EFFECT OF STRATEGIC PLANNINIG ON TAX COMPLIANCE OF MICRO, SMALL AND MEDIUM ENTERPRISES IN MOMBASA COUNTY, KENYA

KALTUMA IBRAHIM MOHAMED

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

2021

DECLARATION AND APPROVAL

I, Kaltuma Ibrahim Mohamed, hereby declare that this MBA research project titled "Effect of strategic planninig on tax compliance of micro, small and medium enterprises in Mombasa County, Kenya" is my original work and has not been presented to any other college, institution or university for award of any certificate, diploma or degree.

Signature ……………… ……………….. Date 20-11-2021

KALTUMA IBRAHIM MOHAMED

D61/10742/2018

MBA PROGRAMME

SUPERVISOR'S APPROVAL

This MBA research project prepared by Kaltuma Ibrahim Mohamed has been submitted for examination with my approval as the appointed University Supervisor..

Signature   Date **1ST DECEMBER 2021.**

PROF. JAMES GATHUNGU, PhD, CPS(K)
DEPARTMENT OF BUSINESS ADMINISTRATION
FACULTY OF BUSINESS AND MANAGEMENT SCIENCES
UNIVERSITY OF NAIROBI

ACKNOWLEDGEMENT

A number of persons merit my profound appreciations for being so supportive in this research process. I thank Allah because of endowment of life and opportunities thus far. Secondly, I sincerely thank Prof. James Gathungu, my supervisor for his direction and advice during thewhole research process. Thirdly, I acknowledge also commitment and consolation from my family and colleagues particularly for their significant assistance in making the research process successful. Finally but not least, gratitude goes to the professors and lecturers of the Faculty of Business and Management Sciences, University of Nairobi, who devotedly imparted their knowledge and skills throughout the course.

DEDICATION

I dedicate this research to my parents Mr and Mrs Ibrahim and especially my sister Zeituna

who has supported me with advice and encouragement to never give up in life.

TABLE OF CONTENTS

LIST OF TABLES

ABBREVIATIONS

DTD	Domestic Taxes Department
IFC	International Finance Corporation
ITC	International Trade Centre
MSE	Micro and Small Enterprises
MSEA	Micro and Small Enterprises Authority
MSME	Micro, Small and Medium Enterprises
ROA	Return on Assets
ROI	Return in Investments
SME	Small and Medium Enterprises

ABSTRACT

Tax compliance is a very important facet of modern day strategic planning. Organizations adopt strategic planning practices to continuouslyenhance tax compliance. Strategic planning enables SMEs to be proactive about their tax liabilities. Firms use planning to better understand their income and important transactions so that they can predict their tax liabilities at year's end, take efforts to mitigate tax effects, and avoid tax shocks. This enhances tax compliance for SMEs. The main aim of this research was to analyze the influence of strategic planningon tax compliance among SMEs in Mombasa County. The following objectives were used to provide guidance; to determine the influence of Environmental scanningon tax compliance, to study the effect of strategy formulation on tax compliance, to study the effect of strategy implementationon tax compliances and to establish the effect of strategy evaluationon tax compliance. This research adopted the contingency theory, strategic fit theoryand resource based theory. A descriptive research design was used. The 5655 registered SMEs in Mombasa County served as the research population. Sample size was 110 respondents selected from Private education, Health and Entertainment. This research relied on primary data collected through questionnaires. Google forms were made use of in the questionnaire administration. The collected data was converted into quantitative format to make analysis using statistical package for social sciences. The statistics generated were descriptive statistics including mean and std. deviation and inferential statistics which included both correlation analysis and multiple linear regression. The study revealed a significant positive relationship betweenenvironmental scanning, strategy formulation, implementation, evaluationand tax compliance amongSMEs in Mombasa County. Regression analysis revealed that 64.2% of changes in tax complianceamong SMEswere ascribed to the four variables selected in this study. In conclusion, environmental scanning, strategy formulation, implementation andevaluationare essential in enhancing tax compliance. Based on the findings, strategy implementation had the greatest influence on tax compliance followed by strategy formulation while strategy evaluationand environmental scanning had the least influence. As a result, it is recommended that SMEs' managers and owners concentrate on strategic planning, as this improves tax compliance.

CHAPTER ONE: INTRODUCTION

1.1Background of the Study

Strategic planning enables Small and Medium Enterprises (SMEs) to be proactive about their tax liabilities. Firms use planning to better understand their income as well as important transactions so that they can predict their tax liabilities at year's end, take efforts to mitigate tax effects, as well as avoid tax shocks. This enhances tax compliance for the SMEs (Davis, 2016). Rather than establishing visionary future concepts, it emphasizes on extrapolating present development trends into the future, as opposed to strategic management. The rules and laws governing taxation are complicated and ever-changing. SMEs business transactions and investments all create tax consequences. Staying on top of new legislation, ensuring compliance, and developing suitable preparations to avoid tax shocks are all necessary. This requires strategic planning (Chamberlain & Smith, 2006).

Thisresearch wasanchored on contingency theory, and supported by strategic fit theoryand resource-based theory. The contingency theory recommends that managers should formulate strategies based on prevailing conditions(Omalaja & Eruola, 2011). The theory relates strategic plans with tax compliance as the formulated plans need to consider the tax compliance benefits. The strategic fit theory postulates that managers need to strategize on those activities that complement each other so as to gain competitive advantage(Drypen, 2008).Firms ought to ensure they are tax compliant if they are to operate in the long term and ensure sustained competitive edge. Resource-based theory asserts that an organization must apply its resources to gain competitive advantage (Barney, 1991). The theory is

relevant as one of the unique resources a firm holds is the strategic plan and which can be used to meet its objectives such as tax compliance.

SMEs should use strategic planning to be more forward-thinking and watchful in order to deal with these challenges (Dansoh, 2005). SMEs that use strategic planning are often more likely to have a higher revenue growth, higher returns on assets, larger profit margins, faster staff growth, as well as international expansion, as well as being less prone to failure (Wang, Walker &Redmond, 2007). n low-income nations like Kenya, tax plays an significant part in the establishment of SMEs. SMEs role is crucial in furthering the country's socioeconomic development goals. As a result, policymakers should prioritize aligning the tax system with the environment's unique SME growth requirements (Mungaya, 2012).

1.1.1Strategic Planning

Strategic planning is defined as a tool by which management creates ashared vision of the company's aspirations(Flanmholtz & Randle, 2015). The concept has also been defined as the process where managers create long range plans for the success of their entities in future. It involves setting of overall goals of a business and the development of a blueprint of how to achieve them(Hartman, Lundberg, & White, 2015). Strategic planning has been well received and adopted by many business entities, non-business entities and governmental organizations alike (Arasa & K'obonyo, 2012). This practice is being seriously undertaken because many studies in the developed world have positively linked strategic planning to firm performance (Hartman, Lundberg, & White, 2015).

According to Rothaermel (2017) intense competition, business rivalry, technological advancement and diversification have become factors that have influenced the evolution of the concept of strategic planning. Others have postulated that it is a process undertaken at strategic level of analyzing, formulating, implementing and assessment or evaluation(Nzewi & Ojiagu, 2015). The general consensus among scholars is that strategic planning using the traditional top down approach includes the processes of analysis, formulation, implementation and evaluation (Rothaermel, 2017).

Strategic planning has often been operationalized based on the various stages of strategy development. The first process of analysis involves scanning of environment using several tools. The internal environment is usually scanned using tools such as the SWOT analysis. The external environment may be scanned with tools such as PESTEL among others (Kahaliya, 2017).The results of environmental scanning will feed into the second process which is strategy formulation. This process involves the vision, mission and objectives. The third process is strategy implementation which involves putting the strategy into action. Finally, the strategy is evaluated. The evaluation stage is necessary to assess the implementation of the strategy (Agwu, 2018).

1.1.2Tax Compliance

Tax compliance is defined as theadherence to tax laws and regulations by individuals and or business (organizations) in the relevant operating jurisdictions(Friedman, 2011). Tax compliance has also been defined as the fulfilment of every aspect of taxpayers' obligations

(McKercher & Evans, 2018). It includes such things as paying the correct taxes due and filing relevant tax returns correctly within stipulated timelines. Taxation is generally practiced differently in different jurisdictions therefore depending with the country taxes may range from Customs duties (paid on importation or exportation), income tax (which may come in many forms such presumptive taxes, Turn-over Tax, Pay As You Earn, Corporation Tax, rental income tax among others), Value Added Tax, Excise duties among others.

The Organization for Economic Cooperation and Development (OECD) divides compliance into two categories: administrative and technical. Administrative rules refer to filing as well as paying taxes, as well as making sure that due dates and processes are followed, while the technical element pertains to calculating the correct taxes (Friedman, 2011). It also refers to the voluntary calculation as well as payment of owed and payable taxes within the specified time frames. It is also dictated by the taxpayers' trust as well as the authorities' facilitation (Masarirambi, 2013). As a result, a tax system that incorporates many aspects of tax rules, regulations, and procedures is required (Machogu&Amayi, 2016). According to the many scholars who have delved into the field of taxation, tax compliance is defined as the art of completing returns on time and paying tax due as specified in the relevant legislation (Wangeci, 2018).

In regards to operationalization, different researchers have measured tax compliance differently.(McKercher & Evans, 2018)operationalized tax compliance in terms of the

4

ability of individuals and organizationsof remitting taxes on time as well as reporting of accurate tax information on time.Mwangi (2014) measured tax compliance in terms of taxes payment, filing, genuineness and correct reporting and adhering to tax policies.Hira, Shah, Harney and Coulson (2020)measured tax compliance in terms of increased revenue collection and increased awareness of tax laws and regulations. To measure tax compliance, the current study will use registration of new taxpayers, filing returns and taxes paid as the indicators of tax compliance among SMEs in Mombasa.

1.1.3Micro, Small and Medium Enterprises in Mombasa County

The Kenyan legislation (MSE Act, 2012)describes a Micro enterprise as that a firm, trade, or business activity whether a firm or industry whose employees are below ten and whose yearly sales is no more than five hundred thousand Kenya shillings. The same law defines a small enterprise as an organization's activity whose yearly sales is between five hundred thousand and five million Kenya shillings with a human capital base of between ten and fifty employees. The Kenyan definition is in tandem with   the general definition of Micro and Small Enterprises given by the Organization for Economic Cooperation and Development (OECD).

MSMEs are key to Kenya's economy as they contribute to about 98% of all business enterprises and employ more than 80% of the total work force. Just like in South Africa MSMEs contributed 34% to the GDP in 2016(International Trade Centre, 2019). The sector in Kenya is also constrained in terms of lack of access to credit, difficulty in complying

with regulatory requirements, challenges in market access and debt collection(Viffa Consult , 2018) .The Kenyan government has undertaken various reforms in the MSMEs sector by enacting a legislation to regulate the MSEsand by creating the MSE Authority through Legislation. This framework inter-alia provides for formulation and review of policies and programmes for the MSE sector in Kenya. This confirms the government's commitment to improve the sector to steer development and reduce poverty.

SME's in Mombasa County and Kenya generally are faced with stiff hurdles in the context of taxation. Wangeci (2018) noted that tax compliance among the SMEs is concavely related to poor business record keeping, low sales turnover, changes in form of business ownership, business transitions and unstable business operations. Large segment of SMEs owners are not aware of taxation processes and computations accrued from transactions. It is relevant to establish a broad information base on key determinants of tax compliance among SME's to be in a position to address issues of tax malpractices involving tax avoidance and tax evasion. Strategic planning has been thought to reduce incidences of tax non-compliance and therefore need to conduct an empirical study in this area.

1.2Research Problem

Strategicplanning enables SMEs to be proactive about their tax liabilities. Firms use planning to better understand their income and important transactions so that they can predict their tax liabilities at year's end, take efforts to mitigate tax effects, and avoid tax shocks. This enhances tax compliance for SMEs(Davis, 2016). Tax compliance and filing services ensure that tax reporting deadlines and requirements are satisfied on time and in

accordance with current tax regulations. Strategic tax planning therefore enable firms adheres to applicable rules and legislation. As a result, SMEs are better equipped to grasp their individual filing obligations, as well as the transactions that affect tax liabilities, and to explain their tax liability in a clear and understandable way(Chamberlain & Smith, 2006).The tax regulations and laws are complicated and constantly evolving. SMEs business transactions and investments all create tax consequences. Staying on top of new legislation, ensuring compliance, and developing suitable preparations to avoid tax shocks are all necessary. This requires strategic planning.

Because of the nature of SMEs, tax compliance is a critical issue, particularly since most SMEs are characterized bylimited resources and insufficient experience to comply with a wide range of complex regulations. Large compliance costs can result to tax fraud, tax evasion and investment stifling by lowering the competitiveness of a country in terms of taxation appeal.This however can be curbed using proper strategic planning for the tax compliance (Atawodi&Ojeka, 2012).SMEs have been shown to be successful and tax compliant when they use strategic management.This has been achieved by the use of measures such as tax planning (Dailey & Frederick, 1997).

Various related studies have been done. Kang'ethe (2018) concluded that there was low uptake of strategic planning practices among Kenyan manufacturing SMEs compared to larger firms. Others like Kidombo (2014) had established that most of SMEs studied in Nairobi county greatly employed strategic planning practices. In relation to tax compliance of MSMEs,Kimaru and Jagongo (2014) held that many traders did understand the

administration of Turn over Tax and found very complicated and tedious. Freidman (2011) concludes the reasons for low tax compliance among MSMEs as complications in the tax system and high compliance costs. Therefore, there is need to establish whether strategic planning has an effect on the same. Njoroge (2017) tried to link strategic management practices and tax positioning however he did not sufficiently link the variables under this study furthermore the scope was different hence a gap. Another study by Mwangi (2018) looked at strategic management practices on revenue collection reduction at the Domestic Taxes Department, the study was not based on MSMEs hence a gap.

Closer to the context, Kipyego and Chebet(2015) did a survey on the factors prompting tax compliance behavior of SMEs in Mombasa County, Kenya. Poor business infrastructures should be addressed to help the business community, particularly SMEs, in order to boost compliance behavior, according to the research. This study however did not delve directly into the effect of strategic planning on tax compliance for SMEs in Mombasa County.It is clearly evident from the findings that though there existpriorresearches on tax compliance, the nexus between strategic planning and tax compliance has not yet been established and this is the gap the current study focused on. As a result, the goal of this research was to find out how strategic planning affects tax compliance among Small and Medium Enterprises in Mombasa County?

1.3 Research Objective

To determine theeffect of strategic planning on tax compliance ofSmall and Medium Enterprises in Mombasa County

1.4 Value of the Study

The conclusions of this research will be useful in the academic fields of Strategic Management, Taxation and management in general will be enriched by this research. Many people including scholars may find tax compliance issues as complex however the results of the research purposes to link strategic planning practices with tax compliance will act as a reference to bridge the huge information gaps that have existed on the two areas.

The results of the researchwill also be very beneficial to Entrepreneurs, Micro,SMEs, their employees as well as the public at large. The findings will inform practice on the linkages between environmental analysis, strategy formulation, evaluation and tax compliance. In a nutshell the findings will inform practitioners on the linkages between strategic planning and tax compliance such that they may be able to plan effectively and optimally based on the research model under this study.

Thirdly the study will benefit the government and tax authorities in Kenya and other policy makers such as the MSEAuthority. The findings of the relationship between the two variables under study will inform government and tax practitioners on areas of focus so as to enhance tax compliance. Governments will gain from this research in that they will be able to make apt policies and propose legislation for the betterment of the MSME sector. Tax Authorities will be able to come up with better strategies to enhance tax compliance while at the same time facilitating the taxpayers under the MSME sector.

CHAPTER TWO:LITERATURE REVIEW

2.1 Introduction

The chapter explores theories supporting this research, the review of related empirical literature and finally the summary of the chapter. The review aids in bringing out the existing knowledge gaps in this study area.

2.2 Theoretical Foundation

This segmentsummariestheories that relateto strategic planning practices with tax compliance among organizations to aid in developing the theoretically expected relationship between the study variables. The theories under review include the contingency theory, strategic fit theory and finally the resources-based theory.

2.2.1Contingency Theory

A situational or contingency theory was developed by Fiedler (1967). The theory postulates management of organizations may take on many forms therefore managers should formulate strategies based on prevailing conditions. This theory is mainly applicable during strategy formulation, implementation and evaluation(Omalaja & Eruola, 2011). According to Betts (2003) contingency theories hold that the operating environment of firms determines strategy. The proponents of this theory often try to determine theconvergence between operating environment and firm characteristics that lead to better and sustainable performance. The desire of every business entity is to make true profits which involve deduction of all expenses including taxes from turnover.

This theory is a tactic to the organizational behavior study since it clarifies how external factors like culture, technology, as well as the external environment affect the nature as well organizational functioning. Organizational effectiveness, according to Omalaja and Eruola (2011), is not always reliant on a fit or in a match between technology type, environmental flexibility, organization size, the structure's features, as well as its information system. The recent revamping of turnover tax for MSMEs presents a contingency. Therefore, firms may be required to formulate their strategies with the new developments in country as regards taxation. Therefore, this theory is therefore useful as a foundation for this study.

11

2.2.2 Strategic FitTheory

According to Drypen (2008) the theory of strategic fit tries to explain the extent to which activities of a firm complement each other in a way to gain competitive advantage.Drypen(2008) further states that there are three types of strategic fits, managerial, operational and marketing. Managerial fits are about leveraging on synergies, skills transfer in administration and related activities. Accumulated know–how in a business may be used to manage another business unit. Operational fit is achieved when different business units' work together so as to benefit from cost-sharing and or skills transfer.

Operational fit may occur among business units such as marketing, procurement, manufacturing, finance, research and development. Marketing fit usually arises where there is an overlap of products of the different business units so that they can be utilized by the same customers. Examples of marketing fit include common call centre for all customers, common advertising, joint order processing and billing among others. This theory explains how strategic fit may be used to achieve tax compliance of a Micro, Small or Medium Enterprise therefore relevant.

2.2.3 Resource Based Theory

This theory attempts to explain the linkages between what the organization does best (internal resources) to what it offers in the market taking into consideration the competition (external environment). This theory contends that the internal assets or resources are the

best source of competitive advantage. The resources referred to in this theory are those that are strategic in nature, they are rare, valuable and difficult for the competitors to substitute or imitate. The theory further states that these resources should not only lead to competitive advantage but sustained competitive advantage. The theory also affirms that firms tend to develop capabilities based on the strategic resources they possess(Barney, 1991).

According to Ramon-Jeronimoet al. (2019) Small and Medium Enterprises usually have a greater difficulty in accessing resources and capabilities more than larger firms however the Resource Based View proposes the use of inter-organizational relationships can permit these types of enterprises to acquire both tangible and intangible resources to strengthen their current asset base. This theory is important in explaining the associationbetween independent variable and dependent variables under study as it lays the foundation for the strategic planning process.

2.3Empirical Review

A few academics have attempted to link strategic planning to tax compliance. Atawodi and Ojeka (2012) examined factors impacting tax compliance amongst SMEs in north-central Nigeria.Whenever it comes to SMEs taxation, the study showed that high tax rates are the major concern for entrepreneurs. Regardless of the fact that they suffer other tax-related issues, the issue of a high tax rate is one that fosters non-compliance and leads majority of SMEs to remain in the informal sector. As a result, SMEs are denied the advantages that come with having enough tax income to provide utilities like power and adequate roads,

which are tools that help SMEs prosper, as well as funding for particular development initiatives.

In South Africa, Naicker and Rajaram(2018) researched factors affecting SME tax enforcement. The results of this research revealed that for South African SMEs, VAT being the utmost complex tax. VAT enforcement is the most expensive and demanding and the time spent on owners' compliance is considered utmost wasteful expense of ensuring tax compliance. Tax enforcement issues have adversely affected business development, which is in sharp contrast to the strategic goals set by the national government to reduce unemployment and poverty. A reform of the tax policies governing the small business sector is urgently required to help small and medium-sized enterprises in achieving these goals.

Via the Self-Assessment Method, Wadesango, Mutema, Mhaka and Wadesango(2018) explored the problems and challenges of SMEs tax enforcement. The method of self-assessment requires constant taxpayer education, as new changing laws and amendments to tax legislation are still in effect. The speculations of corruption among those in charge of governance on the use of tax money are other factors affecting SMEs in enforcement, the lack of transparency regarding public funding fosters an unfavorable view about taxes (Hendy,2013). The results of the research revealed that SAS should consider the multiple elements that contribute to non-compliance in developing nations, in addition to tax

knowledge. The connection between the tax collector and the taxpayer is influenced also by psychological andeconomic variables.

Njoroge (2017) studied the effect of strategic management practices and tax positioning of Nairobi SMEs. The study research design used was cross sectional in nature. The findings revealed that the firms were adopting themselves well despite most firms felt that strategic management was for big firms. This study focused more on strategic management practices not specifically strategic planning. The study did not exhaustively focus on the issue of tax compliance but looked at tax positioning. Furthermore, the study focused on SMEs in Nairobi unlike the current research which has its focus on Micro, SMEs in Mombasa County Kenya.

Otieno (2019) utilizing a cross-sectional design studied how SMEs in Nairobi County financial performance was influenced by strategic planning. Scanning of environmental, design of strategy, plan implementation, as well as strategy evaluation all had a beneficial impact on financial performance, as per the research. This study is useful in that it provided insights to the current study however it was conducted amongst SMEs in Nairobi County with financial performance as the context unlike the current research whose context is tax compliance.

Maswili and Kariuki (2019) in their quest to determine how performance of pharmaceutical manufacturing firms in Nairobi was influenced by strategic planning; the study used

descriptive research design and held that environmental scanning, strategy formulation and stakeholder involvement all influenced performance positively. The study focused on the pharmaceutical industry in Nairobi with performance as the context of the research. The current researchpursues to bring out the correlation between strategic planning and tax compliance among MSMEs in Mombasa County.Mwaura (2017) using an explanatory research design researched on tax compliance determinants ofThika town basedSmall-Scale traders. The results held that taxpayers' perceptions and attitudes on tax laws were positively associated with tax compliance. Other factors such as automation of tax filing and proper record keeping were positively correlated with tax compliance.

Kipyego and Chebet(2015) conducted a report on the variables affecting SMEs tax compliance behavior: A Mombasa County Survey, Kenya. The research demonstrates that weak business infrastructures ought to be enhanced to assist the business community, particularly SMEs, in order to improve enforcement actions. According to the findings, the county government ought to be pragmatic enough to take into account the difficulties faced by SMEs based on a variety of factors, including the enterprise legal status, its length of operation, its annual turnover, and the industry in which it operates.

2.4Strategic Planning and Tax Compliance

Strategic planning, according to Dansoh (2005), permits SMEs to be forward-thinking and alert in order to manage with these situations. SMEs that use strategic in their plan are much more likely to achieve more sales and growth, high returns on assets, larger profit margins, faster staff growth, and international expansion, as well as being less prone to failure

(Wang, Walker &Redmond, 2007). In low-income nations, tax plays an essential role in SMEs growth. The SMEs role is crucial in furthering the country's socioeconomic development goals. As a result, policymakers should prioritize aligning the tax system with the environment's unique SME growth requirements (Atawodi&Ojeka, 2012).

Strategic planning has been well received and adopted by many business entities, non-business entities and governmental organizations alike (Arasa&K'obonyo, 2012). This practice is being seriously undertaken because many studies in the developed world have positively linked strategic planning to tax compliance (Hartman, Lundberg, & White, 2015). Several studies have also linked strategic planning and organizational performance and concluded that it is a vital tool for directing the organizations (Mohammed,Gichunge& Were, 2017). The classic works of both Ansoff(1970) and Drucker (1954) contend that strategic planning helps managers use documents known as plans to make effective decisions for entities such as tax compliance. Over the years other scholars such as Bateman and Zethml(1993) hold that strategic planning is a systematic,conscious process of coming up with future decisions and goals of a company.

Several studies have concluded that organizations that have adopted strategic planning practices often perform better than those do not. In terms of linking strategic planning to tax compliance few studies have tried to elucidate this relationship. Since payment of taxes is an obligation owed to the state, firms are obligated to plan with taxation in focus. Tax

compliance issues especially among Micro, Small and Medium Enterprises may be complex therefore a good justification for this study.

2.5 Summary of Empirical Studies and Research Gaps

The segment provides a breakdown of various scholars' writings on information management and function. The literature evaluation identified contextual, conceptual, and methodological research gaps that this study sought to fill. Focusing on these gaps, this enquiry therefore pursued to evaluate the effect of strategic planning on tax compliance.

Table 2.1: Summary of Empirical Studies and Research Gaps

Study	Methodology	Key Findings	Knowledge Gaps	Current Study Focus
Strategic planning effect on performance of pharmaceutical manufacturing firms in Nairobi Maswili and Kariuki (2019)	Descriptive research design	environmental scanning, strategy formulation and stakeholder involvement all influenced performance positively	The study focused on the pharmaceutical industry in Nairobi with performance as the context of the study	The current research pursues to bring out the correlation between strategic planning and tax compliance among MSMEs in Mombasa County.
How Nairobi County SME's financial performance was influenced by strategic planning Otieno (2019)	Regression analysis	Environmental scanning, plan design, strategy implementation, and strategy evaluation all improved financial results.	was conducted among Nairobi County SMEs with financial performance as the concept	The current study conceptualizes strategic planning and tax compliance with SMEs in Mombasa as the context
The problems and challenges of SMEs tax enforcement Wadesango et al. (2018)	A review of literature	The connection between the taxpayer and the tax collector is influenced by economic and psychological variables	This researchwas a review of literature and therefore findings cannot be generalized to a specific context	The current study will be an empirical study on strategic planning effect on tax compliance among SMEs in Mombasa County
Factors affecting SME tax enforcement in South Africa Naicker and Rajaram(2018	Descriptive statistics	VAT is the most complicated tax for small enterprises in South Africa.	The study presents a conceptual gap as it did not relate strategic	This study focuses on the on strategic planning effect on tax compliance amongst Mombasa CountySMEs

			planning with tax compliance	
effect of strategic management practices and tax positioning of SMEs in Nairobi Njoroge (2017)	Regression analysis	firms were adopting themselves well despite most firms felt that strategic management was for big firms	This study focused more on strategic management practices not specifically strategic planning.	This study focuses on the on strategic planning impact on tax compliance amongstMombasa County SMEs.
Tax compliance determinants of Small-Scale traders in Thika town Mwaura (2017)	explanatory research design	Taxpayers' perceptions and attitudes on tax laws were positively associated with tax compliance. Automation of tax filing and proper record keeping were also positively related with tax compliance	This research failed todiscover the effect of strategic planning on tax compliance.	This study focuses on specific aspects of strategic planning and how each of them influences tax compliance
Variables affecting Small and Medium Enterprises (SMEs) tax compliance behavior: A Mombasa County Survey, Kenya Kipyego and Chebet (2015)	Descriptive research design	weak business infrastructures should be strengthened to benefit the business community	The study focused on only other determinants of tax compliance leaving a gap on strategic planning impact	Focuses on how firm tax compliance is influenced by strategic planning among Mombasa County SMES

Source: Researches (2021

20

CHAPTER THREE: RESEARCH METHODOLOGY

3.1 Introduction

The chapter entails methods employed in gathering data and also analysis. Specifically, the chapter explainsthe research design, study population, sample size and dataanalysis.

3.2 Research Design

This denotesthe master plan for collecting, measuring and analyzing data(Sekeran & Bougie, 2015). Because it is useful in characterizing the features of a big population and uses large samples, the research utilized a cross-sectional survey methodology. This ensured that the results are statistically significant even when examining several variables. According to (Akhtar, 2016) thecross-sectional descriptive designsutilize quantitative methodologies in describing of characteristics of persons, phenomena, events or situations. This research was focusedondescribing howthe strategic planning affects tax compliance. Preference of this design was since it helps the researcher in describing the relationship under study(Sekeran & Bougie, 2015).

3.3 Population of the Study

As per Kothari andGarg (2014) a population is the whole group of elements, individuals, items the researcher is interested in making inferences upon. The Integrated Financial Operations Management System reveals that the registered and licensed Micro, SMEs in Mombasa County are 5655 as of December 31st 2019 as shown in the table below.As a

result, the study's target population covered all 5655 registered Mombasa County SMEs. The unit of research was the owners of the firms or their representative.

Table 3.1: Target Population

Population category	Population
100 General trade, Whole, Retail, Stores	3,534
200 Informal sectors	483
300 Transport, storage & communication	70
400 Accommodation & Catering	604
500 Professional& Technical services	681
600 Private education, Health and Entertainment	110
700 Workshops, Industry plants	173
Total	**5,655**

Source: IFMOS County of Mombasa (2020)

3.4 Sampling Design

The proportionate stratified random sample technique was used for this research study's sampling. This technique was adopted because Micro, Small and Medium Enterprises fall in different categories with different characteristics of business which shall form population for this study. The research, nevertheless, focused on lawfully registered businesses that met KRA tax compliance standards at the time of this research and focused on private education, health, and entertainment. A 110 participants sample sizewas chosen fromPrivate education, Health and Entertainment to take part in the study according to theIFMOS County of Mombasa (2020).

3.5 Data Collection

Thequestionnairewas the principal data collection instrument in this research survey. A questionnaire is defined as aninstrument for collecting primary data (Mugenda &Mugenda,

2013). This instrument was preferred because it can be widely distributed and is free from bias as it accords the respondent adequate time to respond to the questions (Kothari &Garg, 2014). Research employed semi-structured questionnaire to gatherinformation. The questionnaire was divided into various sections: Section A, Demographics; Section B, Strategic planning, C, Tax Compliance. The target respondents were owners of the SMEs or their representatives.

3.6 Reliability and Validity

3.6.1 Reliability test

Sekeran and Bougie (2015) argues that reliability of data collection instrument considers consistency of participants' response across constructs. This means that date collection and analysis procedures will yield consistent results regardless of the sources of information. Internal consistency was viewed as an indicator of reliability. This was achieved by performing the Cronbach's Alpha test as itisvital to an investigator since it permits them to establish if the instruments can offer accurate and consistent responseswhen similar questions are replaced. A variable is said to be stable if it gives similar answers to a similar set of queries. The true ranking, also known as 'Alpha,' has a range of values from 0 to 1.It can be useful in expressing reliability in questionnaires with rating scales and questions with two probablereplies (dichotomous questions). A high score indicates strong reliability, with an appropriate coefficient of reliability 0.7 (Alpha value) (Kothari &Garg, 2014).

3.6.2 Validity test

The ability of an instrument to calculate the construct as purports is known as its validity (Akhtar, 2016). Construct validity is a test which establishes if a variable's operational description preciselysignifies the concept's true theoretical sense. The questionnaire for this research was based on previous research that was modified to meet the study's aims. The validity of the material was validated using expert opinion. This included the managers, who ensured that the questionnaire covered all of the research variables through their scrutiny and expert opinions. They also double-checked the text to ensure that the theoretical dimensions were presented in the manner that they were conceived.

3.7 Operationalization of Study Variables

Variable	Operational Indicators	Measurement	Measurement Scale	Data Collection Tool	Data Analysis
Environmental analysis	-Internal environment scanning -External environment scanning	Likert scale	Interval	Questionnaire Section B	• Descriptive statistics • Correlation analysis • Regression analysis
Strategy formulation	-Vision and mission statement -Objectives setting	Likert scale	Interval	Questionnaire Section C	• Descriptive statistics • Correlation analysis • Regression analysis
Strategy implementation	-Resource allocation -Top management support	Likert scale	Interval	Questionnaire Section D	• Descriptive statistics • Correlation analysis

					• Regression analysis
Strategy evaluation		Likert scale	Interval	Questionnaire Section E	•
Tax compliance	-Tax payments Filing returns	Likert scale	Interval	Questionnaire Section F	• Descriptive statistics • Correlation analysis • Regression analysis

Source: Field Data

3.8 Data Analysis

Data was analyzed both descriptively and inferentially. The central tendency measures as well as dispersionwere deduced. Using mean as well as standard deviation in assessing the opinion statements from the Likert scale. The correlation strength between the variables was determined via correlation and regression analysis. The results beingpresented in tables. The following regression model was used in this research. The tool of analysis adopted for this study was SPSS version 25.

$$\gamma = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon$$

Where; Y= Tax compliance; X1= Environment scanning; X2= Strategy formulation; X3= Strategy implementation; X3= Strategy evaluation; β_n= Model coefficients; and α = Constant

CHAPTER FOUR: DATAANALYSIS, RESULTS AND DISCUSSION

4.1 Introduction

The chaptercovers data analysis, its results and discussion. It includes demographic data as well as general details such as response rate. The part also provides the results of the investigation in relation to the research goals.

4.2 Response Rate

In a study, the response rate is a percentage of the total number of answers received by the number of participants.   Depicted in Table 4.1 are thestudy outcomes.

Table 4.1: Response Rate

Response Rate	Frequency	Percent
Returned	96	87.27
Unreturned	14	12.73
Total	**110**	**100**

Source:FieldData (2021)

According to Table 4.1, 110 questionnaires were distributed to SME owners who were chosen as the sample size for the current analysis. A total of 96 of the 110questionnaires sent out to respondents werefilled and returned, resulting in a 87.27 percent rate of response. This is above the recommended level of 50% or more, and it agrees with Sekeran and Bougie (2015), who claimed a research having a 50% or more response rate is appropriate for investigation and conclusion drawing.

4.3 Reliability Test Results

Reliability measures if the instrument measures that which it is required to measure every time it is used. Itwas determined through the use of Chronbach's alpha which determines the internal consistency of the questionnaire. Data obtained through the questionnaire wereimputed into SPPS and Chronbach's alpha for the items in the questionnaire generated. Those items that had a Chronbach's alpha of less than 0.7 which is the threshold would be eliminated from the questionnaire while collecting data for the main study.

Table 4.2: Reliability Test Results

Variables	Cronbach's Alpha	Critical Value	Conclusion
Environmentalscanning	0.798	0.7	Reliable
Strategy formulation	0.811	0.7	Reliable
Strategy implementation	0.806	0.7	Reliable
Strategy evaluation	0.799	0.7	Reliable
Tax compliance	0.823	0.7	Reliable

Source:Field Data (2021)

All variables were higher than 0.7 Chronbachalpha, as Table 4.2 shows. This indicates that the questionnaire utilized in this study was very coherent internally. Therefore, the questionnaire was reliable in assessing the impact of strategic planning on theSME tax compliance.

4.4 Demographic Analysis

This section provides descriptive data about the respondents' demographic characteristics.

4.4.1Position in the SME

Those polledwere requested to stipulate their position in the SME. Table 4.3 displays the results.

Table 4.3: Position Distribution

Position	Frequency	Percentage
Owner	56	0.58%
Manager	40	0.42%
Total	**96**	**100%**

Source: Field Data (2021)

According to the findings,owners of the SMEs made up 58 percent of the total, while manager respondents made up 42 percent. The results of the research show that majority of the SMEs are run by the owners.

4.4.2Age of the Respondents

The research tried to ascertain the individuals' age. It is essential to understand the age of respondents, since someone's age may affect their research answer. Table 4.4 displays the results.

Table 4.4: Respondents' Age Composition

Age	Frequency	Percentage
21-30 years	8	8.33%
31-40 years	27	28.13%
41-50 years	38	39.58%
51 and Above	23	23.96%
Total	**96**	**100%**

Source: Field Data (2021)

Table 4.4 displays that the highestrespondent number (39.58%) were between the ages of 41 and 50, 28.13 percent were between the ages of 31 and 40, 23.96 percent were 51 and up, and the smallest percentage (8.33%) were between the ages of 21 and 30years. According to the findings, SMEowners and managers are relatively young.

4.4.3 Highest Education Level

Specific participants were requested tostate their most highesteducation level. Table 4.5 shows the findings.

Table 4.5: Distribution of Respondents by Highest Level of Education

Education	Frequency	Percentage
Secondary	11	11.46
Diploma	51	53.13%
Degree	34	35.41%
Total	**96**	**100%**

Source: Field Data (2021)

The majority of respondents (53.13 percent) had a diploma, while 35.41% had a degree. Only 11.46% had the highest level of education being secondary school. None of the interviewed respondents indicated a different level of education. These findings suggest that owners and managers of SMEs are relatively well educated as all of them had achieved at least secondary education level. High levels of education are essential in a company because they enable an organization to comprehend and resolve its problems.

4.4.4 Legal Form of the SME

Responses were required tospecify the form of their SME. Table 4.6 summarizes the findings.

Table 4.6: Legal Form

Form	Frequency	Percentage
Sole proprietorship	29	30.21%
Partnership	13	13.54%
Company	52	54.17%
Cooperative	2	2.08%
Total	**96**	**100%**

Source: Field Data (2021)

Table 4.6 results reveal that 54.17% of those polled were in charge of companies, 30.21% were running sole proprietorships, 13.54% were running partnerships while only 2% were running cooperatives. This is an indication that SMEs in Mombasa County come in various legal forms.

4.5 Analysis of Study Variables

This section presents descriptive results in percentages, means, as well as standard deviations for everyvariable under investigation.

4.5.1 Environmental scanning

The study sought to investigate the degree of environmental scanning among SMEs in Mombasa County. Environmental scanning is the first stage of strategic planning. Table 4.7 shows the mean and standard for environmental scanning indicators.

Table 4.7: Descriptive Statistics for Environmental Scanning

Statements	N	Mean	Std. Dev	CV
Our organization conducts internal environment scanning	96	4.24	0.55	0.13
Our organization uses SWOT analysis to conduct internal environment scanning	96	4.21	0.73	0.17
Other different tools are used to conduct internal scanning	96	4.03	0.63	0.16
Our Organization usually conducts external environmental scanning	96	3.55	0.86	0.24
PEST analysis tool is used in our organization to conduct external scanning	96	4.45	0.50	0.11
Other different tools are used to conduct external scanning	96	4.33	0.53	0.12
Our organization has analyzed the position of its competitors	96	4.03	0.63	0.16
Overall mean Score	**96**	**4.14**		

Source: Field Data (2021)

30

The results revealing that most of the participants concurred that PEST analysis tool is used in their SME to conduct external scanning (Mean=4.45, std. dev=0.5). The findings further revealed that other different tools are used to conduct external scanning (Mean=4.33, std. dev=0.53). Respondents further agreed that their organization conducts internal environment scanning (Mean=4.24, std. dev=0.55). Additionally, findings discovered that SMEs in Mombasa County uses SWOT analysis to conduct internal environment scanning (Mean= 4.21, std. dev=0.73). The findings, furthermore, showed that SMEs in Mombasa County have analyzed the position of their competitors (Mean=4.03, std. dev=0.63). Lastly, the findings revealed that SMEs usually conducts external environmental scanning (Mean=3.55std dev=0.86). The overall mean was 4.14 implying that environmental scanning is being practiced among SMEs in Mombasa to a great extent.

4.5.2 Strategy Formulation

The research sought to establish the extent of strategy formulation among SMEs in Mombasa County. Table 4.8displays the mean and std. dev. for strategy formulation indicators.The findings showed that SMEs in Mombasa County has a mission statement that clearly communicates their purpose and why they exist (Mean=4.0, std. dev=0.55). The findings further noted that SMEs in Mombasa County have set objectives to help them achieve their mission(Mean=3.97, std. dev=0.58). Similarly, findings showed that mission statement of SMEs in Mombasa County fosters unity and gives a sense of belonging (Mean=3.91, std. dev=0.67).

The findings further showed that SMEs in Mombasa County has action plans detailing what is to be done, when it is to be done and who is accountable (Mean=3.85, stddev=0.78).

31

Furthermore, findings showed that SMEs have developed strategies through which the mission, vision and objectives will be achieved(Mean=3.82, std. dev=0.80). Finally, findings showed that SMEs in Mombasa County have a vision statement that gives long term direction (Mean=3.82, std. dev=0.83). The overall mean was 3.90 indicating that on average, SMEs in Mombasa County practice strategy formulation to a great extent.

Table 4.8: Descriptive Statistics for Strategy Formulation

Statements	N	Mean	Std. Dev	CV
Our firm has a mission statement that clearly communicates our purpose and why we exist	96	4.00	0.55	0.14
The mission statement of our organization fosters unity and gives a sense of belonging	96	3.91	0.67	0.17
Our organization has a vision statement that gives long term direction	96	3.82	0.80	0.21
Is the vision futuristic and states where the business will like to be	96	3.85	0.78	0.20
Our organization has set objectives to help it achieve its objectives	96	3.97	0.58	0.15
Our firm has developed strategies through which the mission, vision and objectives will be achieved	96	3.82	0.83	0.22
Our firm has actions plans detailing what is to be done, when it is to be done and who is accountable	96	3.85	0.80	0.21
Overall Mean Score	**96**	**3.90**		

Source: Field Data (2021)

4.5.3 Strategy Implementation

The research sought to establish the extent of strategy implementation among SMEs in Mombasa County. Table 4.9displays the mean as well as standard for strategy implementation indicators.

Table 4.9: Descriptive Statistics for Strategy Implementation

Statements	N	Mean	Std. Dev	CV
The SME organizes resources for strategy implementation	96	4.21	0.69	0.16
There is an allocation of strict responsibility for strategy implementation	96	4.03	0.63	0.16
There are proper guidelines to guide strategy implementation process	96	4.03	0.52	0.13
The top management is directly involved in strategy implementation	96	4.42	0.55	0.12
Managers have the required skills for strategy implementation	96	4.33	0.68	0.16
Overall Mean Score	**96**	**4.17**		

Source: Field Data (2021)

The findings showed that top management is directly involved in strategy implementation (Mean=4.42, std. dev=0.55). The findings also discovered that managers of SMEs in Mombasa County have the required skills for strategy implementation (Mean=4.33, std. dev=0.68). The findings also show that SMEs in Mombasa County organize resources for strategy implementation (Mean=4.21, std. dev=0.69). Additionally, findings revealed that there is an allocation of strict responsibility for strategy implementation (Mean=4.03, std. dev=0.63). Further, findings shown that there are proper guidelines to guide strategy implementation process (Mean=4.03, std. dev=0.52). The overall mean was 4.17 suggesting that SMEs in Mombasa County are implementing their strategy to a great extent.

4.5.4 Strategy Evaluation

The research sought to establish the extent of strategy evaluation among SMEs in Mombasa County. Strategy evaluation is the last stage of strategic planning. Table 4.10tabulates the mean and standard for strategy evaluation indicators.

Table 4.10: Descriptive Statistics for Strategy Evaluation

Statements	N	Mean	Std. Dev	CV
In our firm the management has developed a scorecard to track performance on its Key Performance Indicators periodically.	96	4.21	0.73	0.17
In our firm we use profitability measures to determine achievement of strategies	96	4.03	0.63	0.16
Our firm also use percentage increase in turnover to measure achievement of strategies	96	3.55	0.86	0.24
Our firm uses Return on Investment know the degree to which strategies have been applied	96	4.45	0.50	0.11
In our firm other performance indicators such as growth in market share	96	4.33	0.53	0.12
To what extent does your firm use Customer satisfaction to determine whether strategies employed are on course	96	4.25	0.75	0.18
To what extent does your firm use quality of products to measure success of strategies employed	96	3.98	0.67	0.17
Overall mean Score	**96**	**4.12**		

Source: Field Data (2021)

The findings revealed that SMEs in Mombasa County use ROI know the degree to which strategies have been utilized(Mean=4.45, std. dev=0.5). The findings further revealed that other performance indicators such as growth in market share are also in use (Mean=4.33, std. dev=0.53). The findings also revealed thatcustomer satisfaction is used to measure extent of strategy implementation (Mean=4.25, std. dev= 0.75). Additionally, findings discovered that the management has developed a scorecard to track performance on its key performance indicators periodically (Mean= 4.21, std. dev=0.73).

The descriptive results also revealed that SMEs in Mombasa County also use profitability measures to determine achievement of strategies (Mean=4.03, std. dev=0.63) whereas the SMEs also use the quality of products when evaluating strategies (Mean=3.98, std. dev=0.67). Lastly, the findings revealed that the SMEs also use percentage increase in turnover to measure achievement of strategies (Mean=3.55, stddev=0.86). On average, the

results revealed that SMEs have adopted strategy evaluation to a greaterdegree as average mean of 4.12display.

4.5.5 Tax Compliance

The mean as well as standard deviation for preciseattributes of tax compliance are as indicated in Table 4.11.

Table 4.11: Descriptive Statistics for Tax Compliance

Statements	N	Mean	Std. Dev	CV
Our organization has a PIN and is registered on the KRA Itax system	96	4.24	0.64	0.15
Our organization uses Tax agents and or consultants to fulfill tax obligations	96	4.08	0.55	0.13
Our organization declares and file taxes return as required by KRA to avoid penalties	96	4.00	0.55	0.14
Our organization remits withholding taxes to KRA within the required time	96	3.91	0.67	0.17
Our firm declares and pays the requisite taxes on its income as required by KRA every financial year	104	3.82	0.80	0.21
Our firm remits PAYE and other statutory deductions for our employees in a timely fashion	96	3.85	0.78	0.20
Our organization is aware of all tax obligations required	96	3.82	0.83	0.22
Overall Mean Score	**96**	**3.96**		

Source: Field Data (2021)

The findings showed SMEs in Mombasa County have PINs and are registered on the KRA Itax system (Mean=4.24, std. dev=0.64). Similarly, findings showed that the SMEs use tax agents and or consultants to fulfill tax obligations (Mean=4.08, std. dev=0.55). The outcomes also showed that the SMEs declares and file taxes return as required by KRA to avoid penalties (Mean=4.0, std. dev=0.55).

The conclusions further noted that the SMEs remits withholding taxes to KRA within the required time (Mean=3.91, std. dev=0.67). The conclusions further shown that the SMEs remits PAYE and other statutory deductions for our employees in a timely fashion (Mean=3.85, stddev=0.78). Furthermore, the SMEs declares and pays the requisite taxes on its income as required by KRA every financial year(Mean=3.82, std. dev=0.80). Finally, the SMEs aware of all tax obligations required (Mean=3.82, std. dev=0.83). The overall mean was 3.96 implying that an average, SMEs in Mombasa County are tax compliant to a greatermagnitude.

4.6 Inferential Statistics

This section contains the inferential statistics for all of the variables. Pearson correlations and multiple regressions were used as inferential statistics. All of the variables were correlated using Pearson correlations, and the connection between the strategic planning of SMEs in Mombasa County and tax compliance was examined using regression.

4.6.1 Correlation Analysis

The Pearson correlation illustrates the connection between each of the indicated independent factors and the result/related variable. The coefficient r was determined and whether the connection was positive or negative. Table 4.12 displays the findings.

Table 4.12: Correlation Results

	Tax compliance	
	Pearson 's correlation	P
Environmental scanning	0.363	0.000
Strategy formulation	0.598	0.000

Strategy implementation	0.761	0.000
Strategy evaluation	0.596	0.000

Source:Field Data (2021)

According to Pearson coefficients and P-values, the connection between Environmental scanning and tax compliance is positive as well as significant(r=0.363, p<0.05). This is an indication that environmental scanning leads to improved tax compliance. The correlation findings too show a moderate and significant association between tax complianceandstrategy formulation as revealed by a 0.598Pearson correlation coefficient as well as a 0.000 P-value. This is a sign that better strategy formulationlead to higher tax compliance among SMEs.

Furthermore, the correlation findings show a strong and significant relationship between tax compliance andstrategy implementation, as shown by a 0.761Pearson correlation coefficient as well as a 0.000 P-value. This is an indication that a rise in strategy implementationyields an increase in tax complianceamong SMEs. Finally, the correlation findings reveal a significant connection between strategy evaluationand SME tax compliance, as shown by a 0.596Pearson correlation and a 0.000 P value. This is an indication that improvement in strategy evaluationis linked to an increase inSMEtax compliance.

4.6.2 Regression Analysis

The impact of each of the four chosen predictor variables on SMEtax compliance, as shown in table 4.13, was utilized for multiple linear regression analyzes.

Table 4.13: Regression Results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.801[a]	.642	.626	.515474

a. Predictors: (Constant), Strategy evaluation, Environmental Analysis, Strategy formulation, Strategy Implementation

ANOVA

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	43.305	4	10.826	40.744	.000[b]
	Residual	24.180	91	.266		
	Total	67.485	95			

a. Dependent Variable: Tax compliance
b. Predictors: (Constant), Strategy evaluation, Environmental Analysis, Strategy formulation, Strategy Implementation

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-6.872	1.446		-4.753	.000
	Environmental Analysis	.385	.191	.176	2.014	.047
	Strategy formulation	1.292	.260	.396	4.976	.000
	Strategy Implementation	1.724	.238	.974	7.235	.000
	Strategy evaluation	.593	.174	.524	3.406	.001

a. Dependent Variable: Tax compliance

Source: Field Data (2021)

The R square of 0.642 in Table 4.13 shows that environmental scanning, strategy formulation, strategy implementation and strategy evaluations among SMEs in Mombasa County account for 64.2%, while the other 35.8% is explained by elements not included in this study. The R value of 0.801 indicates a significant connection between tax compliance and the predictor factors among SMEs in Mombasa (environmental scanning, strategy formulation, implementation and evaluation).

The whole model is statistically significant, as evidenced by a F value of 40.744 and a 0.000 p value in Table 4.13.The extent of the effect of environmental scanning,strategy

formulation, implementation and evaluationon tax complianceamongSMEs is demonstrated by regression coefficient results.

The multiple regression model used is illustrated below:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon,$$

Where,

Y denoted tax compliance; β_0 denoted the constant ; X_1 represented environmental scanning; X_2 represented strategy formulation; X_3 denoted strategy implementation; X_4 denoted strategy evaluation; ε was the error term when there was assumed normal distribution; and $\beta_1, \beta_2 \beta_3, \beta_4$ denote independent variable coefficients

The regression model was substituted as below.

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \varepsilon,$$
$$Y = -6.872 + 0.385 X_1 + 1.292 X_2 + 1.724 X_3 + 0.593 X_4$$

Interpretatively, a unit change in environmental scanning,strategy formulation, strategy implementation and strategy evaluation will lead to a 0.385, 1.292, 1.724 and 0.593 change in tax compliance among SMEs in Mombosa respectively, whereas variables that were not part of this research remained unchanged. The four factors included in this research were critical for improving SME's tax compliance. It is evident that the most essential element isstrategy implementation (β_3=.724) while the least important was environmental scanning (β_1=0.385).It was also shown that if the four variables chosen for this research were held constant, the tax complaince would still be significant but negative (β = -6.872, $p < 0.05$). This implies that management and policy makers should ensure they enhance strategy

formulation,environmental scanning, strategy implementation as well asstrategy evaluation as this will improve tax compliance.

4.7 Discussion of Results

The results of the research showed presence of positive and substantial association between environmental scanning and tax compliance. This is a sign that environmental scanning leads to improved tax compliance. This study finding concurs with Otieno (2019) who studied how financial performance of small and medium businesses in Nairobi County was influenced by strategic planning. Environmental scanning, strategy design, plan implementation, and strategy evaluation all had a beneficial impact on financial performance, according to the research.

The findings also show a moderate, favorable and significant connection between SME's tax compliance and strategy formulation. This is an indication that improved strategy formulation leads to increased tax compliance among SMEs in Mombasa County. These findings support a study by Njoroge (2017) who studied strategic management practices effect and tax positioning of Nairobi SMEs. The conclusions revealed that the firms were adopting themselves well despite most firms felt that strategic management was for big firms.

Moreover, correlation results recorded a strong, positive and substantial connection between SME's tax compliance and strategy implementation. This shows that increased strategy implementation leads to an increase in tax compliance. These findings corroborate with Kipyego and Chebet (2015) who conducted a report on the variables affecting SMEs

tax compliance behavior: A Mombasa County Survey, Kenya. The research demonstrates that weak business infrastructures ought to be enhanced to assist the business community, particularly SMEs, in order to improve enforcement actions.

Finally, the correlation findings reveal a positive connection betweenstrategy evaluation and SMEtax compliance. This indicates that improved strategy evaluationis related to an increase in SME tax compliance. This finding is in accordance with Maswili and Kariuki (2019) who in their quest to determine how performance of pharmaceutical manufacturing firms in Nairobi was influenced by strategic planning; held that environmental scanning, strategy formulation and evaluation all influenced performance positively.

The findings of the research concur with strategic fit theory byDrypen (2008) which tries to explain the extent to which activities of a firm complement each other in a way to gain competitive advantage. This theory explains how strategic fit may be used to achieve tax compliance of a Micro, Small or Medium Enterprise therefore relevant. The findings are also supported by the resource based view theory by Barney (1991) which proposes that the use of inter-organizational relationships can permit SMEs to acquire both tangible and intangible resources to strengthen their current asset base. This theory is important in explaining the association between strategic planning and tax compliance.

CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

The chapter presents the summary of the study. The chapter also covers conclusions of the study and recommendations. This part also includes the consequences and recommendations of the future study.

5.2 Summary of the Study

The primary research objective was to evaluate the effect of strategic planning on tax compliance of SMEs in Mombasa County. The theories that backed the research include;strategic fit theory, contingency theory and resource-based view. Likert scale questions were used to represent tax compliance, which was a dependent variable. Environmental scanning, strategy formulation, implementation and evaluation were the

independent variables.Descriptive research design was applied. 110 SMEs comprised the study sample. Descriptive and inferential analyses were conducted. The findings are discussed in this section in line with research objectives.

The first objective of this research was to evaluate the effect of environmental scanning on tax compliance among SMEs in Mombasa County. The results revealed that SMEs in Mombasa County practice environmental scanningto a large degree. The correlation outcomes exhibited a positive as well as significant connection between environmental scanning and tax compliance. The findings of the regression showed that a unit change in environmental scanning would have a substantial positive impact on tax compliance.

The second objective was to evaluate the effect of strategy formulation on tax compliance among SMEs in Mombasa County. The descriptive analysis revealed that SMEs in Mombasa County practicestrategy formulation to a great extent. The link between strategy formulation and tax compliance was studied using correlation analyzes and the findings pointed out that the two variables were positively and significantly related. Regression results revealed that an increase in strategy formulationresulted in improved tax compliance. This shows the significant effect of strategy formulation on tax compliance amongSMEs.

The third objective of this study was to determine the effect of strategy implementation on tax compliance of SMEs in Mombasa County. The descriptive findings show that SMEs in Mombasa County implements their strategy to a great extent. The findings of a correlation research recorded a strong and substantialconnection between strategy implementation and

tax compliance. The findings of the regression analyzes revealed a significant positive effect of strategy implementation on tax compliance. The results indicate that an increase in strategy implementation leads to an upsurge in tax compliance.

The study's fourth objective was to assess how strategy evaluation amongSMEs in Mombasa County influenced tax compliance. The results of the descriptive analysis revealed that SMEs in Mombasa Countyengages in strategy evaluationto a large extent. Strategy evaluation has a connection withtax compliance, according to the correlation analysis. The relationship was also moderate and statistically significant. Regression analysis reveals positivelysubstantial effect of strategy evaluation on tax compliance. SMEtax compliance increasesas a result of an increase in strategy evaluation.

5.3 Conclusion of the Study

From the results of this research, it can be stated that environmental scanning has a favorable effect on tax compliance among SMEs in Mombasa County. According to the results of regression and correlation there is a favorable connection between environmental scanning and SME tax compliance. According to the research results, SMEstrategy formulation had a positive impact on tax compliance. The research indicates that SMEstrategy formulation leads to an increase in tax compliance. The findings are confirmed by regression and correlation analyses, showing a favorable connection between SMEtax compliance and strategy formulation.

The research also indicates that strategy implementation among SMEs has a positive impact on tax compliance. Regression and correlated results corroborate the findings that

44

demonstrate a positive connection between the strategy implementation and SME's tax compliance level. The research also found that strategy evaluation among SMEs has a favorable effect on tax compliance. The results of correlation and regression show a strongly positive connection between strategy evaluation and tax compliance.

5.4 Implications for Policy and Practice

The results of thisresearch will inform practice on the linkages between environmental analysis, strategy formulation, evaluation and tax compliance. In a nutshell the findings will inform practitioners on the linkages between strategic planning and tax compliance such that they may be able to plan effectively and optimally based on the research model under this study.

The study also has implication on the government and tax authorities in Kenya and other policy makers such as the MSEAuthority. The findings of the relationship between the two variables under study will inform government and tax practitioners on areas of focus so as to enhance tax compliance. Governments will gain from this research in that they will be able to make apt policies and propose legislation for the betterment of the MSME sector. Tax Authorities will be able to come up with better strategies to enhance tax compliance while at the same time facilitating the taxpayers under the MSME sector.

The research conclusions also have implications in the academic fields of Strategic Management, Taxation and management in general will be enriched by this research. Many people including scholars may find tax compliance issues as complex however the results

of the research purposes to link strategic planning practices with tax compliance will act as a reference to bridge the huge information gaps that have existed on the two areas.

5.5 Recommendationsof the Study

The results show that the SME practice of environmental scanning has a beneficial impact on the tax compliance. The research recommends the need for SMEs to conduct environmental analysis on a continuous basis as this will go miles in guaranteeing they are tax compliant. Policy makers such as governments and other bodies such as Kenya Revenue Authority should come up with trainings and policies on how environmental scanning should be conducted.

According to the findings, SMEstrategy formulationrecorded a positive effect on tax compliance. The study recommends that there is necessity for SMEs to develop effective strategies as this will contribute to their ability to be tax compliant. Policy makers should come up with policy manuals guiding SMEs on how strategy formulation should be conducted.

Tax complianceamongSMEs was positively influenced bystrategy implementation, according to the findings of this study. SME ought to allocate adequate resources towards strategy implementation as this will boost their compliance levels. The SMEs should also hire qualified and competent employees who will be able to successfully implement the formulated strategies.

Tax complianceamong SMEs was positively influenced bystrategy evaluation, according to the study findings. SMEs in Mombasa County and other counties in general ought to

review their strategies on a continuous basis as this will help make informed decisions such as taking corrective measures if the strategy is not being implemented as planned. By doing this, tax compliance will be enhanced as strategy evaluation has been found to be a significant factor influencing tax compliance.

5.6 Limitations of the Study

Primary data was utilized in this study. To minimize the number of likely outliers, a structured questionnaire was used in the research. This may, however, pose the issue of biased data collecting because the respondents in question are restricted in how and how much they should provide. In this respect, the researcher made sure that the data collecting instrument enables complete data gathering which meets study aims as easily as feasible.

In addition, several of the respondents were skeptical about participating in the research. The researcher rectified this issue by obtaining required permission, authorization and permissions from the authorities concerned, including but not limited to the SMEs and the University. In addition, ethical concerns were taken into account. Finally, the researcher stated willingness to share the study with interested participants.

5.7 Suggestions for Further Research

The R^2 showed a variation of 64.2% which infers that other variables not considered in this study explains 35.8% of changes in tax compliance. As a consequence, future study may concentrate on other variables that are likely to influence tax compliance such as costs and awareness. Policymakers would be able to devise and firmly implement an effective

apparatus to improve tax complianceby determining how each of the factor influencestax compliance.

The research aimed to identify factors that influence employee turnover among SMEs in Mombasa County. Similar investigations may be carried out in other counties. A cross-sectional research may also be performed for comparative reasons among many firms in a certain industry or across sectors.

REFERENCES

Abrie, W., & Doussy, E. (2006). Tax compliance obstacles encountered by small and medium enterprises in South Africa. *Meditari Accountancy Research*, 1-13.

Agwu, M. E. (2018). Analysis of the impact os strategic management on the business performance of SMEs in Nigeria. *Academy of Strategic Management Journal*, 1-20.

Ahmad, S. Z. (2012). Micro,small and medium-sized enterprises development in the Kingdom of Saudia Arabia. *World Journal of Entrepreneurship Management and sustainable Development, 8*(4), 217-232.

Akhtar, I. (2016). Research Design. In G. Rata, H. Arslan, P. L. Runcan, & A. Akdemir, *Research in Social Science: Interdisciplinary Perspectives.* Newcastle upon Tyne: Cambridge Scholars Publishing.

Aldehayyat, J. S., & Twaissi, N. (2011). Strategic Planning and Corporate Performance Relationship in Small Business Firms: Evidence from a Middle East Country context. *International Journal of Business and Management*, 255-263.

Ansoff, H. (1970). *Corporate strategy: An analytic approach to business policy for growth and expansion.* . New York: Penguin Books.

Anthony, S. (2012). Influence of vision and mission statement on organizational effectiveness: An appraisal of a private sector experience in Nigeria. *The Pacific Journal of Science and Technology*, 389-397.

Anyieni, A. G. (2013). Effect of Strategic Planning on the Performance of Small and Medium Enterprises. *International Journal of Professional Management*, 1-10.

Arasa, R., & K'obonyo, P. (2012). Relationship between Strategic Planning and Firm Performance. *International Journal of Humanities and Social Science*, special Issue.

Arham, A. F., Boucher, C., & Muenjohn, N. (2013). Leadership and entrepreneurial success: A study of SMEs in Malaysia. *World Journal of Social Sciences*, 117-130.

Atawodi, O. W., & Ojeka, S. A. (2012). Factors that affect Tax Compliance among Small and Medium Enterprises in North Central Nigeria. *International Journal of Business Management*, 87-94.

Auka, D. O., & Langat, J. C. (2016). Effect of Strategic Planning on Performance of Medium Sized Enterprises in Nakuru Town. *International Review of Management and Business Research*, 188-203.

Barney, J. B. (1991). Firm resources and sustained competitive advantage. *Journal of Management,, 17*, 99-120.

Bateman, T. S., & Zeithaml, C. P. (1993). *Management : function and strategy*. Irwin: Homewood IL.

Betts, S. C. (2003). Contingency Theory:Science Or Technology? *Journal of Business & Economics Research, 1*(8), 123-130.

Bratianu, C., & Balanescu, G. V. (2008). Mission,Vision and Corporate values. *Management & Marketing*, 19-38.

Chavunduka, D., Chimunhu, P., & Sifile, O. (2015). Strategic planning intensity and firm perfomance: A case of Zimbabwe Mining development corporation. *European Journal of Business and Management, 7*(5), 201-222.

Damke, E. J., Gimenez, F. A., & Damke, J. W. (2018). Strategic configurations and perfomance: A study in micro and small business retailers. *Revista De Administracao*, 11-22.

Dess, G. G., McNamara, Eisner, A., & Lee, S.-H. (2019). *Strategic Management: Text and Cases.* New York: McGraw Hill.

Dini, M., & Stumpo, G. (2019). *MSMEs in Latin America: A fragile perfomance and new challenges for development policies.* ECLAC.

Drucker, P. F. (1954). *The Practice of Management.* New York: Harper & Row.

Drypen. (2008, April 26). *Strategic Fit The Concept*. Retrieved September 5, 2020, from drypen.in: http://www.drypen.in/featured-articles/strategic-fit-the-concept.html

Flanmholtz, E. G., & Randle, Y. (2015). *In Growing Pains.Strategic planning.* San Francisco: John Wiley and Sons.

Friedman, E. (2011). The determinants of unofficial activity. *Journal of Public Economics, 3*(76), 59-93.

Gartenstein, D. (2019, March 7). *The Importance of Strategic Evaluation.* Retrieved September 5, 2020, from https://smallbusiness.chron.com: https://smallbusiness.chron.com/importance-strategic-evaluation-13127.html

Ghura, D. (2018). *Tax Revenue in Subsaharan Africa: Effects of Economic Policies and corruption.* Geneva: International Monetary Fund.

Glaister, K. W., Dincer, O., Tatoglu, E., & Demirbag, M. (2008). A comparison of strategic planning practices in companies from the UK and Turkey. *Journal of Management Development*, 361-379.

Grant, R. M. (2016). *Contemporary Strategy Analysis.* Padstow, Cornwall: John Wiley & sons.

Grant, R. M., & Jordan, J. (2015). *Foundations of Strategy Second Edition.* Chichester, West Sussex: John Wiley & Sons.

Guili, H. E. (2017). Morrocco and ECOWAS: A strategic adhesion with big potential for Moroccan SMEs. *Research Association for Interdisciplinary Studies*, 54-62.

Hartman, S. J., Lundberg, O., & White, M. (2015). Planning in Small vs. Large business: Do managers prefer different tools? *Journal of Small Business, 1*, 13-24.

Hax, A. C., & Majluf, N. S. (1996). *Strategy Concept and Process: A Pragmatic Approach, The 2nd Edition.* Englewood Cliffs, New Jersey: Prentice-Hall.

Hill, C. W., Jones, R. G., & Schilling, M. A. (2015). *Strategic Management an intergrated approach.* Stamford: Cengage Learning.

Hira, N., Shah, P., Harney, R., & Coulson, P. (2020, March 27). COVID-19: The Kenya Government's Economic Stimulus. *Bowmans the valuee knowledge*.

International Finance Corporation- Wold Bank Group. (2019). *The Unseen sector: Supporting MSMES, creating jobs.* Johannesburg: IFC.

International Trade Centre. (2018). *Small and Medium Enterprises Competitiveness in Ghana.* Geneva: International Trade Centre.

International Trade Centre. (2019). Promoting SME Competitiveness in Kenya: Targeted solutions for inclusive growth.

Kahaliya, Y. (2017). Environmental Scanning in Strategic Management. Retrieved 2020, from https://www.slideshare.net/YaminiKahaliya/environment-scanning-in-strategic-management

Kangethe, F. M. (2018). *Influence of Strategic Planning on the performance of small and medium sized manufacturing companies in Kenya*. Nairobi: (Unpublished Master's Project)University of Nairobi.

Kefa, G. B. (2014). *Challenges of implementation of strategic plans in public secondary in Limuru Kiambu District.* Nairobi: (Unpublished Master's Project) University of Nairobi.

Kenya National Bureau of Statistics. (2017). *Economic Survey.* Nairobi: Kenya National Bureau of Statistics.

Kidombo, L. K. (2014). *Strategic planning among Small and Medium Enterprises in Nairobi County*. Nairobi: (Unpublished Master's Project),University of Nairobi.

Kimaru, T., & Jagongo, A. (2014). A*doption of Turnover Tax in Kenya: A snapshot of Small and Medium Enterprises in Gikomba Market Nairobi*. Nairobi: (Unpublished Master's Project) University of Nairobi..

Kimuyu, I., Wagacha , M., & Abagi , O. (2019). *Kenya's Strategic Policies for 21st Century: Macro Economic and sectoral choices.* Nairobi: Institute of Policy Analysis and Research (IPAR).

Kothari, C. R., & Garg, G. (2015). *Research Methodology .* New Delhi: New Age International (P) Ltd.

Krejcie, R. V., & Morgan, D. W. (1970). Determining sample size for research activities. *Educational and Psychological measurement, 30*, 607-610.

Kutllovci, E., & Shala. (2013). The role of strategic management on small business growth. *International Journal of Business and Social Research*, 87-92.

Langat, C., & Auka, O. (2015). Effects of strategic planning on perfomance of medium sized enterprises in Nakuru town. *Journal of Business Administration and Management Sciences Research, 4*(2), 49-59.

Machogu, C., & Amayi, J. B. (2016). T*he effect of taxpayer education on voluntary tax compliance among SMEs in Mwanza Tanzania*. Nairobi: (Unpublished Master's Project) University of Nairobi.

Masarirambi, C. (2013). *An investigation into the factors associated with tax evasion in the Zimbabwe informal sector.* Harare: ZOU.

Maswili, A. K., & Kariuki, P. (2019). Influence of strategic planning practices on perfomance of pharmaceutical manufacturing firms in Nairobi County Kenya. *International Journal of Business, Management and Finance, 3*(2), 190-206.

Mcharo, A. (2016). *Effect of Strategic Management practices on performance in Kenya Prison Services.* Nairobi:(Unpublished MBA project)School of Business University of Nairobi. Kenya.

McKercher, M., & Evans, C. (2018). Sustaining growth in developing economies through improved taxpayer compliance: challenges for policy makers and revenue authorities. *eJournal of Tax Research*, 171-201.

Miller, A., & Dess, G. (19996). *Strategic Management.* New York: McGraw Hill.

Milosevic, D. (2019). The domain of the strategic management field; topics, history and evolution. *Strategic Management Journal*.

Mintzberg, H. (1994). *The rise and fall of strategic planning.* Basic Books.

Mohammed, A., Gichunge, E., & Were, E. (2017). Relationship between strategic planning practices and perfomance of tour firms in the tourism sector in Kenya; A survey of selected tour firms in Nairobi Kenya. *International Academic Journal of Human Resource adn Business Administration, 2*(3), 521-534.

Mugenda, A., & Mugenda, O. (2013). *Research methods: Quantitative and qualitative approaches.* Nairobi: ACTS Press.

Mwangi , P. N. (2014). *Factors influencing tax compliance among Small and Medium Enterprises in Nairobi's industrial Area.*(Unpublished Masters project) University of Nairobi.

Mwangi, S. G. (2018). *Effect of strategic management practices on reduction of tax revenue collection at the Domestic Tax Department Kenya Revenue Authority.* Nairobi: (Unpublished Masters Project),Kenyatta University.Kenya.

Mwaura, E. G. (2019). *Determinants of Tax compliance among Small Scale Businesses in Thika Town .* Nairobi: (Unpublished MBA Project)United States International University. Kenya.

Ng'eno, W. K. (2015). *Strategic planning practices at the Kenya Revenue Authority.* Nairobi: (Unpublished MBA research project) University of Nairobi. Kenya.

Nickols, F. (2016). *Strategy Definitions and Meanings.* New York: Distance Consulting LLC. Retrieved from nickols.us.

Njoroge, N. N. (2017). *Effect of Strategic Management Practices Use on Tax Positioning among Small and Medium Enterprises in Nairobi County.* Nairobi: (Unpublished MBA research project) United States International University. Kenya.

Nzewi, H. N., & Ojiagu, N. C. (2015). Strategic planning and performance of commercial banks in Nigeria. *International Journal of Scientific & Technology Research* , 238-246.

Odame, A. M. (2007). *The relevance of strategic planning for entrepreneurial businesses in South Africa.* Pretoria:(Unpublished MBA project) University of Pretoria.

OECD. (2017). *Financial education for micro, small and medium sized enterprises in Asia,* Tokyo OECD Publishing.

Olubisi, M., & Olalekan, A. (2018). Strategic Planning and Performance of Nigerian SMEs: The Moderating Role of Entrepreneurial Characteristics. *Journal of Economics and Behavioural studies*, 98-108.

Omalaja, M., & Eruola, A. (2011). Strategic Management Theory: Concepts,Analysis and critiquesin Relation to Corporate Competitive Advantagefrom the Resource-based philosophy. *Economic Analysis, 44*(1-2), 59-77.

Omondi, J. A. (2019). Effect of taxpayer awareness and compliance costs on tax compliance of small scale traders in Nakuru town Kenya. *International Academic Journal of Economics and Finance, 3*(3), 279-295.

O'Regan, N. O., & Ghobadian, A. (2007). Formal strategic planning: annual raindance or wheel of success? *Strategic Change*, 11-22.

Otieno, D. O. (2019, August Sunday). *Effect of strategic planning on the financial performance of professional Service Small and Medium Enterprises in Nairobi Kenya.* Juja: (Unpublished PHD thesis), Jomo Kenyatta Univerisity of Agriculture and Technology. Kenya. Retrievedon August 24th, 2020

Pearce II, J., & Robinson Jr, R. B. (2011). *Strategic Management Fourmulation implementation and control 12th ed.* Boston MA: McGraw Hill.

Ramon-Jeronimo, J. M., Florez-Lopez, R., & Araujo-Pinzon, P. (2019). Resource-Based View and SMEs Performance Exporting through Foreign Intermediaries: The Mediating E. *Sustainability*, 1-26.

Republic of Kenya. (2012). *Micro and Small Enterprises Act Number 55.* Nairobi.: National Council for Law Reporting.

Rothaermel, F. T. (2017). *Strategic Management.*New York, McGraw Hill.

Sekeran, U., & Bougie, R. (2015). *Research Methods for Business sixth edition.* West Sussex, United Kingdom: John Wiley & Sons.

Slemrod, J. (2016). *Tax compliance and Enforcement.* New York: Plenum Press.

Upadhyay, A., & Mante, Y. (2018, June 7). *Supporting the Growth of MSMEs accross Africa.* Retrieved September 3, 2020, from medium.com: medium.com/positive - returns/supporting- the- growth- of- msmes-across -africa

Viffa Consult . (2018). *Kenyan SME Finance Survey.* Nairobi: Viffa Consult Ltd.

Wang, C., Walker, E., & Redmond, J. (2007). Explaining the lack of strategic planning in SMEs: The importance of owner motivation. *Research online ECU insitutional Repository*.

Wangeci, M. M. (2018). *Taxation and Growth of Small and Medium Enterprises in Voi sub County Kenya.* Nairobi: (Unpublished Master's project) Kenyatta University.

Williams Jr, R. I., Smith, A., Aaron, J. R., Manley, S. C., & McDowell, W. C. (2019). Small business strategic management practices and performance: A configurational approach. *Economic research*, 2378-2396.

Wright, T. (2019, December 11). *executestrategy.net*. Retrieved August 1, 2020, from executestrategy.net: executestrategy.net/blog/strategy-evaluation

APPENDICES

APPENDIXI: LETTER OF INTRODUCTION TO RESPONDENTS

KALTUMA IBRAHIM

P.O. BOX 90601

MOMBASA-80100

LETTER OF INTRODUCTION

This to inform you that the above-named student is a Master of Business Administration Reg Number D61/10742/2018.She is in her final year of studies and is therefore required to undertake research in her field of study specialization. The goal of this letter is to ask for your assistanceso that she can administer her data collection instrument in your organization and compile a report that will be strictly be used for academic purposes only.

Yours Faithfully

KALTUMA MOHAMED

APPENDIX II: LETTER FROM THE UNIVERSITY

UNIVERSITY OF NAIROBI
FACULTY OF BUSINESS AND MANAGEMENT SCIENCE

Telephone: 020-8095398	Tel: 020 8095398
Telegrams: "Varsity", Nairobi	Nairobi, Kenya
Telex: 22095 Varsities	
Our Ref: **D61/10742/2018**	**17th August, 2021**

TO WHOM IT MAY CONCERN

The bearer of this letter, **Kaltuma Ibrahim Mohamed** of Registration Number **D61/10742/2018** is a Master of Business Administration (MBA) student of the University of Nairobi.

She is required to submit as part of her coursework assessment a research project report. We would like the student to do her project on **effect of strategic planning on tax compliance on small and medium enterprise in Mombasa County** We would, therefore, appreciate if you assist her by

allowing her to collect data within your organization for the research.

The results of the report will be used solely for academic purposes and a copy of the same will be availed to the interviewed organization on request.

Thank you.

PHILIP NGIGI

Deans Office
University of Nairobi
School of Business
P. O. Box 30197 - 00100
Nairobi

FOR: *Executive Dean, Faculty of Business and Management Science*

APPENDIX III: QUESTIONNAIRE

This questionnaire is meant to gather information regarding your views on Strategic Planning and Tax compliance of MSMEs in Mombasa County

CONFIDENTIALITY CLAUSE:

Your comments will be useful for academic research, will be reserved totally private, and will be ethically handled.

NB: Answer ALL the questions by checking the brackets that matches your view or otherwise write in the dashes provided. My gratitude to you for agreeing to participate in this research.

SECTION A: DEMOGRAPHIC INFORMATION

1. Position:

   Owner   [ ]

   Manager   [ ]

2. Respondents age

   21-30 years   [ ]

   31-40   [ ]

   41-50   [ ]

51 and above [ ]

3. Education level: [ ] Secondary [ ] Diploma [ ] Graduate [ ]

Other (Specify**) ………………**

4. How many years have you worked in this business? ……………………………… years

Organizations details

6. Firm's name (Optional) …………………………………………..

7. Legal form: **[ ] Sole proprietorship   [ ] Partnership   [   ]**
Cooperative   [ ] Limited Company   Others (Specify) …………………

SECTION B: STRATEGIC PLANNING
I) ENVIRONMENT ANALYSIS

Kindly specifyif or not you concur with the subsequent assertions about environmental scanning.

Using a scale of 1-5 where 1= denoting very low extent, 2=denoting low extent, 3= denoting modest extent, 4= denoting great extent and 5= denoting very great extent

	1	2	3	4	5
Our organization conducts internal environment scanning					
Our organization uses SWOT analysis to conduct internal environment scanning					
Other different tools are used to conduct internal scanning					
Our Organization usually conducts external environmental scanning					
PEST analysis tool is used in our organization to conduct external scanning					
Other different tools are used to conduct external scanning					
Our organization has analyzed the position of its competitors					

II) STRATEGY FORMULATION

please stipulateif or not you concur with the subsequent assertionson Strategy Formulation.

Using a scale of 1-5 where 1= denoting very low extent, 2=denoting low extent, 3= denoting modest extent, 4= denoting great extent and 5= denoting very great extent

	1	2	3	4	5

Our firm has a mission statement that clearly communicates our purpose and why we exist					
The mission statement of our organization fosters unity and gives a sense of belonging					
Our organization has a vision statement that gives long term direction					
Is the vision futuristic and states where the business will like to be					
Our organization has set objectives to help it achieve its objectives					
Our firm has developed strategies through which the mission, vision and objectives will be achieved					
Our firm has actions plans detailing what is to be done, when it is to be done and who is accountable					

III) STRATEGY IMPLEMENTATION

Please stipulate the degree to which you concur with the subsequent statements on Strategy Implementation for the SMEs.

Using a scale of 1-5 where 1= denoting very low extent, 2=denoting low extent, 3= denoting modest extent, 4= denoting great extent and 5= denoting very great extent

	1	2	3	4	5
The SME organizes resources for strategy implementation					
There is an allocation of strict responsibility for strategy implementation					
There are proper guidelines to guide strategy implementation process					
The top management is directly involved in strategy implementation					
Managers have the required skills for strategy implementation					

IV) STRATEGY EVALUATION

Pleasestipulate the extent to which you concur with the subsequent statements on Strategy Evaluation.

Using a scale of 1-5 where 1= denoting very low extent, 2=denoting low extent, 3= denoting modest extent, 4= denoting great extent and 5= denoting very great extent

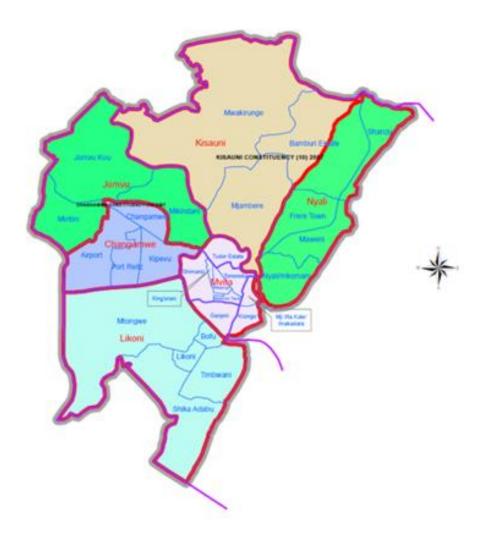|	1	2	3	4	5
In our firm the management has developed a scorecard to track performance on its Key Performance Indicators periodically.					
In our firm we use profitability measures to determine achievement of strategies					
Our firm also use percentage increase in turnover to measure achievement of strategies					
Return on Investment is used by our firm to ascertain the degree to which strategies have been implemented					
In our firm other performance indicators such as growth in market share					
To what extent does your firm use Customer satisfaction to determine whether strategies employed are on course					
To what extent does your firm use quality of products to measure success of strategies employed					

SECTION C: TAX COMPLIANCE

Please indicate how much you agree with the following assertions about strategy formulation.

Using a scale of 1-5 where 1= denoting very low extent, 2=denoting low extent, 3= denoting modest extent, 4= denoting great extent and 5= denoting very great extent

	1	2	3	4	5
Our organization has a PIN and is registered on the KRA Itax system					
Our organization uses Tax agents and or consultants to fulfill tax obligations					
Our organization declares and file taxes return as required by KRA to avoid penalties					
Our organization remits withholding taxes to KRA within the required time					
Our firm declares and pays the requisite taxes on its income as required by KRA every financial year					
Our firm remits PAYE and other statutory deductions for our employees in a timely fashion					
Our organization is aware of all tax obligations required					

APPENDIX IV: MAP OF RESEARCH AREA

APPENDIX V: TURNITTIN REPORT

1ST DECEMBER 2021.

EFFECT OF STRATEGIC PLANNINIG ON TAX COMPLIANCE OF
MICRO, SMALL AND MEDIUM ENTERPRISES IN MOMBASA
COUNTY, KENYA

ORIGINALITY REPORT

13%	12%	2%	6%
SIMILARITY INDEX	INTERNET SOURCES	PUBLICATIONS	STUDENT PAPERS

PRIMARY SOURCES

1	erepository.uonbi.ac.ke Internet Source	3%
2	erepository.uonbi.ac.ke:8080 Internet Source	2%
3	Submitted to Kenyatta University Student Paper	1%
4	ir.jkuat.ac.ke Internet Source	1%
5	ir-library.ku.ac.ke Internet Source	1%
6	pdfs.semanticscholar.org Internet Source	1%
7	Submitted to Saint Paul University Student Paper	<1%
8	Submitted to KCA University Student Paper	<1%

Erepository.uonbi.ac.ke

30