A Study to Establish Factors Inhibiting Voluntary Tax Compliance Among the Small and Medium Enterprises (SMES) in the Zambian Economy, Survey of (SMES) of Kamwala Township in Lusaka City

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ABSTRACT

The purpose of the study was to establish factors inhibiting voluntary tax compliance among the SMEs in the Zambian economy of Kamwala Township in Lusaka city. The study applied both the qualitative and the quantitative approaches. A sample of 393 SMEs was calculated with confidence level of 95% using Slovin's formula. The questionnaire was used to collect the primary data. The instrument made it easier by the researcher to obtain thorough answers from the respondents. The total of 393 questionnaires was administered to the respondents of which 369 respondents answered and returned the questionnaires representing a response rate of 94%. The literature review was conducted to collect secondary data through the reviewing of related published literature at global, region and local perspective. The techniques of probability; simple random and sampling among others were used as they were unbiased, accurate and current. Additionally, interview guide was applied. The quantitative data was analysed through pie charts, tables and figures. Additionally, the five (05) Likert scale was used to collect data and quantified. The qualitative data was analysed through the technique approach of thematic contents analysis and ensured theoretical saturation. The collected data was consequently analysed using a Statistic Package for Social Sciences (SPSS). The results showed that the independents variables on the conceptual framework had a direct effect on a dependent variable of tax inhibiting factors among the SMEs of Kamwala Township in Lusaka city. The findings among others were; lack of tax incentives and high tax rate made SMEs to inhibit tax. Further findings revealed SMEs never saw the benefits derived from tax payment leading to tax evasion and tax avoidance. Additionally, low education background, irregular audits and fewer levels of trained staff of accountants to record and interpret tax rules and regulation was found to be a factor that led to non-tax compliance on the SMEs. Further, lack of information on tax filling systems and difficulty in the interpretation of tax rules and regulation was found to be another factor that caused SMEs to inhibit tax. The study concluded among others ZRA an institution mandated for handling all tax matters in the nation in collaboration with the ministry of finance and national planning must consider carrying out robust awareness campaigns on tax education in order to enhance information tax base on SMEs. The study recommended that ZRA must consider increasing tax incentives, transparency in tax revenue expenditure, simplify tax payment systems among SMEs of Kamwala Township in Lusaka city.

LIST OF SELECTED ABBREVIATIONS

BITP	Business Income Tax Payers
CBD	Central Business Centre
FNDP	Fifth National Development Plan
GDP	Gross Domestic Product
ICC	International chamber of Commerce
PAYE	Pay As You Earn
SMEs	Small and Medium Enterprises
SPSS	Statistics package for Service Solution
ToT	Turn over Tax
TPIN	Tax personal Identification Number
UTH	University Teaching Hospital
VAT	Value Added Tax
ZBS	Zambia Business Survey
ZRA	Zambia Revenue Authority

CHAPTER ONE: INTRODUCTION

1.0 Introduction

Chapter one is about the introduction, background of the study, statement of the problem, aim and objectives of the research. The chapter further outlines the research questions, significance of the study, boundary of the research and the chapter summary .The study sought to establish factors inhibiting voluntary tax compliance among the Small and Medium Enterprises (SME) in the Zambian economy. The survey was conducted on the SMEs of Kamwala Township in Lusaka city. The majority of large corporations have their origins in SMEs suggesting that the future large businesses are the SMEs of today that must be nurtured to ensure their growth. Thus, SMEs are generally perceived to be the seedbed for indigenous entrepreneurship and generate all the many small investments, which would otherwise not have taken place(Sharma and Manoj, 2020)

The enthusiasm for this study was activated by reflection of my past experience when I was recruited as an employee in the Government sector. I found it difficult to understand the source of Government revenue. What bothered me is the source of salaries for Government employees and by what means did Government   raise funds for its development activities and public services. The way I tried to learn was characterised by challenges that needed responses. If Government revenue was received from SMEs without any challenges through voluntary tax   could have meant every corner to flourish with economic stability, growth and social equity through the funds raised from taxation. The eagerness of always wanting to know want hindered SMEs from paying tax kept on ringing. This triggered the need of the study to establish factors inhibiting voluntary tax compliance among the SME in Kamwala townshipof Lusaka city.

Zambia being the fastest growing nation in the southern Africa will never overlook the need for voluntary tax from SMEs as one of its sources of revenue for its development. Every business is mandated by law to pay tax. Tax inhibition diminishes Governments revenue much needed for

investment in critical areas of social and public development among others; the health sector, Education sector and the various infrastructure developments.(Falsely Mohamed kibasa,2012)

Therefore, developing economies like Zambia needs to further the development of its private sector by creating an environment favourable to the growth of SMEs, strengthening the factors that lead to business success and addressing the problems threatening the existence and advancement of SME through the addressment of roles such as mobilization of domestic savings for investment, appreciable contribution to Gross Domestic Product (GDP), increased harnessing of local raw materials, employment generation, and significant contribution to poverty reduction efforts through sustainable livelihoods and enhancement in personnel income, technological development and export diversification.(Daniel Agyapang,2010)

In Zambia, the Ministry of Finance and National Planning is responsible for the formulation of tax policy, and the implementing agency or the corporate body mandated to collect all taxes is the Zambia Revenue Authority (ZRA).

The authority levies corporate tax at the rate of 30% reduced from 35% the year 2022. The income from the agricultural sector and non-traditional exports, all exports except copper and cobalt is levied at 10% including hotels, lodges and other accommodation. The companies listed on the K250 million are levied corporate tax at the rate of 40%. Personal income tax is a tax levied by the Government on an individual earnings from different sources such as salaries or wages levied through the systems or method known Pay As You Earn (PAYE) in the range of 20-37% of which up to k5,100.00 is at 0%, between k5,101 to k7,100 at 20%, K7,101 to k9,200 at 30% and 37% above k9,200.00).This was according to Caesar and Marja 2020.

The maximum rate applicable to farmers and agro -processing have a flat rate of 10%. The Value Added Tax (VAT) is levied at 16% according to ZRA tax table. Some specified goods and services are zero-rated or exempt registration for VAT purposes is mandatory for every dealer or supplier of standard rated and zero-rated goods and services, as defined in the VAT Act No. 4 of 1995. The Turnover below k800, 000.00 was applicable for the SMEs and taxed at the rate of 4%. It is an obligatory by law that all registered suppliers or dealers, precisely every business with such a turnover or sells are tax compliance and do not inhibit voluntary tax in the economy.

1.1 Background of Study

In the recent years, Zambia has faced tax performance challenges that need to be addressed. The historical perspective of tax comes way back decades and beyond in 1976 in the rein of Adam Smith, the famous eighteenth Century British Economist in his book 'Wealth of Nations' and laid the four basic canons of taxation. According to the first canon key to the background to the study called the canon of equity/ability all citizens of the nation should contribute towards expenses of the Government as nearly as possible in proportion to their respective abilities.

The background that led to the study of the topic to establish factors inhibiting voluntary tax compliance among SMEs of Lusaka city has been influenced by a number of events said by various scholars; Among others being the poor tax compliance a burning issue in the world especially in the sub- Saharan African countries like Zambia where reports of none tax -compliance causing a budget deficit among the SMEs of Lusaka City. (Kambiro Orkaido Deyganto, 2018)

Tax Compliance is the Gradation to which a taxpayer complies (or fails to comply) with the tax rules of his country, for example by declaring income, paying the tax due in a timely manner and filing a return to ZRA. (Ackim, 2020)

Tax is compulsory financial contribution imposed by a Government to raise revenue, levied on the income or property of persons or organizations, on the production costs or sales prices of goods and services. Markets are a critical source of the tax revenue for both local and national Government. City market was estimated to generate 1.2 million kwacha per month. ZRA had faced challenges as well as the sensitivities of collecting levy taxes from informal workers among others the marketeers who are critical political constituency the same way as much of the political economy scholarship suggests.(Danielle, 2018)

The ratio of tax revenue to Gross Domestic Product (GDP) often used as basic measure of performance of a tax system has been on a decline from 19.2% in 2000 to 15% in 2009 and 2011 respectively.(Alfred 2011)

There has been a portion of taxes that eludes the Government's tax net each budget period. This has been referred as tax gap. The net tax gap is the standard measure of non-compliance through channels of evasion; avoidance and the hidden economy which the researcher endeavoured to establish the factors that made SMEs to inhibit tax. The three channels had together accounted for the largest portion of mislaid taxes in many sub- Saharan countries including Zambia.(Shebo. 2014)

All regimes are charged with the obligation of providing vital services to their citizenry including security, Education, Health and physical infrastructure like roads among other functions.(moore 2019)

According to the commission on taxation of the International Chamber of Commerce (ICC), this requires access to and collection of sufficient and sustainable revenue to meet these Obligation and goals.

A sustainable revenue base enables countries to withstand external and domestic shocks, and to provide the needed services necessary for sustained economic development. Most Governments raise much of their revenue from taxation. However, most of these Governments are faced with the challenge of non - tax compliance among SMEs and high cost of tax administration. Tax avoidance and tax evasion and many more barriers are a matter of serious concern among the SME in many developing countries in the sub-Saharan countries. (Alex 2005)

Non-tax compliance among the SME has limited the capacity of the Governments to raise the much-needed revenues for developmental purposes. Tax evasion is defined as a failure by a person or business to comply with tax obligation and illegal. It diminishes the mobilization of resources for Government to invest in critical areas of social, health and infrastructure development. Globally, in Europe, South and North America, the tax evasion and avoidance has disrupted the gross domestic economies between 2% and 10% in 2011 according to Ackim 2012)

However, the researcher felt much needed to be done on this topic and contribute to the body of knowledge by coming up with the best strategies. The research focused on coming up with various findings and made recommendations that would help policy makers develop remedies to influence SMEs in Lusaka city to voluntary pay tax. In the recent years, there has been an increase in both theoretical and empirical literature on studies around the world to establish factors inhibiting voluntary tax compliance among the small and medium enterprises but very little had been known and still had gaps around Kamwala Township in Lusaka city. Therefore, responses to these questions were crucial to the study.

Lusaka city had been within reach for the researcher and cost effective in terms of travel costs. It also had a larger number of SMEs advantage to study population. The adequacy of the sample size of SMEs on a population reduced sampling error. (Hamed, 2018).

The introduction of self-assessment and electronic tax register among others has raised concern to Tax compliance and made it more complicated aspect of tax system.SMEs pays turnover tax charged at 4% on gross sales on business with annual turnover of k800, 000 or less. Tax remittance is to be submitted to ZRA by the 14th of the month following the month in which the transaction occurred. This tax is the one that poses a biggest challenge to SMEs, because being non-compliant attracts penalties as turnover tax is mandatory. (Chrine, 2024)

Hence the study looked at the evaluation of the taxpayers' attitude and identified what inhibited tax compliance with turnover tax system   among SMEs in Zambia particularly Kamwala township in Lusaka city.

1.2 Statement of the problem

Non-tax compliance among the SMEs taxpayers of Lusaka Central Business had been a challenge and very poor. Zambia has been classified as a low-income country by World Bank in 2022 due to decline in Gross National Income (GNI). A study of the parliamentary budget office revealed in 2016 the Government could have increased the tax base by approximately 59.3 million kwacha if factors inhibiting tax among SMEs was addressed. According to ZRA annual report for the year ended 2016, the amount lost inform of taxes was 98 million kwacha which can be directly attributed to the informal sectors and SMEs. (Ackim, 2020)

There are challenges in the collection of tax revenue as revealed by tax audits; a total amount of 1, 957.6 million kwacha was assessed in the year 2011,tax revenue of 597.7 million was collected, while the penalties amounting to 370.3 million kwacha were charged for non – tax compliance with tax regulation institution ZRA. The disclosures through tax audits are a clue that tax inhibition are challenges with a potential to unfavourably distress domestic revenue collection subsequently the whole economy.(Kondwani, 2024)

The complimentary reports on the problem of tax inhibiting revealed Government was under stress to finance its economic activities according to reports by Civil Servants and Allied Workers Union of Zambia (CSAWUZ). The consequence of non - tax compliance by many SMEs had resulted into low revenue collection by the ZRA.The failure by the Government to provide key scale benefits like salaries and wages for workers in the public sector had caused unrest in the recent years in institution such as the health sector in Zambia. The November 2013 strike at University Teaching Hospital (UTH) crippled the operations to an extend that the theatre had been forced to close and nationwide, approximately 570 nurses were fired from the formal employment. Stawasz and Talbot, 2013)

The low revenue collection has hindered the delivery of services and payment of salaries to civil servant. The delayed and non-payment of salaries has caused most households to be financially incapacitated and failure to meet the daily needs of their families. However, Government loses out much needed revenue most required for economic stability and growth. (Thabani,2020)

The matter of tax compliance globally had gained more momentum by researchers in the current couple of years because of growing level of non-tax compliance and its importance on the capacity of the Government to raise revenue.(Giulia Mascagni,2017)

In most African countries, the domestic tax bases were undermined by widespread tax avoidance and evasion Zambia being one of the fastest growing economies with highly authoritative tax authority had failed to finance most of its developmental activities by its own means as a result of   non-tax compliance by SMEs even after a series of tax system reforms. (OHFjelstad,2015)

Most of the previous studies were only done in developed countries. Non -Tax compliance studies in developing countries have been low in number.(Nasirunddin and Monica Singhai,2012)

Dealing with the problem of tax compliance required further understanding on what constrains SMEs not to pay tax. There had been too low researches conducted to establish factors inhibiting tax compliance among SMEs of Kamwala Township in Lusaka city. There are still un answered questions and gaps which this study tried to bring up in the research. Therefore, the purpose of the study aims at establishing factors inhibiting voluntary tax compliance among the SMEs taxpayers in Zambia particularly in Kamwala township of Lusaka city. On this premise this study was conducted.

1.3 Aim or Purpose of the Study

To establish factors inhibiting voluntary tax compliance among SMEs in the Zambian Economy of Kamwala Township in Lusaka City.

1.4 Specific research objectives

In line with the above aim or the purpose of the study, the following are the specific objectives:

1. To establish factors inhibiting voluntary tax compliance among the SMEs of Kamwala township in Lusaka City.
2. To assess the effects of factors inhibiting voluntary tax compliance among the SMEs of Kamwala township in Lusaka City.
3. To analyse how the identified factors inhibit voluntary tax compliance among the SMEs of Kamwala Township in Lusaka City.

1.5 Specific research questions

As a consequence, to the specific research objectives, the study will seek to answer the following questions:

1. What are the factors inhibiting voluntary tax compliance among the SMEs of Kamwala township in Lusaka city?
2. What are the effects of factors inhibiting voluntary tax compliance among the SMEs of Kamwala Township in Lusaka city?
3. How do the identified factors inhibit voluntary tax compliance among SMEs of Kamwala Township in Lusaka city?

1.6 Hypothesis

Ho: Social factors do not inhibit tax compliance among the SME of Kamwala Township in Lusaka city.

H1: Social factors inhibit tax compliance among the SME of Kamwala Township in Lusaka city.

Ho: Demographic factors do not inhibit tax compliance among the SME of Kamwala Township in Lusaka city

H1: Demographic factors inhibit voluntary tax compliance among the SME of Kamwala township inLusaka city.

H0: Individual factors do not inhibit tax compliance among the SME of Kamwala Township in Lusaka city

H1: Individual factors inhibit tax compliance among the SME of Kamwala Township in Lusaka city

1.7 Significance of the Study

The study may contribute to the body of knowledge by providing realistic information on significance and identify factors affecting business tax payers among the SMEs. The research may also provide policy makers with applicable possible alternative program interventions arising from the additional knowledge of voluntary tax compliance which may help the nation achieve various developmental

objectives from tax revenues. The findings of this study are expected to provide concepts and grounds on which to develop a suitable tax framework for SMEs and anticipated that the knowledge accruing through recommendations of the study may benefit the Government of Zambia and its revenue collection ZRA in an effort to design suitable tax policies for business tax payers.

1.8 Boundary of the Research Study

My focus of the study to establish factors inhibiting voluntary tax compliance among SMEs was limited to Kamwala township inLusaka city. The site is located along independence avenue road to the south approximately 2km from the Central Business Centre. The majority of the SMEs in this area are located along the chilimbulu road. It contains a larger number of businesses of SMEs in the categories of sole proprietorship, technical skills and technology, partnerships, including Agri- business, Hospitality and food, Retail shops and start-ups business and groups. (Manju Kedia Shah, 2012)

Kamwala trading area had a wider traders, product and services in most retail shops and that its proximity to intercity bus terminus enabled easy accessibility and convenient for travellers to shop. (Stien, 2013)

The study site was within reach for the researcher and easily accessible which enabled the process of data collection affordable, cheaper, time saving and less wearisome in the study.

1.9 Organisation of the paper

This report is divided into six significant sections. Chapter one provides the introduction, background of the study, statement of the problem, research objectives and the study questions. The chapter additionally states significance of the study, scope of the study and the operations definitions. Chapter two is about the literature review, it outlines definitions of terms and general concepts, theoretical and conceptual framework. It further reviews the underpinning theories and the reviewed the empirical studies. Chapter three focused on outlining the methodology that was used in the study. The main aspects of the chapter comprised; Research philosophy, research design, the study area and the study population. The chapter further described the study sample, sampling techniques, instruments for data collection and procedure as well as the data analysis including validation of instruments respectively. Chapter four dwells on the presentation results and analysis. Chapter five is about the discussion of the findings whereas chapter six provides a summary of conclusion and the recommendations including the areas of the future studies This is followed by references and the section of the appendices,

CHAPTER TWO: LITERATURE REVIEW

2.0 Introduction

Chapter two is about the validity of literature, definitions of terms and general concepts, theoretical frame work, conceptual framework and the review of the underpinning theories. The chapter further reviewed the empirical studies and the summary.

2.1 Validity of the literature

In order to commend on the literature, data frequently grounded on the journal articles published in the past ten (10) years at global, region and local perspective to ensure its current. The interviews as well as questionnaire guide was systematically managed to the respondents and checked by the researcher to ensure its legitimacy.

2.2 Definitions of terms and general concepts

The operations definitions have been as outlined below.

2.2.1 Business income tax payers (BITP)
Refers in particular the Small and Medium Enterprises (SMEs)

2.2.2 Small and Medium Enterprises (SMEs)
Zambia Revenue Authority (ZRA) definitions of SMEs through the administration point of view of Zambia Business Survey (ZBS) define an SME as a firm with 50 employees or less. The ZRA defines as small any taxpayer with a turnover below ZMW 800,000 per annum.

2.2.3 Tax: A compulsory financial contribution imposed by a government to raise revenue, levied on the income or property of persons or organizations, on the production costs or sales prices of goods and services. This is according to Adams and Kelly 2022.

2.2.4 Tax Compliance: The Gradation to which a taxpayer complies (or fails to comply) with the tax rules of his country, for example by declaring income, paying the tax due in a timely manner and filing a return to Zambia Revenue Authority.

2.2.5 Tax Evasion: It refers to the conscious or unconscious action and behaviour of a person who is liable to pay tax but who fails to fulfil this duty by either under reporting his tax liability or failing to account for his income generating activities altogether. Tax evasion also refers to the reduction or minimization of tax liability by illegal methods and it is criminal by law.

2.2.6 Tax Rate: The tax rate is the tax imposed by the federal Government based on an individual's taxable income or a corporation's earnings.

2.2.7 Tax Avoidance: Is a legal usage of the tax regime in a single territory to one's own advantage to reduce the amount of tax that is payable by means that are within the law.

2.2.8 Tax Administration: It refers to the procedures attached to tax compliance including registration and filling of returns.

2.2.9 Tax Attitude: The way of thinking or feeling about taxes.

2.2.10 Tax Obligation: Responsibilities pertaining to tax payment and declaring of tax returns which a person duly registered and having a TPIN is required to observe.

2.2.11 Tax Compliance cost: It refers to the expenditure of time or money in conforming to government requirements such as legislation or regulation.

2.2.12 Statistical Package for Social Sciences (SPSS). Software Package used for analysis of statistical data.

Tax inhibiting phenomenon generally refers to the extent at which taxes create obstacles or constraints to the business income taxpayer's non-adherence to the tax policies. Failure of filling all required tax law returns at the proper time and inaccurately reporting of the tax liability contrary to tax law applicable at the time the return is filled. The problems encountered globally by business and the reasons why the individuals and companies comply or fail to adhere to policies. (Cussia, 2013)

Tax compliance is a complex term to define. It is multi-faceted measure and theoretically, it can be defined by considering three distinct types of compliance such as payment compliance, filing compliance, and reporting compliance. These compliances can also be divided into administrative compliance (reporting compliance, procedural compliance or regulatory) and technical compliance which refer to complying with technical requirements of the tax laws in calculating taxes or provisions of the tax laws in paying the share of the tax.

Theoretically, views of the taxpayers and tax collectors are that tax compliance means adhering to the tax laws, which are different from one country to another.

## 2.3 Theoretical Literature review

The study was deeply guided by selected theories of taxation among them; the economic based theory, psychological theory which included the prospect and the theory of planned behaviour brought up by diverse researchers codified at global, region and the local levels purely to bring about better understanding of the research topic.

2.4 Conceptual framework.

The conceptual framework shoulders the factors on discussion had a direct influence on tax inhibition among the SMEs of Kamwala Township in Lusaka city. The independent variables are the inhibitors on the left side of the figure 2.1 below; broken down into different factors, characterised and presented in the categories of Economic factors, Demographic factors and institutional factors. Additionally, are the social factors, individual and the political factors. The corresponding variable on the right side are dependent variable as tax compliance

Conceptual framework.
Independent variables   **Dependent variables**
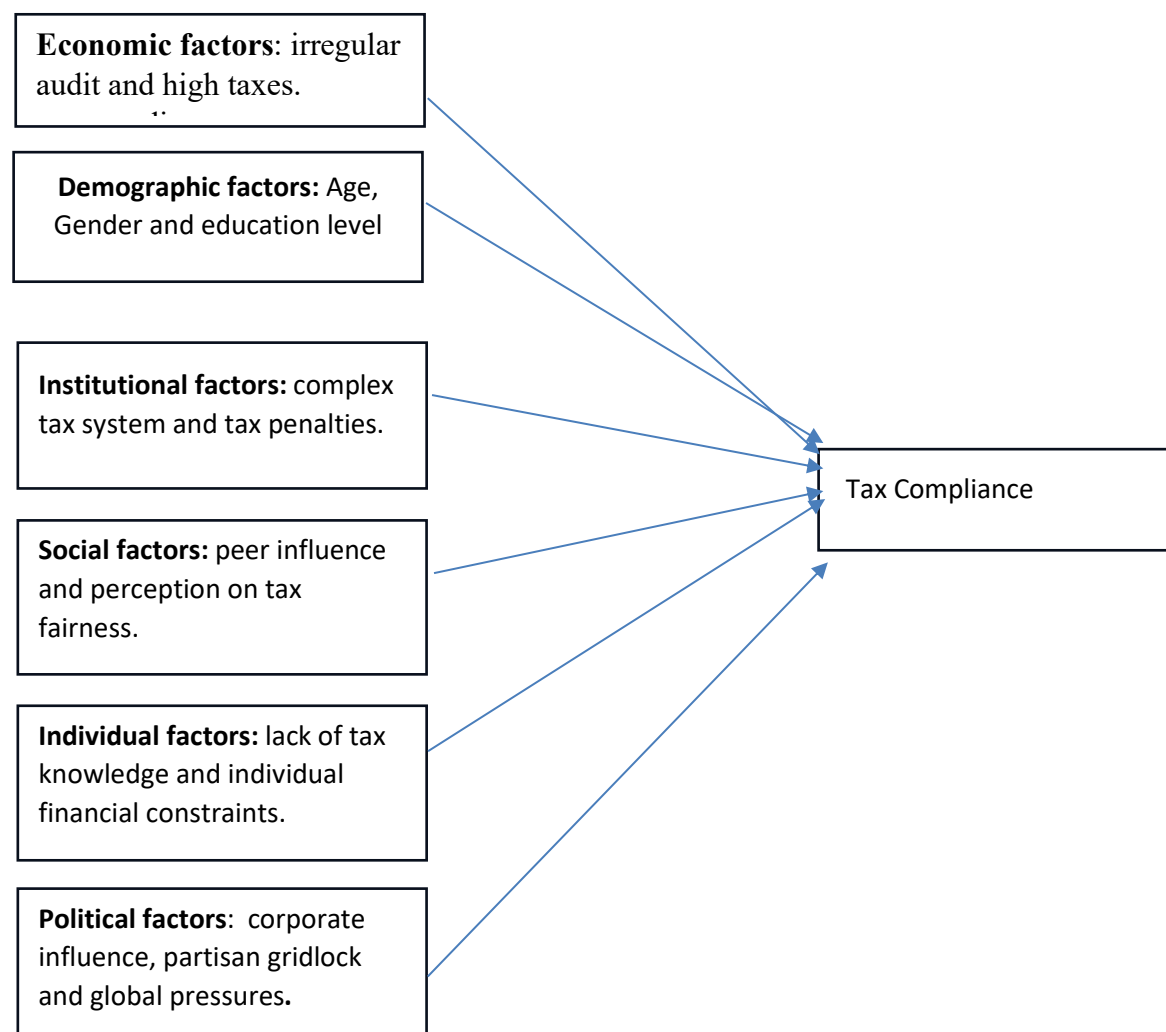
Figure 2:1 Source: Author Construct (2024)

2.5.1 Economic based theory

Economic based theory was developed by various economists. Among them Milton Friedman who worked on the role of Government in the economy, David Ricard for his theory of comparative advantage and Adam Smith often considered as the father of the modern economics 'The wealth of Nation' laid the foundation for economic based theory on taxation. The theory is also known as deterrence theory that places emphasis on the incentives. It suggests that when taxes are imposed on specific goods and services, individuals and businesses may alter and tend to avoid or minimise tax burden, leading to changes in consumption patterns, production decision and overall economic activity to minimise tax obligation. This process   rather the ability of tax payers in going through such alterations and alternatives is referred as' playing the audit lottery', further stated the imposition of audits and penalties on taxpayers as a remedy for tax inhibition that would enhance compliance among the tax payers. Many studies have found out that tax inhibition can be attributed to lack of tax incentives.(Eugine Oware Koranteng)

At global level in Switzerland, the economic based theory was put across in the similar study to ascertain if lack of tax incentives among the taxpayers contributed to non-tax compliance among the SMEs. The findings were consistent to that of Koranteng 2017. (Bruno .S.Frey 2019)

At the regional level in Kenya, a study to determine factors inhibiting tax compliance among SMEs in Mombasa Central business in relation to economic based theory was conducted, the subject matter under investigations was reviewed as an economical matter. It was established that according to the theory, in order to improve compliance, audits and penalties for non - compliance should be increased. The establishment on the audits and penalties was similar to that of Eugene Aware Koranteng '2017'. Suggesting that high penalties be imposed on SMEs as a remedy for compliance and further economic development through tax revenue. (Ngeno Sharon, 2018)

The economic theory did not bring out much issues to deal with social and psychological factors among independent variables in relation to the dependent variable on the conceptual framework and overlooked institutional factors which may have related to administration systems prompting the researcher to adopt more than one theory when trying to establish factors inhibiting voluntary tax compliance among the SMEs of Kamwala township inLusaka city.

2.5.2 Psychological theory

Psychology theory was advanced by various scholars in the field of taxation. The famous contributors include; James Alma an economist, as well as Win G.J.M Van der Does. They examined factors like trust, tax fairness and perceived control in influencing taxpayers' decision. As opposed to the economic theories that places emphasis on tax incentives, increased audits and penalties as remedy to deter tax inhibitors, psychology theories lay emphasis on changing individual attitudes towards tax system. Further, psychological theory focuses to contribute to more effective tax fundamentals and, ability to pay tax and equitable tax systems to bridge the gap between traditional economic models of taxation and the complex realities of human behaviours.

The study to determine factors that affected the tax compliance among SMEs in Northern Central Nigeria in relation to the theory found lack of tax incentives. It was recommended increasing tax incentives among them and that businesses be levied lower to have enough funds for other activities also equip SMEs to survive and grow. (Winnie and Stephen 2012)

This current study improved on the reliability and adopted bigger study sample also the results provided the researcher with increased statistical power, greater generalizability and improved precision.

2.5.3 Tax morale theory

Tax morale theory was revolutionised by German scholars during the 1960s centred on Gunter Schmolders known as 'Cologne school of tax psychology' In 1970s it was advanced by the economists Allingham and Sandmo. The theory explains how and why a taxpayer morality influences individual attitudes towards paying taxes and perception of fairness in the tax system.

At local perspective in Zambia, taxes was found to be crucial, in the case of SMEs.Tax morale was essential to prevent or evade tax payments, tax must be made in such a way that puts SMEs income and need for survival into consideration. It was beneficial that enough profits were allowed for the purpose of SMEs to expand their business.(Karen and Chrine 2024)

At global region, the studies In Italy by Barone and Mocetti (2011) found out that tax evasion has to be attributed to a considerable extent to the tax morale of taxpayers and that tax payer would be inclined to evade tax when the communities in which they live or operate disapprove of the tax liability.

The limitation of tax morale theory as reviewed by sauro and borone,2011 focussed on social and individual factor such as peer influence and perception of tax in relation of the community where the SMEs operated, which may be subjective and further based emphasis on increasing SMEs. income to enhance their business profits. however, did not focus on institutional factors. In attempting to arrive at the aim of the study enabled the researcher to explore more theories.

2.5.4 The Allingham and Sandmo theory

The theory on the analysis of tax established that the way in which policies were made by Government led to tax evasion. Their enactment appears to be complicated in relation to costs on the SMEs. Tax payers will decide to violate the fiscal laws and evade the tax obligation when they see that the cost to evade tax is too low and unlikely to be detected by the auditors and tax authorities. (Sandmo, 2014)

2.6 Review of Empirical literature

Literature review at global perspective in Jordan when trying to establish factors of non -tax compliance established an affirmative duty to evade taxes when the Government was perceived to be highly corrupted. The un foreseen benefit on tax revenues has a negative impact on SMEs in relation to tax compliance. The individuals' tax non-compliance decisions were likewise found to be positively affected by the high tax rates and the taxation systems was perceived as unjust. (Bampton and Martin 2016)

In Bangladesh, a study on the factors that affect compliance of individual income tax payer established high tax rates, and Government expenditure on the non-developmental projects being the causes for tax inhibition among most of tax payers. The recommendation was that Government revenue is channeled on developmental projects in a careful and transparent manner and that tax rate be kept to minimum. (Mannan and Surhana, 2020)

At regional level in Ethiopia, a study on the examination of the economic and social factors in relation to non-tax compliance was conducted. Their findings and recommendation were similar to that of Mannan and Surhana (2020) whose main findings were that of perception of Government spending and high tax rate to be the main cause of tax inhibition on tax payers. (Niway and wondwossen 2018

The study of Niway and wondwossen 2018 is crucial to the topic under study. The findings collaborate on the hypothesis of; H1, being economic factor of high tax rate as one of the factors inhibiting voluntary tax compliance as well as the social and demographic factors that included among others age,

gender and the education level. Their study was conducted at the region level in Ethiopia. The current study is at local perspective and focuses on the SMEs of Kamwala Township in Lusaka city.

In Uganda, an assessment on economic and institutional factor on non-tax compliance was conducted. It was established that lack of education and awareness amongst majority of tax payers being the cause of non-payment of tax. The Recommendations were that Government should conduct country wide tax education and sensitization to the owners of small-scale businesses and sole proprietors as well as introduce policies that should make tax compliance friendlier. Further, that Government should introduce incentives for tax compliances purposes. Implying lack of incentives being among other causes to tax inhibition. (Otai, 2019)

The study for Otai (2019) adopted a quantitative approach. The current study used mixed methods. The advantage of mixed method research involving both a quantitative and qualitative approaches offer a robust frame work for addressing research question and enables the researcher to triangulate data from different sources to satisfy the information gap

The study to establish whether social factor such as peer influence and perception had an effect on SME in relation to conditions leading to tax inhibition was carried out at local perspective. The results were confirmatory that peer influence affected the behaviour intention for SMEs to use E-service systems and resulted into significant revenue loss for the Government. (Vernon and Mukuwa 2020)

By and large, the relationship on the unplanned Government spending to non -tax compliance was also observed. Inaccurate Government policy and inconsistency were also found to be the major factor inhibiting tax compliance among the SMEs. (Joy 2016)

In Zambia at the local perspective, a study on factors affecting tax compliance among SMEs was conducted. The examination of institutional factor of tax filling system in relation to compliance levels was made. The results established that long process for filling returns, inadequate or lack of proper knowledge on tax as well as unknown benefits being factors affecting tax compliance in most SMEs in Zambia. (Banda and Kumari 2022)

In the same vein, at the local perspective, a study to examine on factors inhibiting tax compliance among SMEs was carried out in Zambia. The results established high tax rate being the hindrance to compliance. Also lack of information contributed to the inability to the taxpayers to correctly calculate the taxes payable. (Mupimpila 2020)

The study on the assessing of non- tax compliance among SMEs was conducted at local level. The result was that most of the marketeers have no knowledge about taxes applicable to them and some of them look at council levy as the only tax they should pay. Marketeers do not pay attention to matters of tax compliance because mostly, their businesses are not registered by Zambia Revenue Authority and recommended for stiffer penalties to be put in place to deter would be defaulters. (Kangwa 2019)

2.7.0 Economic and Social factor

On the assessment of economic and social factors in Ethiopia, a study on the effects of tax attitude among SMEs was conducted; the results were that irregular audits made most SMEs to relax on voluntary tax. The study found that audits increase tax compliance because of the deterrence effect, meaning if SMEs are not periodically audited, they become relaxed and evade tax according to Deyganto (2018).

In the similar study to identify if economic and social factors led to non -tax compliance among tax payers, the results showed that factors such as perception of Government spending, high tax rate unfair tax rate was causing tax payers not to comply with tax payment according to Tilahum (2018)

2.7.1   1nstitutional factors

In Ethiopia, the study to determine the effects of institutional   factors on non-voluntary tax   compliance among taxpayers was conducted. It was established that out of fourteen explanatory variables incorporated in the model, seven variables were found to have effects on tax. Some of the variables on the results were gender, age, lack of knowledge among most tax payers, and non-simplicity of tax system by the tax governing institutional according to Orkaido (2018)

In Zambia, a study to establish the factors that affect tax compliance among the SMEs was conducted. The results established high tax rates and complex filing procedures by ZRA were the most crucial factors causing non-compliance among SMEs according to Muzwi 2020.

2.7.2   Individual factor

The results by many scholars globally, pertaining to the study on the individual factors reviewed those decisions regarding tax evasion is influenced by individual judgement. Factors like tax knowledge, personal financial constraints and awareness of penalties are likely to have significant impact on taxpayers. This secondary data was phrased in an opinion theme. However, was satisfied by the current study data from the face-to-face interviews and questionnaires responses from the respondents. According Mupimpila (2020) on the study of tax inhibition in Zambia, found lack of information contributed to the inability of tax payers to correctly carry out computations on tax.

2.8 Summary of chapter

This chapter reviewed relevant literature pertaining to factors inhibiting voluntary tax compliance in the Small and Medium Enterprises sector. Studies from Asia, African countries such as Ethiopia, Uganda, and Kenya among others and finally in Zambia at the local level presents somewhat similar pattern on factors of tax inhibition in the SMEs sector. Generally, the reviewed studies acknowledge the existence of factors resulting to non- tax compliance among the SMEs.

CHAPTER THREE: RESEARCH METHODOLOGY

3.0   Introduction

This chapter presents the methodology undertaken on the study. It outlines the processes and stages ranging from research philosophy, research design, study area as well as the study population and the sample size which were used to investigate the topic under study.

3.1 Research philosophy

The topic under study adopted pragmatism research philosophy; it integrated the application of various research methods such as qualitative and quantitative. The pragmatism philosophy   applies both deductive and inductive research approaches and provides a comprehensive requirement in the analysis of the data and makes sense of the whole research study.(Azungah 2018)

The pragmatism philosophy incorporates the strength of interpretivism and positivism. Positivism is a deductive research paradigm that fits quantitative approach to establish the causes and effects relationship and make prediction on the reality on what can be observed. Interpretivism is an inductive sociological method of research that analysis beliefs, norms and values of a particular culture of SMEs in the study site. It is a qualitative research method.

The research philosophy guided in the shaping of the research design, the alignment of the methodology through data collection and analysis. It enabled consistency in the research process and sets foundation for researchers. Pragmatics notes that there are many different ways of interpreting the world and undertaking research, that no single point of view can ever give the entire picture and that there may be multiple realities. This is according to Sunders and Thorn hill (2012)

3.2 Research design

The study adopted a mixed or combined methods choices involving the analysing, and integrating both the qualitative using descriptive or explanatory approach and the quantitative approach through the use of numerical data. The collection and analysis of both Primary and secondary data was applied considering its advantages, time and the available resources. A survey design was suitable for the analysis of the large quantity of data composed from large population of SMEs of Kamwala Township in Lusaka city. The mixed methods approach enables the researcher to answer the research questions and arrive at the study objectives (Mark Saunders,Phillip Lewis and Adrian thornhill).

3.3 Study area or site

The site contained a higher number of population over 23,000 businesses of SMEs. The proximity of the area was advantageous and within reach by the researcher. Transport costs were maximized in line with the budget, coupled with a flexible time line. That enhanced the process of gathering data in depth from the participants of Kamwala Township in Lusaka city.

3.4 Study population

Research is usually defined by its study population according to Lim and Ting (2012). The definition of the study population was further elaborated that it is an aggregate; totals of objects or individuals regarding which inferences are to be made in a sampling study (Sidhu 2014).

In order to avoid un-guided generalization, the researcher chose a sample as suggested, that a study population is key in the research as it enables the selection of the sample size. (Codon 2013)

Considering all such definitions, one important matter to bear is that of a distinctive of population. Consequently, a group of objects or people from which the researcher enables the selection of the sample should have a comparable characteristic. The population included managers responsible for overseeing the business operations, the sales personnel responsible for customer assistance, salesmanship as well as merchandising. Further, the population included accountants responsible for the management of financial aspects of the business. Additionally, the shareholders charged with upholding governance standards to support the growth and sustainability of the business in the sector of the SMEs of Kamwala Town ship. In this Study the population was derived from the number of SMEs in the study site. The target population was estimated to be 23,000 from which a sampling size was estimated using (Slovins, 1960 formula). Therefore, 393 respondents from the study population were selected to participate in this study.

3.5 Study sample

The study sample was derived from the study population upon putting into consideration the confidence level. Since the most common confidence level are as follows:90% confidence level with z- score of 1.645, 95% confidence level with z-score of 1.96 and 99% confidence level with z-score of 2. 336. Therefore, the researcher went for 95% confidence level which gave a minimum error of 5% deviation. A Slovin's formula was applied and the main sample size was determined as below:

$$n = \frac{N}{1+N(e)^2}$$

$$n = \frac{23,000}{1+23,000(0.5)^2}$$

$$n = \frac{23,000}{1+23,000(0.0025)}$$

$$n = \frac{23,000}{1+57.5}$$

n=393

The total number of 393 questionnaires were administered, 369 respondents answered and returned the questionnaires representing a response rate of 94%. A retrieval rate of 94% from a random sample was adequate above average for data analysis in a survey.

3.6 Sampling techniques

The probability sampling techniques is associated with survey research according to Mark Saunders, Phillip and Adrian Thorn hill. The researcher employed the techniques of probability or representative sampling and used simple random, systematic and Cluster sampling as they were unbiased, accurate and current to achieve the objective of the research.

3.6.1 Simple random sampling

The application of simple random sampling was used in the selection of SMEs when the researcher was conducting focus group discussion (FGDs) and interviews. The researcher obtained a list of registered SMEs in kamwala township from ZRA.The SMEs were categorised in accordance to the industries in which they operated such as partnership, retail and other Agri-business. Each member from the list of participants was given a different number where a sample was picked using the random numbers. That warranted equality when selecting SMEs for involvement and reduced biasness also improved the dependability of findings. In this method, every member of the population had an equal chance of being selected.(Shilpa and Nanjundes 2021)

3.6.2 Systematic sampling

The researcher obtained a list of SMEs based in the area of study from Lusaka City Council (LCC) and arranged in the alphabetic order in accordance with the class of SMEs such as retail and other start up business of the study site Kamwala Township in Lusaka city. The method ensured evenly selection process and streamlined the selection process enabling data collection in a structured manner. The advantage of this probability design simplified the sampling process and easy to check; reduce sample diversity. (Jonathan 2022)

3.6.3 Cluster sampling

In this study, the cluster sampling technique was applied to ensure a structured and adequate representation of SMEs from every part of Kamwala Township in Lusaka city. The researcher divided the participants into smaller groups called as clusters. In this clusters samples offers more heterogeneity within the groups and homogeneity among groups suitable for the large sample of a survey. The technique enabled the researcher to cover wide ranges of SMEs as every cluster depicted a specific business setting.

3.7 Instruments for data collection

In accordance with the research questions in chapter one of this study, para.1.5 of i-iii, the researcher employed tools in the categories of questionnaires, and interviews to collect data.

3.7.1 SMEs respondents on focus group

The owners and employees among the SMEs as well as the ZRA representatives participated in the focus group in fostering the discussion in line with the study objectives. The focus group is a qualitative method of data collection used in a group interview technique. The number of participant was perfectly 4 to 12 people all volunteers. A minimum number of 4 were essential to ensure dynamics, a maximum of 12 people to allow everyone to express themselves and be able to moderate the group. (Mohsen 2024)

3.7.2 SMEs respondents on phone

The participants who participated through the phone were the managers who were not on ground in the study site at the time the researcher was conducting physical data collection as well as tax consultants. The participants covered different and wider sectors of informal business and retail services of SMEs.The participation on the phone were time and cost saving to the researcher.

3.7.3 SMEs respondents through online interviews

The business owners among SMEs who were not available in the study site of Kamwala Township in Lusaka city were reached through the online interviews using the questionnaire tool to collect data, feedback and opinions in line with the research objective. The Participants were selected in accordance with their readiness to participate in the interviews. The online interviews saved time of travelling and other logistics for the researcher.

3.7.4 Questionnaires

The questionnaires were the key instrument for data collection in the study. To achieve the research objective, the questionnaires consisted of reasonable properly constructed closed ended questions that made it easier for the researcher to obtain thorough answers from the respondents. The questionnaires enabled the attainment of large amounts of data from SMEs within the time line of data collection.

The majority of people were more truthful while responding to the questionnaires regarding controversial issues in particular due to the fact that their responses are anonymous. However, they also have drawbacks as majority of the people who receive questionnaires do not return them and those who do might not be representative of the originally selected sample. (Susan Mc Neeley,2012)

The questionnaires had the form of five Likert-Scale, where; strongly Agree [SA] = 5; Agree [A] = 4; Neutral [N] =3, Disagree [D] = 2; and Strongly Disagree [SD] = 1; for continuous variables. The use of Likert scale enabled it easier for understanding, reduced confusion in reading and answering the questionnaire by respondents. Rational 'Yes' or 'No' questions were applied to develop dummy variables which were answered. Expert opinion from the supervisor was sought in order to validate the content and the structure of the questionnaire during the study.

3.7.5 Interviews

Interviews guide as well as over the phone or on-line were used to collect more information from the respondents. Also, focus group where small groups of SMEs were brought together to provide rich and detailed information. The documents analysis using reports as well as emails to gather data were applicable.

3.8 Data collection procedure and Time line

Following the outlined research questions of the study, the researcher obtained both the primary and the secondary data. The primary data contained data collected from the field involving the interviews, focus group and the use of questionnaires on SMEs from both formal and informal sector of Kamwala

Township in Lusaka city. Whereas secondary data was obtained from journals and other published Government statistics respectively.

On the other hand, the Time-line of the study was divided into six phases ranging from planning phase, data collection phase, data cleaning and analysis phase as well as the reporting phase. In terms of duration in weeks, 12 weeks were estimated to be the minimum time. However, the maximum duration for closing of the study was one year according to the approval of the study.

3.9 Data analysis

Data analysis is defined as a process a researcher uses in a study to reduce large amount of collected data to make sense of it and its interpretation using graphs, tables and figures in order to yield rich information. Quantitative data analysis strategy is used in the research involving numerical data analysis in tabular forms and diagram analysis using statistical approaches. (Kruschke, 2010)

The quantitative data was checked for consistence and coded. Also, qualitative data analysis based on meaning expressed through words according to mark Saunders Intel, research method and business strategy 4th edition, a strategy that seeks to reduce and make sense of vast amounts of information, often from different sources. The data analysis was done using the statistical package for service solution (SPSS).

The researcher applied the thematic content analysis to analyse qualitative data. The analysis involved identifying and organising of the data while focussing on understanding of SMEs experiences, their perception and challenges in relation to tax compliance. All the interviews and focus group discussion were recorded when ensuring theoretical data saturation. The thematic content analysis is a powerful and flexible method for analysing qualitative data according to Blessed 2022.

The correlational model, percentage distribution charts were constructed to analyse the respondents' sample as well as Microsoft Office Excel for tabular form analysis. The application of psychometric scale in the tabular form of five (05) Likert scale improved the reliability and credibility in relation to opinions, attitudes and behaviour of the respondents from the study site. The findings were displayed in the tabular tables and percentage frequency distribution figures.

3.10 Validation of Instruments

In order to commend that the data collection instruments measured what was supposed to be dignified in this study, the interview and questionnaire guide were checked by the researcher to ensure its legitimacy. This was culminated into the researcher to conduct a pilot study where a randomly sample of ten SMEs in the Central Kamwala trading area was selected. Additionally, for further development, the questionnaire and interview guide were also presented to the Supervisor of this work as research mentor who accordingly gave an expert guide for the study.

3.11 Ethical consideration

The researcher commenced by making an application and obtaining of approval to carry out the study. Further, ensured all participants were treated with respect by guaranteeing no harm to them. Secondly, anonymity and confidentiality were adhered to. Thirdly, consent from the participants was obtained before they participated in the .Finally; privacy of the participants has been accordingly respected.

3.12 Chapter Summary

The chapter focused on outlining the methodology that was used in the study. The main aspects of the chapter comprised; Research philosophy, research design, the study area and the study population. The chapter further described the other sub titles ranging from study sample, sampling techniques,

instruments for data collection and procedure as well as the data analysis and the sub-heading of validation of instruments respectively.

CHAPTER FOUR: PRESENTATION OF RESULTS AND ANALYSIS

4.0 Introduction

This chapter presents and analyses the findings of the investigation of the factors that inhibit voluntary tax compliance among the SMEs of Kamwala Township in Lusaka City. The outcomes are based on the data that was collected from both primary and secondary data sources at global, region and local perspective levels. The analysis was built and matched to those who gave responses in line with research questions, and the main objective of the study.

4.1.0 Response rate from participants

The total number of three hundred and ninety (393) questionnaires were circulated to the participants in Kamwala township inrelation to the determination of factors inhibiting voluntary tax compliance among SMEs in that study site. After approximately three months of primary data collection through the questionnaire in relation to the timeline.

The results below on figure 4.1; indicated at least 369 participants answered and returned the questionnaires which represented a response rate of 94%. Whereas 24 participants did not return the questionnaires, representing 6%. The high response rate of 94% gave an assumption to the researcher that the questionnaire was well designed, easy and simple to understand by the respondents. The 94% response rate was good for data analysis above 50%. (Dinah and Kumari 2022)

Response rate from participants
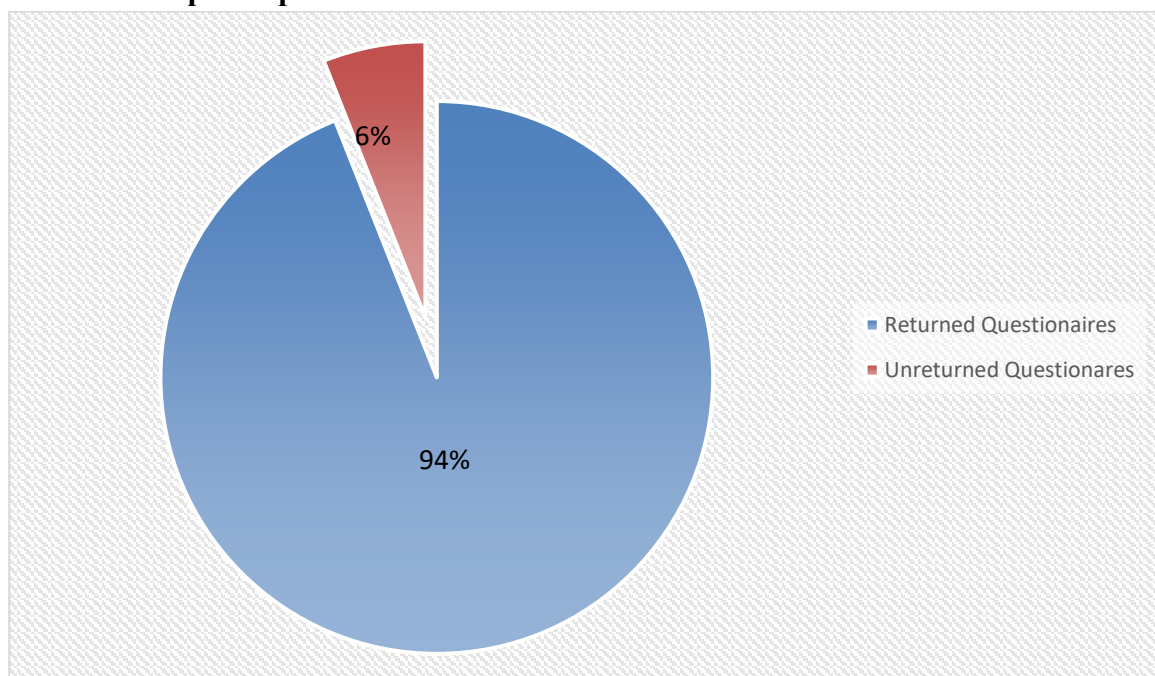
Figure 4.1 Above: Response rate from participant.
Source: Field data (2024)

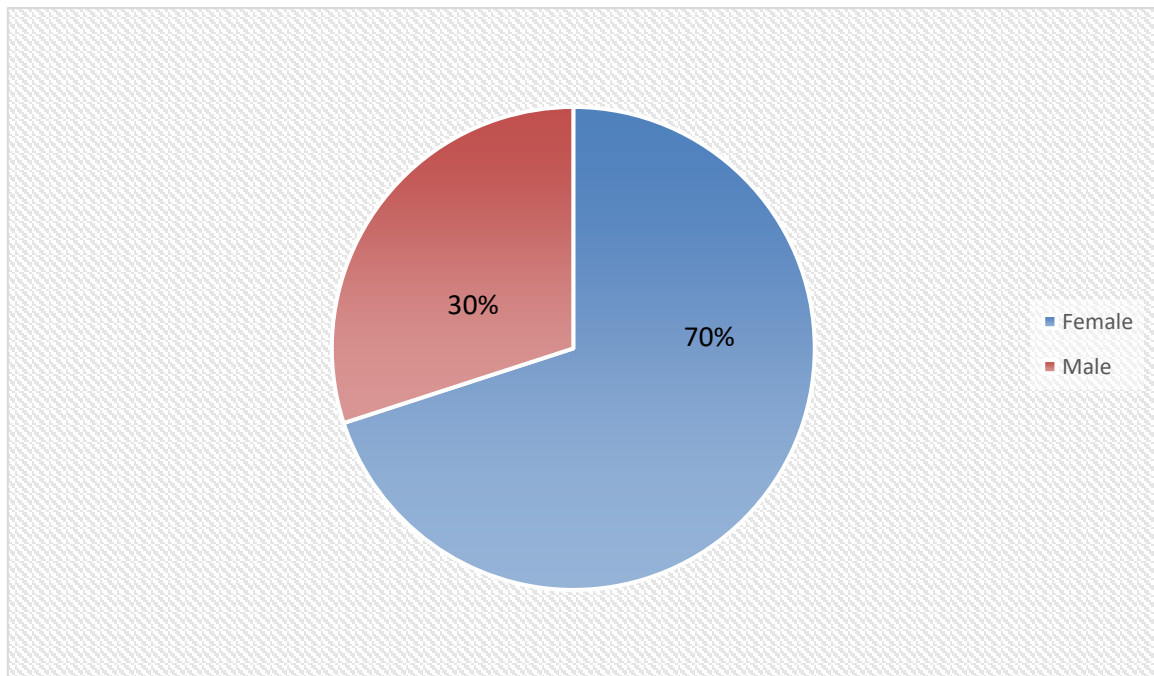### 4.2.0 Demographic characteristics of the Sample

Table 4:1 and **Figure 4:2** below displays the demographic (Gender/sex) state of the sample. This was a field results showing the area of study Kamwala town in Lusaka city are dominated by female. The field

results were in conformity with the recent Zambia central statistics census results for 2023 of higher females than males.

Table 4:1 Demographic characteristics of the Sample

GENDER/SEX	Frequency N=369	Percentage	Cumulative percentage
Female	260	70%	70%
Male	109	30%	100%
Total	369	100%	

Source: Field data (2024)

Figure 4.2 Demographic characteristics of the sample of male and female
Source: Field data (2024)

Careful observations of Table 4.1 and Figure 4.2 on the above pie chart reveal that the sample of the returned questionnaire was made up of Female and males in the percentage of 70% and 30% respectively. The gender state or sex results from of the sample made the researcher conclude that the majority of SMEs in Kamwala townshipis mainly subjugated by Female as observed from the percentage levels.

Table 4.2 Frequency and percentage distribution according to age of SMEs

Age group	Frequency N=369	Percentage	Cumulative percentage
Under 25years	100	27%	27%
25-35 years	205	56%	83%
35-50 years	44	12%	95%

Over 50 years	20	5%	100%
Total	369	100%	

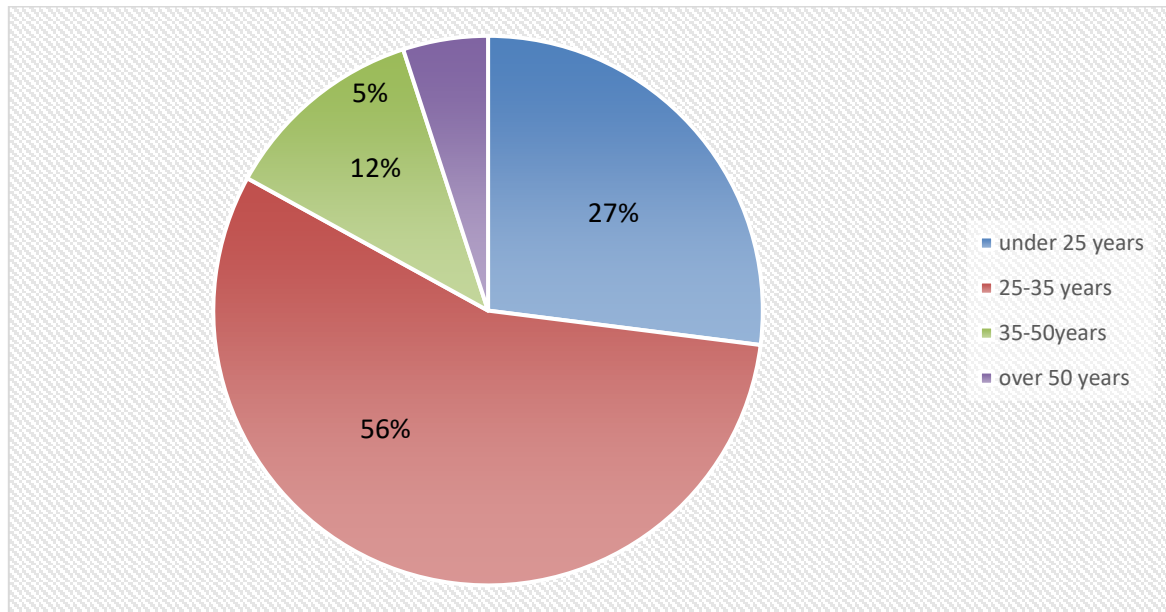**Source: Field data (2024)**

Figure 4.3 above: Frequency and percentage distribution according to age of SMEs
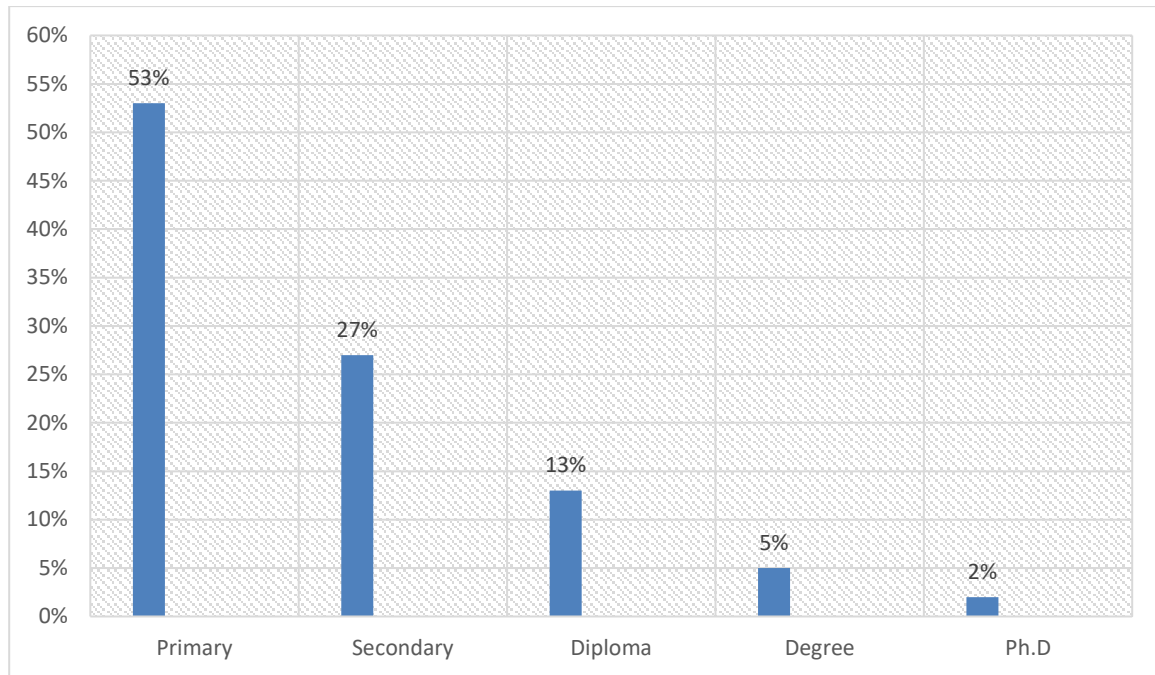**Source: Field data (2024)**

Table 4.2 and **Figure4.3** above Shows results distribution of the sample in terms of age range. From a total of 369 respondents100 (27%) were aged below 25 years, 205 (56%) were aged 25-35 years, 44 (12%) were aged between 35-50 years and 20 (5%) were over 50 years old. The highest respondents were aged between 25-35 years which constituted 56%. The assumption on this field results was that the highest response under 25-35 were still looking for jobs. The findings show that mature / old people above the age of 50 years were the least respondents with 5%. The pattern gave the researcher the assumption that the old were inclined to tax evasion and avoidance because they observed most Government expenditure being channelled to the non-developmental projects. In addition, those over 50 years were in retirement age and did not see the benefit of paying tax to the Government.

Table 4.3: Results of percentage distribution according to the level of education of SMEs.

| Level of Education	Frequency N=369	Percentage	Cumulative percentage
Primary education	197	53%	53%
Secondary education	101	27%	80%
Diploma Level	49	13%	93%
Degree level	20	5%	98%
PHD level	2	2%	100%
	369	100%	

Source: Field data (2024)

Figure 4:4 Above: Analysis of the sample according to Education level of SMEs
Source: Field data (2024)

Results from table 4.3 and Figure 4.4 above shows respondents according to level of education. From 369 respondents, 197(53%) went up to primary school, 101(27%) reached secondary school, 49(13%) Obtained diploma level, 20 (5%) were degree level of education and 2 (2%) Ph.D. Therefore, the study indicates that majority of respondents among the SMEs attended primary education level. The humble education background of low education level (primary) of SMEs was an indication to the researcher that there were little understanding and lack of awareness or education on matters to deal with inadequacy in relation to information about the Government tax filling systems. The respondents strongly agreed (SA) that tax laws and rules were difficult to follow by the SMEs with low education level.

Table 4.4: Analysis of percentage distribution according to marital status of SMEs.

Level of Education	Frequency N=369	Percentage	Cumulative percentage
Married	196	53%	53%
Single	117	32%	85%
Divorced	56	15%	100%
Widowed	0	0	
	369	100%	

Source: Field data (2024)
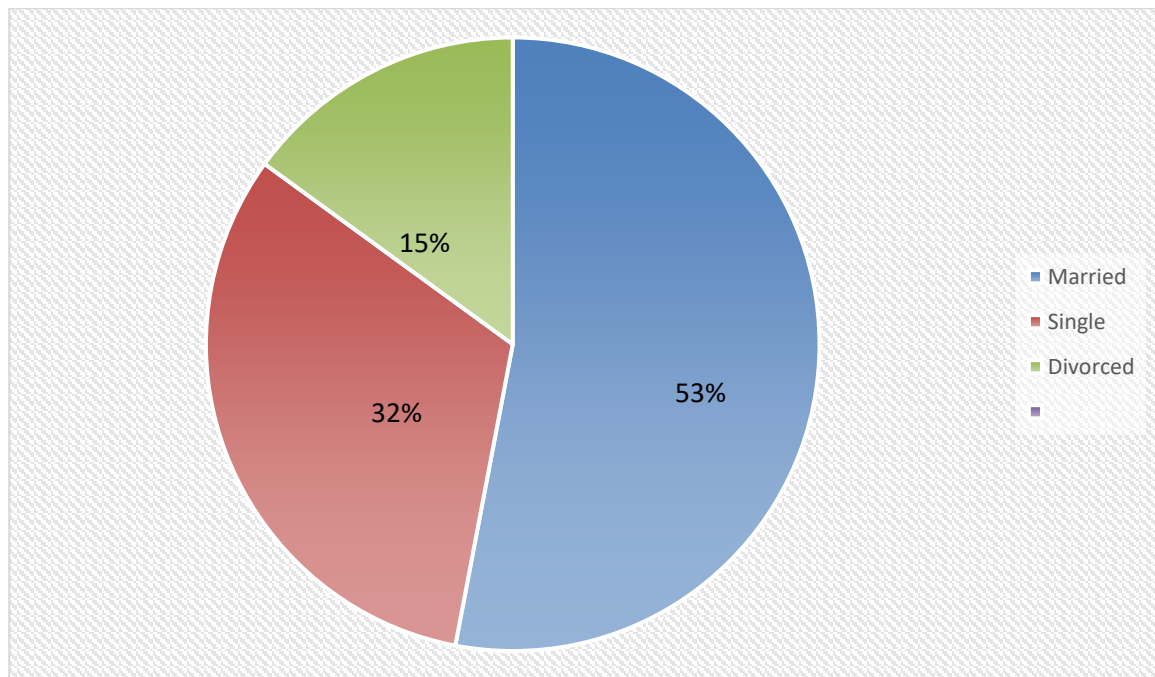
Figure 4.5 above. Analysis of the sample according to marital status of the SMEs
Source: Field data (2024)

Table 4.4 and **Figure 4.5** above focussed on the analysis of the percentage distribution according to the Marital status of SMEs of Kamwala townshipas this could have an effect on voluntary tax compliance. When the respondents were asked to state their marital status, the study found out that 196 (53%) being the majority were married; 117 (32%) were Single and 56 (15%) were divorced. None of the respondent had been widowed at the time of research as shown above.

The results lead to the researcher ascertains that married individual being the lead among the SMEs married was prone to financial stress and other social norms. The supporting of the spouse and children which could lead to greater cash flow constraints and limited resources to cut corners on tax compliance to lighten financial pressure.

The implication to the study is that the financial pressure faced by the married gave an assumption to the researcher that the married were prone to non- tax compliance. When the married among the SMEs of Kamwala Township in Lusaka city were asked during the field interviews as to why they did not pay tax, their response was that they preferred channelling their sales to paying tax.

4.2 Business information of the SMEs

Table 4.5 and **Figure 4.6** below show the sample analysis of percentage distribution in relation to business position of SMEs.

Table 4.5 Analysis of the sample percentage distribution in relation to business position.

Business position	Frequency N=369	Percentage	Cumulative percentage
Manager	87	24%	24%
Shareholders	53	14%	38%
Sales personnel	215	58%	96%

Accountants	14	4%	100%
	369	100%	
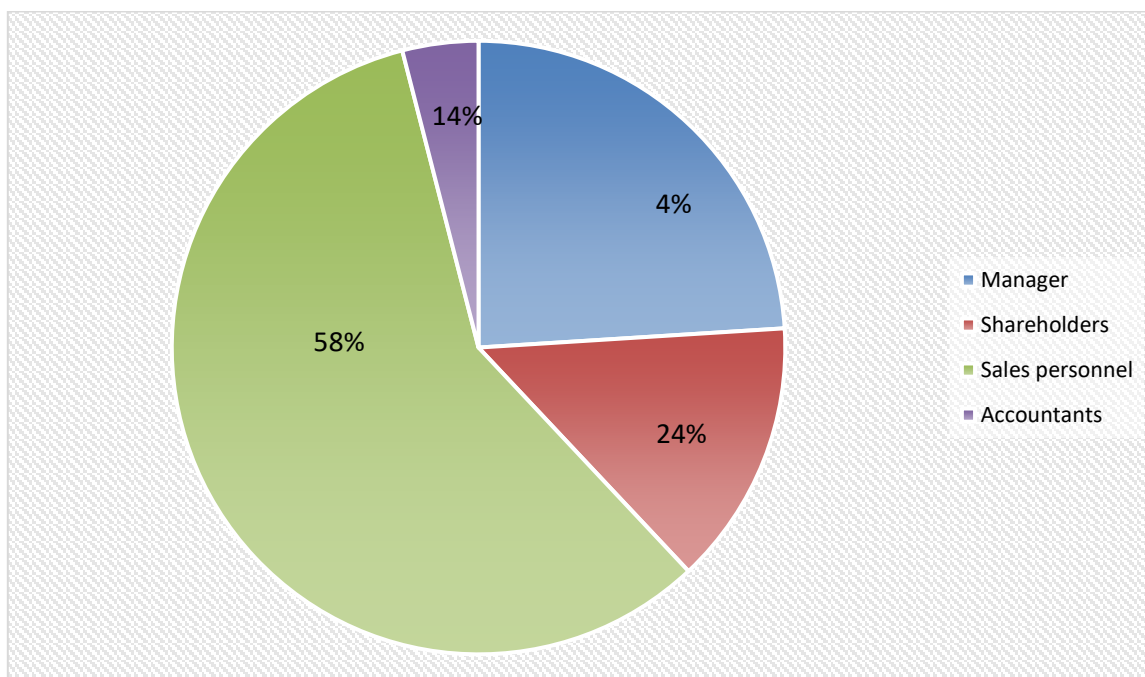
Figure 4.6 above: Analysis of the sample according to business position of the SMEs.
Source: Field data (2024)

The results display from table 4.5 and Figure 4.6 above shows respondents according to the business position. From 369 respondents, 215 (58%) were the majority sales personnel, 87(24%) were the managers, 53(14%) showed the percentage distribution of the shareholders and 14(4%) were the levels of accountants amongst SMEs in Kamwala Township. From the above results the researcher concluded that the low levels of the experts in the accounting position led to the greater effects of non-tax compliance among the SMEs. In most occasions depended on the outsourcing services of accountants which were highly expensive or not readily available when required.

The implication to the study is that the lower level of accountants posed challenges on the maintenance of sales and account records among the SMEs. This could have resulted into inadequacy in the computation of tax analysis and filling systems. The results being the under declaration of revenue bringing about effects in relation to tax evasion and non-tax compliance.

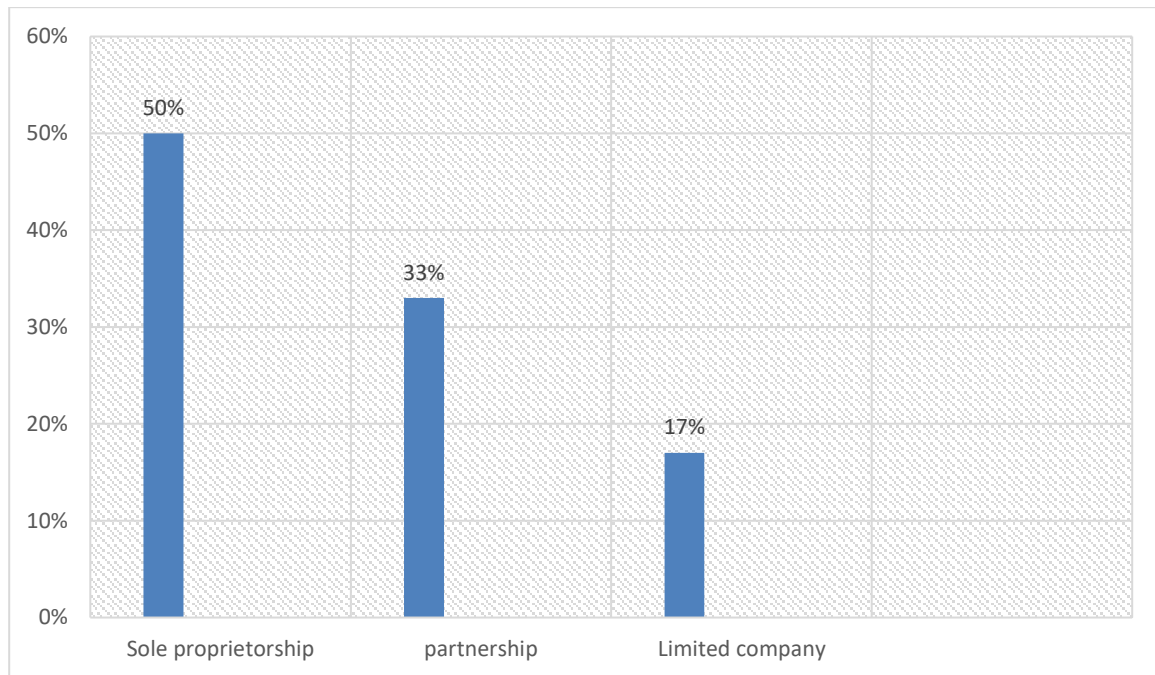### 4.2.1 Analysis of the type of business of SMEs

Table 4.6 and **figure 4.7** below shows the sample analysis of percentage distribution relation to the type of business.

Table 4.6 Analysis of the sample percentage distribution in relation to the type of business.

Business position	Frequency N=369	Percentage	Cumulative percentage
Sole proprietorship	185	50%	50%

Partnership	123	33%	83%
Limited companies	61	17%	100%
	369	100%	

Source: Field data (2024)

Figure 4.7 above: Sample analysis of percentage distribution in relation to the type of business
Source: Field data (2024)

The results from Table 4.6 and Figure 4.7 above indicates the sole proprietors being the majority of the respondents with the frequency of 185(50%) among the SMEs were the sole-proprietors who play a role in the economy and operated in the structures of retail shops, cafes, barbershops, food truck and catering services. the other business types fell in the category of partnership with the percentage distribution of 123 (33%) and the limited companies with the frequency of 61(17%). The findings enabled the researcher conclude that knowing the business position would enable policy makers to understand and be apprised with information regarding the type of business and their distribution around Kamwalatown ship enabling them aware the category which every venture should register and easy information.

4.2.2 Analysis of the sample according to the annual turnover of the business profits.
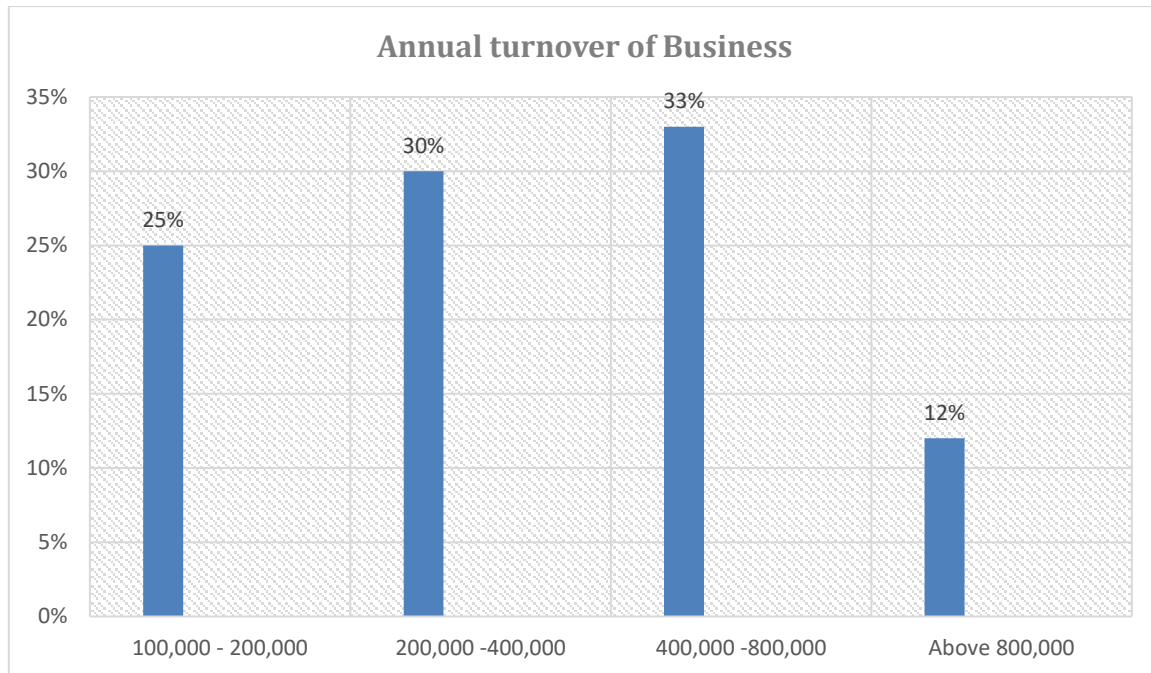**Table 4.7** and **Figure 4.8** below shows analysis of the sample according to the annual turnover of the business profits.

Table 4.7 Analysis of the sample according to the annual turnover of the business profits.

Annual turnover(k)	Frequency N=369	Percentage	Cumulative percentage
100,000-200,000	92	25%	25%
200,000-400,000	111	30%	55%

400,000-800,000	122	33%	88%
Above 800,000	44	12%	100%
	369	100%	

Source: Field data (2024)

.

Figure 4.8: Analysis of the sample according to the annual turnover of the business profits
Source: Field data (2024)

A review of the results of annual turnover would help revenue authorities to estimate potential tax revenue, data would help in budget planning and develop more effective strategies to enhance tax compliance Table 4.7 and figure4.8 presents a large number of SMEs of Kamwala townshiphave their annual profits falling below k800,000.00 The percentage distribution from the respondents were as follows: Annual turnover between k100,000.00 to k200,000.00 represented the frequency distribution of 92 (25%), Between k200,000.00 to k400,000.00 was 111 (30%), The respondents between k400,000.00 to k800,000.00 had distribution rate of 122 (33%) and above k800,000.00 was 44(12%). According to ZRA tax system, SMEs with annual turnover below K800, 000.00 by law are supposed to register for 4% Turnover tax (TOT).

4.2.6 Sample analysis of monthly payment of tax

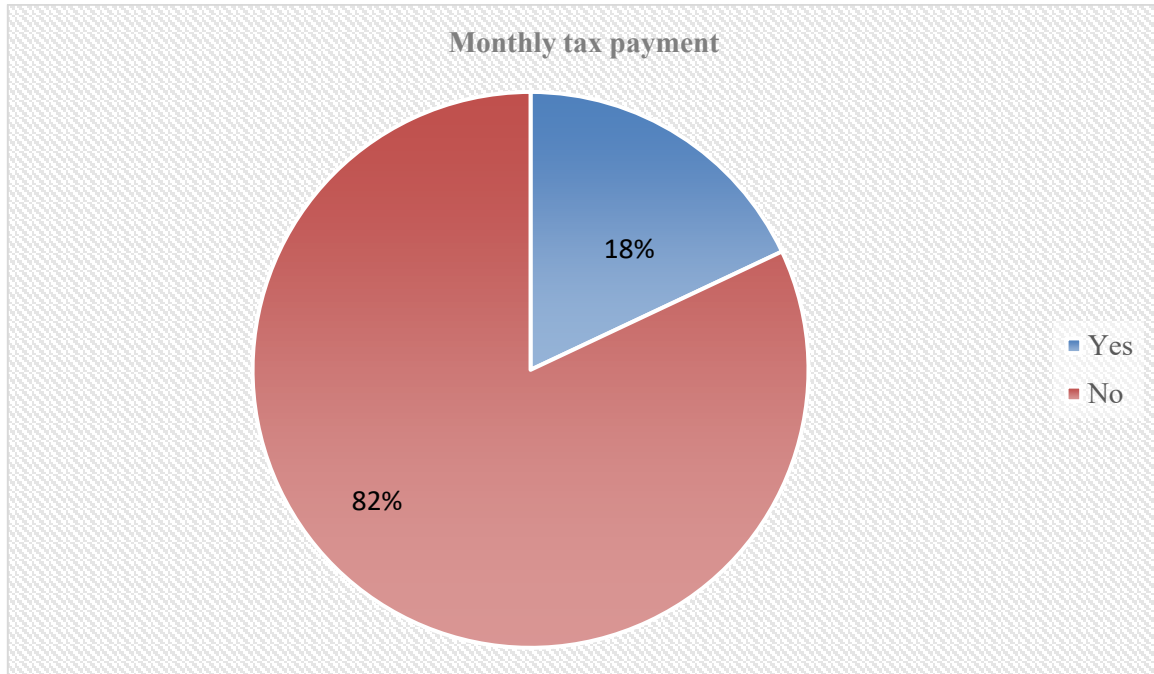**Table 4.8** and **Figure 4.9**: Displays sample analysis of respondents in relation to monthly tax payment. The researcher examined the respondents on the 'YES' or 'No 'questions.

Sample analysis of monthly tax payment SMES.

Do your businesses pay tax on monthly basis?	Frequency N=369	Percentage	Cumulative percentage
Yes	68	18%	18%
No	301	82%	100%

	369	100%	

Source: Field Data (2024)

Figure4.9. Sample analysis of percentage distribution of monthly tax payment
Source: Field Data (2024)

The results from table 4.8 and Figure 4.9 shows the majority of respondents in the study 82% where not paying tax on the monthly basis and only a percentage of 18% SMEs were paying tax to ZRA on the monthly basis. Arising from such results, a researcher concluded a significant proportion of SMEs Kamwala Town ship did not pay taxes and is such in the informal economy. The SMEs were avoiding and evading the monthly tax payment leading to significant revenue loss for the Government. However, the assumption was that those who did not pay tax needed many incentives for taxation and could have noticed Government expenditures being channelled to non-developmental projects. This was in consistent with the finding of Mannan and Surhana 2020 in Bangladeshi as well as Otai 2019 in Uganda.

4.3. Statistical Results.

Five Likert scale: determination of non- tax compliance factors. Five (5) representing Strongly agree, Four (4) Representing agree, Three (3) representing neutral, two (2) representing disagree, one(1) representing strongly disagree

Table 4.9: Statistical results.

Issue	Cross X							
	Key: **SA**-strongly agree; **A**-agree**; N**-neutral; **D**-disagree; **SD**-strongly disagree							
	SA	A	N	D	SD	Mean	Standard Deviation	Mean Value

		5	4	3	2	1			Decision
1	High tax rate for my business makes me not to pay tax.	233 63%	109 30%	7 2%	14 4%	6 1%	4.49	2.73	Agreement
2	When I don't pay tax increases my business cash flow.	223 60%	99 27%	10 3%	23 6%	14 4%	4.28	2.52	Agreement
3	Non-payment of tax led to my business expansion in size/ branches	266 72%	83 22%	3 1%	7 2%	10 3%	4.60	2.82	Agreement
4	I don't see how the Government uses my tax.	102 28%	86 23%	117 32%	30 8%	34 9%	3.52	1.86	Agreement

Source: Field data (2024)

Issue No 1. With regard to the statement on table 4.9 above. 'High tax rate for my business makes me not to pay tax. 'When the 369 respondents were asked to whether they agreed or disagreed, the study found out that 233 (or 63%) strongly agreed (SA), 109 (or 30%) agreed (A), 7(or 2%) were neutral (N), 14(or 4%) disagreed (D) and 6 (or 1%) strongly disagreed (SD) with the statement. Based on the mean score of 4.49 it can be argued that majority of the respondents were in agreement with the statement as analysed on table 4.9 above.

Issue No.2 Regarding the statement on table 4.9 above, 'When I don't pay tax increases my business cash flow'. When the 369 respondents were asked to whether they agreed or disagreed with the statement.' the study found out that 223 (or 60%) strongly agreed (SA), 99 (or 27%) agreed (A), 10(or 3%) were neutral (N), 23(or 6%) disagreed (D) and 14 (or 4%) strongly disagreed (SD) with the statement. Based on the mean score of 4.28 it can be argued that majority of the respondents were in agreement with the statement as analysed on table 4.9 above.

Issue No.3 Regarding the statement on table 4.9, 'Non-payment of tax led to my business expansion in size/ branches'. When the 369 respondents were asked to whether they agreed or disagreed with the statement.' the study found out that 266 (or 72%) strongly agreed (SA), 83 (or 22%) agreed (A), 3(or

1%) were neutral (N), 7(or 2%) disagreed (D) and 10 (or 3%) strongly disagreed (SD) with the statement. Based on the mean score of 4.60 it can be argued that majority of the respondents were in agreement with the statement as analysed on table 4.9 above.

Issue No.4 Regarding the statement on table 4.9, 'I don't see how the Government uses my tax.' When the 369 respondents were asked to whether they agreed or disagreed with the statement.' the study found out that 102 (or 28%) strongly agreed (SA), 86 (or 23%) agreed (A), 117(or 32%) were neutral (N), 30(or 8%) disagreed (D) and 34 (or 9%) strongly disagreed (SD) with the statement. Based on the mean score of 3.52 it can be argued that majority of the respondents were in agreement with the statement as analysed on table 4.9 above.

4.4 Establishment of tax inhabitants factors

Table 4.10: Below shows a five (05) Likert scale used by a researcher in line with issues to measure attitudes, behaviour and opinions of respondents to establish factors inhibiting tax compliance among SMEs of Kamwala Township in Lusaka city.

Table 4.10

ISSUE	Cross X							
	Key: SA-strongly agree; A-agree; N-neutral; D-disagree; SD-strongly disagree							
	SA	A	N	D	SD	Mean	Standard deviation	Mean Value decision
	5	4	3	2	1			
1 Low Government tax incentives and exemption would lead to non-voluntary compliance.	255 69%	35 10%	67 18%	5 1%	7 2%	4.43	0.02	Agreement
2 Non-Tax education may lead to low tax compliance.	75 20%	77 21%	77 21%	56 15%	84 23%	3.00	0.01	Agreement
3 Penalizing SMEs tax payers for tax evasion and avoidance will discourage SMEs for tax inhibition	90 24%	30 8%	100 27%	32 9%	117 32%	2.84	0.01	Disagreement
4 Lack of transparency in Government revenue expenditure inhibits SMEs from paying tax.	213 58%	43 12%	77 21%	22 5%	14 4%	4.13	0.02	Agreement
5 Non-simplicity of tax system led to tax inhibition	111 30%	23 6%	85 23%	67 18%	83 23%	3.03	0.01	Agreement

Source: Field data (2024)

Issue No 1. With regard to the statement on table 4.10 above. 'Low Government tax incentives and exemption would lead to non-voluntary compliance. 'When the 369 respondents were asked to whether they agreed or disagreed, the study found out that 255 (or 69%) strongly agreed (SA), 35 (or 10%) agreed (A), 67(or 18%) were neutral (N), 5(or 1%) disagreed (D) and 7 (or 2%) strongly disagreed (SD) with the statement. Based on the mean score of 4.43 it can be argued that majority of the respondents were in agreement with the statement as analysed on table 4.10 above.

Issue No 2. With regard to the statement on table 4.10 above. 'Non-Tax education may lead to low tax compliance.' 'When the 369 respondents were asked to whether they agreed or disagreed, the study found out that 75 (or 20%) strongly agreed (SA), 77 (or 21%) agreed (A), 77(or 21%) were neutral (N), 56(or 15%) disagreed (D) and 84 (or 23%) strongly disagreed (SD) with the statement. Based on the mean score of 3.00 it can be argued that majority of the respondents were in agreement with the statement as analysed on table 4.10 above.

Issue No 3. With regard to the statement on table 4.10 above. 'Penalizing SMEs tax payers for tax evasion and avoidance will discourage SMEs for tax inhibition.' 'When the 369 respondents were asked to whether they agreed or disagreed, the study found out that 90 (or 24%) strongly agreed (SA), 30 (or 8%) agreed (A), 100(or 27%) were neutral (N), 32(or 9%) disagreed (D) and 117 (or 32%) strongly disagreed (SD) with the statement. Based on the mean score of 2.84 it can be argued that majority of the respondents were in disagreement with the statement as analysed on table 4.10 above.

Issue No 4. With regard to the statement on table 4.10 above. 'Lack of transparency in Government revenue expenditure inhibits SMEs from paying tax'. 'When the 369 respondents were asked to whether they agreed or disagreed, the study found out that 213 (or 58%) strongly agreed (SA), 43 (or 12%) agreed (A), 77(or 21%) were neutral (N), 22(or 5%) disagreed (D) and 14 (or 4%) strongly disagreed (SD) with the statement. Based on the mean score of 4.13 it can be argued that majority of the respondents were in agreement with the statement as analysed on table 4.10 above.

Issue No 5. With regard to the statement on Table 4.10 above. 'Non-simplicity of tax system led to tax inhibition'. 'When the 369 respondents were asked to whether they agreed or disagreed, the study found out that 111 (or 30%) strongly agreed (SA), 23 (or 6%) agreed (A), 85(or 23%) were neutral (N), 67(or 18%) disagreed (D) and 83(or 23%) strongly disagreed (SD) with the statement. Based on the mean score of 3.03 it can be argued that majority of the respondents were in agreement with the statement as analysed on table4.12 above. The finding is similar to the study by Banda and Kumar (2022) on their study to establish factors affecting tax compliance among SMEs in Zambia where they established long process for filling in returns made the process complicated. This study is relevant for focussing on factors affecting compliance. The study involved the selection of fifty (50) sample size. The current study tried to improve on the results and the reliability by adopting the bigger sample size on the study to establish factors that inhibit voluntary tax compliance among the SMEs of kamwala Township in Lusaka city.

CHAPTER FIVE: DISCUSSION OF FINDINGS
5.0   Introduction
This chapter discusses the findings of a study that sought to establish factors inhibiting voluntary tax compliance among the SMEs of Kamwala Township in Lusaka city in relation to the specific objectives.

5.1 Discussion of findings

Objective one: To establish factors inhibiting voluntary tax compliance among the SMEs of Kamwala township in Lusaka city.

Results from table 4.3 and Figure 4.4. On the findings according to level of education. The majority SMEs of 197(53%) went up to primary school. Therefore, the humble education background of low education of SMEs was an indication to the researcher that there were little understanding or awareness and lack of education and better understanding about information about the government tax filling systems causing tax inhibition. The establishment is similar to the findings of Otai (2019), Banda and Kumari (2022) on lack of proper knowledge among the SMEs as one of the causes. Similarly, Kangwa (2019) established in the literature review that lack of knowledge being one of the causes for SMEs to inhibit tax.

In the similar findings at local perspective by Kangwa 2019, in the study to assess the levels of tax compliance among the Soweto traders, established that most marketers lacked knowledge on tax and most businesses were in an informal sector, do not comply with the Government laws and regulation and not registered with ZRA.

Arising from the findings and the literature reviewed, it's an opinion of the author that ZRA, and the corporate world should reinforce its campaign on need for awareness to prevent non-tax compliance. Further, enhance its campaign on the dangers of tax evasion and tax avoidance and come up with deliberate policy of sensitization to reach the majority of SMEs in the informal Sector.

The Statistics results for table 4.9 found high tax being the factor causing most SMEs not to pay tax as well as Lack of transparency in government revenue expenditure inhibiting SMEs from paying tax. The establishment is similar to the study by Mannan and Surhana (2020).

Objective two: To assess the effects of factors inhibiting voluntary tax compliance among SMEs of Kamwala township in Lusaka city.

The results from table 4.8 and Figure 4.9 shows the majority of respondents in the study 82% where not paying tax on the monthly basis and only a percentage of 18 % SMEs were paying tax to ZRA on the monthly basis. Arising from such results, a researcher concluded a significant proportion of SMEs Kamwala Town ship did not pay taxes and such in an informal economy. The SMEs were avoiding and evading tax payment leading to significant revenue loss for the Government. The effects of such revenue loss impacted on the public resource, delayed rather non-payment of salaries and wages causing distress in most public workers and under economic development.

The legal consequences being the fines and penalties for non-compliance with tax regulation subsequently affected the financial stability and reputation of the SMEs. Additionally, the analysis of the findings included that of loss of trust and business reputation. The lack of compliances affected SMEs in light with investors and lenders to provide funding hence hindering their growth and business expansion. Hence, SMEs are deprived of the benefits that arise if the Government had enough tax revenue to embark on some development projects provision of facilities such as electricity and good roads which are tools that create an enabling atmosphere for SMEs to flourish.

Objective three: To analyse how the identified factors inhibit voluntary tax compliance among the SMEs of Kamwala Township in Lusaka city.

The results for table 4.9 indicated the following; on the statement of high tax rates being the factor causing most SMEs not to pay tax, the majority of respondents were in agreement. This finding was similar to the study by Atawodi and Ojeka 2012 in their study to determine factors that affected tax

compliance in Central Nigeria. They concluded that Government needs to increase tax incentives also that SMEs be levied lower to have enough funds to make them equipped and expand their businesses.

In Italy, the study by Guglielmo and Mocetti (2011), tax morale theory was applied to analyse on the factors that inhibit tax compliance among most tax payers. It was found that lack of tax morale was inclined to tax evasion and tax avoidance. On that study it was recommended Government to increase incentives in order to prevent SMEs from inhibiting voluntary payment of tax.

Similarly, on the same analysis of factors, Weisser (2019) found that lack of tax morale was common among the most SMEs in the Sub- Saharan countries and found that petty corruption erodes tax morale. The analysis was conducted through the use of micro-level data from Afro-barometer instrument used to measure the levels of corruption.

On the second and the third issues concerning the statements of payment of tax reduces their business cash flows and on the non-payment of tax leads to the business growth, respondents were in agreement. However, they disagreed on the statement of not seeing the benefit and how the Government uses the funds generated from taxation.

Arising from such findings, it is an opinion of the researcher that indeed insufficient tax morale among the SMEs of Kamwala town could have made them to be inhibiting tax as they were not motivated and did not see the benefit of paying tax to the Government.

The results displayed in table 4.5 and Figure 4.6. Shows respondents according to the business position. From 369 respondents, 215 (58%) were the majority sales personnel, 87(24%) were the managers, 53(14%) were the shareholders and 14(4%) were the number of accountants amongst SMEs in Kamwala township. Arising from these results, the researcher concluded that the low levels of the experts in the accounting position led to the greater effects of non-tax compliance among the SMEs. The effects such as errors in tax filling due to lack of knowledge to interpret tax laws and regulation, under reporting income, arising from sales records being managed by inexperienced personnel as well as lack of tax planning. The findings of lack of knowledge as well as long process for Government filling was observed in the similar study by Banda and Kumar (2022) in the study of factors affecting tax compliance SMEs. However, their sample was only 50. However, the current study tried to improve on that by conducting a survey with a bigger sample size.

Therefore, basing on the findings above, it can be concluded that when it comes to taxation of SMEs, high tax rates is one of the factors inhibiting tax compliance among SMEs. In spite of the fact that they face other tax related matters, it is the problematic of high tax rate that mostly stimulates non-compliance and pushes most SMEs to remain in the informal sector.

Issue No 5. With regard to the statement on table 4.10 above. 'Non-simplicity of tax system led to tax inhibition'. 'When the 369 respondents were asked to whether they agreed or disagreed, the study found out that 111 (or 30%) strongly agreed (SA), 23 (or 6%) agreed (A), 85(or 23%) were neutral (N), 67(or 18%) disagreed (D) and 83(or 23%) strongly disagreed (SD) with the statement. Based on the mean score of 3.03 it can be argued that majority of the respondents were in agreement with the statement as analysed on table 4.10 above.

In the discussion and analysis of this finding, complexity of tax education can be a challenge for SMEs to comply, this would lead them to unintentional non-tax compliance due to lack of simplicity.

Limited resources on the other hand of discussion may make them difficult to allocate funds to ensure compliance with tax laws. Also, the issue of cash flow constraints would limit them to voluntary comply

in order to conform with their need to the sustainability of their daily operations especially in times of financial predicament.

Also, when they perceived unfairness especially when they believed larger corporations receive larger treatment and better services from the Government compared to SMEs in the informal sectors.

CHAPTER SIX: CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

The main aim of this Chapter is to present the conclusion and recommendations of the study that endeavours to establish factors inhibiting the voluntary tax compliance among SMEs of Kamwala town ship in Lusaka city. Further it brings up suggestions for future study.

Questions guiding the study were:

1. What are the factors inhibiting voluntary tax compliance among the SMEs of Kamwala township in Lusaka city?
2. What are the effects of factors inhibiting voluntary tax compliance among the SMEs of Kamwala Township in Lusaka city?
3. How do the identified factors inhibit voluntary tax compliance among the SMEs of Kamwala Township in Lusaka city?

6.2 Conclusion

The tax inhibition of SMEs in kamwala township in Lusaka city is allied with a number of factors such as high tax rates, Government spending on non-economic projects, Low education levels, lower level of accountants posed challenges to maintain sales and accounts records which led to inadequacy in the computation of tax systems and filling resulting into under declaration of revenue. The study found that the independent variables as inhibitors in different factors had effects on tax compliance among SMEs of Kamwala Township in Lusaka city. Further, based on the research findings, ZRA an institution mandated for handling all tax matters in the Zambian economy to consider the implementation of the matters reviewed by the researcher through carrying out of robust awareness campaigns and conduct education on tax importance among the SMEs in order to avoid tax inhibition and encourage tax compliance on the SMEs of Kamwala township in Lusaka city.

6.2.1 Conclusion based on research objective 1: To establish factors inhibiting voluntary tax compliance among the SMEs of Kamwala township in Lusaka City

The complex or unjust tax systems, lack of audits of SMEs in the informal sector, the peer influence on tax fairness and lack of tax incentives were established to be associated with tax inhibitions among SMEs of Kamwala Township in Lusaka city. The results were consistent to that of Mannan (2020), Roberta (2016) and Otai in Uganda (2019) as revealed in literature review.

6.2.2 Conclusion based on research objective 2: To assess the effects of factors inhibiting voluntary tax compliance among the SMEs of Kamwala township in Lusaka City.

The effects among others were hinges on reduced Government revenue that affected the GDP, placed pressure on the Government to fund public services in line with infrastructures development. The reduced revenue was due to tax avoidance and tax evasion among the SMEs. Tax inhibiting among SMEs affected their business reputation when they were caught and fined by ZRA. The SMEs who faced legal consequences were limited to enterprise into international trade and stalled their business progression.

6.2.3 Conclusion based on research objective 3: To analyse how the identified factors inhibit voluntary tax compliance among the SMEs of Kamwala Township in Lusaka City.

The complexity of tax regulations posed challenges for SMEs to understand and comply with tax administration systems which led to unintended inhibiting of tax due to lack of clearness. Further, the identified factors of lack of awareness and lack of transparency in the expenditure of tax revenue by institution mandated to collect tax (ZRA) discouraged SMEs to be tax compliance.

6.3 Recommendations

Following the findings and the analysis of the study done, the following are the recommendations;

1. ZRA to consider increasing tax incentives and exemptions. That will attract investors, who are potential tax payers; it will also encourage voluntary tax compliance among the SMEs.

2. ZRA must consider conducting a country wide tax education and sensitization to the owners of Small-Scale Businesses and sole proprietors as well as introduce policies that should make tax compliance responsive. Further, impart the much-needed knowledge on the effects of tax avoidance and tax evasion among the SMEs.

3. SMEs must be levied lower amounts of taxes so that they will have enough funds for other activities that will lead to business growth. Consequently, it will help SMEs get better equipped to survive in a competitive market.

4. To enhance compliance there is need for ZRA to intensify taxpayer education in terms of increasing the number of sessions and broadening coverage to include tax consultants. This will enlighten the taxpayers on existing law and any other tax liability. ZRA must provide a forum for taxpayers to air their complaints and or compliments.

5. There is need to continuously recruit and train technical staff in the revenue authorities to keep abreast with the tax law and any other changes therein. This way, the officers will impart proper and correct advice to taxpayers during the time of audits. Customer care lessons be provided by ZRA to form an integral part of the training.

6. The understanding of such dynamics may assist tax authorities Zambia Revenue Authority (ZRA) and policy makers design interventions measures

7. The investments in more Accountants and Auditors professions by the Government through the ministry of Finance and National planning will be vital to mitigate difficulties of record keeping in relation to non - voluntary tax compliance among the SMEs. Further, ZRA must nurture the culture of transparency, refining implementation and confidence in tax administration in order to win the confidence of SMEs to be tax compliance.

6.4 Areas of future study

Future research be undertaken on factors that motivate SMEs to be tax compliance; this is going to bring about high revenue collection through taxation for national income growth and sustainability.

The future research studies must be conducted on factors affecting income tax compliance among SMEs in other regions or provinces of Zambia as opposed to Kamwala Township in Lusaka city. It is envisaged that the results from this study will contribute to gaps on what affects tax compliance among the SMEs in the other study sites.

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