1.7 million people. Furthermore, it was discovered that 85% of MSMEs were not registered with any regulatory authority, such as Zimra. The Revenue Authority has the ability to raise more than US$10 billion with 100% tax compliance if it can raise US$2.411 billion with 30% tax compliance ZIMCODD (2018).

In Zimbabwe, there are many obstacles to an efficient tax compliance system, including poor economic conditions, politics, and corruption. Awang and Amran (2014), timely return filing, timely tax payment and correct income and tax liability reporting, are the three components of tax compliance. According to the 2021 ZIMRA annual report, the

On-time Filing Rate for 2021 stood at 16.61% down from 29.46% in 2020. The On-time Remittance rate improved to 41.07% in 2021 from 30.37% in 2020.

In light of this, it is crucial to study the role of tax education and knowledge in promoting the tax compliance in Zimbabwe and other developing countries and to identify other factors that may influence compliance of the taxpayers. This study objectives to contribute to this research area by exploring the influence of tax knowledge on MSMEs tax compliance in Zimbabwe. By doing so, this study seeks to provide insights into effective approaches to promoting tax compliance and strengthening the revenue base in developing countries.

1.2 Statement of the problem

Many entrepreneurs in the MSMEs sector believe that taxation is a difficult process which is why they are failing to comply. MSMEs have expressed concern that the tax registration process is overly complex and the tax rates are too high (Nyoni, 2022). ZIMRA achieved its revenue collection goals for 2021, however, there was a decline in tax compliance which was primarily affected by the growing MSMEs sector ZIMRA annual report (2021). This is all because of lack of tax knowledge amongst the MSMEs who do not have enough know-how to be compliant with local tax regulations and laws through paying and filing taxes timely and accurately. Therefore, it is essential to raise public knowledge and awareness of the need to pay taxes in compliance with the laws to improve taxpayer compliance within the MSMEs sector. This research is going to look into the tax knowledge of MSMEs and how it is affecting their tax compliance behaviour.

1.3 Research Objectives

   i.   To establish the influence of MSMEs tax knowledge on their tax filing compliance.
   ii. To examine the relationship between MSMEs' tax knowledge and tax payment compliance
   iii. To explore the effect of tax educational workshops on the compliance level amongst MSMEs.

1.4 Statement of hypothesis

H0: There is no relationship between MSMEs' tax knowledge and tax filing compliance.

H1: There is a positive relationship between MSMEs tax knowledge and tax filing compliance.

H0: There is no relationship between MSMEs' tax knowledge and tax payment compliance.

H2: There is a positive relationship between MSMEs' tax knowledge and tax payment compliance.

H0: There is no relationship between tax education workshops and the compliance of MSMEs.

H3: There is a positive relationship between tax education workshops and the compliance of MSMEs.

1.5 Significance of the study

Successful completion of this study is expected to provide significant benefits to a number of stakeholders especially to the MSMEs.

1.5.1 To the MSMEs

The study can help MSMEs identify areas where they may need to improve their tax knowledge to better comply with tax regulations and laws. Therefore, they can invest more in educating themselves about tax laws or attend tax workshops to improve their compliance levels as this will be of great benefit to their businesses in the long run.

1.5.2 To ZIMRA

The findings of the study can inform ZIMRA and other tax authorities on the importance of providing adequate tax education and awareness programs for MSMEs. The results of the study can also guide tax authorities in designing effective tax education strategies that are tailored to the specific needs and challenges of Zimbabwean MSMEs, particularly those who may struggle being compliant with their taxation obligations due to limited tax knowledge.

1.5.3 To the researcher

The study will benefit the researcher to have a more detailed understanding of how tax knowledge can be of importance to MSMEs' compliance behaviour. The researcher will develop more expertise by carrying out research, which will be very beneficial in future research.

1.5.4 To Bindura University of Science Education

The research contributes to the development of relevant literature on the topic under study, which will be useful for future studies. This research contributes to the development of students, transforming them into finished products suitable for any accounting work space.

1.6 Research assumptions

- The research study's fundamental assumptions are that:
- Respondents' questionnaire responses are accurate and dependable.
- The sample used represents the total population.
- The researcher made the assumption that the economic climate during the study period wouldn't alter.

1.7 Delimitation of the study

The researcher focused the research on the influence of tax knowledge on the tax compliance of MSMEs within Bindura town only. It does not cover any other towns.

1.8 Limitations of the study

- The researcher failed to cover all the factors since tax knowledge and tax education are not the only factors determining MSMEs' tax compliance.
- The findings of this study are based on the responses by the owners and managers of the enterprises. No verification was done to check if the information given was true.

1.9 Definition of key terms

Micro enterprises: These businesses have not more than 5 workers a year.

Small enterprise: These companies are more established, stable and have 6 to 30 employees.

Medium enterprises: firms that employ from 31 to 75 workers. Manufacturing, mining, and construction companies are examples of medium-sized businesses.

1.10 Chapter summary

This chapter introduced the research which is an analysis of the influence of tax knowledge towards compliance. The major objective is to answer the question of how the level of tax knowledge affected tax compliance. This will ultimately help the revenue collection authority understand more about its clients allowing it to focus more on facilitating tax compliance by designing a simple and less complex tax system.

LITERATURE REVIEW

2.0 Introduction

This chapter focuses on providing a literature review with past researchers' theories such as the social learning theory, economic deterrence theory, and the slippery slope framework. The chapter examined the relationships between variables derived from the research objectives and the theories that underpin them. This chapter defines the categories of MSMEs in detail. A conceptual framework was created to show how the study variables are related to one another. Finally, the chapter will bring out the gap analysis, provide justification for the research, and also provide chapter summary.

2.1 Theoretical Review

2.1.1 Tax Knowledge

Tax knowledge is the extent that taxpayers are knowledgeable of or understand tax laws and regulations, (Musimenta, 2020). Bornman and Ramutumbu (2019) evaluated several research studies on how compliance is affected by tax knowledge and discovered that researchers understand taxation knowledge components including knowing laws, using laws, disclosing declaring tax records, and filing returns. It is essential for MSMEs to have tax knowledge to comply with tax requirements. Research has shown that improved tax knowledge leads to better compliance behaviour, (Mason and Calvin, 2018). MSMEs with a better understanding of regulations can make informed decisions, minimize the risk of non-compliance, and avoid penalties, (Rahman, 2019).

Most MSMEs are frequently lacking knowledge concerning their tax obligations, which has an impact on their operational a well as financial decisions. Businesses may seek on mitigating this impact by making use of effective taxation planning, that is attainable by knowledge of taxation. Report of the International Monetary Fund (2020), because

of their restricted economies of scale, limited wealth, and lack of tax understanding, MSMEs have a hard time adjusting to changing laws, shifting taxation rates, regulations as well as technology innovation.

2.1.2 Tax Compliance

Tax compliance, as described by Favourate and Mpofu (2020), is the degree to which taxpayers and business owners abide by the laws and regulations on taxes. Awang and Amran (2014), highlighted that filing returns before due date, reporting the accurate tax liability, and paying taxes on time are the three components of tax compliance. Declaring revenue and paying all tax obligations in compliance to related laws, regulations, and court rulings are included in the scope of tax compliance (Alm, 2019). Tax compliance usually entails accurate tax base declaration, timely return filing, correct calculation of the tax liabilities and early payment of any outstanding balances (timeliness). Kirchler (2007) interpreted the most important term to represent the willingness of individuals to be compliant is tax compliance. According to Maxwell (2010), a compliant taxpayer deliberately settles all outstanding tax debts and promptly, correctly, and accurately declares income to the tax authority. According to Sapiei, Kaipillai and Eze (2014), the ability to identify and punish non-compliance and also effectiveness of a tax structure's economic incentives determines taxpayer compliance. People ultimately decide not to cooperate when the anticipated benefits are worth the anticipated penalties.

Although if tax laws are sometimes misleading, tax compliance stands as a serious challenge for most revenue authorities, and encouraging taxpayers to become compliant with taxation laws and requirements is a difficult process, James and Alley (2014). In addition, they stated non-compliance may be divided into intentional as well as unintentional compliance. While intentional non-compliance is indeed an offense that is punishable by law, intentional is the understatement or overstatement o tax liability as a result of failing to take reasonable care and displaying a lack of knowledge on the upkeep of accounting records and the compilation and computation of tax returns.

The Zimbabwean law requires that all businesses which accrue or receive revenue from trade, despite their size, to keep records, file taxes, and maintain detailed

documentations for tax reasons, perform tax calculations, make payments, filing all tax returns timely, as well as perform other tax-related responsibilities such as keeping track of withholding taxes and pay as you earn (PAYE) on behalf of their workers. Many MSMEs' business activities are subject to indirect taxes, including VAT, and these MSMEs must follow all requirements set forth in the applicable tax regulations and laws, (Maseko, 2014).

2.1.3 Tax Education Workshops

Tax education workshops are an effective way of improving the tax knowledge of MSME owners and managers. These workshops provide an opportunity for taxpayers to learn about tax regulations, procedures and tax compliance requirements, (Rahman, 2019). Tax education workshops are one of the most common methods used by tax authorities to increase taxpayers' knowledge. Studies have shown that tax educational workshops positively influence the compliance behaviour of MSMEs. Mason and Calvin (2018) highlights that these workshops not only improve tax knowledge but also facilitate networking opportunities, which can enhance the quality of compliance.

2.2 Theoretical Literature

This study section is on examining relevant theories and models that are related to this research. Therefore Behaviour, Economic Deterrence Theory and Slippery slope framework. These four theories will be discussed deeper in the following subsection. This study, on the other hand, will be centred around the 1971 social learning theory as the author believes it is the most applicable theory on taxpayer knowledge, the main theories supporting the current study is grounded on this theory.

2.2.1 Social Learning Theory

The theory was established by Bandura (1971), it suggests that individuals learn through observing as well as imitating other people's behaviours, particularly those they perceive as trustworthy and credible. This happens through a process of attention, retention, reproduction, and motivation. This theory highlights the role of social interactions and environment in shaping human behaviour and emphasizes that behaviour is controlled by both individual factors and external factors. In the subject of tax compliance, MSMEs have a higher chance in complying with tax regulations if they

observe the behaviour of other MSMEs who have a stronger understanding of tax and are in compliance with their taxation obligations.

2.2.2 Theory of Planned Behaviour

Ajzen (1991) devised it as a theory in psychology that connects notions and actions in an effort to describe human behaviour. This theory was developed to expand the notion of reason action with the capacity. According to this approach specific characteristics that have organised origins and influences have an effect on how individuals behave in social situations. The ability to execute a given behaviour depends on man's motivation in relation to behaviour intention. Three factors affect human behaviour intentions: subjective norms, perceived behavioural control and attitude towards behaviour. The main focus of this model is the ethics and morality of the individual. According to Amaning et al, (2021), this idea contends taxpayer might fulfil their tax paying obligations voluntarily even if there may exist a chance that they will be revealed. As a result, this idea places more importance on shifting people's attitudes regarding tax schemes than it does on enforcing penalties and carrying out audits.

2.2.3 The Economic Deterrence Model

Becker developed this theory in 1968, and it is founded on the criminology concept. It is grounded on the fact that if the effects of criminal behaviour are worse than the crime itself, individuals may be given discouragement from committing criminal behaviour in the first place. Amaning et al. (2021). As a result, this idea assumes that people understand the difference of doing right and doing wrong and the penalties of illegal behaviour. This theory, according to Allingham and Sandmo (1972), employs the perception of an economically logical individual who will avoid paying taxes if the benefits outweigh the costs of getting caught. It demonstrates taxpayers are unprincipled utility maximisers who are motivated through economic factors such as maximisation of profits and the likelihood of being caught. This concept contends that higher audits and penalties for non-compliance are necessary to improve compliance. As a result, tax compliance and knowledge have a theoretically beneficial relationship. This theory's prediction for the current study is that higher tax compliance in the MSMEs will be because of higher taxation knowledge and also vice versa. The point in this study is supported by the fact that, despite taxpayers' awareness of fines and penalties, MSME

compliance levels have not increased. This is because the majority of businesses in this sector do not pay taxes. Therefore, it would be important they understand how penalties and fines affect their compliance level.

2.2.4 The Slippery Slope Framework

This model was established by Kirchler (2007). According to this framework, involvement in taxes and subjective taxation knowledge are favourably connected with trust, while a lack of comprehension and misinterpretation are strongly correlated with mistrust. As a result, greater taxation knowledge increases compliance whereas decreased taxation knowledge increases non-compliance. Since taxation laws continue being frequently criticized because it too complicated to fully comprehend, increasing taxpayer literacy through simplification, education and training initiatives, and improved taxpayer services will increase taxpayer trust in government agencies and, as a result, increase voluntary compliance, Kirchler, Hoelzl and Wahl (2008). The perceived power of authorities can also be influenced by knowledge of taxation methods; for instance, knowing that tax officers have conducted numerous tax audits and found numerous instances of fraud might make them seem powerful and effective. On the other side, perception of inefficiency might lower perceived authority, highlighting the significance of communication policy upon that part of taxation authorities.

2.3 Empirical Literature

2.3.1 Tax Knowledge and Filing Compliance

Several studies had been carried assessing the effect tax knowledge has on the timely filing of returns. Smith and Johnson (2017) conducted research in North America to determine the relationship of tax knowledge and timely filing of returns among small business owners. The study found that SME owners who had higher tax knowledge were likely to file their tax returns on time compared to their counterparts who had less tax knowledge.

In research led in France by Dupont, Smith and Johnson (2019), the impact of taxation knowledge on timely filing of returns among individuals was evaluated. The research found that individuals with advanced tax knowledge were more inclined to file their

taxes on time compared to those with less tax knowledge. The authors noted that tax knowledge's effect on timely filing of returns was much stronger among individuals who had received tax education. Studies carried out in China by Huang, Wang and Zhan (2019) assessed the relationship between taxation knowledge and the timely filing of returns among the small businesses. The study found that SMEs who had higher levels of tax knowledge were more likely to file their taxes on time compared to their counterparts who had less tax knowledge. The authors recommended that the Chinese government should increase tax education programs among SMEs to improve their tax knowledge and promote timely filing of returns. In their studies Oluwadare and Afolabi (2018) and Bawuah, Agyei, Tackie, Adela and Bossman (2021) carried out in Nigeria and Ghana respectively confirmed tax knowledge had impact on the timely filing of returns. Research by Wadesango and Mutema (2018) carried out in Southern Africa on the compliance of SMEs using SAS found that taxpayers who were knowledgeable filed their tax returns on time than those individuals who were uneducated.

Laing et al. (2020) found that individual taxpayers in New Zealand who had higher levels of tax knowledge were likely to file their taxes on time and accurately. The study suggested that access to tax education resources such as online information and helplines can be an important factor in promoting tax knowledge. Ariyanto (2019) conducted a study in Indonesia and revealed more than 90 % MSMEs were registered for presumptive tax and the author found that a large number of MSMEs found the system to be easier and simpler to understand compared to the complex traditional system.

Overall, the studies reviewed in this literature review suggest that tax knowledge is positively associated with timely filing of returns among individuals and SMEs in various countries. These research findings backing the notion that tax knowledge is a main factor in ensuring the timely filing of returns. As such, it is recommended that tax authorities in all countries increase their efforts in providing tax education to individuals and SMEs to improve their tax knowledge. By doing so, individuals and SMEs can effectively and efficiently file their tax returns, avoid penalties or fines associated with late filing, and stay compliant with tax laws. Maseko (2014) found weak negative relationship of tax knowledge and filing of tax returns amongst MSMEs in Zimbabwe. Lee, Seol and Oakley (2015) and Kirchler et al. (2012) in their findings found no

relationship between tax knowledge and filing of tax returns. The authors suggest that this could be due to the fact that SMEs may face other barriers to tax compliance, such as lack of financial resources or complex tax systems.

Therefore, the hypothesis:

H0: There is no relationship between MSMEs' tax knowledge and tax filing compliance.

H1: There is a positive relationship between MSMEs tax knowledge and tax filing compliance.

2.3.2 Tax Knowledge and Payment Compliance

One major hindrance of MSMEs tax payment compliance is absence of an understanding of taxation laws, the relationship of tax knowledge and payment compliance in MSMEs will be reviewed with a focus on presumptive tax and corporate tax.

Research by Teshome, Demeke and Biru (2021) conducted in Ethiopia found that insufficient knowledge and understanding tax systems has adverse effects on SMEs payment compliance with presumptive taxes. Fayomi and Adelaja (2020) also discovered that SMEs' compliance to paying corporate tax suffers from an absence of taxation knowledge and understanding of tax policies. The tax knowledge that SMEs have or do not have about the system of taxation has an effect on compliance but the effects are unresolved, (Alm, 2018). In a study led by Sikka and Willmott (2017), the authors argued that tax knowledge and compliance cannot be understood in isolation from broader social and economic inequalities. The research highlighted the effect of structural factors on tax compliance. Research done by Adarkwa, Enningful and Bawuah (2019) on presumptive tax systems in Ghana revealed that SMEs knowledge of presumptive taxes is limited, and this results in them evading their taxes. A study conducted in Nigeria by Abdulkadir and Alabede (2019) found a significant link between tax knowledge and payments for corporate taxes. The authors established that SMEs who had a better understanding of the tax system were more compliant with paying their taxes than those without any knowledge. Studies by Ratnawati, Sari and Sanusi (2019) and Nzioki and Peter (2014) concluded tax knowledge is a very vital issue on compliance through increasing payments of taxes and reducing revenue

collection expenditure by authorities since SMEs are willing to pay their taxes without being forced by government. This suggest that tax knowledge is also a vital aspect in promoting compliance among businesses. Abedifar et al. (2013) conducted study among SMEs in low- and middle-income countries and discovered that SMEs who participated in business support programs that including tax education were more inclined to compliant with regulations. Kirchler et al. (2008) conducted research among MSMEs in Austria and found that SMEs with higher tax knowledge levels were more expected to on-time tax payments and less likely to be involved in tax evasion.

While the majority of studies on tax knowledge and tax payment suggest a positive relationship, some studies have found no significant relationship. Research by Hove (2014) in a Zimbabwean study, researched into the connection between tax knowledge and compliance within the SMEs. Contrary to previous studies, the study found no significant relationship of tax knowledge and payment compliance. Additionally other studies by Negara & Purnamasari (2018) and Bruschi et al. (2018) also found no relationship between knowledge and tax payment. The authors argued that tax knowledge is not the only factor promoting compliance, other reasons including complexity of tax system, perception of fairness can also play a part in influencing tax compliance.

While the literature provides important insights into the relationship between tax knowledge and payment of taxes, there are also some limitations that need to be addressed. For example, many studies have focused mainly in developed countries and individual taxpayers, suggesting a need for such research in developing countries and businesses. It is therefore hypothesized:

H0: There is no relationship between MSMEs' tax knowledge and tax payment compliance.

H2: There is a positive relationship between MSMEs' tax knowledge and tax payment compliance.

2.3.3 Tax Education Workshops and MSMEs' Tax Compliance

Aksnes (2011) defined taxpayer education as a plan for educating the general population on the whole process of tax and the consequences as well as benefits for paying taxes.

It helps the MSMEs fulfil their responsibilities for compliance. This involves informing MSME taxpayers about important information over variety of media, such as television, newspapers, front desk assistance, radio, websites, and seminars.

According to Amin et al (2022), the key goal of educating taxpayers is to encourage voluntary tax compliance. Alm and Mckee (2020); Kwok and Yip (2018) who found that taxpayers who receive tax education were more likely to be tax compliant than those individuals who lacked education. Studies by Bernard, Oluoch and Memba (2018); Okpeyo, Musah, and Gakpetor (2019), Bornman and Ramutumbu (2019), and by Okpeyo, Musah, and Ramutumbu (2019), all concur that governments must take stronger action to educate the public, particularly on tax matters as well as policies, regular educational workshops, seminars, and training programs. If taxpayers have enough information to grasp a new system, they will accept it with open arms. Aremu and Siyanbola (2021) carried a study in Ogun state, Nigeria on the effects of stakeholder sensitization programs and public information programmes on the tax compliance of the informal sector. They found that both stakeholder sensitization programmes had a significant influence on the tax compliance in the informal sector. Gitaru (2017) emphasizes how tax authorities have adapted by using a variety of communicational channels, which include electronic tax education, and print media in an effort to develop effective taxpayer education programs. Franus (2016) wrote that the standard of compliance required was decided by quality of educational programs made available to clients. In their study, Nyamwanza et al. (2014) hypothesized that managers' and owners' compliance with regulations is unaffected by education. According to Berhan (2013), the low tax compliance rate of African nations is because of insufficient tax education, if the authorities invest more into tax education, the compliance rate would improve greatly.

While many studies suggest that tax educational workshops are effective in promoting tax compliance, other authors established no significant relation between tax education workshops and compliance. Choy and Hughes (2018) and Ali and Zakarie (2017) found no relationship between attending tax education workshops and compliance of SMEs. The researchers suggested the use of tax experts and the perceived tax fairness were more influential in shaping the compliance behaviour of MSMEs, they also suggested

that while tax education workshops improve taxpayer knowledge, they may not necessarily lead to increased tax compliance.

In summary, MSMEs tax education is crucial to growing public understanding, mostly within areas relating to taxation laws and regulations, the role of tax in the growth of countries and mainly to clarify how the government makes use of the funds it receives and where it spends them. According to Negara and Purnamasari (2018) taxpayer education programs help to teach taxpayers on their tax obligations and rights, increase taxpayer awareness of laws and procedures, motivate and assist MSMEs to voluntarily comply, help MSMEs report the accurate revenue as well as the tax due; continuously maintain close relationships between the MSMEs and ZIMRA; and infuse public confidence in the taxation system. Therefore, the study hypothesized that:

H0: There is no relationship between tax education workshops and the compliance of MSMEs.

H3: There is a positive relationship between tax education workshops and the compliance of MSMEs.

2.4 Conceptual Framework

Conceptual framework illustrates a connected sequence of theories regarding behaviour or connections between different components of a given phenomenon (Svinicki, 2010). The researcher thinks that Latham (2017)'s structure explains the nature progression of the researched phenomenon the best. A conceptual framework can show the key components or variables and their relationships with other factors either narratively or visually. The framework depicts how several factors are related to one another in this regard. The conceptual framework employed in this study illustrated the connections of tax compliance with knowledge in the context of MSMEs. Additionally, it included a summary of the metrics used to gauge MSMEs' sizes.
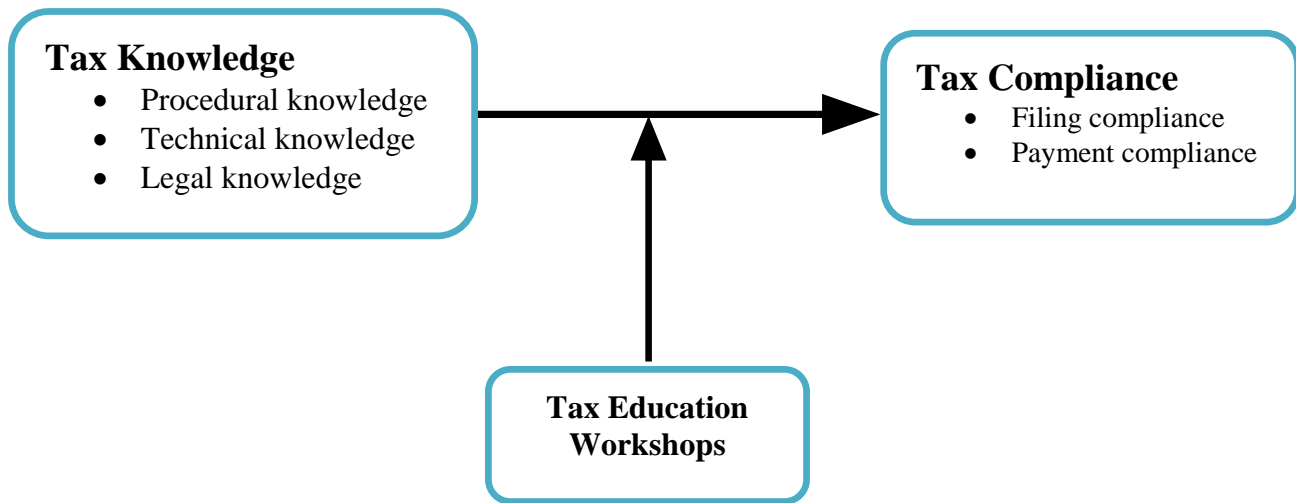
| Independent Variable | Moderating Variable | Dependant |
| variables | | |

Figure 1: Conceptual Framework

Source: Author,2023

2.5 Previous Research Studies

Exploring the Influence of Tax Knowledge in Increasing Tax Compliance by Introducing Tax Education at Tertiary Level Institutions. Amin, Buhari, Yaacob & Iddy (2022).

The key goal for the study was to clarify on why the compliance level of Malaysia was low, raising the topic of the suitability as well as the effectiveness of tax knowledge among the residents. The research aimed to establish the necessity of introducing taxation education at tertiary level institutions by soliciting student feedback. The study adopted quantitative method through use of surveys collecting data from 208 participants. The findings revealed that tax knowledge was some of the influences that determined the tax compliance level in a country.

Effect of Tax Knowledge and Technological Shift in Tax System on Business Performance: A PLS-SEM Analysis, (Bhalla, Sharma and Kaur, 2022).

Taxation is necessary for such economic system and enterprises to thrive. Acknowledging taxes as well as approaching them correctly can mean the distinction between failure and success for a business. The research aimed to investigate into impact of taxation knowledge towards business performance. A study of 450 licensed Indian MSMEs was used to conduct the research. Tax knowledge improved business performance and protected businesses from tax evasion, according to the study evidence of the Partial Least Square Structure Equation Modelling. Furthermore, technological advances in the taxation system itself and knowledge resulted in proper tax administration and governance by businesses, resulting in increased productivity. Due to in-depth tax analysis, the conclusions may be valuable to policymakers, governments, and enterprises.

Tax education and fear-appealing messages: A grease or sand in the wheels of tax compliance? (Trawule, Gadzo, Kportorgbi and Sam- Quarm, 2022).

The concept of taxation education, fear-instilling, and taxation accessibility is becoming key in modern tax collection systems since there is a view that not complying with taxes has negative effects on the tax collection systems, particularly in the developing nations. The study divided tax compliance into capitulative and committed compliance and used regression to their relationships with tax education. Cross sectional and correlation research design were implemented for the study. Primary data was gathered from sample size of 400 participants using structured questionnaires. Descriptive and inferential data was analysed using SPSS to interpret the data. Chi squared test and t-tests were performed in testing the relationships between study variables. The study advised that in order to motivate citizens into paying one's taxes, officials can educate them or give them fear-instilling messages backed up by taxation laws. The research also made recommendations to education ministries to work together with the tax authorities in introducing basic tax teaching as a required subject in school curriculums to enhance their general knowledge of taxes since it increases compliance.

Impact of Taxation Knowledge on Compliance Challenges: Case of Artisanal and Small-Scale Miners in Midlands Province – Zimbabwe, (Nhorito, Dumbu and Mkumbuzi, 2021).

The research's key aim was on examining impact of taxation knowledge on the challenges in compliance of Zimbabwean small scale mining operators. Research design adopted in the survey was descriptive in nature, data was gathered by using interviews and questionnaires. A Sample size for 400 small scale miners were selected for the study. Study variables were analysed through correlational tests, spearman, Pearson correlation as well as multivariate regressions. Study findings revealed that variables for taxation knowledge had both positive and negative relationship with compliance challenges.

Knowledge requirements, compliance costs, tax complexity and tax compliance, (Musimenta, 2020).

The research looked on the relationships of tax complexity, compliance cost, knowledge requirements as well as tax compliance. Since Uganda's tax laws are proven to modify constantly, taxpayers should be flexible enough to learn what they need to keep up with the changes, or compliance will continue to be costly. As a result, whenever tax laws and regulations change, there are knowledge gaps. Cross sectional and correctional research design were employed in the research of 242 sampled VAT withholding agents as the subjects of the study. Study findings discovered that taxpayers have enough knowledge on taxation for them to be able to calculate and pay their taxes, but it does not preclude the possibility that they still have to pay for doing so. Additionally, knowledge requirements were found to be more effective than external costs for recognizing internal compliance costs. The study concluded that the cost of complying is not considerably impacted by knowledge requirements.

Analysis of Tax Compliance and Its Determinants: Evidence from Kaffa, Bench Maji and Sheka Zones Category B Tax Payers, Ethiopia, (Assfaw and Sebhat, 2019).

Tax evasion and avoidance are constraints that act as limiting factors for an efficient revenue collection system. The study looked at the causes of compliance on Ethiopia category B taxpayers. Methodology design of the study was a descriptive and the research implanted simple random sampling technique. Data collection was conducted using structured questionnaires and sent to 311 participants. Analysis of collected data was conducted using descriptive information and also use of the econometric model. Research findings showed that a number of variables positively influenced compliance,

which included tax education and tax knowledge. The research made recommendations to the tax authorities so that they simplify their tax system mainly the tax return, forms also laws for them to be clear and understandable for taxpayers. Additionally, the study suggested the government come up with rewards systems for most compliant taxpayers during a tax period or yearly.

Influence of Awareness and Taxation Knowledge on Tax Compliance among Investors in the Export Processing Zones, (Obongo, Memba, Oluoch, 2018).

Tax knowledge and awareness were significantly positively correlated in trying to explain taxpayer compliance within and between Kenyan investors within the Export Processing Zones. The research's results demonstrated that tax awareness and knowledge are strongly related the capacity to comprehend and be compliant to tax regulations. Instead of approaching the issue of compliance from a lawful point of view, the research recommended the tax authorities to introduce awareness programmes on informing investors and citizens around their duties and responsibilities in taxation.

An analysis of the tax compliance problems of SMEs in a Zimbabwean economy, (Tavarwisa, 2018).

The Zimbabwe revenue authority had been failing to meet their revenue collection targets between years 2012 and 2016, this is because of MSMEs who were failing to meet their tax obligations. The research was quantitative and data was collected from different taxpayer departments of Zimra Kurima office in Harare. The participants agreed planned behavioural control enhanced tax compliance, the research survey used inferential analysis in testing the relationships between the determinant for compliance in the study in order to give a judgement on the stated hypothesis. The research was guided with the theory of planned behaviour. The research used linear regression, perceived behavioural control and attitude also had no significant relation with tax compliance however subjective revealed a significantly positive relationship with tax compliance.

Determinants of Tax Compliance Attitude with Taxation: Evidence from Category A Taxpayers in Gedeo Zone, SNNPRS, Ethiopia, (Deyganto, 2018).

Attitudes of tax compliance are controlled by economic, social, institutional, demographic and individual aspects. The research aimed on identifying factors of

compliance attitude with the case study of taxpayers in the category A in Ethiopia. Cross sectional design was implemented as the research involved both qualitative and quantitative data which would help attain the study objectives. Data collection was carried out from sampled 291 individuals. The study gathered secondary and primary data, which was captured and interpreted using SPSS version 23 and Stata (12). Binary regression and also Pearson correlational matrix were used in the analysis. Findings of the study showed education level had no association with tax compliance attitude but however from the results lack of tax knowledge had an impact on the compliance attitude. The study highlighted that the results obtained could be used in policymaking on strategies which are related to attaining higher revenue collection targets and promoting development in the country.

Tax Compliance Challenges in Fulfilling Tax Obligations among SMEs in Zimbabwe: A Survey of SMEs in Bindura, (Zivanai, Chari and Nyakurimwa, 2015).

The goal of the study was on determining key reasons influencing the compliance of SMEs, assessing effectiveness of the presumptive system for the informal sector with the objective to formalize it and also coming up with recommendations on improving voluntary compliance within SMEs. The academic conducted research design which was descriptive in nature for sample of 30 SMEs operating within Bindura town. The research used interviews and questionnaires in collecting primary data. Results obtained found that informal businesses are non-compliant owing to the high tax rates, an absence of faith within the revenue collection authority, low detection risk, plus that their fellow informal dealers are tax evaders. The findings also pointed towards ineffectiveness of the system of presumptive taxation in pushing the informal industry to become formal. The research recommendations were on giving major companies tax breaks when they carry out trade with complying SMEs. The enforcement of taxation regulation, tax audits, the enforcement of tax regulations, the use of tax agents, additionally presumption taxation awareness initiatives would assist SMEs in remaining tax compliant.

The impact of personal tax knowledge and compliance costs on tax compliance behaviour of SMEs in Zimbabwe, Nelson Maseko (2014).

The existing Zimbabwean tax law does not accommodate for the unique business situations that SMEs experience, which has a significant impact towards business' tax compliance. As a result, it proposed amending this same taxation system to include provisions that provide particular taxation benefits to small businesses in order to comply. The research used a predominantly qualitative design. The study conducted face to face interviews SMEs tax consultants in Harare, Bindura and Chitungwiza. Taxpayers' amount of education is a significant aspect that adds to their insight of taxation regulations, particularly registration and filing obligations.

Tax Knowledge, perceived tax fairness and tax compliance in Uganda: Case of Small and medium income taxpayers in Kampala Central division, (Mukasa, 2011).

The research adopted cross-sectional research design, this included mix of both qualitative and quantitative designs, with 330 respondents as a sample, where the questionnaires were self-administered collecting data from SME owners and managers located in Kampala central division in Ghana. This survey revealed that a causal relationship exists amid perceived tax fairness, tax knowledge and compliance. Taxation knowledge had a significantly positive relationship to taxation compliance, yet there was a negative relationship for taxation knowledge and perceived tax fairness. Results implied that positive improvement of MSMES tax knowledge as well as tax fairness perceptions improve compliance.

2.6 Gap Analysis

In the interest of improving tax morals as well as the public's perception of such objectivity which the taxation system has, Chingozho (2018) and Musimenta (2020) proposed the best strategy to encourage tax compliance would be to supply more tax awareness towards of the community. Negara and Purnamasari (2018) and Maseko (2014) independently discovered after conducting study that tax education and knowledge continued to be negatively correlated with tax compliance since it only impacts filing returns, and the taxpayer can choose whether or not to comply. According to the information provided by various academics, research on the relationship of tax compliance with knowledge is still unclear. Therefore, due to these differing conclusions, the researcher was inspired to investigate how tax knowledge affects the compliance of MSMEs in Bindura town.

2.7 Chapter Summary

Chapter two reviewed the relevant literature behind MSMEs and Tax knowledge with its relation to Tax Compliance, the chapter also reviewed other related literature. This was done to come up with well-supported research. Many scholars agreed tax knowledge has a major influence on the compliance of tax payers. The next chapter will be focusing on research methodology.

CHAPTER III

RESEARCH METHODOLOGY

3.0 Introduction

This chapter presents the data collection and analysis methodologies used to analyse the influence of tax knowledge on MSME's towards their compliance to tax. This section describes research design, sample population, data collecting, presentation, and analytic methodologies, as well as ethical considerations. The approaches and also methodologies used aimed to increase fresh knowledge about the impact of taxation knowledge to compliance as well as revenue collection by the revenue authority. A brief summary was also provided at the close of the chapter.

3.1 Research Design

The structure that is used for methods and techniques a researcher selects for their research is known as research design. The study implemented a correlation design in examining the relationships between tax between the study variables. Correlation design is a research design that includes gathering and analysing data to find the level to which a number of variables are associated to one another, (Smith, 2018). This design allowed the researcher to determine without changing the variables, the direction and strength for the relationship between the study variables (Creswell, 2014). The research used quantitative research method in conducting the research, in an effort to quantify the variables in the study. Additionally, this design was appropriate because the researcher did not want to manipulate the variables but rather examine the association between.

The research was conducted using quantitative technique to achieving the set objectives of the study. Quantitative data was collected and tested by means of statistical analysis. Quantitative method highly stresses on objective measurements as well as the statistical analysis of the collected data through surveys and questionnaires. This is due to the

study's combined objective of researching the effect of taxation knowledge towards tax compliance while also developing recommendations for enhancing tax knowledge in Zimbabwe**.**

3.1.1 Quantitative Research

Kumar (2014) defines it as a survey of relations among variables in order to find if research goals are reached this also includes use of calculation in the detail analysis of collected data. Quantitative research is a technique for describing, testing, and explaining relationships especially cause and effect relationships (Vosloo, 2014). The quantitative technique's main focus is on the collection of fresh data in conjunction to its problem from a large population as well as analysing data but it ignores the feelings and emotions also the environmental context of an individual.

Advantages of quantitative research

- The researcher is more goal oriented about the results of the study.
- Since quantitative research design is very valid and dependable, conclusions may be easily drawn with certainty, Hughes (2014).

Disadvantages of quantitative Research

- For more accurate findings, a larger sample size of the population must be surveyed.
- The context of the research or experiment is ignored when using quantitative.

3.2 Target Population

Study population is a large group of people or items that are subjects of certain scientific query, (Kothari, 2004). MSME owners and managers were recruited on purpose as research participants for their views on tax laws and regulations in Zimbabwe. The targeted population for research was 862 MSMEs in Bindura town where questionnaires were distributed to MSMEs owners and managers.

3.3 Sampling Frame

Only businesses in Bindura town were included in the sampling frame for the study, providing an assortment of potential participants from which an accurate representation was drawn. This was a result of the circumstance that the study's direct participants made up the targeted population.

3.4 Sample Size

According to Myers et al. (2012), size of sample is the total number of findings included in a sample, which represents the study's actual population. When carrying out a quantitative study, the size of the sample will depend upon the type of relationships you want to find and what you want to do with the results, (Kumar, 2014). With a population of 862 MSMEs, all sectors with a population of less than 10 MSMEs were selected the whole population for sample size. Flea markets, light industries, saloons, bottle stores and general dealer shops were selected using a formula by Slovin (1960) to establish sample size. Carrying out the test at 90% confidence level and a target population 862 respondents with sample size of 278 MSMEs.

Slovin Formula for calculating sample size.

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

where:

n = Sample Size

N=Total Population

e= Margin of error

Table 3.1 : Population size and Sample size

Participants (Sectors)	Targeted Population	Sample Size
Flea Markets	390	80
Cottage Industries	278	74
Restaurants	6	6
Driving Schools	8	8
Bottle Stores	22	18
Saloons	27	21
Transport Operators	23	19
General Dealer Shops	108	52
Total	**862**	**278**

Source: Bindura Municipality Council (2023)

3.5 Sampling Procedures

Kumar (2014) defined sampling that it is the procedure of selecting a number of participants in the research who represent a selected large group. A sample is used as a starting point for predicting a scenario, a fact, or a result that will have an impact on the greater population. The researcher used a stratified random sampling in collecting data from the listed MSME owners and managers. The population's objects had an equal chance to be selected through random sampling additionally. This allowed every participant of the target population an equal opportunity to take part in the research.

3.6 Research Instruments

In collecting primary data, the researcher employed questionnaires as the research instrument. Questionnaires can be reliable and valid with the aim of obtaining the data required for the purposes of this study because it does not impose any overriding effect on the participant when they answer questions. The questionnaires were self-distributed, which meant the researcher proceeded around Bindura town with questionnaires, distributed them to target samples.

3.7 Questionnaires

A questionnaire, as described by Flower & Couper (2009), is an ideal tool for collecting data in a more logical manner. It is a data collection method whereby each respondent is requested to answer series of questions in such a specific pattern. The questionnaire is found in Appendix I of the study. The questionnaire was structured in order to clearly measure the study variables, Section A covered demographics, the following section measured the level of tax knowledge of MSMEs using 11 items being asked, section C with 6 items asking on the tax compliance behaviour of MSMEs, finally section D with 5 items covering on the tax educational workshops attended by MSMEs.

The research used questionnaires order to collect data from MSMEs since it was the most suitable for quantitative study. The usage of questionnaires by the research was beneficial to the researcher since they were able to translate research objectives and measure the study variables in order to test the relationships between them. Questionnaires aided respondents to reason clearly on their replies in giving exact information.

3.8 Data Collection Procedures

Primary Data

Data collected was verified that all questions had been fully and accurately answered and each page of the questionnaire had a thorough review to accuracy and also completeness. Following ups for the questionnaires were done physically.

3.9 Validity and Reliability

Tallaha and Shukor (2014) define validity is how well a test may accurately measure the objectives. Mwangi (2014) highlights that for an instrument to be regarded valid, information selected and also contained within the questionnaire should be related to the variable that are being examined. Using a sample of fifteen (15) MSMEs chosen at random, the researcher led a pilot test. The instrument's content validity was further evaluated utilizing the insight of the research supervisor who was an expert in the subject. The research supervisor independently assessed the questionnaire's validity in relation to the study's objectives.

Kumar (2014) defines reliability as the capacity of a research instrument to produce like results when carried out repeatedly under the same circumstances. In order to assess reliability of research tools, test-retest technique was used to distribute questionnaires to MSMEs with identical characteristics to the real sample and though excluded from the final study. To determine the extent that the questionnaire generated the similar responses each time it was given, the test was conducted again the next day. The results were discovered to be consistent, demonstrating the questionnaire's reliability as a tool for conducting research.

3.10 Pilot Study

In order to check for reliability, a pilot study was conducted on 15 participants that were MSMEs owners and managers. Questionnaires were administered to MSMEs within Bindura, their responses were assessed to make sure that they had understood the questionnaire requirements. The participants managed to answer the questionnaires in 10 minutes time.

3.11 Data Presentation and Analysis Procedures

Data collected was captured, analysed and displayed using SPSS and for presentations such as graphs and tables. The techniques were utilized by the researcher because they are simple to understand as well as clearly show the patterns of the acquired data. It was tested for relationships using simple linear bivariate statistics methods. In order to draw conclusions, questionnaires were analysed taking into account the consistency of the results which the questionnaires provided.

3.12 Ethical Considerations

Ethical consideration in research is crucial just as any area in human behaviour, (Saunders, 2013). Everyone in the population who felt their involvement in the survey may cause them harm or loss had the choice of pulling out without any consequence. None of the respondents were required to provide their personal information, also anonymity remained preserved throughout this research in order to prevent people from social, emotional as well as intellectual harm caused by providing the research information.

3.13 Chapter Summary

The chapter as a whole describes how the study's data was gathered. It gave thorough explanations of the sample size, research design, then the research tools used to collect information on the assessment of how tax knowledge affects compliance among MSMEs. The next chapter's topic is covering on presentation and analysis of collected data.

CHAPTER IV

DATA PRESENTATION, ANALYSIS AND DISCUSSION

4.0 Introduction

This chapter will present findings of collected data, interpretations then their analysis according to the study objectives. The data collected through close ended questions was analysed through the use of SPSS. All the data analysed was presented in the form of tables. Descriptive statistics, variable correlations, and regression analysis were all computed using SPSS. Additionally, the SPSS was used in determining reliability of the questionnaire used and also see if the data was distributed normally. The results of the study were presented using inferential statistics as well as descriptive statistics.

4.1 Response rate

The study had a sample target of 278 participants in gathering information on the influence of MSMEs' tax knowledge on their compliance. Out of the 278 questionnaires distributed, 195 were returned and were used for analysis. This meant that the study had a response rate of 70.14% which is assumed credible and appropriate for analysing data by Mugenda & Mugenda (2003), who found that a study with a response rate above 70% is a good generalisation of the research results in that population of study.

Table 4.1: Response Rate

Category	Distributed Questionnaires	Returned Questionnaires	Response Rate
Flea Markets	80	56	70%
Cottage Industries	74	49	66.22%
Restaurants	6	4	66.67%
Driving Schools	8	4	50%
Bottle Stores	18	15	83.33%
Saloons	21	16	76.19%

Transport Operators	19	13	68.42%
General Dealer Shops	52	38	73.07%
Total	**278**	**195**	**70.14%**

Source: Primary Data

4.2 Demographics of respondents

The following section covers information relating to the demographic of the MSME respondents in Bindura. The features under demographics included positions, highest education level, years of work experience, number of employees, number of years operating and form of tax paid.

4.2.1 Position of Respondent

The positions of MSME representatives who were the study objects was taken from the demographic section of the questionnaire. The only expected objects of the study were MSME owners or managers and they are shown in the table 4.2 below. A number of the participants were actually the owners of the businesses. This is actually true in most MSME businesses whereby the owner is also the one doing the day to day running of the business. A survey on MSMEs by Finscope (2022) found that 81.4% of the MSMEs were also run by the owners.

Table 4.2: Position of Respondent

Position	Frequency	Percentage
Owner	123	63.08%
Manager	72	36.92%
Total	195	100%

Source: Primary Data

4.2.2 Highest Level of Education.

Table shown below is showing the participants' levels of education. The table is showing that secondary education (49.74%) is the highest education level held by a majority of participants. The participants with the least education (9.23%) attained primary education, compared to those who's highest was secondary, tertiary education and other qualifications. Level of education is deemed an important aspect when it comes to understanding of tax filing requirements, (Maseko, 2014). Conclusively a

significant number of the respondents were educated and they have basic knowledge of their business processes.

Table 4.3: Education Level

Highest Education Level	Frequency	Percentage
Primary Education	18	9.23%
Secondary Education	97	49.74%
Tertiary Education	42	21.54%
Other Qualifications	38	19.49%
Total	**195**	**100%**

Source: Primary Data

4.2.3 Years of Working Experience

The information presented below is showing the years of working experience of the MSME owners and managers. It presented that most participants had between 6 – 10 years (37.44%) and Over 10 years' experience (30.26%), followed by those with 3-5 years (24.61%). Those who had less than 2 years working experience had the least percentage of respondents.

Table 4.4: Years of Experience

Number of Years	Frequency	Percentage
0-2 Years	15	7.69%
3-5 Years	48	24.61%
6-10 Years	73	37.44%
Over 10 Years	59	30.26%
Total	**195**	**100%**

Source: Primary Data

These results may suggest that the study respondents are aware of their business tax duties and responsibilities. This is in line with Damanpour et al. (2015) and Kirchler and Wahl (2010), who found that owners and managers with previous work experience in the similar field were found to be likely to comply more to tax regulations compared to individuals without such experience.

4.2.4 Number of years in operating as MSMEs

The data in table 4.5 below considers how long the business has been in operation. Out of the 195 respondents, 26.67% have operated for 0 to 2 years, 32.82% for 3 to 5 years, 24.62% for 6-10 years, and 15.89% for more than 10 years. The most frequent from the data is 3-5 years of operation, which suggests that the participants were aware that they were required to be compliant with tax matters also most likely had encounters with tax authorities at some point, so data was collected from the exact target respondents.

Table 4.5: Number of years in operation

Number of Years	Frequency	Percentage
0-2 Years	52	26.67%
3-5 Years	64	32.82%
6-10 Years	48	24.62%
Over 10 Years	31	15.89%
Total	**195**	**100%**

Source: Primary Data

4.2.5 Form of Tax Paid

The results on table 4.6 below show the forms of taxes paid by the MSMEs. More than half of the MSMEs pay presumptive tax and 19.45% of the participants were unable to recognize the tax they were required to pay by the law. This shows lack of knowledge among the MSMEs on tax matters. Those who were registered for corporate tax were 51 MSMEs, this means a majority of MSMEs are still in the informal sector since they are not registered as taxpayers but only pay presumptive. These were in agreement with research carried out by Ariyanto (2019) who found that more than 90% of MSMEs paid presumptive taxes.

Table 4.6: Form of tax paid

Form of Tax paid	Frequency	Percentage
Corporate Tax	51	26.2%
Presumptive Tax	106	54.35%
Not Sure	38	19.45%
Total	**195**	**100%**

Source: Primary Data

4.2.6 Number of Employees (Size of Business)

In relation with the findings shown on table 4.7 below, the researcher used number of employees as the criteria to determine the different sizes of MSMEs. The finds revealed that 83.08% of the targeted respondents are micro-enterprises, 16.41% they are small businesses, and less than 1% of them are medium businesses The results below show that majority of the MSMEs still operate in the micro sector.

Table 4.7: Number of Employees

Employees	Frequency	Percentage
No Employees (Subset of Micro)	103	52.82%
1-5 Employees (Micro)	59	30.26%
6-30 Employees (Small)	32	16.41%
31-75 Employees (Medium)	1	0.51%
Total	**195**	**100%**

Source: Primary Data

4.3 Tax knowledge of MSME operators

Table 4.8: Tax Knowledge

	Min	Max	Mean	SD
Knowledge of presumptive tax				
Type of tax that you are supposed to pay for your business	1	5	3.99	1.345
Penalties of not paying taxes	1	5	3.25	1.619
Calculation of Tax to be paid	1	5	3.44	1.720
Periods you are required to pay your taxes	1	5	3.71	1.660
Knowledge of corporate tax				
Penalties for late payment	1	5	3.47	1.597
Penalties of not paying taxes	1	5	3.20	1.614
Filling the tax return form by myself	1	5	3.51	1.777
The requirements for obtaining a tax clearance certificate	1	5	3.26	1.664

	Min	Max	Mean	SD
Tax returns can be submitted electronically	1	5	3.66	1.692
Tax credits available for your business	1	5	3.33	1.713
Additional				
Withholding tax changed from 10% to 30%, effective 2022	1	5	3.39	1.622

Source: SPSS

The table above is showing the tax knowledge of MSMEs operators, on a measure from a very small extent (1) to a very large extent (5). Mean of items for tax knowledge ranges from 3.20 to 3.99. Therefore, these findings suggest that MSMEs have a moderate level of tax knowledge. The mean scores for each of the constructs measured for tax knowledge are all relatively close together with highest mean score being knowledge of type of tax they are required to pay. These results are not surprising given the type of MSMEs involved in this research whom most of them have attained secondary education or higher. The results are also showing that the MSMEs have a general understanding of taxes which is guiding their compliance. In terms of presumptive tax knowledge, the respondents had high mean score of 3.71 which showed they are knowledgeable of the periods they are required to pay their taxes under presumptive tax system. The standard deviation for each of the tax knowledge constructs are also similar indicating that there was a similar amount of variability in participants 'scores across those areas. Clearly, it means that MSMEs have knowledge and have the capacity to pay taxes.

4.4 Tax compliance

Table 4.9: Tax Compliance of MSMEs

	Min	Max	Mean	SD
Tax Filing Compliance				
I file tax returns on time	1	5	3.23	1.720
I file tax returns online	1	5	3.28	1.737
I keep records of transactions	1	5	3.22	1.518
Tax Payment Compliance				

I calculate and pay the correct amount of taxes to ZIMRA	1	5	3.37	1.463
Calculation of Tax to be paid	1	5	3.24	1.784
Average	**1**	**5**	**3.268**	**1.644**

Source: SPSS

Filing compliance

Based on the results of the means and standard deviations computed by the SPSS, it appears that the MSMEs in the study had moderate level of filing compliance. The mean scores for each of the three compliance areas measured are all relatively close together, the highest mean being filing taxes using the online platform. Standard deviation for each of the three items for filing compliance were also similar, showing there is a similar amount of variability in the respondents' scores across the three items.

Payment Compliance

The mean score for calculating and paying the correct amount taxes was 3.37, indicating that the MSMEs (both presumptive and corporate tax) in the study are compliant in paying tax amounts. For calculating the tax to be paid, mean score was 3.24 indicating MSMEs in this study have relatively high compliance level. However, the relatively high standard deviation for the calculation of tax to be paid question may suggest that majority MSMEs still struggle to accurately calculate the tax amounts to be paid because of the variability compliance. This highlight the importance of ongoing tax education programs for MSMEs to ensure they are furnished with the essential skills and knowledge to meet their tax responsibilities.

Tax Compliance

The aggregated results for filing compliance as well as payment compliance came up with the mean value of tax compliance of 3.268 and standard deviation of 1.644. This suggests a significant variation in the compliance of the respondents within the sample. The value indicates that MSMEs relatively have a high level of awareness and knowledge of tax regulations. These outcomes are similar with those from Zivanai et al. (2015) who founded that SMEs are commonly aware of requirements to be compliant with tax law.

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4.5 Tax education workshops

Table 4.10: Tax education workshops

Statement	Min	Max	Mean	SD
Tax education workshops covered relevant to your business taxes	1	5	3.53	1.548
Tax education offered me practical tips on managing my business taxes	1	5	3.55	1.560
The programs were presented in a clear and understandable manner	1	5	3.48	1.514
Tax workshops helped me identify areas to plan my tax affairs	1	5	3.46	1.531
Tax education programs helped me in paying taxes	1	5	3.48	1.673

Source: SPSS

The study findings found tax education workshops to be helpful and informative based on mean scores and standard deviation. It can be seen that the tax education workshops had a moderate to large extent impact on the compliance of MSMEs in paying their taxes. The mean scores for all questions were above three, indicating that the workshops had a positive impact on the MSMEs. It is worth noting, however, that the standard deviations for all questions were relatively high, indicating a wide range of responses from the MSMEs. This suggest that while the workshops were effective for some MSMEs, they may not have been as effective for others.

4.6 Scale reliability test

Table 4.11: Summary of the reliability test

Variables	Number of Items	Cronbach's Alpha
Tax Knowledge	11	0.964
Tax Education	5	0.915
Payment Compliance	2	0.74
Filing Compliance	3	0.80
Tax Compliance	5	0.880

Source: SPSS Data

The above table is showing the reliability coefficients of sub-sections in the questionnaire which was used in collecting data. The reliability coefficient was computed using Cronbach's Alpha. All the sections had a reliability of greater than 0.7. Cooper and Schindler (2003) stated that an acceptable reliability must range from 0.7 to 1.0, 0.8 good, 0.9 highly reliable. The results on the table above are showing the reliabilities of the all the scales of the questionnaire and they are all reliable.

4.7 Statistical assumptions for simple linear bivariate regression.

The statistical assumptions aimed at the research include linearity and normality. The results were computed on the SPSS.

4.7.1 Linearity

The linearity test was carried out using the ANOVA results shown in the table. It seeks to determine if a linear relationship exist between study variables. Significant deviation value should be greater than 0.05 to demonstrate a linear relationship and less than that shows that no linear association exists between variables.

Table 4.12 Linearity of tax knowledge and Filing compliance

ANOVA Table

			Sum of Squares	df	Mean Squares	F	Sig.
Filing Complianc e * Tax Knowledge	Between Groups	(Combined)	494.368	32	15.449	30.404	.000
		Linearity	473.095	1	473.095	931.053	.000
		Deviation from Linearity	21.273	31	.686	1.350	.119
	Within Groups		82.317	162	.508		
	Total		576.685	194			

Source: SPSS

According to table 4.12 above for the ANOVA computed results, a linear relationship exists between filing compliance and tax knowledge. Deviation from linearity is 0.119, which supports this. This is because it is greater than 0.05 and statistically significant at $(p < 0.001)$ in demonstrating the existence of a linear relationship.

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Table 4.13 Linearity of Tax Knowledge and Payment compliance

ANOVA Table

			Sum of Squares	Df	Mean Square	F	Sig.
Payment Compliance * Tax Knowledge	Between Groups	(Combined)	316.358	32	9.886	19.715	.000
		Linearity	296.971	1	296.971	592.211	.000
		Deviation from Linearity	19.386	31	.625	1.247	.190
	Within Groups		81.237	162	.501		
	Total		397.595	194			

Source: SPSS

The Anova computed results in table 4.13 show that a linear relationship exists between payment compliance and tax knowledge because the deviation from linearity is 0.190. This is because it is greater than 0.05 and also statistically significant at ($p < 0.001$).

Table 4.14: Linearity of Tax Education and Tax Compliance

ANOVA Table

			Sum of Squares	Df	Mean Square	F	Sig.
Tax Compliance * Tax Education	Between Groups	(Combined)	292.493	24	12.187	23.595	.000
		Linearity	272.394	1	272.394	527.358	.000
		Deviation from Linearity	20.099	23	.874	1.692	.031
	Within Groups		87.809	170	.517		
	Total		380.302	194			

The Anova computed results in the table above present that a linear relationship arises between variables tax compliance and tax education because the deviation from linearity is 0.031. The value suggests a linear relationship but statistically insignificant between the variables tax education and compliance.

4.7.2 Test for normality

Table 4.15: Lilliefors Significance Correction

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Payment Compliance	.203	195	.000	.871	195	.000
Timely Filing	.229	195	.000	.774	195	.000
Tax Compliance	.183	195	.000	.874	195	.000

Source: SPSS

The normality of the distribution is an important factor that has to be satisfied in order to select the appropriate the statistical test to be used. The table 4.15 above is showing the normality test carried out for dependant variables, payment compliance, timely filing and tax compliance. These results demonstrate that all the dependant variables were not normally distributed, $p < 0.05$ meaning non-parametric tests were most appropriate for the study.

4.8 Hypothesis testing

This section will analyse the research hypothesis. Relationships are examined using Spearman's correlation coefficient on the SPSS. This non-parametric was used since the single linear assumption were not met. Analysis of the hypothesis was done to ascertain the strength of the relationships that exist between dependent variables, filing compliance, payment compliance as well as tax compliance with tax knowledge and tax education workshops the independent variables. The hypothesis tests are shown below.

4.8.1 H1: There is a positive relationship between tax knowledge and filing compliance

The first hypothesis, H1, states that there is a positive relationship between tax knowledge and filing compliance. The following outcomes demonstrate the relationship between the two variables.

Table 4.16 Spearman's correlation coefficient for tax knowledge and filing compliance

			Tax Knowledge	Filing compliance
Spearman's rho	Tax Knowledge	Correlation Coefficient	1.000	.825**
		Sig. (2-tailed)	.	.000
		N	195	195
	Filing Compliance	Correlation Coefficient	.825**	1.000
		Sig. (2-tailed)	.000	.
		N	195	195
**. Correlation is significant at the 0.01 level (2-tailed).				

Source: SPSS

The computed results confirm a statistically significant positive relationship exist between tax knowledge and filing compliance with a correlation coefficient showing r=0.825, p=0.001, and n=195.This means the level of understanding that MSMEs have of tax regulations and laws influences their timely filing of tax returns.

4.8.2 H2: There is a positive relationship between tax knowledge and MSMEs payment compliance

The second hypothesis mentioned that a positive relationship exists between tax knowledge and MSMEs' payment compliance. The table below is showing the correlation coefficient values of the relationships between tax knowledge and payment compliance.

Table 4.17 Spearman's correlation coefficient for tax knowledge and payment compliance

			Tax Knowledge	Payment Compliance
Spearman's rho	Tax Knowledge	Correlation Coefficient	1.000	.758**
		Sig. (2-tailed)	.	.000

			195	195
Payment Compliance	Correlation Coefficient		.758**	1.000
	Sig. (2-tailed)		.000	.
	N		195	195
**. Correlation is significant at the 0.01 level (2-tailed).				

Source: SPSS

Results shown above show that a positive correlation exists between the variables tax knowledge and also payment compliance. These results indicate that a strong positive relationship of 0.758 at p<0.01. The outcome therefore meant that MSMEs will pay their corporate and presumptive taxes if they have better understanding of why and what they are paying.

4.8.3 H3: There is a positive relationship between tax education workshops and tax compliance

According to the third hypothesis stating that a positive relationship occurs between tax education workshops and the tax compliance of MSMEs. The following results show the association between the two variables. The results are shown below on table 4.15.

Table 4.18: Spearman's correlation coefficient for Tax Education and Tax Compliance

			Tax Education	Tax Compliance
Spearman's rho	Tax Education	Correlation Coefficient	1.000	.782**
		Sig. (2-tailed)	.	.000
		N	195	195
	Tax Compliance	Correlation Coefficient	.782**	1.000
		Sig. (2-tailed)	.000	.
		N	195	195
**. Correlation is significant at the 0.01 level (2-tailed).				

Source: SPSS

The results on the table indicate a strong positive relationship between attending tax educational workshops and MSMEs' tax compliance. The correlation coefficient (r) value of 0.837 indicates a very strong positive correlation between the two variables, which means that as attendance at workshops increases, tax compliance also increases. The p-value of less than 0.001 advise that this relationship is statistically significant, meaning that it is highly unlikely that the relationship occurred by chance, the findings support that increased attendance at tax educational workshop improves their tax compliance.

4.9 Discussion

The main purpose for the research was establishing the influence of MSMEs' tax knowledge on their tax compliance. For analysis, inferential statistical tools were used, and Spearman's correlation coefficient was employed in order to test for the hypothesis. The research established relationships between the study variables tax knowledge, tax education, payment compliance, filing compliance, and tax compliance.

Based on the computed results to test for the first hypothesis, tax knowledge has been found to have a positive relationship with filing compliance. Spearman 's correlation was used in testing the relationships in order to conclude the hypothesis. The findings confirmed that a positive correlation exists between the tax knowledge of MSMEs and their filing compliance. This shows that tax knowledge is an important factor for MSMSEs, since inadequate knowledge will result in taxpayers failing to meet filing requirements. These results are in agreement with prior research done by Oluwadare and Afolabi (2018) in Nigeria found that taxpayers who had a greater understanding of tax laws and regulations were highly likely to timely file their returns. Same as Bawuah et al. (2021) in Ghana found that tax knowledge was a significant predictor of timely filing of tax returns.

Furthermore, the spearman correlational test was used to test the for hypothesis that tax knowledge has a positive relationship with payment compliance revealed a strong, positive relationship between the two constructs, as shown in table 4.15 (r=0.758). The findings of this research are in agreement with that of Andreoni et al. (2016), Kirchler

et al. (2008), who found that people who knew more about taxes were expected to make their tax payments on time and honestly. The findings of Fayomi and Adelaja (2020) and Abdulkadir, et al. (2019) research was also in support with the results of this present study of MSMEs in Bindura, showing that those with high levels of tax knowledge had better probability meeting their tax obligations than individuals with low levels of tax knowledge.

Tax education workshops appear to significantly improve MSMEs' tax knowledge, thus increasing their tax compliance behavior. From the results of the research, there exist a positive relationship between tax education workshops and MSMEs' tax compliance. Because the two variables have a linear relationship, the more MSMEs attend tax educational workshops, the more knowledge they gain towards tax regulations and laws which will make them comply better. This study is in line with that of Alm and Mckee (2020) and Okpeyo, Musah, and Gakpetor (2019) who found that taxpayers who receive tax education were more likely to comply and that this effect was more noticeable for low-income businesses (Micro). These findings are also in agreement with research by Chingozho (2018) who emphasized more on the quality of the educational programs other than just quantity of programs attended. MSMEs must regularly attend workshops carried out by ZIMRA or other institution at least twice in a year to always keep them updated with the current regulations and practices.

4.10 Chapter summary

This chapter concentrated on presentation and analysis of data, as well as the study findings. To determine the relationships between independent and also dependent variables, statistical assumptions for single linear bivariate regression were noted and hypothesis tests were performed. All of the variables were discovered to have a positive relationship and obtained results were thoroughly discussed. The chapter that follows focuses on the results summary, recommendations, and other areas to explore for future research.

CHAPTER V

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter focused on the summary of the research results, conclusions and recommendations. Area of further research are as well shown in the section.

5.1 Summary

The key objective of the study was determining the influence of MSMEs tax knowledge towards taxpayer compliance. The objectives that were noted were establishing the influence of MSMEs' taxation knowledge to filing compliance, examining the relationship between tax knowledge with tax payment compliance of MSMEs and exploring the effect tax educational workshops have on MSME compliance. The second chapter was literature review; the research objectives were guided by the social learning theory. Correlation research design was implemented in the research with sample size of 278 MSMEs located within Bindura town. The researcher employed questionnaires in the data collection and the questions were being answered based using the extent scale. SPSS was employed in analysing the data. The statistical tool used in the analysis were single linear bivariate regressions.

5.1.1 To establish the relationship between MSMEs tax knowledge and filing compliance.

The findings from the research established that there exists a positive association between MSMEs tax knowledge and the timely filing of tax returns (filing compliance). This suggests that, MSMEs are more likely to comply to their tax filing obligations if they have better understanding of tax regulations. This is in line with research from other scholars who have demonstrated a relationship between MSMEs tax knowledge and timely submission of returns.

5.1.2 To examine the relationship between MSMEs tax knowledge and tax payment compliance

The findings of this research also showed a strong correlation between tax literacy and tax payment compliance. This was underlined by a linear relationship between the variables. The majority of the MSME operators who took part in the survey were educated, which provided them with a better understanding of tax regulations and their obligations in influencing their compliance with tax payments. Respondents with education below Secondary found it very difficult to understand tax laws and regulations hence that caused them to fail to pay the required tax that were due. A few of the respondents weren't even aware of the tax they were required to pay for their business especially those who were in the flea market business as most of them had secondary education or below.

5.1.3 To explore the effect of tax educational workshops on the compliance level amongst MSMEs.

Furthermore, the findings for H3 revealed a positive relationship between tax education workshops and MSMEs' tax compliance. This was due to the fact that substantial number of MSME representatives who participated in the study attended tax education workshops, which improved their understanding and knowledge of tax regulations and laws, resulting in a higher level of compliance. Additionally, the findings also showed that providing education and training programmes on tax regulations can improve tax compliance among MSMEs.

5.2 Conclusion

This research managed to answer all research hypothesis which were resultant from the objectives in the study. The major goal of this research was to look into how tax knowledge influenced MSMEs' compliance with filing and payment compliance. This study discovered that tax knowledge was positively related to both payment compliance and timely filing of returns, as supported by the hypothesis tested.

Furthermore, the research found that attending tax educational workshops positively influenced tax compliance among the MSMEs. These results highlight the importance

of promoting tax education workshops among MSMEs in order to enhance their compliance with taxation regulations.

5.3 Study recommendations

The researcher recommends that MSMEs should invest more time on tax education and training programmes to improve their knowledge. This can help them better understand their tax obligations and the benefits of being compliant.

- The Zimbabwean government must provide more incentives for MSMEs so that they become much more compliant with taxation laws and regulations, and provide guidance on how to comply with them.

- The Zimbabwean tax authority should simplify the tax system and reduce the burden of compliance for Zimbabwean MSMEs. This can be achieved by reducing the forms of taxes, simplifying tax return form and manual filing procedure and providing clearer guidance on tax compliance.

- Again, there is need for cooperation between ZIMRA and associations for MSMEs in coming up with a legal framework that grants such associations rights to withhold taxes when MSMEs pay their membership fees.

5.4 Areas of further research

This study was carried out in only in Bindura town, future studies must be taken on a much larger sample such as the whole of Zimbabwe.

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Appendix A: Questionnaire for MSMES

Dear Participant

My name is B192254B, a student at Bindura University of Science Education doing a Bachelor of Accountancy (Honours) Degree. I am currently undertaking research entitled **"Influence of Tax Knowledge on taxpayer compliance".**

This is being done in partial fulfilment of the requirement of the degree program. The research is entirely academic and any information provided will be treated with utmost confidentiality.

Your contributions would be greatly appreciated.

Thank you.

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SECTION A: DEMOGRAPHIC DETAILS.

Please tick in the appropriate box that matches your answer

1. Position in the company

Owner ☐   Manager ☐

2. Level of Education

Primary Education ☐

Secondary Education ☐

Tertiary Education ☐

Other Qualifications ☐

3. Experience in this field

0-2 Years ☐   3 to 5 Years ☐   6 to 10 Years ☐   >10 years ☐

4. How long has your company been in operation?

0-2 Years ☐   3 to 5 Years ☐   6 to 10 Years ☐   >10 years ☐

5. What category does your business operate in?

Transport Operators ☐   Restaurants ☐

Bottle stores ☐   Saloons ☐

General Dealers ☐   Driving Schools ☐

Flea Markets ☐   Cottage Industry ☐

6. **How many employees do you have?**

No Employees ☐

1-5 Employees ☐

6-30 Employees ☐

31 and above Employee ☐

7. Which form of Tax do you pay

Corporate Tax ☐   Presumptive Tax ☐   Not Sure ☐

Using the following scale provided to answer all the questions below, indicate by ticking on the appropriate box.

1= To a very small extent 2=To a small extent   3=To a moderate extent   4=To a large extent   5=To a very large extent

THANK YOU FOR YOUR TIME.

SECTION B: TAX KNOWLEDGE OF MSMES					
8. To what extent are you aware of the following:	**1**	**2**	**3**	**4**	**5**
Knowledge about Presumptive Tax					
Type of tax that you are supposed to pay for your business					
Penalties of not paying taxes					
Calculation of Tax to be paid					
Periods you are required to pay your taxes					
Knowledge about Corporate Tax					
Penalties for late payment					
Penalties for late submission of returns					
Filling the tax return form by myself					
The requirements for obtaining a tax clearance certificate					
Tax returns can be submitted electronically					
Tax credits available for your business					
Additional					
Withholding Tax changed from 10% to 30%, effective January 2022					
SECTION C: TAX COMPLIANCE OF MSMES					
9. **To what extent do you**					
Filing Compliance					
File tax returns on time					

Remit or pay taxes on or before due date					
Keep records of transactions					
I file my tax returns online					
Payment Compliance					
I pay taxes on the due date upon filing returns					
I calculate and pay the correct amount of taxes to ZIMRA					

SECTION D: TAX EDUCATION WORKSHOPS

10. To want extent did the workshops cover					
Tax education workshops covered relevant to your business taxes					
Tax education offered me practical tips on managing my business taxes					
The programs were presented in a clear and understandable manner					
Tax workshops helped me identify areas to plan my tax affairs					
Tax education programs helped me in paying taxes					