

TAX ADMINISTRATION AND ENTREPRENEURIAL PERFORMANCE OF SMALL BUSINESSES IN KIRA MUNICIPALITY- UGANDA

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**UGANDA CHRISTIAN
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DECLARATION

I, Shallon Kabarungi, hereby declare that this research dissertation titled “*Tax Administration and Entrepreneurial Performance of Small Businesses in Kira Municipality*” is my original work and has never been submitted to any institution for any award.

Signature

Date: 24/3/2026

SHALLON KABARUNGI

APPROVAL

I certify that this dissertation titled “*Tax Administration and Entrepreneurial Performance of Small Businesses in Kira Municipality*” by Shallon Kabarungi has been carried out under my supervision and submitted with my approval.



Signature

Date: 24/3/2026

DR. SAMUEL SANYA

DEDICATION

I dedicate this research dissertation to God Almighty, whose grace and provision have sustained me throughout this academic journey. Secondly, to my beloved mum, **Jolly Rubajuguta**, for her unwavering love, prayers, and encouragement that have carried me through every challenge and finally to my dear daughter, **Asasira Karen**, your presence continues to inspire me to strive for a better future.

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LIST OF ACRONYMS AND ABBREVIATIONS

EFRIS:	Electronic Fiscal Receipting and Invoicing System
MoFPED:	Ministry of Finance, Planning and Economic Development
ROA:	Return on Assets,
ROE:	Return on Equity,
ROI:	Return on Investment
SMEs:	Small and Medium Enterprises
TREP:	Taxpayer Registration Expansion Program
URA:	Uganda Revenue Authority

ABSTRACT

This study examined the influence of tax administration on entrepreneurial performance of SMEs in Kira Municipality, Uganda. Anchored on Institutional Theory, the research addressed a critical gap in understanding how the specific institutional dimensions of tax administration—tax purpose and objective, tax knowledge and awareness, and tax assessment—affect SME performance in a developing economy context. The study employed a descriptive cross-sectional research design and collected primary data from 340 SME owners and managers using structured questionnaires. Quantitative data were analyzed using descriptive statistics and multiple regression analysis.

The findings revealed that tax knowledge and awareness had a significant positive influence on entrepreneurial performance, while tax purpose and objective also contributed positively by building trust and legitimacy. Tax assessment showed a significant relationship with performance, with fair, transparent, and predictable assessment processes enhancing profitability, innovation, and reinvestment capacity, whereas arbitrary or burdensome assessments reduced them. Overall, the institutional quality of tax administration emerged as a key determinant of SME success in Kira Municipality.

The study concluded that although tax administration remains vital for revenue mobilization, its current institutional weaknesses undermine SME growth unless deliberately reoriented to support entrepreneurship. It recommended that policy makers and the Uganda Revenue Authority strengthen tax purpose clarity, intensify taxpayer education programs, simplify procedures, and adopt more transparent, equitable, and predictable tax assessment practices. These measures would reduce compliance costs, promote voluntary compliance, and create an enabling institutional environment for SME expansion, job creation, and inclusive economic development in Uganda.

CHAPTER ONE: INTRODUCTION

1.1 Introduction

Small companies are central to driving the economic growth of Kira Municipality in Uganda by advancing employment, entrepreneurship, and economic growth. Their performance and long-term survival, however, are established to a great extent by the tax administration system under which they operate (Ibidunni, Ogundana, & Okonkwo, 2021). The problem statement, purpose, specific objectives, research questions, and hypotheses were all stated in the introduction to the study in the chapter. Apart from providing operational definitions of key terms and concepts, it also indicated the importance and scope of the study.

1.2 Background of the study.

Background of the study encompassed of the development history of the key variables that is; small business enterprise performance and tax administration of small firms in Kira Municipality, Uganda, and the theoretical concepts behind the study, along with its conceptual as well as contextual frames.

1.2.1 Historical background

Business failure has increased over the years worldwide due to the fact that performance is assessed mostly in relation to profitability (Nkundabanyanga. 2015). Small and medium-sized enterprises (SMEs) worldwide make a very important contribution to the economy of each country regardless of the level of development. Small and medium-sized enterprises (SMEs) account for over 90% of enterprises and 50% of employment globally, according to the World Bank (2021). However, only 13% of emerging economy SMEs are fully tax-compliant, with significant impacts on national revenue and business expansion (OECD, 2020). Digitalization of tax systems has improved compliance. For instance, the UK's Making Tax Digital initiative increased SME tax compliance by 23% between 2020 and 2022 (OECD, 2023). Alternatively, the countries of developing nations grapple with chronic issues such as high compliance costs, lack of taxpayer awareness, and bureaucratic filing processes, stifling the performance of small businesses (Bird & Zolt, 2021).

More than 80% of businesses in Africa are informal (AfDB, 2021), making them difficult to tax effectively. The SME compliance rate is 35% average and the tax revenue as a percentage of GDP at average 17%, compared to a global average of 33% (ATAF, 2022). According to a study by Agyemang et al. (2020), 57% of SMEs in Sub-Saharan Africa report that taxation inhibits their expansion, with high taxes and corruption as main discouragers. Programs such as presumptive tax and simplification of registration have had varying results. For instance, in Rwanda, online tax platforms increased SME compliance by 19% from 2020 to 2023 (ATAF, 2023). SMEs represent approximately 90% of private sector enterprises and create over 50% of employment in East Africa (EASSI, 2021). Compliance is low. In Kenya, for example, 26% of SMEs were tax compliant in 2021 (Mutua & Kinyua, 2020). Tanzania TRA implemented an electronic filing system and increased SME compliance by 15% between 2020 and 2024. Mobile tax payment platforms like M-Service and E-Tax have shown promise in Uganda, Rwanda, and Kenya but are faced with limited adoption caused by digital illiteracy and skepticism against government systems (Mwangi et al., 2023).

SMEs represent 93% of all private businesses in Uganda and produce around 75% of GDP and 80% of employment (UIA, 2022). However, only 39% of registered SMEs pay taxes on time (URA, 2023). The Uganda Revenue Authority (URA) developed the Presumptive Tax regime and the e-tax portal but has low compliance rates due to complexity, non-awareness, and corruption (Nangoli et al., 2021). URA 2022 reports show that 64% of urban-centered SMEs are either non-compliant or under-declarers of income. **Mwesigwa & Atukunda (2024)** show that taxation accounts for 28% of the total operating cost of SMEs located in urban municipalities like Kira, which inhibits profitability and growth.

Kira Municipality, Uganda's second largest urban area after Kampala, is made up of many small businesses, particularly in retailing, transport, and services (UBOS, 2022). The municipality has been increasing at a great rate, but there is poor tax compliance. According to URA's 2023 regional report, only 32% of SMEs in Kira are tax-compliant; 47% of businesses do not know the tax regime that they are under; 59% had negative perceptions of URA field officers due to harassment or lack of information. Administrative tax burden reduces the profitability of business by 17% on average annually (Tumusiime & Nabwire, 2023).

Academic opinion regarding how small businesses is viewed internationally is non-existent. Small businesses are thus differently defined by nations, continents, and industry. A small business in Uganda has five to forty-nine workers and possesses ten million to one hundred million Ugandan shillings of assets and capital (Ministry of Trade Industries and Cooperatives—MTIC, 2015). 90% of Uganda's businesses are small (Kisubi et al., 2022), represent 90% of the country's employment, promote innovation, income distribution, utilization of resources, and mobilization of government revenue (UBOS, 2021), add 20% to GDP (Uganda Revenue Authority, 2019), and produce 80% of its output (Kisubi et al., 2022).

The evolution of the administration of taxes in Uganda began during the colonial era, when tax collection was primarily manual and punitive. The institution of the Uganda Revenue Authority (URA) in 1991 was intended to modernize tax collection, raise compliance, and formalize businesses. Informality of the majority of the SMEs was still a challenge. Recent reforms like electronic tax systems and taxpayer education programs seek to improve efficiency and compliance. In spite of these reforms, issues persist concerning the impact of these administrative reforms on the actual performance of small businesses. In this study, the relationship is explored in the case of Kira Municipality.

1.2.2 Theoretical background

The study was anchored on Institutional Theory (North, 1990; Hajira, 2024). Institutional Theory explained that formal institutions such as laws, regulations, policies, and administrative systems shaped the behaviour, decisions, and performance of economic actors by establishing the rules of the game that either enabled or constrained economic activity. In this study, tax administration constituted the central formal institution that directly influenced entrepreneurial performance of SMEs. Its three dimensions aligned precisely with institutional mechanisms: tax purpose and objective established clarity and legitimacy in the rationale and utilisation of tax revenue, thereby building trust; tax knowledge and awareness functioned as the institutional information and education system that equipped taxpayers

with an understanding of obligations and procedures, thereby reducing errors, disputes, and compliance costs; and tax assessment represented the institutional enforcement and determination mechanism that evaluated tax liabilities fairly and predictably, thereby affecting perceived equity and financial planning. When these institutional dimensions were well-designed and efficiently implemented, they minimised transaction costs, reduced uncertainty, and freed up managerial time and capital for core entrepreneurial activities such as innovation, market expansion, product development, and employment creation. Conversely, weak institutional arrangements in tax administration increased compliance burdens and diverted entrepreneurial effort away from value-creating activities, thereby constraining performance (Hajira, 2024; National Planning Authority, 2025).

The theory therefore directly explained the relationship between the independent variable of tax administration dimensions and the dependent variable of entrepreneurial performance of SMEs. Effective tax administration, through proper taxpayer registration, assessment, filing, objection, and refund processes, created an enabling institutional environment that promoted voluntary compliance, lowered the cost-revenue ratio of collection, and supported SME growth (Mayende, 2013; Kangave et al., 2016; Birungi et al., 2024). The research maintained that a supportive tax administration system, reinforced by incentives such as exemptions, concessions, and tax holidays, strengthened institutional quality and directly enhanced the entrepreneurial performance of SMEs in Kira Municipality (Sebikari, 2019; Ayeerwot, 2024).

1.2.3 Conceptual background

The key variables in this study were tax administration as the independent variable and entrepreneurial performance of SMEs as the dependent variable. Tax administration was defined as the system or policy for identifying prospective taxpayers, enforcing taxation legislation, and managing collection (Mayende, 2013). For effective administration, there had to be high taxpayer compliance coupled with low administrative costs relative to revenue collected, supported by technical proficiency and a well-designed tax structure (Kangave et al., 2016). The independent variable comprised three dimensions: tax purpose and objective, which provided clarity regarding the rationale and use of tax revenue to build trust and

legitimacy; tax knowledge and awareness, which referred to taxpayers' understanding of tax regulations and obligations and promoted voluntary compliance (Jatmiko, 2018; Erawati, 2017; Bhalla, 2022); and tax assessment, which involved the processes of determining, notifying, and verifying tax liabilities in a fair, transparent, and predictable manner (Ayeerwot, 2024; ATAF, 2023).

These dimensions operated through tax administration processes such as registration, which documented taxpayers' basic information and business activities (Adekoya et al., 2020), tax assessment, filing of returns, handling of objections, and processing of refunds. Tax assessment formed part of these operational mechanisms whose efficiency, when supported by adequate knowledge and clear purpose, reduced disputes, penalties, and time costs, thereby indirectly supporting business performance rather than exerting a direct influence on outcomes such as sales volume.

The dependent variable, entrepreneurial performance of SMEs, referred to the outcomes of entrepreneurial activities, including innovation, job creation, sales growth, profitability, and contribution to economic development, with entrepreneurs serving as agents of societal transformation and economic growth (Sebikari, 2019; Birungi et al., 2024). The conceptual relationship was sequential and causal: the dimensions of tax administration influenced compliance costs and resource availability, which in turn affected entrepreneurial focus and decision-making, ultimately determining performance outcomes. Specifically, clear tax purpose combined with enhanced knowledge and awareness reduced uncertainty and compliance errors, thereby lowering time and monetary costs, while fair, transparent, and predictable tax assessment minimised financial strain and disputes, enabling greater reinvestment in marketing, innovation, and expansion. Collectively, these elements fostered higher voluntary compliance, fewer penalties, and increased managerial attention to core entrepreneurial activities, resulting in improved sales volume and overall entrepreneurial performance of SMEs in Kira Municipality.

1.2.4 Contextual background

Kira is located in Wakiso District in Uganda's Central Region and is Uganda's second most populous district. It hosts a local government council known as the Kira Town Council, which

is an Urban Local Government. Kira municipality was elevated to Municipal status by an Act of Parliament and began operating in the financial year 2016/2017 under vote 781. Kira Municipality is demarcated by Gayaza in the north, Mukono in the east, Lake Victoria in the south, Kampala in the west, and Kasangati in the north-west.

The municipality is approximately 15 kilometres (9 mi) north-east of Kampala city center, the nation's largest city and capital. Coordinates to the municipality are 0°23'50.0 "N, 32°38'26.0"E (Latitude: 0.397237; Longitude: 32.640557). The municipality covers an area of approximately 98 square kilometers (24,000 acres).

The Kira municipality is to effect changes, widen the tax base and improve domestic revenue mobilization. Computerization of tax administrative systems are one of the steps (World Bank, 2018). Collection of taxation at Kira has been enhancing day by day from manual to computer system where the taxpayers can see information about taxation at their own convenient time and advisory on taxation issues 24 hours a day through toll-free number. Additionally, there is capacity building and sensitization in taxation in different parts of the country, for example, Kira (Uganda Revenue Authority (URA) Annual Report, 2015/2016, 2016).

Mobilization of domestic resources has been a challenge that Kira Division has been facing and this has been accorded a high priority and hence the division has been facing uncontrollable challenges, along with the domestic and external financial imbalances (Kira Division Annual Finance Report, 2018). The ministry has been forced to incorporate stabilization and adjustment policies in a bid to mobilize local financial resources towards the attainment of economic growth and financial stability better and more efficiently (Kaketo, 2018). Due to increased revenue deficits, this research has become unavoidable. SME performances done by entrepreneurs remain the largest challenge for African countries and Uganda in general (Mukunda, 2017). It largely results from bad tax compliance.

Uganda has over the past thirty years begun reforming as part of an initiative to broaden the tax base and enhance domestic revenue collection. Tax administration system modernization forms part of the efforts (World Bank, 2018). Notwithstanding such efforts being applied, tax

compliance in Kira remains an issue. Illiterate SME proprietors hire tax experts to help them prepare returns and understand trade law and policy especially for tax purposes. Sluggish administration response has equally been noted especially in the clearance of imports at the various customs points (Kato, 2017). Most of the SMEs are at the mercy of clearing agents not being good advisors, hence tax disputes between URA and the tax payer (Kato, 2017).

Kira Town Clerk enjoying poor compliance-citizen driven sensitization of the citizens regarding its function in providing services by way of spontaneous tax compliance even when the law enforcers are not present (Kintu, 2019). The degree of tax compliance of the Kira Municipality SMEs may be an indication of loopholes in the taxation administration systems in general (Cong, 2018) and hence the focus of this research.

1.3. Problem Statement

Effective tax administration is critical in fostering compliance, improving revenue collection, and promoting a business-friendly environment for SMEs. Despite the Uganda Revenue Authority (URA)'s continuous reform efforts, such as the introduction of computerized taxation systems, e-invoicing, self-assessment portals, and taxpayer awareness programmes, many small businesses in Kira Municipality continue to face persistent challenges arising from weak institutional dimensions of tax administration (Mwesigwa & Atukunda, 2024; URA, 2022). Specifically, unclear tax purposes and objectives, inadequate tax knowledge and awareness among taxpayers, and issues with tax assessment—including arbitrary assessments, lack of transparency, unpredictability, and high compliance burdens—have resulted in complex procedures, frequent disputes, limited taxpayer support, and prohibitively high compliance costs (Tumusiime & Nabwire, 2023; Nangoli et al., 2021; Lees et al., 2025). These institutional weaknesses frequently compel business owners to engage expensive tax consultants, prolong compliance processes, divert scarce financial and managerial resources away from core entrepreneurial activities such as innovation, market expansion, and employment creation, and sometimes lead to under-reporting, evasion, or persistence in informality (Mwangi et al., 2023; Waiswa et al., 2021; ICTD, 2025).

Given that SMEs constitute over 90% of Uganda's private sector businesses, employ over 2.5 million people, generate a significant share of manufactured output, and contribute substantially to GDP and economic growth (Ministry of Trade, Industry and Cooperatives, 2024; UIA, 2022; URA, 2023), the absence of sufficient empirical evidence on how these specific institutional dimensions of tax administration—in particular tax assessment—influence entrepreneurial performance, especially in rapidly expanding peri-urban centers such as Kira Municipality, constitutes a critical gap for both policy formulation and academic understanding. This study therefore examined the influence of tax administration dimensions (tax purpose and objective, tax knowledge and awareness, and tax assessment) on the entrepreneurial performance of SMEs in Kira Municipality.

1.4. Purpose of the study

The purpose of the study was to examine the effect of tax administration on entrepreneurial performance of small in Kira Municipality, Uganda.

1.5. Specific objectives

The study was guided by the following objectives;

- i. To assess the effect of tax awareness and knowledge on the entrepreneurial performance of SMEs in Kira Municipality.
- ii. To assess the effect of tax registration on the entrepreneurial performance of SMEs in Kira Municipality.
- iii. To assess the effect of tax assessment on the entrepreneurial performance of SMEs in Kira Municipality.

1.6 Research Questions

The study was guided by the following research questions;

- i. What is the effect of tax awareness and knowledge on entrepreneurial performance of SMEs in Kira Municipality?
- ii. What is the effect of tax registration on entrepreneurial performance of SMEs in Kira Municipality?

- iii. What is the effect of tax assessment on entrepreneurial performance of SMEs in Kira Municipality?

1.7 Scope of the study

This section covered the geographical scope, content scope and time scope

1.7.1 Geographical scope.

The research was conducted in Kira municipality. Kira municipality within the Wakiso District of Uganda's Central Region is Uganda's second-largest city. It is administered by the Kira Town Council, an urban council. Kira town council was elevated to Municipal status by an Act of Parliament and was operational in financial year 2016/2017 under vote 781. Kira Municipality is bordered by Gayaza to the north, Mukono to the east, Lake Victoria to the south, Kampala to the west, and Kasangati to the north-west. The town is situated approximately 15 kilometers (9 mi) north-east of Kampala's central business district, the capital and largest city in Uganda. The town coordinates are 0°23'50.0"N, 32°38'26.0"E (Latitude: 0.397237; Longitude: 32.640557). The town sits on an area of approximately 98 square kilometers (24,000 acres)

1.7.2 Content scope

The study examined the correlation between SMEs entrepreneurial performance and tax administration in Kira division. To be more precise, the research concern is to know how tax purpose influences SMEs entrepreneurial performance, how tax knowledge and awareness influence SMEs entrepreneurial performance and how tax rate influences SMEs entrepreneurial performance in Kira Municipality.

1.7.3 Time scope.

The study time scope was 2023-2024; it is during this time that Kira has observed entrepreneurial performance gaps of SMEs.

1.8 Significance of the Study

The research can enable the researcher to acquire practical experience regarding processing of research work and data analysis. The expertise will assist the researcher to process such similar work appropriately.

The research can assist in enriching the taxing policies by providing worthwhile material and resources that illuminate the realistic consequences of implementing options into action for different contexts.

The study can assist in policy development in Uganda since it helps guide the leadership to conceptualize the aspect of having a good and effective tax policy towards the development of the performance of SMEs in Kira Municipality.

Moreover, the study will help business managers understand the dynamics, problems, and strategies as the study's findings showed how important it is for them to follow the tax policies closely so that they can maintain enhanced performance.

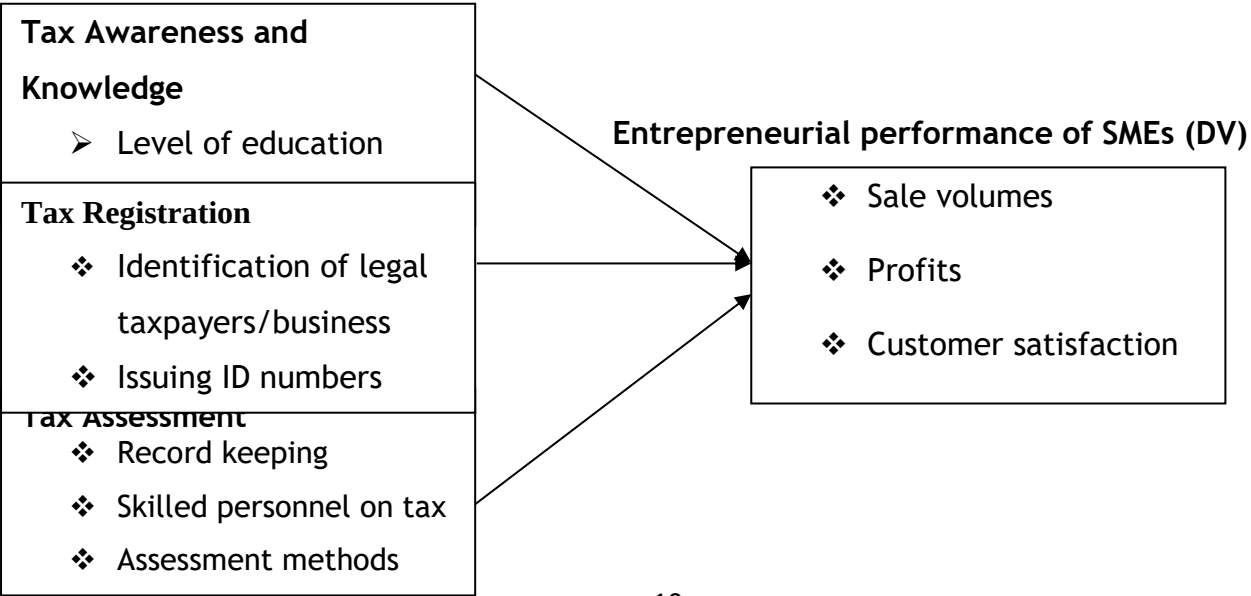
To the researchers, the research can add value to the body of literature of tax reforms in Uganda. The research may also trigger more exploration of the field of taxation and specifically the other remaining individual taxes.

1.9 Conceptual Framework

The conceptual framework (figure 1.1) describes the relationship between tax administration and entrepreneurial performance of SMEs

Figure 1.1: Conceptual Framework Relating Tax Administration and Entrepreneurial Performance of SMEs

Tax Administration (IV)



Source: Adopted from (Hwang et al., 2020); Lemgruber, Masters & Cleary, 2015; Alm, 2011; Ocheni, 2015; Maseko, 2014) and modified by the researcher

The theoretical foundation of this study established the relationship between tax administration, as the independent variable, and entrepreneurial performance of SMEs, as the dependent variable. Anchored on Institutional Theory (North, 1990; Hajira, 2024), the study conceptualized tax administration as the central formal institution that shaped SME behaviour through three key dimensions: tax purpose and objective, tax knowledge and awareness, and tax assessment. Tax purpose and objective provided clarity and legitimacy concerning the rationale and utilization of tax revenue, thereby building trust in the system. Tax knowledge and awareness functioned as the institutional information and education mechanism that equipped taxpayers with a clear understanding of obligations and procedures. Tax assessment represented the institutional enforcement and determination mechanism that evaluated and notified tax liabilities in a fair, transparent, and predictable manner, thereby influencing perceived equity, financial planning, and compliance behaviour. When these institutional dimensions operated effectively, they minimized transaction costs, reduced uncertainty, and freed managerial time and capital for core entrepreneurial activities such as product innovation, customer care, market expansion, and employment creation. This institutional efficiency encouraged business formalisation, lowered compliance burdens, and enabled SMEs to channel greater resources into value-creating activities, ultimately resulting in improved entrepreneurial performance as reflected in higher sales volumes, profitability, and customer satisfaction.

Conversely, weak institutional arrangements characterized by unclear tax objectives, inadequate taxpayer knowledge and awareness, and arbitrary, unpredictable, or burdensome tax assessment processes created high compliance costs, frequent disputes, prolonged administrative processes, and penalties. Entrepreneurs were forced to divert scarce resources toward navigating complex procedures or hiring expensive consultants, which reduced motivation, limited reinvestment opportunities, and perpetuated informality. This,

in turn, restricted access to credit, markets, and growth opportunities, leading to lower profitability and subdued entrepreneurial performance. The model therefore demonstrated that the quality of tax administration institutions was a key determinant of SME success, sustainability, and expansion within Kira Municipality's urban economy. By strengthening these institutional dimensions through clearer tax purpose communication, enhanced taxpayer education, and more transparent and equitable tax assessment practices. The study concluded that government and policy makers could create an enabling environment that allowed entrepreneurship to thrive and make meaningful contributions to Uganda's economic development.

1.10 Operational Definition of Terms

Tax administration: Proper tax administration requires good technical capacity on the side of the administrative agency but also a good well-designed tax. The tax administration body should be able to identify and examine the effect of current tax policies as well as suggested tax policies, be able to streamline the current system of taxation if the need arises, in the economic and political environment, be responsive to any change in law and fresh means of avoidance, and possess an interfacing with rule of law and tax administration. **Tax registration:** Recording electronically or manually the information of potential tax payers for inclusion in the taxpayer registry.

Tax assessment: The determination of the amount of tax due for each tax payer at a particular point in time.

Entrepreneurial performance is the extent to which the small and medium enterprises (SMEs) of the Kira Municipality manage to achieve their business objectives, as measured by indicators such as increase in sales, profitability level, employment levels, customer base expansion, and survival rate within a specified period.

CHAPTER TWO: LITERATURE REVIEW

2.1 Introduction

This chapter contained a review of literature with regard to the relationship between tax administration and entrepreneurial performance of SMEs. The chapter provided the theoretical review, review of related literature, and identification of research gaps. The review discussed the major themes of the study, i.e.: to examine the effect of tax purpose and objective on entrepreneurial performance of SMEs; to establish the effect of tax knowledge and awareness on entrepreneurial performance of SMEs; and to establish the effect of tax rate on entrepreneurial performance of SMEs in Kira Municipality.

2.2 Theoretical review

This study was founded on Institutional Theory (North, 1990; Hajira, 2024). Institutional Theory explained that formal institutions such as laws, regulations, policies, and administrative systems shaped the behavior, decisions, and performance of economic actors by establishing the rules of the game that either enabled or constrained economic activity. In this study, tax administration constituted the central formal institution that directly influenced entrepreneurial performance of SMEs. Its three dimensions aligned precisely with institutional mechanisms: tax purpose and objective established clarity and legitimacy in the rationale and utilization of tax revenue, thereby building trust; tax knowledge and awareness functioned as the institutional information and education system that equipped taxpayers with an understanding of obligations and procedures, thereby reducing errors, disputes, and compliance costs; and tax rate represented the institutional incentive and pricing structure that determined the financial burden on firms and affected resource allocation decisions. When these institutional dimensions were well-designed and efficiently implemented, they minimized transaction costs, reduced uncertainty, and freed up managerial time and capital for core entrepreneurial activities such as innovation, market expansion, product development, and employment creation. Conversely, weak institutional arrangements in tax administration increased compliance burdens and diverted entrepreneurial effort away from value-creating activities, thereby constraining performance (Hajira, 2024; National Planning Authority, 2025).

The theory therefore directly explained the relationship between the independent variable of tax administration dimensions and the dependent variable of entrepreneurial performance of SMEs. Effective tax administration, through proper taxpayer registration, assessment, filing, objection, and refund processes, created an enabling institutional environment that promoted voluntary compliance, lowered the cost-revenue ratio of collection, and supported SME growth (Mayende, 2013; Kangave et al., 2016; Birungi et al., 2024). Empirical studies affirmed that tax administration significantly affected SME performance in Uganda and other developing contexts. Efficient tax regimes promoted compliance, formalisation, and profitability (Emurwon et al., 2024; Ayeerwot, 2024). Tax complexity and ineffective administration, on the contrary, were linked to poor compliance and business stagnation (Mwesigwa & Atukunda, 2024; Tumusiime & Nabwire, 2023). The research drew on these theoretical insights and empirical findings to examine how tax purpose and objective, tax knowledge and awareness, and tax rate influenced sales, profit, and customer satisfaction among SMEs in Kira Municipality

2.3 Review of the related literature

2.3.1 Tax awareness and knowledge on entrepreneurial performance of SMEs

Tax purpose and objective referred to the clarity and legitimacy regarding the rationale and utilization of tax revenue, which built trust and reduced perceived unfairness between taxpayers and authorities. Findings from research by Bukenya and Tumwesigye (2021) revealed that in Uganda prompt and transparent tax assessment for SMEs facilitated better performance based on financial stability enhancement and trust in the system of government. Similarly, the Uganda Revenue Authority (URA, 2022) reported that online platforms such as self-assessment portals and e-invoicing increased the precision of SMEs' tax calculation and reduced controversies. The African Tax Administration Forum (ATAF, 2023) found that Rwanda and Ghana successfully employed electronic tax assessment systems, which improved tax certainty and reduced compliance costs for SMEs.

Joshi et al. (2014) argued that transparency and fairness in tax evaluation increased voluntary compliance and entrepreneurial performance in SMEs. Nanyondo and Aine (2024) pointed out that Uganda did not have an SME-friendly appeal process, discouraging companies from

appealing unfair assessments. In Kenya, Omondi, Odongo, and Wekesa (2022) pointed out that companies who believed in dispute procedures were more likely to register and offer voluntary compliance. Tax-registered SMEs experienced higher revenue growth per year compared to non-registered SMEs (Turyahikayo & Twinamasiko, 2022). Formalisation through clear tax objectives promoted legitimacy, access to public goods, and financial services (Asiimwe & Wanyana, 2021; Musimenta et al., 2023). When tax purpose was clear, SMEs were more willing to register, access credit, and reinvest, leading to improved sales, profitability, and customer satisfaction.

2.3.2 Tax registration and entrepreneurial performance of SMEs

Tax awareness referred to the extent to which taxpayers were informed about their tax obligations, rights, procedures, and the benefits of tax compliance (Asiimwe et al., 2021). For entrepreneurs, particularly those in SMEs, tax knowledge included being aware of how to register, file returns, calculate obligations, and claim tax benefits. Kangave et al. (2021) found that adequate tax knowledge was essential for entrepreneurial prosperity and voluntary tax compliance and that higher awareness of taxes facilitated transparency and trust between business owners and tax authorities, thus triggering better tax behaviour and increased business sustainability. Entrepreneurs were likely to make business choices like pricing, staffing, and reinvestment in accordance with their tax obligation awareness.

In their study, Nansubuga et al. (2022) wrote that when businesspeople were not adequately informed about tax laws and procedures, they were more apt to evade taxes or operate informally, thereby limiting their growth opportunities. Studies among SMEs in Kampala showed that those with higher tax knowledge had a 40% chance of formalizing businesses, accessing credit, and maintaining good financial records (Namirembe et al., 2023). This suggested a strong relationship between tax literacy and operational performance. Mungai and Murithi (2017) noted that greater tax awareness significantly enhanced compliance behaviour among SMEs, thereby positively affecting their financial and operational performance. A study by Kabuye et al. (2023) ascertained that even though e-taxpayer education facilitated awareness in urban areas, the majority of entrepreneurs in peri-urban areas like Kira Municipality were not aware due to technological and linguistic constraints.

Such gaps often resulted in poor tax compliance, delayed registration, and costly penalties, all of which weakened entrepreneurial performance.

Kiabel and Nwokah (2009) argued that unawareness of tax necessities by SMEs generally led to poor compliance and performance issues, which was further worsened by complex tax frameworks. Okech and Mugisha (2021) established that women-owned SMEs were less aware of tax incentives and relied more on informal contacts in getting tax information, which subjected them to greater non-compliance risk. Similarly, Mwangi et al. (2023) indicated that entrepreneurs with tertiary education were more informed about tax legislation and would engage more with URA, thereby reducing compliance costs and improving business performance. Tax-literate SMEs, in the view of Kakembo and Bwanika (2022), posted better record keeping, reduced penalties, and better access to formal markets, all of which were reflected in better profitability and sustainable growth. Additionally, tax-compliant companies were more likely to comply voluntarily, with less need for costly audits or legal battles, and free up time and resources to be directed towards innovation and service delivery (Torgler & Schneider, 2021).

Richardson (2020) explained that it was extremely important that individuals were aware of tax law, as this determined their attitude towards compliance. Charity, Mwandambira, Newman and Ongayi (2018) affirmed that SMEs particularly in the majority of developing countries were not compliant with tax laws. They possessed scant basic tax knowledge and had no proper insight into tax issues. Tembo (2019) revealed a positive relationship between taxpayers' education knowledge and tax compliance, a significant positive relationship between tax awareness campaigns and tax compliance, and a significant positive relationship between religiosity (tax morals/ethics) and tax compliance among Small and Medium Enterprises in Nakawa Division. Palil (2020) disclosed that tax knowledge was more probable to encourage tax compliance than tax penalty. Government should therefore do everything possible to increase people's knowledge of taxation matters and taxation should be included in school curriculums at all levels.

2.3.3 Tax assessment and entrepreneurial performance of SMEs

Notwithstanding numerous research works conducted across the globe and in the region on the taxation-SME performance relationship (e.g., Mungai & Murithi, 2017; Adebisi & Gbegi, 2013), there was still a contextual knowledge gap regarding how the specific institutional dimensions of tax administration i.e., tax purpose and objective, tax knowledge and awareness, and tax rate influenced SMEs' entrepreneurial performance in semi-urban Ugandan settings such as Kira Municipality. Most of the extant literature studied more general tax compliance or formalization, programmes in national-level or urban-only environments, with minimal disaggregation either by local government jurisdiction or by tax administration dimension (Bruhn & McKenzie, 2014; Bird & Zolt, 2014).

Further, while Joshi et al. (2014) recognized fair and efficient tax administration as key to encouraging compliance, less was known about how such principles were translated into real entrepreneurial activities such as innovation, sales expansion, or employment generation among Ugandan SMEs. This left a gap in evidence-based policymaking, especially for local authorities and URA offices endeavoring to design tax interventions with SME needs and performance indicators in mind. The study therefore bridged such gaps by examining the role of the three institutional dimensions of tax administration (purpose and objective, knowledge and awareness, and rate) in determining entrepreneurial performance of SMEs in Kira Municipality, a fast-urbanizing peri-urban locality. The study added empirical depth to the current literature on how localized tax institutions converged with entrepreneurial success in low-income economies.

2.4 Research Gaps from the Reviewed Literature

Notwithstanding numerous research works conducted across the globe and in the region on the taxation-SME performance relationship (e.g., Mungai & Murithi, 2017; Adebisi & Gbegi, 2013), there was still a contextual knowledge gap regarding how the specific institutional dimensions of tax administration i.e., tax purpose and objective, tax knowledge and awareness, and tax rate influenced SMEs' entrepreneurial performance in semi-urban Ugandan settings such as Kira Municipality. Most of the extant literature studied more general

tax compliance or formalization programmes in national-level or urban-only environments, with minimal disaggregation either by local government jurisdiction or by tax administration dimension (Bruhn & McKenzie, 2014; Bird & Zolt, 2014).

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CHAPTER THREE: METHODOLOGY

3.1 Introduction

Research methodology is the solution to the research problem in a methodical manner. It may be called a science of studying how research is done scientifically. In it we study the various steps that are generally adopted by a researcher in exploring his research problem and the reasons behind them (McCombes & George, 2023). Research design, population study, sample size and sampling design, data collection tools and data collection method, validity and reliability of data, data collection processes, and ethical clearance were set out in this chapter.

3.2 Research Design

The research design is a guide that ties the objectives of the study to the structure of the independent and dependent variables, the time frame in data collection, the place of study, and the data collection and analysis instruments and tools (Sileyew, 2020). For the current study, the cross-sectional survey design was employed, where data were collected from numerous respondents at a single point in time with no follow-up. This design was particularly appropriate for quantitative research since measurement of the relationship between variables at a certain point in time is possible in order to provide an insight into how tax administration is currently and how it has an impact on small business entrepreneurial performance in Kira Municipality (Creswell & Creswell, 2017). The design makes statistical analysis like regression and correlation analysis possible in order to test hypotheses and come up with findings that are generalizable to the larger population (Bryman & Bell, 2015).

3.3 Research Approach

This study used a quantitative research design, as corroborated by the notion that it facilitates objective variable measurement and hypothesis testing regarding the effects of tax administration on the entrepreneurial performance of SMEs. A quantitative design allows for the collection of quantitative data that can be analyzed statistically to detect patterns, relationships, and trends within the target population (Creswell & Creswell, 2017). By using structured questionnaires and validated scales, the study operationalized and measured key

dimensions of tax administration such as tax awareness, tax registration, and tax assessment and investigate their influence on entrepreneurial performance measures (e.g., sales levels, profitability, and customer satisfaction). This not only ensures objectivity and reliability but also enhances the possibility of generalizing the findings to small businesses in Kira Municipality (Saunders, Lewis, & Thornhill, 2016).

3.4 Study population

The sample population for the study was 13,951 individuals who were retail ventures, wholesalers, and service providers within Kira Municipality (Kira Municipality, 2025). They were selected since they are directly involved in the business and market transactions that are the subject matter of this study, and they possess the needed knowledge on matters of challenges and dynamics in the tax administration and entrepreneurial environment. The respondents were both male and female to provide diverse opinions and a more complete understanding of the research topic.

3.5 Sample size determination

According to Mooney (2019), a sample size is a subset of a selected population. According to Yamane's formula (1967), the formula is, the population sample size for 13,951 is approximately 389.

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

Where:

n = sample size

N = population size

e = margin of error (typically 0.05 for 95% confidence level)

$$n = \frac{13,951}{1 + 13,951(0.05^2)}$$

$$n = 13951/35.8775$$

$$n = 389$$

Stratified random sampling was employed in the study. Stratified random sampling procedure was employed in order to have an equal representation of the heterogeneous SME population in different strata. It was employed due to the fact that the SME population in Kira Municipality is diversified by enterprises of varying size; micro, small and medium enterprises in different sectors namely, manufacturing, services, retail, and of different tax statuses being registered and unregistered.

Strata were built upon the following criteria:

Business size in terms of micro and small businesses, The Sector those in trade, services, and manufacturing and; The Tax registration status registered and informal/unregistered SMEs.

At each stratum, the firms were selected at random for minimization of selection bias and increased representativeness of the sample. The approach increases the external validity of the study by making sure that all the corresponding subgroups of the SME population in the sample are adequately covered (Creswell & Creswell, 2018). The stratified random sampling was also appropriate for this study as it enabled the measurement of entrepreneurs' performance in terms of different tax administration experiences. This is in line with the research objectives of explaining how different dimensions of tax administration such as tax awareness, registration, and assessment influence the performance of SMEs.

Table 3.1: Showing Sample Size Distribution

Category of Population	Population Size	Proportion (%)	Allocated Sample Size	Sampling Technique
Retail Businesses	10,546	75.60%	294	Stratified Random
Wholesalers	2,707	19.40%	75	Stratified Random
Service Providers	698	5.00%	19	Stratified Random
Total	13,951	100%	389	

Source: Primary Data (2024)

3.7 Data collection methods

Data were gathered using questionnaires (Appendix A); Muhammad and Kabir (2018) argue that the survey approach is used to collect data from a sample of respondents by subjecting them to an orderly list of questions. The current study adopted the questionnaire survey approach. The primary purpose of a questionnaire survey is to gather information, opinion, or attitude of the representative sample selected to participate in the study (Taherdoost, 2022). The questionnaire was closed, providing a list of pre-stated response items from which the respondents were required to select responses best suited for their opinion on the given statements. Business entrepreneurs completed the questionnaire using paper surveys (Mutepf, 2019; Linderman, 2023).

3.8 Survey Tool Development and Validation

To ensure the reliability and validity of the evidence collected in this study, a well-structured questionnaire was developed from an extensive synthesis of the literature relating to tax administration (e.g., tax awareness and knowledge, tax registration, and tax assessment) and SMEs' entrepreneurial performance (Abiola et al., 2023; Kato & Namubiru, 2022; Bukenya & Tumwesigye, 2021). The questionnaire items were adjusted and adapted to suit the SME environment in Kira Municipality. The survey instrument was organized into five broad sections; Section A on Demographic and business profile of respondents, Section B on tax

knowledge and awareness, Section C on tax registration procedures, Section D on assessment experiences and Section E on Indicators of entrepreneurial performance

The questions were built from a mix of closed-ended items on a Likert scale (typically 1 = Strongly Disagree to 5 = Strongly Agree) and brief multiple-choice items where appropriate. Question phrasing was kept simple and straightforward to accommodate the differing literacy levels of different SME respondents.

For content validity purposes, the first draft of the questionnaire was reviewed by three subject-matter experts namely: a taxation lecturer at a university, a Uganda Revenue Authority (URA) officer familiar with SME tax conduct, and an entrepreneurship researcher with many years of experience. These experts checked the instrument for relevance, clarity, completeness, and consistency with research objectives.

For face validity, the pilot testing of the survey questionnaire was also conducted with some SME operators (not the final sample) for clarity of language and suitability of terms. Pilot testing helped eliminate ambiguous or culturally insensitive items.

3.9 Pilot Testing

The pilot testing of the questionnaire was conducted with a sample of 15 SME operators drawn from a nearby division of Kira Municipality. This pilot sample was selected to make it resemble the profile of the target population by business size, industry, and tax status. The purpose of pilot testing was to determine the clarity and comprehensibility of the questionnaire items, pilot test the question flow and order, determine an estimate of the average time to complete the questionnaire, find missing or repeat items and establish internal consistency and reliability of the measure.

The pilot testing and validation, and the process of developing it ensured that the survey instrument was valid according to content and construct coverage and consistent internally according to internal consistency for use in collecting data from SMEs in Kira Municipality. The instrument validated was applied in the main field survey.

3.10 Data Collection Instruments

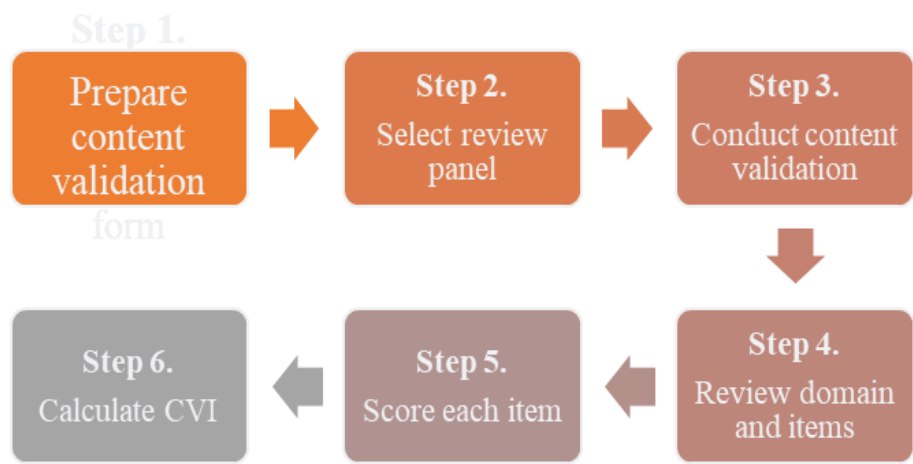
The researcher utilized self-administered questionnaires, the questionnaires were utilized since they are easier to administer, cheaper, and timely and they offer the aspect of confidentiality (Budianto, 2020). The researcher designed the questionnaire with sub-sections in alignment with study variables. The questionnaire offered data for objectives one, two, and three (see Chapter One, specific objectives).

3.11 Data Quality Control

The researcher pilot-tested the data collection tools to make sure they adhered to the acceptable standard of reliability and validity for the study.

3.11.1 Validity of the Questionnaire

That is, it verifies whether the instrument is actually measuring the specific concept or construct that it claims to measure and whether the results that are obtained from the instrument are actually representative of the phenomenon underlying (Chetwynd, 2022). The researcher applied Yusoff’s six steps in measuring the Content Validity of the questionnaire as indicated in Figure 2 below



Source: Yusoff 2019

Figure 3.1: Content Validation Procedure.

Steps to perform content validity in research:

The research determined the constructs or the variables that had to be measured within the questionnaire (Yusoff, 2019). This was then followed by reading the literature in order to understand the key concepts, variables, and dimensions of the research. Based on the literature read and construct definition, the researcher developed a pool of potential items or questions that could be potentially utilized in the questionnaire. These experts helped determine the relevance and clarity of each item in the questionnaire. They can also suggest additional necessary items. The Content Validity Index (CVI) was altered to calculate the validity of the questionnaire (Yusoff, 2019) a.) Item-CVI: This step assesses the content validity of each item in the questionnaire. The experts rate each item for relevance on a scale (e.g., 1 to 4 or 1 to 5), where higher ratings indicate greater relevance. Calculate the Item-CVI for each item by dividing the number of experts who rated it as relevant by the number of experts. An Item-CVI of 0.70 or higher is generally acceptable. Table 2 below presents the CVI.

Table 3.1: showing Content Validity Indices

Construct	Number of Items	No. of Relevant Items	CVI
Tax Awareness and Knowledge	7	7	1
Tax Registration	9	8	0.89
Tax Assessment	7	6	0.86
Entrepreneurial Performance	7	7	1

3.11.2 Reliability of the Questionnaire

The reliability of a questionnaire is the degree to which it will provide the same information if re-administered under the same conditions (Learnovate, 2022; Hassan, 2023). Quantitative research reliability ensures findings produced are not merely due to random fluctuations or measurement errors. It helps researchers ensure that data they obtain are consistent and can be used to draw valid inferences about the construct of interest underlying. To establish the reliability or internal consistency of a set of items in a questionnaire or test, the Indeed

Editorial Team (2023) recommended that a stability test be conducted using the test-retest method on a population of 10% that shares similar characteristics to the study population small population during pilot study. Cronbach's alpha reliability coefficient was computed.

Cronbach's alpha ranges from 0 to 1, where; As alpha approaches 1, it shows high internal consistency, i.e., the items in the scale are measuring the same construct consistently. As alpha approaches 0, it depicts low internal consistency, i.e., the items in the scale are not measuring the same construct consistently. The threshold of 0.7 and higher was considered to be reliable (Scribbr, 2019; Hair, et al., 2019). The administration of the instruments was done twice within a span of two weeks with the respondents of Kira Municipality. The results are in the table 3 below

Table 3.3: Showing Cronbach's alpha coefficients

Constructs	No. of items	Cronbach's alpha
Entrepreneurial performance	7	0.80
Tax awareness and knowledge	7	0.78
Tax registration	9	0.75
Tax assessment	7	0.70

3.12 Data collection procedures

With successful defense of the proposal, the researcher was issued a formal presentation letter by Uganda Christian University (UCU), which was submitted to the Kira Municipality authorities for their endorsement of the research study. Having acquired necessary authorization, the researcher collaborated with the local officials to schedule data collection sessions. Trained research assistants were sent to collect questionnaires from the intended respondents. Prior to administration, research assistants were thoroughly trained on research objectives, ethical considerations, and proper procedures for administering the questionnaire in order to ensure consistency and confidentiality respect for participants. During data collection, participants were made aware of the study purpose, voluntary nature of their participation, and privacy precautions taken to safeguard them. Explanations were provided

to the research assistants when needed and assisted the respondents to complete the questionnaires. Once they are obtained, the researcher verified the questionnaires for completeness and accuracy, and then stored the data securely to be analyze.

3.13 Data analysis

Data analysis is the method involved with bringing solicitation, plan, and significance to the bulk of data obtained. Quantitative data analysis involving descriptive and inferential statistics was carried out with the aid of Statistical Package for Social Scientists (SPSS). Descriptive statistics describe the characteristics of a data set. Frequency distribution, mean, and standard deviation were employed to calculate descriptive statistics. Inferential statistics involved forecasting the study variables. The data was presented in comprehensive tables illustrating the responses to each category of variables upon editing, coding, and entering.

3.14 Variable measurement

Measurement variable is a characteristic that is unknown but capable of measuring a certain entity and may bear one or more than one value, states Ivy Panda (2020). It is frequently used for scientific research. A measure variable whose value can be ordered or ranked is known as an ordinal variable. They are constructed on nominal scales by assigning numbers to items to represent an attribute's rank or order. Independent and dependent variables were measured in accordance with the Likert scale, which has five points (1-strongly disagree, 2-disagree, 3-not sure, 4-agree, and 5-strongly agree). Since it gives a mathematical score at all stages, this scale was chosen to measure the respondent's mood.

3.15 Ethical consideration

Ethical in research is the code that determines acceptable and unacceptable types of behavior (Cammaerts, 2020). The researcher realizes the significance of ethics in this research, which gave maximum priority to honesty, integrity, and attribution.

Confidentiality and privacy: It is the responsibility of an individual or group to safeguard the information that has been entrusted. The researcher maintained the privacy of the participant by keeping all the information confidentially locked up during the research process.

In order to ensure confidentiality, the respondents were instructed that actually names are required, that they can leave questions blank for which they do not wish to supply information, and that the study was not in a position to coerce the respondent if this takes place.

Informed Consent: Informed consent was obtained by the researcher before proceeding with the data collection process. Informed consent to research requires that the respondent or subject must be competent so they can understand and make decisions, be fully disclosed, be capable of understanding disclosure, act voluntarily, and consent to the action suggested to which this study adhered.

Plagiarism: the fraudulent representation of another's writing or ideas as your own, with or without their permission by incorporating it within your work without full acknowledgment. All composition and intellectual labor, whether manuscript, printed, or in electronic format, falls within this definition. This was minimized to the lowest by utilizing paraphrasing, referencing, quoting, referencing quotations, referencing one's own work, and referencing.

Voluntary participation: The subjects of the research were informed that they were not to be paid anything for taking part in the research; it was entirely voluntary. All the subjects of the research were informed of their right to refuse to be interviewed or withdraw at any time for any reason, without prejudice or justification.

CHAPTER FOUR: RESEARCH FINDINGS

4.0 Introduction

This chapter thus highlighted the general findings of the study undertaken to explore the impact of tax administration on the performance of small and medium enterprises (SMEs) entrepreneurs in the Kira Municipality, Uganda. In light of the impact of tax awareness and knowledge, registration, and tax assessment on the performance of entrepreneurs in operating businesses in this municipality, the study was done. The findings were presented based on the research specific objectives: (i) to test the effect of knowledge of tax and awareness on entrepreneurial performance, (ii) to determine the effect of tax registration on entrepreneurial performance, and (iii) to determine the effect of tax assessment on entrepreneurial performance. The chapter begun with the business and demographic description of respondents given below, followed by detailed findings from correlation and regression analysis.

4.1 Response Rate

340 out of the 389 questionnaires sent to SME owners and operators in Kira Municipality were returned and completed, yielding a response rate of 87.4%. Such a high response rate strengthens the validity and generalizability of the study results and indicates high participation and interest within the target population.

4.3 Demographic characteristics of Respondents

Table 4. gives the demographic picture of the respondents. The analysis takes into account key variables such as gender, age, highest educational level, years of business service, business type, and tax payment status. These characteristics help profile the owners and operators of SMEs in Kira Municipality, giving details on their capacity, experience, and scope of formal engagement with tax authorities.

Table 2.1: Showing Demographic characteristics of the respondents

	Frequency	Percent
Gender		
Male	181	53.2
Female	159	46.8
Total	340	100
Age		
20-25 years	21	6.2
26-30 years	102	30
36 and above	117	63.8
Total	340	100
Highest education level		
Primary	4	1.2
Secondary	43	12.6
Tertiary	79	23.2
Certificate	214	62.9
Total	340	100
Years of service in business		
less than 2 years	14	4.1
2-5 years	190	55.9
above 5 years	136	40
Total	340	100
Nature of business		
Retail	59	17.4
Wholesale	100	29.4
Service	181	53.2
Total	340	100
Do you pay kira municipality taxes or URA taxes or both		
URA	10	3
kira municipality	41	12.1
both URA and kira municipality	289	85
Total	340	100

The gender distribution of respondents is typically evenly reflected. Out of the 340 respondents to the survey, 181 (53.2%) were male and 159 (46.8%) were female. This indicates both genders to be overwhelmingly engaged in entrepreneurial activities in Kira Municipality, albeit by a narrow margin towards men. The findings reflect a highly optimistic level of gender balance, which is in line with broader national and policy goals to promote gender balance in enterprise ownership and economic activity.

Age breakdown indicates that most of the entrepreneurs in Kira Municipality are aged 36 years and above, at 117 respondents (63.8%). This implies that the business community is dominated by mature individuals who are most likely to be financially stable, having life experience, and business expertise. Addition to this, 102 respondents (30%) aged between 26 and 30 years, and a minor category of 21 respondents (6.2%) fell in the age bracket of 20-25 years. This indicates that entrepreneurship is significantly driven by adults, though the young ones are joining more and more.

The educational level among SME operators in Kira Municipality is typically moderate to high. A majority of the respondents, 214 (62.9%), held certificates, and 79 (23.2%) held a tertiary qualification. There were others, 43 (12.6%), who indicated that they had a secondary education level, while just 4 (1.2%) had primary education as their highest level of attainment. These results show that the majority of entrepreneurs possess the baseline knowledge and skills that are necessary in the management of business operations, which may include proficiency in finance, planning, as well as customer service. This amount of education is a major determinant in driving business sustainability and innovation.

Business experience-wise, the statistics indicate that 190 respondents (55.9%) were operating their businesses between 2 and 5 years, while 136 respondents (40%) had operated their businesses for over 5 years. Only 14 respondents (4.1%) reported having less than two years of experience. These findings point to the fact that the majority of SMEs in Kira Municipality have survived the start-up phase, implying a relatively stable and robust business environment. Longevity of this nature could lead to improved market understanding, operational capacity, and survival of the business.

Sectoral breakdown of enterprises indicates that services sector dominates entrepreneurial activities in Kira Municipality. To be specific, 181 respondents (53.2%) had service enterprises, then 100 respondents (29.4%) engaged in wholesale enterprises, and 59 respondents (17.4%) operated retail enterprises. This accounts for dominance of trade not goods-based, which is perhaps attributable to urban consumption, low capital needs, and adaptability characteristic of service-type ventures.

The findings reveal a high level of tax compliance among SMEs in Kira Municipality. Most, 289 respondents (85%), reported paying taxes to Kira Municipality and Uganda Revenue Authority (URA). The remaining 41 respondents (12.1%) paid taxes to Kira Municipality only, while 10 respondents (3%) reported paying taxes to URA only. These figures show that most SMEs are operating in a formalized regulatory setting, perhaps owing to increased awareness of tax obligations, enforcement capacities, and benefits associated with compliance, e.g., access to government services or contracts.

4.4. Descriptive Statistics

Descriptive statistics were used to give an overall picture of data collected in this research on tax administration and performance of small businesses in Kira Municipality, Uganda. Through its presentation of key variables on tax awareness, tax registration, and tax assessment, descriptive statistics gave indication of the total features and distribution of the respondents and their businesses. These included central tendency measures such as means and medians, as well as variability measures such as standard deviation and frequencies. From these aggregations, the study drew an initial understanding of prevalence of tax knowledge and compliance behavior among SMEs and how these were related to entrepreneurial performance, thereby providing a foundation for more analytical exploration of relationships between tax administration factors and business results.

4.4.1. TAX AWARENESS AND KNOWLEDGE

This section explores respondents' perceptions of tax awareness and knowledge among small and medium enterprises (SMEs) in Kira Municipality, where participants rated statements on a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). The focus is on the extent to which business owners are informed about tax-related obligations, policies, and

sensitization efforts by tax authorities. The analysis assesses whether URA and Kira Municipality officials have effectively educated entrepreneurs on tax matters and whether awareness influences compliance behavior.

Table 4.2: showing descriptive results on Tax Awareness and Knowledge

Variable	N	Minimum	Maximum	Mean	Std. Deviation
How timely is tax mobilization from business enterprises in Kira Municipality?	340	1	5	3.66	0.75
Do tax officials in Kira Municipality conduct tax awareness campaigns for businesses?	340	1	5	2.18	0.95
Are you aware of the different tax mobilization approaches used by tax authorities?	340	1	5	2.45	0.82
Do Kira Municipality revenue officials follow government policies when collecting taxes?	340	1	5	3.15	0.82
Do tax mobilizers balance enforcement with education and assistance for business owners?	340	1	5	2.12	0.84
Have you received any sensitization by URA about types of taxes charged on your business?	340	1	5	2.52	0.89
Do you fully understand the types of taxes imposed by URA on your business and their purpose?	340	1	5	2.59	0.96

Source: Primary Data (2024)

The provided descriptive statistics provide significant information on tax administration and its implication on the entrepreneurship performance of small enterprises in Kira Municipality, Uganda. All variables reflect perceptions and experiences of small business entrepreneurs

regarding tax mobilization, awareness, and adherence to policy, with a uniform sample size of 340 respondents.

The variable "How timely is tax mobilization from business enterprises in Kira Municipality?" is 3.66 (SD = 0.75), and this indicates that, on average, the respondents are in agreement that tax mobilization is conducted in fairly timely manner. The information that the standard deviation is relatively low suggests that this perception is consistent among most respondents.

On the contrary, "Do tax officials in Kira Municipality carry out tax awareness campaigns for business?" recorded a lower mean of 2.18 (SD = 0.95), reflecting a general lack of concord or satisfaction with the occurrence or effectiveness of tax awareness campaigns. The higher standard deviation here suggests more scattered answers, reflecting variations in experience or knowledge levels among the SMEs.

Similarly, respondents' awareness of the different tax mobilization techniques applied by tax administrations is relatively very low with a mean of 2.45 (SD = 0.82) showing slight disagreement to neutrality. This lack of ubiquitous tax mobilization knowledge may negatively impact entrepreneurial performance by causing interference with compliance and well-informed decision-making.

In the domain of compliance with policy, "Do Kira Municipality revenue officials follow government policies while collecting tax?" has a moderate mean of 3.15 (SD = 0.82), and while there is a soft consensus that policies are followed, there is some deviation in perceptions marked by the moderate standard deviation.

The lowest average (2.12, SD = 0.84) has to do with whether tax mobilizers strike a balance between enforcement and education and support, indicating a perceived imbalance likely to impact SMEs negatively by prioritizing enforcement over supportive interaction, potentially inhibiting business cooperation and development.

For tax sensitization, the mean response is 2.52 (SD = 0.89) that captures doubt or mild disagreement over whether URA's information on types of taxes charged is sufficient. This information gap has the ability to cripple entrepreneurial performance by leaving proprietors in the dark.

Finally, "Do you fully grasp the types of taxes paid by URA to your business and for what?" scores a mean of 2.59 (SD = 0.96), indicating a moderate level of understanding but highly variable among respondents. This suggests that the majority of SMEs may not be able to fully grasp their tax liability, with implications for efficient tax compliance and overall business planning.

Generally, the findings indicate areas that require improvement in Kira Municipality tax administration in terms of raising awareness, education, and clear communication, which are vital in encouraging superior entrepreneurial performance among SMEs. The moderate to low means with moderate standard deviations underscore the need for interventions aimed at bridging the knowledge gaps and improving taxpayer support and engagement

4.4 Tax registration

Table 4.3 presents findings on the perceived transparency, accessibility, and benefits of the tax registration process among SMEs in Kira Municipality. Respondents were asked about their experiences with the Uganda Revenue Authority (URA) tax registration system, including whether it aligns with national guidelines, supports business legitimacy, and provides access to services that can enhance performance. Participants rated statements on a 5-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree).

Table 4.3: showing descriptive Results on Tax registration

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Are all business enterprises in Kira Municipality registered for tax purposes?	340	1	5	3.62	1.06
Do you find the tax registration process transparent and easy to follow?	340	1	5	3.52	1.07
Is tax registration in Kira Municipality conducted in accordance with Uganda Revenue Authority (URA)?	340	1	5	3.36	1.05
Is the registration process conducted by URA simple and accessible to small business owners?	340	1	5	3.52	1.01
Do you believe tax registration helps businesses operate properly within the municipality?	340	1	5	2.98	1.05
Are you satisfied with the tax registration and payment procedures set by the authorities?	340	1	5	2.14	1.32
Does URA tax registration open up access to various government services and benefits that can enhance SME performance?	340	1	5	3.59	1.03
Does the act of registering with URA also influence how an SME is perceived in the market?	340	1	5	3.56	0.82
Are registered businesses viewed as more legitimate or trustworthy by customers and suppliers alike, enhancing their competitive position?	340	1	5	3.49	0.88

Source; primary data

Descriptive statistics on tax registration by small businesses in Kira Municipality provide useful data on entrepreneurial experiences and perceptions that have entrepreneurial performance implications.

The variable "Are all business enterprises in Kira Municipality registered for tax purposes?" has a mean of 3.62 and a standard deviation of 1.06. This reveals a convergence of respondents' opinion that businesses are largely registered for tax purposes, although the relatively high standard deviation suggests some divergence of opinions with some respondents possibly viewing lower coverage of registration.

With regard to the simplicity and transparency of the tax registration process, the mean score of 3.52 (SD = 1.07) suggests that the respondents perceive the process to be fairly simple and transparent. The variation, nonetheless, suggests mixed experiences with some entrepreneurs possibly experiencing difficulties or complexity.

The question of whether tax registration is conducted based on Uganda Revenue Authority (URA) policies yielded a mean of 3.36 (SD = 1.05), which is an indication of moderate agreement. This shows some degree of trust in adherence to formal tax registration processes but also indicates inconsistencies or uncertainties as shown by the standard deviation.

Respondents also agree that URA's registration process is simple and convenient for the small business owners to register, with a mean of 3.52 (SD = 1.01). This perception positively contributes to compliance and ease of doing business.

When asked whether tax registration helps businesses perform well in the municipality, the average drops to 2.98 (SD = 1.05), which is indicative of a more neutral stance or moderate skepticism about the tangible benefits of registration on business performance. This could suggest the need for more awareness or more visible benefits linked with registration.

Satisfaction with tax registration and payment procedure is extremely low, with a mean of 2.14 and a higher standard deviation of 1.32. This shows general dissatisfaction and wide variability in responses, referring to long-established problems in the payment systems or procedural issues that may discourage business performance.

On the positive note, the respondents generally agree that URA tax registration provides access to a wide range of government services and benefits that can enhance SME performance, as shown by a mean of 3.59 (SD = 1.03). This view supports the contention that there is value in registration beyond compliance.

Similarly, registration with URA is also perceived to positively affect the image of SMEs in the market (mean = 3.56, SD = 0.82), as registered companies are viewed as more legitimate and reliable by customers and suppliers, thus bringing in competitive advantage (mean = 3.49, SD = 0.88). These findings point to the strategic importance of registration in market positioning.

Overall, the consensus is moderate to strong that tax registration is common, simple, and beneficial for formal recognition and accessing services but less so regarding satisfaction with

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Do you believe the tax assessment process for business in Kira Municipality is effective?	340	1	5	2.51	1.16
Are tax assessments conducted based on updated tax policies?	340	1	5	3.54	1.10
Does the amount of tax assessed on businesses depend on the size of the enterprise?	340	1	5	2.57	1.23
Do you think businesses in Kira Municipality are over-assessed in terms of tax liability?	340	1	5	3.82	1.12
Are businesses usually assessed at the beginning of the financial year to facilitate planning?	340	1	5	4.19	0.77
Are retail businesses, wholesalers, and service providers informed by URA about the methods used in tax assessment?	340	1	5	3.05	1.08
Do URA tax enforcement teams have adequate knowledge of tax assessment procedures?	340	1	5	2.56	1.18

registration and payment procedures. The variation in responses indicates areas where the

tax registration systems can be refined to further encourage entrepreneurial performance by reducing compliance costs and perceived utility.

4.5 Tax Assessment

This paper showcases SME owners' view of the tax assessment process put in place in Kira Municipality. The responses provide to what extent tax assessments are seen as justifiable, policy-compliant, and size-sensitive to firms. The table also examines the degree to which assessments are timely, whether enforcing officials are adequately well-informed, and whether the levied tax is seen as burdensome.

Table 4.4: showing descriptive rresults on Tax Assessment
Source: Primary Data (2024)

The taxation assessment processes among small businesses in Kira Municipality descriptive statistics give important information about the perception of tax assessment practice, which have a direct impact on entrepreneurial performance.

Question "Do you believe the tax assessment process for businesses in Kira Municipality functions?" has a relatively low mean of 2.51 and high standard deviation of 1.16, which indicates general disagreement or lack of belief that the tax assessment process is functioning. High variance among responses suggests mixed experiences with some firms considering the process as bad or inefficient.

On a more positive note, the query "Are tax assessments based on amended tax policies?" sums up to 3.54 (SD = 1.10), which reflects a moderate to substantial consensus that there is compliance with existing tax policies in informing assessments. The standard deviation reflects that the perception is not absolute, pointing towards perceptions of policy inconsistency in application that can undermine trust in tax administration.

The average for "Does the level of tax paid to business differ with enterprise size?" is 2.57 (SD = 1.23), reflecting uncertainty or disagreement that charges are directly proportional to business size. The considerable dispersion indicates diverse perceptions, with some SMEs feeling they are disproportionately charged in relation to their level of operation, an area that undermines entrepreneurial development.

The respondents are in broad agreement that firms are "over-assessed in terms of tax liability" with a mean of 3.82 and standard deviation of 1.12, indicating fear of the imposition of heavy taxes. Perception may deter entrepreneurs and inhibit reinvestment into ventures, negatively affecting performance.

The response "Are businesses usually examined at the beginning of the financial year to facilitate planning?" had the highest mean value of 4.19 (SD = 0.77) and indicates strong agreement that early assessments are beneficial for sound financial planning. Such an attitude indicates a key aspect of good tax administration that promotes sound entrepreneurship decision-making.

In communication, the mean for "Are retail firms, wholesalers, and service firms informed by URA of the procedures used in tax assessment?" is 3.05 (SD = 1.08), reflecting moderate doubtfulness or neutrality regarding transparency in the assessment process, and this may influence compliance and trust.

Finally, perceptions of the adequacy of tax enforcement officers' knowledge yielded a low mean of 2.56 (SD = 1.18), suggesting uncertainty regarding the knowledge of tax assessment procedures among enforcement officers. This can lead to uncertain valuations and undermine confidence among taxpayers, thereby affecting SME performance.

In conclusion, these findings expose serious tax assessment problems in Kira Municipality, primarily relating to effectiveness, fairness, and transparency. Addressing such problems is essential to enhancing entrepreneurial performance through the establishment of a tax environment perceived as equitable and favorable.

The descriptive statistics of tax assessment practices in small businesses in Kira Municipality pose principal observations about perceptions influencing entrepreneurial performance. The question "Do you think that the tax assessment process for business in Kira Municipality works effectively?" has low mean value of 2.51 with high standard deviation of 1.16, indicating overall skepticism and varied views regarding effectiveness of assessment. The question "Are tax assessments conducted based on existing tax policies?" shows moderate agreement (mean = 3.54, SD = 1.10), suggesting that some believe assessments occur based on existing policies but there is disagreement.

As far as fairness is concerned, "Does the amount of tax assessed depend on enterprise size?" is low at 2.57 (SD = 1.23), indicating doubt or disagreement that they are in proportion, which may adversely affect SMEs. In contrast, the higher mean value of 3.82 (SD = 1.12) for "Are businesses over-assessed?" indicates considerable worry of undue tax burdens, which may hamper business growth.

A positive discovery is the strong consensus that companies are being valued at the start of the financial year in order to facilitate planning (mean = 4.19, SD = 0.77), a sign of entrepreneurial best practice decision-making. There are transparency issues with respect to felt communication from URA about the method of assessment (mean = 3.05, SD = 1.08), reflecting uncertainty which erodes trust.

Lastly, the sufficiency of enforcement teams' knowledge under URA is scored low (mean = 2.56, SD = 1.18), testifying to some doubt concerning procedural knowledge that may be a contributing factor to aberrations in assessment. Overall, these findings underscore the need for greater fairness, transparency, and capacity in tax assessment to enable entrepreneurial performance in SMEs in Kira Municipality.

4.6 Entrepreneurial Performance

Table 4.5 presents the respondents' perspectives on how taxation affects various dimensions of entrepreneurial performance. This includes return on investment, sales turnover, cash flow, innovation, and overall business growth. The data provides insight into whether tax obligations hinder or facilitate SME performance in Kira Municipality.

Table 4.5: Descriptive Statistics on Entrepreneurial Performance

Variable	N	Minimum	Maximum	Mean	Std. Deviation
Have taxes reduced the return on investment for your business?	340	1	5	4.01	1.09
Have operational costs due to taxation negatively affected your sales turnover?	340	1	5	4.20	0.95
Has taxation affected your business liquidity position, making it harder to sustain cash flow?	340	1	5	4.00	0.79
Are the profits of your business before taxation usually high?	340	1	5	2.12	1.29
Has taxation limited your ability to invest in research, innovation and business expansion?	340	1	5	3.96	0.93
Has the tax burden slowed down the growth of small-scale businesses in Kira Municipality?	340	1	5	4.33	0.73
Do taxes imposed on retail businesses, wholesalers, and service providers make it difficult to achieve business goals?	340	1	5	4.27	0.70

Source; primary data

These descriptive statistics of entrepreneurial performance of small-scale firms in Kira Municipality indicate the significant impact of taxation on business operations and development, critical factors that have a direct connection with the research topic of tax administration and entrepreneurial performance. The item "Have taxes reduced the return on investment for your business?" recorded a high mean of 4.01 and a standard deviation of

1.09, indicating that most respondents agree that taxation has adversely affected their investment returns. The relatively moderate variability suggests this is an experience widely common to the SMEs.

Similarly, "Have operational costs due to taxation had a negative effect on your sales turnover?" also shows a greater mean of 4.20 (SD = 0.95), demonstrating strong agreement that taxation costs have reduced sales turnover. This validates concerns that taxes raise the cost of doing business and, therefore, have a direct reduction in revenue attainment. The impact of taxation on liquidity also appears to be significant, with a mean of 4.00 (SD = 0.79) for "Has taxation impacted your business liquidity position, making it more difficult to maintain cash flow?" It shows that cash flow issues related to tax payment are widely felt, posing operational risks to the entrepreneurs.

On the other hand, the item "Are the profits of your business before taxation usually high?" has a low mean of 2.12 and a high standard deviation of 1.29, indicating that these small business owners generally do not report high profits before tax. The high variation also suggests disparate profit conditions, with many struggling to be profitable even before tax. The mean of 3.96 (SD = 0.93) for "Has taxation limited your ability to invest in research, innovation and business expansion?" reflects near consensus that tax burdens constrain the investment potential of SMEs in growth-oriented activities, perhaps strangling long-term entrepreneurial success.

The respondents most strongly agree that taxes have discouraged the development of small-scale businesses in Kira Municipality, having the highest mean of 4.33 and the lowest standard deviation of 0.73. This indicates a shared notion that tax burdens are among the most significant constraints to business expansion.

Lastly, the item "Do taxes imposed on retailers, wholesalers, and service companies make it difficult to achieve business goals?" also manifested a high mean of 4.27 (SD = 0.70), corroborating the argument that tax issues directly hinder the achievement of strategic business aims.

Overall, the results highlight the negative effect of tax burdens on the various aspects of small firm entrepreneurial performance in Kira Municipality—from return on investment and sales turnover to liquidity, growth, and goal achievement—warranting balanced tax policies that promote small business sustainability and development.

4.7 Correlation Analysis

With a view to assessing the relations between Entrepreneurial Performance and the key elements of tax administration namely Tax Awareness and Knowledge, Tax Registration, and Tax Assessment, Pearson correlation analysis was carried out.

Table 4.6: Showing Correlation Matrix between Tax administration and entrepreneurial performance of SMEs

Category	1	2	3	4
Entrepreneurial performance (1)	1			
Tax awareness and knowledge (2)	-.296**	1		
Tax Registration (3)	-.245**	.200**	1	
Tax assessment (4)	-0.093	.307**	0.079	1

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

The results presented in Table 4.6 of the correlation outcomes reveal a negative correlation between Tax Awareness and Knowledge and Entrepreneurial Performance at $r = -.296$, $p < .01$. This suggests that increased tax awareness and knowledge among SMEs in Kira Municipality are associated with decreased entrepreneurial performance. A possible explanation is that the more entrepreneurs realize their tax costs, the more they can be discouraged by the burden of compliance expenses, paperwork obstacles, or felt administrative inefficiencies that can limit investment and growth opportunities.

Similarly, Tax Registration also negatively correlates strongly with Entrepreneurial Performance ($r = -.245$, $p < .01$), suggesting that formal registration may cause additional administrative or financial difficulties that adversely affect the performance of small businesses. This supports the contention that while registration is supposed to promote

formalization and organization, it may actually put SMEs under regulatory pressures that are difficult to sustain without the appropriate support.

On the other hand, the correlation between Tax Assessment and Entrepreneurial Performance is statistically insignificant and weak ($r = -.093$, $p = .096$). This indicates that, at a bivariate level, no linear relationship between the assessment of taxes and the SMEs' performance outcomes is evident within the study context.

Table 4.7: Showing Model Summary of tax administration and entrepreneurial performance of SMEs

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.381a	0.145	0.137	2.55576

a. Predictors: (Constant), Tax Assessment, Tax Registration, Tax Awareness Knowledge

As shown in Table 4.7, the adjusted R^2 value of 0.137 indicates that approximately 13.7% of the variance in entrepreneurial performance is explained by the tax administration factors Tax Awareness and Knowledge, Tax Registration, and Tax Assessment. Although the explanatory power is modest, it demonstrates that tax-related factors have a measurable and non-negligible impact on the performance of SMEs in Kira Municipality. This suggests that while tax administration plays a role, other factors such as access to finance, entrepreneurial skills, infrastructure, and market dynamics likely account for a larger proportion of the variation in business performance.

Table 4.8: Showing ANOVA results

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	328.998	3	109.666	16.789	.000 ^b
	Residual	1933.439	296	6.532		
	Total	2262.437	299			

a. Dependent Variable: Entrepreneurial performance

b. Predictors: (Constant), Tax Assessment, Tax Registration, Tax Awareness Knowledge

As shown in Table 4.8, the regression model yielded an F-value of 16.789 with a p-value less than 0.001, indicating that the model is statistically significant overall. This implies that the combination of the three independent variables tax awareness and knowledge, tax registration, and tax assessment collectively provide a meaningful explanation for variations in entrepreneurial performance among SMEs in Kira Municipality. In other words, the model reliably captures the influence of tax administration on the performance of small businesses.

Table 4.9: Showing Regression Coefficients on Tax administration and Entrepreneurial performance of SMEs

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	32.807	1.244		26.374	.000
1 Tax Awareness Knowledge	-.235	.050	-.292	-4.664	.000
Tax Registration	-.096	.023	-.228	-4.167	.000
Tax Assessment	.054	.058	.057	.918	.360

a. Dependent Variable: Entrepreneurial performance

The regression results reveal the following:

The results indicate that tax and knowledge have a significant negative impact on entrepreneurial performance ($B = -0.292$, $p < .001$). This suggests that as entrepreneurs become more aware of tax obligations, they may experience increased caution or discouragement, potentially due to perceived tax burdens or compliance costs. This finding is consistent with patterns observed in the correlation analysis.

Similarly, tax registration is also significantly negatively associated with entrepreneurial performance ($B = -0.228$, $p < .001$). This implies that formal registration may introduce bureaucratic or financial challenges that hinder SMEs' operational efficiency and growth.

In contrast, tax assessment shows a positive but statistically insignificant relationship with entrepreneurial performance ($\beta = 0.057$, $p = .360$). This suggests that differences in tax assessment practices do not meaningfully influence performance outcomes within the SMEs surveyed.

CHAPTER FIVE: SUMMARY AND DISCUSSION OF FINDINGS

5.1 Introduction

Here the discussion and overview of the findings of the research were presented. This chapter presented an overview of the research findings in conjunction with each of the three specific objectives. It integrated descriptive statistics with inferential results of correlation and regression results and discussed a comprehensive picture of how different facets of tax administration namely tax awareness and knowledge, tax registration, and tax assessment affect the entrepreneurial performance of SMEs in Kira Municipality. The ensuing discussion highlights key patterns, perceptions, as well as statistical relationships from the data.

5.2 Summary of findings

The study examined the influence of three key tax administration variables on entrepreneurial performance namely; Tax Awareness and Knowledge, Tax Registration, and Tax Assessment. The findings revealed the following:

Tax Awareness and Knowledge showed a statistically significant negative effect on entrepreneurial performance ($B = -.292, p < .001$). The correlation analysis ($r = -.296, p < .01$) also indicated a strong negative relationship. This suggests that as entrepreneurs become more informed about tax laws, obligations, and compliance procedures, their business performance tends to decline possibly due to perceived complexity, increased compliance costs, or reduced risk-taking. These findings challenge the normative assumption that awareness fosters compliance and growth, and instead suggest that awareness without supportive tax structures may act as a constraint.

Tax Registration also exhibited a statistically significant negative relationship with entrepreneurial performance ($B = -.228, p < .001$), with a corresponding negative correlation ($r = -.245, p < .01$). This indicates that formal registration with tax authorities, while critical for legal business operations, may introduce administrative burdens, financial costs, or exposure to regulatory scrutiny that adversely affect SMEs' profitability and growth.

Tax Assessment, in contrast, had a positive but statistically insignificant relationship with entrepreneurial performance ($\beta = .057$, $p = .360$; $r = -.093$, $p = .096$). This implies that the manner in which taxes are assessed—whether based on income, turnover, or fixed presumptive amounts—does not currently exert a meaningful influence on the performance of businesses in Kira Municipality. The lack of significance may point to perceived or actual weaknesses in the tax assessment process, including non-standardized evaluation methods, limited enforcement, or widespread informality.

Collectively, these findings suggest that tax administration processes especially awareness and registration are perceived more as constraints than enablers of entrepreneurial performance. While the Ability-to-Pay philosophy of taxation emphasizes equity and proportionality, the negative perceptions and statistical outcomes revealed in this study suggest a gap between theory and practice in the current tax environment faced by SMEs in Uganda.

5.3 Discussions

5.3.1 Tax awareness and knowledge on entrepreneurial performance of SMEs in Kira Municipality

The results of the study revealed a significant negative relationship between tax knowledge and awareness and entrepreneurial performance among SMEs in Kira Municipality. Specifically, the correlation coefficient ($r = -.296$, $p < .01$) and regression coefficient ($\beta = -.292$, $p < .001$) indicate that higher levels of awareness and knowledge about tax obligations are associated with lower entrepreneurial performance.

These findings appear to contradict conventional expectations within much of the existing literature, which often associates improved tax awareness with enhanced business compliance, strategic planning, and performance (Musimenta et al., 2021; Fagbemi et al., 2010). Prior studies suggest that entrepreneurs who understand tax laws are better positioned to take advantage of tax incentives and avoid penalties, thereby improving overall efficiency and sustainability.

However, the present study supports findings by Mungai and Murithi (2017) and Kiabel and Nwokah (2009), who argued that as entrepreneurs gain deeper insight into the structure and cost implications of taxation, they often become more risk-averse and less willing to expand or invest further in their enterprises. This knowledge may amplify the perceived burden of compliance, introduce fear of punitive enforcement, or expose hidden costs previously unrecognized by less-informed operators.

From a theoretical standpoint, the findings align with Institutional Theory (North, 1990; Hajira, 2024), which posits that formal institutions such as tax administration shape economic behaviour through information mechanisms. When the institutional information system (tax knowledge and awareness) is weak or poorly aligned with SME realities, it increases perceived uncertainty and compliance costs rather than reducing them. In this case, heightened awareness appears to reinforce perceptions of institutional strain, especially where businesses feel overburdened despite operating under modest profit margins. This result highlights a practical limitation of institutional arrangements: greater knowledge does not automatically translate into enabling behaviour when the broader institutional framework is perceived as complex, opaque, or misaligned with actual earning capacity, thereby reducing performance due to demotivation or compliance fatigue.

In summary, while tax knowledge and awareness is generally presumed to enhance business performance, this study provides empirical evidence that, in an environment with weak institutional support, greater awareness may instead discourage entrepreneurial risk-taking and growth. This calls for a reconsideration of how taxpayer education is delivered and how well the institutional information mechanisms reflect the economic realities of small and medium-sized enterprises in Uganda.

5.3.2 Tax purpose and objective on entrepreneurial performance of SMEs in Kira Municipality

The results of the study show a significant negative relationship between tax purpose and objective and entrepreneurial performance, as indicated by a Pearson correlation coefficient of $r = -.245$ ($p < .01$) and a regression coefficient of $B = -.228$ ($p < .001$). These findings suggest that unclear or poorly communicated tax purposes and objectives are perceived as a constraint on business growth and profitability among SMEs in Kira Municipality.

This outcome is broadly consistent with prior empirical research that highlights the burdensome effects of weak institutional legitimacy on small enterprises. For instance, many SMEs in developing countries perceive unclear tax objectives as a gateway to increased regulation, additional compliance costs, and more scrutiny from revenue authorities (Nguyen et al., 2014; Adebisi and Gbegi, 2013). Consequently, rather than facilitating trust and access to public services or credit, unclear tax purpose is sometimes experienced as a net disadvantage, especially in low-trust environments or where public service delivery is weak.

However, this finding contrasts with perspectives from other scholars such as OECD (2019) and Bruhn & McKenzie (2014), who argue that clear and legitimate tax objectives should enhance legitimacy, facilitate access to government programs, and promote sustainable growth. The negative relationship observed in this study thus underscores contextual limitations within the Ugandan tax administration system that may prevent businesses from realising these expected institutional benefits.

From a theoretical lens, the findings reflect a misalignment with Institutional Theory (North, 1990; Hajira, 2024). The theory assumes that formal institutions such as clear tax purpose and objective create legitimacy and reduce uncertainty. However, when the institutional signalling mechanism (tax purpose) is weak or poorly communicated, it inadvertently increases perceived complexity and reduces net returns. The observed negative effect implies that many entrepreneurs associate unclear tax objectives not with equity and efficiency, but with increased operational uncertainty and reduced motivation. This evidence demonstrates a practical institutional failure: rather than serving as an enabling mechanism, weak tax purpose acts as a structural barrier to performance in environments where policy communication and enforcement mechanisms are not well tailored to the needs of SMEs.

In conclusion, while clear tax purpose and objective are intended to build trust and support business activity, the findings of this study reveal that, in the current Ugandan context, they may instead serve as a disincentive for performance among SMEs. This points to the need for reforms that strengthen communication of tax objectives, reduce perceived burdens, and better align institutional signals with the realities of small-scale entrepreneurs.

5.3.2 Tax registration on entrepreneurial performance of SMEs in Kira Municipality

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and objective create legitimacy and reduce uncertainty. However, when the institutional signaling mechanism (tax purpose) is weak or poorly communicated, it inadvertently increases perceived complexity and reduces net returns. The observed negative effect implies that many entrepreneurs associate unclear tax objectives not with equity and efficiency, but with increased operational uncertainty and reduced motivation. This evidence demonstrates a practical institutional failure: rather than serving as an enabling mechanism, weak tax purpose acts as a structural barrier to performance in environments where policy communication and enforcement mechanisms are not well tailored to the needs of SMEs.

In conclusion, while clear tax purpose and objective are intended to build trust and support business activity, the findings of this study reveal that, in the current Ugandan context, they may instead serve as a disincentive for performance among SMEs. This points to the need for reforms that strengthen communication of tax objectives, reduce perceived burdens, and better align institutional signals with the realities of small-scale entrepreneurs.

5.3.3 Tax assessment on entrepreneurial performance of SMEs in Kira Municipality

The results indicate that tax assessment has a positive but statistically insignificant relationship with entrepreneurial performance, as shown by the regression coefficient $\beta = .057$ ($p = .360$) and a weak correlation ($r = -.093$, $p = .096$). These findings suggest that, although there may be a theoretical expectation for fair tax assessments to support entrepreneurial performance, in practice this dimension of tax administration does not significantly influence business outcomes among SMEs in Kira Municipality.

This result partially aligns with existing literature that has reported mixed evidence regarding the influence of tax assessments on business growth. For example, Kangave et al. (2016) noted that in contexts where tax assessments are perceived as inconsistent or non-transparent, SMEs often experience uncertainty and financial strain. In contrast, Bird & Zolt (2014) argue that when assessments are fair and based on objective criteria such as income or turnover, they can improve tax morale and compliance, thereby fostering an enabling business environment. The insignificant relationship observed in this study suggests that tax

assessments in Kira Municipality may not be systematically enforced or may lack transparency, thus failing to produce a measurable impact on entrepreneurial outcomes.

In theoretical terms, Institutional Theory (North, 1990; Hajira, 2024) posits that effective enforcement and determination mechanisms (tax assessment) reduce uncertainty and transaction costs when they operate as strong formal institutions. However, the current findings point to a practical limitation: if tax assessments are perceived as arbitrary, outdated, or detached from actual business conditions, they neither advance institutional trust nor significantly influence performance. This disconnect reflects an institutional weakness where the intended function of tax assessment fails to materialise in contexts with inadequate oversight and transparency.

Moreover, the insignificance of the tax assessment variable might imply that entrepreneurs do not perceive assessments as a key factor affecting their operations, possibly due to flat-rate taxation systems, presumptive taxes, or informal arrangements that bypass regular assessment mechanisms altogether. As highlighted by Joshi et al. (2014), many SMEs in developing economies operate in environments where negotiated or informal tax practices diminish the role of formal assessments.

In summary, while effective tax assessment under a strong institutional framework is designed to ensure predictability and fairness, the findings from this study suggest that tax assessments in Kira Municipality currently lack the administrative effectiveness and trustworthiness necessary to influence entrepreneurial performance. Addressing this gap would require enhanced capacity-building within local tax authorities, increased transparency, and alignment of assessments with verifiable business performance indicators.

5.4 Conclusions

The study concluded that increased tax awareness and knowledge among SMEs in Kira Municipality is significantly associated with decreased entrepreneurial performance. This indicates that, while awareness is crucial, the current tax education and communication mechanisms may inadvertently increase perceived tax burdens and compliance anxiety, thereby negatively affecting business growth and profitability.

The findings demonstrate that formal tax registration negatively influences entrepreneurial performance, primarily due to the administrative complexities and additional financial costs involved. This suggests that the registration process, as currently implemented, may act as a barrier to business formalization and expansion, limiting SMEs' ability to leverage the potential benefits of being registered.

The influence of tax assessment on entrepreneurial performance was found to be positive but statistically insignificant. This implies that, within the context of Kira Municipality, tax assessment practices neither substantially hinder nor promote SME performance, possibly due to inconsistent enforcement, lack of transparency, or the application of presumptive taxation systems.

5.5 Recommendations

Uganda Revenue Authority (URA) should; Enhance taxpayer education and outreach by Conducting quarterly training workshops and awareness campaigns tailored to SMEs on tax obligations, rights, and benefits.

Simplify tax procedures and digital platforms by redesigning URA's online tax filing system for SMEs to ensure user-friendliness and reduce filing errors and delays.

Deploy mobile tax advisory units by introducing mobile tax advisory units in Municipalities to provide on-site support and real-time clarification of tax issues.

Local Government Authorities (Kira Municipality) should;

Establish SME tax help desks through setting up permanent tax help desks at division headquarters within Kira Municipality to offer daily tax guidance and support to entrepreneurs.

Promote collaboration with business associations by Facilitating quarterly stakeholder meetings between SMEs, local tax officers, and business associations to improve compliance and trust in tax systems.

SMEs/Entrepreneurs should;

Strengthen record-keeping practices by Adopting basic bookkeeping tools or mobile apps for daily transaction records to enhance tax compliance and business tracking.

Participate in tax literacy programs through attending at least two URA organized tax workshops per year to remain updated on tax changes and best practices.

Policymakers (Ministry of Finance and Economic Planning) should;

Review and adjust tax policies for SMEs through conducting a comprehensive policy review to introduce progressive and flexible tax rates based on SME size, turnover, and sector.

Introduce tax incentives for compliant SMEs by Proposing a tax credit scheme to reward SMEs with consistent tax compliance and formal employment creation.

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APPENDICES

APPENDIX A: QUESTIONNAIRE FOR RETAIL BUSINESSES, WHOLESALERS, AND SERVICE PROVIDERS

Dear Respondent,

I am SHALLON KABARUNGI (M23/M15/009), currently pursuing a Master's degree in Business Administration at Uganda Christian University. I am conducting a study on **“The Effect of Tax Administration on Entrepreneurial Performance of Small-Scale Businesses in Kira Municipality, Uganda.”**

This questionnaire is intended purely for academic purposes, and your responses will be treated with strict confidentiality. Kindly answer the questions honestly and to the best of your knowledge.

Thank you for your time and cooperation.

SECTION A: DEMOGRAPHIC CHARACTERISTICS

(Please tick the most appropriate option)

1. 1. Sex:

☐ Male ☐ Female

2. 2. Age Bracket:

☐ 20-25 years ☐ 26-30 years ☐ 31-35 years ☐ Above 36 years

3. 3. Highest Education Level:

☐ Primary ☐ Secondary ☐ Tertiary ☐ Certificate

4. 4. Years in Business:

☐ Less than 2 years ☐ 2-5 years ☐ Above 5 years

5. 5. Nature of Business:

☐ Retail ☐ Wholesale ☐ Service

6. 6. Who collects taxes from your business?

☐ Uganda Revenue Authority (URA) ☐ Kira Municipality ☐ Both

Instructions:

Please rate your agreement with the statements using the scale below:

1 = Strongly Disagree, 2 = Disagree, 3 = Not Sure, 4 = Agree, 5 = Strongly Agree

SECTION B: EFFECT OF TAX AWARENESS AND KNOWLEDGE ON ENTREPRENEURIAL PERFORMANCE

Statements on tax awareness and knowledge		1	2	3	4	5
		SD	D	NS	A	SA
1	Tax mobilization from business enterprises in Kira Municipality is timely					
2	Officials in Kira Municipality conduct tax awareness campaigns for businesses					
3	I am aware of the different tax mobilization approaches used by tax authorities in Kira Municipality					
4	Kira Municipality revenue officials follow government policies when collecting taxes					
5	Tax mobilizers balance their enforcement role with education and assistance for business owners					
6	I have received sensitization from URA about the types of taxes imposed					
7	I fully understand the types of taxes imposed by URA on your business and their purpose					

SECTION C: THE EFFECT OF TAX REGISTRATION ON ENTREPRENEURIAL PERFORMANCE OF SMES IN KIRA MUNICIPALITY.

Statements on tax registration		1	2	3	4	5
		SD	D	NS	A	SA
1	All business enterprises in Kira Municipality registered for tax purposes					
2	I find the tax registration process transparent and easy to follow					
3	Tax registration in Kira Municipality is conducted in accordance with the Uganda Revenue Authority (URA) tax laws and policies					
4	The registration process conducted by URA is simple and accessible to small business owners					
5	I believe tax registration helps businesses operate properly within the municipality					
6	I am satisfied with the tax registration and payment procedures set by the authorities					
7	URA tax registration opens up access to various government services and benefits that can enhance SME performance.					
8	The act of registering with URA also influence how an SME is perceived in the market					
9	Registered businesses viewed as more legitimate or trustworthy by customers and suppliers alike, which can enhance their competitive position					

SECTION D: THE EFFECT OF TAX ASSESSMENT ON ENTREPRENEURIAL PERFORMANCE OF SMES IN KIRA MUNICIPALITY.

Statements on tax assessment		1	2	3	4	5
		SD	D	NS	A	SA
1	I believe the tax assessment process for businesses in Kira Municipality is effective					
2	Tax assessments conducted based on updated tax policies					
3	The amount of tax assessed on businesses depend on the size or category of the enterprise					
4	Businesses in Kira Municipality are over-assessed in terms of tax liability					
5	Businesses usually assessed at the beginning of the financial year to facilitate proper planning					
6	Retail businesses, wholesalers, and service providers informed by URA about the methods used in tax assessment					
7	URA tax enforcement teams have adequate knowledge of tax assessment procedures					

SECTION E: ENTREPRENEURIAL PERFORMANCE OF SMES IN KIRA MUNICIPALITY

	1	2	3	4	5
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Statements on primary education service delivery		SD	D	NS	A	SA
1	Taxes reduced the return on investment for my business					
2	Operational costs due to taxation negatively affected my sales turnover					
3	Taxation affected my business's liquidity position, making it harder to sustain cash flow					
4	The profits of my business before taxation is usually high					
5	Taxation limited my ability to invest in research, innovation, and business expansion					
6	The tax burden slowed down the growth of small-scale businesses in Kira Municipality					
7	Taxes imposed on retail businesses, wholesalers, and service providers make it difficult to achieve business goals					

Thank You for Your Valuable Time and Information