EFFECT OF MULTIPLE TAXATION ON FINANCIAL PERFORMANCE OF MANUFACTURING FIRMS LISTED AT THE NAIROBI SECURITIES EXCHANGE

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A RESEARCH PROJECT PRESENTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR THE AWARD OF THE DEGREE OF MASTER OF SCIENCE IN FINANCE, FACULTY OF BUSINESS AND MANAGEMENT SCIENCES, UNIVERSITY OF NAIROBI

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DECLARATION

I, the undersigned, declare that this is my original work and has not been presented to any institution or university other than the University of Nairobi for examination.

Kevin Ombati

Signed: _____ Date: November 16, 2021

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This research project has been submitted for examination with my approval as the University Supervisor.

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DEDICATION

To my father Mr. Samuel Ombati for pushing me and guiding me to finish the project as well as other family members who supported me during the process may the Almighty God, reward them.

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LIST OF ABBREVIATIONS

ANOVA	Analysis of Variance
BAT	British American Tobacco
CMA	Capital Markets Authority
EABL	East African Breweries Limited
GDP	Gross Domestic Product
GoK	Government of Kenya
KAM	Kenya Association of Manufacturers
KNBS	Kenya National Bureau of Statistics
KRA	Kenya Revenue Authority
NSE	Nairobi Security Exchange
ROA	Return on Assets
ROE	Return on Equity
ROS	Return on Sales
SME	Small and Medium Enterprises
SPSS	Statistical Package for Social Sciences
VAT	Value Added Tax
VIF	Variance Inflation Factors

ABSTRACT

The manufacturing industry has been worst affected by numerous taxation measures implemented by the government. These taxes and levies include; corporate tax, VAT, excise duty, custom duty, fire license, occupancy and safety permit, public health license, signage/branding license, among other taxes and fees. These taxes and levies have made it complex to operate a manufacturing business in Kenya. They have increased the cost of doing business and many investors have looked for alternative destination for their investments. In the same respect, other investors have closed their manufacturing operations in Kenya for alternative markets leading to loss of jobs, foreign direct investment, market rating and tax revenues. This research sought to bring out the effect of multiple taxation on financial performance among listed manufacturing firms at the NSE. The research established the effect of corporate tax, excise duty and custom duty on financial performance among listed manufacturing firms. Firm size, liquidity and leverage were used as the control variables in the model. Descriptive research design was used. The 9 listed manufacturing firms were the target population. Research variables data were derived from audited company's annual financial statements from 2016 to 2020. Regression and correlation analysis were used to test the study hypotheses by establishing the correlation between multiple taxation and performance. The results indicated R^2 of 0.481 which implied that the selected independent variables contributed 48.1% to variations in performance. The study also found that corporate tax (β=0.210, p=0.000); and Firm size has a significant positive effect on performance (β=0.422, p=0.000) while leverage (β=-0.156, p=0.009) had a negative and significant relationship with financial performance among listed manufacturing firms. Excise duty, custom duty, and liquidity were not statistically significant. The study recommends that the corporate tax being levied on listed manufacturing firms should remain in place as it does not adversely affect performance of manufacturing firms. Manufacturing firms listed at the NSE should diligently pay the corporate taxes due as this will enhance their performance.

CHAPTER ONE: INTRODUCTION

1.1 Background of the Study

Financial performance and taxation are inseparables as taxes are levied based on the revenues of a firm. Taxation is normally viewed as a better way of raising revenue for the government. However, economists contend that when firms are subjected to multiple taxes, this is likely to result to the pulling out their investment, and relocating to other region with fewer taxes. As a consequence, corporate tax burdens are pushed to employees in form of lower wages, higher prices to consumer or other (Suarez, 2017). According to Kumi and Amaniampong (2018) multiple taxes negatively influences the financial performance of firms. On the contrary Ezugwu and Akubo (2014), Chude and Chude (2015) stipulate that there is a positive association between taxation and financial performance of firms.

This study was anchored on the Jensen and Meckling (1976) agency theory as it explains how management, as the agent, is supposed to fulfill their ideal fiduciary duty of acting in the best interests of the principals. The agency theory was applicable to this study as it tries to align the interests of shareholders and those of the government. Ability to pay theory by Mill (1848) proposes that citizens to contribute to the support of the government as nearly as possible, in proportion to their respective abilities in terms of revenue. Those who are better able to pay should bear the greater burden of taxation, whether or not they benefit. The standard theory of optimal taxation as developed by Adam Smith (1776) posits that a tax system should be chosen to maximize a social welfare function subject to a set of constraints.

Manufacturing in Kenya has been on the decline for a considerable period of time with its contribution to Gross Domestic Product stagnating at 10 % from 1960's (GoK, 2017). According to the Government of Kenya, the manufacturing sector has high, yet untapped potential to contribute to employment and Gross Domestic Product growth. Generally, the manufacturing sectors' average growth percentage has continued to stagnate at three to four percent over the years (KAM, 2019). The performance of manufacturing sector is affected by several factors key of them being high costs of doing business. Excessive taxation in the form of high tax rate, double and multiple taxation are some of the challenges facing manufacturing industries.

1.1.1 Multiple Taxation

Multiple taxation is the levying of tax by two or more jurisdictions on the same declared income (in the case of income taxes), assets (in the case of capital gains taxes), or financial transactions (in the case of stamp duties) (Arachi & Alworth, 2001). Multiple taxation is a situation in which the same earnings are taxed more than once (Rosen, 1995). Adam (1989) defines multiple taxation as the taxing of a person by two or more government authorities demanding the same kind of tax. Put differently, multiple taxation in relation to a company or individual is a situation where the same profit or income which is liable for tax has been subjected to tax by another tax authority. Izedonmi (2010) describe the subjection of single income to different tax treatment by government as multiple taxation.

Taxation is central to the current economic development agenda for many countries in the world. It provides a stable flow of revenue to finance development priorities, such as strengthening physical infrastructure and other numerous policy areas (Pfister,

2019). Tax policy shapes the environment in which international trade and investment take place hence core challenge for African countries is finding the optimal balance between a tax regime that is business and investment friendly and one which can leverage enough revenue for public service delivery to enhance the attractiveness of the economy (Bird, 2018). In this globalization era, most countries want to become integrated with the international economy; however, they face significant challenges in this pursuit, including the need to increase tax revenues hence the need to analyze the prevailing conditions in the country and determine the relevant mix of taxes that can raise sufficient revenue (Pfister, 2019).

The operationalization of multiple taxation has long been a point of contention. Odusola (2006) operationalized multiple taxation in terms of income tax, withholding tax, education tax, value added tax, and technology taxes. Izedonmi (2010) measured multiple taxation in terms of corporate tax, excise duty, value added tax, custom duty and capital gains tax. The current study operationalized multiple taxation in terms of corporate tax, excise duty and custom duty.

1.1.2 Financial Performance

Almajali, Alamro, and Al-Soub (2012) describe financial performance as a company's capacity to meet a set of financial objectives, like profitability. The degree to which a company's financial standards have been fulfilled is referred to as financial performance. It displays how well financial goals have been met (Nzuve, 2016). Financial performance, as per Baba and Nasieku (2016), indicates how a company uses assets to generate revenue and hence helps stakeholders in their decision-making. The

current research defines financial position as a company's ability to earn income from its assets.

Financial performance is vital to shareholders, investors, and, by extension, the entire economy. The return on investment is completely worthwhile to investors, and having a good firm can provide greater and long-term revenue to individuals who invest (Fatihudin & Mochklas, 2018). A company's financial performance is critical to its health as well as existence. A company's excellent performance demonstrates its efficiency and effectiveness in managing its assets during operations, investments, and financial transactions (Karajeh & Ibrahim, 2017).

Different ways of measuring financial performance are employed, and they should be unified. Return on Assets (ROA), business size, Return on Equity (ROE), and Return on Sales (ROS) are financial performance variables identified by Ngatia (2012). Carter (2010) used Tobin's Q and ROA to gauge financial success, but Wang and Clift (2009) employed ROA and ROE. The most recognized ways of measuring financing performance are ROA as well as ROE. The ROA is a metric of evaluating company's profitability relative to its total assets whereas ROE measures the net income achieved as percentage of shareholders equity (Mwangi & Murigu, 2015). Baba and Nasieku (2016) posit that market based metrics like earnings per share, dividend yield, market to equity book value and market capitalization can too be employed in financial performance measure. The current research used ROA as a metric of financial performance as it is the most recognized measure (Fatihudin & Mochklas, 2018).

1.1.3 Multiple Taxation and Financial Performance

Tax increments or impositions have the effect of immediately leading to increments in product prices. The result is that consumer purchasing power drops, following the laws of demand and supply, though this is dependent on the elasticity of demand of the product. Further, these changes lead to readjustments in production of the products, therefore affecting the production and distribution costs and this further creates a new pricing pattern for the products. This realignment inevitably leads to a reduction in sales volumes and profits (Chen, Sharoja & Abdullah, 2018).

Gross sales taxes as well as other taxes imposed on manufacturers impose varying tax burdens on goods and services based on their production and distribution chains. These varying tax burdens lead the tax forms (ad valorem and excise) to modify the consumption, price, and production patterns than can be caused by other taxes such as retail sales taxes (Entin, 2004). In summary, taxes cause product prices to increase, which then result in rational customers demanding less, implying fewer sales and hence reduced revenues and possibly profits for sellers/ producers.

Lucas (2016) and Cashin (2015) argued that economic performance is retarded by taxation. Kustepeli and Bilman (2018) revealed that there is a positive relationship between taxation and economic performance, but Koch et al. (2018) and Musanga (2017) found mixed evidence that the ratio of indirect taxes to direct taxes negatively and significantly affects economic performance. There is no consensus reached regarding the impact of tax policy on industries contributing to economic performance, but little analysis has taken place in various parts of the world by assessing the impact of tax policy on various industries.

1.1.4 Manufacturing Firms Listed at the Nairobi Securities Exchange

The NSE established in 1954 is tasked with firms listing and the issuance of securities that are traded by both local and foreign individuals and institutions using stockbrokers. The NSE has the authority to monitor its members and provision of a trading platform for securities listed. It is the main floor for secondary market trading. Even though a trading floor has been availed in the market, it has been replaced by the automated trading system. Using a wide area network, members can trade from their workplace. The system is efficient, transparent and many transactions can take place instantaneously. Presently there are 9 manufacturing and allied NSE listed companies (NSE, 2020).

The manufacturing companies significantly contribute to the Kenyan economy. They close savings, trade, as well as revenue gaps whilst bringing sophisticated technology knowledge that Kenyans want and need. Furthermore, they participate in multiple taxation programs that aid in the empowerment of local people in the areas of education, health, as well as environmental protection. Kenya is the second most popular destination for large industrial companies looking to expand their operations, as per the Consumer insight survey (2017). Kenya came in second with a score of 23.17 percent, after Nigeria with a score of 29.57 percent. Kenya came in fifth place globally, behind Saudi Arabia, Vietnam, and Argentina, with a score of 24.69 percent 24.72 percent and 24.72 percent, correspondingly (KAM, 2018).

However, according to World Bank statistics, Kenyan manufacturers have seen stagnation as well as declining profits over the last five years as a result of an inconsistent working environment (World Bank, 2019). According to the Kenya

Association of Manufacturers, as a result of lower profitability, some companies have closed their plants and relocated their operations to other countries (KAM, 2018). Reckitt & Benkiser, Procter & Gamble, Bridgestone, Colgate Palmolive, Johnson & Johnson, as well as Unilever have all moved or restructured their businesses to serve the local market via importing items from low-cost manufacturing regions like Egypt. Taxes such as corporate tax, VAT, excise duty, custom duty, fire license, occupancy and safety permit, public health license, signage/branding license, among other taxes and fees can reduces the income earned by the listed manufacturing firms and this is hypothesized to inhibit financial performance.

1.2 Research Problem

The concept of multiple taxation attracts a lot of attention from many corporates and investors since it is a major determinant of doing business. In addition, the government and other policy makers are interested on the determinants of multiple taxes as increased revenue collection implies availability of more resources to undertake development while at the same time meeting recurrent expenditure (Chude & Chude, 2015). According to Kumi and Amaniampong (2018) multiple taxes negatively influences the financial performance of firms. On the contrary Ezugwu and Akubo (2014), Chude and Chude (2015) stipulate that there is a positive association between taxation and financial performance of firms.

The manufacturing industry has been worst affected by numerous taxation measures implemented by the government. These taxes and levies include; corporate tax, VAT, excise duty, custom duty, fire license, occupancy and safety permit, public health license, signage/branding license, among other taxes and fees (Mbugua, 2016). These

taxes and levies have made it complex to operate a manufacturing business in Kenya. They have increased the cost of doing business and many investors have looked for alternative destination for their investments. In the same respect, other investors have closed their manufacturing operations in Kenya for alternative markets leading to loss of jobs, foreign direct investment, market rating and tax revenues.

Various empirical researches have been conducted on the impact of multiple taxes on performance, but the results have been varied. This can be explained by the different methodologies used as well as conceptualizing of the study variables. Different contextual backgrounds can also explain the differences in previous findings. Adeniyi and Osazee (2018) conducted a research on effect of multiple tax regimes on sustainable development among small scale enterprises in Lagos State. Findings reveal a significant relationship between multiple tax burden and performance variables of SMEs. Okolo, Okpalaojiego and Okolo (2018) investigated the effect of multiple taxation on investments of small and medium enterprises in Enugu State, Nigeria. The study found a negative effect between multiple taxation and SMEs performance. Nadeem, Muhammad and Suliman (2015) aimed at establishing the effects of excise tax burden on financial performance of listed companies in Malaysia. The study concluded that excise tax burden positively affects financial performance of listed companies in Malaysia. These researches were however conducted in diverse contexts and due to social an economic difference, thus the outcomes fail generalization among NSE listed firms.

Locally, Kariuki (2017) analyzed the effect of corporate tax planning on financial performance of listed firms in Kenya but rather did not focus on the concept of multiple

taxes. The study thus presented a conceptual gap. Chesire (2018) conducted a study to establish effects of excise tax on the profitability of cigarette and alcohol manufacturing firms listed in the Nairobi Securities Exchange. The results of the correlation showed a negative correlation between excise tax and profitability. The study did not consider other types of taxes. Lemein (2018) likewise sought to look into the effects of capital structure on corporate taxes of companies quoted at NSE. The study did not address the concept of multiple taxes. From the foregoing therefore, it is evident that many studies have been done on taxation in general. The previous studies have however used various operationalization and methodologies to achieve their objectives and this might explain the differences in findings. Different contextual backgrounds might also explain the differences. This study leveraged on these research gaps by providing answer to the research question: What is the effect of multiple taxes on financial performance of manufacturing firms listed at the Nairobi Securities Exchange?

1.3 Research Objective

To establish the effect of multiple taxation on financial performance of manufacturing firms listed at the Nairobi Securities Exchange.

1.4 Value of the Study

This study will give insight to KRA on the influence of the various types of taxes levied for ease of delivery of services and improved revenue collection. It will enhance the understanding of the Revenue Authority of the manufacturing sector, which will enable them develop strategies to enhance revenue collection while at the same time enhancing the sector performance. It will also point out the challenges faced by taxpayers, hence providing guidance on the issues to deal with for greater efficiency in tax collection.

This study's findings will be used as a reference point by researchers, students and scholars who might wish to undertake further studies on the same field. Researchers and scholars may also utilize the findings so as to identify further research areas on related studies by identifying topics that require further research and giving a review of the empirical literature so as to establish study gaps. The study significantly contributes to multiple taxes and performance of firms in Kenya.

This study will also be of importance to the government that relies on revenue inflows to finance its expenditure in an economy. The study will go a long way to assist in demonstrating the factors affecting revenue collection among manufacturing players in Kenya. This will consequently serve as a guide or reference for other government departments and ministries as they undertake modernization programs to enhance revenue inflows.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

The chapter clarifies the theories on which multiple taxation and financial performance is based. It further discusses the previous empirical studies; knowledge gaps identified and summarizes with a conceptual framework and hypotheses displaying the expected study variable relationship.

2.2 Theoretical Framework

This segment examines theories which underpin the research of capital structure and financial performance. Agency theory, ability to pay theory and theory of optimal taxation are all dealt with in theoretical reviews.

2.2.1 Agency Theory

This is the present study's anchor theory. Jensen and Meckling (1976) agency theory describe an ‘agent' as someone who works on behalf of another person. The problem with the principal-agent relationship is that principals cannot contractually specify what the agent can do in any case (Moenga, 2015). Three factors can exacerbate the problems that arise from the principal-agent relationship: opportunism, sunk costs, and secret facts (Njau, 2016). Hidden information happens when agents have knowledge that the principal does not have and the agent has an opportunity to keep the knowledge hidden from the principal, all other factors held responsible. Hidden knowledge has the effect of allowing the agent to ‘shirk' or minimize efforts to the disadvantage of the principal. Agency theory has implications for why corporate governance best practice structures can provide productivity benefits and competitive advantages to organizations are thus

based on the convention that corporate governance is required to ensure agent action is directed toward principal interests (Aimone & Butera, 2016).

Notwithstanding, agency theory has inherent limitations. The agency theory is not able to sway so many of the complexities and difficulties that the agents face in their attempts to discharge their responsibilities and assignment of the principal. Furthermore, the control mechanisms proposed in relation to agency theory are not only costly, but also ineffective economically, because shareholders' interest protection mechanisms can interfere with the implementation of strategic decisions, restrict collective activities, change investment plans, and neglect other stakeholder interest, resulting in a reduction in their commitment to the development of economic value (Segrestin & Hatchuel, 2011).

The agency theory is thus applicable to this study as it tries to align the interests of shareholders and those of the government. By offering a conducive environment for doing a business, the profits of a firm are maximized and these leads to an increase in taxes collected. Multiple taxes on the other hand can discourage investments and this will lead to a decline in both financial performance and taxes collected.

2.2.2 Ability to Pay Theory

The ability to pay theory developed by Mill (1848) proposes that citizens to contribute to the support of the government as nearly as possible, in proportion to their respective abilities in terms of revenue. Those who are better able to pay should bear the greater burden of taxation, whether or not they benefit. Ability to pay is interpreted in terms sacrifice. It says that money for public should come from him that hat instead of from him that hath not, Kendrick (1939). Kendrick further says that, the usual and indeed the

only serious justification of ability to pay is on grounds of sacrifice. The payment of tax is viewed as a deprivation to the taxpayer. He might have spent the money for his own purposes but instead must turn it over to the public treasury from which it will be expended for social ends. In surrendering his money to the government, he is said to make a sacrifice. The idea of sacrifice when linked to the concept of the declining marginal utility of money has given rise to three theories of progressive taxation: the equal, equal-proportional, and least-sacrifice theories.

The theory of equal-sacrifice suggests that, taxes should be laid in such a manner that the sacrifices of all taxpayers are equal. The concept of equal sacrifice means to impose an equal amount of sacrifice on all taxpayers, (Brown, 1929). The theory of equal-proportional sacrifice holds that the sacrifice of taxpayers should bear an equal proportion to their incomes. Thus in this view equality of sacrifice is not sufficient. The rich man's tax payment should represent a greater sacrifice than the contribution of a man of moderate means. It should, however, not be greater in relation to his income. The equality is, therefore, to be found in the proportion, not in the quantity of sacrifice (Pigou, 1928).

The theories of equal and of equal-proportional sacrifice both involve the taxation of poor as well as rich persons (Kaplow, 2020). In neither theory is there an attempt to make any income group bear all the taxes. According to the theory of least sacrifice, taxes should be laid first on the incomes of the very rich (Pigou 1928). When these incomes are reduced to the level of the rich, then the rich would be taxed. Persons of moderate means would be taxed only after the incomes of the very rich and the rich

have been reduced by taxation to their level. The theory calls for the progressive elimination of the high incomes by taxation.

2.2.3 Theory of Optimal Taxation

The standard theory of optimal taxation as developed by Adam Smith (1776) posits that a tax system should be chosen to maximize a social welfare function subject to a set of constraints. The literature on optimal taxation typically treats the social planner as a utilitarian: that is, the social welfare function is based on the utilities of individuals in the society. In its most general analyses, this literature uses a social welfare function that is a nonlinear function of individual utilities. Nonlinearity allows for a social planner who prefers, for example, more equal distributions of utility. However, some studies in this literature assume that the social planner cares solely about average utility, implying a social welfare function that is linear in individual utilities.

To simplify the problem facing the social planner, it is often assumed that everyone in society has the same preferences over, say, consumption and leisure. Sometimes this homogeneity assumption is taken one step further by assuming the economy is populated by completely identical individuals. The social planner's goal is to choose the tax system that maximizes the representative consumer's welfare, knowing that the consumer will respond to whatever incentives the tax system provides. In some studies of taxation, assuming a representative consumer may be a useful simplification. However, as we will see. Drawing policy conclusions from a model with a representative consumer can also in some cases lead to trouble (Mankiw et al., 2019).

Ramsey, (1927), and (Mirrlees, 1971) advance that a tax system should be chosen to maximize a social welfare of its citizen. The theory of designing and implementing

taxes that reduce inefficiency and distortion in the market. When discussing what a fair and optimal tax level would be, the principle of equity, both horizontal and vertical, is vertical, is important. Horizontal equity suggests it is fair if people who have equal ability-to-pay actually do pay the same amount in taxes. Vertical equity suggests that people who have a higher ability-to-pay should actually pay more than those who have a lower ability-to-pay, as long as the increase in tax level is considered to be reasonable.

2.3 Determinants of Financial Performance

Components both inside and outside the company can have an impact on the firm's performance. Multiple taxes, liquidity, leverage, dividend decisions, firm size, and organizational culture are just a few of the internal aspects. Management has no influence on external forces. They are variables that are beyond the control of the company, but they must be addressed with appropriate tactics (Athanasoglou, Brissimis & Delis, 2005).

2.3.1 Multiple Taxation

Tax increments or impositions have the effect of immediately leading to increments in product prices. The result is that consumer purchasing power drops, following the laws of demand and supply, though this is dependent on the elasticity of demand of the product. Further, these changes lead to readjustments in production of the products, therefore affecting the production and distribution costs and this further creates a new pricing pattern for the products. This realignment inevitably leads to a reduction in sales volumes and profits (Chen, Sharoja & Abdullah, 2018).

Gross sales taxes as well as other taxes imposed on manufacturers impose varying tax burdens on goods and services based on their production and distribution chains. These varying tax burdens lead the tax forms (ad valorem and excise) to modify the consumption, price, and production patterns than can be caused by other taxes such as retail sales taxes (Entin, 2004). In summary, taxes cause product prices to increase, which then result in rational customers demanding less, implying fewer sales and hence reduced revenues and possibly profits for sellers/ producers.

2.3.2 Firm Liquidity

Cheluget, Gekara, Orwa, and Keraro (2014) argued that a link exist between companies' financial performance and their liquidity and found that performance is substantially determined by liquidity. Liquidity and solvency indicators had a substantial influence on increasing cost efficiency; businesses with higher bought input expenditures comparable to capital have less chance to become efficient when solvency and liquidity are taken into account (Arif, 2012).

When liquidity and solvency indicators are taken into account, businesses with higher spending on bought inputs compared to capital are less likely to increase efficiency (Levi, Russell, & Langemeier, 2013). According to Liang Fu (2016), liquidity is another term for company liquidity which refers to amount of liquid assets held in the books of accounting. When dealing with companies with liquidity risk, the corporate investment behavior of family firms has a reduced financial distress risk tolerance, as shown by their much greater degree of corporate liquidity (Liang Fu, 2016).

2.3.3 Firm Size

The economies of scale amount a company earns is proportional to its size. The larger the company, the lesser production scale and the higher the operational activities efficiency due to substantial economies of scale. Regardless of their size, huge corporations might lose control of their strategic as well as operational activities, resulting in a decrease in efficiency (Burca & Batrinca, 2015).

Large corporations have more market power, besides can diversify their portfolios more. They're also more prone to suffer from organizational wastage if the company grows rapidly. The size of the company has a substantial impact on the quantity of cash flow that can be invested. The number of employees, property owned, and sales volume are all important factors to consider when defining the firm's size (Almajali et al., 2012).

2.3.4 Financial Leverage

This intuition makes it quite easy to determine the presence of an optimum capital structure. Inadequate debt capacity exists because companies take into consideration both the benefits received in the form of reduced taxes as well as the overall expenses that would be paid in the case of bankruptcy (Kraus & Litzenberger, 1973). If corporate bankruptcy was expensive, Senbet (2012) said, then it fulfilled a key gap between the Modigliani-Miller tax-adjusted model and the known fact that financial debt financing is only used a small percentage of the time (Senbet et al., 2012). Using debt offers tax advantages for a company, which is part of the trade-off hypothesis. This is one of two sets of findings, with findings from other research demonstrating that greater leverage results in increased volatility in share prices with regard to private information; a

company's final destiny relies on problems that remain undisclosed to the broader public (Nyamboga, Omwario & Muriuki, 2014).

Financial leverage can be advantageous or can lead to financial distress depending on the type of debt and how the finances are utilized by the finance managers. Prudent allocation and use of the borrowed funds lead to improved financial performance (Salazar, Soto & Mosqueda, 2012). Theoretically, debt funding is expected to impact the working capital levels of such a company which in effect influences the level of financial performance (Eckbo, 2008).

2.4 Empirical Review

Local as well as global researches have determined the relation between multiple taxes and financial performance, the objectives, methodology and prior research results have been discussed in this segment.

2.4.1 Global Studies

Adeniyi and Osazee (2018) conducted a research on effect of multiple tax regimes on sustainable development among small scale enterprises in Lagos State focusing on Lagos Island Local Government. The paper made use of survey design approach through the administration of questionnaire to a sample of 250 respondents judgmentally selected from the target population. The hypotheses were analyzed using multiple regression technique. Findings reveal a significant relationship between multiple tax burden and performance variables of SMEs. The paper recommends the establishment of proper institution to manage the issue of multiple taxes in country.

Okolo, Okpalaojiego and Okolo (2018) investigated the effect of multiple taxation on investments of small and medium enterprises in Enugu State, Nigeria. A survey

research design was applied on the population of 80 SMEs. Simple percentages/frequencies were adopted in analyzing the primarily sourced data and the research hypotheses were tested using ANOVA. The study found a negative effect between multiple taxation and SMEs performance. Based on the findings, the paper recommends the development of tax policy that considers the enhancement of SMEs capital allowance when imposing taxes by the government.

Kumi and Amaniampong (2018) examined how profitability of mining companies at the Ghana Stock Exchange was affected by corporate income tax. Profitability was measured using Returns on Assets (ROA). The independent variable was corporate income tax whereas growth, leverage, liquidity and company size were the dependent variables. The regression findings indicated that profitability is negatively affected by corporate income tax while on the other hand company size was positively related to leverage, liquidity and profitability whereas profitability was negatively affected by growth.

Adebisi and Gbegi (2018) studied effect of multiple taxation on performance of SMEs, a study of West African Ceramics Ajeokuta, Kogi State, Nigeria. Using survey design on a population of 91 staff and 74 samples determined statistically using Taro Yamani formula; the study found that multiple taxation has negative effect on SMEs' success and a significant positive relationship between SMEs' size and ability to pay taxes. A uniform tax policy across the federation was recommended to favor SMEs in Nigeria and that government should put into consideration the size of SMEs when setting tax policies on them.

Chen, Sharoja and Abdullah (2018) aimed to study the connection amongst firm value and tax avoidance and find out the moderating impact of corporate governance in the digital generation. For companies it has been considered that corporate tax avoidance activities enhance the value of the firms and to improved quality of corporate governance has a positive effect on firm value. Top 100 ranked firms that were indentified to have good disclosures in a 2014 report by Malaysian corporate governance were sampled. Cross sectional data was used to analyze the 82 PLCs that were sample each at a time. As indicated by the findings it was shown that the value of the firm was reduced by tax avoidance behavior and also corporate governance was seen to have a moderating effect on the firm value and tax avoidance relationship.

2.4.2 Local Studies

Njogu (2015) sought to determine the effect of value added tax on economic performance in Kenya. The research design adopted in this study was causal study. This study used secondary data which consisted of VAT rates, gross domestic product performance rates, consumer price indices and unemployment rates which were obtained from Kenya Revenue Authority (KRA), International Monetary Fund (IMF), Kenya National Bureau of Statistics (KNBS) and The World Bank data bases respectively, for the study's period as this period is representative and long enough to capture the responsiveness of changing VAT rates. With regard to the effect of VAT rates on economic performance as measured by GDP, the findings indicated that a percent change in the incident rate of GDP is an increase of 7% for every unit decrease in VAT. It can therefore be concluded that there exists a significant negative relationship between VAT rates and GDP.

Namiba (2016) conducted a study to establish the effects of excise tax regulation on the financial performance of oil firms in Kenya. The study covered 10 years from 2006 to 2015 and secondary data for four oil firms in Kenya. The study findings revealed that the introduction of excise tax regulation has had a negative effect on the financial performance of oil firms in Kenya.

Kariuki (2017) did a study on the corporate tax planning effect on firms listed in NSE Kenya. The study population was all the 64 firms listed at the NSE. The independent variables were Tax planning, liquidity and firm size were whereas the dependent variable was financial performance. Secondary data on the variables was collected for the time frame January 2012 to December 2016. The study used a descriptive cross sectional research design and for data analysis which was facilitated by SPSS multiple regressions was used. The study found that corporate tax planning and liquidity are positively and significantly related to financial performance whereas firm sized was discovered not being a significant determinant of financial performance. Leverage was found out to be negatively but significantly related to financial performance.

Chesire (2018) conducted a study to establish effects of excise tax on the profitability of cigarette and alcohol manufacturing firms listed in the Nairobi Securities Exchange. These companies were only BAT and EABL. The study used secondary data obtained from the companies' financial statement and NSE handbook. The study adopted a descriptive research design. Data was collected and analyzed using multiple regression where excise tax was the independent variable and net profit and liquidity as the control variables. The results of the correlation showed a negative correlation between excise

tax and profitability. This meant that excise taxes led to a decrease in the profitability of the firms under the study.

2.6 Summary of the Literature Review and Research Gaps

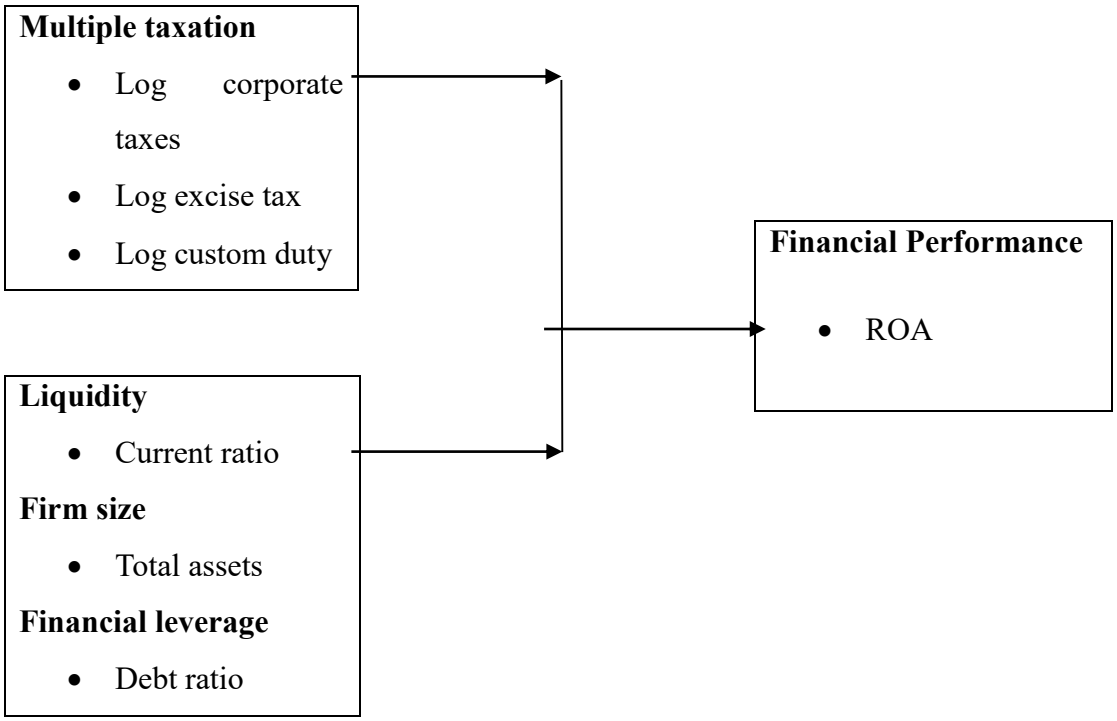
This chapter critically reviewed the documented relationships between multiple taxation and financial performance. There is a clear indication from the studies and conclusions evaluated those financial scholars do not concur on how multiple taxation impacted financial performance. The study shows some of the different researchers' conceptual arguments on the relationship between the factors that have been established. In this critical review of literature, three key theories underpinning the relationships between multiple taxation and financial performance have been highlighted. These are Agency theory, ability to pay theory and theory of optimal taxation.

Numerous relevant publications on the study variables were analyzed as part of the empirical review to identify research gaps and analysis approaches. Multiple taxation has an impact on financial performance, according to the studies evaluated. However, the results were mixed, with some research concluding that there is a strong beneficial association and others concluding that there is none. Nevertheless, the investigations were all conducted using various approaches and data was collected over different time periods, which could explain the disparities in the outcomes. The study contexts were also different with some studies focusing on a single sector and other focusing on several sectors. The operationalization of the study variables has also been varied and this can also explain the differences in previous studies. This study leveraged on these research gaps.

2.6 Conceptual Framework

The correlation between the variables is depicted in the model below. Multiple taxation, as measured by the natural logarithm of corporate taxes, excise duty and custom duties were the predictor variable. Firm liquidity, size and leverage were the control variables. Financial performance as measured by ROA was the dependent variable. The conceptual framework is as shown in Figure 2.1

Predictor variable **Response variable**



Control Variables

Figure 2.1: The Conceptual Model **Source: Researcher (2021)**

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter explains the ways in which research was carried out to fulfill the objective which was to determine how multiple taxation affects financial performance. In particular, the study highlighted the; the design, diagnostic tests, data collection as well as analysis.

3.2 Research Design

To determine how firm's multiple taxation and performance are related, a descriptive approach was used. A descriptive design was adopted to determine how multiple taxation and performance of NSE listed manufacturing firms relate. This design was appropriate since the nature of the phenomena is of key interest to the researcher (Khan, 2008). It was also sufficient in defining the interrelationships of the phenomena. This design also validly and accurately represented the variables thereby giving sufficient responses to the study queries.

3.3 Population

A population is all of the observed elements from a collection of events, which include things like research inquiries (Burns & Burns, 2008). All the 9 NSE listed manufacturing firms as of December 2020 formed current study's population (see appendix I).

3.4 Data Collection

In this inquiry, secondary sources were used, which was retrieved from annual published financials of the listed firms from 2016 to 2020 and recorded in a secondary data collection schedule. The publications were drawn from CMA publications reports of the specific sampled listed companies. The specific data collected included, corporate tax, excise duty, custom duty, total assets, net income, current liabilities and current assets.

3.5 Data Analysis

Version 24 of the SPSS software was utilized for data analysis. Quantitatively, the tables present the results. In calculating central tendency and dispersion measurements, including a standard deviation and mean for each variable, descriptive statistics were used. Regression and correlation were the basis of inferential statistics. Correlation and regression were inferential statistics basis. The link determined the scope of the affiliation between the study variables and the cause and effect of the variables was determined by a regression. The relationship between independent and dependent variables was determined linearly by a multivariate regression.

3.5.2 Diagnostic Tests

To ascertain the model viability, a number of diagnostic tests were done, like normality, stationarity, multicolinearity, homogeneity and autocorrelation. The assumption of normality is that the dependent variable's residual would be normally distributed and closer to the mean. This was accomplished by use of the Jarque-Bera Test. In instances where one of the variables had no normal distribution, it was adjusted using the

logarithmic adjustment methodology. Stationarity test was utilized in determining if the statistical characteristics such as variance, mean, as well as autocorrelation change with the passage of time. This property was ascertained via the augmented Dickey Fuller test. In the event the data does not meet this property, the data was transformed using natural logarithm. Robust regression was also used as it provides better regression coefficients than ordinary least square (Khan, 2008).

Autocorrelation is a measure of how similar one time series is when compared to its lagged value across successive timings. The measure of this test was done using the Wooldridge test and in the event that the presumption is breached the robust standard errors were used in the model. Multicollinearity exists when a perfect or near perfect linear relation is made between a number of independent variables. Variance Inflation Factors (VIF) as well as tolerance levels were utilized. Any multicolinear variable was eliminated and a new measurement used in place of the variable having co-linearity. Heteroskedasticity confirms if the errors variance in a regression lies among the independent variables. This was tested using the Levene test and if data does not meet the homogeneity of variances assumption, robust regression analysis was employed as it provides better regression coefficients when outliers exist in the data (Burns & Burns, 2008).

3.5.2 Analytical Model

The following equation was applicable:

$$Y_t = \beta_0 + \beta_1 X_{1t} + \beta_2 X_{2t} + \beta_3 X_{3t} + \beta_4 X_{4t} + \beta_5 X_{5t} + \beta_6 X_{6t} + \varepsilon$$

Where: Y = Financial performance as given by net income to total assets ratio.

β_0 = the slope of the regression equation's y intercept.

$\beta_1 \ldots \beta_6$ = coefficients of regression

X_{1t} = Corporate tax given as the natural logarithm of annual corporate tax

X_{2t} = Excise duty given as the natural logarithm of annual excise duty

X_{3t} = Custom duty given as the natural logarithm of annual custom duty

X_{4t} = Firm size as given by logarithmic expression of annual total assets

X_{5t} = Liquidity calculated by dividing current assets by current liabilities annually

X_{6t} = Financial leverage calculated by dividing total debt by total assets annually

ε =error term

3.6.2 Tests of Significance

Parametric tests were used to establish the general model's relevance as well as the significance of specific coefficients. The F-test determined the overall model meaning and this was done with ANOVA. A t-test assessed the importance of each variable.

CHAPTER FOUR: DATA ANALYSIS RESULTS AND FINDINGS

4.1 Introduction

This chapter deals with data analysis. The research objective was to determine the correlation between multiple taxation and performance among listed manufacturing firms. Patterns were studied by descriptive and inferential analysis, that were then analyzed and conclusions drawn on them, in accordance with the specific objectives.

4.2 Descriptive Statistics

The research sought to describe the data in terms of their mean and standard deviations. The descriptive analysis was necessary as it helps in understanding the characteristics of the collected data before conducting inferential analysis. The results are as displayed in Table 4.1

Table 4.1: Descriptive Results

	N	Minimum	Maximum	Mean	Std. Deviation
ROA	44	-1.2214	.3673	.026368	.2812690
Corporate tax	44	2.843	6.538	4.68982	1.126120
Excise duty	44	3.595	6.639	5.27927	.832389
Custom duty	44	3.232	6.170	4.89889	.762621
Firm Size	44	4.9	7.9	6.580	.8307
Liquidity	44	.0	9.4	2.070	1.8993
Financial leverage	44	.1	1.9	.570	.3310
Valid N (listwise)	44				

Source: Research Findings (2021)

Table 4.1 expresses the descriptive analysis, with 44 observations for each variable based on the product of the number of cross-sectional units and the number of periods studied. Performance was the dependent variable, whereas multiple taxation was the

independent variable (Corporate tax, Excise duty and Custom duty). Finally, the control variables were firm size, liquidity and leverage.

4.3 Diagnostic Tests

To ascertain the model viability, a number of diagnostic tests were done, like normality, stationarity, Multicollinearity test, variance homogeneity as well as autocorrelation.

4.3.1 Normality Test

To test whether the collected data assumed a normal distribution, normality test was conducted using the Jarque-Bera Test. The threshold being, if the p value above 0.05, then the data assumes a normal distribution.

Table 4.2: Test for Normality

	Jarque-Bera Coefficient	P-value
Performance	2.587	0.100
Corporate tax	3.421	0.265
Excise duty	3.735	0.324
Custom duty	5.304	0.702
Firm size	2.153	0.227
Liquidity	3.239	0.300
Leverage	3.145	0.201

Source: Research Findings (2021)

The normality test results revealing a p- value above 0.05 thus the null hypothesis rejection and acceptance of the alternate hypothesis meaning the normality test revealing normal distribution in the data.

4.3.2 Multicollinearity Test

Multicollinearity exists when a perfect or near perfect linear relation exist between a number of independent variables. Variance Inflation Factors (VIF) as well as tolerance levels were utilized.

Table 4.3: Multicollinearity

	Collinearity Statistics	
Variable	**Tolerance**	**VIF**
Corporate tax	0.776	1.289
Excise duty	0.584	1.712
Custom duty	0.728	1.374
Firm size	0.703	1.422
Liquidity	0.661	1.513
Leverage	0.634	1.577

Source: Research Findings (2021)

The outcomes in Table 4.3 specify that all the variables had a VIF values <10 as well as tolerance values >0.2 suggesting that Multicollinearity did not exist.

4.3.3 Heteroskedasticity test

Cross-sectional units tend to exhibit homoskedastic error processes; however, unit-specific variances are more common and are referred to as group-wise heteroscedasticity. The command with the heftiest weight is utilized in computing the Breuch Pagan group wise Heteroscedasticity when residuals are utilized. The null hypothesis stating $\sigma^2_i = \sigma^2$ for i =1...Ng, where Ng is the cross-sectional units number. Table 4.4 shows Heteroskedasticity Test Results.

Table 4.4: Heteroskedasticity Results

Modified Wald test for group wise heteroskedasticity in regression model
H0: sigma(i)^2 = sigma^2 for all i
chi2 (44) = 291.66
Prob>chi2 = 0.1214

Source: Research Findings (2021)

The Homoskedastic error terms null hypothesis is not rejected, according to the results in Table 4.4, which are supported by a 0.1214 p-value

4.3.4 Autocorrelation Test

Autocorrelation is a measure of how similar one time series was when compared to its lagged value across successive timings. The measure of this test was done using the Wooldridge test.

Table 4.5: Test of Autocorrelation

Wooldridge test for autocorrelation in panel data **H0: no first-order autocorrelation**
F(1, 44) = 0.382
Prob> F = 0.4619

Source: Research Findings (2021)

The null hypothesis of no serial correlation is not rejected by the results of Table 4.5 since the p-value is significant (p-value = 0.4619).

4.3.5 Stationarity Test

Stationarity test was utilized in determining if the statistical characteristics such as variance, mean, as well as autocorrelation change with the passage of time. Table 4.6 shows Levin-Lin Chu unit root test outcomes.

Table 4.6: Levin-Lin Chu unit-root test

Levin-Lin Chu unit-root test			
Variable	**Hypothesis**	**p value**	**Verdict**
Performance	Ho: Panels contain unit roots	0.0000	Reject Ho
Corporate tax	Ho: Panels contain unit roots	0.0000	Reject Ho
Excise duty	Ho: Panels contain unit roots	0.0000	Reject Ho
Custom duty	Ho: Panels contain unit roots	0.0000	Reject Ho

Firm size	Ho: Panels contain unit roots	0.0000	Reject Ho
Liquidity	Ho: Panels contain unit roots	0.0000	Reject Ho
Leverage	Ho: Panels contain unit roots	0.0000	Reject Ho

Source: Research Findings (2021)

The null hypotheses that: Panels contain unit roots were rejected for all variables since the p values were below 0.05, based on the results in Table 4.6. This meant that all of the variables' panel data were stationary.

4.4 Correlation Results

Correlation analysis was performed to establish the strength and direction of association between each predictor variable and the response variable. The results in Table 4.7 reveal that corporate tax has a positive as well as significant association with ROA at 5% significance level as p value is below 0.05. In addition, the results indicate that excise duty and custom duty are positively but not significantly correlated with ROA as depicted by p values above 0.05. In regards to the control variables, leverage exhibited a negative and significant association with performance while firm size had a positive association with performance. Liquidity did not exhibit a significant correlation with performance as shown by a p value above 0.05.

Table 4.7: Correlation Results

		ROA	Corporate tax	Excise duty	Custom duty	Firm Size	Liquidity	Financial leverage
ROA	Pearson Correlation	1						
	Sig. (2-tailed)							
Corporate tax	Pearson Correlation	.553**	1					
	Sig. (2-tailed)	.000						
Excise duty	Pearson Correlation	.090	.675**	1				
	Sig. (2-tailed)	.561	.000					
Custom duty	Pearson Correlation	.227	.568**	.542**	1			
	Sig. (2-tailed)	.139	.000	.000				
Firm Size	Pearson Correlation	.091	.675**	.529**	.942**	1		
	Sig. (2-tailed)	.556	.000	.000	.000			
Liquidity	Pearson Correlation	.190	.058	-.206	-.168	-.212	1	
	Sig. (2-tailed)	.218	.708	.179	.275	.168		
Financial leverage	Pearson Correlation	-.345*	-.151	.140	-.026	.146	-.634**	1
	Sig. (2-tailed)	.022	.328	.366	.867	.345	.000	

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).
c. Listwise N=44

Source: Research Findings (2021)

4.5 Regression Results

Regression analysis was carried out to establish the extent to which ROA is influenced by the variables selected. The regression results were presented in Table 4.8 to 4.10.

Table 4.8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.694[a]	.481	.397	.2184090

a. Predictors: (Constant), Financial leverage, Custom duty, Liquidity, Corporate tax, Excise duty, Firm Size

Source: Research Findings (2021)

From the conclusions as represented by the adjusted R^2, the studied independent variables explained variations of 48.1% in performance among listed manufacturing firms. This therefore means the six variables contributed 48.1% of the variations in performance of listed manufacturing firms whereas other factors not researched contribute 51.9%.

Table 4.9: ANOVA Analysis

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.637	6	.273	5.719	.000[b]
	Residual	1.765	37	.048		
	Total	3.402	43			

a. Dependent Variable: ROA

b. Predictors: (Constant), Financial leverage, Custom duty, Liquidity, Corporate tax, Excise duty, Firm Size

Source: Research Findings (2021)

ANOVA statistics in Table 4.9 show that the data had a 0.000 significance level hence this indicates that the model is ideal for making conclusions on the variables.

Table 4.9: Regression Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	.258	.098		4.648	.000
	Corporate tax	.210	.050	.212	4.234	.000
	Excise duty	.001	.008	.008	.143	.886
	Custom duty	.001	.002	.033	.527	.599
	Firm size	.422	.028	.467	7.965	.000
	Liquidity	.001	.004	.014	.238	.812
	Leverage	-.156	.016	-.198	-2.526	.009
a. Dependent Variable: ROA						

Source: Research Findings (2021)

The coefficient of regression model was as below;

$$\mathbf{Y = 0.258 + 0.210X_1 + 0.422X_2 - 0.156X_3}$$

Where:

Y = ROA X_1 = Corporate tax;; X_3=firm size; X_3 = Leverage

4.6 Discussion of Research Findings

The objective of this research was to establish the effect of multiple taxation on performance. The study utilized a descriptive design while population was the 9 manufacturing firms listed at the NSE. Data was collected from all the 9 companies. The study relied on secondary data that was gotten from CMA and individual firms annual reports. The specific attributes of taxes considered were; Corporate tax, Excise duty and Custom duty. The control variables were firm size, leverage and liquidity. Both descriptive as well as inferential statistics were used to analyze the data. The results are discussed in this section.

The results of correlation analysis revealed that corporate tax has a positive and significant association with ROA at 5% significance level as p value is below 0.05. In addition, the outcomes depict that Excise duty and Custom duty are positively but not significantly correlated with ROA as shown by p values above 0.05. In regards to the control variables, leverage exhibited a negative and significant association with performance while firm size had a positive association with performance. Liquidity did not exhibit a significant correlation with performance as shown by a p value above 0.05.

The regression results revealed that the 6 selected predictor variables explain 48.1% of changes in performance among listed manufacturing firms. The explanatory power was also significant as the p value was 0.000 which is below 0.05. This implies that the model was sufficient in describing the cause and effect among the study variables. Individually, Excise duty, custom duty, and liquidity do not have a significant impact on performance while the results further revealed that corporate tax was a significant determiner of performance. Financial leverage was found to have a significant negative effect on performance while firm size was found to have a significant positive influence on the level of performance while liquidity was not statistically significant.

These results concur with Kumi and Amaniampong (2018) who examined how profitability of mining companies at the Ghana Stock Exchange was affected by corporate income tax. Profitability was measured using Returns on Assets (ROA). The independent variable was corporate income tax whereas growth, leverage, liquidity and company size were the dependent variables. The regression findings indicated that profitability is negatively affected by corporate income tax while on the other hand

company size was positively related to leverage, liquidity and profitability whereas profitability was negatively affected by growth.

The results also concur with Adebisi and Gbegi (2018) who studied effect of multiple taxation on performance of SMEs, a study of West African Ceramics Ajeokuta, Kogi State, Nigeria. Using survey design on a population of 91 staff and 74 samples determined statistically using Taro Yamani formula; the study found that multiple taxation has negative effect on SMEs' success and a significant positive relationship between SMEs' size and ability to pay taxes. A uniform tax policy across the federation was recommended to favor SMEs in Nigeria and that government should put into consideration the size of SMEs when setting tax policies on them.

The research differs from Namiba (2016) who conducted a study to establish the effects of excise tax regulation on the financial performance of oil firms in Kenya. The study covered 10 years from 2006 to 2015 and secondary data for four oil firms in Kenya. The study findings revealed that the introduction of excise tax regulation has had a negative effect on the financial performance of oil firms in Kenya.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes the findings from the preceding chapter, as well as the conclusions and limitations discovered during the research. It also makes policy recommendations and suggests places where more research should be conducted.

5.2 Summary

The objective of this study was assessing how multiple taxation influence performance of listed manufacturing firms. The selected variables for this investigation included; corporate tax, excise duty, custom duty, liquidity, firm size and leverage. To perform the study, a descriptive research design was chosen. Secondary data was acquired from CMA, and SPSS was used to analyzing the study data. Yearly data for 9 listed manufacturing firms for five years from 2016 to 2020 was obtained from their annual reports.

The first objective was to establish corporate tax effect on performance among listed manufacturing firms. The correlation results at 5 % significance level show that corporate tax had a positive association with performance. This implies that improving corporate tax would lead to increase in performance. Regression results (β=0.210, p=0.000) show that there was a positive as well as significant effect of corporate tax on performance among listed manufacturing firms.

The second objective was to determine excise duty effect on performance among listed manufacturing firms. The correlation results at 5 % significance level show that excise duty had a positive but not significant association with performance. This implies an

increase in excise duty would not significantly affect performance of firms. Regression results (β=0.001, p=0.886) show that there was a positive but not significant effect of excise duty on performance among listed manufacturing firms.

The third objective was to establish the effect of custom duty on performance among listed manufacturing firms. The correlation results at 5 % significance level show that custom duty possessed positive but not significant relationship with performance. This implies increase in custom duty would not essentially result in performance change. Regression results (β=0.001, p=0.599) show that there was a positive but not significant effect of custom duty on performance among listed manufacturing firms.

The fourth objective was to examine the effect of firm size on performance among listed manufacturing firms. The correlation results at 5 % significance level show that firm size had a positive correlation with performance implying a firm size increment would yield performance increase. Regression results (β=0.422, p=0.000) show that there was a positive and significant effect of firm size on performance among listed manufacturing firms.

The fifth objective was to establish liquidity effect on performance among listed manufacturing firms. The correlation results at 5% significance level show that liquidity had a positive correlation with performance. The correlation was however not statistically significant. Regression results (β=0.001, p=0.812) show that there was a positive and not significant effect of liquidity on performance among listed manufacturing firms.

The sixth objective was to examine the effect of leverage on performance among listed manufacturing firms. The correlation results at 5 % significance level show that

leverage had a negative association with performance. This implies increasing leverage would lead to decrease in performance. Regression results (β=-0.156, p=0.009) show that there was a negative and significant effect of leverage on performance among Listed manufacturing firms.

5.3 Conclusions

The study's goal was to see if there was a link between multiple taxation and performance. The findings indicated that excise duty and custom duty had a positive but not significant effect on performance. This may imply that a unit increase in these taxes would not significantly influence performance.

The study conclusions demonstrated that corporate tax had a positive as well as significant effect on performance. This could be explained by the fact that high taxes implies high income and therefore firms that end up reporting higher performance also pay more corporate taxes compared to firms that pay less corporate tax.

Moreover, the conclusions discovered financial leverage has a significant negative effect on performance. This implies that firms with high levels of debt relative to the assets are likely to record low performance. This can be explained by the fact that high debt comes with covenants that can restrict investment decisions of a firm. Further, the study revealed that firm size has a significant positive effect on performance. This might be described by the reality that manufacturing firms with more assets are able to take advantage of investment opportunities when they arise.

5.4 Recommendations for Policy and Practice

From the study findings, corporate tax had a significant effect on performance. This study therefore recommends that the corporate tax being levied on listed manufacturing

firms should remain in place as it does not adversely affect performance of manufacturing firms. Manufacturing firms listed at the NSE should diligently pay the corporate taxes due as this will enhance their performance.

The study results revealed that leverage has a negative impact on financial performance. Policy reforms include: manufacturing companies listed in NSE shall assess fiscal advantages and bankruptcy costs connected with loan funding. Levels of debt should be kept at appropriate levels because a high debt level has been shown to decrease financial performance. This will assist in achieving the objective of enhancing shareholder value.

The study further found out that firm size has a positive effect on financial performance. The study recommends the need for manufacturing and allied firms to growth their asset base as this will help them in taking advantage of investment opportunities when they arise and will also act as a security when negotiating for funding. Further, more assets enhances the economies of scale leading to increased output and reduced costs.

5.5 Limitations of the Study

The focus was on some of the elements that are thought to affect the performance of listed manufacturing firms. The research concentrated on six explanatory variables in particular. Nevertheless, there are other factors that are probable to impact a firm's performance. Some are controlled by the company, such as management efficiency and internal controls, while others are not.

The research used secondary quantitative data. The study did not take into account qualitative data that might clarify other phenomenon's that impact the relationship between multiple taxation and firm's performance. Qualitative methods like focus

groups, open-ended surveys, and interviews can aid in the development of more definite outcomes.

The study focused on a five-year period (2016 to 2020). It's unclear whether the results will last for a longer period of time. It is also unclear whether similar results will be achieved after 2020. In order to account for key economic events, the study should have been conducted over a longer period of time.

The researchers utilized an OLS regression model in analyzing the data. Because of the limitations of employing regression models, such as erroneous as well as misleading results that cause the value to change, it was not probable to generalize the conclusions of the research with accuracy. Furthermore, if more data was included in the regression, the outcome could be varied.

5.6 Suggestions for Further Research

The research conclusions revealed an R square of 48.1%. Implying presence of other aspects that affect performance among the listed manufacturing firms that were not addressed by the research. Other researches ought thus to focus on other factors for example; corporate governance, managerial ability, internal controls among others that affect performance among the listed manufacturing firms.

The research was limited to Kenyan listed manufacturing firms. Additional research on other Kenyan companies should be conducted. Future research should also look into how multiple taxation affect other factors besides the performance, such as company value, efficiency, and growth, to name a few.

The focus of this research was drawn to the last five years. Future studies may span a longer time period, such as ten or twenty years, and might have a significant impact on this study by either complementing or contradicting its conclusions. A longer study has the advantage of allowing the researcher to capture the effects of business cycles such as booms and recessions.

Finally, this research relied on a regression model, which has its own set of limitations, such as errors and misleading results when a variable is changed. Future study should concentrate on models such as the Vector Error Correction Model (VECM) in order to investigate the numerous relationships between multiple taxation and performance.

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APPENDICES

Appendix I: Manufacturing Firms Listed at the NSE

1. B.O.C Kenya Ltd
2. British American Tobacco Kenya Ltd
3. Carbacid Investments Ltd
4. East African Breweries Ltd
5. Eveready East Africa Ltd
6. Flame Tree Group Holdings Ltd
7. Kenya Orchards Ltd
8. Mumias Sugar Co. Ltd
9. Unga Group Ltd

Source: NSE (2020)

Appendix II: Research Data

Firm	Year	Income tax	Excise duty	Custom duty	Firm Size	Leverage	Liquidity	ROA
BAT	2020	6.069	6.040	5.750	7.341	0.5571	1.0870	0.1781
	2019	6.088	5.962	5.663	7.263	0.4924	1.5911	0.2227
	2018	6.001	5.950	5.637	7.251	0.8749	1.3180	0.1878
	2017	6.163	5.966	5.652	7.267	0.8488	1.4132	0.2622
	2016	6.174	5.970	5.680	7.271	0.4892	1.4512	0.2664
Carbacid	2020	4.912	5.243	4.680	6.545	0.1072	5.6940	0.0777
	2019	4.942	5.227	4.726	6.528	0.0970	9.4280	0.0866
	2018	4.998	5.218	4.716	6.519	0.1158	7.0132	0.1002
	2017	5.052	5.188	4.774	6.489	0.1323	7.0885	0.1219
	2016	5.072	5.172	4.746	6.473	0.1656	4.5106	0.1325
Eveready	2020	2.985	4.094	3.988	5.395	0.5574	1.5019	-1.2214
	2019	4.111	4.458	4.207	5.759	0.2372	2.5325	-0.1947
	2018	4.913	4.587	4.461	5.888	0.2890	2.6948	0.3531
	2017	3.765	4.734	4.125	6.035	0.5506	0.4538	-0.1809
	2016	5.144	4.878	4.446	6.179	0.4666	0.8578	0.3070
Unga Group	2020	5.213	5.726	5.524	7.027	0.4312	1.9559	0.0512
	2019	5.371	5.696	5.518	6.997	0.4353	2.1418	0.0789
	2018	3.295	5.675	5.518	6.976	0.5064	1.6579	-0.0007
	2017	5.184	5.621	5.464	6.922	0.4194	2.2986	0.0609
	2016	5.271	5.637	5.436	6.938	0.3824	2.3685	0.0717

Firm	Year	Income tax	Excise duty	Custom duty	Firm Size	Leverage	Liquidity	ROA
BOC Kenya	2020	3.808	4.998	4.733	6.299	0.2776	1.9772	0.0108
	2019	3.987	5.030	4.768	6.331	0.2908	1.8821	0.0151
	2018	3.842	5.047	4.780	6.348	0.2770	1.9539	0.0104
	2017	4.363	5.046	4.778	6.347	0.2366	2.2831	0.0346
	2016	4.312	5.065	4.797	6.366	0.2615	2.0635	0.0295
EABL	2020	6.538	6.639	6.170	7.940	1	0.8795	0.1323
	2019	6.283	6.552	6.032	7.853	0.8365	0.8349	0.0897
	2018	6.365	6.523	6.044	7.824	0.8202	1.0069	0.1159
	2017	6.483	6.490	6.033	7.791	0.8878	0.7707	0.1642
	2016	6.378	6.525	6.098	7.826	0.7937	1.0229	0.1190
Mumias	2019	2.843	5.896	4.497	7.197	1.9142	0.0290	-0.9623
	2018	2.897	6.081	4.969	7.382	0.9686	0.1093	-0.2824
	2017	5.650	6.127	4.990	7.428	0.7179	0.1807	0.0555
	2016	3.243	6.009	5.109	7.310	0.7097	0.1879	-0.2273
FTG Holdings	2020	4.130	5.057	4.732	6.358	0.5366	1.2125	0.0197
	2019	4.006	4.964	4.753	6.265	0.5580	1.1436	0.0184
	2018	4.077	4.924	4.756	6.226	0.5648	1.2907	0.0237
	2017	4.638	4.881	4.756	6.182	0.5272	1.5305	0.0953
	2016	4.730	4.822	4.722	6.123	0.5613	1.6410	0.1348
Kenya Orchards	2020	3.403	3.833	3.668	5.134	0.7601	1.9784	0.0620

Firm	Year	Income tax	Excise duty	Custom duty	Firm Size	Leverage	Liquidity	ROA
	2019	3.426	3.758	3.556	5.059	0.7884	2.1138	0.0776
	2018	3.236	3.734	3.496	5.035	0.8577	1.7132	0.0530
	2017	3.053	3.650	3.371	4.951	0.8909	2.0214	0.0422
	2016	3.938	3.595	3.232	4.896	0.9235	2.0757	0.3673