

**EFFECT OF TECHNOLOGICAL TAX REFORMS ON FINANCIAL
PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN KENYA**

BY

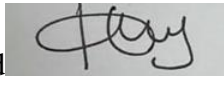
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**A PROJECT SUBMITTED IN PARTIAL FULFILLMENT OF THE
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DECLARATION

I do hereby declare that this is my original work and has not been presented to any institution of higher learning for examination.

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This thesis has been submitted for presentation with my approval as university supervisor.

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DEDICATION

With immense gratitude I dedicate this completion to my parents as well as friends for cheering me to keep going despite great predicaments. I appreciate you immensely for sacrifices and contribution that enhanced achievement and success.

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My paramount regards and special thanks to the Almighty God for His unwavering love, good health, grace and peace of mind. His grace gave me strength and visionary mind to keep going forward. In addition, all the achievement during the research period can be attributed to the Living God.

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Glory to GOD

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LIST OF ABBREVIATIONS AND ACRONYMS

GDP	Gross Domestic Product
GOK	Government of Kenya
KNBS	Kenya Bureau of Statistics
TOT	Turnover Tax
OECD	Organization of Economic and Cooperation Development
KSHS	Kenya Shilling
GDP	Gross Domestic Product GOK Government of Kenya
KRA	Kenya Revenue Authority
SMEs	Small and Medium enterprises

ABSTRACT

Technological tax reforms is the chief undertaking useful in elimination of manual operation and replacing it with computerized or digitalized platform to increase adherence to policies and smoothen the operation. The technological tax reforms identified in the study include, e-registration, e-filing and mobile payments. The objective of the study was to explore the effect technological tax reforms on the financial performance of SMEs in Kenya. The study used primary data in its analysis. A descriptive research design was adopted by the study with a census of 100 respondents drawn from top 50 ranked SMEs in Kenya. Data analysis was done with the aid of SPSS software for analysis. The results of the study indicated that e-registration, e-filing and mobile payments all have positive and statistically significant relationship with financial performance of SMEs in Kenya. The study further concludes that e-registration, e-filing and mobile payments are important and helps boost the financial performance of SMEs by increasing efficiency and the reducing the transactional costs. The study recommends that the Kenya Revenue Authority should role out more technological reforms and further ease the KRA pin online registration process to a system that is friendly to the semi-skilled at least. KRA should also increase their sensitization campaigns on deadlines of tax payments, the payment platforms and the penalties for tax defaults. This information should be made available to the public to avoid tax defaults by businesses as a result of lack of information and the costs associated with default and hence improve financial performance. In addition, the government should also come up with a way of eliminating double taxations. There should be one payment point, either KRA or the county government licenses. This can be done through categorization of businesses to avoid conflict.

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The technological advancement has been associated with high speed, convenience and successful advancement in the general business well-being. Technological tax reforms are the lubricants of economic growth (Nkatha, 2021). Schneider (2019) demonstrated the importance of tax compliance in enhancing financial performance among firms. The manual operation of tax from the registration, collection and filing stagnated the process unlike integrated systems (KRA, 2019). The execution of tax reforms increase the tax collection from individual and firms. In addition, the technological tax reforms shaped the financial performance, increased compliance and promoted the knowhow. The expensive manual and bureaucratic have been replaced with the efficient systems (KRA, 2021).

The theories anchoring the study are ability to pay, optimal tax and diffusion theory. Ramsey (1927) postulated the optimal tax theory and advanced by Mirrlees (1976). Thereafter, Mankiw, Weinzeierl and Yagan (2009) defined it more by associating it with proper planning and execution of tax system thereby promoting tax collection. The theory of ability to pay was coined by Pigou and Smith (1903) to illustrate that taxes charged should be based on the capability to pay. Diffusion of Innovation Theory embedded by Rogers (1962) to delineate the dissemination of new ideas, ways and advancement. Moreover, it states the adoption of new things and momentum diffusion fuel assimilation and execution.

Since time immemorial, firms have employed several accountants, tax personnel and compliance officers to fast-track and expedite on tax filing and remittance on time. Ondimu (2015) highlighted the quality steps undertaken by firms as a remedy by adhering and adopting technological tax reforms. Kenya government developed a robust strategies to eliminate the challenges in the SMEs and to increase efficiency (Waithera, 2018). The developed countries instantiate on technological tax reforms to boost adherence to laws and compliance. Schneider (2019) associated non-compliance with complex and costly system that reduce overall performance of the organization. It is worthwhile stipulating that systems are game-changers in the obligation, declaring returns, filing returns and timely payment of dues.

1.1.1 Technological Tax Reform

Technological tax reforms is the chief undertaking useful in elimination of manual operation and replacing with computerized or digitalized platform to increase adherence to policies and smoothen the operation. According (Ondimu, 2014) it incorporates the efficient and systematic digitalization of tax collection, registration and filing within stipulated time. According to Mathenge and Abdul (2021) though technological tax reforms is crucial for the regulatory body, it reduces costly bureaucratic process which are very expensive firms. Kirchler and Wahl (2010) associated technological advancement in taxation to the commitment and creativity aimed efficiency.

The technological tax reforms are cardinal for improving the simplicity, fairness and adherence to regulation (Keen & Slemrod, 2017). The direct and indirect taxes are efficient in the presence of technological platform. Marcus et al. (2013) blueprinted the cardinal part of technological innovation in the transformation, compliance, increasing efficiency and

effectiveness. It simplifies and ease process while reducing costly process of employing numerous personnel. The tax reforms strengthen operation of business through streamlining the process and minimizing complication.

The operationalization of technological tax reforms has been maximized via the use of tax compliance, administrative tax reforms and technological tax reforms (Mathenge & Abdul 2021). Kimaru and Jagongo (2014) maximized Tax administration practices and turnover tax training cost as a metric for tax reforms. Biorn (2017) linked the technological tax reforms with efficiency and effectiveness while this study utilizes E-registration, E-filing, I-Tax system and mobile payment to operationalize technological tax reforms.

1.1.2 Financial Performance

This is the cornerstone for business stability and continuity. According to Rufus (2020) financial performance is portrayed through financial muscles which in turn defines the financial health. It results from maximum utilization of human capital, while Business Daily (2020) related the quality financial performance with creativity and innovation that fit the fast-paced commercial business environment. It is imperative to delineate that higher yield results from the minimization of expenditures while increasing returns. Nkatha (2021) pinpointed that efficiency and productivity translates to financial performance in the business.

Financial performance can results from the adoption of better solutions to enhance business productivity. Therefore, digitalization contribute to the financial performance. The company's performance communicate to the company about the general well-being and its economic health (Stephen, 2016). The financial performance eliminates the sustainability frictions which are detrimental to business. From the cash flow, revamp budgets, expenses

and consolidated financial statements the investor can catch a glimpse of business's going concern.

The operationalization of the financial performance has followed different pattern. It postulates the broader sense to which financial mandate are being driven. The financial performance entails the comprehensive and in-depth scrutiny of financial statements to blueprint an intensive diagnosis of profitability and financial fitness. Nkatha (2021) linked the financial performance to prudent usage of resources and accentuated that it can be observed on the financial statements. Moreover, the financial soundness provides a snapshot of the business's going concern and profitability. The working capital, financial structure and profitability analysis are great parameters for measuring performance. Nduati (2013) and Mwangi (2014) maximized ROA and ROI respectively. This study plans to maximize return on asset as a metric for financial performance.

1.1.3 Technological Tax Reforms and Financial Performance

Despite the cardinal role of technological tax reforms on the efficiency, productivity and efficiency of the SMEs, there is scanty information about the performance. Innovations on the tax reforms have strengthened digital tax collection registration and filling thereby enhancing buoyancy of revenues. Moreover, it eliminate the complex and procedural means that are detrimental for SMEs. Erich et al. (2006) associated the technological advancement in taxation to highly the canons of taxes such as convenience, fair and equity means. The struggle to achieve effectiveness in the SMEs is attributed to launching of systems and technological advancement to gear the businesses towards prosperity.

Marcus et al. (2013) encapsulated that simple system may not require sophisticated accounting tabulations that demands for employment of bookkeepers. The employment of

more personnel to address complex issues among firms translates to hiring cost, budget for salaries and compliance cost. These associated costs increase the operation and administration expenditure hence eating up the financial returns (Schoonjans et al., 2011). The employment of accountants and tax advisors to fast-track clerical issues, updating and adhering to policies may be costly to the organization. However, E-registration, E-filing, E-payment and Mobile payment can ease the challenging process.

1.1.4 Micro, Small and Medium Enterprises in Kenya

SMEs in Kenya represent enterprise that comprise of 1 to 99 employees according Public Finance (2019). Additionally, the turnover is less than Kenya shillings, 500,000. SMEs are chief contributor of the economic transformation in Kenya. Despite a yardstick for economic accomplishment, it drives the robust transformation and account for more than 60% of total GDP (Nkatha, 2021). SMEs have enhanced innovation and maximization of untapped resources.

In addition, 80% of aggregate jobs in Kenya are from SMEs (CBK, 2020). Therefore, SMEs plays a pre-eminent part in fueling the economic growth. The competitive among this firms have promoted creativity and innovation. Moreover, the healthy competitive has open-up virtual market which translates to globalization. The core mandates of the businesses are to multiply the shareholders wealth. It is worthwhile posting that technological innovation is game changer among the SMEs.

1.2 Research Problem

Technological tax reforms are meant to automate and integrate the tax collection thereby dropping the costly manual procedures (OECD, 2012). The development of systemized tax

collection aims at increasing the revenue collection to the government while at the same time reducing great bottleneck in the business. Uwaume and Ordu (2014) advocated for alignment of government tax policies to increase performance. The effective tax system is healthy for the prosperity and growth of businesses. Tilahun (2017) connected the good performance with technological innovation which include I-Tax. In addition, the industrial prosperity and financial Sustainability has been associated with compliance which translates to increase performance (Maithya, 2020). Additionally, tax systems have reduced indirect cost that have always reduced the returns.

SMEs are key yardstick for economic prosperity. OECD (2012) exemplified that SMEs records 90% of all the operational and fully-registered enterprises. Furthermore, it contributes an estimate of 50% of global GDP. In Kenya are responsible for economic growth, employment and innovation (Waithera, 2018). Despite their predicaments, SMEs have maximized untapped resources to steer their operation, increase entrepreneurship and promote disruptive innovation. Needless to instantiate that technological application among SMEs has steered the business towards quality performance, overall growth, development and better services. In a nutshell, it increase their competitiveness and minimize legal cost arising from non-compliance (Nkatha, 2021).

Globally, Chukwumerije and Akinyomi (2011) analyzed tax incentives verse performance. Contextually, the study delved in the manufacturing to define the crucial progress and financial stability. The study ended by instantiating a positive association. This study was undertaken in Nigeria focusing on different predictor variable thereby resulting in contextual and conceptual gaps. Altads, Johannesen and Zucma (2019) illustrated the

supremacy of integrated systems in the support of compliance. Further, a well-designed tax systems encourage business to blossom due to operational efficiency (Parilla, 2020).

Locally, Mathenge and Abdul (2021) examined technological tax reforms verse the compliance and pinpointed a positive association. The study elaborated the preceding output from Musa and Ibrahim (2016) illustration that technological reforms move in the same direction with the tax compliance. Nevertheless, Livoi (2017) opines that tax compliance and technological reforms are inversely correlated. Cognizant of these findings, it worthwhile stating that none of the international and local studies have associated technological tax reforms and performance.

In a nutshell and from conceptual, contextual, empirical and general overview, the studies done previously have created more avenues for debates and controversial statement. This is due to inconclusive and mix output that can be associated with varying contexts, techniques as well as concepts. Despite the recognition of tax-integrated systems, reforms and applicability among SMEs, there are scanty empirical information on its effect on performance. The great loopholes spanning from the contextual gap posted by international studies as well as both conceptual and empirical gaps necessitate the research on the subject matter. Therefore, an answer should be provided to this legitimate question on; what is the influence of technological tax reforms on the financial performance of SMEs in Kenya?

1.3 Research objective

The objective of the was exploring the effect technological tax reforms on the financial performance of SMEs in Kenya.

1.4 Value of the Study

This study may tenders much innovations to SMEs. Small and medium scale enterprise may be able to scrutinize the findings and develop new policies in regards to technological tax reforms. In addition, the study may help the SMEs eradicating outdated policies. The research aids in coming up with best strategy to enhance performance of the SMEs and cut off the unproductive activities.

The study is supreme in explanation, reinforcement, connecting and critiquing theories. The past presupposition are correlated with this study to advance its relevance and states areas of their weakness. Moreover, it builds crucial skills for forecasting and taking corrective techniques. The study may demonstrates the presumption, weakness and the application of the theories.

The study may aid crucial administrative and policy making entities. This study may enhance the regulatory and administrative agencies to develop new policies and administrative regulations. Further, the findings from the research may assist to boost the existing policies since the current discoveries brings current image. The study may aided in formulating technological policies that take into accounts experience from minor SMEs.

Academicians and scholars are able to put into use the knowledge in this research by referring. The research takes great degree towards association of technological tax reforms and performance among SMEs. Moreover, the establishment from this study may be base body of information and knowledge for scholars all of the world for further exploration. Further, the research study may be of great importance to academician looking more information about technological tax reforms and performance.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

The section is paramount in delineating the review of literature which forms substantial part of this study. In addition, it gives the determinants of the financial performance which addresses the technological reforms. Moreover, it also states the versatility of empirical reviews while building better understanding. It diligently evaluate the global, local and regional studies to shape in-depth knowledge while illuminating the research gaps. Further, it elucidates the flowchart posting the predictor and predicted variables. Lastly, it elaborates on areas of controversies and debate under the summary.

2.2 Theoretical Framework

The anchoring theories of this investigation are; the optimal tax theory to coin economic efficiency and its ease in the administration. The theory developed in 1927 by Ramsey and boosted by Mirrlees (1976) to substantiate the social welfare. Quality taxes should be proportional to income, convenience and economical. Ability to pay theory instantiated by Pigou and Smith (1903) to pinpoint that the payment of taxes should be grounded wealth and income. Additionally, Diffusion of Innovation Theory was fronted by Rogers (1962) to blueprint the dissemination of fresh knowledge and improvement of analysis and credible, factual proposition.

2.2.1 Optimal Tax Theory

This theory was put forward by Frank (1972) to define the payment of taxes in the proportion to the wealth. Optimal tax theory show company's choices among the aims of

equality and efficiency of economic which optimized economic welfare. The theory postulates that tax rate are influence by several elements. The elements are elasticity, preference of social, distribution and fiscal externality.

This theory faces numerous criticisms in tax industries. The theory ignores administrative cost of the systems of tax which insist in taxing each good separately. The theory also ignores the cost of compliance, and the players in the marketplace have no luxury. The theory is limited when it comes to inverse-elasticity rule (Maithiya, 2018). The criticism of this hypothesis stems from factual knowledge that basic goods lower price elasticity of demand. Moreover, luxury products exhibits greater price elasticity. Therefore, optimal level may not realistic in the longevity.

This theory is important in understanding the influence of technological reforms in SMEs sector. Firstly, the concept of optimal tax theory proportionate abilities to make payment of taxes. In addition to that the concept is accurate not arbitrary when it come tax industry (Maxwell, 2015). Furthermore, the theory is cheap in administering or utilizing the concept of optimal tax theory. The theory front the optimum level that minimize extortions caused by taxation. Therefore, it stress for redistribution of resources. Finally, the theory's knowledge is payable at period and in manner which is convenient to the payers of tax.

2.2.2 Ability to Pay Theory

Adam Smith postulated the ability to pay theory in 1776. The theory explains that individuals with capacity to pay more need to pay greater percentage of their own income. The theory is century old. The theory has a number of assumptions. Foremost, it assume that payment of taxes are evaluate with wealth and income. It also those who are successful need to give back a little more to the community that assist them in their success. The

presupposition in this theory has shaped the regulation and policies. The firms pay taxes proportional to their revenues. The taxes are the true reflection of the organizational wealth. It posits that that the greater wealth set greater avenue for the affordability to pay taxes.

Ability theory has various limitations when it comes to taxation. This postulation lowers incentives to enhance the income simply because system of taxation penalized high income earners. It also has limitation when it comes to no government expenditure transparency. Individuals or organization insist that the services rendered to them don't profit them individually (Maxwell, 2015). The theory does not give practical measurements for the ability and capability to pay taxes. Furthermore, it the proportionality is not well defined for firms making losses and making zero profits. The theory is demerits the hard work since the higher wealth and income attract greater taxations.

In spite of above limitation this theory is crucial in this study. It pool resources together for services of government. It further assist the governing institutions or government to scale revenues with earning. Furthermore, the theory enable SMEs to understand why there is need for them to contribute. The theory fuels the continuous production and efficiency (Nkatha, 2021). In addition it promotes the effectiveness in the operation. It boost fairness and equity to protect lower-income earners, SMEs and micro-enterprises from extortion.

2.2.3 Diffusion Theory

This theory was brought forward by Rogers in 1962 to promote adoption of new ways and new products. Moreover, this theory tries to give an explanation of why, how and at what technology and speed ideas spread. This theory depends on population for spread of ideas and innovation. It also assume that adopters of innovation or reforms can be factored into classes namely; early adopters, innovators, early majority, laggards and late majority. The

dissemination of technology relies on societal perceptions, modelling and modelling to appeal to the potential clients

The theory faces some shortcomings for example; it relies on the users' adoptability. Moreover, it disregard complex societal and cultural detrimental. The study fails to pinpoint how the products are assimilated into society. Therefore, it top-up trivial predicaments and challenging to implement technological infrastructure network due to cost. The technological advancement at times faces several resistance to changes thereby inhibiting progress (Maseko, 2014). Furthermore, many individuals misinterpret the innovation diffusion theory and think it as innovativeness is individual attributes. Finally, technological advancement among SMEs may rely majorly on the management who may not prioritize new technologies.

The relevance of diffusion theory begins from risk mitigation to idea execution. It gives an explanation on the rate at which customer embraces a new product or services hence helpful to SMEs. Moreover, the theory assist vendors to comprehend how innovation tenor occur. Hence, it addresses the advancement and revamping of commercial enterprises such as SMEs (Mathenge & Abdul, 2021). Additionally, it reinforces the companies in evaluating the possible success or failure of their new production. Therefore, diffusion theory plays a major role when it comes to assessing impacts of technology in SMEs industry.

2.3 Determinants of Financial Performance

The technological tax reforms is critical part that involve several steps in execution. These are drivers of financial performance. It highlights the bundle of resources and pivotal areas necessary for business. This study prioritizes E-Registration, E-Filing, I-Tax system and mobile payment

2.3.1 E-Registrations

Luoga et al (2012) analyzed the benefits of modernized and integrated system in efficiency and efficiency in payment taxes. Subsequently, the investigation that ineffective procedures and structures are major bottleneck bedeviling tax administrations. Therefore accountability through good governance is paramount for enhance performance. Most SMEs spend money on rolling out good technological infrastructure to enhance tax reforms while at the same time comply with E-Registrations.

Mokua (2012) stated that tax reforms and E-registration go an immense way in positive shift on revenue collection and its productivity. The crucial reforms are fundamental for increasing performance. The study blueprinted the importance of relooking at incomes taxes and creating modernized structures that confirm to the technological innovation. Nonetheless, the study marked the increased in income taxes as the fruits of successive digital reforms.

Ondieki (2017) complete assessment of influence of I-tax system revenues in Kenya. The researched found out that there is correlation amid I-tax and collection of revenue. The findings from the study it shows that I-tax has enhance collection of tax. Moreover, technological changes has enable firms to cut down expenditure cost when it come hiring of employees. Wandugo (2014) indicated that the modernized tax systems are crucial for spearheading the holistic performance. Actually, the study maximized the stratified random sampling procedures and opined that tax compliance increase efficiency among firms and eliminate expensive processes.

Additionally, Musa and Ibrahim (2016) expounded that E-registration are replicated through different strategies and organizational structures. As a consequence, the study

focused on the administrative systems, technological tax reforms and specifically dealt with tax rate, tax audit and penalties. Moreover, the assessment extended to examine the corporate taxation compliance. However, the both technological tax and administrative reforms exhibited positive correlation versus the tax compliance. The examination was undertaken in Nigeria and Quality analysis of technological tax reforms in Kenya fills the contextual gaps.

2.3.2 E-Filing

Sagas, Nelimalyani and Kimaiyo (2015) expedited the study assessing the electronic taxation versus the revenue collection. The study scrutinized the companies located at the Western Kenya. The opined that ETRs was paramount for productive and progressive tax. The study optimized the simple random technique to sample wholesalers As a consequence, the study opined that 75% of the interviewees maximized the systems on tax filling, registration and electronic services. The systems had improved the performance by 86% and eliminating rampant tax evasion. Additionally, this translated to the financial performance and strict adherence to rules.

Ondieki (2017) analyzed the importance of tax collection in promoting the revenue generation the study concluded that I-Tax is expensive yet beneficial to the business. It maximized the comparative nature and advocated for timely adjustment of technology to fit the current demands. The study was expedited pre-I-Tax and Post-I-Tax. The study maximized secondary data while the prevailing study is incorporating questionnaires. However, the study concluded by delineating the conceptual and contextual gaps that are needed to be address.

Alhulail (2014) assessed the influence of E-filing and tax incentive on sale eco-friendly cars in Japan. The study's findings points out to a positive impacts on utilizing current technology in market. Therefore, SMEs need to choose technology which is user friendly as well as conducive for the environment. Technological reforms in tax do cut off many man power that could have been hired by the SMEs.

Cheruiyot (2016) undertook intensive examination of I-Tax on the revenue generated. Empirically, the study examined the firms in Uasin Gishu County. This assessment recommended for the modernized systems such as electronic tax register and other mechanism to increase performance. Technological reforms in regards to tax, it plays a major role when it comes to filing tax by the SMEs. It also encourages technological innovation from the SMEs. Musa and Ibrahim (2016) blueprinted positive though weak association and advocated for computerization.

2.3.3 Mobile Payments

The simplification of tax reforms curbs the interested rate. Moreover, registration of PIN and elimination of several procedurals that are non-economical is a major milestone towards registering significant profits. The reforms are therefore fundamental in increasing the business capability and stability. The mobile payment ease transaction hence employees and clients can then spend more time on high yielding work that create added value for the business that they represent and the economy as whole.

Ojochongwu and Ojeka (2012) assessed associations amid tax policy and SMEs growth. The examination points out to a significant link between tax compliance and business. Compliance to electronic and digital payment help in building a capacity to sustain and expand the business. In concurrence Kimeu (2013) also examined impacts of tax reforms

on performance of finances in real estate industry in Kenya. The researcher established that existence of positive association with tax reforms and the real estate finances performance. Wandugo (2014) opined that tax systems are fundamental for enhancing performance. Contextually, the study scrutinized the audit firms in Kenya. The study recommends for electronic filling and electronic tax register for prudent management.

The positive connection between the I-Tax and mobile payment versus collection of revenues was coined and emphasized by Ondieki (2017). The experimentation were quick to call for deeper and wider study to give crucial direction to business on tax issues and maintenance of mobile money and transfer. Moreover, Livoi (2017) explained the importance of tax reforms in increasing compliance among corporate firms. However, the concepts vary significantly with the prevailing study since they considered administrative and policy tax reforms and versus the compliance among firms at KRA. Nevertheless, the study nailed the weak though negative association between tax reforms and compliance.

Consequently, Kanyinga (2016) applied logistic regression computation in scrutinizing tax. As a result, the study coined a positive interconnection. Conceptually, gaps have been witnessed hence different dimensions and perspective are holistic for exhaustive findings.

2.4 Empirical Literature Review

Akinyomi and Chukumerije (2011) assessed the tax incentives influence on SMES. The study took place in Rivers State, Nigeria. The population that was target was from food and beverages sector in the Rivers State. Further, 11 firms were selected out of 22 firms randomly which fall into this industry for assessment. In addition, 260 questionnaires in total were provided to the research participants in the selected institutions. The researchers utilized distribution frequency and chi-square approach to scrutinize the data and

hypotheses testing 24. The uncovering from the study shows that different incentives tax that are there for SMEs and the operators in food and beverage industries do know them well. The research also found out that incentives of tax influence positively on the profitability, development and growth of SMEs sector. The study is in Nigeria's setting therefore the current study will scrutinized the SMEs in Kenya.

Luoga et al (2012) examined the merits of utilizing modernized system for tax payment. The research took place in Tanzania. The study established that existence unreliable tax administration procedures and structure. Further, the study shows that refurbishment of tax system give better governance of finance as a technology improve accountability plus transparency. The context of study was Tanzania but the current study is on Kenya context particularly SMEs.

Mokua (2012) examined the impacts of reforms of tax on revenue generation. The study were conducted in Kenya. The researcher's study indicates that tax reforms build a significant framework on structure of Kenya tax, majorly on income taxes. The responsiveness of the income taxes was a result of accomplishment of the reforms. The reforms involved low rates of income tax, PIN introduction and decline of privileged 15 which ease the system of tax and handling tax evasion. Tax reforms did not enhance the productivity of VAT as per the study findings. The study mainly focus on all general view of the tax reforms, therefore the current study aimed at assessing the impacts of technological reforms on performance of SMEs.

Kiarie and Muturi (2015) studied effects imposed by modernized duty on charge firmness on small scale taxpayers. The study took place particularly in Meru, Kenya. Data was collected by utilization of well-organized survey. The study unveils that automated duty

framework affects firmness level among the small scale farmers in county of Meru. This study targeted SMEs in Meru county, the current study aimed at scrutinizing impacts of technological tax reforms across large jurisdiction not just one county in Kenya.

Wasao (2014) assessed the influence of web based filling tool on consistence of charge among SMEs. The targeted SMEs are from Nairobi East Tax service office. The examination of the SMEs took into account imaginative and measurable techniques. The data was collected using well design survey and 260 respondent were picked for the research. Furthermore, the study established that automation tax framework affects evaluation of level of consistence among small scale firms in Nairobi East to a degree of enrollment, installment and document where concerned. This study centered mainly on Nairobi East, therefore the findings from the study limits generalizability.

Musa and Ibrahim (2016) examined the modernization and administrative tax innovation on small institution tax compliance in Nigeria. On the degree of administration functions the research investigated the tax structure variables. The variables includes; audit of tax, rate of tax and penalties. Furthermore, how these forces affects the compliance level by the small corporations. In the other side of technological innovation, the indirect impacts of the tax cost compliance on behavior of small companies on the tax compliance was evaluated by the research. In the context, gaps are visible and clear so there is need for local study.

A research conducted by Livoi (2017) examined the impacts of KRA reforms on companies' compliance of tax. The researcher examined the influence of reforms of administrative tax changes, tax policy changes and modernization on compliance amid companies in Kenya Revenue Authorities. The research employed a descriptive design.

The study did a census of staff employed in domestic tax function in KRA. Thereafter, data gathered were analysis using inferential and descriptive statistics. These Findings from the study shows there is weak inverse link amid compliance of corporate tax and reforms of technological tax at KRA. The study majored on the all Kenyan corporations, thus these results may not be applicable to the SME s under study.

Palil and Mustapha (2012) examined the elements of tax compliance on Malaysian self-evaluation system. This assessment found out that self-assessment blueprint in Malaysia, tax acceptances positively influence tax 20 compliance and tax level learning inflations amid respondents. The evaluation also settled that evaluation consistence was influenced by probability of existence assessment, government spending view, punishments, and gathering reference. The setting of the study was Malaysia and the currents study target Kenyan SMEs.

Uwaume and Ordu (2014) assessment the influence of tax incentives on Nigerian development of the economy. The study period is from 2004 to 2014 and this research involved 51 respondents from management level, payers' tax and staff from firms from south-south political state of Nigeria. It was found out that the growth of the industry together with the development of the economy can be improved through enough tax incentives. This research propose that government waive of certain taxes on companies bodies that is lost at this place since it is importance in surpassing eventually loss at start times. This assessment was done in Nigeria and it cannot reflect Kenya industry of SMEs.

Kanyinga (2016) evaluate the influence of tax reforms on compliance with tax of turnover amid SMEs in Nairobi. The study utilized descriptive design of research aiming at 1240 SMEs registered in KRA. The researcher analyzed the data by using regression analysis.

It was established that noncompliance level by SMEs was at 40 %. It moreover shows that over $\frac{3}{4}$ of SMEs maximizes internet to file returns. Further, a strong association was concluded between technological tax innovation and compliance of tax. Conceptually, gaps emerge on requirement to examine more on technological tax innovation above online tax.

2.5 Conceptual Framework

This is fundamental flowchart delineating the association amid the variables in the snapshot. The flowchart shapes the imagination of the existing connection between E-registration, E-filing, E-Payment and Mobile payment verse the financial performance.

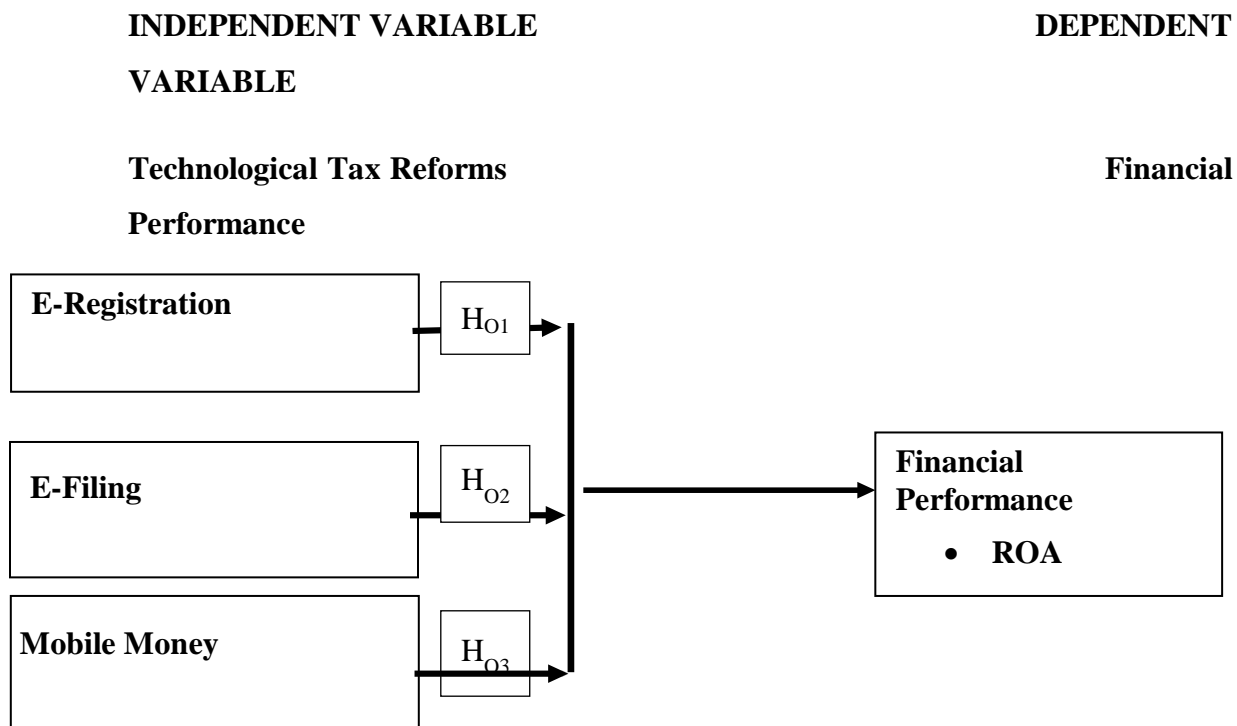


Figure 2.1 Conceptual Framework

Source: Author (2022)

2.6 Summary of Empirical Reviewed and Knowledge Gaps

The study did numerous benchmark of preceding studies to pinpoint substantial contributions, criticisms and gaps. Uwaume and Ordu (2014) was motivated to scrutinize tax incentive verse the performance in Nigeria. The study opines a positive connection in Nigeria, while this study focuses on Kenya context. Additionally, its vital point is the technological tax reforms contrary to the tax incentives.

Palit and Mustapha (2012) utilized primary techniques to source first-hand data in Malaysia to analyze taxation and performance. The findings wrapped-up on a positive correlation. Nevertheless, the study was undertaken in Malaysia possessing different geopolitical,

economic and demographic traits from Kenya. Hence, a Kenyan study is resourceful for policy making, bridging contextual and methodological gaps.

Livoi (2017) posted a weak negative association amid technological tax reform and performance. This findings were inconsistent with Musa and Ibrahim (2016) position of positive association. Additionally, Chukumerije and Akinyomi (2011) maximized questionnaire to exemplify the linkage. Grounded on these studies, it is imperative to instantiate that there are several gaps that have left research puzzling. These gaps include knowledge gap on the four predictor variables specifically in the SMEs set-up. Furthermore the researchers have maximized several methods thereby resulting in empirical gaps. Finally, the contextual and conceptual part also prioritize areas for bridging the gaps.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This part guided the assessment of the appropriate design adopted in research. In addition, it captured adequate population for the conclusive output. It enabled the study to elucidate their findings with confidence and accuracy. It also highlighted the systematic and organized ways of collecting data to offer solutions. Moreover, it stated the data analysis techniques which address the detrimental, question and draw valid deduction therefrom.

3.2 Research Design

The study purpose to apply tools and technique that are appropriate and relevant to ensure problems are addressed adequately. The study intends to solve the research problem scientifically by following organized, rigorous and logical steps. Therefore, the quantitative descriptive design was incorporated to explain critical tenets of the research such as why, what, when, where and how. Moreover, Jackson (2015) pinpoints its advantage in giving in-depth cause-effect connection. Therefore, is elaborates the existing condition grounded by variables without having to change the environmental situation. Mathenge and Abdul (2021) postulates that descriptive research design post a causal association amid predicted and predictor variable. Therefore, the design was executed to give chief latitude on technological tax reforms and the performance of SMEs.

3.3 Population

This is fundamental for the investigation. Creswell and Creswell (2017) stated population as a complete and precise setting of elements that implies homogenous traits. According to

Jackson (2015) population factors in objects exhibiting recognizable but same characteristics. According to KNBS (2019) there are approximately 7.41 million MSMEs while handful number of 1.56 million are fully registered and operational 5.85 million are not registered. The study intends to collect data from SMEs. SMEs gave holistic, contextual and comprehensive details. Hence, it ease the deductive as well as the inductive reasoning aimed at the generalization of the findings of SMEs on the technological tax reforms and performance. Due the large volume of SMEs in Kenya, this study intends to analyze top 50 SMEs quoted in Business Daily (2021).

3.4 Sampling

The sample design is crucial roadmap that blueprint the selection techniques and affects several important aspects. The sampling framework is utilized due to limited time, resources and inaccessible population that is identical (Bell, Bryman & Harley, 2018). This study maximized convenience sampling frame since it relies on the Top 50 ranked SMEs. The two personnel was chosen from each firm including manager and accountant or equivalent. This techniques gave advance knowledge of the population and simplify data for quantification, analysis, interpretation and conclusion.

3.5 Data Collection

This process was spearheaded via primary. As a consequence, questionnaires were send to each SMEs selected. Assembling data from manager and accountant hence two personnel were selected from each firm. The information was confirmed with data recorded by respective SMEs, Micro and Small Enterprise Authority (MSEA), KNBS and Business Daily (2021). The first-hand method was appropriate for huge and voluminous data which

may be time-consuming Mathenge and Abdul (2021). Besides the ease to access, the primary data was sourced from individuals with deep knowledge about the firm.

3.6 Data Analysis

The collected data was subjected to rigorous process for computation and determination. The systematic empirical procedure was expedited. In a nutshell, the first-hand collected data was cleaned, edited and coded. The objective quantification was prioritized to reinforce mathematical computation. The arithmetic computation was done via SPSS due to its centrality in measurement, mathematical expressions and quantifying association.

3.6.1 Diagnostic Tests

The data assembled with examined to satisfy normality, autocorrelation and multicollinearity. The supposition that data adhere to normal distribution pattern is provocative hence analysis was undertaken. In that case, Kolmogorov-Smirnov and Shapiro-Wilk Test was useful in giving clear and reliable output. The inability of data to meet normality test triggers more comprehensive analysis to deepen the results.

The autocorrelation was computed via Durbin-Watson. It expounded the association between the independent and depended variables. A mathematical computation of autocorrelation spans from 0 to 4. Whereas, value of 2 insinuate a that residual do not associate, value below 2 implies a positive correlation. Finally, greater than 2 (>2) shows negative connection amid explanatory and explained variable. In a nutshell, whenever, data does not satisfy the stipulated autocorrelation threshold, it is passed through other intensive analysis such as Breusch-Godfrey.

The multicollinearity was spearheaded via VIF to disregard indeterminate regression. Therefore, bigger VIF than 10 ($VIF > 10$) is a portrayal of presence of multicollinearity. The failure to perform this fundamental tests may lead to generation of errors in rejection and failure to reject the stated null hypothesis. Additionally, variability of data translates to intense sensitivity to minimal adjustments (Jackson, 2015). In general, the presence of multicollinearity is problematic to data hence the remedy is removal of highly connected regressor variable.

3.6.2 Empirical Model

The empirical model posts a multivariate linear regression to coin the existing association. It alludes that the existing association amid regressor (technological tax reforms) and the regressed (financial performance). Therefore, it attempts elaborate on the fundamental association. Resnik (2003) advocated for linear regression to give a reasonable and intelligent determination. In summary, it contemplates logical magnitude and direction for the variable under scrutiny.

An arithmetic regression formulae is given below;

$$Y = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Whereby:

Y= Financial Performance (ROA)

α_0 =constant variable

X_1 =E-registration

X_2 = E-filing

X_3 =Mobile Payment

ε = error term

3.6.3 Significance Tests

The research expedited mathematic significance computation. Therefore, F-Test, ANOVA and T-Test was pivotal in arriving at deductive and inductive output. In a nutshell, it give accurate portrayal of 95% and 5% confidence level. Besides its determination for exhaustive interpretation, it strives to supersede standards in extensive presentation while countering existing awkward situation.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATIONS AND INTERPRETATIONS

4.1 Introduction

The response rate of the study is covered in this section together with the demographic characteristics of the respondents, the descriptive results as well as the inferential statistics. The variables of the study were e-registration, e-filing, mobile payments and SMEs financial performance, which was the dependent variable.

4.2 Response Rate

This refers to the percentage of the total questionnaires that are properly filled and returned of the total questionnaires administered. A100 questionnaires in total were administered in the study, out of which 93 were dully filled and brought back. This represented 93% questionnaire return rate. A response rate of above 70% is suitable for a research study according to Morton et al. (2012).

Table 4.1: Response rate

Respondents	Sample Size	Returned	Unreturned	Return rate (%)
Top 50 Ranked SMEs	100	93	7	93%
Total	100	93	7	93%

It can be noted from the findings that from the 100 questionnaires that were administered, 93 were dully-filled and returned giving a response rate of 93%. This according to Morton et al. (2012) is good for a research study.

4.3 Demographic Statistics

The statistics under study in this section included the age, gender, the number of years in the respective enterprises and the nature of the respective enterprises. The results of the demographic analysis is shown in the subsequent sections.

4.3.1 Gender

The research aimed at determining the composition in terms of gender of the respondents of the study. The results of this study is tabulated below.

Table 4.2: Gender of the respondents

	Frequency	Percent
Male	54	58.1
Female	39	41.9
Total	93	100

It can be observed from the results that the male respondents constituted 58.1% whereas 41.9% of them were female. This represented a fair distribution of gender across the management of the selected SMEs. There was also a good gender representation in the study.

4.3.2 Age

The study further aimed at determining the age composition of those who were contacted to participate in the study. The summary is tabulated below.

Table 4.3: Age

	Frequency	Percent
Less than 20 years	11	11.8
Above 20 years	82	88.2
Total	93	100

The results of this analysis indicate that 11.8% of the participants of the study were less than 20 years of age whereas 88.2% of them had ages over 20 years. These results imply that the respondents are aged are able to understand issues related to technological tax reforms that have happened over time.

4.3.3 Number of Years Served in the Respective Enterprise.

The study focused on analyzing the number of years the respondents had been working for their respective SMEs. The results are,

Table 4.4: Length of Service in the Enterprise

	Frequency	Percent
Less than 5 years	22	23.7
5-10 years	18	19.4
10-15 years	34	36.6
Over 15 years	19	20.4
Total	93	100

It can be noted that 23.7% of those contacted had been working for their respective SMEs for less than 5 years, 36.6% between 10 and 15 years, 19.4% for between 5 and 10 years and finally 20.4% for over 20 years. The number of years of service in the enterprise is critical because the respondents are able to understand issues of the enterprise related to tax registration, tax reforms and also filling of tax and how it has been happening over

time.

4.3.4 Nature of Enterprise

The study was further focused on establishing the nature of ownership of the respective SMEs under study. The findings are tabulated below.

Table 4.5: Nature of the enterprise

	Frequency	Percent
Sole proprietorship	20	21.5
Partnership	61	65.6
Other	12	12.9
Total	93	100

The results of this analysis indicate that 21.5% of the SMEs under study were under sole proprietorship, 65.6% partnerships and 12.9% other forms of ownership.

4.4 Descriptive Statistics

The independent variables of the study were E-registration, E-filing and mobile payments. The dependent variable of the study was SMEs financial performance. The results are presented in the form of frequencies, mean, percentages and standard deviation. The descriptive results are presented in a scale ranging from 1 to 5 where 1 represents strongly disagree, 2 disagree, 3 Neutral, 4 agree and 5 strongly agree.

4.4.1 E-Registration

The aim of the research was to evaluate the effect of e-registration on the SMEs financial performance in Kenya. Inferential and descriptive statistics are covered in this section. The results are,

Table 4.6: Descriptive Results of E-Registration.

	SD	D	N	A	SA	M	S Dev
	f %	f %	f %	f %	f %		
I can register and get my KRA pin online without visiting the KRA offices	3 3.2%	10 10.8%	22 23.7%	30 32.3%	28 30.1%	3.8	1.1
The KRA registration process is cheap	8 8.6%	13 14%	15 16.1%	37 39.8%	20 21.5%	3.5	1.2
KRA registration process is simple and saves time	5 5.4%	9 9.7%	15 16.1%	32 34.4%	32 34.4%	3.8	1.2
It is convenient and fast for me to get a KRA pin for my business.	5 5.4%	8 8.6%	17 18.3%	35 37.6%	28 30.1%	3.8	1.1
E-registration reduces period to legalize and start a business.	5 5.4%	12 12.9%	16 17.2%	30 32.3%	30 32.3%	3.7	1.2

The statement, I can register and get my KRA pin online without visiting the KRA offices, received the following responses. 22(23.7%) of those contacted held a neutral stand, 28(30.1%) strongly agreed whereas 30(32.3%) were in agreement with the statement. The line mean and the standard deviation of the statement were 3.8 and 1.1 respectively. With regards to the question on whether KRA registration process is cheap, 20(21.5%) of the responses strongly agreed that KRA registration is cheap, 15(16.1%) of them did not take any side while 37(39.8%) agreed with the statement. The standard deviation of the statement was 1.2 and its corresponding line mean was 3.5. Kirchler and Wahl (2010) associated technological advancement in taxation to the commitment and creativity aimed efficiency.

The summary of the responses of the statement KRA registration process is simple and saves time, indicated that, 32(34.4%) of the study participants agreed that the process of KRA registration is simple and saves time, 32(34.4%) of them agreed strongly while

15(16.1%) did not take any position. The line mean of the statement was 3.8 and the respective standard deviation was 1.2. The statement whether it is convenient and fast for me to get a KRA pin for my business attracted the following responses. 17(18.3%) of those contacted took a neutral stand, 35(37.6%) agreed that getting KRA pin was convenient and fast and 28(30.1%) of them strongly agree. The mean and the standard deviation of the statement were 3.8 and 1.1 in that order.

Finally, the question E-registration reduces period to legalize and start a business attracted the responses as follows. 30(32.3%) of those contacted strongly agreed that the E-registration reduces the time it takes to start and legalize a business. Furthermore, 30(32.3%) were in agreement with the statement and 16(17.2%) took a neutral stand. The mean and standard deviation of the statement were 3.7 and 1.2 respectively.

4.4.2 E-Filing

The study aimed at determining the influence of e-filing on the SMEs financial performance of in Kenya. The descriptive results of e-filing are presented in Table 4.7

Table 4.7: Descriptive Results of E-Filing

	SD	D	N	A	SA	M	S Dev
	f %	f %	f %	f %	f %		
I can file the tax returns of my business online	3 3.2%	12 12.9%	15 16.1%	31 33.3%	32 34.4%	3.8	1.1
E-filing reduces the number of errors and the costs associated with it	3 3.2%	3 3.2%	15 16.1%	35 37.6%	37 39.8%	4.1	1.0
I can conveniently obtain tax compliance for my business	2 2.2%	6 6.5%	16 17.2%	46 49.5%	23 24.7%	3.9	0.9
E-filing saves time and costs of filing tax returns	4 4.3%	9 9.7%	19 20.4%	42 45.2%	19 20.4%	3.7	1.0
E-filing reduces business disruptions while filing returns	4 4.3%	10 10.8%	13 14%	35 37.6%	31 33.3%	3.8	1.1

The responses of the statement, I can file the tax returns of my business online received the responses indicated. 31(33.3%) of the respondents had consensus that they can file tax returns of their businesses online. 32(34.4%) of these respondents strongly agreed whereas 15(16.1%) held a neutral stand. The statement line mean was 3.8 and its corresponding standard deviation was 1.1. Concerning the statement E-filing reduces the number of errors and the costs associated with it, 15(16.1%) of the respondents did not take sides, 35(37.6%) agreed that E-filing reduces errors and 37(39.8%) strongly agreed. The line and standard deviation of the document were 4.1 and 1.0 in that order.

Regarding the question, I can conveniently obtain tax compliance for my business, the responses received indicated that, 23(24.7%) of those contacted strongly agreed that they

can conveniently get tax compliance for their businesses. 46(49.5%) indicated that they were in agreement with the statement. However, 16(17.2%) held a neutral stand. The line mean and standard deviation were 3.9 and 0.9 consecutively. Furthermore, concerning the statement, E-filing saves time and costs of filing tax returns, 19(20.4%) of those contacted strongly agreed, 42(45.2%) agreed and 19(20.4%) took a neutral stand. The line standard deviation and mean of the statement were 1.0 and 3.7 respectively. Mathenge and Abdul (2021) indicated that the technological tax reforms are crucial for the regulatory body, it reduces costly bureaucratic process which are very expensive firms.

Finally, E-filing reduces business disruptions while filing returns attracted the following responses. 13(14%) did not take any side, 35(37.6%) agreed that E-filing reduces the disruption in business while filling tax. However, 31(33.3%) of them strongly agreed with the statement. The mean and standard deviation of the statement were 3.8 and 1.1 consecutively. The technological tax reforms are cardinal for improving the simplicity, fairness and adherence to regulation (Keen & Slemrod, 2017).

4.4.3 Mobile Payment

The study aimed at analyzing the influence of mobile payment on the SMEs financial performance of in Kenya. The descriptive results of mobile payments are presented in Table 4.8

Table 4.8: Descriptive Results of Mobile Payments

	SD	D	N	A	SA	M	S De v
	f %	f %	f %	f %	f %		
Mobile payment of Tax is convenient	5 5.4%	10 10.8%	24 25.8%	29 31.2%	25 26.9%	3.6	1.1
It is easy to manage payments on the mobile payments platform of Tax	9 9.7%	10 10.8%	15 16.1%	30 32.3%	29 31.2%	3.6	1.3
There is increased transparency and accountability when using mobile money payment method	5 5.4%	12 12.9%	22 23.7%	29 31.2%	25 26.9%	3.6	1.2
Mobile payment method of tax is less risky.	1 1.1%	18 19.4%	23 24.7%	27 29%	24 25.8%	3.6	1.1
Mobile money payments reduces the costs associated with tax defaults	8 8.6%	13 14%	21 22.6%	25 26.9%	26 28%	3.5	1.3

The responses of the statement that Mobile payment of Tax is convenient, 25(26.9%) of the respondents strongly agreed, there is convenience in mobile payment of tax, 29(31.2%) agreed while 24(25.8%) took a neutral position. The statement line mean and standard deviation were 3.6 and 1.1 respectively. In addition, it is easy to manage payments on the mobile payments platform of Tax received responses as follows. 30(32.3%) of the participants in the study agreed that the management of payments on the mobile money payment platforms is easy, 29(31.2%) of them strongly agreed while 15(16.1%) did not take any side. The standard deviation of the statement was 1.3 and its line mean was 3.6. Marcus et al. (2013) blueprinted the cardinal part of technological innovation in the transformation, compliance, increasing efficiency and effectiveness. It simplifies and ease process while reducing costly process of employing numerous personnel. The tax reforms strengthen operation of business through streamlining the process and minimizing complication.

Concerning the statement, there is increased transparency and accountability when using mobile money payment method, 22(23.7%) of those who were contacted did not take any position, 29(31.2%) agreed while 25(26.9%) agreed strongly that there is increased transparency and accountability by using mobile money payments. The statement line mean and standard deviation were 3.6 and 1.2 in that order. Furthermore, regarding the question, mobile payment method of tax is less risky, 24(25.8%) of those contacted strongly agreed that mobile tax payment method is less risky, 27(29%), agreed and 23(24.7%) did held a neutral position. The statement standard deviation was 1.1 and its respective line mean was 3.6.

Finally, mobile money payments reduces the costs associated with tax defaults received the responses as follows. 21(22.6%) of the participants of the study did not take any position, 26(28%) strongly agreed that there is a reduction in costs associated with tax defaults with mobile money payments whereas 25(26.9%) were in agreement with the statement. The line mean and standard deviation of the statement were, 3.5 and 1.3 respectively. Biorn (2017) linked the technological tax reforms with efficiency and effectiveness

4.4.4 Financial Performance

The dependent variable of the research was SMEs financial performance in Kenya. The descriptive results of financial performance are tabulated below.

Table 4.9: Descriptive Results of Financial Performance

	SD	D	N	A	SA		S De v
	f %	f %	f %	f %	f %	M	
There is increased tax compliance by SMEs hence reduced costs associated with it	1 1.1%	10 10.8%	20 21.5%	33 35.5%	29 31.2%	3.8	1.0
The technological tax reforms have reduced business disruptions by KRA officials	4 4.3%	14 15.1%	23 24.7%	29 31.2%	23 24.7%	3.6	1.1
Technological tax reforms have increased reliability of the business operations	0 0%	12 12.9%	16 17.2%	33 35.5%	32 34.4%	3.9	1.0
Technological tax reforms have increased the reliability of the SMEs who can secure credit	1 1.1%	11 11.8%	17 18.3%	40 43%	24 25.8%	3.8	1.0
Technological tax reforms have increased the convenience in doing business	3 3.2%	5 5.4%	26 28%	26 28%	33 35.5%	3.9	1.1

The statement, there is increased tax compliance by SMEs hence reduced costs associated with it attracted the responses as follows. 29(31.2%) of the those contacted were in strong agreement that technological tax reforms boost the tax compliance rates of various businesses. 33(35.5%) were in agreement with the statement while 20(21.5%) did not take any side. The statement line mean and standard deviation were, 3.8 and 1.0 respectively. Furthermore, with regards to the statement, the technological tax reforms have reduced business disruptions by KRA officials, 29(31.2%) of the respondents were in agreement that with technological tax reforms, there is reduced business disruptions. In addition, 23(24.7%) agreed strongly with the statement whereas 23(24.7%) did not take any position. The standard deviation of the statement was 1.1 and the respective statement mean was 3.6. The employment of accountants and tax advisors to fast-track clerical issues, updating and adhering to policies may be costly to the organization Schoonjans et al.,

(2011).

Regarding the statement, technological tax reforms have increased reliability of the business operations, 16(17.2%) of the respondents took a neutral position, 32(34.4%) strongly agreed that technological tax reforms increases business reliability. 33(35.5%) of them were generally in agreement with the statement. The line mean and standard deviation of the statement were 3.9 and 1.0 in that order. Additionally, concerning the statement, technological tax reforms have increased the reliability of the SMEs who can secure credit, 24(25.8%) of those contacted strongly agreed that technological tax reforms increases credit access for SMEs, 40(43%) were in agreement and finally 17(18.3%) were neutral in their responses. The line mean and standard deviation were 3.8 and 1.0 in that order. Marcus et al. (2013) encapsulated that simple system may not require sophisticated accounting tabulations that demands for employment of bookkeepers. The employment of more personnel to address complex issues among firms translates to hiring cost, budget for salaries and compliance cost. Nkatha (2021) pinpointed that efficiency and productivity translates to financial performance in the business.

Technological tax reforms have increased the convenience in doing business on the other had attracted the following responses. 26(28%) of the respondents held a neutral position, 26(28%) agreed that there is increased convenience in doing business with technological tax reforms, whereas 33(35.5%) strongly agreed. The standard deviation of the statement was 1.1 and its corresponding mean was 3.9. Erich et al. (2006) associated the technological advancement in taxation to highly the canons of taxes such as convenience, fair and equity means. The struggle to achieve effectiveness in the SMEs is attributed to

launching of systems and technological advancement to gear the businesses towards prosperity.

4.5 Inferential Statistics

The inferential statistics of the study included the diagnostic tests, correlation statistics and regression statistics.

4.5.1 Diagnostic Tests

The diagnostics tests carried out in the study include, normality tests, autocorrelation tests and multicollinearity tests. These tests are done to ascertain the suitability of the dataset in estimating the model.

Multicollinearity Tests

The test for multicollinearity of the data set in this research was done using the VIF (Variance Inflation Factor) method. Any VIF values >10 indicated the presence of multicollinearity in the data set whereas VIF values <10 meant the absence of multicollinearity in the data set. The VIF results of the study are tabulated in the next table.

Table 4.10: Multicollinearity Test Results

	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	0.055	0.468		0.118	0.906		
E-Registration	0.302	0.094	0.281	3.223	0.002	0.797	1.254
E-Filling	0.361	0.104	0.288	3.462	0.001	0.878	1.138
Mobile Payment	0.351	0.094	0.334	3.75	0.000	0.764	1.31

a Dependent Variable: Financial performance

The multicollinearity test results presented in Table 4.14 argue that all the VIF values of the study are <10 ($1.254 < 10$, $1.138 < 10$, $1.31 < 10$) implying the absence of multicollinearity in the data set and thus the data set appropriate for model estimation.

Test for Autocorrelation.

This refers to the relationship between the different observations of the study. The test for autocorrelation in this study was done by use of Durbin Watson Method. Durbin-Watson value =2.0 shows no autocorrelation, >2.0 shows negative autocorrelation and <2.0 shows positive autocorrelation. The Durbin-Watson results are presented in Table 4.15

Table 4.11: Results Autocorrelation Tests

R	R Square	Adjusted Square	R	Std. Error of the Estimate	Durbin-Watson
.678a	0.459		0.441	0.40515	1.994

a Predictors: (Constant), Mobile Payment, E-Filing, E-Registration

b Dependent Variable: Financial performance

It can be noted that the Durbin Watson value of the study was approximately 2.0 hence indicating that there was no autocorrelation within the data set. This implies that the data is fit to carry out model estimation.

Normality Tests.

The assumptions of normality in the distribution of data is important when carrying out multivariate analysis. These assumptions must be fulfilled before estimating the multiple regression model (Hair et al., 2010). The Normality test results are shown in figure below

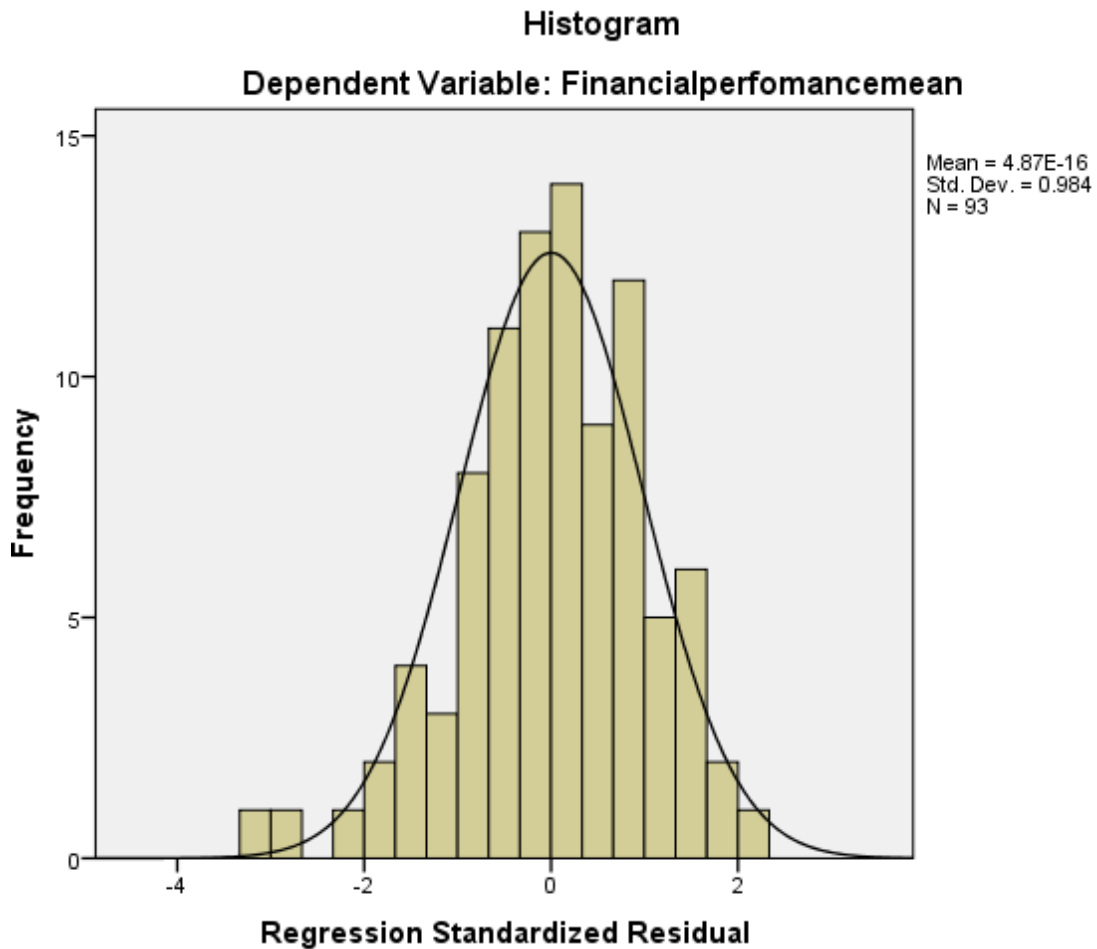


Figure 4.1: Normality Test Results

From the results shown in the figure, it can be observed from the findings that the data set in this research is distributed normally and hence is appropriated for approximating a linear regression model.

4.5.2 Correlation Analysis

This analysis is carried out to ascertain the direction and the strength of relationship between two variables in a study. The values of correlation ranges from -1 to +1 where a value of -1 perfect negative correlation and a value of +1 implies a perfect positive

correlation. The range of values from 0.00 – 0.10 meant a negligible correlation, 0.10 – 0.39 weak, 0.40 – 0.69 moderate, 0.70 – 0.89 strong and 0.90 – 1.00 very strong. The correlation results of the study are tabulated below.

Table 4.12: Correlation Results

		Financial Performance	E-Registration	E-Filling	Mobile Payment
Financial Performance	Pearson Correlation	1.000	.500**	.468**	.550**
	Sig. (2-tailed)		0.000	0.000	0.000
	N	93	93	93	93
E-Registration	Pearson Correlation	.500**	1.000	.256*	.433**
	Sig. (2-tailed)	0.000		0.013	0.000
	N	93	93	93	93
E-Filling	Pearson Correlation	.468**	.256*	1.000	.324**
	Sig. (2-tailed)	0.000	0.013		0.002
	N	93	93	93	93
Mobile Payment	Pearson Correlation	.550**	.433**	.324**	1.000
	Sig. (2-tailed)	0.000	0.000	0.002	
	N	93	93	93	93

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

* Correlation is significant at the 0.05 level (2-tailed).

It was noted from the findings that the correlation of e-registration and the financial performance of SMEs in Kenya is moderate (0.500) and statistically significant ($0.000 < 0.05$). Furthermore, e filling and the SMEs financial performance in Kenya are moderately (0.468) and statistically significant ($0.000 < 0.05$). In addition, the correlation results of mobile payments and financial performance indicate that mobile payments and financial performance have a moderate (0.550) and significant ($0.000 < 0.05$) correlation. In

summary, the variables of the study have a relationship that is moderate and statistically significant with SMEs financial performance of the in Kenya. Hence, these variables are important in giving explanations on the changes in financial performance of the SMEs.

4.5.3 Regression Analysis.

This research carried out a regression analysis with the aim of finding out the linear associations between the independent variables of the study that is, e filling, e registration and mobile payments and the dependent variable that was the SMEs financial performance. The hypotheses of the study were tested at this point. The model regression of the research that was employed in estimating the coefficients of the model was presented as,

$$Y = \alpha_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Whereby:

Y= Financial Performance (ROA)

α_0 = constant variable

X_1 =E-registration

X_2 = E-filing

X_3 =Mobile Payment

The estimated model summary was presented as,

Table 4.13: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.678a	0.459	0.441	0.40515

a Predictors: (Constant), Mobile Payment, E-Filling, E-Registration

The findings shown indicate that e registration, e filling and mobile money payment method can explain 67.8% of the total variations in the SMEs financial performance in Kenya. These results are supported by the value of R (0.678) in the research.

Table 4.14: ANOVA Results

	Sum of Squares	df	Mean Square	F	Sig.
Regression	12.416	3	4.139	25.213	.000b
Residual	14.609	89	0.164		
Total	27.025	92			

a Dependent Variable: Financial performance

b Predictors: (Constant), Mobile Payment, E-Filling, E-Registration

The ANOVA results presented argue that the estimated model is statistically significant at a significance level of 95%. This supported by a P value of $0.000 < 0.05$ and an F value of $25.213 > 2.041$ from the F value tables. This therefore means that the variables of the study are significant in explaining the variations in the financial performance of SMEs.

Table 4.15: Regression Coefficients

	Unstandardized Coefficients	Std. Error	Standardized Coefficients	t	Sig.
	B		Beta		
(Constant)	0.055	0.468		0.118	0.906
E-Registration	0.302	0.094	0.281	3.223	0.002
E-Filling	0.361	0.104	0.288	3.462	0.001
Mobile Payment	0.351	0.094	0.334	3.75	0.000

a Dependent Variable: Financial performance

The findings shown argue that the estimated coefficients of the model. These results imply that the constant of the model is positive (0.055). This means in the absence of e registration, e filling and mobile payments as the variables affecting financial performance, the financial performance of SMEs can be handled by other factors. The coefficient of e registration is positive and statistically significant ($\beta=0.302$, $P=0.002<0.05$). This means that a unit improvement in e registration will yield 0.302 units improvement in the financial performance of SMEs in Kenya. Luoga et al (2012) analyzed the benefits of modernized and integrated system in efficiency and efficiency in payment taxes. The increased in efficiency in KRA pin tax registrations online have led to efficient startup and legalization of a business entity. This ultimately is beneficial to the business because there is reduced costs of registration as well as good time management. This leads to improved business performance among the SMEs.

Similarly, the coefficient of e-filling is also significant and positive ($\beta=0.361$, $P=0.001<0.05$). This means that improving e filling by a unit leads to a significant increase of 0.361 units in the financial performance of SMEs. Sagas et al., (2015) indicated that

ETRs was paramount for productive and progressive tax. Furthermore, Ondieki (2017) concluded that I-Tax is expensive yet beneficial to the business. E-filing reduces the costs of default in tax filing as well as reducing the costs of filing tax. The reduction in the costs enhances the efficiency and the financial performance of the SMEs in Kenya

Finally, the coefficient of mobile payment method and financial performance is also significant statistically and positive ($\beta=0.351$, $P=0.000<0.05$). Improving mobile tax payments will result on 0.351units improvement in the performance of SMEs in Kenya. The mobile payment ease transaction hence employees and clients can then spend more time on high yielding work that create added value for the business that they represent and the economy as whole. Ojochongwu and Ojeka (2012) pinpointed the significant link between tax compliance and business and indicated that electronic and digital payment help in building a capacity to sustain and expand the business.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION AND RECOMMENDATION.

5.1 Introduction

This section covers the conclusion, summary of findings and recommendation of the effect of technological tax reforms on the performance of SMEs in Kenya.

5.2 Summary of the findings.

A summary of the findings of the research are presented in this section. The section presents the summary as per the study goals.

5.2.1 E-registration.

The goal of the study was finding out the influence of e-registration on the financial performance of SMEs in Kenya. A summary of the descriptive results presented in the study indicated that e-registration is essential in boosting the financial performance of the SMEs in Kenya. Correlation results further pointed out that e-registration and financial performance of SMEs are moderately and significantly correlated. The regression analysis of the study postulated a positive, linear statistically significant relationship with financial performance of SMEs. The research summarizes that there are benefits of modernized and integrated system in efficiency and efficiency in payment taxes. The increased in efficiency in KRA pin tax registrations online have led to efficient startup and legalization of a business entity. This ultimately is beneficial to the business because there is reduced costs of registration as well as good time management. This leads to improved business performance among the SMEs.

5.2.2 E-filing

This research was aimed at determining the effect of e-filing on the SMEs financial performance of in Kenya. The descriptive results of the research presented in the study indicated that e-filing is important in enhancing the financial performance of the SMEs in Kenya. These findings of the correlation results indicated that e-filing and SMEs financial performance have a moderate and significant correlation. The regression analysis of the

study postulated a statistically significant, linear and positive relationship of e-filing and the financial performance of SMEs. ETR are paramount for productive and progressive tax. Furthermore, I-Tax is expensive yet beneficial to the business. E-filing reduces the costs of default in tax filing as well as reducing the costs of filing tax. The reduction in the costs enhances the efficiency and the financial performance of the SMEs.

5.2.3 Mobile Payments

The third aim of the study was establishing the effect of mobile payments on the financial performance of SMEs in Kenya. A summary of the descriptive results presented in the study indicated that mobile payments is significant in boosting the SMEs financial performance in Kenya. The correlation results further indicated that mobile payments and financial performance of SMEs are moderately and significantly correlated. The regression analysis of the study postulated a positive, linear statistically significant relationship between mobile payments and financial performance of SMEs. The mobile payment ease transaction hence employees and clients can then spend more time on high yielding work that create added value for the business that they represent and the economy as whole. There exist a significant link between tax compliance and business and indicated that electronic and digital payment help in building a capacity to sustain and expand the business.

5.3 Conclusion

The study concludes that e-registration is key in improving the financial performance of SMEs in Kenya. Furthermore, there are benefits of modernized and integrated system in efficiency and efficiency in payment taxes. The increase in efficiency in KRA pin tax registrations online have led to efficient startup and legalization of a business entity. This

ultimately is beneficial to the business because there is reduced costs of registration as well as good time management. This leads to improved business performance among the SMEs.

In addition, e-filing is also significant in boosting the performance of SMEs in Kenya. E-filing improves the compliance among the various businesses as well as increasing efficiency in filing returns. This boosts the efficiency of the businesses and hence their financial performance. ETR are paramount for productive and progressive tax. Furthermore, I-Tax is expensive yet beneficial to the business. E-filing reduces the costs of default in tax filing as well as reducing the costs of filing tax. The reduction in the costs enhances the efficiency and the SMEs financial performance.

Mobile payments on the other hand are instrumental in enhancing the SMEs financial performance. The mobile payment ease transaction hence employees and clients can then spend more time on high yielding work that create added value for the business that they represent and the economy as whole. There exist a significant link between tax compliance and business and indicated that electronic and digital payment help in building a capacity to sustain and expand the business. Furthermore, mobile payments boost compliance among the business entities because of the efficiency in terms of cost and time as well as the ease of making the payments. Timely payments reduces business disruptions with the taxman hence improving its business operations and reliability hence performance.

5.4 Recommendation

The research recommends KRA to role out more technological reforms and further ease the KRA pin online registration process to a system that is friendly to the semi-skilled at least. KRA should also increase their sensitization campaigns on deadlines of tax payments, the payment platforms and the penalties for tax defaults. These information

should be made available to the public to avoid tax defaults by businesses as a result of lack of information and the costs associated with default and hence improve financial performance. In addition, the government should also come up with a way of eliminating double taxations. There should be one payment point, either KRA or the county government licenses. This can be done through categorization of businesses to avoid conflict.

5.5 Limitations of the Study.

This research is limited to the top 50 ranked performing SMEs in Kenya because of the costs associated with data collection. However, there are many registered SMEs in Kenya whose views also count. Furthermore, the scope of respondents was also limited to two respondents per enterprise, especially those at the management level. However, this scope can be expanded to include the company employees. The study was further limited to the use of primary data in its analysis. This data was majorly collected by use of a questionnaire as a data collection instrument.

5.6 Suggestion Further Research

The study recommends further research on the impact of the technological tax reforms on revenue performance at the Kenya Revenue Authority.

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APPENDICES

Appendix I: Top 50 SMEs in Kenya

1	True Blaq Limited	
2	Quipbank Trust	
3	Rural Distributors Enterprises	
4	Orange Pharma LTD	
5	Professional Digital Systems LTD (PDSL)	
6	ASA Limited	
7	Kurrent Technologies LTD (KTL)	
8	Dakawou Transport Limited	
9	Spic and Span Cleaning Services	
10	Questworks Limited	
11	Sheffield Steel Systems LTD	

12	Bella Safaris LTD	
13	Isolutions Associates LTD	
14	Myspace Properties LTD	
15	Melvin Marsh International LTD	
16	Victoria Courts Trading LTD	
17	Eco Steel Africa LTD	
18	General Cargo Services LTD	
19	Imexolutions Limited	
20	North Star Cooling Systems LTD	
21	Tropical Brands (Afrika) Limited	
22	Maridady Motors LTD	
23	Lachlan Kenya LTD	
24	Promokings Limited	
25	Audiovisual Control Systems LTD	
26	Atlancis Technologies LTD	
27	MC Builder Limited	
28	Boogertman& Partners Architects	
29	Retail Management	
30	Polucion Services	
31	Floor Decor Kenya	
32	Parshva Limited	
33	Nova Industries Limited	
34	Hotel Waterbuck limited	
35	Warren Enterprises	
36	Uni Industries East Africa Limited	
37	Waterman Drilling Africa	
38	Nationwide Electrical Industries Limited	
39	Lexoworld Limited	
40	FinCredit Limited	
41	Fayaz Bakers	
42	Well Told Story Limited	
43	Dalco Kenya LTD	
44	R world enterprises limited	
45	Farmers Fresh Feeds	
46	Valley Hospital	
47	Web Tribe/ Jambo pay	
48	Citi Walk Limited	
49	The Arts group LTD	
50	Machines technologies LTD	

Source Business Daily (2021)

Appendix II: Questionnaire

The aim of this is to gather information on the effect of technological tax reforms on financial performance of small and medium enterprises in Kenya. The information to be collected will solely use for academic purposes.

INSTRUCTIONS TO RESPONDENTS

Kindly tick (√) appropriately.

SECTION A: DEMOGRAPHIC INFORMATION

1. Gender

Male Female

2. Age

Less than 20 years Above 20 years

3 Length of service in the enterprise

Less than 5 years 5-10 years

10-15 years Over 15 years

4 Nature of enterprise

Sole proprietorship Partnership

Other

Section B: E-Registration

5. In the Likert Table, fill the questionnaire by ticking (√) appropriately. Indicate the extent of agreement to which e-filing affect financial performance of SMEs in Kenya. Using likert scale of 1-5 where 1=Strongly Disagree, 2=Disagree, 3=Neutral 4=Agree and 5=Strongly Agree.

	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
A	I can register and get my KRA pin online without visiting the KRA offices					
B	The KRA registration process is cheap					
C	KRA registration process is simple and saves time					
D	It is convenient and fast for me to get a KRA pin for my business.					
E	E-registration reduces period to legalize and start a business.					

Section C: E-Filing

6. In the Likert Table, fill the questionnaire by ticking (√) appropriately. Indicate the extent of agreement to which e-filing affect financial performance of SMEs in Kenya. Using likert scale of 1-5 where 1=Strongly Disagree, 2=Disagree, 3=Neutral 4=Agree and 5=Strongly Agree.

	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
A	I can file the tax returns of my business online					
B	E-filing reduces the number of errors and the costs associated with it					
C	I can conveniently obtain tax compliance for my business					
D	E-filing saves time and costs of filing tax returns					
E	E-filing reduces business disruptions while filing returns					

Section D: Mobile Payment

7. In the Likert Table, fill the questionnaire by ticking (√) appropriately. Indicate the extent of agreement to which mobile payment affect financial performance of SMEs in Kenya. Using likert scale of 1-5 where 1=Strongly Disagree, 2=Disagree, 3=Neutral 4=Agree and 5=Strongly Agree.

	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
A	Mobile payment of Tax is convenient					
B	It is easy to manage payments on the mobile payments platform of Tax					
C	There is increased transparency and accountability when using mobile money payment method					
D	Mobile payment method of tax is less risky.					
E	Mobile money payments reduces the costs associated with tax defaults					

Section F: Financial Performance

8. In the Likert Table, fill the questionnaire by ticking (√) appropriately. Indicate the extent to each of agreement of financial performance of SMEs in Kenya. Using Likert scale of 1-5 where 1=Strongly Disagree, 2=Disagree, 3=Neutral 4=Agree and 5=Strongly Agree.

	Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
A	There is increased tax compliance by SMEs hence reduced costs associated with it					
B	The technological tax reforms have reduced business disruptions by KRA officials					
C	Technological tax reforms have increased reliability of the business operations					
D	Technological tax reforms have increased the reliability of the SMEs who can secure credit					
E	Technological tax reforms have increased the convenience in doing business					

THANK YOU FOR PARTICIPATING IN THE STUDY.