TAXATION PRACTICES AND FINANCIAL SUSTAINABILITY OF SUPERMARKETS IN LAIKIPIA COUNTY.

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DECLARATION AND RECOMMENDATION

Declaration by the candidate.

I declare that this research project is my original work and has not been presented in any other university for award of any other degree.

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DEDICATION

I dedicate this research project to my parents who taught me to follow my dreams and actualize them. I also dedicate the research project to my siblings Mureithi and Muthoni for their unwavering support and also my classmates for encouraging me.

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Lastly, I want to thank me for believing in me, I want to thank me for doing all this hard work. I want to thank me for having no days off. I want to thank me for never quitting.

ABSTRACT.

Financial sustainability allows retail businesses to remain profitable, invest in growth, and create jobs, which supports broader economic development. In Kenya, however, high taxes like VAT, Income Tax, and Excise Duty significantly strain retailers, limiting their ability to grow. Additionally, compliance costs, penalties, and interest further reduce profitability, especially for small and medium enterprises. This study investigates the impact of taxation practices on the financial sustainability of supermarkets in Laikipia County, Kenya. Taxation is critical for public funding, supporting infrastructure, and providing essential services, yet it can also impose financial burdens on businesses, affecting their ability to expand and sustain operations. The research explores how income tax, value-added tax (VAT), excise duty, and pay-as-you-earn (PAYE) influence supermarkets' cash flow, profit margins, and investment capacity. Through examining both global and regional tax perspectives, the study highlights the challenges posed by high tax rates and compliance costs, particularly for retail businesses operating on narrow profit margins. The study was anchored on several theories, including the Ability to Pay Theory, Theory of Optimal Taxation, Kelekian Theory of Taxation, and Economic-Based Theory. Theoretical insights show that progressive taxation and optimized tax rates can foster equity and resource allocation, helping maintain business growth and sustainability. A descriptive research approach was applied, with a sample size of 70 respondents selected using a Yamane sampling design. Primary data was collected through self-administered questionnaires, and secondary data through a systematic literature review of existing literature. Data was analyzed using descriptive statistics and multiple linear regression. Reliability and validity tests were conducted to ensure data collection instruments were accurate and consistent. Findings indicated a statistically significant positive relationship ($p < 0.05$) between all tax variables and the financial sustainability of supermarkets. This study highlights the significance of structuring tax policies that support business financial sustainability, stressing the need for balanced taxation systems to reduce operational pressures and enhance the economic sustainability of retail businesses. Consequently, the study recommends that Supermarkets should prioritize cash flow management and establish reserve funds to meet tax obligations, while enhancing tax planning to optimize deductions and credits, thereby supporting their financial sustainability. Additionally, the study suggests that the government and KRA should simplify tax compliance, consider adjusting tax rates, and introduce incentives to encourage business expansion and compliance.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Taxation is defined as legal and administrative process by which a state or government imposes mandatory fees on its individuals and businesses so as to fund infrastructure and public facilities. (Aringo, 2023). Taxes can be classified into direct or indirect taxes, with the primary sources of taxation being income taxes generated from both businesses and personal income, property taxes, sales taxes, value-added taxes (VAT), excise taxes, tariffs, and customs duties (Egbuhuzor, & Tomquin, 2021). Structure and rates of taxation vary depending on the country, region and taxation policies. The three primary goals of taxes are to increase revenue, decrease economic inequality, regulate the use of specific goods, reduce price increases, pay off the national debt, plan and guide the economy, safeguard emerging industries, encourage exports and restrict imports, and preserve the credit balance. (Judith, N. et.al 2022). The tax system and practice are guided by a few basic principles, also referred to as tax policies, without which they cannot function successfully and efficiently (Nnam, et.al, 2022). In Kenya, a number of tax policy revisions have been implemented. The most recent implementation was the 2021 Finance Act, this act enlarged the scope of Value Added Tax (VAT) which led to a significant hike in the cost of commodities. Providing public amenities and services is the government's main responsibility in any given country in order to secure the wellbeing of its population (Catherine, 2023).

Financial sustainability of retail businesses refers to the ability of a business to maintain its operations and growth over the long term without depleting its financial resources or relying excessively on external funding (Egieya, et.al 2023). It involves monitoring the financial health of an organization to ensure that a business has enough liquidity, a steady cashflow, can make investment, endure economic downturns and generate a profit on each occasion. Retail businesses are subject to an array of taxes, such as corporate income taxes, payroll taxes, value-added taxes (VAT), excise taxes, and property taxes (Akpokhio, & Ekperiware, 2022). Although taxes can give governments the money, they need to build infrastructure and deliver public services, they can also have an adverse effect on both individuals and businesses. Tax rates that are too high can deter investment and entrepreneurship, which slows economic growth (Catherine, 2023).

1.1.1 Global perspective

The tax system in the US is progressive, hence tax rates increase as income levels rise, although the overall corporate tax rate was critically reduced with the 2017 Tax Cuts and Jobs Act (TCJA). This act dropped the national business income tax proportion from 35% to 21% (Gaertner, et.al, 2020). It is estimated that corporations in the US remitted approximately $370 billion in federal corporate income taxes in 2022 (Gale, & Pomerleau, 2023) American tax laws have a big influence on how businesses operate, how they make decisions, and how competitive they are.

Ramzani, et.al (2024) in his study presented that the elevated tax burdens in Germany affected their cashflows and discouraged business owners from making significant investments. The study further revealed that business owners in Germany also have a propensity to opt for locations with lower tax obligations. It is Estimated that businesses in Germany remit approximately 405 billion euros in taxes annually which accounts for about 22.5% of the total revenue collected.

1.1.2 Regional Perspective

In Africa, businesses remit several categories of duties, such as business income tax, value-added tax (VAT), excise duties, and Pay as You Earn. In Ghana, tax revenue is a significant source of funding for the government and a crucial instrument for the growth of its economy. Business taxes account for roughly 15-20% of Ghana's total government revenue, which stands at around GHS 55 billion annually (Quartey, et. al 2020). These taxes cause challenges to the financial sustainability of businesses, particularly in sectors where profit margins are narrow. High tax burdens on businesses in Ghana have caused a limit in investments, reduced cash flow, and affected the ability of businesses to grow and remain competitive.

In Nigeria, businesses are required to pay several taxes to their government. Nigeria's corporate income tax rate is 30%, while VAT is 7.5%. These taxes are significant contributors to Nigeria's revenue, with business taxes comprising approximately 20-25% of total government revenue, which is around NGN 10 trillion annually. The high tax rates and compliance costs in Nigeria have significantly impacted the financial sustainability of businesses. The large tax burden on businesses has caused reduced profitability and hindered business expansion, as companies struggle to allocate sufficient resources for growth and development after fulfilling their tax obligations (Cooper, & Nguyen, 2020).

The tax structure in South Africa is relatively well-developed with corporate income tax for companies being charged at 27%, but the financial sustainability of businesses is still affected, particularly for those operating in highly regulated industries.

1.1.3 Kenyan Perspective

Kenya's tax system has undergone continuous reforms for the past years (Sang, 2019). Taxes are crucial to Kenya's revenue generation as they are the largest source of the government's budgetary resources. With a tax-to GDP ratio of 20%, Kenya is considered as a high tax-yield country. However, the high tax rates have and compliance costs have an undesirable effect on the financial sustainability of retail businesses, particularly supermarkets in Laikipia County. When tax rates are high, businesses' profit margins are too low to expand their operations because they will barely have enough money for reinvestment (Migwi, 2018). This situation is particularly challenging for retail businesses that operate on smaller profit margins hence making it harder for them to sustain their activities and expand in a competitive market.

1..1.4 Retail Businesses

Retail businesses involve the sale of goods and services directly to consumers. Supermarkets and other retail establishments' success is significant on a global scale since they are in charge of delivering goods from manufacturers to customers (Gatutha, & Namusonge, 2020). Retail businesses are considered to be catalysts for national economic growth and development. One of the six key industries, the retail sector is expected to provide around half of all formal employment. Its potential is in complete harmony with the economic pillar of Vision 2030, which aims to improve the well-being of all Kenyans by attaining a GDP growth rate of 10%. (Jumah, et.al, 2022).

1.2 Statement of the Problem

Financial sustainability of businesses is a metric of an organization's capacity to pay its debts, referring to its capacity to manage funds such that it can fulfil its expenditure commitments both now and, in the future, and to pay expenses without the need for outside government or donor assistance. (Mutinda & Ngahu, 2016). High financial sustainability of supermarkets, increases its ability to grow through investments, returns and profitability which in turn increase the capacity to employ more workers and helps to generate a lot of revenue to the government (Ramappa & Shivaprasad, 2013).

The primary source of funding for public spending for the Kenyan government is taxationTax revenue from both individuals and corporations is used to fund governments as well as to construct and maintain infrastructure, such as reliable roads, a water supply, and power, all of which are necessary for businesses to operate efficiently (Rayler, 2017). Most retail businesses face hardships when it comes to tax remitting and compliance. The existing tax framework, which includes Income tax, value-added tax (VAT), excise duty, Pay as You Earn, and other levies, often imposes substantial financial burdens on retail businesses. This has caused majority of businesses particularly retail businesses to operate their businesses without licences from the government and county government (Oscar, 2020). Taxation is intended to be a tool for revenue generation and economic regulation; however, it can also act as a deterrent to business growth if not properly structured (Adefolake, & Omodero, 2022). Due to the high levels of taxation by the government, most businesses choose to operate without licenses from the government and county government. KRA has identified and profiled 1,309 individuals and companies involved in tax evasion schemes, with an estimated tax loss of approximately Kshs. 259 billion (KRA 2022). These informal operations not only deprive the government of potential tax revenue but also prevents these businesses from accessing financial and legal support from the government. This study therefore seeks to offer a thorough examination of how the financial sustainability of supermarkets is affected by taxation practices. By examining the specific tax-related issues that businesses face, the research will offer insights into how tax policies can be adjusted to support the growth and sustainability of these enterprises.

1.3 General Objective

The study's general objective was to examine the influence of taxation practices on financial sustainability of supermarkets in Laikipia County.

1.3.1 Specific Objectives

1. To analyze the influence of Income Tax on the financial sustainability of supermarkets in Laikipia County.
2. To ascertain the influence of Value Added Tax on the financial sustainability of supermarkets in Laikipia County.
3. To measure the influence of excise duty on the financial sustainability of supermarkets in Laikipia County.
4. To assess the influence of pay as you earn on the financial sustainability of supermarkets in Laikipia County

1.3.2 Research Questions

1. How does Income Tax influence the financial sustainability of supermarkets in Laikipia County
2. What is the effect influence of Value Added Tax on the financial sustainability of supermarkets in Laikipia County
3. How does Excise Duty influence the financial sustainability of supermarkets in Laikipia County
4. What is the influence of Pay as You Earn on the financial sustainability of supermarkets in Laikipia County

1.4 Scope of the Study

This study primarily looked into to effect of taxation practices on financial sustainability of supermarkets in Laikipia County. Laikipia county has 86 registered supermarkets, Laikipia county (2022), which will serve as the target population for this study. Laikipia county offers a unique setting with a growing retail sector. The researcher addressed this research gap by understanding taxation impacts outside major urban centres with aims of informing policy improvements for retail businesses in similar regional contexts. This study will focus majorly on four taxation practices; income tax, value added tax, excise tax and pay as you earn. While there may be other practices that affect financial sustainability, this study did not examine them

1.5 Significance of the study

This research is substantial as it will provide a detailed analysis of how taxation practices affect the financial sustainability of supermarkets in Laikipia County, particularly supermarkets. The data collected from this study will offer evidence-based guidance on the impact that different types of taxes have on financial sustainability of retail businesses in Laikipia County. This understanding is important for formulation of tax regulations. The government acknowledges the contribution of such businesses to the Kenyan economy. Using the study's results, the government of Kenya can formulate policies that will create a positive environment for businesses.

For business owners, this study will provide information on tax management and compliance practices. The county government can leverage on the study's findings to optimize their tax management strategies, contributing to enhanced financial stability and growth prospects for retail businesses. Financial sustainability of businesses can lead to increased job creation, higher incomes, and improved standards of living for the local population. Additionally, by providing a basis for future research and comparative assessments in comparable circumstances, the results will contribute to the existing body of tax knowledge.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This section looks into the research on the relationship between supermarkets' financial sustainability and taxation. A theoretical overview, an empirical review, and a conceptual framework for each variable under study are included in this chapter.

2.2 Theoretical Review

This chapter deliberates on the tax theories advanced by different scholars in respect to taxation practices and they include: the ability to pay theory of taxation, theory of optimal Taxation, and Kelekian theory of Taxation, economic Based theory

2.2.1 The ability to pay theory of taxation

This theory was first presented in 1776 by Adam Smith, the father of economics. He stated that every state's citizen should help the government to the extent that it is feasible, according to their individual capacities, that is, in proportion to the income they receive from the state's protection. (Adam 2001). This theory in taxation is dominant and is interpreted in terms of sacrifice. It suggests that people, businesses entities, and corporations with larger incomes should pay more in taxes because taxes ought to be imposed grounded on the taxpayer's ability to pay them. Increased tax rates indicate that a substantial portion of the company's revenue is taxed. (Downer, 2016).

This theory supports the progressive taxation where the tax rate increases as the income or wealth increases. Such models are designed to ensure that the tax burden is evenly distributed according to taxpayer’s financial capacity. This theory ensures that taxation is equitable and that the tax burden is disseminated in relation to one’s economic capacity. This theory assumes that low-income earners are in need of all their revenue therefore, a low taxation rate enables them to keep a higher proportion of their income. This theory takes into consideration the sacrifices both individuals and businesses undergo while paying taxes.

Income tax is generally progressive making it directly related to this theory. This means that, as a businesses income increases, they ought to pay a higher rate of tax. Such a taxation system will ensure that the taxation burden is distributed equitably according to taxpayer's financial capacity. This system fosters equity by reducing the relative tax burden on smaller businesses and lower-income earners, allowing them to retain more resources for growth and sustainability.

2.2.2 Theory of Optimal Taxation

Proposed by Mirrlees in the 1970s, the theory of optimal taxation addresses how to design tax system that capitalizes on social welfare while minimizing the economic distortions and inefficacies that taxes can create. This theory assumes that the social welfare is based on each person in the society. Businesses should therefore be taxed in a way that will not 'harm' the operations of the organization. This can be achieved by balancing the tax rates and bases to avoid creating loopholes for tax evasion.

An ideal tax system is characterized by the absence of any changes to the marginal tax rates across all income brackets that would result in an improvement in population social welfare (Jenta Itaka 2020). This theory seeks to ensure that there is an efficient resource allocation where the taxes imposed have minimal distortions on the economic decisions of the the business. It also assumes that the government cannot perfectly observe individuals' income or ability to pay, leading to potential trade-offs between efficiency and equity (Blunden, C. 2022). It emphasizes on designing tax policies that reduce the negative effects of this asymmetry while promoting the economic well-being.

This theory is significant to this study where it looks at the challenges faced by retail businesses such as higher tax burdens when compared to larger firms and financial resources. VAT (Value-Added Tax) and Excise Duty will be discussed within this framework because they are consumption taxes that can be structured to minimize economic inefficiencies. Applying this theory will help in designing taxation systems that will reduce alleviate these pressures thus creating a tax environment that fosters business growth and sustainability.

2.2.3 Kaleckien Theory of Taxation

Kelekian theory of taxation by Kalecki provides a unique perspective on the connection between taxation, income distribution, and economic development (Asimakopulos, A. 2020). This theory sought to understand the dynamics of capitalist economies in relation to income equality and economic stability.

This theory looks at how taxation affects the income distribution which in turn influences the investment decisions and the economic growth. Kalecki posited that the distribution of income between capitalists (who receive profits) and workers (who earn wages) is central to understanding economic stability (Assous, & Pottier, A. 2020). This theory argued that progressive taxation could be an effective tool for redistributing income from wealthier capitalists to the working class who have a higher propensity to consume, this will help to stabilize demand which is important for sustaining investment and promoting economic growth. This theory assumes that the investment decisions are driven by expected profitability which is heavily influenced by aggregate demand (Girardi, 2021).

As this theory focuses on the relationship between taxation, income distribution, and economic demand, Pay as You Earn, a tax deducted at the source, can influence income distribution. By ensuring that taxes are collected before the income reaches the recipient, it aligns with Kaleckian views on managing demand and distribution within an economy. This also ensures a steady revenue stream for the government by immediate tax compliance.

2.2.4 Economic Based theory

The economic based theory of taxation is also known as deterrence theory. The foundation of this theory is the principle that a person will not commit a crime if the penalties of committing the crime are greater than the benefits of committing the crime (Daisy, 2020). The Economic-Based Theory of Taxation focuses on understanding how different forms of taxation impact economic behaviour, efficiency, and growth. The theory assumes that individuals and businesses act rationally in response to tax policies (Williams, C. 2020). This theory argues that taxation can either stimulate or hinder economic activity depending on the taxation structure. It assumes that individuals and businesses respond rationally to tax policies, altering their behaviour in ways that maximize their economic benefits. A study by daisy (2022), showed that a strong tax structure that was efficient, equitable, effective, and manageable encouraged the economic expansion of SMEs.

The Economic-Based Theory of Taxation is relevant to this study as it examines how different forms of taxes affect economic behaviour, efficiency, and growth. This theory relates to the independent variables as it considers the broader impact of taxes on the economy.

2.3 Empirical Review

2.3.1 Value added tax and Financial Sustainability

A study by Omar, (2020), investigated how the value added tax affected Mombasa County's small and medium-sized businesses' financial performance. This study aimed to investigate the effects of different VAT rates on the financial outcomes of the region. Structured questionnaires were provided as part of the study's descriptive cross-sectional design, and both descriptive and inferential statistics were employed for analysis. According to the study's findings, VAT significantly affects SMEs' financial performance. An increase in VAT rates led to a decline in the financial performance of these business.

Shakkour, et.al (2021), examined the factors affecting small and medium-sized businesses' (SMEs') willingness to pay value-added tax in Jordan, it used the ability to pay theory as its theoretical frameworks. This study investigated the effects of taxpayer characteristics, tax law knowledge, and compliance expenses on VAT compliance. The study then concluded that there is a positive relationship between personal characteristics and tax compliance. The study emphasized on the importance of VAT practices within SMEs.

2.3.2 Income Tax and Financial Sustainability

A study by Lavic, (2023), aimed to look at the tax burden on companies in Bosnia and Herzegovina with a focus on corporate income tax. It looked at the average income tax burden as a percentage of the company revenues. The study used a quantitative approach to evaluate the effect of these variables on the expenses of tax compliance. The results showed that the age, location, and commercial activity of the organization all affected the tax compliance expenses. The study emphasized on coordination of tax laws to reduce disparities, attract foreign investments and enhance the competitiveness of the Small and

Medium Market Enterprise The findings suggested that the corporate income tax compliance burden is significant and varies depending on specific characteristics of the companies, highlighting the need for potential tax policy reforms to alleviate this burden, especially for SMEs and start-ups. The study's conclusions call for a more favourable tax environment, including the harmonization of tax laws and the introduction of tax incentives, to reduce the negative effects of income tax compliance on SMEs.

Judith, et. al, (2022) did an examination on how taxes affect the expansion of small and medium-sized businesses. It looked at how multiple payment obligations imposed by the state affects their profitability and cash flow. The study concluded that unfavourable taxation practices derailed the growth of SMEs.

According to Menjo and Kotut, (2015), levies from income tax play a big part in developing economies. Many critics contend that concentrating on the economy's consumption side is more important and that taxing the income of corporations and SMEs deters productivity. Moreover, business income taxation, according to Menjo and Kotut (2015), restricts taxpayers' capacity to expand and hinders future economic development.

2.3.3 Excise Duty and Financial Sustainability

The first schedule of Kenya's Excise Duty Act, 2015 specifies excise tax. Menjo and Kotut (2015) state that this excise duty is levied on goods that are imported into Kenya or manufactured there. When dealing with the purchase or sale of excisable products, businesses are obliged to pay excise tax. Both the Fifth Schedule and Section 117 (1) (d) of the Customs and Excise Act, CAP 472 Laws of Kenya list the products and amenities that are subject to excise tax. Excise tax must be paid by companies and partnerships that provide excisable goods and services. The Fifth Schedule lists the items and categories that are subject to excise, along with the Customs and Excise Act, CAP 472 Laws of Kenya, Section 117 (1) (d). These consist of: mineral water, juices, soft drinks, and products for hair and makeup; mobile phone services; money transfer fees; other malt-based beers; and opaque and other types of beer.

Miloevi and Deletovi, (2017) state that excise taxes for majority commonwealth countries are grounded on the British model and are levied on production rather than sale and are only applied to goods not services or local events at a set rate with quantitative controls. The manufacture or sale of commodities, whether domestic or imported, at set ad-valorem rates, with tangible accounts or control, and even for services is covered by this new concept, which is significantly more comprehensive. For both the federal and local governments, excise taxes constitute a significant source of funding. Higher excise taxes raise the cost of excisable items, which in turn raises consumption. Reduced consumption will have a detrimental effect on cash flows, which will hinder the growth and performance of SMEs, as the majority of them rely significantly on these items for their operations.

A study by Mwangi, (2014), made a conclusion that there are two primary methods for measuring excise taxes: assessing the loss that the taxpayer incurs as a result of the excise tax, or measuring them as cash payments, which is how the majority of businesses and business owners do. Another metric that is frequently employed by Public and microeconomics is the decrease in user profits and surplus brought about by the excise tax. This type of measurement is dependent on how much market transaction has decreased.

2.3.4 Pay As You Earn and Financial Sustainability

A study by Catherine (2023), on the connection between increased Taxation and Financial Performance of Kenyan Firms employed a qualitative research approach. It looked at the type of taxes and their effect on the performance of Firms. It looked at the PAYE system and how its implementation affects the cost structure, cashflows and the viability of Firms. The research revealed that the impact of PAYE and tax rates on Kenyan Firms financial performance is noteworthy. The Increase in PAYE has a negative impact on the financial sustainability of the firms as well as the employees. PAYE also imposed managerial burdens on enterprises.

A study by Mwangima (2019), on the impact of taxation on employee motivation in Kenyan revealed that elevated PAYE rates have consequences on the financial sustainability of businesses and employee’s motivation and performance. The study observed that PAYE imposes various administrative expenses to the firms such as precise computation of the taxes, the maintenance of accurate records and timely remittance. The study made a conclusion that PAYE has a significant effect on the financial performance of Kenyan Firms

Ochola (2017), The difficulties businesses encounter while putting VAT systems into place were the main subject of a study on the impact of taxes on the financial performance of small and medium-sized businesses in Migori County. The study concluded that the financial performance of SMEs was influenced by PAYE rates as most SMEs operated on thin profit margins.

2.4 Conceptual Framework

Developing the conceptual framework entails generating concepts regarding the connections between the variables utilized in the study and graphically illustrating these connections. (Mugenda & Mugenda 2013). Figure 1 below represents the conceptual framework which demonstrates the connections between independent and dependent variables of this research.

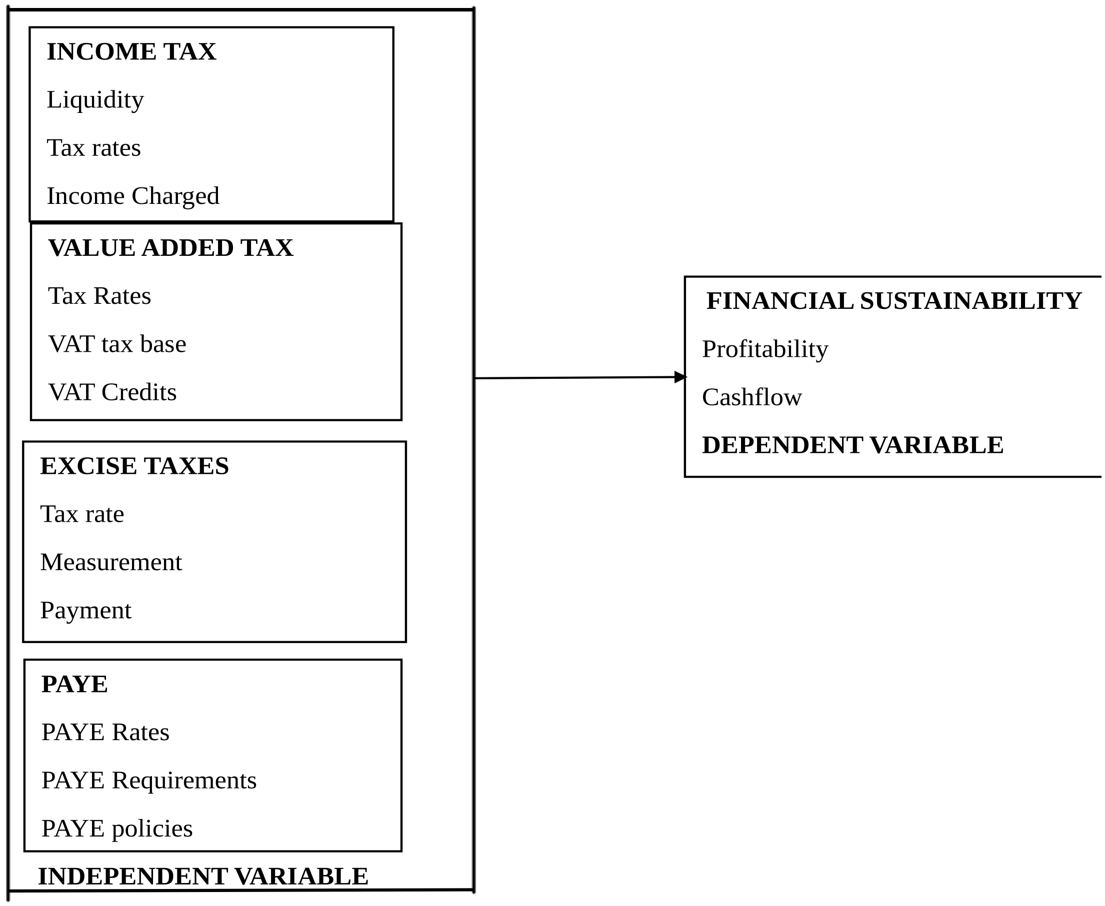

Figure 1: Conceptual Framework

Source: (Author)

2.4.1 Income Tax and Financial Sustainability

Personal income, earnings, and capital gains are all subject to direct income tax rates, which affect and are imposed on the same individual. Profits for businesses subjected to business income tax at the rate of 30 percent for resident businesses and 37.5 percent for non-resident businesses (KRA 2019). Income tax in Kenya is progressive, hence as the income increases the tax rate applied also increases. This type of tax is based on the amount of income earned, with high income earners being subject to higher tax rates.

Income tax liquidity refers to a businesses ability to manage its tax obligations effectively without compromising the businesses cash flow. This involves having enough liquid assets to pay the income taxes when due. Income tax liquidity significantly affects financial sustainability, where a higher amount of income tax causes a demand for the liquid assets hence becoming a burden for businesses.

Income tax charged refers to the actual amount that a business entity is required to remit to the government at the close of an accounting period. The affiliation between Income Tax Charged and the financial sustainability of retail businesses is hypothesized to be positive. High income tax charges can strain cashflows and profitability while lower charges enhance financial sustainability.

2.4.2 VAT and Financial Sustainability

VAT is an indirect tax that consumers of taxable goods and services that are imported into or provided in Kenya must pay (KRA 2019). Value Added tax is an important component of the Kenyan taxation system. Individuals that provide or anticipate providing taxable products and services worth at least Kshs 5 million annually must register for VAT (KRA 2022). The calculation of VAT rates, VAT credits, and tax bases is essential in determining the VAT-related cost structure of the business. (Catherine 2023).

VAT tax rates is the percentage of tax rate applied to the sale of goods and services. This rate determines the amount of tax charged at the end of production or distribution and is charged to the consumer but remitted by the businesses. The two tax rates in Kenya are the 0% zero rate, which is applicable to the particular supplies mentioned in the Second

Schedule to the VAT Act, 2013, and the 16% general rate, which is applied to all taxable products and taxable services except zero-rated supplies (KRA). VAT significantly affects financial sustainability, where a higher VAT rate causes a higher tax burden for businesses which are then then passed down to consumers or absorbed by the business. This can lead to reduced profitability and Cashflow challenges.

VAT tax base is the overall value of products and amenities that are subject to VAT. This is inclusive of the value added at every production stage and the price of the final goods or services sold to consumers. The relationship between VAT tax base and the financial sustainability of retail businesses is hypothesized to be positive. A broader tax base means that more transactions are subject to VAT thus increasing the amount of money that should be remitted to the government.

VAT credits are mechanisms under VAT where businesses can offset the VAT they have spent on goods and services purchases in comparison to the VAT received from sales of goods and services (Shah, M. 2024). Businesses can therefore deduct the amount they have paid on supplies from the amount of VAT they owe to the government. The relationship between VAT tax base and the financial sustainability of retail businesses is hypothesized to be positive. VAT credits help to reduce the tax burdens as businesses can claim credits against the VAT it collects from consumers thus reducing the net VAT liability that it remits to the government.

2.4.3 Excise Duty and Financial Sustainability

The first schedule of the Excise Duty Act (2015), states that products and services locally produced in Kenya or Imported into Kenya are subject to excise duty (KRA 2019). Excise tax is levied on certain goods such as; alcohol, tobacco and fruit juices, and often either as a percentage of the sale price or as a fixed sum per unit. Excise Tax Rates have a significant effect on the financial sustainability of retail businesses. Increased Excise Tax rates raise the cost of manufacturing or selling goods, which raises the final price for customers.

Excise Tax Measurement refers to the method used to calculate the amount of excise tax that businesses must pay. Excise taxes are measured using two metrics, specific tax and ad valorem tax. Specific tax (Per Unit Tax), method imposes a fixed amount on tax on each unit of a good or service sold regardless of its price. Ad Valorem tax (Percentage of price) imposes tax as a percentage of the selling price of a good or service (Tesche, & Van Walbeek, 2021). The relationship between Excise tax measurement and the financial sustainability of retail businesses is hypothesized to be positive. The method of measurement determines how predictable and manageable the tax burden is.

Excise tax payment refers to the process by which a business remits taxes to the government. Such payments can be remitted, monthly, quarterly, or annually. The relationship between Excise tax payment and financial sustainability of businesses is hypothesized to be positive. The need to regularly remit payments to the government can strain a businesses cashflow and liquidity, particularly if the revenues are inconsistent or the margins are thin (Zaring, 2020).

2.4.4 PAYE and Financial Sustainability

In the Pay as You Earn (PAYE), tax collection system, employers must take taxes out of their employees' employment income and remit the money to the Kenya Revenue Authority (KRA). This system ensures that the tax is collected at the source of income thus spreading that tax payments evenly throughout the year. PAYE rates have a significant effect on financial sustainability of businesses, where stable and predictable PAYE rates allow businesses to plan for their cashflows, staffing and investment strategies. Clear and reasonable PAYE rates are important for ensuring business growth and long-term financial sustainability.

PAYE requirements refer to the obligations that employers must fulfil to comply with income tax withholding regulations. These requirements include employee registration, tax calculation, timely withholding and remittance, record keeping and reporting. The connection between PAYE and the financial sustainability of retail businesses is hypothesized to be positive. The execution of the Pay as You Earn (PAYE) system and strict adherence to tax regulations may impose various administrative duties on Kenyan firms (Catherine 2023).

PAYE implementation refers to setting up of systems for deducting tax. PAYE implementations comprise of setting up payroll systems, employee onboarding and classification, payroll processing and reporting. PAYE implementation has a weighty impact on financial sustainability of SMEs. PAYE implementation can permeate the cost structure, workforce management, and overall profitability of the organization (Elsa Aringo 2023). Effective implementation of PAYE helps to enhance operational efficiency and improve financial sustainability.

2.4.5 Financial Sustainability

The capability of a retail company to satisfy its short-term financial obligations is referred to as liquidity in financial reporting (Johnson 2020). It is believed that there is a favorable nexus between the liquidity ratio and financial sustainability. Metrics like the working capital ratio and the acid test ratio can be used to quantify liquidity ratio. The ability of liquid assets to pay current liabilities is gauged by these ratios.

Profitability is a company's capacity to business to generate revenue relative to its expense over a given period (Yenni, et.al, 2021). One way to describe profitability is the difference between a firm's operating revenue and its costs. The relationship between Profitability and financial sustainability is hypothesized to be positive. Metrics like net profit margin, operational profit margin, and return on equity can be utilized to measure profitability. Using these ratios, a business can assess its financial health and make informed decisions to ensure long-term viability. Profitable operations contribute to businesses long-term financial sustainability and its ability to weather economic challenges (Wang, & Hsieh, 2020).

Cashflow refers to payments made into or out of a business, project or financial product (Koller, Goedhart, et.al, 2010). Cash flow is the sum of the outflows from debt repayment, investments, and sales as well as the inflows from financing, investments, and sales. Cash flows and financial sustainability are seen to be positively correlated. Cashflow focuses on how much cash is available to meet its obligations, investment opportunities, and sustain operations (Mulford, & Comiskey, 2005).

2.5 Summary of literature

This literature review provides a comprehensive overview on taxation practices and the financial sustainability of retail businesses. A study by Nnam Imaobong Judith (2022) highlighted the significance of taxation practices on the profitability, investment decisions and cashflows of businesses. Catherine (2023), showed a positive nexus between taxation and financial viability of Kenyan businesses. A study by Migwi (2018), established a significant correlation between taxes and the expansion of small and medium-sized businesses. Hassan (2024), presented that high taxation has a major impact on the performance of small businesses as evidenced by low profits, low sales, and poor-quality provision. Tee, E., (2016), stressed on the detrimental effects of current tax laws on SMEs' growth. A study by Adewara (2023) showed a substantial negative connection between taxation practices and the financial viability of SMEs.

Bundi, (2019), study determined that tax rate incentives significantly improve Kenyan manufacturing companies' financial performance. A study by Ngali, (2020), emphasized that tax reforms significantly improve the performance of SMEs, whereas tax rates and policies significantly impair tax performance. Ojuma, (2020), showed that the sustainability of SMEs and value added tax demonstrated favourable and substantial relationship. Bajjole, (2019) identified the effect of Value Added Tax on the financial sustainability of businesses.

2.6 Critique of Literature

Nnam (2022), discussed the effect of taxation practices on the growth of SMEs which highlighted the significance of taxation practices on the profitability, investment decisions and cashflows of businesses. "Multiple payment obligations placed on businesses have significant implications on the profitability, investment decisions, and cashflows in Nigeria," Nigeria was the main focus of the study and hence the findings might not be directly applicable to businesses in other regions. Hassan (2024), demonstrated the link between high taxation and the performance of small businesses as evidenced by low profits, low sales, and poor-quality provision, but their study leaves room for investigation on the effect of taxation on financial sustainability. Catherine, (2023) studied the multifaced correlation between taxation and financial performance of Kenyan firms with a focus on how tax rates, incentives and political influences can affect firms' financial performance, however the study does not take into consideration how the various types of taxes affect the financial sustainability of firms. Tee, (2016), study on tax payment on SMEs' performance looked at the existing tax policies that affect businesses. However, a deeper exploration of these policies and how they affect businesses could improve the practical applicability of the research.

Adewara (2023), the effect of multiple taxation on performance of businesses applied a survey research method and analysed it with correlation coupled with multiple regression analysis, contributed to the understanding of taxation practices and performance of businesses. However, a more in-depth exploration of the type of taxes remitted by businesses could provide practical insights for retail businesses considering similar strategies. Roman (2023), longitudinal analysis on the tax payment and how well small and medium-sized businesses perform used panel data methods to ration the influence of taxes and performance of small businesses in Europe. The findings of this study can however not be generalized since different countries have different taxation practices. Ojuma (2020), offers valuable insights on the role of Value Added Tax on the sustainability of SMEs. While the study emphasizes on the VAT policies, it could benefit from delving deeper into specific challenges that VAT remittance impose to businesses.

2.7 Research Gaps

Nnam (2022), study focused on businesses in Ekiti state in Nigeria and therefore its findings may not be directly applicable to retail businesses in other regions while Catherine (2023) research focuses on the impact of taxation on performance of large Kenyan firms leaving room to investigate the impact of taxation on financial sustainability of retail businesses. Nnam Imaobong Judith (2022) study offers data unique to Nigeria; however, a more thorough understanding of the effects of taxing methods on the financial sustainability of SMEs could be obtained by comparing it with similar studies conducted in other locations. Migwi (2018), study focuses on taxation in SMEs in Voi County thus limiting the generalizability of findings to other businesses and counties in Kenya.

Roman, (2023) study is focused on the European context, which limits the generalizability of findings to businesses in other countries while Ojuma (2020), offers valuable insights on the role of Value Added Tax on the sustainability of SMEs in Kenya, a more extensive discussion on the other types of taxes that affect businesses would offer more information on the impact of taxation on financial sustainability. Adewara (2023) study's findings highlight effect of multiple taxation on performance of businesses but a more detailed breakdown of the variation among the types of taxes and their effect on financial sustainability. Hassan (2024) study focused on a specific geographical area, Kampala, Uganda potentially limiting the generalizability of findings to other regions, a more in-depth exploration on the types of taxes affecting financial sustainability of businesses could provide practical insights for KRA considering similar strategies.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

Methodology in research is the procedure that researchers must adhere to when conducting their research. It validates the process by which these researchers present their problem and objective and then provide the findings derived from the data collected during the study period. This chapter explains the study's methodology. (Sileyew, 2019). Additionally, it examines data gathering methods, data analysis, population, sample, and sampling strategy.

3.2 Research Design

The goal of the research design is to give a study a suitable structure. Because it establishes how pertinent data for a study will be collected, selecting a research approach is an essential choice in the research design process. However, the research design process involves additional interrelated choices (Sileyew, K. J. 2019). A descriptive research design was used in this study. In order to accurately illustrate the phenomenon being studied, descriptive research entails the methodical gathering, arrangement, and presentation of data (Mugenda and Mugenda, 2019). For the purpose of establishing statistical associations according to quantitative measurements of two or more parameters, it explained the behaviour or features of a group in order to ascertain the connections that exist between various components.

3.3 Target population

According to Ogola (2018), target population is an abstract idea of a certain group that is sampled from and has distinguishing characteristics from others. All of Laikipia County's registered supermarkets were the study's target population. The target population comprised of the financial managers from the 86 supermarkets in Laikipia County. This is because only registered supermarkets are regarded as legal entities in Kenya and file their taxes with KRA. For a supermarket to be considered as being registered, it should have a business registration certificate, complies with the statutory deductions and has a single business permit obtained from the county government. The target population was drawn from the financial managers of the selected supermarkets in in Laikipia county.

Conducting the study in Laikipia county highlighted a real-world impact of taxation on retail businesses in a region where entrepreneurship is not only an economic activity but a crucial means of livelihood for many residents. Most retail businesses in Laikipia county operate on thin profit margins making then sensitive to changes in taxation thus offering a broader implication of taxation practices on financial sustainability.

3.4 Sampling Frame

According to Kiarie (2018), a sampling frame is a list of every object in the population from which a sample is taken. The Laikipia county records from 2023 contained a list of all registered supermarkets, which served as the sampling frame for this study.

3.5 Sampling Design and Sample Size

A sample is the number of items chosen from a population, whereas sampling is the procedure used to choose a subset of the population and make inferences about the full population. (Kiarie, 2018). Using the Yamane formula, the study's sample size is shown below, assuming a 0.05 accuracy level and a 95% confidence level. The formula was used because, based on the confidence interval chosen, it is simple to grasp and use.

Yamane Sampling Formula:

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

Where;

N - is the population size.

n - is the sample size.

e- is the level of precision.

$$n = \frac{86}{1 + 86(0.05)2} = 70$$

The study used simple random sampling to choose the responders. The respondents were identified purposively since they were conversant with the taxation practices and financial sustainability of supermarkets. This facilitated in data collection and analysis, which was then utilized for generalizing results to the whole population.

3.6 Data Collection

Data collecting instruments are the tools used to collect data once the researcher has determined the kinds of information that are required (Waiyaki, 2017). Primary and secondary data were both used in this study. A systematic literature review was used to collect secondary data from the relevant literature for the study. The study used questionnaires to collect primary data. The questionnaires were divided into sections that were structured to ensure consistency in responses and facilitate analysis with the purpose of addressing the research questions.

3.7 Data Collection procedure

A letter of authorization from the Cooperative University of Kenya School of Business and Economics was acquired in order to successfully gather the data. This gave the researcher authorization to conduct the investigation. With a view of collecting the required data, the researcher also asked the National Commission for Science, Technology, and Innovation (NACOSTI) for approval. The researcher guaranteed that all information gathered from respondents is handled in confidence and maintained securely. Only scholarly goals were served by using the data collected.

3.8 Pilot Study

To pre-test the tools, the study conducted a pilot study on 5 supermarkets. The supermarkets were identified from Laikipia West Sub County as they were easily accessible. Respondents with expertise in the sector were enlisted to make sure the questions were pertinent, thorough, and understandable. To appropriately reflect the variable being measured, any contradictory questions, phrases, or indicators were changed. The study's sample did not include the five supermarkets that took part in the pilot project.

3.8.1 Reliability of instruments

The consistency of a scale or measurement tool with its outcome is known as reliability. That means a test will be deemed reliable if it is administered with an instrument for a certain subject and the results are consistent across attempts. (Julius, 2020). The same questions were presented to the same respondents twice using the test-retest methodology, and dependability estimates were calculated by identifying a pattern in the data gathered from related investigations. According to Zikmund et al. (2013), a Cronbach's alpha of 0.8 or greater is regarded as very dependable. The replies to each question on the questionnaire were compared in order to assess the questionnaire's reliability.

3.8.2 Validity of Instruments

Validity is about what an instrument measures and how well it does so (Ahmed, & Ishtiaq, 2021). A preliminary test was used to determine the instrument's validity. Content validity was used in the study. To review and offer suggestions for enhancing the content of data collection tools, content validity contacts experts in the pertinent phenomena (Saunders et al., 2009). Before starting the main data collection, the researcher did a preliminary test with 5 respondents from the target population who reviewed the study's questionnaire and made the necessary adjustments.

3.9 Data Analysis and Presentation

The process by which a researcher summarises unprocessed data into a comprehensible and meaningful format is known as data analysis (Julius, 2020). To provide insights, data was collected, evaluated and interpreted depending on the study's goals. Multiple linear regression and descriptive statistics was used to accomplish this. Measures of dispersion such as the standard deviation were included in descriptive statistics along with measures of central tendency such as frequencies and means. The studied data was displayed as percentages in frequency tables.

The framework of the mathematical model that describes the connection between the independent and dependent variables was determined using a multiple linear regression analysis. The formula for multiple regression was displayed as follows:

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

Where;

Y – Financial Sustainability

β_0 – Constant Term

β_1, β_2, β_3, β_4 – Correlation Coefficients

X_1 – Value added tax

X_2 – Income Tax

X_3 – Excise tax

X_4 – Pay as You Earn

3.10 Ethical consideration

Ethics must be upheld by all researchers during the course of a study. Guidelines for carrying out professional research are defined by research ethics. Researchers are subject to a code of ethics during the research process that govern and control them (Hasan, N., et.al, 2021). The researcher sought the required approval from the appropriate authorities before starting data collecting. data.

CHAPTER FOUR

DATA ANALYSIS, FINDINGS AND INTERPRETATIONS

4.0 Introduction

This chapter comprises findings and interpretations drawn from data analysis. The study examined the effect of taxation practices on the financial sustainability of supermarkets in Laikipia County. The study investigated whether there exists a relationship between, Income Tax, Value Added Tax, Excise Tax and Pay as You Earn Tax on the Financial Sustainability of businesses. The study used both descriptive and inferential statistics for data analysis.

4.1 Response Rate

This study used questionnaires which were issued to 70 financial managers in 70 selected supermarkets in Laikipia County. All the questionnaires administered were returned resulting to a 100 percent response rate. According to Masden & Wright, (2010), Response rates above 60 percent are deemed satisfactory, replies between 70 and 80 percent are deemed highly favourable, and responses above 85 percent are deemed great. The 100% success rate attained in the study guarantees that participant replies can be utilized for data analysis.

Table 4.0 Response Rate

Response	Frequency	Percentage
Returned	70	100%
Unreturned	0	0%
Total	70	100%

4.2 Reliability of Test Results

The study used a 5-point Likert scale to formulate the research questions which were issued to the selected financial managers. The study used Cronbach's alpha coefficient to ensure reliability and evenness of the research questions to the study variables. The findings from the assessment were presented in the table below.

Table 4.1 Test Results

Variable	Number of Items	Cronbach Alpha
Income Tax	5	0.855
Value Added Tax	5	0.840
Excise Tax	5	0.777
Pay As You Earn	5	0.805
Average Reliability		0.819

In reference to table 4.1, the Cronbach alpha values ranged from 0.777 and 0.855. According to Ursachi, Zait, and Horodnic (2015), a reliability rating of 0.7 or above is deemed satisfactory in research. The Cronbach alpha value for income tax was 0.855, The Cronbach alpha value for Value Added Tax was 0.840; The Cronbach alpha value for Excise was 0.777; Pay as You Earn had a Cronbach value of 0.805. The questionnaire used in the study demonstrated adequate internal consistency, indicating that the respondents' answers were dependable and consistent.

4.3 Descriptive Statistics

Descriptive statistics was conducted as an initial stage of the data analysis process to gain more information on the dataset.

4.4 Profile of Supermarket

4.4.1 Registration

The financial managers were required to indicate whether the supermarkets were Sole proprietorship, partnership and limited company.

Table 4.2 Registration

Responses	Frequency	Percentage
Sole Proprietorship	23	33%
Partnership	29	41%
Limited Company	18	26%
Total	70	100%

Supermarkets registered as sole proprietorship were 33 percent (23), 41 percent (29) which were registered as partnership while 26 percent (18) were registered as limited liability companies. The analysis indicated that supermarkets involved in the study were distributed across different business types. This was consistent with Jenta, (2020) who established that most SMEs were registered as partnerships.

4.4.2 Ownership of the Supermarkets

The study inquired on the ownership of the supermarkets in Laikipia County

Table 4.3 Ownership

Responses	Frequency	Percentage
Owner-Managed	26	37%
Partnership	11	16%
Shareholding	14	20%
Family-Owned	19	27%
Total	70	100%

Ownership and management of the Supermarkets in Laikipia County was represented as: owner-managed 37 percent (26). Partnership 16 percent (11) while shareholding 20 percent (14) and Family-owned 27 percent (19). It was evident that Supermarkets in Laikipia County were distributed across different ownership. These findings were constant with Oscar, (2020) who concluded that most retail businesses were owner managed and thus data collected was reliable.

4.4.3 Number of Years in Operation

The study also inquired on the number of years that the supermarket has been in operation.

Table 4.4 Years in Operation

Responses	Frequency	Percentage
Less than 1 year	8	11%
Between 1 to 2 years	17	24%
Between 2 to 3	15	21%
Above 3 years	30	43%
Total	70	100%

Majority of the Supermarkets have been in operation for more than three years with 43 percent (30), followed by 24 percent (17) of the supermarkets have been in operation for between 1 to 2 years, 21 percent (15) of the Supermarkets have been in operation Between 2 to 3 years and finally 11 percent (8) of the supermarkets have been in operation for less than 1 year. These findings contradict the report by KNBS (2017), that approximately 400,000 small businesses in Kenya do not have a lifespan above 2 years.

4.4.4 Turnover of the Supermarkets in Laikipia County

The study also inquired the turnover of the supermarkets in the past year.

Table 4.5 Turnover

Responses	Frequency	Percentage
Below 1,000,000	5	7%
1,000,001-3,000,000	11	16%
3,000,001 -6,000,000	14	20%
6,000,001 – 9,000,000	23	33%
9,000,001 -12,000,000	13	19%
Over 12,000,000	4	6%
Total	70	100%

The analysis indicated 7 percent (5) supermarkets had a turnover of below 1,000,000 Ksh, 16percent (11) of the Supermarkets had a turnover of between 1,000,001 to 3,000,000 Ksh, 20 percent (14) of the Supermarkets had a turnover of between 3,000,001 to 6,000,000 Ksh, 33 percent (23) of the Supermarkets had a turnover of between 6,000,001 to 9,000,000 Ksh, 19 percent (13) had a turnover of between 9,000,001 to 12,000,000 Ksh and finally 6 percent (4) of the Supermarkets had a turnover of over 12,000,001 Ksh. These findings contradicted KNBS (2021), which stipulated that most small businesses have a turnover of less than 3,000,000 annually.

4.4.5 Number of Employees in the Supermarkets

The study also inquired on the total number of employees employed in the Supermarkets in Laikipia County

Table 4.6 Number of Employees

Responses	Frequency	Percentage
1-5	10	14%
6-10	26	37%
11-20	21	30%
21-50	5	7%
Above 50	8	11%
Total	70	100%

From the Analysis, it was determined that 14percent (10) of the supermarkets had between 1 to 5 employees, 37percent (26) had between 6 to 10 employees, 30percent (21) had 11 to 20 employees, 7percent (5) had between 21-50 employees and 11percent (8) had above 50 employees. This was consistent with Jenta (2020) whose study showed that most small businesses employ less than 10 employees.

4.5 Study variables

4.5.1 Income Tax and the Financial Sustainability of supermarkets

The study's first objective was to ascertain the effect of income tax on the financial sustainability supermarkets. Income tax was measured using tax rates and income charged. Questions were based on the above measures and the respondents were expected to indicate their degree of agreement on the various measures of income tax. A Likert scale was used, the scale was from 5 to 1 where 5 was strongly agree (SA), 4 was agree (A), 3 was neutral (N), 2 was disagree (D) and 1 was strongly disagree (SD).

Table 4.7 Income tax

No.	Statement	SD	D	N	A	SA	Mean	Std. Dev
1.	KRA's income tax rates are fair.	6%	56%	30%	4%	4%	2.46	0.83
2.	The business's cash flow is unaffected by the income tax charges, and KRA has created a conducive environment for processing income taxes.	14%	54%	27%	4%	0%	2.21	0.73
3.	The amount of income taxes collected is appropriate for the services that the government provide.	4%	73%	11%	9%	3%	2.33	0.80
4.	A taxpayer who is categorized as a small business entity might benefit from certain provisions of the Income Tax Act, such as favourable wear and tear rates	39%	53%	9%	0%	0%	1.70	0.61
5.	KRA's income tax rates are reasonable.	3%	53%	26%	3%	3%	2.63	0.87

The respondents' level of agreement regarding the impact of income tax on the long-term viability of supermarkets in Laikipia County is summarized in Table 4.7. The statement KRA's income tax rates are fair had a standard deviation of 0.83 and a mean of 2.46. The assertion that the business's cash flow is unaffected by the income tax charges, and KRA has created a conducive environment for processing income taxes had a standard deviation of 0.73 and a mean of 2.21. the amount of income taxes collected is appropriate for the services that the government provide had a standard deviation of 0.80 and a mean of 2.33. A taxpayer who is categorized as a small business entity might benefit from certain provisions of the Income Tax Act, such as favourable wear and tear rates had a standard deviation of 0.61 and a mean of 1.70. KRA's income tax rates are reasonable had a standard deviation of 0.87 and a mean of 2.63. These findings are supported by Oscar O. (2020), who concluded that charging income tax on SMEs constrains their growth and hinders the economic development of a country. According to Ngek's (2018) research, the various tax payers increased their level of tax payments when the income tax for SMEs was decreased.

4.5.2 Value Added Tax and the Financial Sustainability of supermarkets

The study's second objective was to determine the effect of VAT on the financial sustainability supermarkets. VAT was measured using tax rates and VAT credits. Questions were based on the above measures and the respondents were expected to specify their degree of agreement on the various measures of VAT. A Likert scale was used, the scale was from 5 to 1 where 5 was strongly agree (SA), 4 was agree (A), 3 was neutral (N), 2 was disagree (D) and 1 was strongly disagree (SD).

Table 4.8 Value added tax

No.	Statement	SD	D	N	A	SA	Mean	Std. Dev
1	The existing VAT rate is advantageous to my company.	29%	47%	16%	6%	3%	2.07	0.95
2	My business operations are unaffected by VAT taxation.	26%	51%	13%	6%	4%	2.11	0.99
3	The VAT filing procedure is easy to use and transparent.	36%	41%	13%	7%	3%	2.00	1.01
4	KRA officials have given sufficient information about submitting and processing VAT.	29%	44%	9%	14%	4%	2.21	1.12
5	A business's ability to internally	21%	43%	21%	9%	6%	2.34	1.07

	administer and manage the VAT function is directly impacted by its size.

Table 4.8 sums up the respondents the respondent's degree of unison on the effect of Value Added Tax on the financial sustainability of supermarkets in Laikipia County. The assertion the existing VAT rate is advantageous to my company had a standard deviation of 0.95 and a mean of 2.07. The statement My business operations are unaffected by VAT taxation had a standard deviation of 0.99 and a mean of 2.11. The statement the VAT filing procedure is easy to use and transparent had a standard deviation of 1.01 and a mean of 2.00. KRA officials have given sufficient information about submitting and processing VAT had a standard deviation of 1.12 and a mean of 2.21. The statement A business's ability to internally administer and manage the VAT function is directly impacted by its size had a standard deviation of 1.07 and a mean of 2.34. These findings are supported by Wadesango, N., & Chirebvu, G. (2020), who concluded that high VAT rates have a direct and specific impact on the costs structure, manufacturing capacity and growth prospects of the SMEs which also encouraged unethical business practices such as tax evasion. Schoeman, A., Evans, C., & du Preez, H. (2021) research concluded that high VAT rates affected how small businesses operate in South Africa where the high rates of VAT lead to an increase of non-compliance among the businesses.

4.5.3 Excise Tax and the Financial Sustainability of supermarkets

The third objective of this study was to determine the effect of excise tax the financial sustainability supermarkets. Excise tax was measured using tax rates and excise tax measurement and payment. Questions were based on the above measures and the respondents were expected to indicate their degree of agreement on the listed measures of excise tax. A Likert scale was used, the scale was from 5 to 1 where 5 was strongly agree (SA), 4 was agree (A), 3 was neutral (N), 2 was disagree (D) and 1 was strongly disagree (SD).

Table 4.9 Excise tax

No.	Statement	SD	D	N	A	SA	Mean	Std. Dev
1	The excise taxes imposed are reasonable.	26%	53%	13%	6%	3%	2.07	0.92
2	Investment and entrepreneurship are significantly impacted by the amount of excise taxes.	29%	44%	19%	6%	3%	2.10	0.97
3	Administrative and compliance expenses can be decreased with a straightforward tax structure and a limited number of easily computed excise taxes.	34%	44%	13%	4%	4%	2.00	1.01
4	KRA raises awareness of the procedures for paying excise taxes.	39%	43%	9%	7%	3%	1.93	1.00
5	Because lump-sum taxation has no effect on relative price rates, unlike excise taxes that distort them, it can lessen the cost of excess taxes.	11%	44%	34%	7%	3%	2.46	0.88

The respondents' level of agreement regarding the impact of the excise tax on the long-term viability of supermarkets in Laikipia County is compiled in Table 4.9. The assertion the excise taxes imposed are reasonable had a standard deviation of 0.92 and a mean of 2.07. The assertion Investment and entrepreneurship are significantly impacted by the amount of excise taxes had a standard deviation of 0.97 and a mean of 2.10. The statement administrative and compliance expenses can be decreased with a straightforward tax structure and a limited number of easily computed excise taxes had a standard deviation of 1.01 and a mean of 2.00. The statement KRA raises awareness of the procedures for paying excise taxes had a standard deviation of 1.00 and a mean of 1.93. Because lump-sum taxation has no effect on relative price rates, unlike excise taxes that distort them, it can lessen the cost of excess taxes had a standard deviation of 0.88 and a mean of 2.46. These findings are supported by Werekoh, E. A. (2022), who concluded that high tax rates affected the economic growth and development of SMEs in Kumasi. Schoeman, A., Jacob, M. (2022), concluded that higher corporation tax rates have been seen to decrease innovation, aggregate growth, business investment, and foreign direct investment (FDI)..

4.5.4 Pay As You Earn Tax and the Financial Sustainability of supermarkets

Determining the effect of Pay as You Earn on supermarkets' financial sustainability was the third objective of this study. PAYE tax rates, PAYE measurement and PAYE payment were used to calculate PAYE. The respondents were asked to rate their agreement with the various PAYE measures, and the questions were based on the previously mentioned metrics. A Likert scale was used, the scale was from 5 to 1 where 5 was strongly agree (SA), 4 was agree (A), 3 was neutral (N), 2 was disagree (D) and 1 was strongly disagree (SD).

Table 4.9 Pay as you earn

No.	Statement	SD	D	N	A	SA	Mean	Std. Dev
1.	My business benefits from the present PAYE rate.	23%	37%	24%	10%	6%	2.39	1.10
2.	PAYE taxation has no bearing on how I run my company.	20%	49%	19%	10%	3%	2.27	0.98
3.	The PAYE filing procedure is easy	24%	49%	16%	9%	9%	2.23	1.10

to use and straightforward.							
4. KRA officers have given sufficient details for filing and processing PAYE.	31%	37%	14%	13%	4%	2.21	1.14
5. An organization's capacity to internally administer and manage the PAYE function is directly impacted by its size.	31%	36%	20%	10%	3%	2.17	1.06

Table 4.9 summarizes the respondents the respondent's level of agreement on the effect of Pay as You Earn on the financial sustainability of supermarkets in Laikipia County. The statement my business benefits from the present PAYE rate had a standard deviation of 1.10 a mean of 2.39. The statement PAYE taxation has no bearing on how I run my company had a standard deviation of 0.98 and a mean of 2.27. The statement The PAYE filing procedure is easy to use and straightforward had a standard deviation of 1.10 and a mean of 2.23. The statement KRA officers have given sufficient details for filing and processing PAYE had a standard deviation of 1.14 and a mean of 2.21. The statement an organization's capacity to internally administer and manage the PAYE function is directly impacted by its size had a standard deviation of 1.06 and a mean of 2.17. These findings are supported by Osho, A. E. (2020), who concluded that PAYE and VAT has a significantly positive impact on the social economic development in Nigeria.

4.5.5 Financial Sustainability

The dependent variable in this study was financial sustainability. The ability of a supermarket to sustain its financial stability and fulfil its financial commitments over time was referred to as financial sustainability. Profitability and cash flow were used to gauge financial sustainability. The aforementioned metrics served as the basis for the questions, and respondents were asked to rate their agreement with the various financial sustainability metrics. A Likert scale was used, the scale was from 5 to 1 where 5 was strongly agree (SA), 4 was agree (A), 3 was neutral (N), 2 was disagree (D) and 1 was strongly disagree (SD).

Table 4.10 Financial sustainability

No.	Statement	SD	D	N	A	SA	Mean	Std. Dev
1.	Taxes have been a significant expense, which has decreased supermarket earnings.	3%	6%	17%	49%	26%	3.89	0.94
2.	Taxes have been a significant expense, which has decreased supermarket liquidity.	4%	9%	13%	36%	39%	3.96	1.11
3.	Supermarkets' capacity to grow by introducing their goods and services into new markets and providing services to those markets is impacted by the taxes they pay.	3%	6%	4%	59&	29%	4.04	0.89
4.	The amount of money available for supermarket operations is significantly reduced by taxes.	4%	7%	9%	36%	44%	4.09	1.08
5.	Supermarkets' working capital is severely reduced as a result of taxes.	6%	10%	4%	37%	43%	4.01	1.17

Table 4.10 summarizes the respondents the respondent’s level of agreement on the financial sustainability of their supermarkets. The statement taxes have been a significant expense, which has decreased supermarket earnings had a standard deviation of 0.94 and a mean of 3.89. The statement taxes have been a significant expense, which has decreased supermarket liquidity had a standard deviation of 1.11 and a mean of 3.96. The statement Supermarkets' capacity to grow by introducing their goods and services into new markets and providing services to those markets is impacted by the taxes they pay had a standard deviation of 0.89 and a mean of 4.04. The statement the amount of money available for supermarket operations is significantly reduced by taxes had a standard deviation of 1.08

and a mean of 4.09. The statement Supermarkets' working capital is severely reduced as a result of taxes had a standard deviation of 1.17 and a mean of 4.01.

4.6 Inferential Statistics

To determine the effect of the independent and dependent variables, the study employed both simple and multiple linear regression model analysis.

4.7 Hypothesis Test Results on influence of Taxation practices and the financial sustainability of supermarkets.

4.7.1 Model Summary

The study used a multiple linear regression to determine how taxation practices affected the supermarkets' ability to remain financially sustainable in Laikipia County. From the findings, the study established that taxation practices and financial sustainability of supermarkets have a strong positive relationship. The above can be shown by a correlation coefficient (R = 0.565). According to Weaver, (2018), when the correlation coefficient value falls between +0.3 and +0.7, it signifies a moderate positive correlation. The study concluded that Taxation Practices represented 27.7 percent, Adjusted R Square (R = 0.277), of the factors affecting financial sustainability of supermarkets. This analysis means that there are other factors affecting the financial sustainability of supermarkets that the study did not consider and contributes to 72.3 percent.

Model Summary for Taxation Practices.

Table 4. 11 Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.565[a]	.319	.277	.41004

4.7.2 Multicollinearity Test

A multicollinearity test was employed to determine whether there was a connection among the study's independent variables. The study employed tolerance values and variance inflation factor (VIF) to determine collinearity. Shrestha, (2020), variance inflation factor values below 5 indicate a lower level of correlation among predictors in a regression model, values between 5 and 10 suggest that predictors are moderately correlated and values exceeding 10 indicate a high degree of correlation among the predictors.

Table 4.12 Multicollinearity

Model	Collinearity Statistics	
	Tolerance	VIF
Income Tax	.738	1.356
VAT	.634	1.577
Excise Tax	.983	1.018
PAYE	.702	1.424

The study concluded that Income Tax had a VIF value of 1.356; VAT 1.577; Excise Tax 1.018; and PAYE 1.424. As a result, the study's predictors are uncorrelated. To ascertain collinearity, a tolerance test was performed. According to the study, the tolerance values for Income Tax were 0.738; VAT 0.634, Excise Tax 0.983 and PAYE 0.702. Since the predictors used in the study are uncorrelated, they were used to ascertain the relationship between taxation practices and financial sustainability, as indicated by the results in the above table.

4.7.3 Autocorrelation

Durbin-Watson test was considered to test autocorrelation. It is anticipated that the test statistics will fall between 0 and 4. A value of 2 indicates the lack of autocorrelation, a value more than 2 indicates positive serial correlation, and a value less than 2 indicates negative serial correlation. According to Griffith (2013), autocorrelation is not an issue if the Durbin-Watson value is between 1.5 and 2.5. In this study, the Durbin-Watson value was calculated to be 2.557 which exceeds the recommended value 2.0. This therefore indicates the absence of a significant autocorrelation in the variables of the regression model.

4.7.4Analysis of Variance

To determine the significance of the model, Analysis of Variance was used. The ANOVA analysis showed that Taxation Practices had a positive link on Financial Sustainability (P = 0.001). An ideal outcome is a p-value below 0.05, which indicates that the model is statistically significant (Neumann et.al, 2020). The critical F was less than the F (F = 7.616) meaning that there is a positive significance. Therefore, with a P value of 0.001 and a F value of 7.616, the null hypothesis, that there is no correlation between Taxation Practices and the financial sustainability of supermarkets, was rejected. According to Maier (2023), the F-statistic in a well-fitting model should be large as it indicates that the regression model explains a significant portion of the dependent variable. The analysis supported that of Ojuma (2020), whose regression model predicted the impact of taxation regimes on SMEs' performance in a statistically meaningful way. This demonstrates the importance of the model and the impact of income tax, VAT, excise tax, and PAYE on the financial sustainability of SMEs.

ANOVA for Taxation Practices

Table 4. 12 Analysis of Variance

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.122	4	1.281	7.616	<.001[b]
	Residual	10.929	65	.168		
	Total	16.051	69			

a. Dependent Variable: Financial Sustainability

b. Predictors: (Constant), Income Tax, VAT, Excise Tax, PAYE

To demonstrate the relationship between each independent variable and the dependent variables, a regression coefficient was determined.

4.7.5 Regression Coefficients

Table 4. 13 Coefficients for Financial Sustainability

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	t	Sig.
1	(Constant)	5.703	.418		13.627	<.001
	Income Tax	-.372	.129	-.344	-2.888	.005
	VAT	.480	.159	.389	3.026	.004
	Excise Tax	-.254	.088	-.298	-2.883	.005
	PAYE	-.439	.151	-.357	-2.920	.005

The regression model's coefficients and associated p-values for the independent variables and the constant are listed in table 4.13. These coefficients and p-values, show the link between the dependent and independent variables which is important in interpreting the impact of taxation practices on the financial sustainability of supermarkets in Laikipia County.

Based on the regression's outcome, the coefficient of Income tax is -.372, which means by holding other factors constant, a unit change in in Income Tax increases the financial sustainability of supermarkets by -.372. Therefore, it was determined that income tax had a statistically significant impact on the supermarkets' financial sustainability in Laikipia County. (t value = -2.888; p value = 0.005). This supported Judith, et al. (2022), study who showed that there exists a positive relationship between Income Tax and the survival of SMES.

With a coefficient of .480 Value Added Tax (VAT) it implies that by holding other factors constant, a unit change in VAT increases the financial sustainability of Supermarkets by .480. VAT is therefore is statistically significant on the financial sustainability of supermarkets in Laikipia County (t value = 3.026; p value = 0.004). This was in favour of Oscar, (2020), who showed that performance of SMEs in Mombasa County is positively correlated with value added tax.

The regression result indicates that the excise tax coefficient is -.254. This indicates that, while all other factors are held constant, a unit change in excise tax affects supermarkets' financial sustainability performance by -.254. Excise tax is statistically significant to the financial sustainability of supermarkets in Laikipia county (t value = -2.883; p value = 0.005). This was in favour of Ngali, (2020), who showed that Excise tax and SME performance in Voi town are positively correlated.

From the regression result, the coefficient of Pay as You Earn (PAYE) tax is -.439, which means by holding other factors constant, a unit change in in Pay as You Earn (PAYE) Tax increases the financial sustainability of supermarkets by -.372. Therefore, it was determined that the Pay as You Earn (PAYE) tax had a statistically significant impact on the financial sustainability supermarkets' in Laikipia County. (t value = -2.920; p value = 0.005). This supported Aringo, (2023), who showed a positive correlation between Kenyan firms' performance and Pay as You Earn (PAYE) taxes.

Beta coefficients of, -.372, .480, -.254, -.439 which generated the following multiple linear regression equation; Financial Sustainability = -0.372I + 0.480V + -0.254E + -0.439P + 41004

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

The study's findings, conclusions, and analysis of the connection between taxes and supermarkets' financial sustainability are discussed in this chapter. The study's goals were to ascertain how income tax, VAT, excise tax, and PAYE affected supermarkets' ability to remain financially sustainable. These objectives served as the foundation for the summary of the study's conclusions and recommendations.

5.2 Summary of Key Findings

The main conclusions were summarized as follows.

5.2.1 Effect of income tax practices on financial sustainability

The first objective of the study was to ascertain how income taxes affected supermarkets' financial sustainability. Prior to analysis, reliability tests were conducted. A Cronbach coefficient alpha of 0.855 for reliability indicated that the items included in this analysis fulfilled their intended function. According to the inferential statistics, income tax and supermarkets' financial sustainability are positively correlated. Consequently, supermarkets' financial sustainability would increase if income tax laws were improved.

5.2.2 Effect of VAT practices on financial sustainability

Evaluating the impact of excise taxes on the financial sustainability of supermarkets in Laikipia County was the third objective of the study. With a Cronbach coefficient alpha of 0.777, excise tax is a reliable indicator of supermarkets' financial sustainability. The inferential statistics showed that there was a positive and significant association between the two variables and that the excise tax was positively and significantly related to supermarkets' financial sustainability. Supermarkets' financial sustainability would improve with an improvement of excise taxes.

5.2.3 Effect of excise tax on financial sustainability

Evaluating the impact of excise taxes on the long-term sustainability of supermarkets in Laikipia County was the third objective of the study. With a Cronbach coefficient alpha of 0.777, excise tax is a reliable indicator of supermarkets' long-term financial sustainability. The inferential statistics showed that there was a positive and significant association between the two variables and that the excise tax was positively and significantly related to supermarkets' financial sustainability. Supermarkets' financial sustainability would improve with an increase in excise taxes.

5.2.4 Effect of PAYE on financial sustainability

Determining the impact of PAYE on supermarkets' financial sustainability was the fourth objective of the study. Prior to analysis, reliability tests were conducted. A Cronbach coefficient alpha of 0.805 was found for reliability, indicating that the items included in this analysis fulfilled their intended function. According to the inferential statistics, PAYE and supermarkets' financial sustainability are positively correlated. Consequently, supermarkets' financial sustainability would increase if PAYE regulations were improved.

5.3 Conclusions

The first objective was to assess whether income tax has an effect on financial sustainability of supermarkets. A positive link between income tax and financial sustainability was revealed by the model applied. In addition, the study found that, income tax rates, income tax liquidity and income tax charged had a positive effect on the financier sustainability of supermarkets.

The second objective was to determine whether Value Added Tax affects the financial sustainability of supermarkets. The findings indicate that there is a positive link between supermarkets' financial sustainability and VAT. The study also found that supermarkets' financial sustainability is significantly impacted by VAT tax rates, VAT tax bases, and VAT credits. The third objective was to examine whether excise tax has an impact on the financial sustainability of supermarkets. The study came to a conclusion that the financial sustainability of supermarkets was positively impacted by excise tax. This study further concludes that; excise tax rates, measurement and payments have a positive link on financial sustainability.

The fourth objective investigated the effect of Pay as You Earn on supermarkets financial sustainability. From the analysis, a significant relationship between PAYE and financial sustainability was established. The study additionally concluded that PAYE rates, PAYE requirements and PAYE implementation had a positive link on supermarkets financial sustainability.

5.4 Recommendations

The supermarkets should prioritize cash flow management and maintain a reserve fund for tax obligations while enhancing their tax planning strategies. This can be supported by the study as taxation practices have a positive link on the financial sustainability of supermarkets. Taxes have a major impact on cashflow. Prior planning would help the supermarkets identify possible deductions and credits and leverage on them.

Additionally, in order to encourage business expansion, the study suggests that the government should consider modifying tax rates. To promote better compliance, the tax compliance procedure should be made simpler. In order to boost compliance and lessen the strain on supermarkets, the study suggests that the government and KRA think about changing the tax rates and implementing tax incentives.

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APPENDICES

Appendix I: Letter of Introduction

Joyce Wariara,

The Co-operative University of Kenya,

P.O. Box 20300,

Nyahururu -Kenya

Dear respondent,

RE: Request for Permission to Carry Out Research Study.

I am a student at The Co-operative University of Kenya, pursuing a Master degree in the School of Business. Currently, I am conducting research on the taxation practices and the financial sustainability of supermarkets in Laikipia County. I would like to request your organization's participation in this study by kindly filling out the attached questionnaire.

Please be assured that all the information provided will be treated with the utmost confidentiality and solely used for academic purposes. Your contribution towards this research would be highly appreciated.

Thank you in advance for your time and assistance. May God bless you.

Sincerely,

Joyce Wariara

APENDIX II: University Introduction letter

THE CO-OPERATIVE UNIVERSITY OF KENYA
P. O. Box 24814-00502 Karen, Kenya
Telephone: (020)-2430127/2679456/8891401 Fax (020)-8891410
www.cuk.ac.ke

BOARD OF POSTGRADUATE STUDIES

15th October, 2024

The Director,
National Commission for Science, Technology & Innovation,
Utalii House, Nairobi.

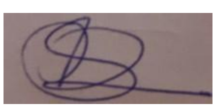
Dear Sir, **REF: JOYCE WARIARA-MBAC01/6030/2022**

This is to introduce the above named Master of Co-operative Management student in the School of Business and Economics of the Co-operative University of Kenya.

She has successfully completed her course work and is proceeding to the field to collect data from supermarkets in Laikipia County, Kenya. The title of her research project is "**Taxation Practices and the Financial Sustainability of Supermarkets in Laikipia County**".

Kindly accord her the necessary assistance.

Yours Sincerely,



D. K. Muthoni,
Director, Board of Postgraduate Studies.

Cc: Dean, SBE.

CUK is ISO 9001: 2015Certified

APENDIX III: NACOSTI Licence

REPUBLIC OF KENYA

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

Ref No: 877507

Date of Issue: 22/November/2024

RESEARCH LICENSE

This is to Certify that Miss.. Joyce Wariara of The Cooperative University of Kenya, has been licensed to conduct research as per the provision of the Science, Technology and Innovation Act, 2013 (Rev.2014) in Laikipia on the topic: TAXATION PRACTICES AND THE FINANCIAL SUSTAINABILITY OF SUPERMARKETS IN LAIKIPIA COUNTY. for the period ending : 22/November/2025.

License No: NACOSTI/P/24/42323

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Applicant Identification Number

Director General

NATIONAL COMMISSION FOR SCIENCE,TECHNOLOGY & INNOVATION

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See overleaf for conditions

APENDIX IV: Questionnaires

Dear respondent, you are kindly requested to assist in filling this questionnaire on Taxation Practices on the Financial Sustainability of Retail Businesses in Laikipia County. Any information that you give will be treated with confidentiality and will not be used for any other purposes other than for this research study. Kindly spare a few minutes of your time to go through the questionnaire and answer the following questions as objectively as possible:

SECTION A: PROFILE OF RETAIL BUSINESSES

1. (Registered as a: Sole Proprietorship () Partnership () Limited Company ()
2. Ownership: Owner-Managed () Partnership () Shareholding () Family-owned ()
3. Number of years in operation: less than 1 year () Between 1 to 2 years () Between 2 to 3 years Above 3 years
4. Turnover for the past year (Ksh): Below 1,000,000 () 1,000,001-3,000,000 () 3,000,001 - 6,000,000 ( ) 6,000,001 – 9,000,000 ( ) 9,000,001 – 12,000,000 ( ) Over 12,000,001 ( )
5. Number of employees: 1-5 () 6-10 ( ) 11-20 ( ) 21-50 ( ) Above 50 ()

SECTION B: Effect Income Tax on Financial Sustainability

Please indicate the extent in which you agree with the following statements on the tax policies on Retail Businesses Using the following scale: **1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree.**

No.	Statement	1	2	3	4	5
1.	Income tax charged by KRA is fair					

2.	The income tax charges do not have an impact on the cash flow of the business					
3.	KRA has provided a favourable environment for income tax processing					
4.	The income taxes charged are commensurate with the services provided by government					
5.	The Income Tax Act does contain a number of benefits for a taxpayer that is classified as a small business corporation, for example, special wear and tear rates					

Section C: Effect of VAT on Financial Sustainability

Please indicate the extent in which you agree with the following statements on the tax policies on Retail Businesses Using the following scale: **1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree.**

No.	Statement	1	2	3	4	5
1.	The current VAT rate is favourable to my business					
2.	VAT taxation does not affect my business operations					
3.	The VAT filing process is simple and user friendly					
4.	KRA officers have provided adequate information regarding VAT processing and filing					
5.	The size of an enterprise has a direct impact on its ability to administer and manage the VAT function internally					

Section D: Effect of excise duty on Financial Sustainability

Please indicate the extent in which you agree with the following statements on the tax policies on Retail Businesses. Using the following scale: **1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree.**

No.	Statement	1	2	3	4	5
1.	Excise taxes charged are fair					
2.	The level of excise taxation does not have a great impact on investment and entrepreneurship					
3.	A simple tax base and a small number of excise taxes that is easily calculated can reduce administrative and compliance costs					
4.	KRA provides awareness on the excise tax payment processes					
5.	Lump-sum taxation is able to reduce excess tax burden because it does not affect the relative price rates, unlike an excise tax that distorts them					

Section E: Effect of Pay As You Earn on Financial Sustainability

Please indicate the extent in which you agree with the following statements on the tax policies on Retail Businesses. Using the following scale: **1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree.**

No.	Statement	1	2	3	4	5
1.	The current PAYE rate is favourable to my business					
2.	PAYE taxation does not affect my business operations					
3.	The PAYE filing process is simple and user friendly					
4.	KRA officers have provided adequate information regarding PAYE processing and filing					
5.	The size of an enterprise has a direct impact on its ability to administer and manage the PAYE function internally					

Section F: Financial Sustainability of retail Businesses

Please indicate the extent in which you agree with the following statements on the tax policies on Retail Businesses. Using the following scale: 1=strongly disagree, 2=disagree, 3=neutral, 4=agree, 5=strongly agree.

No.	Statement	1	2	3	4	5
1.	Taxes have been a major cost component thereby reducing the profit of Retail businesses					
2.	Taxes have been a major cost component thereby reducing the liquidity of Retail businesses					
3.	Taxes paid by retail businesses affect their ability to expand their operations by the introduction of their products/services into a new market and servicing such a market.					
4.	Taxation causes a major reduction in the cash available from operations in Retail Businesses					
5.	Taxation results in a serious decline in the working capital available to retail businesses					

APENDIX III: Sample size for supermarkets in Laikipia County

Sno.	Supermarkets
1.	Gracels Supermaket
2.	Quickmart Supermarkets
3.	Chieni Supermarkets
4.	Roadmap Supermarket
5.	Nan Matt Supermarket
6.	Settlers Store Ltd.
7.	Bidhaa Bora Supermarket
8.	Spear Supermarket
9.	Jamaa Supermarket
10.	Mugo Supermarket
11.	Cleanshelf Supermarket
12.	Rainbow Supermarket
13.	Shirikisho Supermarket
14.	Maguna Ando Supermarket
15.	Estam Supermarket
16.	Rumuruti Supermarket
17.	Muyahudi Supermarket
18.	Njesther Supermarket
19.	Budget Supermarket
20.	Naivas Supermarket
21.	Mathai Supermarket
22.	Cecil Supermarket
23.	Karuga Mini mart
24.	Jubilee Supermarket
25.	Cheni Supermarket
26.	Kinamba Supermarket
27.	Doldol Supermarket
28.	Kirichu Supermarket
29.	Lamuria Supermarket
30.	Millie Mini mart
31.	Platinum Mini mart
32.	Alpha Supermarket
33.	Pilgrims Vision Wholesale and Retail
34.	Wamucii Supermarkets
35.	U-fresh Enterprises LTD
36.	Sherriff Baze supermarket
37.	Drop inn Mini mart
38.	Kirurumo Mart
39.	Mariwat Supermarket
40.	Joy Shop Minimart
41.	Wheeldocs general sellers
42.	Kanini wholesalers
43.	Jireh mini mart

44.	Kwatch Mini mart
45.	Iprocure Enterprises
46.	Magunas Supermarkets
47.	Chieni Supermarkets, Nyahururu
48.	Silver Brooke wholesalers
49.	Goldcrest mini mart
50.	Aljimito Supermarket
51.	Luwann Supermarket
52.	Dominion Wholesale and Retail
53.	Hope Star supermarkets
54.	Neema Mini mart
55.	Kulal Supermarket
56.	Wavenessa Mini mart
57.	Skyline Enterprises
58.	Tripple S Supermarkets
59.	Loyalty Mini Mart
60.	Ulti smart enterprises
61.	Naxvegas mini mart
62.	Golden green supermarkets
63.	Vianstar enterprises
64.	Hasham supermarkets
65.	Casty supermarks
66.	Dawaki Minimart
67.	Theuri mini mart
68.	Heaven Grace supermarkets
69.	Vigi shop mini mart
70.	Spear sokoni supermarkets