

GREAT ZIMBABWE UNIVERSITY



MUNHUMUTAPA SCHOOL OF COMMERCE

DEPARTMENT OF ACCOUNTING AND INFORMATION SYSTEMS

**EFFECTS OF TAX EVASION ON THE PERFORMANCE OF SMALL TO MEDIUM
ENTERPRISES (SMES): A CASE OF CONSUMER GOODS SMES IN HARARE.**

BY

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*This dissertation is submitted in partial fulfillment of the requirements of the Master of
Commerce Degree in Professional Accounting and Corporate Governance at Great Zimbabwe
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APPROVAL FORM

The undersigned certify that he had supervised the student Murahwa Kudzai Melisa (M222373) research project entitled: *“Effects of tax evasion on the performance of small to medium enterprises (SMEs). A case of consumer goods SMEs in Harare.”* submitted in Partial fulfilment of the requirements of the Master of Commerce Degree in Professional Accounting and Corporate Governance at Great Zimbabwe University.



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DECLARATION

I, *Murahwa Kudzai Melisa M222373* do hereby declare that the research project entitled, *Effects of tax evasion on the performance of small to medium enterprises (SMEs). A case of consumer goods SMEs in Harare*, is my original work and has not been presented for examination in any other university. This research project has not been submitted for assessment to another university or for any other qualification. This project may not be reproduced without the prior authority of the author and or Great Zimbabwe University.



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...15/02/24...

Date

DEDICATION

This dissertation is dedicated to my mom, Mrs Murahwa and my Brother, Aaron Murahwa who stood by me through it all when I was carrying out my research. They gave me the much needed support and they kept on encouraging me to keep on pushing when the situation was challenging. I love you so much and may you be richly blessed.

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ABSTRACT

The general objective of the study was to examine the effects of tax evasion on the performance of small to medium enterprises (SMEs). The study also sought to establish the factors that promotes tax evasion amongst SMEs. The study also sought to identify challenges that SMEs face in order to comply with tax as well as the measures needed in order to control tax evasion by SMEs. To achieve these objectives, a positivism research approach was used pursuing a quantitative research design. Target population consisted of SMEs from Harare. Purposive sampling technique was used and a total of 60 respondents were selected. The data was coded into a minimal number of categories so that the comments could be categorized. The data was presented in a number of different formats, including tabular, graphical, and narrative. Statistical tools which are descriptive like pie charts, bar graphs, mean and mode were used to analyse the data. The summary of the findings was done in line with research objectives as they answered the research questions. From the findings, the study established that various forms of tax evasion were present amongst SMEs in Zimbabwe albeit with varying degrees of application. The research findings also indicated that SMEs face other tax related hurdles or constraints in so far as tax compliance is concerned, with high tax rates, lack of will, restrictive tax laws, and corruption amongst the top factors that fuel tax evasion. The research findings also indicated that tax compliance not only positively impact SMEs but also negatively affects the performance of the company in general. The notable positive effects of tax compliance were enhanced business performance through improved financial preparation, access to business loans, government tenders and contracts as well as managerial benefits, However, tax compliance for small organizations such as SMEs was seen to be burdensome in that it increases operational costs caused by tax compliance cost and there potential opportunity costs incurred. In a bid to improve tax compliance amongst SMEs, the research findings indicated that government and revenue officials ought to play an active role by educating SMEs on why and how part of paying taxes, hold tax awareness campaigns, lowering tax rates and addressing tax compliance costs and administrative costs as well as punishing and prosecuting tax evaders.

Table of Contents

APPROVAL FORM	ii
RELEASE FORM.....	iii
DECLARATION	iv
DEDICATION	v
ACKNOWLEDGEMENTS	vi
ABSTRACT.....	vii
LIST OF TABLES	xi
LIST OF FIGURES	xii
LIST OF ABBREVIATIONS.....	xiii
CHAPTER	1
INTRODUCTION	1
1.0 Introduction.....	1
1.1 Background to the Study.....	2
1.2 Problem statement.....	6
1.3 Purpose of the study.....	7
1.4 Research objectives.....	7
1.5 Research questions.....	7
1.6 Significance of the study.....	7
1.7 Assumptions of the study.....	8
1.8 Limitations of the study	8
1.9 Delimitations.....	8
1.10 Definition of key terms	9
1.11 Ethical considerations	10
1.12 Organization of the study.....	10
1.13 Chapter Summary	11
CHAPTER II.....	12
LITERATURE REVIEW	12
2.0 Introduction.....	12
2.1 Review of key concepts	12
2.1.1 Taxation	12
2.1.2 Tax evasion	13
2.1.3 Tax compliance.....	14
2.2 Conceptual framework.....	15

2.3 Theoretical review	16
2.3.1 Deterrence theory	16
2.3.2 Behavioral Model of Tax Compliance	17
2.3.3 Socio-economic theoretical model of tax evasion	18
2.4 Empirical Review	19
2.4.1 Methods of Tax Evasion	19
2.4.2 Factors leading to tax evasion	21
2.4.3 Ways to minimize tax evasion	27
2.4.4 Effects of tax compliance on companies	33
2.5 Research gap	37
2.6 Summary	38
CHAPTER III	39
RESEARCH METHODOLOGY	39
3.0 Introduction	39
3.1 Research Paradigm	39
3.2 Research Design	40
3.3 Research Approach	40
3.4 Target population	41
3.5 Sampling Frame	42
3.6 Sampling Strategy	42
3.8 Data collection procedures	44
3.8.1 Sources of data	44
3.9 Research Instruments	44
3.9.1 Questionnaires	44
3.12 Ethical considerations	46
CHAPTER IV	48
DATA PRESENTATION, ANALYSIS, AND DISCUSSION	48
4.1 Introduction	48
4.1 Response Rate	48
4.2 Data Presentation Analysis and Discussions	49
4.2.1 To establish factors that lead to tax evasion by SMEs in Zimbabwe	49
4.2.2 Challenges faced by SMEs in tax compliance	53
4.2.4 To establish effects on SMEs on being tax compliant	62
4.6 Chapter summary	67

CHAPTER IV	68
SUMMARY, CONCLUSIONS AND RECOMMENDATIONS	68
5.0 Introduction.....	68
5.1 Summary of the study	68
5.2 Summary of major findings	69
5.3 Conclusions.....	72
5.4 Recommendations.....	73
5.5 Areas for further study	74
REFERENCES	75
APPENDICES	80
Appendix 1: Questionnaire	80

LIST OF TABLES

Table 4.1 Responses Rate	48
Table 4.2: Tax evasion is high among SMEs	49
Table 4.3: Government's careless spending does not justify paying taxes	49
Table 4.3: Corruption by government officials	52
Table 4.5: Time constrains to deal with tax matters	53
Table 4.6: Complicated tax system	54
Table 4.7: Lack of modern technology	57
Table 4.8: Administrative penalties and prosecution	57
Table 4.9 Tax awareness campaigns	58
Table 4.10: Increasing Audit detections	59
Table 4.11: Tax payer education	60
Table 4.12: Access to bank loans and government grants	64
Table 4.13: Accurate financials preparation	65
Table 4.14: Increased operational costs caused by tax compliance cost	66

LIST OF FIGURES

Figure 2.1: Conceptual framework	15
Figure 4.1: Impact of Tax Rates Towards Tax Evasion	50
Figure 4.2: Government tax regulation	51
Figure 4.3: Fairness and truthfulness of the tax system	52
Figure 4.4: Lack of qualified and skilled personnel	54
Figure 4.5: Excessive amount of documentation which wastes time	55
Figure 4.6: No idea how to pay my taxes	56
Figure 4.7: Lowering tax rates and addressing tax compliance costs	60
Figure 4.8: Granting of tax amnesties, rewards and incentives	61
Figure 4.9 Securing government contracts and tenders	63
Figure 4.11: Cashflow benefit	66
Figure 4.12 Opportunity cost	67

LIST OF ABBREVIATIONS

ASYCUDA World: Automated Systems for Customs Data World

GDP: Gross Domestic Product

IMF: International Monetary Fund

NGOs: Non Governmental Organisation

RBZ: Reserve Bank of Zimbabwe

SMEs: Small to Medium Enterprises

UNCTAD: United Nations Conference on Trade and Development

VAT: Value Added Tax

ZIMRA: Zimbabwe Revenue Authority

CHAPTER

INTRODUCTION

1.0 Introduction

The value of an effective tax system to a country's socioeconomic, technological, and political well-being cannot be overstated. Taxation is a tool of fiscal policy used to manage the economy of a nation (Nwaobia et al., 2016). For the goal of collecting taxes, nations have established specialized organizations. A road map for the administration of taxes is provided by a number of Acts in addition to these organizations. All of these initiatives highlight the importance of taxes as a country's primary source of revenue. In addition, taxation has been employed to promote investments and the development of new industries and sectors (Salawati et al., 2021). In spite of the existence of these regulatory Acts and administrative frameworks for collecting taxes, Tax evasion continues to hamper governments' efforts to raise sufficient funding for the advancement of their various countries. Without considering tax evasion, it is generally hard to fully understand the effects of taxation (Alm, 2018).

Although these challenges affect the majority of nations worldwide, Lee (2016) found that emerging nations were more likely to experience them than Western and industrialized nations. In contrast to the average tax collection of 35% in industrialized economies, the majority of African countries rarely collect more than 17% of their GDP in taxes (Masarirambi, 2013; World Bank, 2015). Due to the financial imbalances caused by tax fraud, many emerging nations, like Zimbabwe, have struggled to reach their budget plans to meet their obligations (Dalu et al., 2012). Having said that, it is fact that these emerging nations are dominated by small to medium enterprises (SMEs) which have become bedrock of economies around the world, driving economic transformation and growth, as well as innovation and wealth generation. However, the progress that SMEs are supposed to bring to many countries is halted by the high frequency of tax evasion among these SMEs (Swistak, 2015). Consequently, the problem of a sizable percentage of SMEs evading taxes and failing to comply with their tax duties calls for more attention.

1.1 Background to the Study

Taxation as explained by a variety of academic sources is the most dependable and predictable source of revenue generation for development contrary to debts from International Monetary Fund, World Bank or other nations (ZIMCODD 2014). According to literature sources, taxation has always been an important part of daily life for citizens and has served as a source of domestic revenue (Turner, 2010). Taxation is thought to be one of any government's most effective fiscal tools for achieving its objectives of rapid economic expansion and development as well as the reduction of poverty. However, tax has been linked to issues that are primarily brought on by the systems for managing and administering taxes, on the one hand, and the social, political, and administrative challenges that taxpayers face, on the other (Rwahigi, 2012). In recent years, several governments have tried to raise revenues by fighting against tax evasion and avoidance and expanding the tax base. Despite these efforts, taxpayers have continued to be non-compliant and tax evasive (Clifford and Amay, 2013). Accordingly, tax evasion is destructive to any economy, and it therefore, deserves serious consideration both in academic discussions and in policy formulation and implementation (Kundt, 2013).

In the USA, tax avoidance and evasion are widespread problems throughout the country (Anna, 2010). According to reports, tax evasion and avoidance cost the US economy roughly 3.09 trillion dollars between 2001 and 2010 (Coolidge, 2012). This resulted in a decrease in government revenue collection. In the EU, it was estimated that each member nation lost over 150 billion Euros annually (Murphy, 2008). In Africa, one of the worst problems that governments face is noncompliance with tax laws (Fagbemi, 2010). As a result, business tax compliance has gotten a lot of media attention lately (Mickiewicz et al., 2017). The taxation of SMEs in particular has drawn attention in both emerging and developed nations during the past ten years (Hansford & Hasseldine, 2012). As such it is imperative to pay close attention to the issue of the vast majority of SMEs evading their tax obligations and failing to comply (Swistak, 2015).

Tax evasion as alluded earlier is now widely researched phenomenon. Several studies have been done both locally and internationally on the causes and effects of tax evasion on nations and companies as well. Firstly, in order to reduce tax evasion, it is essential for all governments to

comprehend its causes. Rego, S. (2003) investigated the factors that lead to tax fraud and avoidance in US. They list the following as the top five causes of tax evasion and avoidance: a lack of public awareness campaigns, a lack of communication between taxpayers and tax authorities, an overabundance of taxes, and tax calculation illiteracy. Apart from high tax rates and a lack of a fair and efficient tax structure, their research found a correlation between a number of causes of tax evasion. Poverty and a lack of a fair and efficient tax structure, however, were not linked. Similarly, Wadhwa & Pal (2012) studied the reasons for tax evasion in India using a sample of 150 respondents from the NCR (Faridabad, Gurgaon, Panipat, Murthal, and Sonipat). The main causes of tax evasion in India, according to this analysis, include high tax rates, public sector corruption, multiple levies, and inept tax authorities. The author contends that tax fraud slows economic growth, fosters and maintains a parallel economy, and damages a nation's global standing.

In Denmark, Barrios (2017) did a research on the fiscal and equity impact of tax evasion. According to the author, several European nations have serious concerns about the issue of tax evasion. He stated that tax evasion reduces tax bases and that effective legislative measures to combat it are typically challenging to put into practice. In terms of the effectiveness and equity of the tax and benefit systems, it also directly affects the core goals of tax policy. Additionally, it can have a detrimental effect on economic performance because it is typically associated with poor civic behaviour, which makes it more challenging for governments to provide public services like health or education. Similarly, Papadogonas, (2007) did a research titled 'Financial Performance of Large and Small Firms: Evidence from Greece'. Based on the study's findings, tax evasion sometimes isn't in the best interests of both the companies and the statutory authority, despite the fact that it has a good effect on the financial performance of the companies. The potential of a tax penalty and perhaps receivership exists for businesses that fail to pay their taxes on time. For the nation, tax evasion costs the country's central government money, which has a detrimental effect on the nation's ability to prosper economically. In essence, it is prudent to note that the above mentioned researches focused on published research undertaken in developed countries which may create transferability issues as such issues still remain for example whether factors influencing tax evasion in a large country like USA translate equally to the Zimbabwean context.

The consistency of a nation's tax system is dependent on how well SMEs comprehend its tax laws. Knowing SME tax laws is essential for purposeful tax compliance, especially when calculating a precise tax due (Baru 2016: 40). Tax knowledge is a fundamental feature of an intentional compliance tax system, particularly in calculating an accurate tax burden, as proposed by Newman et al. (2018). According to Loo et al. (2014) and Loo (2016), the most persuasive factor in predicting Malaysian residents' compliance behaviour under the self-assessment system is tax knowledge. This was validated through observation and supported by a few studies, one of which discovered that having a thorough understanding of taxes results in higher compliance rates (Kasipillai 2013). The research revealed that 97% of participants were aware of taxes and that Malaysian SMEs are prepared to abide by tax laws.

In 2005 Sookram and Watson carried out a study on tax evasion in developed and developing countries. They found that tax evasion was more common in developing nations because their economies are based on a small number of large businesses, a small number of wealthy individuals, a low tax morale, and a lower use of tax professionals. The authors also claimed that compared to advanced nations, emerging countries have a lower added value of tax revenues to GDP. In industrialised nations, direct taxes account for 22% of GDP, compared to 7% in sub-Saharan Africa. Consequently, the low direct taxation in developing countries accounts for the gap in taxes between rich and poor countries. A separate investigation conducted by NurTegin in 2008 looked at the main reasons why people in Egyptian society evade taxes. A lack of transparency in government spending, according to the study's findings, encouraged tax evasion. Income tax evasion is made worse by tax loopholes and a distrustful relationship between people and the government. According to the report, different taxes, the nature of business, and SMEs' poor level of tax literacy all contribute to tax evasion.

In a study on the causes of tax evasion and avoidance among small and medium-sized businesses in North Central Nigeria, Atawodi and Ojeka (2012) examined several compliance characteristics. According to the survey, the main causes of small and medium-sized businesses' non-compliance are high tax rates and complicated filing requirements. Other factors, such as numerous taxation and lack of appropriate clarification influence tax compliance among small and medium enterprises. Similarly, Antwi et al. (2015) analyzed the effect of demographic

features of small and medium entrepreneurs on tax compliance in Ghana. Different tax avoidance and evasion factors were presented against various demographic variables in the study using descriptive statistics for analysis. Gender, age, education, marital status, business ventures, and tax payment status were the variables. According to the findings, men are more tax compliant since their enterprises are formal and registered, as opposed to women's businesses, which are informal, indoor, and unregistered, according to the gender variable. As if that weren't enough, a related study by Clifford and Amayi (2013) titled "The Effects of Taxpayer's Education on Voluntary Tax Compliance Among SMEs in Mwanza City Tanzania" found that SMEs would be more inclined to pay taxes voluntarily if they were given information on the significance of doing so.

In Zimbabwe Dube, (2014) did a research on Informal sector tax administration. The author's research revealed that both internal and external variables contribute to tax evasion by SMEs. Confidence in democracy, political virtue, acceptance of the ruling party, religious ideology, social and demographic factors, knowledge of what the majority of people think about the individual taxpayers' attitudes towards what others do, and the influence of effective public spending on taxpayers' perceptions and decisions are just a few examples of internal factors. External causes considered to be significant include tax inequality, a lack of administrative quality (complex tax laws that change constantly, perpetual tax amnesties, ineffective tax audits, inefficient tax fines, and tax exemptions), and inefficient tax audits. Consequently, according to the author, the impact of internal and external factors of tax compliance causes a huge tax gap in Zimbabwe.

The above view is also shared by Mavengere (2015) in his study on An Analysis of Factors Affecting Tax Compliance among SMEs in Zimbabwe. In his investigation, Mavengere made a passing reference to the fact that Small and Medium Enterprises (SMEs) in Zimbabwe are required to pay taxes, but as a consequence most are not tax compliant due to external and internal pressures. Hove and Hove (2016) also conducted an examination of the causes of tax avoidance and tax evasion in Zimbabwe. The study used descriptive statistics and discriminant analysis. Descriptive statistics were used in analysing the level of tax morale and attitude towards the tax system, and discriminant analysis was used to analyse factors influencing tax

avoidance and evasion. The results show that SMEs are more likely to default from tax payment than large-scale corporations are. Having said that, it is crucial to note that the above highlighted researches present issues to do with research transferability, geographical and time gaps, as such it is imperative for a context and specific research to be done. Therefore, it is in line with these missing gaps that this study seeks to examine to the effects of tax evasion on the performance of small to medium enterprises (SMEs) for a developing country like Zimbabwe.

1.2 Problem statement

Tax evasion is one of the major problems that tax authorities encounter the world over. Although this issue impacts all economies equally and spans across them, it is particularly apparent in developing nations (Inasius, 2019). The severity of the issue is demonstrated by its impact on national revenues and its ability to escape the attention of the revenue authorities. This has ignited concerns not only for tax administrators but also for governments and policy makers. The detrimental impacts of tax evasion need not be over-emphasized as it negatively impacts on the governments' ability to pool public revenue. Tax evasion imposes financial costs and burden on governments, and it is at the core of some of the most significant issues in public economics. The most obvious effect is that it reduces tax collections, reducing taxes paid by compliant taxpayers and governmental services provided to residents (Alm, 2012).

Owing to this, different researchers have devoted time in trying to understanding evasion behaviour by individuals and corporate. However, the bulk of research on tax evasion has focused more on the impact of evasion on Governments and economies. There hasn't been much research on the effects of tax evasion on the business performance of those firms involved in the evasion particularly SMEs (Torgler & Schneider, 2009). Tax evasion is an epidemic on the performance of SMEs as well. As pointed by Baru, (2016), the issue of tax evasion is rapidly being practiced amongst SMEs. This tax evasion has the potential to affect the performance of SMEs and raises questions about the going concern of SMEs. It is against this background that this research seeks to assess the effects of tax evasion on the performance of small to medium enterprises (SMEs) in Zimbabwe.

1.3 Purpose of the study

To examine the effects of tax evasion on the performance of small to medium enterprises (SMEs).

1.4 Research objectives

- 1.4.1 To establish factors that lead to tax evasion by SMEs.
- 1.4.2 To identify the methods of tax evasion used by SMEs
- 1.4.3 To outline the challenges that SMEs face in order to comply with tax.
- 1.4.4 To identify the measures needed in order to control tax evasion by SMEs.
- 1.4.5 To determine how tax compliance affects SMEs

1.5 Research questions

- 1.5.1 What are factors that lead to tax evasion by SMEs?
- 1.5.2 What are the methods of tax evasion used by SMEs?
- 1.5.3 What are the challenges that SMEs face in order to comply with tax?
- 1.5.4 What are the measures that can be adopted to control tax evasion by SMEs?
- 1.5.5 How does tax compliance affect SMEs?

1.6 Significance of the study

The research would add to the body of empirical knowledge and provide opportunity for other researchers in the subject. The study is reasonable on the basis that it would serve as good grounds for theory development which would give insight that would be useful in relation to other interventions for tax administration in Zimbabwe and to add to knowledge by eliciting views on the effects of tax evasion on the performance of SMEs. This would be a useful resource which can be beneficial to individual tax administrators, the government and SMEs. The study can help bridge the gap of knowledge on tax evasion, and in the process also give an insight on how tax evasion can be stopped, by highlighting the factors that influence this vice, and the impact tax evasion has on SMEs performance if left unchecked. The study's findings will provide insight into how to comply with tax regulations and the repercussions of tax evasion, giving a sense of preparedness and keeping up to date with applicable tax regulations, reducing the impact of tax evasion on SMEs.

1.7 Assumptions of the study

The research was based on the assumptions that:

- There were no changes in the nature of operations of in the unforeseeable future.
- The respondents were knowledgeable, capable and willing to participate.
- Data collected from these respondents was free from any errors, misstatements and bias.
- All interviewees participated.
- The population sample was a true reflection of the entire population of the SMEs industry.
- The research design helped the researcher to gather enough data suitable to make the expected recommendations.
- Data sources were sufficient.

1.8 Limitations of the study

The researcher faced time constraints given that she had other school and work commitments to attend to. To overcome this challenge, the researcher worked overtime, sometimes through the night, weekends and public holidays.

The researcher also faced problems associated with unavailability of information necessary for the study because of some SMEs confidentiality reasons. However, to overcome this constraint the researcher got a clearance letter from the university and the relevant authorities.

In addition, respondents were not readily available to give responses owing to tight work schedules and personal commitments. To curb this challenge the researcher made prior appointments before visiting and also tried to establish good rapport with respondents to get as much data from them as possible.

1.9 Delimitations

Tax evasion and avoidance are issues that affect all tax systems as a result it is impossible to research tax evasion and avoidance in all of them. As a result, the focus of this study was on the effects of tax evasion on the business performance of SMEs in Zimbabwe. It looked into the

effects of tax evasion on the business performance of only Harare's SMEs. The research was also conducted utilizing data from SMEs and was limited to the months of January 2019 to December 2022.

1.10 Definition of key terms

Taxation - is explained as an obligatory unrequited payment to the government (Kagan 2020; OECD 2004; OECD 2020:3). In addition, it is the method that is used by the government to fund their expenditures by charging corporate business and citizens.

Tax Evasion - is defined as any illegal behavior or an act that is impacted by economic and tax structures, income patterns, and societal attitudes, and it is penalised by civil fines with the purpose of minimizing taxes incidence (Wang et al., 2020)

Tax compliance - is not easy to elucidate. Nonetheless, it is defined as fulfilling all the tax obligations as per the requirements stipulated by the law completely and freely (Tuan et al., 2021: 2).

SMEs - is defined as an organisation with less than two hundred and fifty employees in the European Union, but an SME in United States can have up to one thousand two hundred employees. Because adjectives implying size are commonly used to describe small and medium enterprises, economists have decided to categorize these using quantitative measurable criteria. The most metric used to distinguish between small and large businesses is the number of employees (Hatten, 2011).

Performance - Many prior definitions of success tended to place a premium on efficiency, with financial results serving as the key metric. Following that, the definitions of this concept have changed, particularly with the introduction of the Balanced Scorecard (Kaplan, Norton, 1992), it covers not just the financial indicators, but also the internal perception, the consumer perspective, and the learning and growth perspective.

1.11 Ethical considerations

Ethical issues such as cultural boundaries, translation issues, perceptions of power and authority, informed consent; deception; privacy and confidentiality as well as cross-cultural representation are all ethical considerations that the researcher carefully observed. Each participant was made aware of the study's purpose, that the participant is voluntary, that his/her answers were to be used for the purpose of the study and that no personal information was going to be published.

1.12 Organization of the study

The research was carried out in five different chapters as follows.

1.12.1 Chapter one

This chapter contains an introduction to the research being split into background to the study, statement of the problem, main purpose of the study, research objectives, research questions, significance of the study, methodology research assumptions, delimitation of the study, limitations of the study and definition of terms.

1.12.2 Chapter two

Literature from allied academics was given in this chapter. This chapter focused on theoretical and empirical literature which focuses on the studies done in other countries and previous research findings related to the research objectives. The chapter also reviewed key concepts and theories that are related to the study area. The chapter also presented the research gap in this study. Different themes and sub-headings relating to research objectives were used to explore and analyze various literature which then gave direction to the study and provided guidance to the next chapters.

1.12.3 Chapter three

In chapter this chapter, the researcher looked at the research methodology that was employed to carry out the study. The chapter described how the researcher collected data that is important to the research's overall success. The chapter focused on research methodology, its justification,

research design, and justification of that design, targeted population, sampling methods, and justification of the sampling methods in relation to tax evasion. The chapter also went on to discuss the sources of research data, the data collection instruments to be utilized and their justifications, data analysis techniques, validity and reliability of data as well as ethical considerations.

1.12.4 Chapter four

The focus of this chapter was on the display and analysis of collected data. The individual responses from interviews and questionnaires were analysed, compared, categorised and interpreted to draw conclusions on the study specific objectives..

1.12.5 Chapter five

This chapter covered the overall study's research summary, results, and recommendations. The study's conclusions were summarized in relation to the specific research objectives. This chapter also contains the researchers' recommendations for the study's recipients. The goal of this chapter was to obscure the study's findings in general.

1.13 Chapter Summary

The topics covered in this chapter provide insight into the research investigation. The aspects that govern the research study's principles are outlined in this chapter. The chapter also provides a quick overview of the effects of tax evasion on SMEs. In the next chapter, there will be more analysis in the literature review.

CHAPTER II

LITERATURE REVIEW

2.0 Introduction

The backdrop to the study, the research objectives, and the problem statement were all carefully examined in the previous chapter to clarify the research topic at hand. This chapter focuses on a review of the relevant literature with a theory-, empirical-, and conceptual-review focus on the studies done in other countries and previous research findings related to tax evasion by SMEs. This chapter also presents the research gap in this study.

2.1 Review of key concepts

2.1.1 Taxation

Taxation is an obligatory charge that is imposed on a company or an individual by all levels of government in order to finance its operations (Alm & Melvik, 2010). Taxes are paid by taxpayers to the government without any matching revenue in the form of products or services. According to the OECD (2013), taxes are forced resource transfers from the rest of the economy to the government. According to Kwaako et al. (2012), taxation is the imposition of mandatory payments by governments or tax authorities to cover the costs of running their businesses and providing services to their constituents. The government levies taxes on its residents to raise money for the following purposes: to stabilize the economy, to set and define the economy, to promote optimal economic growth, and to enable the government to transfer wealth or resources to its citizens (Boakye 2011; Ramabu & Ndlovu 2012).

According to research, Adam Smith proposed the principles of taxation in 1778. They are as follows: equality, certainty, economy, convenience, diversity, simplicity, elasticity, and productivity (Ramabu & Ndlovu, 2012). A good tax system is defined by these features. According to Boakye (2011), the fundamental components of an effective tax system are the tax principles. According to Bird (2008), an effective tax system should reflect a nation's economic structure, administrative ability, need for public services, and accessibility to alternative sources

of income. According to Bird (2008), the optimal tax system should consider the following factors. Tax morale, tax culture, and other issues pertaining to good governance. This suggests that a sustainable tax system requires a high degree of tax compliance, and that in order to achieve this compliance, the tax system needs to reflect at least certain fundamental values, including tax culture and morale (Har 2013).

2.1.2 Tax evasion

Tax evasion is a worldwide occurrence that has persisted for a long time and has continued to pose tax enforcement challenges to tax systems and federal governments. Dollar, (2001) defined tax evasion as a decrease of tax accountability by removing certain items from the taxpayer's income. According to Dovan (2009), tax evasion is an unlawful practice whereby there is a global avoidance to pay the, for instance, in EU, people caught evading paying true tax liability are generally subjected to charges on illegal practices and subjected to considerable penalties. Accordingly, non-disclosure of financial assets in offshore bank accounts, mispricing of trades, fraudulent VAT, bribing tax officials, and misusing tax benefits by falsely claiming eligibility are all considered forms of tax evasion (Frozen, 2012). The article went on to say that tax evasion is the act of a taxpayer refusing to pay taxes or lowering their tax due by filing false or misleading statements on their earnings tax form. This idea is supported by Cobham and Alex's (2005) argument that tax evasion is an effort to avoid tax obligation (wholly or partially) by avoiding paying taxes.

As indicated in a study by Junpath (2013), tax evasion is a global issue that nearly all nations face in their systems of economic and societal growth. Because of the rapid growth of investment in their economies and a lack of experience in finding solutions, this problem has gotten much worse for developing nations. According to United Nations Publications (2019), tax evasion in the domestic shadow economy is thought to cost developing nations approximately USD 285 billion yearly. Therefore, there are several reasons why tax evasion matters, including the fact that it reduces tax revenue, which in turn impacts taxpayers' taxes and the quality of infrastructure that locals enjoy. Neha (2021) also claims that tax evasion causes resource misallocations because it causes citizens to alter their behaviour in order to avoid paying taxes,

which results in uneven income distribution. Thus the ideal way to characterize tax evasion is as a legitimate criminal violation that is punishable by severe punishment or jail time.

2.1.3 Tax compliance

Every economy faces serious challenges with tax compliance, especially given the importance of tax revenue collection for the advancement of any country (Folayan and Adeniyi 2018). Despite numerous calls for voluntary compliance, developing nations are still classified as having low levels of tax compliance (Dom et al., 2022). To attain higher levels of tax compliance, governments should prioritize identifying patterns of tax evasion behavior and developing strategies to decrease it (Leureiro 2014 cited in Folayan and Adeniyi 2018: 86). That being said, tax compliance is defined as fully and voluntarily fulfilling all legal tax obligations (Mnenwa and Maliti, 2008). To add to that Alaladebe (2010), argues that submitting returns, accurately disclosing all taxable income, and paying all taxes owed on time without waiting for further action from the tax authorities can also be considered acts of tax compliance. Similarly, Gichuru and Wahome (2022), describes tax compliance as the willingness of a taxpayer to abide by the rules and laws regarding taxes as established by the law many years ago. According to Dom et al, (2022), tax compliance entails providing the revenue services with proof of actual income.

As if that is not enough, according to Palil and Mustapha (2011: 7), tax compliance is the process by which taxpayers accurately report all of their income on all required tax returns and use the right tax policies to pay the correct amount of taxes owed. Three different types of compliance exist in theory: filing, payment, and reporting. Even so, tax compliance is defined by both taxpayers and tax collectors as abiding by the numerous state-specific tax laws (Chepkurui et al., 2014). Nevertheless, Ndlovu et al, (2014) stated that tax compliance is not always bad it has benefits. These benefits have been demonstrated in certain studies, including improved cash flow due to the use of tax revenues for technologically enhanced financial knowledge, improved record-keeping, managerial benefits, and improved business decision-making due to tax regulations that call for the maintenance of records.

2.2 Conceptual framework

This shows relationship between the independent variables and dependent variables of the study guided by the research topic which is expressed diagrammatical as shown below.

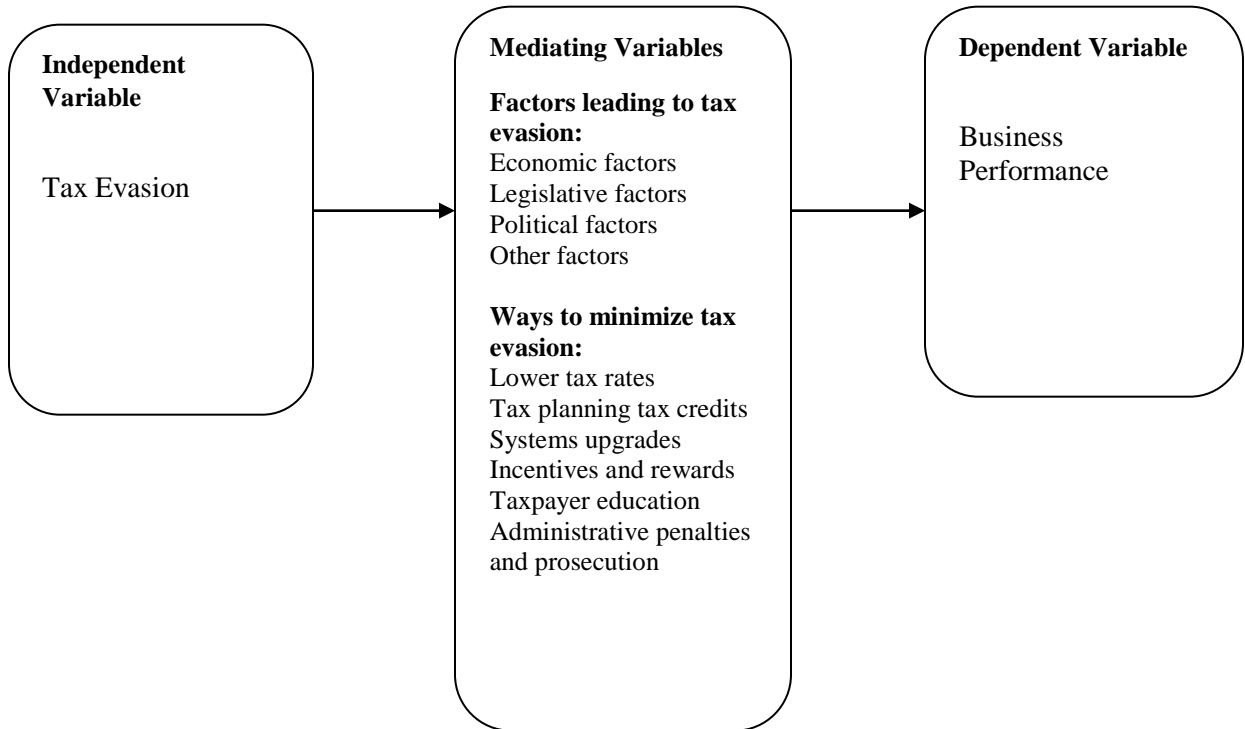


Figure 2.1: Conceptual framework

The link between a dependent variable and an independent variable, or the impact of one on the other, is the subject of the investigation. The dependent variable reacts to the independent variable's changes. The one being researched in respect to its effects on the dependent variable is referred to as an independent variable. When an independent variable has an effect on a dependent variable, the dependent variable will be predicted using the independent variable. An alternative term for it is the predictor variable. In this case, tax evasion is the independent variable. Since tax evasion affects an entity's ability to do business, business performance becomes the dependent variable. This is because it's the one that's being influenced. Nonpayment of taxes by an entity will negatively impact that entity's ability to conduct business. A company will operate profitably if it doesn't evade paying taxes. The mediating variables include the things that lead to tax evasion, the effects of tax evasion, and the steps taken to lessen tax

evasion. This suggests that the mediating factors contribute to the business performance of SMEs.

2.3 Theoretical review

A formal, testable explanation of certain events that encompasses descriptions of how things interact is what Carr and Gryphon (2013) define as a theory. Numerous factors influence tax evasion behavior, according to prior research (Ross and McGee, 2012). As a result, the complex character of tax evasion may neither be fully explained by implementing certain criteria alone, nor by relying just on one theory to describe the phenomena of tax evasion (Ayuba, et al 2016). Therefore, identifying the various factors that influence tax behavior is necessary in order to explain tax compliance. The part of the section on the variables influencing SMEs' tax compliance highlights three important theories. These theories align well with the study's objectives. The theories are: Deterrence theory, Behavioral Model of Tax Compliance and Socio-economic theoretical model of tax evasion

2.3.1 Deterrence theory

One of the earliest theories to explain tax compliance behavior was deterrence theory (Jackson & Milliron, 1986). The deterrence theory suggests, among other things, that raising the perceived risk of being caught deters crime and that the threat of being caught is a more effective deterrent for criminal activity than punishment (Becker, 1968). The ideas of deterrence theory were influenced by the criminal economics model developed by Becker in 1968. According to Becker, factors like audits and fines determine the extent of tax noncompliance. Following Becker (1968), Allingham & Sandmo (1972) put up a criminal paradigm to define tax evasion. Examples of the A-S model are the expected utility maximization model and the deterrence theory (economic technique). According to the A-S model, taxpayers make rational decisions and seek to maximize the expected utility of their tax non-compliance wager by weighing the benefits of successful non-compliance against the possibility of being found out by an audit and incurring penalties.

The deterrence theory is widely regarded as one of the oldest theories for resolving the tax compliance conundrum. This theory holds that high tax rates and a high volume of tax audits and

filings are necessary to discourage taxpayers from engaging in illegal activity. The early model, however, showed that this form was restricted to the strictly economic aspects of tax evasion while omitting the social difficulties (Molero and Pujol, 2012). Though few studies have used the deterrence theory to sales tax compliance, even in wealthy nations, let alone poor ones, it is a regularly used tool to analyze tax compliance of an individual's behavior in the area of income tax (Woodward & Tan, 2015; Adams & Webley, 2001). The notion of deterrent devices, which tax departments employ to counteract tax non-compliance, is difficult to overlook, according to Casal et al. (2016), while debating the components of tax compliance.

2.3.2 Behavioral Model of Tax Compliance

The behavioral models were founded using psychological and sociological foundations. According to the model, rather than being seen as egocentric utility maximizers, taxpayers are seen as persons who are convinced to remit tax depending on a variety of precipitants, including scilicet perspective, norms, beliefs, age, and gender (Coleman & Freeman, 1997; Moldovan, 2012). In agreement with the Fischer model, the degree of compliance was determined by taxpayer opinions of the authorities' dependability in the use of public monies. Although the degree of compliance varies, both authority and trust have the tendency to increase compliance. Moreover, the highest degree of tax compliance is attained in areas with strong public confidence in tax authorities and a high degree of their authority.

According to Alm, et al. (2011) the behavior of the taxpayers towards compliance or non-compliance is influenced by the taxpayers' perspective on the fairness of the tax system. Alabede et al. (2011) also stated that there is a significant relationship between the perceived equality of the tax system and tax compliance. Coskun (2009) in their study concluded that the interrelationship between or among various variables such as awareness, use of public funds, efficiency in the tax system have bearing on tax compliance. The study carried out by Palil and Mustapha (2011) reveals that tax evasion is reduced and tax compliance increases when the taxpayer's tax knowledge increases and their tax attitudes are positive. This therefore implies that there is a greater likelihood of stopping or minimizing tax non-compliance if sizable groups of people receive training in the unorganized sector. According to Dlamini (2017), understanding tax laws and how taxpayers view the tax system is essential to combating tax evasion.

2.3.3 Socio-economic theoretical model of tax evasion

Considering the limitations of the existing theories of tax evasion, Nurunnabi (2018) proposes the socioeconomic theory, explaining tax evasion practices based on institutional infrastructure (Pickhardt and Prinz, 2014). He considered that tax evasion was an intricate process involving a variety of elements, such as organizations, businesses, people, and the actions of taxpayers. The theory divides the economic and non-economic components of tax evasion into three major groups: the actions of the taxpayer, the organization of the state, and the actions of the tax officials. The state occupies the top position in this circular paradigm of tax evasion. The state is a key participant and lawmaker in creating an environment that is favourable to taxpayers and the tax authorities. The function of the state is to grant the taxpayers various forms of freedom, including business, monetary, and fiscal independence, as well as labour and government tax regulation. The primary entity responsible for tax collection is the tax authority, whose goal is to ensure proper administration, or good governance, of the tax system. Ultimately, a person's tax-paying behavior will be influenced by their culture, ethical convictions, and interactions with the government and tax authorities (Rashid et al., 2021). Therefore, in order to give rules and benefits to taxpayers, effective tax planning must go beyond the government's limited measures and incorporate the combined influence of all three parties.

Furthermore, the theory suggests that people's behavior differs from that of governmental policies. The state is responsible for laws, the economic and social acts of the government, financing priorities, and legislation that expresses certain opinions, convictions, cultural values, or recognized norms (Bishop, 2009). According to Mason et al. (2020), businesses are less likely to comply with tax regulations when they believe their government is having a negative influence on them or that the policymaking process is unjust. According to Androniceanu et al. (2019), there is a correlation between government policies and tax evasion. The main factors influencing tax evasion are the level of social, cultural, and economic development. Furthermore, taxpayers may express disdain for government rules and regulations, including tax duties, if they believe that doing business is restricted by high tax rates, complicated rules and regulations, and inadequate governance. This is because they may feel abandoned by the government. Therefore, it's important to determine what deters business owners from filing taxes with their government.

To this end, this study considers the socio-economic theoretical model of tax evasion as the major basis for developing the hypotheses.

2.4 Empirical Review

2.4.1 Methods of Tax Evasion

Taxpayers use different methods or tricks to evade taxes. Some of these common methods of tax evasion are the concealment of income, fake documentation, cash transactions, and so on. The following are some of these methods:

2.4.1.1 Concealment of Income

One of the most popular ways to avoid paying taxes is to try to hide income from the Income Tax Department, as implied by (Mustapha, 2011). For instance, a taxpayer may pay less in taxes if they withhold information from the department and fail to declare their actual income on income tax forms. Cash transactions are modified by taxpayers in an effort to obscure their revenues and avoid paying taxes. Businesses usually do not produce invoices for sales (Mughal, 2012). Some people conceal cash transactions so they don't have to reveal their source of income. For instance, a landlord might take cash rather than a cheque or bank transfer for rent. This is carried out in situations when the landlord is getting income from the rental of the property but has not reported it to the authorities.

2.4.1.2 Submitting false tax returns

When someone files their taxes, they occasionally provide inaccurate or fraudulent information. According to Kamau et al. (2012), they take this action to minimize the tax or to avoid paying the whole amount. Because comprehensive information isn't provided, it's a tax evasion tactic. Furthermore, their payments are lower than expected. As such tax evasion is intimately linked to the deliberate filing of inaccurate income tax returns. The reason for this is that a person can pay less in taxes by filing an inaccurate income tax return. Taxpayers might, for example, lower their overall income, make up exemptions or deductions, or report larger spending. Benuoga, (2013) did a study on the factors influencing tax evasion in Zambia, and the adverse effect on the

economy and the results of the study indicated that lower annual net profit could be a result of inaccurate financial records like balance sheets, sales or purchase vouchers, cash flow statements and other account records. Many businesses tear down sales receipts in an attempt to present a lesser income and reduce the amount of tax.

2.4.1.3 Forged Documents

In order to conceal taxes, taxpayers provide forged documents. For instance, a taxpayer provides fake or forged receipts of the purchase of raw materials. This way the taxpayer increases the expenses leading to a lower net profit chargeable to taxes. Inasius (2019), who studied tax knowledge among SMEs in Nigeria postulated that a very common practice is to provide fake documents to claim deduction against donations for charitable purposes. A further example would be if the government had granted certain exemptions and advantages to particular social classes or groups so they would have a little more financial flexibility to advance. Members who don't truly qualify for these benefits occasionally have paperwork made to prove their membership in the group, allowing them to claim exemptions from laws in situations when they are inappropriate (Rego, 2003).

2.4.1.4 Not reporting income

This could be said to be one of the most common methods of tax evasion Feld and Frey,. (2007). In this case, individual just won't report any income that they receive during a financial year. Not having reported any income, they don't pay any tax thus successfully evading tax all together. The simplest example of this would be a landlord who has kept tenants but has not informed the authorities that he has rented the house and is actually receiving an income from it.

2.4.1.5 Not paying the Due Amount

This method is the easiest and most popular approach for someone to avoid paying taxes. They just refuse to give the government the money owed, even when it is demanded of them. When someone engages in this type of tax evasion, they fail to pay the taxes on time or later. There have been multiple documented instances of ZIMRA garnishing firm accounts in Zimbabwe as a

result of nonpayment of taxes. These instances include, naming a couple, the recently publicized instances of PSMAS holding in 2023 and Air Zimbabwe in 2023 (Dube, 2014).

2.4.1.6 Bribery and smuggling

There may be a circumstance when a person owes money on taxes that they are unwilling to pay. In this situation, he or she might even genuinely offer bribes to officials in order to get them to stop collecting the tax and to make it "disappear." Certain items may be subject to a tax or fee in order to be moved from one place to another, across state or international borders. Nonetheless, some people might transport these products covertly to avoid paying taxes or to completely avoid paying them (Akhtar et al. (2017).

2.4.1.7 Inaccurate financial statements

The taxes that are payable by an individual or an organization may be decided on the financial dealing that have taken place during the assessment year. If false financial documents or accounts books are submitted, ones that show incomes less than what was actually earned, the tax may come down (Mughal, (2012).

2.4.1.8 Misreporting in the Income Tax Returns

Filing income tax returns is mandatory, according to the laws of Zimbabwe (Dlamini, 2017). To avoid paying the exact income tax amounts, some people and entities report incorrect information in their income tax returns by providing false data relating to income, investments, and other deductions.

2.4.2 Factors leading to tax evasion

Many factors that discourage taxpayers from filing taxes have been examined in the past (Abdixhiku et al., 2018; Alm et al., 2019; Epaphra, 2015; Nurunnabi, 2018; Rashid et al., 2021). These studies have also identified factors that contribute to tax evasion, which can be either non-economic or economic (Alm et al., 2019; Epaphra, 2015; Nurunnabi, 2018). Numerous causes contribute to tax non-compliance. There are primarily two categories of causes. The first category of justifications includes those related to tax administration. Operational shortcomings

are the primary causes of this. The other group is made up of components that influence taxpayer compliance behaviour. In general, previous studies in their separate studies have discovered a strong correlation between tax evasion and factors such as government instability, tax morality, corruption, crime, tax rates, inflation and tax regulation.

2.4.2.1 Tax morality

Numerous academic studies recognise that tax morality has a role in tax enforcement from a socio-economic standpoint. Martinez and Coelho (2019) remarked on the overwhelming evidence that tax morality affects people's decisions to pay taxes. The battle against tax evasion would intensify if the contributing aspect of tax morality is addressed. Consequently, the discourse surrounding tax morality has garnered increased global attention, especially with its potential to provide light on the factors that influence tax evasion. When analyzing the degree of tax evasion, it is essential to take tax morality into account along with other cultural, behavioral, and sociological factors (Martinez and Coelho 2019). According to Torgler et al.'s (2007) research, tax morality is a necessary condition for tax compliance as long as the results demonstrate a definite negative correlation between tax morality and tax evasion. They contend that in nations where there is pervasive inequality and where public spending is opaque and unaccountable, citizens do not feel compelled to pay taxes.

According to another studies, taxpayers are more likely to avoid tax evasion the older they are (Biljiga 2020: 24). On the other hand, divorced or separated people are less moral about taxes than self-employed people are. Nonetheless, a stronger tax morality is linked to church dedication. As a result it follows that tax compliance and evasion are significantly influenced by tax morale. This view was substantiated by Barone and Mocetti (2009: 5), who made reference to the growth in tax morality as a result of taxpayers believing that public resources have been managed well and are being used to their best advantage. On the other hand, Pope (2010), explored the taxpayer's religious beliefs as a further determinant of tax morality. This investigation shows that a taxpayer's perspective on tax compliance may be significantly influenced by their religious beliefs. The aim was to perpetuate the principle that the more religious a person is, the more likely they are to support tax enforcement.

2.4.2.2 Perceived fairness and complexity of tax system

Perceived fairness is a key factor in determining compliance behavior since tax compliance can have psychological overtones. According to Alkhatib et al. (2019), tax fairness is a non-economic issue that influences the nation's tax collection. It is common knowledge that fairness must be upheld in all revenue collection practices, policies, and practices. The unfairness of the tax collection procedure may lead to unethical behavior. Taxpayers may be more inclined to pay if the tax is fair. In cases where the tax rate is equitable and reasonable, taxpayers may repent of their tax evasion actions and report to the authorities their yearly income, even if they cannot dispute the precise amount. Considering the ability of paying or acceptable tax rates helps to maintain the fairness of the taxation system (Rantelangi & Majid, 2018).

Similarly, Richardson (2006) argued that the odds of non-compliance increases when economic agents perceive a tax system to be unfair. Similar argument was posted by Alm (2011) who indicated that the perceived fairness of tax system plays a significant impact on behavior towards tax remittances. Mocetti (2009) also suggests that a more simplified tax system increases the perception of fairness on tax system and ultimately fosters tax compliance. From the material that has been uncovered, it is possible that there is a negative and substantial correlation between the fairness and complexity of a tax system.

2.4.2.3 Lack of tax knowledge and education

For taxpayers to understand the reasons for and consequences of engaging in tax evasion, tax knowledge is essential. Tax evaders who are well-informed about the practice would not engage in it frequently; the opposite is true for those who lack such knowledge. To improve the understanding of taxpayers and authority specialists, more attention should be paid to tax-related information (Poudel, 2017). Tax knowledge is a way for taxpayers to increase the nation's revenue (Sadjiarto et al., 2020). Taxpayers will be less inclined to evade taxes if the government provides them with varying training regarding tax evasion and other tax-related topics (Rantelangi & Majid, 2018). The ability to engage in and stay out of tax evasion activities is determined by one's knowledge of taxes (Abera, 2019). Taxpayers may take certain risks that put them at danger of engaging in tax evasion when they go about their daily business without understanding taxes (Thu, 2017).

In an attempt to analyze the relationship between tax education and tax evasion, Eriksen and Fallan (2006) made the convincing argument that tax education has a significant influence on how compliant taxpayers are. It makes sense that raising tax literacy levels would help to promote tax compliance. To guarantee that taxpayers have a decent and reasonable knowledge and understanding of tax problems, the report advocated ongoing education campaigns and efficient monitoring methods. In a similar vein Oduro, et al, (2017) bolster the same claim and suggest that when taxpayers have access to more information on tax rates, penalties, and audits, their compliance with the law is likely to change.

2.4.2.4 Corruption

The two most prevalent types of unlawful activity are corruption and tax evasion, both of which have negative social and economic effects. There is a strong positive correlation between tax evasion and corruption, according to numerous studies, including Dimant and Tosato (2018). Tax evasion encourages corruption by giving it more possibilities to flourish, whereas corruption facilitates tax evasion by helping taxpayers conceal their income (Alm et al., 2016). Put another way, tax evasion rises in proportion to increased corruption. In order to evade paying taxes, taxpayers make bribes to the tax officer and, contingent upon mutual consent, underreport their income that is subject to taxation. Tax evasion is strongly correlated with political ties, and in extremely corrupt nations, this correlation is higher (Khlif and Amara, 2019).

The general consensus is that corruption committed and carried out by revenue officials is a common occurrence that can significantly impede investment, economic expansion, and the stability of socio-economic institutions. The amount of tax revenue that can be collected in developing nations is impacted by corruption in tax administration. Tax evasion is significantly impacted by societal corruption as well. Taxpayers are likely to engage in evasion if the cost of corrupting a tax official is less than the benefit of evading taxes. According to Acconnia et al. (2003), an economy's degree of corruption and tax evasion depends on a number of variables, including taxpayer wealth and tax official salary. Maclearn (2006) continues to refine a model that seeks to determine the ideal salary for tax officials. He contends that because there is a connection between tax officials' pay and tax evasion through corruption, governments must figure out what wage level will prevent their employees from being lured into bribery.

2.4.2.5 Government tax regulation.

Numerous scholars have noted that the psychological agreement between taxpayers and tax authorities serves as the foundation for tax compliance (Feld and Frey, 2007; Umar et al., 2017). They proposed that incentives, such as rewards or penalties, must be offered in order for a contract to be supported (Feld and Frey, 2007). Furthermore, tax laws and regulations ought to be reasonable, well-intentioned, and not overly strict. However, it shouldn't be so lax that it permits taxpayers to avoid paying taxes (Feld and Frey, 2007). Kirchler et al. (2008) claim that when taxpayers believe that regulatory body monitoring is insufficient to bring them to justice for tax fraud, a lack of audits and fines may encourage them to dodge additional taxes. Tax officers should be less focused on incentives and more courteous towards taxpayers if they believe that a high level of tax compliance will lead to a stronger crowding-out effect (Feld and Frey, 2007).

One could view the interaction between tax authorities and taxpayers as an implicit or relational contract (Akerlof, 2002). Up until a certain point, tax regulation and tax evasion have a negative association; beyond that, the link is positive (Richardson, 2006). According to Rashid et al. (2022), people only abide by tax laws and regulations when they believe that their government is effective in protecting their rights. Previous studies revealed a favourable correlation between tax evasion and increased enforcement (Feld and Frey, 2007). If the government's tax laws are restricting and difficult to understand, taxpayers become deterred from filing their taxes. Therefore, the evidence gathered from earlier research on the connection between tax laws and tax evasion suggests that tax evasion is more common when there are weak tax laws and regulations.

2.4.2.6 High Tax rate, penalties and audit probability

Research conducted by Slemrod and Yitzhaki (2000) revealed a positive correlation between tax rates, penalty levels, audit probability, and tax evasion. Tax rates have long been recognized in the literature as a major factor influencing tax compliance behavior. According to Chipeta (2002), the chance of taxpayers evading taxes will grow with a higher rate because it will increase their tax burden and reduce their discretionary income. This finding is entirely

consistent with the significant study on tax evasion conducted by Allingham and Sandmo (1972), who similarly found a positive relationship between tax rates and evasion. According to the early, pioneering studies of Allingham and Sandmo (1972), tax cuts in many forms contribute to expanding the tax base and ultimately raising tax collections.

A finding that fits well with the deterrence model is that high tax rates are associated with a higher tendency to remit taxes. Based on data obtained from China, the Republic of South Africa, and the United Republic of Tanzania, Epaphra (2015) discovered a positive correlation between tax rate and tax evasion. Similarly, Nurunnabi (2018) found that fiscal freedom had a favourable impact on tax evasion during research in Muslim nations. Furthermore according to Levin and Widell (2014), taxpayers may underreport their income and underprice their goods during imports and exports in order to avoid paying taxes if the state raises the tax rate.

2.4.2.7 Constrained access to finance (Business freedom)

A nation with significant financial hardships tends to have higher rates of tax evasion. Businesses might increase the financing shortage brought on by budgetary limitations by dodging taxes. According to Alm et al. (2019), there is a direct and substantial correlation between financial hardship and tax evasion. For two key reasons, businesses that are experiencing a severe financial crisis are more inclined to forgo paying taxes. First, enterprises are compelled to hold onto their internal capital due to financial constraints that prevent them from fully accessing external credit (Rashid and Morshed, 2021). In perfect capital markets, there is a difference between internal and external funds in financing investment and other activities. Second, a company's financial limitations are mostly a reflection of the economy's underdeveloped financial markets, which incentivizes the company to operate in the unofficial rather than the formal and legal sectors. Operating in the informal sector allows a company to evade taxes and other official regulations in an economy with undeveloped financial markets.

2.4.2.8 Policy instability, government instability, and government insufficient bureaucracy

Prior research indicates that a number of institutional issues, such as administrative corruption, prevent developing nations from taxing their citizens sufficiently (Ajaz & Ahmad, 2010).

According to earlier research, tax administration and tax system improvements are the two main elements of revenue creation (Brondolo et al., 2008). The main goal, nevertheless, is to increase the effectiveness of tax administration, which can be done by lowering tax evasion and corruption. Government instability in a country refers to its political instability and is considered a significant threat to the generation of tax revenue.

Tax evasion is more likely when governments are unstable and frequently change policies, which leads to ongoing changes in the tax structure and system. Another significant factor influencing tax evasion is bureaucracy. Similar to Picur and RiahiBelkaoui (2006), a few researchers have shown that a robust bureaucracy could lower the rate of tax evasion. They went on to say that ineffective bureaucracy may be linked to corrupt bureaucracy, which exacerbates government inefficiencies and ultimately raises tax evasion. Thus, this analysis suggests that policy volatility, political instability, and a lack of bureaucracy all have beneficial consequences on tax evasion.

2.4.3 Ways to minimize tax evasion

2.4.3.1 Taxpayer education

Effective taxpayer education in the main areas of taxation is essential to boosting voluntary tax compliance. The significance of paying into the tax system must be understood by taxpayers. They also require a deeper comprehension of the tax code and the processes involved in filing taxes. As an example, in order to foster a tax-paying citizen culture and shift public perception of the revenue authority, the Rwanda Revenue Authority has included the external environment into the process of building capability. This involves planning an annual taxpayers week event featuring parades and giving out awards and rewards. Furthermore, political officials and opinion leaders receive training on how to better motivate constituents to comply. Additionally, in an effort to strengthen its efforts to spread information about filing taxes, the Rwanda Revenue Authority is also collaborating with partner organizations (Land, 2004). This emphasizes the importance of integrating a wide range of stakeholders into the education process. In addition to the typical efforts of politicians and tax officers, important tax payers, donors and NGOs can help to improve the tax moral or function as a role model for a responsible and sensitive citizen.

Similarly, the Peruvian Revenue Authority (SUNAT) educates citizens in the scope of taxation. SUNAT provides a variety of services, including video lessons, e-learning, educational programmes at universities and schools, virtual libraries, and publications (Land, 2004). The intention is to inform taxpayers, both present and future. Comics and movies are a useful tool for reaching the illiterate, young people, and ultimately the bulk of the population. Long-term development of tax culture, tax morale, and a deeper comprehension of the tax system are the goals.

2.4.3.2 Addressing tax compliance costs and administrative costs

Governments in poor nations and their development partners ought to emphasize on policies that lower taxpayers' expenses associated with meeting their tax obligations in addition to encouraging voluntary tax compliance. In this regard, revenue authorities should measure customer satisfaction because they need to comprehend the value of working in a service-oriented manner. A lot of revenue authorities are moving in the direction of customer service, which is in line with the rising understanding of the necessity of providing the taxpaying public with high-quality services and being responsive to their complaints (Feld and Frey, (2007).

In addition to encouraging voluntary tax compliance, third-world countries should concentrate on strategies that reduce compliance costs, especially for small and medium-sized enterprises and the unorganised sector (Chiumya and Chiza 2009). Many revenue agencies are putting more emphasis on providing excellent customer service, which reflects a growing understanding of the need to do so in exchange for timely tax payments from taxpayers (Miller, 2012). Reducing the amount of tax documents and expanding the number of officers helping customers complete documentation, as well as providing online platforms, are some strategies to expedite the tax payment processes and support service-oriented tax administration (Zhou 2012).

2.4.3.3 Administrative penalties and prosecution

Administrative penalties are civil fines (typically in the form of money) that are levied against taxpayers who break rules or laws. These penalties are applied, for instance, when taxpayers fail to file their returns on time or pay their taxes as required, or when an audit of the tax

administration produces a tax payment that is greater than what the taxpayer originally assessed (Gallemore, and Labro, 2015). Penalties are not the sole way to ensure compliance, but they can discourage taxpayers from withholding taxes because the total amount owed will ultimately be higher for those who choose not to comply in the first place. However, if taxpayers are aware that penalties are only infrequently assessed and/or that the tax administration makes little attempt to collect them, then such a threat would be ineffective. Dalu (2012) posits that a low amount or low value of administrative penalties may indicate that the tax administration is either overly forgiving or lacks the ability to identify irregularities in tax payments. If a small portion of the fines levied are actually collected, this may be a sign that the administration is unwilling or unable to adequately implement tax laws.

If a tax administration determines after an audit that a taxpayer has purposefully avoided paying taxes by, for example, failing to record a portion of their income, they may recommend instances for criminal prosecution. Criminal attacks on the tax system, like the VAT carousel or the Missing Trader Fraud, where traders demand refunds of VAT payments that never happened, may be examples of other occurrences. Having said that, it is imperative to pursue these cases in order to sufficiently penalize actions that are harmful to society and to discourage taxpayers from engaging in such activities. Because tax evaders may face jail time rather than just the possibility of civil penalties, criminal prosecutions are expected to have a more deterrent effect on inequality than administrative penalties (Zhou 2012). Similar to administrative fines, it's critical to distinguish between the various tax types for which prosecutions are brought, in order to determine which categories are uninvolved in the process. Furthermore, it's critical to keep in mind that a low percentage of cases that are successfully resolved could indicate a lack of resources to gather the proof required to pursue cases successfully or, conversely, a lack of motivation to enforce compliance.

2.4.3.4 Revenue authorities systems upgrade

ZIMRA introduced the (ASYCUDA World) Automated Systems for Customs Data World as an update from ASYCUDA plus and a means to increase the efficiency of customs processing. Since its initial implementation in 2010, the system for processing customs-related data over the intranet and internet has been praised for its efficiency and thoughtful development (The Herald,

2012). According to ZIMRA (2011), the ASYCUDA was created to lessen the possibility of staff and clients interacting, which lowers customs corruption. It has also made it possible for the Administrators to become paperless, which lessens the laborious paperwork involved in business transactions (Chirisa, 2012). However, being paperless, according to Moyo, (2012), entails leaving no paper trace. As a result, the ASYCUDA global system can only be used in conjunction with other applications, as it is unable to identify false information if it was used in the previous system, creating vulnerabilities that allow customs agents to circumvent it. This supports the findings of Mills (2012), who asserts that emptying an automobile can require up to a week. Due to the system's internet-based nature and the severe electricity scarcity experienced by the Zimbabwean government, load shedding presents an opportunity for corruption on the part of touts and customs officers (Chirisa, 2012).

2.4.3.5 Incentives and rewards

ZIMRA's incentive programmes enable its customs unit clients to voluntarily pay their taxes in exchange for tax benefits including refunds (ZIMRA, 2013). Due to incentives, ZIMRA clients that feel valued for their interactions with the company have exhibited some degree of compliance. ZIMRA employees are also eligible for rewards. For instance, the ZIMRA Motor Vehicle Acquisition Policy was put into place in 2012 to minimize corruption and give personnel incentives (The Standard, 2012). Employees were given the opportunity to buy automobiles under favorable terms to prevent them from feeling pressured to use unethical methods to obtain more money. Nyakuwa (2011) asserts that despite these incentives, there remains a low level of tax compliance, especially in the informal sector, and that instances of evasion are noticeably rising. Dalu (2012) asserts that taxpayers would prefer to make no payment than obtain a benefit in return for something.

2.4.3.6 Awareness campaigns

As much as ignorance of regulations can not be utilized as an excuse, it can be a significant obstacle to efficient tax administration (AFRODAD, 2011). According to Zhou et al. (2013), tax reforms devoid of community awareness programmes are certain to fail due to widespread public ignorance. Public awareness campaigns have been carried out by ZIMRA, as evidenced by

pamphlets distributed at border posts and decentralised institutions, messages aired on a variety of radio and television programmes, and billboards erected along the border and in strategic locations (ZIMRA, 2013). When inappropriate behaviour is well defined, it is easier to punish those who engage in it. Similarly, fighting corruption is made easier if customs administrators fully comprehend the concept of proper leadership, which includes rules regarding the misuse of public property, the disclosure of gifts accepted, liabilities, and assets (Eric & Melnikov, 2011).

A completely new tax base can be reached by the state through the implementation of awareness programmes, even though the taxpayer may not always understand the necessity of taxes for efficient state governance (GFI 2010). According to Maseko (2014), since SMEs and the informal sector make up the majority of employers, personal tax returns and administrative obligations, such filling out tax return forms, may be unfamiliar or difficult to understand. Zhou (2013) claims that the state can receive assistance in adhering to the tax system and can be adequately taught about it through taxpayer education and taxpayer service. However, Dalu (2012) claims that moral deterioration has permeated our society and that taxpayers increasingly search for any way to minimise their tax obligations. As a result, the morality and attitudes of both taxpayers and tax administrators are critical to the effectiveness of implementation.

2.4.3.7 Establish institutions to enhance transparency

The revenue service can become more transparent by forming a regulatory unit, appointing an independent "tax ombudsman" to consider complaints from specific taxpayers, and establishing a quasi-judicial body that allows taxpayers to formally challenge their assessments. Establishing an impartial organization tasked with assessing the revenue service's performance is necessary for tax systems to be really transparent (Putra, et al, 2018). The tax administration would be able to compare itself to its international competitors and establish goals for boosting compliance if such an organization calculated and published comprehensive performance metrics.

Moreover, the establishment of a separate organization would persuade the public that the tax system is equitable, increasing the likelihood that they will abide by tax rules out of civic duty or in reaction to a greater perceived danger of being discovered. A government can improve the openness of its tax administration by disclosing to the public well-reasoned approximations of

the level of tax evasion and reliable strategies for containing it. A government can assist in building a civic lobby that will advocate for the implementation of such policies by making its intentions known.

2.4.3.8 Increasing Audit detections

Increasing audits to ensure non-compliant companies have paid fines and penalties imposed on them for non-compliance may help prevent tax evasion. Al-Saedi and Ponorica (2015) added that by increasing the chances of being caught through audits and enforcing fines for non-compliance, tax evasion among SMEs might be decreased. Parallel to this, Devos (2014) asserts that a strong and punitive approach (which can be realized by raising the rate at which penalties are assessed for non-compliance and raising the possibility of being discovered during an audit) may be used to prevent tax evasion. Additionally, Nyamwanza et al. (2014) concluded that fines were a crucial instrument for ensuring compliance. Chebusit et al. (2014) discovered a significant relationship between attitudes toward tax audits and tax compliance in Kenya.

2.4.3.9 Elimination of tax havens

Every government has an obligation to compile an unambiguous list of the worst tax havens, supported by strong measures to discourage their use, like sanctions. This list should be based on objective criteria (Devos, 2014). For example, The Paradise Papers show that not enough has changed in response to many leaks that exposed tax evaders, and both corporate and individual tax dodgers are still free to reduce their tax obligations (Gallemore, and Labro, 2015). Companies that relocate their earnings to tax havens in order to avoid paying their fair share of taxes are causing most countries to lose significant tax revenues. Corporate tax avoidance techniques that route investments through tax havens cost developing countries over \$100 billion in lost tax revenues annually, according to research by the United Nations Conference on Trade and Development (UNCTAD).

Consequently, it is essential to compile a comprehensive list of the worst tax havens that is devoid of political influence and based on impartial standards. Transparency measures, extremely low tax rates, and detrimental tax practices that result in significant reductions must all

be present (Papadogonas, 2007). Then, stringent measures (such penalties and rewards for compliance) should be implemented to prevent businesses from moving their earnings to tax havens. This will reduce the amount of money that nations lose to tax havens and investment opportunities. Strong controlled foreign company (CFC) regulations must be put in place in every nation to stop multinational corporations with headquarters there from manipulating earnings to be transferred to tax havens. Further, they have the authority to enact withholding taxes on riskier payments (such royalties and interests). These can be completed without waiting for international approval. Additionally, governments may take other national-level actions. For instance, Ecuador was the first nation to hold a national referendum on enacting laws requiring public officials and lawmakers to repatriate funds held by individuals and companies in offshore accounts in the wake of the Panama Papers (Ozili, 2020).

2.4.4 Effects of tax compliance on companies

2.4.4.1 Compliance costs

Regulatory burdens related to tax administration greatly increase the cost of tax compliance when compared to other forms of government regulations (Ali 2018). According to Botha et al. (2020), the primary barriers to SMEs' efficient operation are government red tape and the expense of complying with rules. Taxpayers are responsible for covering these compliance expenditures in order to comply with the laws and regulations controlling tax compliance. According to Evans et al. (2014), transactional taxes such as VAT continue to be the primary source of the greatest compliance costs for small enterprises, which are still high both in absolute and relative terms. Internal tax compliance expenses make up the greatest portion of total tax compliance costs, accounting for almost 60% of all costs, according to Evans et al, (2014). The higher the percentage of compliance costs, the smaller the business. This implies that a company's cost of tax compliance will rise in tandem with its turnover (Rametse 2010). The business's increased turnover is linked to a rise in transaction papers, which are required to be submitted to tax authorities as evidence of revenue. Consequently, this raises the expense of tax compliance because of record-keeping, which need to be kept to a minimum (Smulders et al. 2016). According to Matarirano et al. (2019), an increase in turnover could indicate that the company is expanding and operating profitably.

Weichenrieder (2007) asserts that the performance of small enterprises is significantly impacted by their compliance costs. Tax compliance costs are an undesirable and unneeded burden for small firms because they are resource-constrained and cannot afford to invest resources on non-value-adding activities like tax compliance. For example, because of their limited knowledge and the complexity of tax legislation, small businesses typically turn to outside tax service providers for assistance. The costs charged by external service providers are considered costly for small enterprises, which could have an adverse effect on their overall performance. As a result, Botha et al. (2020) contend that the costs associated with tax compliance fall disproportionately on small businesses.

2.4.4.2 Compliance Burden

To encourage compliance with tax regulations in the global economy, governments must recognise the significance of designing an effective and simple tax system (Pricewater Coopers International Limited, 2015). Economic growth is one of the several advantages of a cost-effective tax system. Taxpayers obey the law and earn more money, which furthers economic growth. Even so, the onus of compliance is typically placed on law-abiding, moral citizens and organisations. Per the Small Business Administration Office (2011), the amount of time and money taxpayers have to sacrifice each year to comply with tax regulations is known as the compliance burden. There are various factors that can influence compliance burden such as accessibility to information, the cost of compiling the information and the level of difficulty in computing tax documents.

Abera (2019) advances on to say that having a complicated tax structure is the reason for the high degree of compliance burden. When the nation employs a self-assessment system, the issue is more apparent. Taxpayers are now responsible for guaranteeing complete compliance with tax rules, which might result in various problems including purposeful or inadvertent non-compliance. Lignier and Evans (2012), who contend that contemporary tax regimes are recognised for being extremely onerous on small enterprises, endorsed this stance. They clarify that there are three primary components to the tax burden. First, there is the tax itself, and the manner in which small enterprises are subject to it (based on turnover or profit). Second, there are market distortions brought about by taxes that are referred to as efficiency costs, or

deadweight losses. Thirdly, the administrative expenses associated with adhering to tax regulations are running costs for the tax system. This is frequently called "costs of compliance."

2.4.4.3 Opportunity costs

Since tax knowledge has a big influence on how taxpayers act when it comes to tax compliance, most citizens are stated to be ignorant or confused when it comes to paying taxes (Fauzian et al., 2016). Tax compliance entails timely filing of all required tax returns and accurate reporting of tax liability in accordance with applicable tax laws at the time the return is filed Fauzian et al (2016). Declaring the proper tax base, computing the liabilities accurately, and filing the forms on time are the main goals of compliance.

Nevertheless, the money and time small business owners and managers lose with tax issues is an opportunity cost that keeps them from concentrating on the more important work of managing the business. In addition, small business owners and managers have a lot on their plates to keep the company viable, which can result in an abundance of paperwork and bureaucratic tasks that have a detrimental impact on the operation of the company (Contos, etal 2009).

2.4.4.4 Low productivity

Compliance costs will result in funds being diverted from acquiring production related inputs to paying the external tax service providers. This will limit production as compliance costs take resources away from productive activities and increase input costs without increasing output, resulting in a decrease in company productivity (Dabla-Norris etal 2017).

2.4.4.5 Managerial Benefits

There are numerous managerial benefits to tax compliance, including increased decision-making and corporate efficiency. The adequate record keeping mandated by tax compliance rules improves decision making. Sandford (1994) argues that tax compliance may not always have a negative impact because people who file their taxes and finish their returns may be motivated to handle their money more wisely. Compliance with the tax system will drive the business owner to implement a more effective financial information system, therefore these benefits are likely to

be more important in the case of businesses (hence the phrase "managerial benefits"). This is how Sandford (1994) described the managerial benefits of VAT compliance.

2.4.4.6 Securing contracts with the government

One of the biggest and most profitable clients is the government, which invites individual bids to compete for services. Certain prerequisites must be fulfilled in order to be eligible, such as completing corporate documents like the firm profile. Thorough investigations are conducted to find out if the company has a criminal history in order to be a successful bidder. Heydon and Naylor (2018) define criminal records as any unfavorable or thought-to-be-bad publicity. In the United Kingdom, for example, a new statutory instrument was established in 2013: In the March 2013 Budget, a new policy on using the procurement process to improve tax compliance was unveiled. All central government contracts worth more than £5 million will be subject to the new rules beginning April 1, 2013. Suppliers bidding on these government contracts must prove their tax compliance on their own.

The point to drive home is that businesses must be tax compliant to receive this government support. Maseko, (2014) adds that for the majority of small enterprises, applying for government contracts or tenders is the primary incentive to comply with tax laws and regulations, which is why having a tax clearance certificate is so important. A tax clearance certificate is one of the requirements set forth by the majority of governments worldwide for taxpayers to be eligible for government assistance or to conduct business with the government. Since it certifies that the taxpayer is in compliance with the tax laws, the tax clearing certificate is crucial.

2.4.4.7 Access to bank loans and government grants

Businesses that pay their taxes are regarded as those that want to see the nation prosper and are qualified for any government subsidies. According to (Bhalla 2012), SMEs need organic capital to grow rather than any other kind of outside investment. Businesses who comply with tax laws will have more capital and be able to take advantage of government-funded initiatives. Banks require confirmation of identity and tax clearance before granting a loan. Insufficient

documentation and lack of collateral security prevented 81% of SMEs in Zimbabwe from obtaining bank loans, according to a 2019 Reserve Bank of Zimbabwe (RBZ) survey.

2.4.4.8 Accurate financials preparation and Cashflow benefit

According to Faridy et al. (2018), taxpayers who comply with tax laws stand to gain from enhanced accounting information systems, better decision-making based on more accurate data, and sophisticated transaction tracking. In order to comply with tax laws, taxpayers must maintain accurate records and bookkeeping, particularly in light of Value Added Tax audits. One of the indirect benefits of tax compliance for small firms is the discipline it places on them to maintain and prepare accurate financial accounts, particularly VAT. Smulder et al. (2014) suggest that small businesses benefit from financial information they acquire from tax compliance activities that assist the taxpayers better manage their businesses. In addition, Evans et al. (2014) believe that some of the benefits that small businesses would receive from tax compliance may be in the form of accurate record keeping and access to improved knowledge of financial matters.

A cash flow benefit emanates if there is a time gap between the time of tax payment and the real-time the tax obligation is sustained (Faridy, et al, 2018). When small businesses comply with the tax law, they derive some tax compliance benefits that flow in the form of tax deductibility, managerial benefits and cash flow (Tran-Nam, 2015). In addition, Gupta and Sawyer (2015) indicate that businesses benefited from cash flow benefit by paying the tax they withhold from their employees (Pay As You Earn) and the one they collect from customers (VAT) to revenue authorities, weeks or months after they are collected. Tran-Nam (2015) argue that cash flow benefits, recurrent cash subsidies and tax deductibility benefits are some of the benefits that accrue to tax compliant taxpayers. For instance, tax compliant firms may benefit from the legitimate delay in tax payments of tax revenues received on behalf of the revenue receiver (PAYE, VAT) until the tax is paid to the tax authority by increasing their cash flow.

2.5 Research gap

From the empirical literature review above, a few gaps in knowledge emanate. Whereas some of them are conceptual, others are contextual and geographical in nature. There is a limited amount of research into the phenomenon of tax evasion. Moreover research samples cover the distant

past periods, which means that conclusions and research results may be outdated (Akhtar et al. (2017)). This is due to the lack of reliable information about illegal operations aimed at reducing the tax burden (Tedds (2010), Kaplanoglu (2015)). Moreover, insufficient study has been done to adequately study the impact of tax evasion on business performance. According to Cremer (1994), the matter of tax evasion is not an easy academic curiosity, which implies that ongoing research is required. Furthermore, there are few studies on tax evasion in Zimbabwe, implying that more research is required. Some studies have concentrated on the impact of tax evasion on economic performance rather than the corporate aspect, which is the subject of this study.

As if that is not enough, many researches on taxation have been done in developed countries with a primary focus on big corporations. Having said that there is a general need to shift focus from more developed countries and big corporation and focus more on developing nations and SMEs where tax invasion is said to be rampant. The fact that most of the research was conducted in developed countries may create what is known as transferability issues as such issues still remain for example whether factors influencing tax evasion in a large country like USA translate equally to the Zimbabwean context. Therefore the current study is conducted in Zimbabwe, a nation whose economy has seen substantial changes over the past ten years, including the adoption of multiple currencies. The state of the economy right now is incredibly unusual, and businesses in general are dealing with a number of issues and disruptions. It is true that small and medium-sized businesses are becoming more and more significant in emerging countries, but in Zimbabwe, this sector makes up the majority of the economy, and a decline in regular production reveals how heavily the tax department depends on it.

2.6 Summary

This chapter looked at several authors' work on the subject of tax evasion and its effects on business performance and the economy at large. The research methods used to conduct the study's research are going to be discussed in the following chapter.

CHAPTER III

RESEARCH METHODOLOGY

3.0 Introduction

In this current chapter, the researcher will look at the research strategy utilized to carry out this investigation. The current chapter will show how the researcher obtained important data for the study's success. The chapter also focuses on the research methodology, its logic, design of the study, and rationale, population that was targeted, sample procedures, and the justification of methods used in sampling. This chapter will also go over to look at the study data sources, research tools employed and their explanations, as well as how data was presented and analyzed.

3.1 Research Paradigm

Scientific discoveries are guided by research paradigms, which are based on presumptions and principles. Recognising gaps in producing reliable evidence and illuminating the calibre of results that bolster scientific investigations are made easier with an understanding of paradigm-specific assumptions (Schofield, 2007). This study's philosophical presumptions are mostly derived from the positivist paradigm approach. According to positivists, reality is observable and quantifiable from an impartial vantage point (Cotman, 2010). Positivists think that observations should be repeatable and that phenomena can be isolated. Positivism relies on the hypothetico-deductive method to verify a priori hypotheses that are often stated quantitatively, where functional relationships can be derived between causal and explanatory factors (independent variables) and outcomes (dependent variables).

Positivism supported this study because it usually appears in quantitative data-driven approaches, which were thought to be suitable for bigger sample size studies. Studies that follow the positivist research philosophy, according to Bell (2005), usually strive for objectivity, generalizability, and repeatability of results. Since positivism was thought to be ideal, the current investigation sought these three characteristics in a study. Furthermore, the philosophy was selected because positivism adheres to a clear framework in research and debate. Positivists think that there will be less opportunity for error because there are established laws and regulations

that must be followed. Additionally, because this structure attempts to follow precise guidelines utilising impartial mathematical and scientific instruments, it leaves less opportunity for variation and significant changes in variables, improving the study's accuracy in experiments and applications (Bradford, 2017).

3.2 Research Design

Research design involves various methods and procedures which are used in solving the research problem by answering the what, how and when questions (Bell, 2005). The quantitative and qualitative approaches were described by Kothari (2004) as two fundamental methods that can be used in any type of research. The former method was the focus of the present study, which was done to assess the impact of tax evasion on business performance. In the research design for the quantitative approach, the aim is to quantify variables and measure their effects. Therefore, a quantitative research involves the utilization and analysis of numerical data using specific statistical techniques to answer questions like who, how much, what, where, when, how many, and how (Williams, 2011).

This study's design is based on the methodical process of gathering, evaluating, and interpreting quantitative data, which enables you to reach unbiased and trustworthy findings. Furthermore, because quantitative research uses a bigger, randomly selected sample, its results are more likely to be generalised to the entire population or a subpopulation (Creswell, 2008). In addition to sampling, data processing takes less time when statistical programmes like SPSS are used (Connolly, 2007). Many researchers find the quantitative method intriguing due of its speed and efficiency. Even with high sample numbers, data may be processed and analysed swiftly thanks to data computing equipment. This researcher was drawn to the quantitative method because of its effectiveness and speed. Even with a high sample size as the one for the current study, data processing and analysis could be completed swiftly thanks to data computing technology.

3.3 Research Approach

While there are many various types of research approaches, the most crucial thing to keep in mind while choosing one is whether or not it makes sense for the study issue. A descriptive quantitative research design was used by the researcher. The descriptive research approach was

employed because it helped the researcher collect data impartially by providing an explanation of the current situation. Because it would reflect the real state of affairs, it would suggest that the respondents would give the researcher current information on how tax evasion affects their company's business performance. These can take many different forms, including interviews, surveys, and other essential recordings. If a researcher is to characterize certain behaviour in connection to what is currently happening in the environment, they use a descriptive study approach (Cresswell, 2014).

With the premise that the researcher will have no control over the variables and will only be able to report on what is and is not present, the goal of descriptive research is to explain the current condition of affairs (Sivasubramanian 2012). One of the main factors influencing the descriptive research design is the degree of complexity of the study issue (Walliman 2011). The researcher concluded that a descriptive research design would be the most appropriate for this study given the complexity of taxation and other relevant legislation because participants would be able to fully explain how tax evasion and other pertinent legislation were affecting the company's performance, ensuring that all of the necessary data was collected.

3.4 Target population

A population, as defined by Sugiyono (2011), is a generalisation made up of persons or things that meet certain criteria established by the researcher in order to be examined and recommendations made. Sugiyarbini (2012) cites another interpretation of population as consisting of all units that are the subject of the study. From the definitions above, the writer concluded that population is the whole objects to be researched. The study's target population comprised owners or managers of consumer goods SMEs in Harare, the capital city of Zimbabwe, drawn from the database of registered SMEs acquired from the Ministry of Women Affairs, Community, Small and Medium Enterprise Development. The target population comprised of more than 10000 registered SMEs in Harare (FinScope Survey, 2022). Harare was chosen because consumer goods SMEs are dominant in the capital city. The consumer products industry was the study's primary focus because of its substantial contribution to GDP, export revenue, and employment (Zimstats, 2018).

3.5 Sampling Frame

A list or database that a sample can be drawn from is referred to as a sampling frame. In the context of market research, a sampling frame is a list of potential participants that can be used as a source for invitations to participate in a specific research project Bradley (2010). For this study a database of all registered SMEs was acquired from the Ministry of Women Affairs, Community, Small and Medium Enterprise Development. The document was acquired in portable document format (pdf) form and the researcher converted it into excel format so that formulas could be applied to code and categorize the demographic information so as to deduce the appropriate sample size for the research.

3.6 Sampling Strategy

A sample is a proportion of the population or a subset of it Berndt (2020). It is a group of observations that can be utilized to characterize the entire group. Data collecting due to the population size was impossible from all the SMEs in Harare. As a result, 60 SMEs were used to develop the sample of the research under discussion. This approach is thought to be among the simplest ways to obtain data. This methodology, which falls under the category of non-probability sampling methods, selects sample participants based on their familiarity with, connections to, and understanding of a particular study topic (Freedman et al., 2007). The sample members chosen for this study had a unique connection to the phenomenon being studied, which in this case was the relationship between business performance and taxation for SMEs. Owners, managers, and ZIMRA officials of SMEs were the target group of the sample members since it was judged that they had adequate and pertinent work experience in tax administration, computation and reporting, and business management.

The researcher was able to collect responses through purposeful sampling, which reduced the margin of error on the data and produced more insightful and accurate study results because the data sources closely matched the research context about SMEs taxes. Moreover, the researcher chose this technique because it is less structured (Maxey 2019) and it allowed the use of the positivism research philosophy which as mentioned earlier was adopted under this study. As Felix (2018) points out, this sampling procedure also enabled the researcher to choose the sample

elements not according to preset probabilities, but rather in order to collect sufficient data to generate the best recommendations. This allowed the researcher to extract the most value from a small sample of interest and draw insightful research conclusions.

3.7 Sample size

The full population in a given area, a small portion of the population, or a more condensed representation of the larger whole that is intended to capture the essence, perspective, or manner of life of the population from which it is taken is all considered a sample (Sugiyono, 2011). When studying a large population, researchers typically collect samples from it because they are unable to study the entire population due to resources such as time, money, or energy (Ndahimana, 2013). Given that the researcher could not send questionnaires to all owners of the SMEs in Harare due to the above reasons, a small sample was drawn from the target population. Within the quantitative context of this research, sixty (60) participants were drawn from the target population, being SMEs owners, accountants and ZIMRA officials. This sample, in the researcher's opinion, was sufficient and reasonable enough to yield the needed data and accurately depict the actual situation on the ground.

The sample size for the study was determined to be sixty two (60) by the use of the Arithmetic fomular by Adefila, (2008) with 5% level of significance .in calculating the sample size as follows:

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

Where: n = Sample size

N = Population size

e = Level of significance

$$n = 77 / 1 + 77(5^2)$$

$$= 77 / 1.2775$$

$$= 60$$

From the computation of the above formula, the sample size is 60 ($n=60$)

3.8 Data collection procedures

3.8.1 Sources of data

Following the definition of the study problem and the creation of the research design and strategy, the task of data collection is initiated (Alshenqeeti 2017). In order to accomplish the goals of this study, several techniques were employed. For this study, primary and secondary data were both necessary. In addition to observations, the researcher used questionnaires to collect primary data from the target sample. This data source may be costly and time-consuming, but it has many benefits since it allows for the independent and unique collection of data, which increases the validity of the data because the researcher has complete control over the information gathered. You can find information that is buried by using primary data. Additionally, direct data collection increases the reliability and correctness of the data (Bryman, 2016).

Secondary data, or data that have previously been gathered but have been made accessible for use by others, were gathered from a variety of sources, including published journals, trade periodicals, books, magazines, studies by research researchers, and official statistics on tax evasion worldwide (Bryman, 2016). Because this study used a quantitative methodology, the researcher cited earlier research on the subject and included its findings in the literature review and data analysis.

3.9 Research Instruments

According to Godfred (2017), research instruments include techniques for gathering data, such as surveys, interviews, and observation. In this study, data was primarily collected using questionnaires backed by in-depth interviews were necessary.

3.9.1 Questionnaires

Respondents were asked both closed-ended and open-ended questions, which allowed for the collection of both objective and subjective data. Since it was not possible for the researcher to

interview every owner of SMEs, questionnaires were provided to them. ZIMRA tax auditors who could not be reached for interviews were also sent additional questionnaires. To eliminate ambiguity, the researcher organised the questionnaires such that the questions are obvious, concise, and uncomplicated. Because they are an inexpensive way to get data and can gather a large amount of data quickly from a large number of respondents, questionnaires were used. Karim (2021) defines a questionnaire as a research instrument consisting of several questions intended to gather quantitative data from participants. Leedy (2017) defines a questionnaire as a formal tool for assessing traits, attitudes, motives, and beliefs in addition to past, present, and potential future behaviours (White 2019).

Questionnaires were chosen since they are generally less expensive, particularly when considering the time required to collect the data. Harry (2018) argues that questionnaires are an effective means of gathering data since they can be customised to specific groups and managed in multiple ways, in addition to being reasonably priced. Quantified data can be used to contrast and compare with other research that may be used to quantify change, claims Jones (2020). Questionnaires were used to gather data because they are inexpensive, provide repetitive data, and make the researcher's job easier by enabling them to get in touch with a lot of respondents quickly (Eric 2020). According to (Munn 2019), questionnaires are also suitable tools for collecting descriptive data. Even while there might be advantages, dishonesty can present issues since participants might not be totally truthful in their answers (Lam 2023). When using questionnaires, it's possible that some questions will go ignored or unnoticed (Flick 2022).

3.10 Data analysis

Before being transformed into information that may be applied to make critical decisions, the raw, unprocessed data from a study is useless (Cooper and Emory, 2013). As part of data analysis, raw data is broken down into manageable chunks, summaries are provided, and statistical inferences are drawn. The process of analysing the data involved the following steps. The data was examined to identify and fix any errors or omissions that were likely to arise in order to guarantee uniformity among respondents. To facilitate the categorization of the remarks, the data was coded into a minimum number of categories. The data was analysed using SPSS Version 22. Using a Likert scale, the closed-ended questions had "Agree" and "Disagree" in

addition to "Yes" and "No" as alternatives. Several formats, such as tabular, graphical, and narrative, were used to show the data. The researcher used Spearman correlation to analyse tax evasion components and business performance indicators. To analyse the data, descriptive statistical tools such as mean, mode, bar graphs, and pie charts were employed.

3.11 Validity and reliability

To guarantee that procedures were valid and approaches were dependable, a researcher ought to provide the process. An instrument must be able to measure the variables it is intended to measure and accurately represent the variables under study in order to be deemed valid (Sounder, 2018). As outlined by Creswell et al. (2018), the concept validity, external validity, internal validity, and reliability tests were all thoroughly observed in this investigation. For the sake of this study, the interview guide was created in simple English so that it could be simply understood. In addition to questions based on information gathered from a literature review, respondents were provided with clear instructions. The author also employed one of the tactics suggested by Creswell et al. (2018) in order to guarantee qualitative validity as well. This strategy required the triangulation of data sources by exploring evidence from the sources and adopting it to create understandable justification for themes (Creswell et al, 2018).

3.12 Ethical considerations

According to Israel and Hay (2006), researchers must safeguard research participants, develop a relationship of trust with them, ensure that the study is comprehensive, guard against misconduct and errors that could harm their organisations or personalities, and deal with novel, difficult problems. The researcher carefully examined several ethical factors, including cultural limits, translation challenges, power and authority perceptions, informed consent, deceit, privacy and confidentiality, and cross-cultural representation. Every participant was informed of the goals of the study, that participation is voluntary, that the responses provided will only be utilised for those purposes, and that no personal data will be shared or published. Additionally, the researcher got permission from SMEs, abstained from misleading tactics, and safeguarded the respondents' confidentiality and anonymity.

3.13 Summary

This chapter explained the methodology followed in conducting the research. The chapter described all significant sections that were enclosed such as research design, population, data collection procedure, data validity and reliability, data presentation and the analysis technique that was used. The next chapter covered data presentation and examination of the results.

CHAPTER IV

DATA PRESENTATION, ANALYSIS, AND DISCUSSION

4.1 Introduction

The preceding chapter was discussing research methods, sampling and data collection tools in an effort to gather data to come up with ideas and insights on the effects of tax evasion on business performance. This chapter discusses the data presentation, analysis and discussion of research findings using descriptive and Likert scale statistical measures. The data is presented in tabular, graphical and narrative forms. In presenting the data, descriptive statistical tools such as bar graph, tables and pie charts were used.

4.1 Response Rate

Response rate is about finding the number of participants who successfully participate during the study against the total number of the initially intended participants (Zagorsky and Rhoton, (2008). The table below shows the response rate from the questionnaires send to respondents.

Table 4.1 Reponses Rate

Total number of Respondents	Questionnaires Distributed %	Returned (%)	Rate (%)
60	100	57	95

Source: Primary Data (2023)

By physically distributing questionnaires and sending emails to the relevant respondents' offices, the researcher was able to obtain a 95% response rate. Additionally, the researcher followed up with in-person visits. A response rate below 50% prompts questions about the sample's representativeness, (Leedy & Ormod, 2011). According to Wagner (2018), qualifying data presentation and analysis should have an 80% minimum response rate. Significant inferences could be taken from the research study because 95% of the sample in this study replied, indicating the validity of the findings.

4.2 Data Presentation Analysis and Discussions

4.2.1 To establish factors that lead to tax evasion by SMEs in Zimbabwe.

The aim of this objective was to understand and establish the causes of tax evasion amongst SMEs. The object also sought to establish the major and minor causes of tax evasion. The objective was further split into sub-objectives in order to gather comprehensive data.

Table 4.2: Tax evasion is high among SMEs

		Frequency	Percent	Valid percent	Cumulative percent
Valid	Strongly Agree	13	22.8	22.8	22.8
	Agree	29	50.9	50.9	73.7
	Uncertain	3	5.3	5.3	78.9
	Disagree	5	8.8	8.8	87.7
	Strongly Disagree	7	12.3	12.3	100.0
	Total	57	100.0	100.0	

Source: Primary Data (2023)

Table 4.2 above shows that 22.8% of those who responded strongly agreed that tax evasion is high among SMEs and 50.9% agreed that there is high tax evasion among SMEs. 5.3% of the respondents were uncertain that there is high tax evasion among SMEs. 12.3% respondents disagree and 12.3 % strongly disagreed that there is high tax evasion among SMEs.

Table 4.3: Government's careless spending does not justify paying taxes

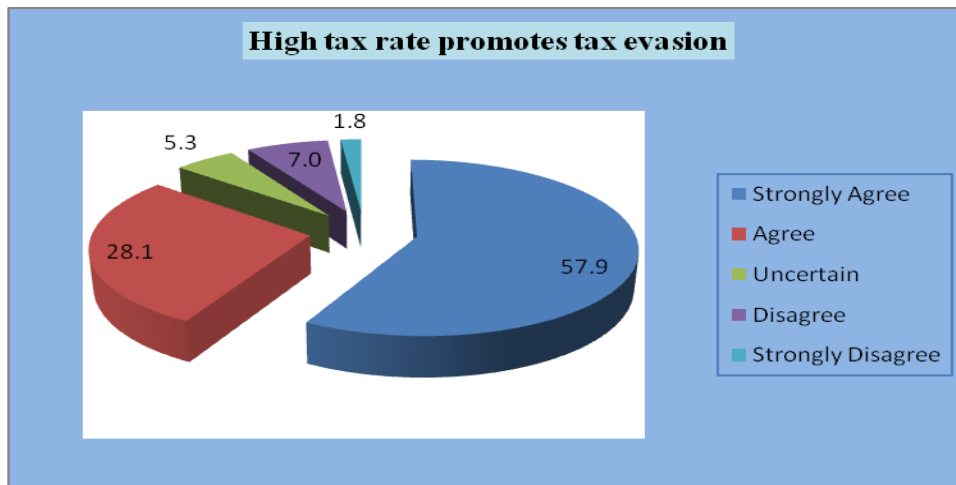
		Frequency	Percent	Valid percent	Cummulative percent
Valid	Strongly Agree	9	15.8	15.8	15.8
	Agree	27	47.4	47.4	63.2
	Uncertain	7	12.3	12.3	75.4
	Disagree	5	8.8	8.8	84.2
	Strongly Disagree	9	15.8	15.8	100.0
	Total	57	100.0	100.0	

Source: Primary Data (2023)

Source: Primary Data (2023)

Table 4.3 represents 62.2% of the respondents who agree that they evade paying taxes because government's careless spending does not justify paying taxes, while 37.8% of respondents disagreed and 12.3% were neutral. These results demonstrate that a lack of transparency causes SMEs to doubt whether the money they will be paying in taxes will be used appropriately, which undermines public confidence in the tax system and lowers their desire and readiness to pay taxes. The results agree with the findings of Kirchler et al., which Usang (2012) mentions. They said that taxpayers won't want to part with their small amount of money because they will know it will be misused if the government runs in an opaque manner and they can't see what the state would have done with the money they pay. In addition, taxpayers anticipate that the state will bear accountability for the public monies they pay; should this be untrue, their confidence in the government and the tax system will diminish. Taxpayers become less inclined to evade paying taxes as a result.

Figure 4.1: Impact of Tax Rates Towards Tax Evasion

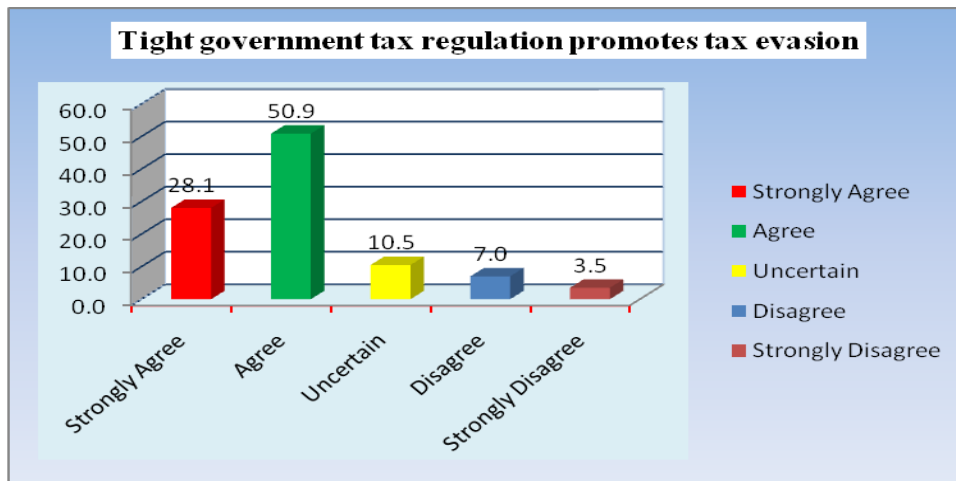


Source: Primary Data (2023)

Figure 4.1 represents 86% of participants who indicated that the higher the tax rates, the more likely increase in tax evasion. In other words, instead of high tax rates increasing tax collections, tax increases can also result in a decline. Only 8.8% of participants stated that high tax compliance rates have no positive impact on tax evasion. In addition, 5.3% of participants were neutral. These results are consistent with a 2015 study from the University of London that

suggested that a high tax rate may be associated with the greatest per capita rate of tax evasion (Kopczuk et al., 2013). The results of this study also indicate that a higher tax rate increases the incentive to report less income in order to pay less in taxes. Stated differently, the respondents think there is a bad relationship between tax rate and tax compliance.

Figure 4.2: Government tax regulation



Source: Primary Data (2023)

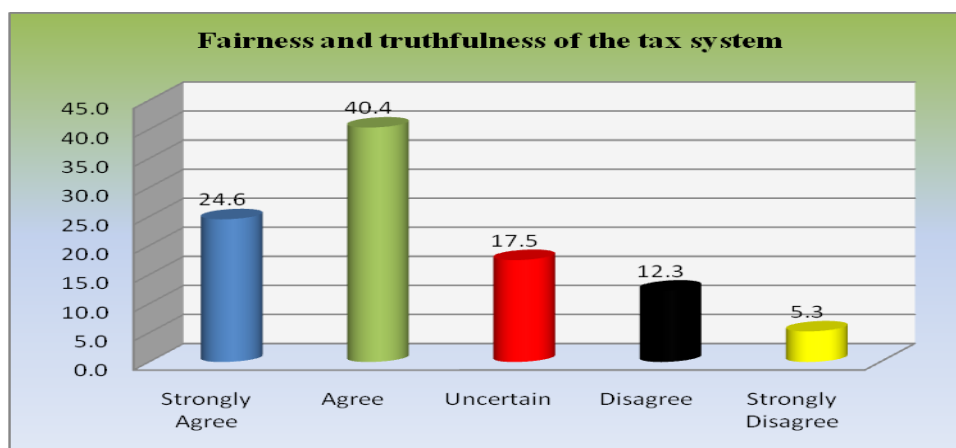
Figure 3 represents 50.9% of the respondents who agreed and 28.1% who strongly agreed that there is a negative relationship between tax regulation and tax evasion, while 10.5% disagreed with the statement. The findings suggest that if government tax laws are difficult to comprehend and stringent, taxpayers may become disinclined to pay taxes. Therefore, data from earlier research on the connection between tax laws and tax evasion suggests that tax evasion is more common when there are lax and ineffective tax laws and regulations (Frey, 2007). The results are consistent with the findings of Rashid et al. (2022), who claimed that people only follow tax laws and regulations when they believe their government is effective in protecting their rights. The writers go on to say that tax laws and regulations should be motivated and reasonable; they shouldn't be overly strict, but they also shouldn't be too lax to enable tax evasion on the part of taxpayers.

Table 4.3: Corruption by government officials

		Frequency	Percent	Valid percent	Cummulative percent
Valid	Strongly Agree	20	35.1	35.1	35.1
	Agree	25	43.9	43.9	78.9
	Uncertain	6	10.5	10.5	89.5
	Disagree	3	5.3	5.3	94.7
	Strongly Disagree	3	5.3	5.3	100.0
	Total	57	100.0	100.0	

The above table shows that 90% respondents agreed that corruption by public officials has a significant influence on the tax compliance behavior of taxpayers, while only 10% disagreed with the view that corrupt behavior of tax officials has a bearing on the ability of tax payers to pay tax. Taxpayers may rebel against paying taxes if they believe that tax officers are unethical. The results are consistent with a study conducted in 2016 by Alm et al., which discovered that tax official corruption is a statistically and economically significant factor in tax evasion. The results of the study also align with those of Litina and Palivos (2016), who indicate that efforts to enforce tax laws have not been as effective in decreasing tax evasion by companies owned by individuals or groups with ties to corrupt nations. Organisational tax compliance declines as a result of corporations paying tax authorities more money in relation to corruption.

Figure 4.3: Fairness and truthfulness of the tax system



Source: Primary Data (2023)

Figure 4 above shows that 24.6% of those who responded strongly agreed that fairness and truthfulness of a tax system has a major impact on tax compliance of SMEs and 40.4% agreed that it has an impact. 17.5% of the respondents were uncertain that tax evasion is as a result of unfair and untruthful tax system, while 12.3% respondents disagree and 5.3 % strongly disagreed. The findings reflect that truthfulness in tax authorities and fairness is an important factor in promoting the tax compliance behavior of SMEs enterprises. This result is consistent with the results of the authors' study) (Sonnur Aktas Guzel, 2018) who argued that if enterprises believe in fairness and legal dispute settlement mechanisms, they will use those mechanisms instead of performing illegal acts to protect their interests. In addition Liam Murphy and Thomas Nagel (2002) found that fairness is the standard to evaluate differences in tax behavior of individuals with each other. Fairness is an objective requirement throughout the tax development process. According to the authors taxpayers' dissatisfaction with the fairness of the tax system is the main reason for their non-compliance.

4.2.2 Challenges faced by SMEs in tax compliance

The aim of this objective was to understand and establish the challenges being faced by SMEs in trying to be tax compliant. The objective was further split into sub-objectives in order to gather comprehensive data.

Table 4.5: Time constrains to deal with tax matters

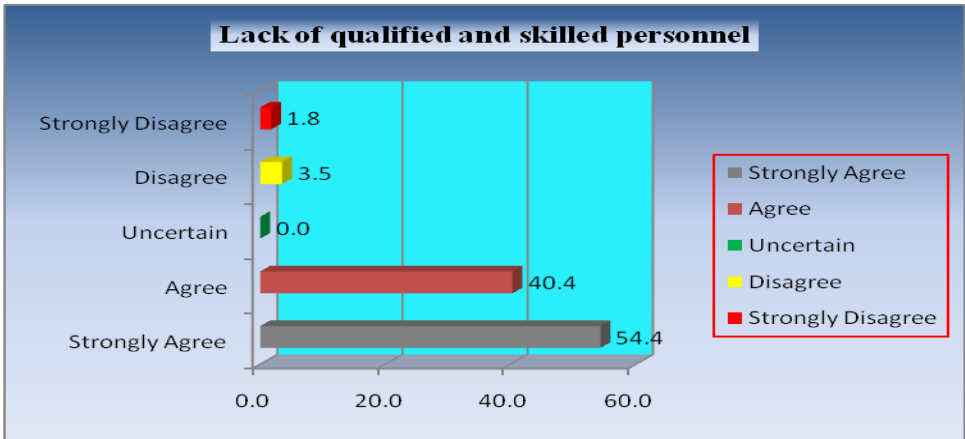
		Frequency	Percent	Valid percent	Cummulative percent
Valid	Strongly Agree	17	29.8	29.8	29.8
	Agree	23	40.4	40.4	70.2
	Uncertain	7	12.3	12.3	82.5
	Disagree	7	12.3	12.3	94.7
	Strongly Disagree	3	5.3	5.3	100.0
	Total	57	100.0	100.0	

Source: Primary Data (2023)

Results revealed that 40.4% agreed and 29.8% strongly agreed that SMEs face significant challenges dealing with tax matters as it is always time-consuming while 17.6% disagreed with

the statement. The findings show that taxpayers believe their time spent on tax issues is wasted because they might have used that time to manage and operate their firms. This demonstrates the difficulties taxpayers face when trying to settle tax-related issues. These results are consistent with a study conducted in 2018 by Eichfelder and Hechtner, which discovered that small businesses invest a significant amount of time in tax-related tasks, such as maintaining accurate records and filing tax returns correctly to avoid penalties.

Figure 4.4: Lack of qualified and skilled personnel



Source: Primary Data (2023)

The results showed that 40.4% respondents agreed, while 54.4% strongly agreed that SMEs lack the qualified staff for accurate and timely tax computations and returns. However, 3.5% disagreed with this idea while 1.8% strongly disagreed that SMEs do not hire qualified staff. These results are in line with those of Kogler et al. (2016), who contended that in order to avoid penalties from the revenue collector, estimating tax payable requires effort, precision, and a certain degree of ability. This is also consistent with the research of Smulders et al. (2017), which notes that small businesses are typically owned by their owners, who are typically faced with paying large fees to tax practitioners in order to comply with tax laws, as most of them lack accounting or tax expertise.

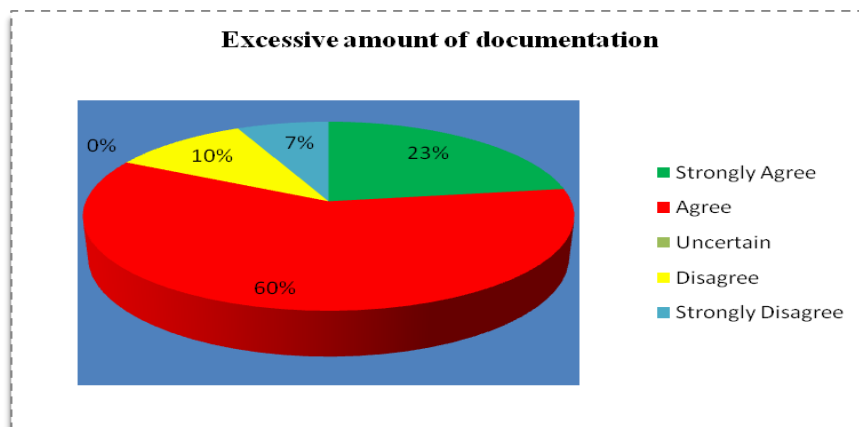
Table 4.6: Complicated tax system

		Frequency	Percent	Valid percent	Cummulative percent
Valid	Strongly Agree	17	29.8	29.8	29.8
	Agree	36	63.2	63.2	93.0
	Uncertain	0	0.0	0.0	93.0
	Disagree	3	5.3	5.3	98.2
	Strongly Disagree	1	1.8	1.8	100.0
	Total	57	100.0	100.0	

Source: Primary Data (2023)

Table 4.6 above shows that 93% of the respondents believe that a complicated tax system poses a challenge to SMEs who wish to be tax compliant, while only 7% disagree with the statement. The study's findings indicate that because of the terminology employed in drafting the tax code, taxpayers may find it difficult to understand complex tax law, which presents a substantial issue. The findings of the study are supported by Sue and Martin (2016), who contend that a lack of proper accounting knowledge, financial management abilities, and cash flow planning causes small firms to struggle with meeting their tax requirements. Also, according to Abdul and Wang'ombe (2018), small businesses must complete a time-consuming and complicated tax registration process because of the multiple legal documents they need to complete and the tedious process of filing tax returns, which could result in unintended tax non-compliance.

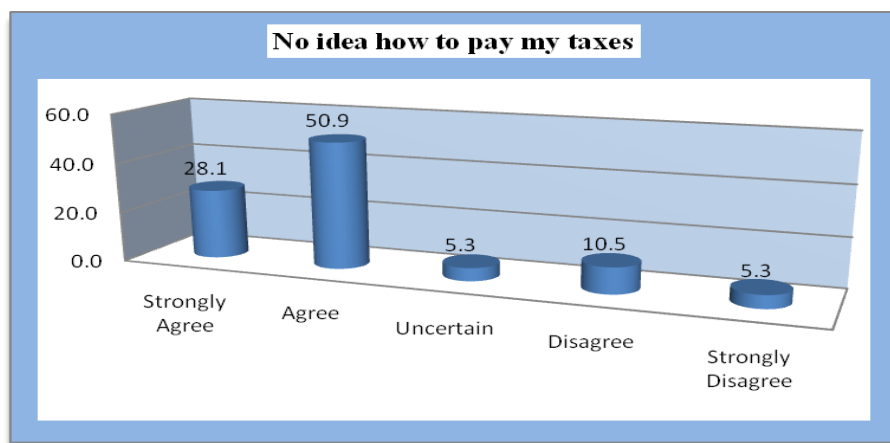
Figure 4.5: Excessive amount of documentation which wastes time



Source: Primary Data (2023)

The study results revealed that 82.5% of the respondents agreed that excessive documentation is a biggest contributor to tax evasion among SMEs as they feel it wastes their time while 17.5% disagreed that excessive documentation leads to tax evasion. The results revealed that the majority of SMEs would not be willing to comply with the cumbersome documentation requirements of the tax system. These results are consistent with those of Prescott and Mataira (2010), who argued that in order to reduce the cost of compliance, the government should try the most to streamline tax administration procedures. This would entail offering electronic services to taxpayers to lessen the burden of completing and filing tax forms, developing straightforward and understandable forms, regularly releasing publications to help taxpayers and tax authorities communicate, and enhancing internal policies and procedures to increase their effectiveness.

Figure 4.6: No idea how to pay my taxes



Source: Primary Data (2023)

Results indicated that 80% of the respondents admitted that they do not have the know-how on how to pay their while 15.8% disagreed that SMEs staff have the no idea on how to pay taxes. Based on the data above in figure 4.7 it may be argued that most SMEs are unaware of the tax system. Understanding the requirements of the tax system is important since it informs a taxpayer about what is expected of them in order to comply with the tax system. The findings are consistent with Maseko's (2014) research, which revealed that compliance costs and a tax payer's level of awareness about tax issues were the most important factors influencing compliance by SMEs. In order for SMEs to comply with tax legislation, they must first grasp what is expected

of them. This is because the fact that the tax system is made up of several tax regulations that must be studied by a taxpayer who is knowledgeable with the system and how it operates.

Table 4.7: Lack of modern technology

		Frequency	Percent	Valid percent	Cummulative percent
Valid	Strongly Agree	15	26.3	26.3	26.3
	Agree	29	50.9	50.9	77.2
	Neutral	2	3.5	3.5	80.7
	Disagree	10	17.5	17.5	98.2
	Strongly Disagree	1	1.8	1.8	100.0
	Total	57	100.0	100.0	

Table 4.7 represents 77.2% of participants who agreed that they lack of modern technology poses as a great challenge in their quest to be tax compliant, while 19.3% disagreed and 3.5% were neutral. Zhou (2013) provides support for these findings, stating that SMEs in developing nations lack the necessary technology and expertise for tax computations and submissions, especially for proper accounting systems. The cost of tax compliance for taxpayers is significantly influenced by the kind of accounting system they employ. One possible explanation for the high expense of obtaining an accounting system could be the fact that most small firms lack one. However based on the findings 19.3 percent of those polled disagreed that a high lack of technology is a challenge for them. Those in opposition concurred with Castaeda et al. (2020), who said that attitudes, perceptions, and attitudes towards tax rates are what drive people to avoid paying taxes rather than a lack of technology.

4.2.3 Measures needed in order to control tax evasion by SMEs

The aim of this objective was to understand and establish means and ways various stakeholders can use in order to control tax evasion by SMEs. The focus was on how government and ZIMRA are responding to issues of tax evasion notwithstanding measures by SMEs themselves. The objective was further split into sub-objectives in order to gather comprehensive data.

Table 4.8: Administrative penalties and prosecution

		Frequency	Percent	Valid percent	Cummulative percent
Valid	Strongly Agree	7	12.3	12.3	12.3
	Agree	17	29.8	29.8	42.1
	Neutral	1	1.8	1.8	43.9
	Disagree	23	40.4	40.4	84.2
	Strongly Disagree	9	15.8	15.8	100.0
	Total	57	100.0	100.0	

Source: Primary Data (2023)

Table 4.8 represents less than half of the participants (42.1%) who agreed that they are tax compliant because they will be prosecuted if they default on their tax returns. The majority of participants (56.2%) disagreed with the statement as they believe penalties and prosecution is not enforced well enough to deter them from practicing tax evasion. These results are consistent with Dalu's (2012) assertion that a large number of developing nations lack the means and are too corrupt to take legal action against taxpayers who avoid taxes, particularly those with political ties. Dalu (2012) goes on to say that a low level of administrative penalties could be a sign that the tax administration is either too lenient with taxpayers or is unable to spot abnormalities in taxpayer payments. This does not, however, lessen the impact that fines and legal action have in discouraging tax avoidance. Criminal prosecutions are projected to have a larger deterring effect on inequality than administrative penalties since tax evaders may face jail time rather than only the potential of civil penalties (Zhou 2012).

Table 4.9 Tax awareness campaigns

		Frequency	Percent	Valid percent	Cummulative percent
Valid	Strongly Agree	15	26.3	26.3	26.3
	Agree	21	36.8	36.8	63.2
	Neutral	2	3.5	3.5	66.7
	Disagree	14	24.6	24.6	91.2
	Strongly Disagree	5	8.8	8.8	100.0
	Total	57	100.0	100.0	

Source: Primary Data (2023)

Table 4.9 reveals that 63.2% of the participants agree that tax awareness campaigns launched by ZIMRA to promote tax compliance are sufficient. Zhou et al. (2013) claim that ZIMRA has conducted public awareness campaigns, which are supported by flyers that are left at border posts and decentralised institutions, messages broadcast on various radio and television shows, and billboards that are strategically placed and built along the border (ZIMRA, 2013). Nonetheless, 33.3% of respondents to the study's inferences said that tax awareness initiatives weren't accomplishing their goals. According to Maseko (2014), even if taxpayers may not always comprehend the necessity of taxes for effective state government, the state can reach an entirely new tax base by implementing awareness initiatives (GFI 2010). Therefore, in order to increase public awareness of small business tax amnesty programmes, it is necessary to ensure that appropriate advertising is included in the tax awareness campaigns. To encourage compliance, ZIMRA must hold training seminars to inform taxpayers about tax amnesty initiatives.

Table 4.10: Increasing Audit detections

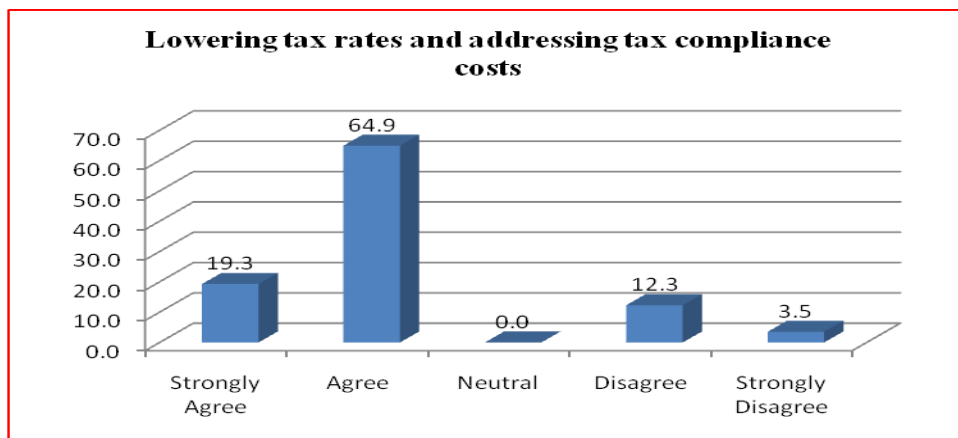
		Frequency	Percent	Valid percent	Cummulative percent
Valid	Strongly Agree	4	7.0	7.0	7.0
	Agree	27	47.4	47.4	54.4
	Neutral	4	7.0	7.0	61.4
	Disagree	16	28.1	28.1	89.5
	Strongly Disagree	6	10.5	10.5	100.0
	Total	57	100.0	100.0	

Source: Primary Data (2023)

Table 4.10 represents 54.4% of participants who agreed that they comply with tax because they fear to be detected by tax audits carried out by ZIMRA, while 38.6% disagreed and 7% were neutral. These results are consistent with Zhou's (2013) assertion that more audits to make sure non-compliant businesses have paid fines and penalties levied on them for non-compliance may assist reduce tax evasion. Audit detections, however, are not always as successful, as indicated by the 38.6% of individuals who disagreed. This is also consistent with the findings of Nyamwanza et al. (2014), who claimed that because SMEs are typically very evasive and bribe

tax officials, their chances of being discovered during audits are extremely low. It is also a fact that ZIMRA does not have enough staff to conduct routine audits of all Zimbabwean SMEs. And if that's not enough, according to Devos (2014), SMEs will see audits as little more than a formality for ZIMRA officials if there is no strict and punishing follow-up strategy after audits.

Figure 4.7: Lowering tax rates and addressing tax compliance costs and administrative costs



Source: Primary Data (2023)

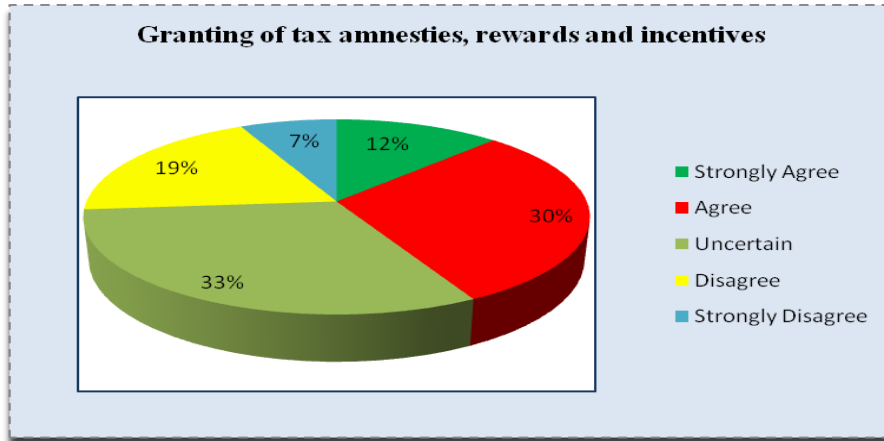
Figure 4.8 shows that 84.2% of participants believe that if tax rates and compliance costs are lowered they are more likely not to evade paying, while only 15.8% believe that lowering tax rates and compliance costs does not have a bearing on the attitude of the tax payer with regards to tax evasion. These findings are in line with those of Feld and Frey, (2007 who argued that governments in poor nations and their development partners ought to emphasise on policies that lower taxpayers' expenses associated with meeting their tax obligations in addition to encouraging voluntary tax compliance. In addition to encouraging voluntary tax compliance, third-world countries should concentrate on strategies that reduce compliance costs, especially for small and medium-sized enterprises and the unorganized. However, Zhou, (2012) argues that government ought to strike a balance between foregoing important revenue collections and reducing tax rates for companies as reducing tax rates may have detrimental effects on the economy.

Table 4.11: Tax payer education

		Frequency	Percent	Valid percent	Cummulative percent
Valid	Strongly Agree	15	26.3	26.3	26.3
	Agree	29	50.9	50.9	77.2
	Neutral	2	3.5	3.5	80.7
	Disagree	10	17.5	17.5	98.2
	Strongly Disagree	1	1.8	1.8	100.0
	Total	57	100.0	100.0	

Table 4.11 represents 77.2% of participants who agreed that they comply with tax because they are knowledgeable of the tax system, while 19.3% disagreed and 3.5% were neutral. These results correspond with the hypothesis put forth by Zhou (2013), who suggested that increasing voluntary tax compliance requires effective taxpayer education in the primary areas of taxation. According to the author, people need to understand the importance of contributing to the tax system. Furthermore, while SMEs and the unorganised sector comprise the bulk of employers, administrative duties like filling out tax return forms and personal tax returns may seem foreign or confusing to individuals, according to Maseko (2014). He also asserts that taxpayer education and taxpayer service can help the state comply with the tax code and provide it with sufficient knowledge about it. However according to Dalu (2012), moral decay has crept into our society and more and more people are looking for ways to cut back on their tax duties. Therefore, regardless of the education and training they receive from the government and ZIMRA, the ethical standards and mentality of taxpayers and tax administrators are crucial to the implementation's efficacy.

Figure 4.8: Granting of tax amnesties, rewards and incentives



Source: Primary Data (2023)

Figure 4.8 shows that 42.2% of participants believe the government should continue to issue different tax amnesties, rewards and incentives, while 26.3% believe that giving several amnesties and incentives does not assist complying taxpayers. In addition, 31.5% of participants were neutral; they did not indicate the effect it had on their businesses. These results agree with Nyakuwa (2011) who claims that even with these incentives, tax compliance is still poor, particularly in the informal sector, and that the number of cases of evasion is visibly increasing. The author goes on to say that taxpayers would rather make no payment than obtain a benefit in return for something.

4.2.4 To establish effects on SMEs on being tax compliant

Figure 4.9 Securing government contracts and tenders

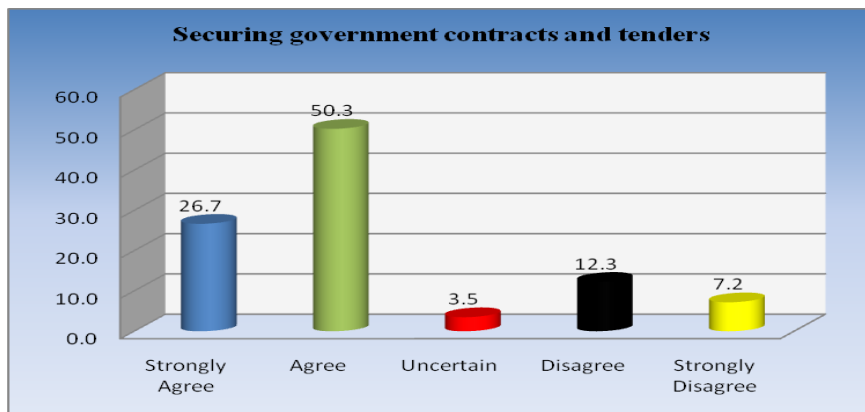


Figure 4.9 represents 77% of participants who agreed that being tax compliant helps SMEs in securing much needed government contracts, while 19.5% disagreed and 3.5% were neutral. The results points out that businesses must be tax compliant for them receive this government support. The results align with the argument made by Maseko (2014), who stated that applying for government contracts or tenders serves as the main motivator for most small businesses to follow tax laws and regulations. For this reason, obtaining a tax clearance certificate is crucial. Most governments throughout the world have tax clearance certificates as one of their prerequisites before allowing taxpayers to apply for aid or do business with them. But because governments are often corrupt, particularly in developing nations, noncompliant businesses frequently win tenders and contracts.

Table 4.12: Access to bank loans and government grants

		Frequency	Percent	Valid percent	Cummulative percent
Valid	Strongly Agree	15	26.3	26.3	26.3
	Agree	21	36.8	36.8	63.2
	Neutral	2	3.5	3.5	66.7
	Disagree	14	24.6	24.6	91.2
	Strongly Disagree	5	8.8	8.8	100.0
	Total	57	100.0	100.0	

Source: Primary Data (2023)

Table 4.12 above shows that 26.3% and 36.8% of participants strongly agreed and agreed respectively that when banks require companies to be tax compliant in order for them to be granted business loans by banks. These results are consistent with Bhalla's (2012) assertion that SMEs require bank loans, which are often granted to tax-compliant enterprises, in order to grow organically rather than through outside investment. Tax-compliant businesses will have more cash on hand and be able to participate in government-funded programmes. Prior to issuing a loan, banks need verification of identity and tax clearance. Notwithstanding data from the 2019

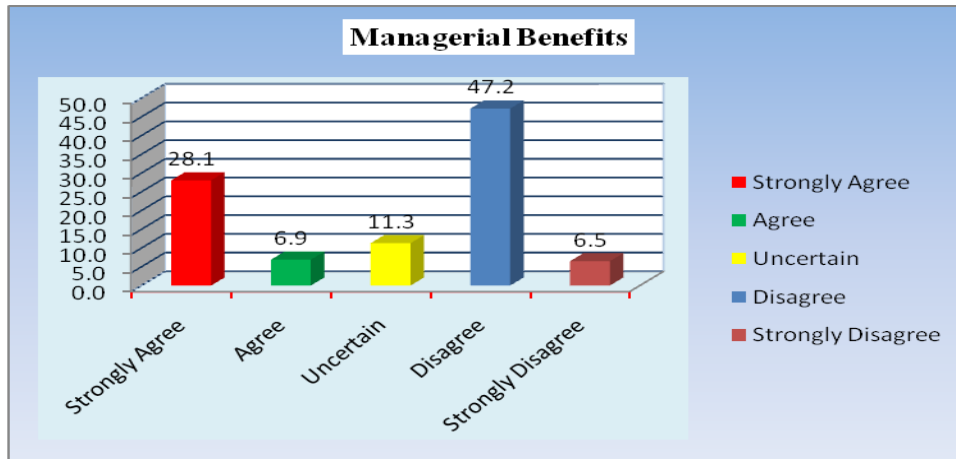
Reserve Bank of Zimbabwe (RBZ) survey showing that 81% of SMEs in Zimbabwe were unable to obtain bank loans due to inadequate documentation and a lack of collateral security, a significant portion of respondents (33.2%) maintain that tax compliance has no bearing on one's ability to access bank loans.

Table 4.13: Accurate financials preparation

		Frequency	Percent	Valid percent	Cummulative percent
Valid	Strongly Agree	1	1.8	1.8	1.8
	Agree	27	47.4	47.4	49.1
	Neutral	4	7.0	7.0	56.1
	Disagree	19	33.3	33.3	89.5
	Strongly Disagree	6	10.5	10.5	100.0
	Total	57	100.0	100.0	

Table 4.11 represents 49.1 % of participants who agreed that they comply with tax because they are knowledgeable of the tax system, while 43.9% disagreed and 7% were neutral. The findings are consistent with those of Faridy et al. (2018), who claimed that sophisticated transaction tracking, improved accounting information systems, and better decision-making based on more accurate data are all beneficial to taxpayers who abide by tax regulations. The authors went on to say that the discipline it instills in small businesses like SMEs to keep and compile accurate financial statements, notably VAT, is one of the indirect benefits of tax compliance. Smulder et al. (2014), who proposed that small businesses profit from financial information they obtain from tax compliance efforts that help the taxpayers better manage their firms, further supports the findings. Above and beyond the improved accuracy of record keeping and the availability of better financial information. . In addition over and above the enhanced accurate record keeping and access to improved knowledge of financial matters.

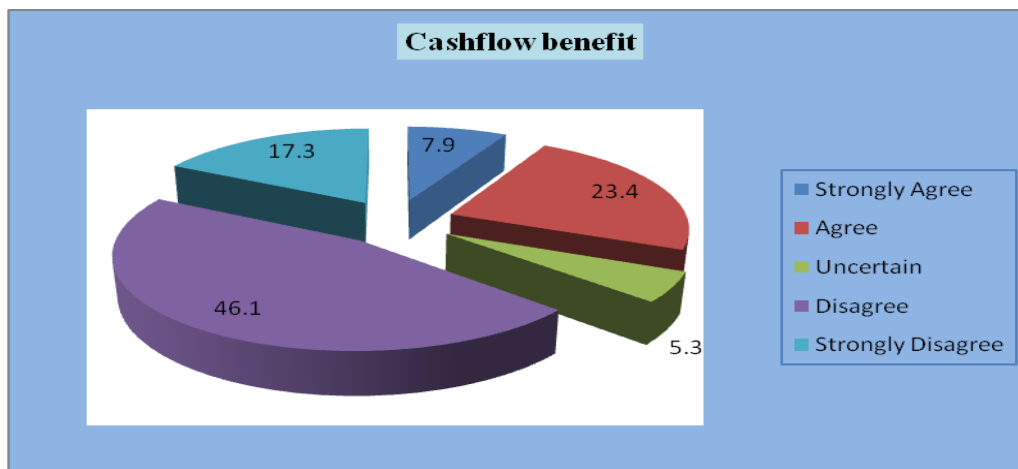
Figure 4.10: Managerial Benefits



Source: Primary Data (2023)

Figure 4.10 shows that 35% of respondents agree that there are managerial benefits which can be derived from being tax compliant. Tax compliance has many managerial advantages, such as improved decision-making and business efficiency. Making better decisions is enhanced by the proper record keeping that tax compliance regulations require. According to Sandford (1994), filing taxes and completing returns may encourage people to manage their money more sensibly, therefore there may not always be a negative effect to tax compliance. These advantages are perhaps more significant in the case of enterprises since tax compliance will motivate the firm owner to put in place a more efficient financial information system. The majority of respondents, or 53.7%, disagreed with the statement because they believed that these managerial gains were not applicable to SMEs in real-world situations.

Figure 4.11: Cashflow benefit



Source: Primary Data (2023)

Figure 4.11 above shows that 47% of the participants agree that tax compliant SMEs are poised to benefit from cashflow a complicated tax system, while 67% disagreed with the statement. The findings align with the findings of Faridy et al. (2018), who hypothesised that small enterprises who adhere to tax laws receive benefits from tax compliance, including cash flow, tax deductibility, and managerial advantages. The conclusions are further supported by Tran-Nam (2015), who contends that larger companies often benefit more from cash flow, recurring cash subsidies, and tax deductibility than do smaller businesses. For example, major tax-compliant companies may increase their cash flow by taking advantage of the legal delay in paying taxes on revenues received on behalf of the revenue receiver (PAYE, VAT) until the tax is paid to the tax authority.

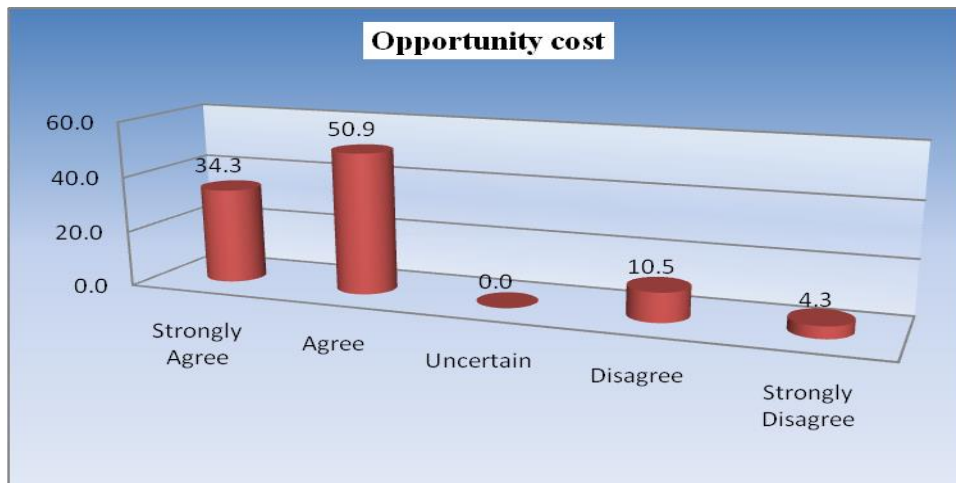
Table 4.14: Increased operational costs caused by tax compliance cost

		Frequency	Percent	Valid percent	Cummulative percent
Valid	Strongly Agree	17	29.8	29.8	29.8
	Agree	23	40.4	40.4	70.2
	Uncertain	7	12.3	12.3	82.5
	Disagree	7	12.3	12.3	94.7
	Strongly Disagree	3	5.3	5.3	100.0
	Total	57	100.0	100.0	

Table 4.14 above represents more than half of the participants (67.4) who indicated that being compliance comes with increased operational costs. The study findings revealed that small business taxpayers incur financial related expenses to fulfill their tax obligation in addition to the actual taxes they must pay. The results are in line with the argument made by Smulders et al. (2017), who claimed that taxpayers must spend money on assistance with tax issues. The complicated financial expenses associated with tax compliance may also include hiring more employees for the tax department, paying accountants for tax advice, and incurring incidental costs for phone calls, postage, and travel to interact with the tax office or advisers. All of these

costs are readily measurable. These charges drive up the cost of operating a firm for taxpayers. According to Smulders et al. (2017), these regressive tax compliance expenses significantly impede the viability and sustainability of small businesses.

Figure 4.12 Opportunity cost



Source: Primary Data (2023)

Figure 4.12 shows that 85.2% of participants believe that there is opportunity cost which are faced by SMEs who are tax compliant, while only 14.8% believe that lowering tax rates and compliance costs does not have a bearing on the attitude of the tax payer with regards to tax evasion. The study's conclusions are consistent with Hechtner's (2018) assertion that SMEs may suffer financial loss due to missed opportunities resulting from the time they spend maintaining records, correctly preparing, and accurately completing tax returns. An opportunity cost arises when taxpayers spend money on tax compliance efforts, detracting from the more crucial responsibility of managing the firm.

4.6 Chapter summary

The chapter reported and assessed the research outcomes. A discussion on the findings was also held. To help interpret the research findings in a clear and comprehensive manner, Microsoft Excel being utilized to establish graphs, pie charts and tables. The next chapter will focus on making recommendations based on the research findings, as well as offering summary and drawing conclusions.

CHAPTER IV

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

In this chapter the researcher will conclude the study, summarizing the objectives of the research and presenting the conclusions and recommendations. The chapter begins by providing the restatement of the study objectives then followed by the summary of the study. The conclusions are drawn from the findings of the study and the recommendations proffered are based on the findings as well. The chapter also provided suggestions for areas of further study.

5.1 Summary of the study

The general objective of the study was to examine the effects of tax evasion on the performance of small to medium enterprises (SMEs). The study also sought to establish the factors that promote tax evasion amongst SMEs. The study also sought to identify challenges that SMEs face in order to comply with tax as well as the measures needed in order to control tax evasion by SMEs. To achieve these objectives, a positivism research approach was used pursuing a quantitative research design. Target population consisted of SMEs from Harare. Purposive sampling technique was used and a total of 60 respondents were selected. The data was coded into a minimal number of categories so that the comments could be categorized. The data was presented in a number of different formats, including tabular, graphical, and narrative. Statistical tools which are descriptive like pie charts, bar graphs, mean and mode were used to analyse the data. The summary of the findings was done in line with research objectives as they answered the research questions. From the findings, the study established that various forms of tax evasion were present amongst SMEs in Zimbabwe albeit with varying degrees of application. The research findings also indicated that SMEs face other tax related hurdles or constraints in so far as tax compliance is concerned, with high tax rates, lack of will, restrictive tax laws, and corruption amongst the top factors that fuel tax evasion. The research findings also indicated that tax compliance not only positively impact SMEs but also negatively affects the performance of the company in general. The notable positive effects of tax compliance were enhanced business performance through improved financial preparation, access to business loans, government

tenders and contracts as well as managerial benefits, However, tax compliance for small organizations such as SMEs was seen to be burdensome in that it increases operational costs caused by tax compliance cost and there potential opportunity costs incurred. In a bid to improve tax compliance amongst SMEs, the research findings indicated that government and revenue officials ought to play an active role by educating SMEs on why and how part of paying taxes, hold tax awareness campaigns, lowering tax rates and addressing tax compliance costs and administrative costs as well as punishing and prosecuting tax evaders.

5.2 Summary of major findings

The main objective of the study was to examine the effects of tax evasion on the performance of small to medium enterprises (SMEs). The specific objectives were to:

5.2.1 To establish factors that lead to tax evasion by SMEs.

Numerous researches have revealed the same factors that the study found to be responsible for tax evasion. One of the factors, according to a study conducted at the Beitbridge border station by Hove et al. (2012), is corruption. In order to ascertain the variables influencing SMEs' tax compliance, Atawodi and Ojeka (2012) carried out a study in Nigeria's Central North. Their main finding, which is consistent with the study's findings, was the high tax rates imposed by tax officials. Making sure that taxpayers have the necessary skills, confidence, and qualifications to fulfil their tax obligations is one way to promote voluntary compliance (Mohani, 2003). However the results in this study seems to contradict this finding in the sense, most of the respondents seem to have above secondary education but the level of compliance with tax payment is low. The primary findings show that, despite the fact that both types of businesses are complicit in the act, SMEs have a tendency to avoid and evade taxes more than large corporations. Furthermore, a few elements that have been linked to tax evasion have been found. High tax rates, long commutes to the tax office, general tax apathy, unfair and onerous tax rules, and corruption are some of the main causes of tax evasion that were found in the research findings.

5.2.2 To identify forms of tax evasion amongst SMEs

A number of strategies have been adopted by SMEs business owners to avoid paying taxes, according to the research. These strategies include temporarily closing down their businesses (53.4%), paying bribes (78.1%), understating their profits (32.3%), keeping two sets of records (54.6%), and moving to a new location without notifying the authorities (27.6%). Bitzenis and Nito (2005) found that many formal sector businesses in Albania evade taxes to some level by keeping two sets of books, whereas unregistered businesses benefit greatly from lower taxes since they avoid the heavy tax burden. This finding supports the practice of SMEs keeping two sets of accounts. The results of bribery and the absence of enforcement are rather significant, which has an impact on the nation's ability to collect taxes and compliance fees. Nearly 90% of customs officials engaged in dishonest actions, according to Fries et al. (2003), who concluded that customs looks to be the highly corrupted organisation. ZIMRA officers discovered during a compliance blitz that one of the main strategies used by SMEs to avoid paying compliance costs is moving to new locations without informing the authorities. Rusi and Sadiraj (2003) also pointed out in his research that a significant amount of tax evasion occurred because 59% of the businesses were discovered at places that did not match the addresses listed in the tax offices. This made it difficult for the authorities to hunt down taxpayers. Because business owners constantly found a method to avoid paying, it was therefore difficult to get them to pay, even in the face of steep penalties.

5.2.3 To outline the challenges SMEs face in being tax compliant

According to the study's findings, 80% of participants concurred that most SMEs lack the knowledge necessary to prepare and file tax returns. The findings also revealed that the two most significant elements impacting SMEs' compliance were the cost of compliance and the taxpayer's degree of tax awareness. SMEs need to know what is required of them before they can comply with tax laws. This is a result of the tax system's multiple tax regulations, each of which needs to be reviewed by a taxpayer who is familiar with the system's workings. 57.9% of respondents thought that money used for tax compliance would have been better used for reinvestment to spur future growth. The results also showed that SMEs struggle to fulfill their tax responsibilities due to a lack of cash flow planning, financial management expertise, and sufficient accounting knowledge. Furthermore, the results also showed that SMEs have to deal with a laborious and

time-consuming tax registration process that is hard and complicated because of all the legal paperwork they have to fill out and the tedious process of filing tax returns, which can result in inadvertent tax non-compliance. Consequently, 67.2% of respondents believed that SMEs would not be inclined to comply with the onerous documentation requirements of the tax system.

5.2.4 To establish effects on SMEs on being tax compliant

According to the research findings taxpayers believe that any tax payment should result in a reciprocal gain. Findings indicated that small business taxpayers enjoy accelerated allowances and special tax rates in the Income Tax Act. Reduced income tax rates and accelerated depreciation allowance for movable assets result in lower income tax liability for small business taxpayers. However, these benefits are only available to tax compliant taxpayers. In addition, businesses must be tax compliant to receive this government support. (Maseko, 2014) explains that obtaining a tax clearance certificate is the highest motivation to comply with tax laws and regulations for most small businesses because it enables them to apply for government contracts or tenders. This finding indicates that taxpayers can only get contracts from government when they are registered taxpayers and compliant with the tax laws. Many governments have also introduced stimulus packages to help stimulate business activities. The tax clearance certificate is essential as it indicates that the taxpayer is tax compliant. The lawful delay in the tax payments of tax revenues received on behalf of the receiver of revenue (PAYE, VAT) until the tax is paid to the tax authority may benefit tax compliant businesses by boosting their cash flow. Further findings indicate that that tax-compliant taxpayers can benefit from improved accounting information systems, enhanced decision-making based on better records, and advanced transaction tracking, enhanced business performance through improved financial preparation, access to business loans, government tenders and contracts as well as managerial benefits, However, research findings also indicate that tax compliance for small organizations such as SMEs was seen to be burdensome in that it increases operational costs caused by tax compliance cost and there potential opportunity costs incurred.

5.2.5 To establish strategies that can be adopted to curb tax evasion

The results of the study suggest that implementing tax compliance programmes that have a favorable influence on compliance behavior is one tactic that may be used to enhance tax compliance. This will incentivize taxpayer compliance; if not, law enforcement must step in. Because they risk prosecution for late filing of their tax returns, over half of the participants (57.9%) said they are compliant with the law. Collaborating with tax advisors, trade associations, and additional organisations can enhance the ability to promote tax-awareness and constructive behavior among taxpayers. According to the research findings, SMEs will voluntarily comply with government regulations if it is implemented fairly and with honesty. However, Zhou, (2012) argues that government ought to strike a balance between foregoing important revenue collections and reducing tax rates for SMEs as reducing tax rates may have detrimental effects on the economy. The research findings also indicated that government and revenue officials ought to play an active role by educating SMEs on why and how part of paying taxes, addressing tax compliance costs and administrative costs as well as punishing and prosecuting tax evaders. Moreover according to the research findings 54.4% of participants agreed that they comply with tax because they fear to be detected by tax audits carried out by ZIMRA which may lead to business closure and penalties.

5.3 Conclusions

The research looked at what motivates SMEs in Zimbabwe to evade taxes. Due to their lack of faith in the tax system and perception of it as unjust and burdensome, the majority of SMEs were found to be noncompliant with tax payments. The study came to the conclusion that the main causes of tax evasion were high tax rates, low income as a result of a down economy, and a lack of government transparency on the use of tax money. Insufficient tax incentives, high levels of corruption, lax punishments for tax evasion, and ZIMRA employees accepting bribes from noncompliant taxpayers. The research also gathered that SMEs consider tax compliance as burdensome as the process of complying is viewed as unnecessarily consuming owner's time and is costly as most businesses do not have accountants as employees and therefore depended heavily on consultants who charge high fees.

The study also concluded that because tax rules are complicated, SMEs have come up with a lot of ways to avoid complying with them. The most popular tactic is paying bribes to officials, which indicates that these officials are very corrupt. SMEs maintain two sets of records, understate earnings, and temporarily close their firms during tax blitzes in an effort to avoid paying significant amounts of tax. In other cases, companies are moving to new locations without informing the government. According to the study the end result from such evasion is that SMEs deprive themselves of the benefits that accrue from enhanced tax compliance which include improved accounting information systems, enhanced decision-making based on better records, and advanced transaction tracking, enhanced business performance through improved financial preparation, access to business loans, government tenders and contracts as well as managerial benefits.

5.4 Recommendations

The study recommends the following strategies to bring sanity in the fiscal environment:

- i. In light of the axiom that "lower is better than none," the government should reassess the tax percentages across all tax categories.
- ii. To try and make paying taxes easier for the public, the government offers online tax remittance and payment options. This helps individuals avoid walking lengthy distances, which deters people and encourages avoidance and evasion.
- iii. ZIMRA should step up tax education and public awareness initiatives to change the public's perception of taxes from one of a burdensome exercise intended to syphon off hard-earned money to one of tolerance and understanding that taxes are a national duty and obligation of all.
- iv. ZIMRA should to employ the discriminant model to strategize their campaign and thereafter escalate operations on those identified by the model as high evaders and avoiders
- v. Create an integrated action plan by the government to address tax evasion from all institutional and legislative angles. This plan should be implemented with the help of a technical team that

monitors and verifies its execution, keeping in mind the need to expedite the creation and amendment of pertinent tax laws and regulations.

5.5 Areas for further study

The use of e-services by government agencies requires more investigation. More investigation is also required into the variables influencing Zimbabwe's e-taxation laws for small and medium-sized businesses.

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APPENDICES

Appendix 1: Questionnaire

GREAT ZIMBABWE UNIVERSITY



MUNHUMUTAPA SCHOOL OF COMMERCE

DEPARTMENT OF ACCOUNTING AND INFORMATION SYSTEMS

Dear Sir / Madam

My name is Murahwa Kudzai Melisa, Reg Number M222373, a final year student at Great Zimbabwe University studying a Bachelor of Commerce Honours Degree in Logistics & Supply Chain Management. I am carrying a research titled “Effects of tax evasion on the performance of small to medium enterprises (SMEs): A case of consumer goods SMEs in Harare”. I kindly request your valued participation in this research. Information gathered will be treated with utmost confidentiality. Kindly note that you are not required to identify yourself in this questionnaire. Thank you in advance for a favourable consideration in devoting your time in participating in this study.

Questionnaire on the effects of tax evasion on the performance of Small to Medium enterprises. (A case of consumer goods SMEs in Harare)

Instructions

- Do not write your name on the questionnaire
- Highlight your response by ticking in the respective box provided or in the space provided.
- Please write eligibly

SECTION A: To establish the forms of tax evasion amongst SMEs

Please respond to the following statements by indicating to which extent you agree or disagree

Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
5	4	3	2	1

Description	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
Customs tax smuggling					
VAT fraud					
Bribery of tax officials					
Inaccurate financial statements					
Misreporting in the Income Tax Returns					
Not reporting income					
Not paying the Due Amount					
Concealment of Income					
Misclassification of commodities					
Submitting forged documents to Zimra					

State any other form of tax evasion being used.

.....

Section B: What are the factors that lead to tax evasion by SMEs in Zimbabwe?

Please respond to the following statement by indicating to which extent you agree or disagree

Description	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree

To what extent do you agree that tax evasion is high among SMEs.					
--	--	--	--	--	--

Please respond to the following statements by indicating to which extent you agree or disagree

Description	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
The tax rates are too high					
SMEs have no idea that taxes are necessary					
SMEs have little faith in ZIMRA and the government.					
The tax system is too corrupt					
SMEs businesses does not generate enough to pay taxes					
The government's careless spending does not justify paying taxes.					
The government does nothing or very little to help the informal sector.					
Tax system in the country is unfair and favours the rich					
Some SMEs owners don't just feel like paying tax					
Cost of tax compliance					
Policy instability and government instability					

Section C: What are the challenges that SMEs face in order to comply with tax?

Please respond to the following statements by indicating to which extent you agree or disagree

Description	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
SMEs do not have the necessary skills to compute tax					
No idea how to pay my taxes.					
The process of computing and paying tax is time consuming					
The tax system is complicated					
Lack of support from tax officials in					

computing and submitting returns					
The cost of tax compliance is too high					
Lack of personnel/staff to carry out tax computation duties					
Inadequate tools of trade (technology)					

State any other challenge

.....

Section D: What are the measures that can be adopted to control tax evasion by SMEs?

Please respond to the following statements by indicating to which extent you agree or disagree

Description	Strongly agree	Agree	Uncertain	Disagree	Strongly disagree
Tax Audits					
Taxpayer education					
Addressing tax compliance costs and administrative costs					
Administrative penalties and prosecution					
Revenue authorities systems upgrades					
Incentives and rewards					
Awareness campaigns					
Increasing Audit detections					
Elimination of tax havens					

State any other way of reducing tax evasion.

.....

SECTION E: What are the effects of tax compliance on business performance?

Please respond to the following statements by indicating to which extent you agree or disagree

Description	Strongly	Agree	Uncertain	Disagree	Strongly
-------------	----------	-------	-----------	----------	----------

	agree				disagree
Tax compliance penalties have an impact on an organization's performance					
Tax sanctions have an impact on the performance of an organization					
Tax non compliance can lead to the closure of a business					
Failure to comply with tax regulation may result in firms losing government tenders/contracts					
Low productivity					
Improved business efficiency					
Access to bank loans and government grants compromised					
Improved financials preparation and cashflow benefit					
Decreased sales					
Decreased investment from potential investors					

State any other effect of tax compliance on business performance.

.....

Any other comment

.....

The end

Thank you for your time