**MIDLANDS STATE UNIVERSITY**



**FACULTY OF COMMERCE**

**DEPARTMENT OF ACCOUNTING**

**IMPACT OF INTERMEDIATED MONEY TRANSFER TAX (IMTT) ON GROWTH OF SMALL TO MEDIUM RETAILERS: A CASE STUDY OF SIMRAC RETAILERS.**

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**AUGUST 2021**

**ZIMBABWE**

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# Abstract

Small and Medium Enterprises in Zimbabwe represents an important part of the economy and certainly of the labour market. The research focused on the impacts of IMTT on the growth of these SMR with specially reference to SIMRAC Kwekwe. The problem that led to this study is limited number of studies on IMTT and its impact on the growth of SMR. Also the tax policy was implemented as one size feet all regardless of its impact on liquidity position of SMR. . The objectives of the study were to evaluate the impact of Intermediated Money Transfer Tax (IMTT) on growth of Small to Medium Retail Shops and to determine the extent to which IMTT affects the liquidity position of Small to Medium Retailers (SMRs). Furthermore the researched evaluated the effects of IMTT on sales revenue and its impact on pricing of commodities by SMR. A mixed research design was used in the study were data was collected using questionnaires and interviews from different respondents drawn from the four departments at SIMRAC. Results showed that IMTT reduces the organisational profitability and does significantly increase organisational finance costs at SIMRAC. Furthermore Intermediated money transfer tax reduces liquidity for business organisation as evidenced by data obtained from SIMRAC. The research further found out that IMTT together with other taxes drains firms' hard earned cash and are not improving growth at SIMRAC as perceived by government when it collects taxes. Although IMTT is increasing operational cost to SIMRAC and considered, the research find out that other factors such as operational environment are considered when pricing the commodities. For instance SIMRAC operates in the city centre close to OK and Pick and pay. It has to constantly check prices of other competitors.

## Key words

Growth - the increase in net or gross revenue of a business Spacey, (2018).

Tax-imposition of compulsory levies on individuals or entities by governments Neumark, (2018)

Small to Medium Retailers- is a grocery selling shop that breaks bulk and at the same time sell in bulk  with not more than 100 employees.(Zindiye 2019)


Intermediated Money Transfer Tax – it is tax that is mediated when a financial institution mediates the transfer of money not by cheque between two persons. (Tapera 2019)

## Dedication

This dissertation is dedicated to my wife Faith Chimhundu who has been very inspirational and has always encouraged me in all my endeavors.

## Acknowledgements

I would like to acknowledge the assistance that was rendered by the following people who made this dissertation a success.

Much appreciation goes to my supervisor Mr Mugozhi for his patient guidance, encouragement and very practical assistance in coming up with this study. Thank you for the suggestions for improvement in content and style for this study.

My special thanks go to commander ZNA for giving me permission to study and for making sure that my fees are paid in time. I am grateful to my work colleagues Kendrick and Simbarashe who assisted in data coding and compilation.

I am heavily indebted to SIMRAC Retailer staff for their support during the study.

Special mention also goes to the participants who provide valid information.

Above all I give glory to God, the Almighty, for making the completion of this work possible.

## Abbreviations and acronyms.

IMTT- Intermediated Money Transfer Tax.

SMRs- Small to Medium Retailers.

ZIMRA- Zimbabwe Revenue Authority

VAT- Value Added Tax

EU-27 - European Union's 27 member state.

GDP - Gross Domestic Product.

## Contents

**CHAPTER 1**

**INTRODUCTION**

**1.0  Introduction**

Intermediated Money Transfer Tax (IMTT) occurs when a financial institution mediates the transfer of money, not by cheque between two or more person, or from two or more person to one person. The main purpose of such tax is to widen government tax base by the treasury to meet government needs. In Zimbabwe, IMTT was first introduced in 2002.  Since then its impact was hardly felt. In 2018, IMTT was increased from $0.05 per transaction to $0.02 per dollar. Three years down the line, this area of study has not been considered by many scholars to look into it despites its impact to every business transaction. This research investigates the impact of intermediated money transfer tax (IMTT) to Small and Medium Retailers. Both individuals and Small and Medium Retailers have been sacrificing part of their hard earned income towards the payment of tax. The main thrust of this research is to investigate how IMTT affects the growth of Small to Medium Retailers (SMRs). Chapter one will cover among others, the problem under research, the research gap, aims and relevance of the study.

**1.1    Background of the study**.

Globally, intermediated money transfer tax has been seen as a key source for government revenue. http://www.intereconomics.eu>getfile.com , says that Sweden was the first European country to introduce a 0.05 % tax on the sale of securities electronically in 1984.By 1990 more than a dozen of European countries had borrowed the idea. (Mintz and Cheng, 2017). Veroxly (2019) pointed out that United States of America and European countries agreed to introduce a 0.2 percent transfer tax on the purchase of shares bought in German, Britain, America and France in 1990. An organisation called CREST was tasked to collect the tax. The move tremendously improved revenue generation of both North America and European Nations.

Adebisi and Gbengi (2017) noted that, in Africa, South Africa, Malaysia and Nigeria were the pacesetters of Intermediated Money Transfer Tax. Chandra and Ibrahim (2015) argued that intermediated transfer tax accelerated the growth of Malaysian

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economy in 2006. Abrie and Douson (2016) pointed out that the South African government surpassed the revenue collection target by 200% in 2002 due to IMTT. Zimbabwe borrowed the idea in 2003. Tapera (2018) argues that, the national debt rose to $17.69 billion in 2018 and it continuous ballooned unabated, and in order to control the situation, the government decided to widen its tax base by through the increase of IMTT. The intermediated money transfer tax was increased from of $0.05 per transaction to $0.02 per dollar so that enough revenue is obtained to settle the national debt. Mashiri (2017) pointed out that the liquidity cries that hit the nation from 2016 results in the introduction of plastic money as a way of alleviating cash shortages results in increased electronic and mobile based financial transactions. Information available at http://stock-strret.net cited that in order to tax the informal sector and increase revenue, the government of Zimbabwe introduced IMTT.

In previous studies conducted on impacts of tax on SMEs growth, like Carroll et al, (2015) posits that most SMEs are hounded by ghost of taxes imposed by the ruling elite. As tax increases their growth nosedive. Ojochowu, (2017), Adebisi and Gbegi, (2015) are in agreement with Carroll, (2015) that there is an inverse relationship between tax policy and growth .The above authors further articulated that the size of SME determines its ability to comply to tax and it's growth. Other researchers argued that although they are regimes that offer tax incentives to SMEs, there do not encourage business growth and also stifles profitability hence most businesses evade tax as pointed by Mintz and Cheng, (2017), Khan, (2014) and Maseko, (2014). Tee et al, (2017) highlighted that SMEs have little to no knowledge of taxes and there are affected negatively by them and further stated that the prevailing policy should be business friendly. Ojeka, (2015) and Keith, (2017) accelerated the idea forward when they stated that taxes on SMEs are very high and policies seem to favour bigger companies hence SMEs growth is crippled and their competitiveness is reduced.

Whilst the above researchers are in support of each other, Karugu, (2016), Ocheni and Stephens (2015), and Wyd et al (2016) contradict with Karugu (2016) alluded to the fact that non supportive tax laws have made growth stagnation. Ocheni and Stephens, (2015) and Lewis, S. (2015) all agreed with Karugu, (2016) and further noted that tax reduction had no significant effect on aiding business growth. Wyd et al, (2014) concluded that tax rates have no effect on growth as SMEs remain constant but rather there is an increase in formation of SMEs in brewery though in a non-supportive tax

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environment. Mwangi, (2016) concluded that tax rate change led to uncertainty of SMEs future growth in a study in Kenya. Baurer, (2015) also supported Mwangi, (2016) and furthermore highlighted that implementation of domestic policy should align with international policy to ensure growth and avoid tax evasion. All the above researchers fail to address the particular tax rates affecting SMEs and have different opinions on effects of taxes on SMEs growth. The crux of this research is to further investigate particular tax rates affecting SMEs in order to understand and aid other scholars on the real effects of IMTT on SMRs in Zimbabwe.

Imposition of IMTT by the Zimbabwean Government affected the financial performance of many small-medium retailers. Simrac Kwekwe is equally affected with the tax. Several problems mushroomed because of this policy. These problems are negatively affecting the growth of the organisation. To start with, the imposition of IMTT results in the government collecting $3.91 billion in only third quarter of 2020 from firms ([www.zimra.ac.zw](www.zimra.ac.zw)), collected 14 April 2021, Simrac Kwekwe was one of the casualties. The organisation was compelled to part ways with some of its hard earned profits. This is highlighted by the table below showing the profit before tax and the profit after deducting what belongs to the taxman.

**TABLE 1.1 effect of tax on the net profit of an organisation**

| Period | Net profit before Tax | Tax | Net profit after Tax | % Variance |
|--------|----------------------|--------|---------------------|------------|
| 2017 | 2 456 320 | 1050 | 2455270 | 0.004% |
| 2018 | 1 554 760 | 102600 | 1452160 | 7% |
| 2019 | 1 098 665 | 198500 | 900165 | 18% |

(**Source): Simrac Kwekwe Bank statement extract.**

According to Table 1.1 above, the transfer tax in 2017 was $1050 entailing that the retained earnings of Simrac decline was slightly reduced from $2 456 320 to $2455270.

In 2018, the retained earnings of the organisation were reduced by $102600 revealing a 7% decrease as a result of transfer tax from $1 554 760 to $1 452160. In 2019 Tax of $198500 was paid entailing an 18% decrease from $1 098 665 to $900165. The reduction in net profit from $2465270 in 2017 to $1452160 in 2018 thus a 41.09% reduction of this branch was questionable at the Head office level at the AGM at it was revealed from the bookkeeper that IMTT among other culprits was a major threat in reduction in profit margins. Moreover during the period 2018 to 2019, a decrease in profit by 38% from $145 2160 to $900165 was also questionable at the Head office level and the bookkeeper was of the view that IMTT among other factors were eroding the retained earnings of an organisation necessary for boosting growth. As noted by Maseko, (2014) the tax system is regarded as unfair as it levies the same taxes despite the size of the organisation hence SMEs growth is affected by the quality of the system. From the above it is crystal clear that IMTT in particular has posed great threat to the growth of SMEs yet previous researchers failed to address that.

Apart from profits, Simrac wholesalers' sales revenue was equally affected. The results are shown below.

**TABLE 1.2: Sales revenue on goods offered by Simrac**

| Period | Sales revenue before Tax | Tax | Sales revenue after Tax |
|--------|--------------------------|-----|-------------------------|
| 2018 | 9 345 098 | | 9 345 098 |
| 2019 | 10 427 506.25 | 2 085 501,25 | 8 342 005 |
| 2020 | 8 719 156,25 | 1 743 831,25 | 6 975 325 |

**(Source): Simrac financial extract**

According to Table 1.2 there was no IMTT burden in 2017 as SMEs. In 2018 Tax was introduced. 2018 sales revenue decreased from 9 345 098 to 8 342 005 which was an 11% decrease. The effects of tax was further noted as there was a decrease of 16% in 2018 from a previous 11% in 2017 which shows that Tax is diminishing the sales. Maseko, (2014) noted that high taxes hinder growth of SMEs as evident from the table above. This research explored further to find out the extent which IMTT affect the development of SMEs.

In addition to that, the price adjustments as a result of tax policies by ZIMRA affected customer satisfaction negatively which later led to additional amendments to be done by the organisation to remain competitive in the market. The loss of the purchasing power of the customers leading to reduction in sales revenue. It was revealed from the branch buyer's report that the prices of the goods were not that friendly to the customers and the main reason behind was the transfer of IMTT to the customers. Loss in revenue is tabled below.

**Table 1.3: Revenue levels at Simrac**

| Details | 2017 | 2018 | 2019 |
|---------|------|------|------|
| Sales revenue | 9 345 098 | 8 342 005 | 6 975 325 |

**(Source): Simrac kwekwe financial extract**

According to Table 1.3 above, sales revenue of the organisation decreases from $9 345 098 to $8 342 005 thus a fall by 10.7%. It was revealed from the branch's report that sales revenue are decreasing despite efforts on sales promotion by the branch's marketing manager.. In 2019, the sales revenue further decreases by 16% from 2018 that is from $8 342 005 to $6 975 325. Unbearable costs on the buyer's perspective was also suspected to be one of the reason for the reduction in sales revenue.

## 1.2 Statement of the problem

Business community and consumers are affected by IMTT. The government increased the intermediated money transfer tax on the 13th of October 2018 from $0.05 per transaction to $0.02 per dollar transacted. Various stakeholders tried to join hands and fight against the imposition of IMTT which to this date is posing a great threat to the growth of firms. According to HH 605-2019, (MLILO VS MINISTER OF FINANCE), Justice Zhou ruled on 18 September 2019 invalidating IMTT. The ruling fell on deaf ears, in turn the government casted their nets wider and in 2019 IMTT was made compulsory to include foreign transactions. This tax further strained the growth of Small to Medium Enterprises. Simrac Kwekwe has been making frantic efforts to accelerate growth, the success rate was insignificant. The decreasing profit margins were questionable at the Head Office as not enough retained earnings were ploughed back to boost the operating performance of this organization. It was further revealed

that amongst others, IMTT was one of the major culprits that reduces retained earnings ploughed back into the business to finance expansion. Therefore, this research explore further and adds to the existing literature available, the impact of IMTT tax on growth of Small to Medium Retailers.

## 1.3    Main research question

What is the impact of Intermediated Money Transfer Tax (IMTT) on growth of Small to Medium Retail Shops?

## 1.4    Research objectives

- ❖ To evaluate the impact of Intermediated Money Transfer Tax (IMTT) on growth of Small to    Medium Retail Shops?
- ❖ To determine the extent to which IMTT affects the liquidity position of Small to Medium Retailers (SMRs).
- ❖ To assess the effects of IMTT on sales revenue of SMRs in Zimbabwe.
- ❖ To evaluate the impact of IMTT on pricing of commodities by SMRs.

## 1.5 Research questions

- ❖ What is the impact of IMMT to the growth of Small to Medium Retailers?
- ❖ To what extent is the liquidity position of Small to Medium Retailers affected by IMTT?
- ❖ How IMTT do affects the sales revenue of an organization?
- ❖ What are the effects of IMTT on pricing of commodities by retailers?

## 1.6    Significance of the study.

### 1.6.1.  To the student

The student will be equipped with an in depth knowledge of taxes and other revenues.

It is in line with the MSU Mantra, "Our hands, our mind and our future! As learners will be equipped with knowledge of government tax policies, deal with them in their everyday life transactions.

Lastly the student will be motivated for adding some flesh to the already existing literature on IMTT when the research is approved.

### 1.6.2. To Simrac Retailers.

This research is of great importance to the management as its findings will assist management with some of the reasons why it is facing challenges in its expansion programmes.

Apart from that, this is going to be of much importance to retail business especially at Simrac kwekwe as the research is going to provide quite appropriate information concerning the tax policies and came up with appropriate mark-up percentages on sales to support growth.

The research will also expose some of the effects of taxes and other government regulations to the performance of the business.

### 1.6.3. To Upcoming Researchers

Researchers that would like to embark on a project the impact of tax policies on growth are going to be assisted as it is going to add more literature.

### 1.7     Delimitations

This research focused on the impact of Intermediated Money Transfer Tax to Small and Medium Retailers only. The scope was limited to Simrac Kwekwe which is nearer to the researcher. It was contacted in the period 2019 to 2021. Only Simrac staff was interviewed. Most interviewed staff were from the Admin department.

### 1.8     Limitations

There were some inevitable circumstances that deters the researcher from gathering information.

**1.8.1 Access to Information.**

Targeted population felt reluctant to provide the information as they fear to breach the provision of the official secrecy act.

To overcome this, the researcher had to assure the respondents that the information is going to be kept confidentially and it is only meant for research only.

**1.8.2 Authority to carry out the research.**

The other challenge was on authority to carry out the research from selected organisation.

To overcome this the researcher will obtain express authority to carry out the research.

**1.8.3 Obtaining Feedback from Respondents.**

Apart from that, the researcher had challenge in timeously obtaining feedback from respondents.

To overcome this, the researcher had to book respondents and remind them through phone calls.

**1.9    Assumption**

The targeted population to which the investigations will be carried out will provide relevant, reliable and accurate information with no bias.

Also all the respondents are knowledgeable to provide useful information that will help in providing reliable and valid data.

Management provides information with utmost good faith and in the best interest of SIMRAC and governance.-

**1.10    Definition of key terms**

Growth - the increase in net or gross revenue of a business Spacey, (2018).

Tax-imposition of compulsory levies on individuals or entities by governments Neumark, (2018)

Small to Medium Retailers- is a grocery selling shop that breaks bulk and at the same time sell in bulk  with not more than 100 employees.

Intermediated Money Transfer Tax – it is tax that is mediated when a financial institution mediates the transfer of money not by cheque between two persons. (Tapera 2019)

**1.11    Abbreviations and acronyms.**


 IMTT-   Intermediated Money Transfer Tax.

 SMRs-    Small to Medium Retailers.

 ZIMRA- Zimbabwe Revenue Authority

 VAT-     Value Added Tax

 EU-27 -   European Union's 27 member state.

 GDP    -   Gross Domestic Product.

 SMEs -    Small to Medium Retailers.

**1.12    Summary of the chapter**


This chapter highlighted the problem of intermediated money transfer tax to the Simrac Kwekwe which is the organisation of study. Research objectives and research questions were also highlighted. Limitations and delimitations of the study were again outlined. The next chapter will shift focus to the literature review of the problem.

# CHAPTER 2

## LITERATURE REVIEW

## 2.0  Introduction

Chapter 1 exposed the research gap, the statement of problem, limitations and delimitations of the study among other things. In this chapter, the literature related to intermediated money transfer tax was reviewed. Both theoretical and empirical literature was reviewed. Journals, books, articles and publications were used by the researcher to gather and analyse data on what has been put forward by various authors on the impact of IMTT on growth of firms. Included also in the empirical review, where results from various authorities about the impediments of SMES growth which were compared and contrasted. Lastly a chapter summary together with an overview of chapter 3 was given.

## 2.1    Theoretical Literature Review

The purpose of theoretical review is to concretely examine the corpus of theory that has been accumulated in regard to an issue.  Waswa (2021) also supported the above authors by arguing that theoretical review explores theories that expound on the topic under study while at the same time putting a justification for the current study. IMTT theories and other taxation theories were explored. Relationship between theories was identified lastly the degree that existing theories have been investigated was noted, with new hypotheses developed and tested.

One of the policy implemented by the Zimbabwean government to stimulate growth was the charging of IMTT. Taufik (2020) argues that, taxes such as IMTT has triggered a lot of debates amongst scholars with reference to its effectiveness especially in developing countries. In Zimbabwe the IMTT is collected in terms of section 36G as read with thirtieth Schedule of the income tax act. (Chapter 23.06). IMTT is collected by banks, mobile banking services such as Eco cash and one wallet. Zimbabwe

introduced such tax as one of the measures taken to address macro -economic challenges. The other motive behind IMTT in Zimbabwe is for the country to work towards the attainment of Sustainable Development Goals (SDGs). (Tapera 2020).

## 2.1.1 Definition of Intermediated Money Transfer Tax (IMTT)

[www.zimra.co.zw](www.zimra.co.zw) defines IMTT as a mediation by a financial institution on the transfer of money not by cheque between two persons, or from one person to two or more persons or from two or more persons to one person. Tapera (2019) defines IMTT as tax charged on the transfer of funds and collected by financial institution on behalf of Zimra. The above authors share the common definition of IMTT in that the tax is mediated by the financial institution when there is a transfer of funds.

The financial institution is defined by Tapera (2019) as any banking institution, building society, Reserve bank of Zimbabwe, POSB or mobile banking services, Zimbabwe development Bank or the postal services company licenced in terms of section 113 of the postal communication act. Transfer of funds can be physically, electronically or by any other means ([www.zimra.ac.zw](www.zimra.ac.zw)  retrieved 30 June 2021).

## 2.2    Theories of taxation

## 2.2.1   Optimum tax theory.

Maseko, (2014), propounded that the optimum tax theory was first established by Frank Ramsey in 1927. Various commodities were used in a way that assisted the government to minimise tax burden at the same time collecting sufficient revenue to meet budget requirements. Macek (2014) argues that the Ramsey model concentrated on adjusting indirect taxes depending on the steepness of direct taxes. The idea was to create an optimum indirect tax structure that may not create burden to firms. [http://ber.macrothink.org,](http://ber.macrothink.org,) reviewed that the relevance of the optimum theory is that, while establishing the influence of an indirect tax on business performance, its effect on consumers that contributes to the profitability of various firms should not be overlooked. The major highlights of the optimum theory is that tax may not directly

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hound the firms , it does so indirectly by eroding consumers funds, in turn their purchasing power is starved.

The optimum theory is of great importance in the study of the impact of IMTT on SMEs. It assist in determining whether the tax planner chose the tax system that maximises the representative consumer's welfare, knowing that the consumer will respond to whatever the tax system provides. IMTT is a notable example of a lump sum tax which was introduced by the tax payer and falls equally on the rich and poor. Whilst the optimum theory concertize the need to look at the relationship between the demand of goods and taxes charged on them, the IMTT is described as a flatter tax which is charged equally regardless of the demand of the goods.

### 2.2.2 The neoclassical tax theory

Ormimaechea (2012**),** prostulates that neo colonialists tax theories argues that the use of taxes to accelerate growth is ineffective in the long run. Muzurura and Sikwila (2018) argued that in the long run, taxes has a devastating affects to other sectors of the economy despite the fact that it is a reliable source of revenue that stimulates growth. Both the neoclassical theorists argues that taxes impacts business through other sectors that aids the business operation in the long run.

In this research, the neo classical theory plays a pivotal role in highlighting that growing an economy using tax is possible but temporary! Whilst the policy makers tried to use the IMTT to generate sufficient revenue that boost economic growth, the neo classical theorists argues that indeed growth is accelerated such tax policies. Their major concern is that this can be done temporarily as other pillars that pays the tax will be negatively affected in the long run.

### 2.2.3 Endogenous growth theorist

Ahmad and Ahmad (2016), says that one of the greatest weapon that stimulate growth and support economic recovery is IMTT. According to endogenous theorists, developing countries should charge more taxes, effectively manage it, then economic growth is certain.

In this research, endogenous concur that charged to businesses stimulate economic growth. The presence of quality infrastructure attracts more business players. It is crystal clear that taxes systems should be used by most developing countries to generate revenue.

### 2.2.4 The cost of service theory.

Chartered institute of tax, Nigeria (2021), posits that citizens should not expect any free services or benefits from the government activities. This means that citizens should extend a hand for better service delivery. Abringa (2019) also noted that IMMT was introduced so that every citizen contribute for better service delivery by the government and at the same time IMTT relieved the burden from perennial tax payers such as civil service and formal sectors.

The cost of service theory, share the common objective with the endogenous theorist. They both supported that taxes charged to businesses are health to an economy. The latter further claim that citizens should not be too much dependent on assistance. Instead they should put something on the table for better service delivery. To this research, the cost of service theory exposes that better services delivery comes from a large pull of revenue which is obtained by the state through taxes.

### 2.2.5 The social –political theory

This theory asserts that the social and political objectives should be the chief determinants in selecting taxes in a given country. (Nyoni 2015). In support of Nyoni (2015), Tapera (2019) argues that Zimbabwe's vision 2030, for transforming the economy into a middle class was one of the reason for the introduction of 2% IMTT. To accelerate economic growth, quality road networks, better social services and infrastructure should be provided. The revenues for these services should come from taxes.

In carrying out this research, the social political theory tries to put it clear that what the ruling elite tries to achieve in the long run, for instance in Zimbabwe, to make Zimbabwe a middle class economy by 2030 resulted in the introduction of IMTT. The question, which the research addressed is its effect to growth of SMEs, considering

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rampant leakages of revenues in the country as witnessed by corruption which is at its zenith.

## 2.3    Definitions of Small to Medium Enterprises.

The Ministry of Small and Medium Enterprise and Cooperative Development (MoSME and CD), policy document (2012) quoted in Zindiye (2018), defines an SME as a Legal business entity considered in terms of turnover not less than $800000, and not a branch or subsidiary or associate of a larger business organisation and should have a maximum number of full time workers of less than 100. Nyoni (2015) defines it as an informal business with less than 100 employees. Simrac Kwekwe has 84 employees and is part of SMEs. International Standard Committee Foundation, cited in Maseko (2015), defines SMEs as entities that do not have public accountability thus publishes general purpose financial statements for external use. Abringa (2019) defines SMEs as businesses that maintains assets and revenues and employees below a certain threshold. From the above definitions, the third one seems to knock a lot of sense in that it clearly spelt out that the definition of SMEs vary from country to country depending on criteria set to constitute an SME, considering value of assets, size of workforce and revenue generated. Zimbabwean definition of SMEs is explained in the table below

**Zimbabwe Definitions of SMEs**

| Sector/ sub sector | Size /Class | Maximum no of full time Employee |
|---|---|---|
| Agriculture, Mining, Manufacturing | Micro ,Small, Medium | 05 50 100 |
| Construction, Transport, Retail, Tourism, Catering, Arts ,Wholesale and Fishery | Micro Small Medium | 05 30 50 |

**Source; MoSME and CD Policy (2015)**

**2.4    Benefits of Taxing SMES**

Mazorodze (2018) assert that a bid to raise much needed revenue, the government of Zimbabwe sought to expand their tax net by incorporating the growing informal sector into paying IMTT. This entails that all firms were made to operate at same level removing competitive advantage to the informal sector and at the same time help the already shrunk formal sector in raising government revenue. (Nyoni 2015).

Josh, Prichards and Heady (2014) affirms that informal sector represents a potential significant source of tax revenue for a cash striped government. Their argument was that revenue collection by the state can be enhanced through taxing every transaction. If that one is done, tax morale and tax compliance is also is also sustained among firms in the formal sector. Other notable benefits of SMEs include employment creation, contribution to the GDP of a nation and assist improving living standards (Nyoni 2015).

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### 2.4.1   Principle of Taxation.

Kaplow, (2009) argues that there are three key principles of studying taxation. These principles can be remembered by three Cs namely comparability, comprehensiveness and completeness. Davila (2019) asserts that tax principles includes neutrality, efficiency certainty and simplicity, effectiveness and fairness and lastly flexibility.

**Principle of completeness.**

Kaplow (2009) says that it is not possible to study only one form of tax in the entire tax system. The argument is that the structure of tax has a direct relationship with the structure of other taxes and the revenue a tax brings in depends also on the revenues contributed by other taxes. A complete tax system is the one which is flexible (Tapera 2019). Colliard and Hoffmann (2017) argues that a flexible tax system is the one which is easily changeable and dynamic to ensure a nation keep pace with ever-changing technology and commercial development. Tax should meet the revenue needs of the government for it to be termed flexible. The introduction of IMMT in Zimbabwe was done to meet government revenue needs at the same time allowing government to technology.

**Principle of comparability.**

While studying a particular tax, Kaplow (2015), argues that there is need not to overlook the effect that the tax may have on different stakeholders. This principle is similar to fairness and effectiveness. Tapera (2016) argued that fairness and effectiveness means that the right amount of tax should be charged at the right time. The ability of taxpayers to contribute should also be born in mind.  Double taxation and unintentional non taxation should be avoided. While the 2% IMMT was meant to raise government revenue, the principle cites the need also to examine individuals 'ability to pay it and how the same tax impact the performance of businesses.

**The principle of comprehensiveness.**

This principles mainly focus of the comprehensive assessment of policies that the government use to generate revenue. Key focus will be on the benefits and limitations of each policy. Kaplow (2015). In support of principle of completeness, Oloidi (2014) noted that a good tax should be certain and simplicity. They argued that a tax system

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should be clear and easy to comprehend. This enables taxpayers to understand their dues and their entitlement. Coelho and Hood (2021) says complexity of tax favours aggressive tax planning, which may trigger deadweight loss in the economy. The study of IMTT helped to further expose whether IMTT is clear and simple to understand by key stakeholders.

## 2.5    Factors Affecting SMEs Growth.

Of late, the growth of SMEs has been hindered by various factors such as limited access to finance and high cost of finance, lack of marketing skills and marketing knowledge, lack of managerial and entrepreneurial skills, poor infrastructure , hostile regulatory environment and lastly in the case of Zimbabwe bad publicity which resulted in low foreign direct investments.

### 2.5.1    Limited access to finance and high cost of finance

Maseko (2015) asserts that securing adequate finance tend to be a nightmare for most SMES. This is because they are deemed to lack collateral security and most banks are not willing to provide them with finance. Abrianga (2019), in support of Maseko (2015) noted that cost of finance is very high to most SMEs because investors perceive offering SMEs funds as too risky. In turn financial institution charges high interest rates which catapults the expenses of SMEs. Tulsian (2019) further argued that Zimbabwean firms suffer from international bad publicity which resulted in limited foreign directed investments. This further limited SMEs' ability to obtain funds to oil their operations.

### 2.5.2    Lack of marketing and marketing knowledge.

SMEs are facing a cut throat competition posed by globalisation. Nyoni (2015) argues that this threat is worsened as SMEs lacks marketing skills and marketing knowledge. Retaining customers tend to be a major problem for most customers as customers tends to move with technology. The market which is largely dominated by large firms with vast resources tend to pose serious problems to the growth of SMES (Abrianga 2019).

### 2.5.3    Lack of managerial and entrepreneurial skills.

Lack of managerial skills and entrepreneurial skills is cited by Maseko (2015) as another cause for the fall down of SMEs. Proper management of funds is very critical for the growth of firms. This skills lacks to most SMEs, with too much drawing causing

the demise of most business within two years of interception (Tulsian 2019). Poor management of funds results in business suffering from embezzlements. Bank overdrafts taken by the SMEs to enhance day to day activities further cripples their operations.

### 2.5.4 Poor infrastructure.

SMEs need enough space machinery and equipment to carry out their operations. Moffat (2015) argues that SMEs cannot function well when they do not have stable infrastructure and state of art plant and machinery to carry out their operations. Firms needs to keep abreast with ever-changing consumer needs. They can only do that when they have financial stamina to purchase state of the art machinery (Umeora 2013).

### 2.5.5 Hostile regulatory environment.

Unstable rules and regulations continues to pose serious threat to the growth of SMEs. Abrianga (2019) posits that continuous change in rules and regulations governing the operation of business affects their growth. For instance in Zimbabwe, indigenisation policy, introduction of multi – currency and setting the exchange rate of Zimbabwe dollar at par with US dollar, the abolition of merchant lines, limiting of eco cash transacting amount, the introduction of IMTT are notable examples of ever-changing policies that critically affect the growth of firms .

### 2.6 Origins of IMTT.

Wahl (2016) posits that the origins of financial transaction tax can be traced back to 1936 when the world economy suffered from Great Depression. The need to raise government revenue especially on marketable security triggered the introduction of transfer taxes. Transfer tax was brought into play by both economic and political context. Ruhl and Stein (2019) suggested that the currency crises in Russia and Asia in the 1970s, led these economies to turn their attention to tax all currency transaction. Taxing currency was done to reduce volatility on the currency markets. Stoilova and Patonov (2020) further argued that the need to finance the global public goods led to the strengthening of finance tax worldwide. Sweden is the cited by (Moffat (2020) as the first country to influence European nation to impose IMTT in 1984. Between 1995 and 2010, 95 percent of European Union revenues was generated from taxes and societal contribution, with Denmark having the highest tax burden measured as a

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percentage of Gross domestic Product of 48.51 percent. (Schwellnus and Anold 2018). The adaption of the Sustainable Development Goals (SDGs) in 2015 by United Nations helped in propagating the transfer tax across the globe. Moffat (2020) suggested that the need to finance the necessary expenditure to secure the provision of global goods. UN (2014), suggested that $ 2.5 trillion dollars funding gap needs to be closed to achieve the 2030 Agenda for SDGs with taxes identified as a major source of revenues. In Africa, South Africa and Nigeria are identified as two major economies who are doing well because of IMTT.

Not to be left behind, Zimbabwe also had to revise their IMTT which has been into play from 2002, IMTT in 2018. Her argument according to Tapera (2019) was to raise enough revenue to build the economy with target of achieving vision 2030. Zimbabwe is to be a medium economy by 2030. The vision was borrowed from the UN's SDG 2030 agenda. IMTT was increased from $0.05 per transaction to $0.02 per dollar transacted.

### 2.6.1 Problems of IMTT.

IMTT reduces market liquidity. Rajibkumar (2019) asserts that transfer tax decreases market liquidity through decreasing trading volumes which would in turn affect market volatility. The bid –ask price can be used to explain this. The difference between the highest price that paid by buyers and lowest prices sellers accept points to market liquidity. The increased tax can decrease the trading volumes and market this in turn affects market volatility.

Coelho (2016) pointed out that IMTT has an effect of increasing overall costs of businesses and the same time reducing consumers' purchasing power. The charging of IMTT for every transactions has tremendously increased cost to firms. Firms has to part way with 2 cents for every dollar transacted (Tapera, 2019). To reduce the load, the tax burden is passed to consumers who had to part way with extra dollars for every commodity the purchase. Firm has to increase price as a cover up measure for IMTT.

### 2.7 Empirical Review

Tulisian (2020) asserts that the word empirical comes from Greek word "empeirikos" which means experienced. Yazan (2015) defined empirical literature as a summary of

previous research findings. Maseko (2015) argues that empirical research is based on measured and observed phenomena and derives knowledge from actual experience rather than from theory and belief.  Under this headings, findings from past experiences on IMTT and taxes were reviewed. Relationship between variable used in such experiences were noted. Lastly similarities and differences between authors findings were highlighted thus exposing the research gap.

### 2.7.1  Effects of tax on business profitability.

Lee and Gordon (2019) carried out a research to establish the relationship between statutory corporation taxes and profitability. The research was conducted in Kenya. A population of 15 companies in various sectors was used. Their conclusion noted a negative correlation between corporate tax and profitability. Similarly, Gatsi, Gazo and Kportorgi (2013) investigated the impact of VAT increases on the performance of manufacturing entities. The study was conducted in Zimbabwe. They conclude that there is a negative effect on financial performance of firms due to an increase in tax base. Their argument is based on the fact that higher revenues obtained by firms also attract higher tax obligations which eats into the business profits. While also studying the effect of general taxes on growth, Moffat (2015) argued that although they are regimes that offer tax incentives to SMEs, there do not encourage business growth and also stifles profitability hence most businesses evade tax .8 SMEs were used in the study. They were all drawn from the same province. Moffat (2015) asserts that whether SMEs are offered tax incentives, they eventually try to evade tax by limiting their growth.

In contrast Karugu (2016) argues that indirect taxes do affect business positively. He noted that revenues collected from taxes can be used to improve infrastructure. Good infrastructure, with good road networks attracts investments. These services can be improved when there is enough revenues from government coffers.  The study was on the impact of indirect taxes on business performance. A sample of 10 companies drawn from 3 countries in the SADC region was used.  The study was carried out using the pragmatism approach. In support Loeprick (2015) also suggested that firms peg their prices after considering all the costs associated with coming up with the product. The aspect of taxes is not neglected. Their profit margin will not be necessarily affected as

the prices can be increased to cater for the taxes. The study was carried out investigating the impact of general taxes on consumption.

### 2.7.2  Influence of tax on market share

Gulley and Santerre (1993) carried out a study on the impact of corporate taxes and property taxes on pricing and market share of European countries.  A sample of five countries drawn from Denmark, England and Germany was taken. Data was collected using both qualitative and quantitative approach. Their results showed that taxes such as corporate tax and property taxes indirectly influence the firm' s product or share of the market.  This notion is also supported by Nesvisky (2020), who propounded that market share can be reduced by certain tax systems if buyers are price sensitive. The study carried out by Nesvisky (2020) was on the impact of direct taxes such as PAYE to pricing and market share of retail businesses. Personnel income taxes especially on SMEs were mentioned to have a negative impact of growth and expansion.

While studying the effect of indirect taxes on performance of large Nigerian construction companies, Ocheni and Stephens, (2015) all disagreed with Nevisky, (2020) and noted that indirect taxes had no significant effect on aiding business growth as well as its market share. Their bases of conclusion was that attributable surpluses recorded in the financial statements bear in mind such costs. Company reputation was cited a key factor for maintain market share.

### 2.7.3  Influence of tax on sales volume

Kamar (2015) attested that, in large retail shops, sales revenues and taxes has an inverse relationship. When taxes are increased, sales revenues decreases due to a decline in sales volumes which has a direct effect on recapitalisation of the business. Large retail shops drawn from South African provinces were used in the study. Data was collected using questionnaires and interviews. A descriptive research design was used. Davood and Zou (2019) supported this by arguing that consumers are more mobile in their purchasing behaviour regardless of their geographical location when tax rates are low.

When tax rates increases, and causes prices to go up, consumers consider other issues like how far the store is from them and the cost in energy and time associated with purchasing the product or service.

Loeprick, (2015) and Baurer, (2015) disagrees with the above authors and they highlighted that in manufacturing industries, sales volume is affected only by demand and not taxes. They further stated that it is difficult to conclude that indirect taxes do have an effect on sales volume when it is just a relay button that is received and handed over to somebody, business sales volume are slightly influenced. Tapera (2019), support suggested that IMTT cannot be viewed as an enemy to the business community due to the fact that it is charged and collected from non-registered competitors who have been of late enjoying competitive advantages through tax avoidance.

### 2.7.4   Influence of taxes on performance and liquidity.

Ocheni and Gamedi (2015) carried out a study on the effect of multiple taxes on engineering business performance. The aim of their research was to find out if there is a correlation between multiple taxes and business survival and secondly to assess whether the size of the business and their ability to meet tax obligations affect their survival. They concluded that multiple taxes has an effect on business viability. Business theories were used in their study and the study was carried out in Kenya. While studying the impact of taxes on large firms, Stoilova and Patonov (2020) argued that IMTT greatly reduces the business liquidity. They pointed out that each time a business transact, they are forgoing part of their hard earned cash. They encored their study on the effect of taxes to liquidity of retailers. Umeora (2013) supported this saying business liquidity is negatively affected when the government forces firms to meet deadlines or else get penalties. The research was on the effect of tax compliance to liquidity of firms.

Nyoni (2015), investigated the impact of tax administration to corporate liquidity. The study was carried out in Zimbabwe. A sample of 10 large companies was taken. A descriptive research design was used. Results denied that taxation affect the working

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capital of the business negatively. Their line of reasoning was that taxation if well administered, fairly distributed across industries does not necessarily have a negative influence on liquidity. For instance taxes can be collected, used to pay civil servants who in most developing countries takes a larger part of government revenue. The funds can be re invested again in business through selling of commodities to civil servants. In agreement with this, Tulsian (2019) argues that if all citizens are taxed, revenue is generated by the government. The revenues can be used by the government to improve public goods as well as making loans available to SMEs. Availability of funds promote business growth as most business will have access to funds that enhance expansion. The research investigated the impact of indirect taxes to revenue generation by the state.

## 2.7 5   Research Gap.

Davood and Zou (2019) studied the impact of transfer tax on the long run growth rate in the EU- 27. Annual growth rate of GDP per capita was their dependent variable and different types of indirect taxes being their independent variable. They concluded that these indirect taxes are not very effective instruments for political and economic development. In their conclusion, they even highlighted that it is difficult to draw a definitive conclusion from their empirical results due to size of the sample used. Kadijima (2020) also carried out a research on the impact of IMTT to the performance of an engineering sector. Three countries namely Zimbabwe, Namibia and Lesotho were used in the study. Engineering firms were grouped into 8 sectors and further grouped into two major sectors namely metal and non-metal products. Pragmatism approach was used in his study. The findings highlighted a negative correlation between IMTT and growth rate of engineering sector. In their recommendations, they suggested that a similar research be conducted on the Impact of IMTT on companies in different sectors such as retailers and mining.  Stoilova and Patonov (2020), who denied the idea that IMMT do affect growth of firms negatively carried out a research. Their study was on the impact of indirect taxes on liquidity.

Whilst the above researches tries to expose the impact of indirect taxes on growth of firms, their findings are in conflict. Davood and Zou (2019) conducted their research in the EU -27. Kadijima's research was on the engineering sector, Stoilova and Patonov carried out a similar research but this time on large firms. This research was unique from the other researches in that it was indirect tax specific. It focused on IMTT only.

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It was also conducted on SMES, which again is a specific sector as recommended by Davood and Zou (2019). Lastly with SMEs forming the backbone of Zimbabwean economy, the research explored tropical threats that may hamper the growth of SMES in the country.

## 2.8    Summary

This chapter reviewed and weighed the findings of previous researchers on the impact of IMMT to firms. During the analysis, a research gap was established to justify why the researcher decided to venture on a similar matter which still is still debated, as evidenced by the collected literature. Objectives noted in chapter one were used as a guideline to review what early researchers has to say on the problem.in the next chapter , the research methods used to gather data will be shown. The research design used together with the justification of use of such design will also be highlighted in the next chapter.

# CHAPTER 3

# RESEARCH METHODOLOGY

**3.0    Introduction**

A Pragmatism approach was utilised in gathering data. The descriptive survey research design method was utilised. Justification for the appropriateness of the selected research design was done. Targeted population together with the thorough discussion of sampling procedures employed were also highlighted. Tools such as questionnaires and interviews used in the collection of data, with their development based on research objectives and questions were clearly described showing their strength and limitations. The chapter ends with a discussion made to ensure the validity and reliability of data collected.

**3.1    Research design**

Stoilova and Patonov (2020) described a research design as an arrangement of conditions for the collection and analysis of data that is relevance to the research. Nyoni (2015) defines it as a theoretical structure in which a research is conducted. The two definitions agree that a design is a plan made to facilitate the collection of data by the researcher. To describe the state of affairs existing, a descriptive survey was employed. The descriptive approach worked efficiently in gathering current data from the respondents on the impact of IMTT to Simrac Retailers. www.descriptive.research.ac.uk : retrieved on 3 June 2021 asserts that the use of a descriptive research design assist in investigating a contemporary phenomenon with its real life context. Research questions and objectives were linked to data collected by the research design. Walliman (2011) noted that a descriptive survey is utilised when the subject matter is complex. Given the complexity of IMTT, the descriptive survey enabled the respondents to explicitly describe how the tax impact the business performance. The exhaustiveness of respondents helped to ensure that more data necessary for this research was obtained. The major weakness of descriptive survey lies on its theoretical nature and its impracticality to be proven.

### 3.2 Research Method

Denzin and Lincolin (2015) asserts that research questions and the subject being investigated determines the methodology used. This research aimed at assessing the impact of IMTT on growth of SMEs. In doing so mixed methods approach was used in the study to collect data. Mixed method employs both quantitative and qualitative methods so that the limitations of one method are compensated by the other. However due to the nature of the research, quantitative research methods dominate in the study.

### 3.2.1 Justification of mixed method

Kumar (2015) asserts that quantitative method encompass the use of calculated techniques on the detailed analysis of data collected. Objective theories are tested and proven through examining relationship between variables. Hughes (2014) noted that quantitative technique gives highly reliable and valid calculation which makes results highly accuracy. In this research, quantitative research technique was used to assert the impact of IMTT on profitability and liquidity. Calculations were made comparing prior and post IMMT data. Profits were calculated before and after finance cost, with the finance cost further grouped into IMTT and other taxes. Information obtained from analysed records was easily understood through practical examination- calculation of variations.

Whilst quantitative technique provides accuracy results, its major demerit was that it was time consuming as data was first captured, thoroughly analysed before it was presented. More so, the technique requires data analysis software especially when aggregating daily IMTT charges considering the voluminous of Simrac transactions. The software was not accessible in the research process.

Qualitative research was chosen because it reinforces an understanding and meaning as well as intention underlying human interactions. To determine the impact on IMMT on the firm's goodwill and market share, qualitative research proved to be best due to its

non-numeric nature. Ferreira (2020) argues that qualitative research looks on the relationship within a system and it is holistic in the sense that it looks at the larger picture (of IMTT), and begin with the searching of the whole.

The research was heuristic in nature as it aimed to bring new understanding on the impact of IMTT on business performance. As illustrated in the previous chapter, most research aimed at investigating the impacts of taxes and tax compliance to SMEs. No research was relegated to a particular tax. The uniqueness of this research was its ability to identify the impact of a particular tax- IMTT, on business performance.

### 3.3 Population and Sample size.

Saunders (2011), defines population as the totality of all observations. Gorchan (2021) asserts that researchers lack resources to study more than a fragment of the phenomena that advances the knowledge base. From Gorchan's sentiments, the fragment is the sample and the phenomena is the population. When defining sampling, Kumar (2014) noted that it is not possible to collect data from every respondent relevant to our study, but only from fractional part of the respondents. The process of selecting the fractional part is called sampling. Hughes (2020) defines sampling as a process by which a relatively smaller portion of objects, individuals or events is selected and analysed to find something representing the whole population.

Simrac Kwekwe has a population of ninety seven employees who are in different sections such as Management, Finance and tax consultancy, procurement, sales and marketing, HR and Transport, security and distribution. The number of employers in each department is shown in table 3.1 below

| Department | Number of employers in the department |
|---|---|
| Management | 4 |
| Finance and tax consultancy | 15 |
| Procurement | 20 |
| Sales and Marketing | 25 |
| H R | 8 |
| Transport, security and distribution | 25 |
| Total | 97 |

**Table 3.1 number of employees at SIMRAC Kwekwe according to departments**

A formula brought by Yamane (1967) was used to determine the sample size. It was chosen for this study as it is a simplified way of calculating sample sizes that fairly represent the total population. Also it provides for a confidence level of 95%. The researcher calculated the sample of SIMRAC employees as follows:

$$n= \frac{N}{1+Ne^2} \qquad\qquad n= \frac{97}{1+97(0.1)(0.1)} =49$$

Where n=sample size

N=population size

e=margin of error (MOE) =0.1

A sample of fort nine employees was chosen.  In selecting the 49 participants, the researcher employed the proportionality sampling method by placing employees into groups/ stratus, depending on their departments and level on the organogram. Putting employees into groups was done in order to have representation from all departments and all levels. Also this was done to select the participants from groups that were able to handle the issue at hand such as Management, Finance and Tax Consultancy, Procurement, Sales and Marketing. Proportionality was also employed so as to have a balanced sample. The formula used by the researcher was:

Number of samples for the group=<u>Number of employees in the department </u> * Sample size

Total employees in the four departments

For example in the Management group the sample is obtained as follows:

Number of samples for management =<u>4*49</u>  =3

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Table 3.2 shows the number of employees from each department to take part in the study basing on the formula above on proportionality

| Department | Number of employers in the department | Number of participants according to proportionality |
|---|---|---|
| Management | 4 | 3 |
| Finance and tax consultancy | 15 | 11 |
| Procurement | 20 | 15 |
| Sales and Marketing | 25 | 20 |
| Total | 64 | 49 |

Table 3.2 number of participants according to department

From Table 3.2, the forty nine participants were divided into 2 groups that were twenty five participants to respond to questionnaire and the other twenty four to be interviewed. This was done so that weakness of interviews are compensated with questionnaire hence obtaining valid findings

## 3.4 Data Sources
Whilst carrying out the research, both primary and secondary sources of data were used.

### 3.4.1 Primary Data
Nyoni (2015) defines primary data as raw data which is collected for the first time and used for the purpose it was collected. Kumar (2019) defines primary data as first hand data collected specifically for one purpose. Interviews, questionnaires and Likert scale were the tools used to gather primary data. The major benefit of primary data was that the data was up to date and collected specifically for this research. Also primary data provided reliable and accuracy results as it was first-hand information collected specifically to assert the impact of IMTT on the organisation performance. First-hand information from employees especially finance and tax departments provided much needed ingredients to identify the impact of IMMT.

### 3.4.2 Secondary Data.

Keshab (2014) noted that, secondary data is data that has been previously collected used for a certain purpose retrieve and used for another purpose. During the research, secondary data have been collected from newspapers, tax journals, magazines, online portals corporate documents and statutory reports. Kumar (2015) argues that secondary data is easy to acquire and it saves time. Besides saving time, secondary data also provided a wider information base about IMTT.

The problem encountered when using secondary data was that part of the data was out dated. For instance, most journals wrote about taxes such as Vat and Cooperate taxes. The information obtained was sometimes irrelevant to the research as the research focused much on IMTT.

### 3.4.3 Justification for Using Both Sources.

The use of both sources was done to improve results. The research aimed at aiding literature already existing literature on the impact of IMTT on SMRs. Combining primary and secondary sources was done to yield better results. The problem encountered in using both sources was the collection of large volume of data which takes a lot of time to analyse.

### 3.5 Research Instruments.

Questionnaires and interviews were the research instruments used for gathering primary data. Kasheb (2014) defines research instruments as tools used for the collection of data. At Simrac questionnaires and interviews were the research tools used to obtain the much needed responds on taxation effects.

### 3.5.1 Questionnaire

A questionnaire can be defined as a set of well formulated questions to search responses from responders (Taylor and Protector, 2001). It is a data collection tool in which written questions are presented that are to be answered by the SIMRAC Kwekwe employees in written form (Appendix A). Questionnaires are important research tools that permits anonymity and may acquire honest responses from the employees. Twenty five questionnaires were administered to the SIMRAC Kwekwe employees in order to investigate the impact of IMTT on growth of small and medium retailers. The

researcher distributed the questionnaires to the employees and the respondents were given two days to answer the questionnaires before collection. The questionnaire allowed for greater uniformity in the questions asked to enhance comparability of responses.

The questionnaires were structured in English. The questionnaires had both closed ended and open ended questionnaire allowing the researcher to capture both qualitative and quantitative data. The questionnaires were structured in four parts, the first section solicited socio demographic data of the respondents. In this study it was assumed that socio-demographic characteristics of employees have a bearing on the level of understanding the impact of IMTT on Small and medium enterprise. The sample of the questionnaires is attached as appendix A.

### 3.5.2 Semi Structured Interviews

Interviews are a data collection technique that involves questioning the respondents orally. The interview questions where prepared in advance to enable the interviewer to internalize what the interview entails. A semi-structured interview was used for this study to give the employees the freedom to give insights and their views on the impact of IMTT on Small and Medium retailers. Twenty four employees were interviewed as they had experience in the operation of small and medium retailers. All interviews were conducted face to face following a prepared template with questions. The interview guide is attached as Appendix B. The interviews were carried out at the interviewee's suggested time and place for his/her convenience. Appointments were done in advance through pre-visits to the employees' work places or through telephone. Prior to commencing the interviews, the respondents were assured of confidentiality and anonymity was stressed so that interviewees could be free to participate. Social distance, sanitisation and masking up were also put in place to guard against Covid 19. Each employee was interviewed separately and responses captured and recorded on the space provided on the guide.

**3.6     Data analysis and presentation**

According to Allison et al (2021), data analyses is a process of inspecting, cleaning, transforming, and modelling data with the goal of highlighting useful information, suggesting conclusions, and informing decision making. Upon the completion of this study, the researcher collected all the information obtained from questionnaires and interviews. The data from the SIMRAC Kwekwe employees' questionnaires was coded and analysed in SPSS version 16.0 for windows at 95% confidence level.

Qualitative data generated through open-ended questions in the questionnaires and structured interviews were subjected to content analysis (Kaplow, 2015), whereby emerging categories from data were quantified and presented in tabular format.  A Pearson's product moment test was also used to test the relationship between the age of the employers and their duration in the small and medium retailers. .Descriptive statistics were used to show frequencies in percentages on the SIMRAC Kwekwe employees for selected variables.

Lastly data was presented graphically, on pie charts and on tables and texts. Nyoni (2015) noted that texts are best suitable for presenting numerical data. Texts were used for presenting responds on profitability and liquidity. He also noted that graphs are known best for showing relationship between variables, comparison and showing trends. In the research graphs were used to compare profit figures between years, showing the relationship between profitability, liquidity and growth to IMTT. Charts and tables were also used to analyse data from close ended questions since they made interpretation easier.

**3.7     Data Validity and Reliability.**

 Baurer (2013) defines data validity as a measure of a soundness of a project understudy. Kummar (2015) argues validity of the data can be ensured when important results are obtained in a repeated process. From the two authors above, data validity indicates the extent to which research instruments give the results of what they are supposed to measure. To ensure that results gives a true representations of the researcher's claim, there was equitable distribution of questionnaires in all the department. Questions asked were in line with objectives. The respondents did point

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that IMTT impact profitability, liquidity, market share and growth. Similar responds were given by the respondents. The use of a descriptive research design method also was key to clearly hear respondents' descriptions on the impact of IMTT to Simrac.

Reliability measures accuracy and stability (Kumar2015). Reliable questionnaires which were pre tested were distributed to chosen respondents. Pre testing was done to make them clear to respondents. The use of primary data ensure reliability in the sense that current IMMT information was gathered. Sample chosen was a representation of all the departments and level of workers. This also helped to ensure reliability and validity. Lastly the use of more than one research instrument, questionnaires and interviews gave more reliable data in the sense that senior management with vast IMTT knowledge shed more light through interviews adding flesh to open ended questions.

### 3.8    Ethical Considerations.

When carrying out a research, Saunders (2013) asserts that the interest of the society at large should be considered. The researcher had to guard against action that has a negative impact to other societal groups. Plagiarism was avoided. The work of others was acknowledged. Permission was requested from Simrac management to carry out a research. Strict working hours were adhered to when conducting interviews, administering and retrieval of questionnaires. The study was open to withdraw from any respondents who might feel that responds could affect him or negatively.in order to protect respondents from emotional, social and intellectual damages, as a result of discarding research information, respondents were assured that that their responds were private and they were asked not to give their particulars. Lastly a reference list was used to acknowledge the work of others.

### 3.9     Summary.
This chapter focused on the research methodology. A descriptive research design was used. A target population was defined together with the sampling criteria. Data sources which were a mixture of primary and secondary were outlined. Research instruments used highlighting reasons for choosing them were also noted. Validity of the data was also taken into account and a discussion on the reliability was made. Data presentation and analysis plan was also highlighted. Ethical considerations in the conduct of the research were clearly spelt out. In the next chapter, research findings were presented and analysed with the base for conclusion and recommendations set out.

CHAPTER 4

DATA PRESENTATION, ANALYSIS AND DISCUSSION

## 4.0   Introduction.

This chapter presents the research findings based on the responses to the research questions. The findings are based on data collected using questionnaires and interview guides. Data was analysed to show the Impact of IMMT on growth of small to medium retailers focusing on SIMRAC Kwekwe. Research objectives and research questions were addressed in this chapter.

## 4.1   Response rate.

The study targeted SIMRAC retailers especially Kwekwe Branch.  A total of twenty five questionnaires were sent to SIMRAC employees drawn from the four departments that understand the issue at hand. The response rate is shown in table 4.1 below.

**Table 4.1 response Rate of participants on sent questionnaires**

| Department | Total questionnaires distributed | Total questionnaires completed and returned | Percentage completed and returned |
|---|---|---|---|
| Management | 2 | 2 | 100 |
| Finance and tax consultancy | 6 | 6 | 100 |
| Procurement | 8 | 8 | 100 |

| | | | |
|---|---|---|---|
| Sales and Marketing | 9 | 9 | 100 |
| Total | 25 | 25 | Mean percentage returned 100 |

The entire twenty five questionnaires sent to participants   were returned within the expected time frame. The 100 % response rate is attributed to the nature of problem at hand, which warrants all stakeholder participation. The management view the study as an eye opener to the impact of IMTT on growth of SIMRAC Retailers hence supported the study by completing the questionnaires and also motivate other employers to support the researcher.

The response rate on interviews was not hundred percent as indicated by table 4.2. The implication of non-response bias to the research findings was minimal as the response rate was above 50%. Nyoni (2016) asserts that the higher the response rate of a survey, the lower risk of non-response bias.

**Table 4. 2 Response Rate of interviewees selected based on proportionality**

| Department | Target sample of interviewees | Total interviewee(s) that took part in the study |
|---|---|---|
| Management | 1 | 1 |
| Finance and tax consultancy | 5 | 5 |
| Procurement | 7 | 5 |
| Sales and Marketing | 11 | 9 |
| Total | 24 | 20 |

| | | |
|---|---|---|
| Percent of interviewees | 100 | 83 |

From table 4.2, twenty interviewees participated in the study instead of twenty four giving a response rate of 83%. The researcher failed to have 100 percent of the interviewees since some of them refused to take part in the study due to other reasons like waste of time by university students for their projects that do not have any benefit to them. The other reason given by some interviewees who refuse to take part in the study is that it's the duty of management to discuss monetary issues with externals.

## 4.2   Background information of participants
The participants were classified into two classes that is: the ones that respond to questionnaire and the other part that was interviewed.

### 4.2.1 Gender and educational level of participants who completed questionnaire.
Results show that there were more males as compared to female employees at SIMRAC Kwekwe as shown in Table 4.3

**Table 4.3    Cross tabulation of gender and educational level of participants that completed questionnaires.**

| gender | | education level | | | | Total |
|---|---|---|---|---|---|---|
| | | o level | A level | diploma | degree | |
| | male | 3 | 4 | 4 | 5 | 16 |
| | female | 1 | 1 | 5 | 2 | 9 |
| Total | | 4 | 5 | 9 | 7 | 25 |

Males contributed 64% of the participants whilst females contributed the remaining 36%. The percentage of female participants indicated that SMR are taking gender policies into consideration. About 56% of females are diploma holders whilst 32% of males are degree holders. This means that females are not taking a leading role on management position as indicated by table 4.4 below where females dominant on procurement department. The level of education of employees at SIMRAC Kwekwe enables them to be in better position to better understand impact of IMTT on growth of SMR.

**Table 4.4   Cross tabulation of gender and department of participants that completed questionnaires**

| | | department | | | | |
|---|---|---|---|---|---|---|
| | | management | finance and tax consultancy | procurement | sales and marketing | Total |
| Gender | Male | 2 | 3 | 3 | 8 | 16 |
| | Female | 0 | 3 | 5 | 1 | 9 |
| Total | | 2 | 6 | 8 | 9 | 25 |

### 4.2.2 Gender of interviewees according to departments

Most females who were interviewed were drawn from Sales and Marketing department since the department has a large number of females as indicated by table 4.5 below. This means SIMRAC employee females mostly for marketing whilst males are deployed in finance and tax consultancy and management

**Table 4.5 Gender of interviewees according to departments**

| Department | male | Female |
|---|---|---|

37

| | | |
|---|---|---|
| Management | 1 | 0 |
| Finance and tax consultancy | 4 | 1 |
| Procurement | 3 | 2 |
| Sales and Marketing | 3 | 6 |
| Total | 11 | 9 |

**Source survey data**

### 4.2.3 Age of participants that complete a questionnaire

The majority of the participants were aged between 31 to 34 years as shown by Figure 4.1 below. This means the participants were mature enough to give valid arguments. The age of participants indicated that the participants have seen a lot of changes in government policies that affect the SMR
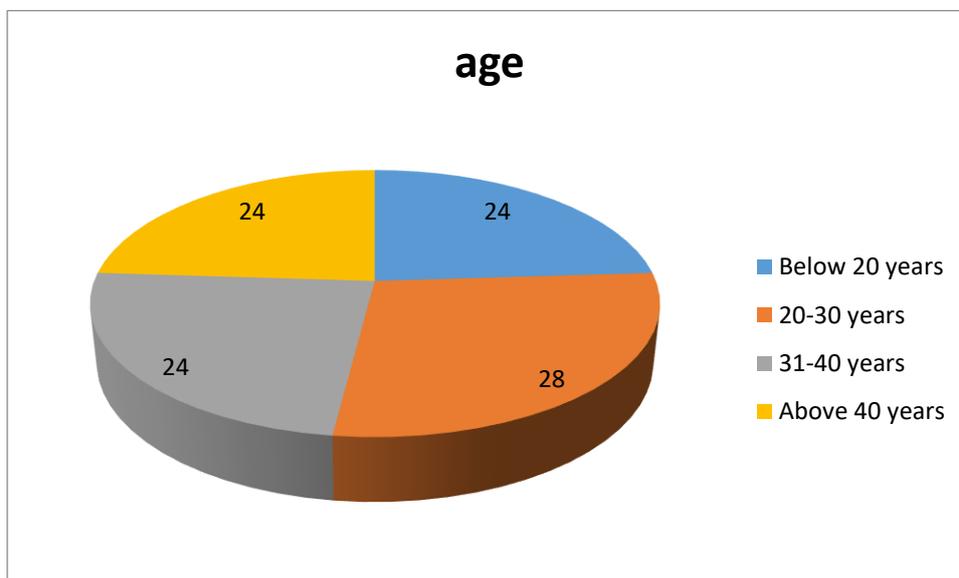


**Figure 4.1 Ages of Participants who completed the questionnaire**

### 4.2.3 Work experience at SIMRAC Retailers

About 24% of employees at SIMRAC have less than 2 years working for the organisation indicating a high labour turn over by SMR due to various reasons like low salaries caused

by low sales volume. Table 4.6 shows experience in years of employees at SIMRAC Kwekwe.

**Table 4.6 Work experience at SIMRAC Retailers**

|               | Percent |
|---------------|---------|
| below 2 years | 24.0    |
| 2-5 years     | 20.0    |
| 6-10 years    | 20.0    |
| 11-15 years   | 16.0    |
| 16-20 years   | 12.0    |
| above 20 years| 8.0     |
| Total         | 100.0   |

Periods 2 to 5 years and 6 to 10 years were having the same number of employees that was 20% each. Pearson Correlation Coefficient of 0.126 between age of employees and duration at SIMRAC retail at 0.001 significant levels using the P value of 0.05 shown in table 4.7 means that the older age have higher years of experience in the SMR.

Table 4.7 Correlations of age of  SIMRAC employees and duration at the Retail.

**Correlations**

|  |  | age | experience |
|---|---|---|---|
| age | Pearson Correlation | 1 | .126 |
|  | Sig. (2-tailed) |  | .550 |
|  | N | 25 | 25 |
| experience | Pearson Correlation | .126 | 1 |
|  | Sig. (2-tailed) | .550 |  |
|  | N | 25 | 25 |

The experienced and old ages have witnessed the changes of tax policies and their impact on the growth of SMR. The young workers with limited experience can only account for the impact of IMTT on SMR since it was introduced when they were new in the retail industry.

## 4.3.    Impact of Intermediated Money Transfer Tax (IMTT) on growth of Small to   Medium Retail Shops

The researcher found that the participants have mixed opinions on the impact of IMTT on the growth of SMR.



**Fig 4.2 Responses of Participants on whether IMTT impacts SMR growth or not**

**Source: Survey Data**

41

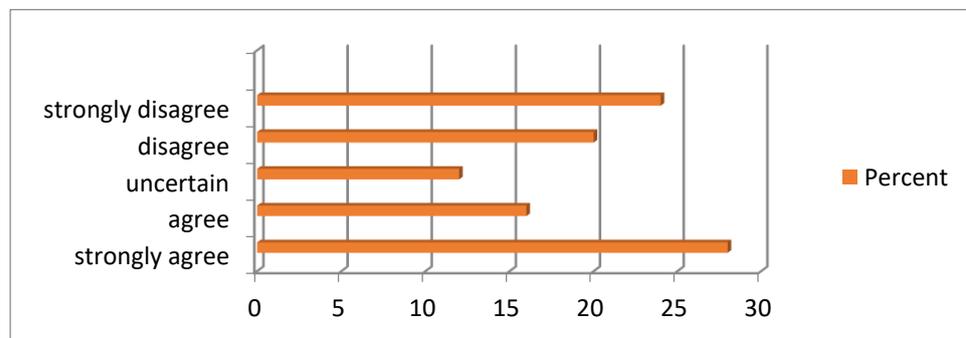About 28% of the participants strongly agree that IMTT impacts growth of SMR citing reasons such as its impact on profit of an organisation as indicated by the table 4.8 below showing the profit before tax and the profit after deducting what belongs to the taxman.

**TABLE 4.8 Effect of IMTT on the net profit of an organisation**

| Period | Net profit before IMMT | IMMT | Net profit after IMTT | % Variance |
|--------|------------------------|------|-----------------------|------------|
| 2017 | 2 456 320 | 1050 | 2455270 | 0.004% |
| 2018 | 1 554 760 | 102600 | 1452160 | 7% |
| 2019 | 1 098 665 | 198500 | 900165 | 18% |

**Source: Simrac Kwekwe Bank statement extract.**

According to Table 4.8 above, the transfer tax in 2017 was $1050 entailing that the retained earnings of Simrac decline was slightly reduced from $2 456 320 to $2455270. In 2018, the retained earnings of the organisation were reduced by $102600 revealing a 7% decrease as a result of transfer tax from $1 554 760 to $1 452160. In 2019 IMTT of $198500 was paid entailing an 18% decrease from $1 098 665 to $900165. The reduction in net profit from $2465270 in 2017 to $1452160 in 2018 thus a 41.09% reduction of this branch was questionable at the Head office level at the AGM at it was revealed from the bookkeeper that IMTT among other culprits was a major threat in reduction in profit margins. Moreover during the period 2018 to 2019, a decrease in profit by 38% from $145 2160 to $900165 was also questionable at the Head office level and the bookkeeper was of the view that IMTT among other factors were eroding the retained earnings of an organisation necessary for boosting growth. As noted by Maseko, (2014) the tax system is regarded as unfair as it levies the same taxes despite the size of the organisation hence SMEs growth is affected by the quality of the system. From the above it is crystal clear that IMTT in particular has posed great threat to the growth of SMEs yet previous researchers failed to address that.

However about 24% of the participants who completed questionnaire strongly disagree that IMTT impact the growth of SMR as they concurred with Wyd et al, (2014) that tax rates have no effect on growth on SMEs. The participants who argued that IMTT does not impact growth of SMR cited other reasons lack of marketing skills and marketing knowledge as noted by Nyoni (2015). About 20% of the participants disagree that IMMT tax Impact growth of SMRs as they concurred with Maseko (2015) that lack of managerial skills and entrepreneurial skills limit the growth of SMR. Poor management of funds was the other reason that Impacted growth of SMR cited by the majority of interviewees.

### 4.3.1    IMTT impact growth as it affect operating environment.

The participants having conflict ideas as whether IMTT impact growth as it affected operating environment as indicated by table 4.9 below

**Table 4.9 Charging of IMTT to business has improved operating environment**.

|  | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|
| strongly agree | 24.0 | 24.0 | 24.0 |
| agree | 24.0 | 24.0 | 48.0 |
| uncertain | 20.0 | 20.0 | 68.0 |
| disagree | 20.0 | 20.0 | 88.0 |
| strongly disagree | 12.0 | 12.0 | 100.0 |
| Total | 100.0 | 100.0 | |

**Source: Survey data**

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About 24% of the participant strongly agreed that charging of IMTT to business improve operating environment as revenues collected from taxes can be used to improve infrastructure. The same sentiments were suggested by Karugu (2016) encouraging SMR to pay tax in order for them to grow. About 20% of the participants were uncertain if charging of IMTT to business can improve operating environment. This implies SIMRAC Kwekwe should staff develop its members on IMMT for it to grow.

The 12% that strongly disagree with the view that charging IMTT to business improved operating environment cited that IMMT reduce competitiveness ability of SMR against large firms with vast resources. Abrianga (2019) also noted the same situation that IMTT makes the operating environment hostile for SMR who have to compete with well-nourished large firms with a lot of capital, machinery and technological advanced for advertisement purpose.

### 4.3.2 IMMT Impact growth as SIMRAC managed to open more branches after the introduction of IMMT.

The opening up of more branches by SIMRAC can be attributed to the introduction of IMTT as indicated by 20% of the participants that strongly agree that IMMT open doors for expansion of SIMRAC. However the majority of the employees were uncertain if the opening of more branches can be attributed to IMMT introduction as indicated by fig 4.3 below. Some of the participants interviewed indicated that they were never staff developed on IMTT so they don't have great knowledge on IMTT and its impact
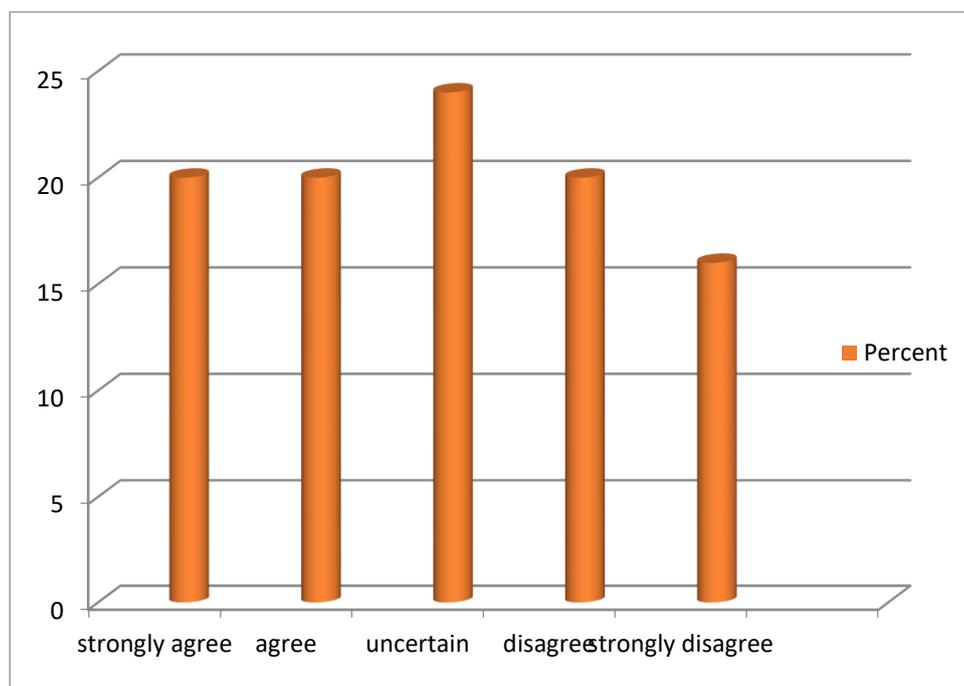
**Fig 4.3 SIMRAC managed to open more branches after the introduction of  IMTT**

**Source Survey data**

The opening up of new branches by SIMRAC was attributed to a number of factors by the interviewees but they single out the introduction of IMTT. Some of the reasons are strong marketing by the marketing team and also ability of the Retail to maintain its customers. The researcher noted that introduction of IMTT slightly increase the growth of SIMRAC as evidenced by a weak positive correlation coefficient of 0.301 below.

**Pearson Correlation of impact of IMTT on growth of SMR and Sales Revenue.**

**Correlations**

|  |  | IMTT impact growth of SMR | Sales Revenue has been significantly affected by IMTT |
|---|---|---|---|
| IMTT impact growth of SMR | Pearson Correlation | 1 | .301 |
|  | Sig. (2-tailed) |  | .144 |
|  | N | 25 | 25 |
| Sales Revenue has been significantly affected by IMTT | Pearson Correlation | .301 | 1 |
|  | Sig. (2-tailed) | .144 |  |
|  | N | 25 | 25 |

**Source survey data**

The weak positive Pearson correlation of impact of IMTT was caused by a decrease in sales revenue due to IMTT burden transferred to customers during pricing. Sales revenue were also affected byIMTT hence reducing the capital base for growth of SMEs

### 4.3.3       SIMRAC employees were staff developed on the impact of IMTT

About 36 % of the participants agreed that SIMRAC employees were staff developed on IMTT. However the least percentage of about 8% strongly disagrees on staff development of employees as a result of the introduction of IMTT as indicated by Table 4.10 below

**Table 4.10 SIMRAC employees were staff developed on the impact of IMTT**

|  | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|
| Strongly agree | 28.0 | 28.0 | 28.0 |
| Agree | 36.0 | 36.0 | 64.0 |
| Uncertain | 16.0 | 16.0 | 80.0 |
| Disagree | 12.0 | 12.0 | 92.0 |
| strongly disagree | 8.0 | 8.0 | 100.0 |
| Total | 100.0 | 100.0 | |

## 4.4.    IMTT affects the liquidity position of Small and Medium Retailers

Participants view the impact of IMTT on liquid position of SMR differently. About 36% agree that IMTT tax affects the liquid position of SMR whilst 8% strongly disagree as indicated by Fig 4.4
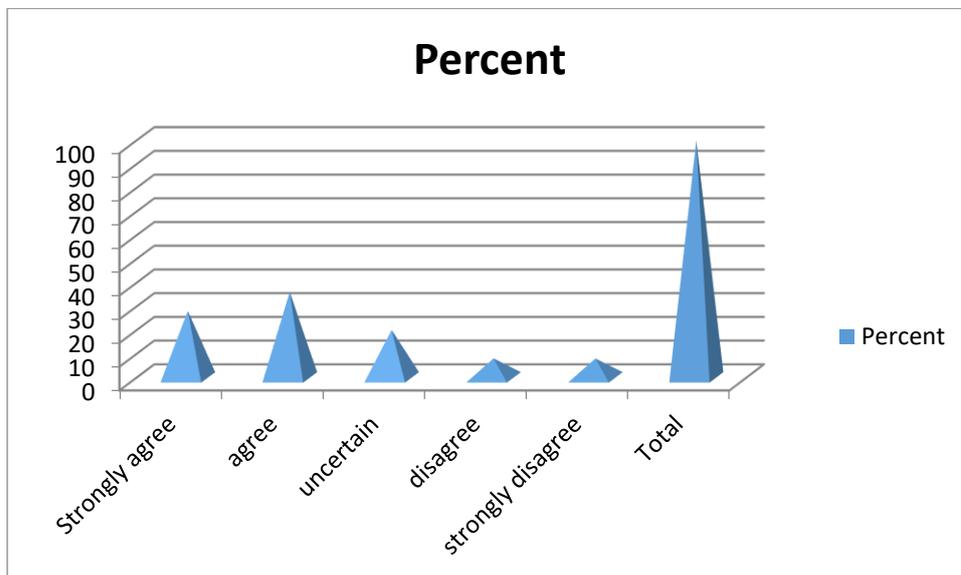
**Fig 4.4 IMTT affects the liquidity position of Small and Medium Retailers**

### 4.4.1    IMTT has a direct effect on liquidity position of SMRAC

About 28 percent of participants strongly agree that IMTT has a direct effect on liquidity position of SMRAC as indicated by table 4.11 below.

**Table 4.11 IMTT has a direct effect on liquidity position of SMRAC**

|  | Percent |
|---|---|
| Strongly Agree | 28.0 |
| agree | 36.0 |
| Uncertain | 20.0 |
| disagree | 8.0 |
| strongly disagree | 8.0 |
| Total | 100.0 |

**Source survey data**

Only 20 percent was uncertain if IMTT has a direct effect on liquidity position of SIMRAC whilst 8 % strongly disagree.

### 4.4.2    Liquidity Challenges at SIMRAC can be attributed to payment of IMMT

About 32% of the participants strongly agree that payment of IMTT lead to Liquidity challenge at SIMRAC Kwekwe as indicated by table 4.12 below. Some of the participants interviewed encored the same sentiments that charging of IMTT for every transaction has tremendously increased cost to firms. These results buttress the findings by Tapera, (2019) who argued that firms has to part way with 2 cents for every dollar transacted

**Table 4.12 Liquidity Challenges at SIMRAC can be attributed to payment of IMMT**

|  | Percent | Valid Percent | Cumulative Percent |
|---|---|---|---|
| strongly agree | 32.0 | 32.0 | 32.0 |
| agree | 36.0 | 36.0 | 68.0 |
| uncertain | 20.0 | 20.0 | 88.0 |
| disagree | 4.0 | 4.0 | 92.0 |
| strongly disagree | 8.0 | 8.0 | 100.0 |
| Total | 100.0 | 100.0 | |

**Source Survey data**

However about 8 % strongly disagree that liquidity challenges at SIMRAC Kwekwe can be attributed to payment of IMTT. The participants cited other reasons such as mismanagement of funds by management, resulting in business suffering from embezzlements. The other cause of liquid was Bank overdrafts taken by the Retail to enhance day to day activities.

Liquidity challenges at SIMRAC Kwekwe were also a result of decrease in sales volume as indicated by a strong positive correlation co efficient of 0.67 shown below

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**Correlations of liquidity challenge and sales volume SIMRAC**

**Correlations**

|  |  | Liquidity Challenges at SIMRAC can be attributed to payment of IMMT | Sales volumes has significantly reduced due to IMTT and this has posed liquidity challenges |
|---|---|---|---|
| Liquidity Challenges at SIMRAC can be attributed to payment of IMMT | Pearson Correlation | 1 | .087 |
|  | Sig. (2-tailed) |  | .678 |
|  | N | 25 | 25 |
| Sales volumes has significantly reduced due to IMTT and this has posed liquidity challenges | Pearson Correlation | .087 | 1 |
|  | Sig. (2-tailed) | .678 |  |
|  | N | 25 | 25 |

**Source survey data**

### 4.4.3    Sales volumes has significantly reduced due to IMTT and this has posed liquidity challenges

Decrease in sales volume at SIMRAC Kwekwe was attributed to IMMT by about 28% of the participants as indicated by Fig 4.5. However the majority of about 32 % were uncertain if the sales volume has significantly reduced due to IMMT and lead to liquid challenges.
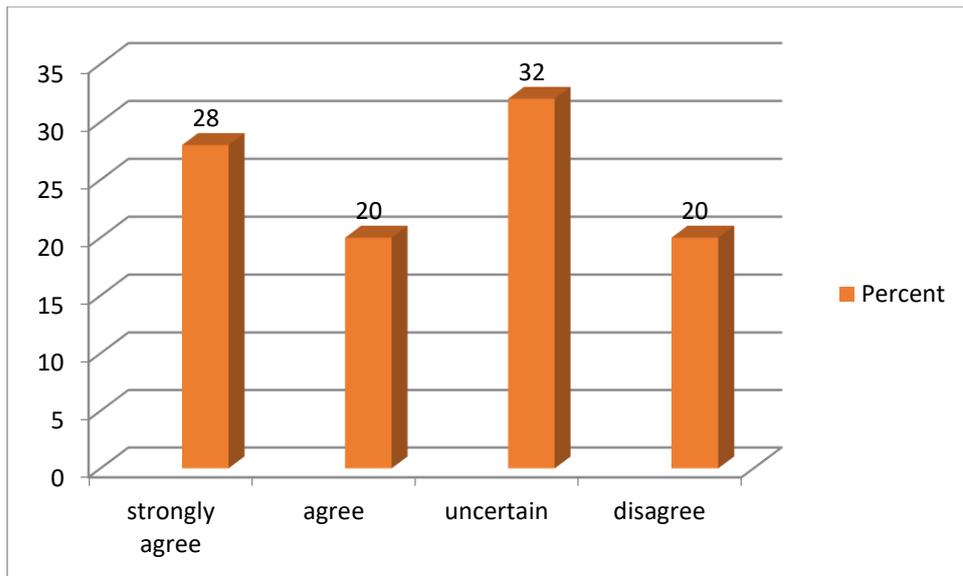
**Fig 4.5 Sales volumes has significantly reduced due to IMTT and this has posed liquidity challenges**

### 4.5        IMTT affects the sales revenue of Small to Medium Retailers

The impact of IMTT on sales revenue was a subject for debate by the participants as 40 % strongly agree that IMTTT affects sales revenue of SMR whilst 16 % disagree on the sentiments as indicated by Table 4.13 below.

**Table 4.13 IMTT affects the sales revenue of Small to Medium Retailers**

|  | Percent |
|---|---|
| strongly agree | 40.0 |
| Agree | 20.0 |
| uncertain | 20.0 |
| Agree | 16.0 |
| strongly disagree | 4.0 |
| Total | 100.0 |

**Source Survey data**

The researcher managed to obtain the financial extract of SIMRAC Kwekwe shown on table 4.13 below and was in a position to found out if IMMT affect sales revenue of SMR

50

**TABLE 4.13: Sales revenue on goods offered by SIMRAC**

| Period | Sales revenue before IMTT | IMTT | Sales revenue after IMTT |
|---|---|---|---|
| 2018 | 9 345 098 | | 9 345 098 |
| 2019 | 10 427 506.25 | 2 085 501,25 | 8 342 005 |
| 2020 | 8 719 156,25 | 1 743 831,25 | 6 975 325 |

**(Source): Simrac financial extract**

According to Table 4.13 there was no IMTT burden in 2017 as SMEs. In 2018 IMTT was introduced. 2018 sales revenue decreased from 9 345 098 to 8 342 005 which was an 11% decrease due to the introduction of IMTT. The effects of IMTT were further noted as there was a decrease of 16% in 2018 from a previous 11% in 2017 which shows that IMTT is diminishing the sales. The research findings are similar to Alasfour, (2016) who noted that high taxes erode sales volume.

### 4.5.2 Consumer purchasing power has been affected by introduction of IMTT

About 32% participants strongly agree that consumer purchasing power has been affected by the introduction of IMTT as indicated by Fig 4.6 below.   A decrease in the purchasing power leads to a decrease in sales revenue hence limiting the growth of SMR. The charging of IMTT for every transactions increased costs to firms. In order to reduce the burden of tax charges, firms pass the tax burden to consumers hence reducing their buying power.
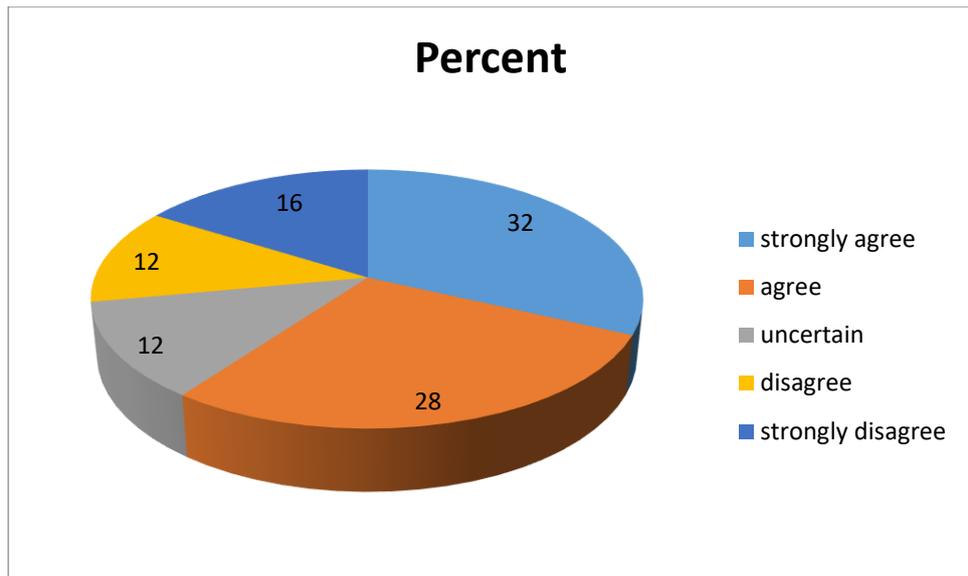
**Fig 4.6 Consumer purchasing power has been affected by introduction of IMTT**

About 12% of the participants were uncertain if introduction of IMTT reduce consumer purchasing power. The participants cited lack of staff development on IMMT. Only 16% of participants disagree that introduction of IMTT affected customer purchasing power as the customers have other alternative like purchasing on unregistered dealers who do not pay tax. Also other participants argued that some of the customers have a lot of money to any extent that they don't feel the impact of IMTT.

**4.6        IMTT has an impact on pricing of commodities by SMRs.**

Participants have diverging views on whether IMTT has an impact on pricing of commodities as indicated by table 4.14 below.

**Table 4.14 IMTT has an impact on pricing of commodities by SMRs.**

|  | Percent |
|---|---|
| strongly agree | 28.0 |
| Agree | 36.0 |
| Uncertain | 24.0 |
| Disagree | 8.0 |
| strongly disagree | 4.0 |
| Total | 100.0 |

Source survey data

About 28% strongly agree that IMTT affect pricing of commodities whilst 4% strongly disagree. The other 24% was uncertain; on the other hand 36% agree that IMTT affects pricing of commodities.

**4.6.1 SIMRAC has increased its prices as a result of IMTT**
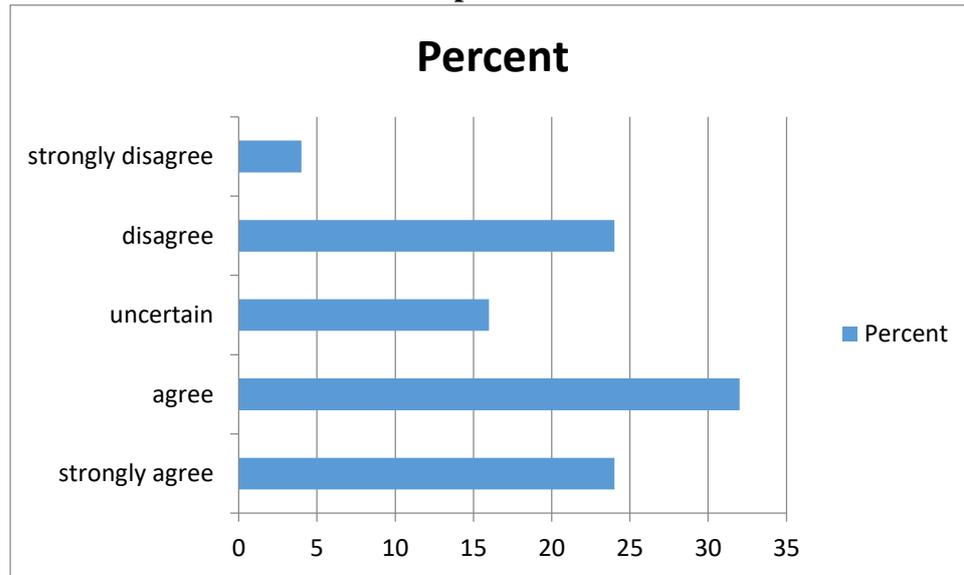


**Fig 4. 7 SIMRAC has increased its prices as a result of IMTT**

**Source survey data**

About 28% strongly agreed that the organisation has increased its prices as a result of IMTT. 36% agree that indeed IMTT has forced prices increase at SIMRAC. These results are in line with Kummar (2015) who argues that indirect taxes increase operational costs of firms and firms had to pass the button to the retailers. Some respondents cited that SIMRAC retailer shop is a price taker which is surrounded by very large retailers such as OK ltd, Pick and Pay and N Richard. As such it is difficult to set their prices but to constantly what other shops are charging. The research findings are similar to Abrianga (2016) who noted that pricing of commodities are largely influenced by market forces and the firms' operational advantages.

**4.6.2      Pricing their products, SIMRAC consider IMTT charges as their other pot of call**

Participants were having different opinions on the pricing of commodities at SIMRAC Kwekwe as indicated by table 4.15 below

**Table 4.15 Pricing their products, SIMRAC consider IMTT charges as their other pot of call**

|  | Percent |
|---|---|
| strongly agree | 32.0 |
| Agree | 32.0 |
| Uncertain | 24.0 |
| Disagree | 12.0 |
| Total | 100.0 |

About 32% of the participants strongly agree that SIMRAC consider IMTT charges as their other pot of call. However 12% disagree on the sentiments whilst 24% was uncertain.

**4.6.3      Pricing decisions at SIMRAC are spearheaded by very senior management staff members that have knowledge of IMTT.**
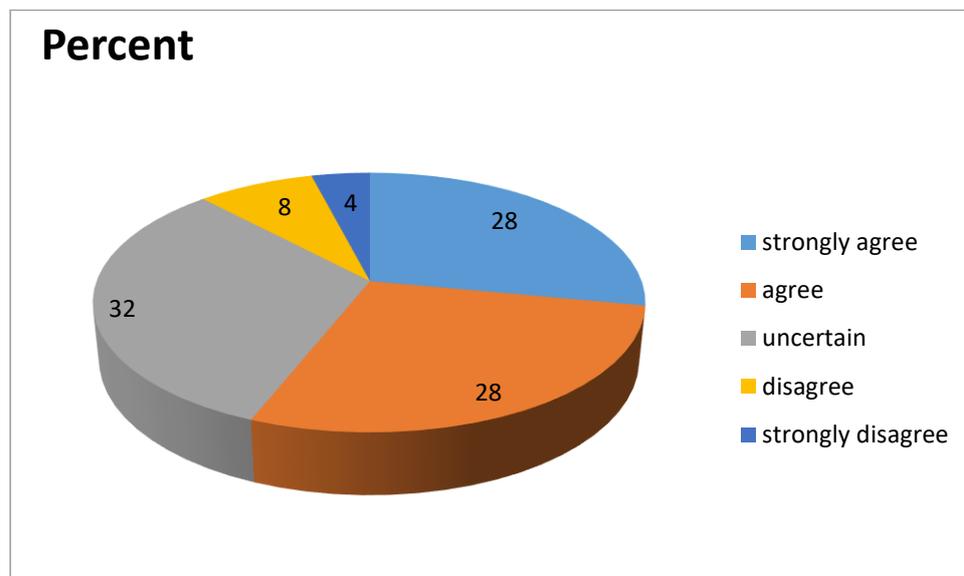


**Fig 4.8 Pricing decisions at SIMRAC are spearheaded by very senior management staff members that have knowledge of IMTT**

About 32 % of respondents suggested that they doubt whether senior management with vast tax knowledge spearheads pricing decisions. However 28% agree that very senior management with tax knowledge leads the pricing ship. Another 28% strong disagree and they argued that pricing is relegated to the marketing department, and it is the marketing department that decides pricing of goods depending on the forces of demand and supply. These findings are in conflict to Stoilova and Patonov (2020),who argued that pricing of commodities should be relegated to a very senior personnel with vast experience so that the organisation quickly adopt to ever changing rules and regulations.

### 4.7 Summary

The chapter gives a summary of the collected data in relation to the literature reviewed in chapter two. The chapter also constitutes analysis of the data collected. In chapter 5, summary of all the previous chapters, major findings of the study as well as recommendations will be highlighted.

## CHAPTER 5

**SUMMARY, RESEARCH FINDINGS, RECOMMENDATIONS AND CONCLUSIONS**

### 5.0 Introduction

Chapter one was an introductory chapter where the problem at hand was identified, highlighting research objectives and research questions. Chapter two explored related literature both theoretically and empirically. In chapter 3, research methods and design were highlighted together with research tools. Chapter four presented and analysed data. This chapter will provide a recap of all chapters highlighting some recommendations and conclusions for the whole research.

### 5.1 Chapter Summaries

In the first chapter, background information for carrying out the research as provided. The research gap was exposed through the use of prior literature that provides concise information regarding the research problem as identified at the organisation of study. Lastly the importance of the study was clearly spelt out lastly together with the aims that the research was looking forward to achieve.

In chapter two related literature was reviewed guided by the objectives cited in chapter 1. Gathered literature showed that previous researcher failed to reach a consensus on whether IMTT impact growth of SMEs negatively or positively. Some previous writers whose literature was reviewed generally argued that taxation had reduces profits and working capital while some advocated that taxes oils out government operations that improves business operating environment.

The third chapter provided the methods used in the research .Descriptive research design was chosen because of its suitability to the research project that was being carried out. Questionnaires and interviews were the research tools used with the selected participants to enhance the quality of the data collected.

In chapter four, collected data was presented in tables, pie charts and graphs with the assistance of SPSS. Immediately after presentation of the data an analysis was done. The responses obtained from the sample population elements were then related to the prior literature in chapter two of this research project. After the analysis of data the researcher would then reach draw conclusion from the responses.

### 5.2 Research Findings

Main findings obtained from the research carried so as to fulfil the objectives cited in chapter one of this research project are highlighted in this section.

### 5.2.1 Effects of IMTT on corporate profitability

The research found out that IMTT reduces the organisational profitability at SIMRAC.

### 5.2.2 The extent to which IMTT affect growth of SMRs

The research also found out that IMTT does significantly increase organisational finance costs. These costs reduce revenue and liquidity position of the firm Growth is affected. It was also discovered that taxes collected and managed effectively can assist SMEs as they will be provide with soft loans through the ministry of SMEs

### 5.2.3 Effects of IMTT on Corporate Liquidity Position of SMRs

Intermediated money transfer tax reduces liquidity for business organisation as evidenced by data obtained from SIMRAC. The research further found out that IMTT together with other taxes drains firms' hard earned cash and are not improving growth at SIMRAC as perceived by government when it collects taxes.

### 5.2.4 Effects of IMTT on pricing of commodities.

Although IMTT is increasing operational cost to SIMRAC and considered, the research find   out that other factors such as operational environment are considered when pricing the commodities. For instance SIMRAC operates in the city centre close to OK and Pick and pay. It has to constantly check prices of other competitors.

### 5.3 Conclusion

The study concludes that IMTT do significantly negatively affect the growth of SMR. In addition the same regulatory requirements also affect corporate liquidity adversely which is another key indicator of a financially stable organisation.

### 5.4 Recommendations.

❖ The SIMRAC management should participate when a consultative National budget is being crafted so that they will air out their views and may possibly eliminate some of the costs that they meet.

- ❖ Continuous education and training through seminars and company presentations on impacts of IMTT on growth and options to ensure that a larger population is equipped with transfer tax knowledge.
- ❖ The retail management should continue engaging ministry of Small and medium enterprises for soft loans to easy their operations.
- ❖ The retail shop should head hunt for a qualified certified tax accountant who should do tax planning given the voluminous of transactions they do daily.
- ❖ The Ministry of Small and Medium Enterprises should negotiate for low taxes on SMRs to enhance development.
- ❖ The government should revisit the IMTT policy to enhance the growth of SMRs. This can be done by eating what you catch approach, were revenue collected from SMEs be utilised also to improve their welfare.

## 5.5 Areas of further research

Considering the cited recommendations, the researcher proposes that further research be instituted in respect to the evaluation of the implementation of the suggested recommendations. The evaluation can be done in a dissimilar setting and sample size.

## 5.6 Summaryss

This chapter provided the summary of all other chapters in this research, main research findings, conclusion and recommendations.

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**Annex A: Questionnaire for SIMRAC Kwekwe employees**

**Introduction**

My name is CHIMHUNDU TIMOTHY, ID Number 04-145790 S 04 and Student Number R1811733Z, a student enrolled with the Midlands State University (MSU). I am a Part four student in the DEPARTMENT OF COMMERCE, studying towards a Bachelor of Commerce in Accounting. I am carrying out a study entitled ***IMPACT OF INTERMEDIATED MONEY TRANSFER TAX (IMTT) ON GROWTH OF SMALL TO MEDIUM RETAILERS: A CASE STUDY OF SIMRAC RETAILERS.***

 I guarantee that information from this research questionnaire will be used solely for academic purposes and shall be kept private and confidential. You are kindly asked to be faithful and honest and as independent as possible when completing this questionnaire. Your cooperation will be greatly appreciated as it will go a long way in helping growth of small and medium retailers.  Furthermore, your cooperation enhances a successful completion of my study.

 If you need any clarification on the questionnaire, please feel free to contact me on email timychimms@gmail.com or mobile numbers 0715447593.

**Instructions**

Please do not write your name or anything that will identify you on this questionnaire, just indicate your answer by ticking in the appropriate box or completing, the provided blank space. Complete all sections.

**Section A: Socio-economic and demographic characteristics of the participant**

1. Gender

Male ☐                                    Female ☐

2. Age

Below 20 years ☐     20-30 years ☐     31-40 years ☐     bove 40 years ☐

3.  Level of education.

Z J C ☐        O level ☐     A Level ☐     Diploma ☐        Degree ☐

5. Department…………………………………………………

6. Position held……………………………………………………………………………..

7. Work Experience

Below 2 years ☐          2-5 years ☐          6-10  years ☐

11-15 years ☐          16-20 years ☐          Above 20 years ☐

**Section B Impact of Intermediated Money Transfer Tax (IMTT) on growth of Small to Medium Retail Shops**

8. IMTT impact the growth of Small to   Medium Retail Shops

Strongly agree ☐   Agree ☐   Uncertain ☐   Disagree ☐   ongly disagree ☐

9. Give reason(s) for your response to question 8 above

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………………………………………………………………………………………………

10. Charging of IMTT to businesses has improved SIMRAC operating environment

☐        ☐          ☐          ☐          ☐

Strongly agree        Agree        Uncertain        Disagree        Strongly Disagree

11. Give reason(s) to your response to question 10 above

……………………………………………………………………………………………………

……………………………………………………………………………………………………

……………………………………………………………………………………………………

12. Funds collected through IMTT are used to improve firms operating environment that promotes growth

Strongly agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

13. Give reason(s) to your response to question 12 above

……………………………………………………………………………………………………

……………………………………………………………………………………………………

……………………………………………………………………………………………………

14. SIMRAC has managed to open up more branches after the introduction of IMTT

Strongly agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

15. Give reason(s) to your response to question 14 above

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16 SIMRAC employees were staffed developed on the impact of IMTT

Strongly agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

17. Give reason(s) to your response to question 16 above

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**Section C Extent to which IMTT affects the liquidity position of Small to Medium Retailers (SMRs).**

18. IMTT affects the liquidity position of Small to Medium Retailers (SMRs).

Strongly agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

19. Give reason(s) for your response to question 18 above

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20 IMTT has a direct effect on liquidity position of SIMRAC

Strongly agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

21 Give reasons for your response to question 20 above

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22 Liquidity challenges at SIMRAC can be attributed to payment of IMTT

Strongly agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

23 Give reasons for your response to question 22 above

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…………………………………………………………………………………………………………

…………………………………………………………………………………………………………

24 Sales volumes has significantly reduced due to IMTT and this has posed liquidity challenges

Strongly agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

25 Give reasons for your response to question 24 above

**Section D Effects of IMTT on sales revenue of SMRs**

26. IMTT affects the sales revenue of Small to Medium Retailers?

Strongly agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

27. Give reason(s) for your response to question 26 above

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28. Consumer purchasing power has been affected by introduction of IMTT

Strongly agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly Disagree ☐

29. Give reason(s) for your response to question 28 above

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…………………………………………………………………………………………………………

30 Organisation's marketing team has been staff developed on IMTT issues

☐ ☐ ☐ ☐ ☐

Strongly agree      Agree      Uncertain    Disagree    Strongly Disagree

31. Give reason(s) for your response to question 30 above

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32. Sales Revenue has been significantly affected by IMTT

Strongly agree ☐ gree ☐ Uncertain ☐ isagree ☐ ongly Disagree ☐

33. Give reason(s) for your response to question 32 above

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**Section E The impact of IMTT on pricing of commodities by SMRs.**

34. IMTT has any impact on pricing of commodities by SMRs.

Strongly agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly disagree ☐

35. Give reasons for your response to question 13 above

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36 SIMRAC has increased its prices as a result of IMTT

Strongly agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly disagree ☐

37. Give reasons for your response to question 36 above

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38. Prices of commodities has been out of rich for many customers due to IMTT

Strongly agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly disagree ☐

39. Give reason(s) for your response to question 38 above

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40. When pricing their products, SIMRAC consider IMTT charges as their other pot of call

Strongly agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly disagree ☐

41 Give reason(s) for your response to question 40 above

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………………………………………………………………………………………………………
………………………………………………………………………………………………………

42. Pricing decisions at SIMRAC are spearheaded by very senior management staff members that have knowledge of IMTT

Strongly agree ☐ Agree ☐ Uncertain ☐ Disagree ☐ Strongly disagree ☐

**Annex B Interview guide for SIMRAC Kwekwe Employees**

**<u>Introduction</u>**

My name is CHIMHUNDU TIMOTHY, ID Number 04-145790 S 04 and Student Number R1811733Z, a student enrolled with the Midlands State University (MSU). I am a Part four student in the DEPARTMENT OF COMMERCE, studying towards a Bachelor of Commerce in Accounting. I am carrying out a study entitled *IMPACT OF INTERMEDIATED MONEY TRANSFER TAX (IMTT) ON GROWTH OF SMALL TO MEDIUM RETAILERS: A CASE STUDY OF SIMRAC RETAILERS*.

I guarantee that information from this research interview will be used solely for academic purposes and shall be kept private and confidential. You are kindly asked to be faithful and honest during the interview. Your cooperation will be greatly appreciated as it will go a long way in helping growth of small and medium retailers. Furthermore, your cooperation enhances a successful completion of my study.

**<u>Section A Socio-economic and demographic data</u>**

1. **Gender**
2. **How old are you?**
3. **What is your educational qualification?**
4. **Which department are working in?**
5. **What position do you held within that department?**
6. **How many years have you been working for SIMRAC Kwekwe Branch?**

**Section B Impact of Intermediated Money Transfer Tax (IMTT) on growth of Small to Medium Retail Shops**

7. **How does (IMTT) impact the on growth of Small to Medium Retail Shops? (you can provide any document to prove the assertion)**
8. **Does charging of IMTT to businesses improved SIMRAC operating environment**
9. **Funds collected through IMTT are they used to improve firms operating environment that promotes growth?**
10. **SIMRAC employees were they staffed developed on the impact of IMTT**

**Section C Effects of IMTT on the liquidity position of Small to Medium Retailers (SMRs).**

11. **IMMT affects the liquidity position of  SIMRACS (*you can provide bank extracts for past years)***

12. **Does  IMTT  has a direct effect on liquidity position of SIMRAC**

13.  **Liquidity challenges at SIMRAC can they be attributed to payment of IMTT**

14.  **Are the sales volumes significantly reduced due to IMTT and do this lead to liquidity challenges?**

**Section D effects of IMTT on sales revenue of SMRs**

15.  **Does IMTT affect the sales revenue of Small to Medium Retailers?**

16. **How does Consumer purchasing power has been affected by introduction of IMTT?**

17. **Were SIMRAC marketing team staff developed on IMTT issues?**

18. **. The introduction of IMTT, does it affected Sales Revenue**

**Section E The impact of IMTT on pricing of commodities by SMRs.**

19. **Does IMTT   affects pricing of commodities (**

20. **Does  SIMRAC increased its prices as a result of IMTT (*you can provide list of prices of certain commodities***

21.  **Prices of commodities is it  out of rich for many customers due to IMTT**

22.  **When pricing their products, SIMRAC does it consider IMTT charges as their other pot of call**

23.   **Pricing decisions at SIMRAC are they spearheaded by very senior management staff members that have knowledge of IMTT**