



THE ROLE OF TAX EDUCATION AND BUSINESS SUPPORT SERVICES IN IMPROVING TAX COMPLIANCE WITHIN THE INFORMAL SECTOR UNDER THE NEW TAX REGIME IN ZIMBABWE: A CASE OF MASVINGO

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Article DOI: <https://doi.org/10.36713/epra23669>

DOI No: 10.36713/epra23669

ABSTRACT

The informal economy constitutes a dominant segment of Zimbabwe's economic landscape, yet its contribution to national tax revenue remains significantly low, presenting a critical challenge for domestic resource mobilization. This paper investigates the potential role and effectiveness of tax education and business support services as mechanisms for enhancing tax compliance among informal sector operators in Masvingo, Zimbabwe, specifically within the context of the new tax regime introduced through recent Finance Acts (2023/2024). Employing a mixed-methods approach, this study qualitatively explored the experiences and perceptions of informal operators in Masvingo regarding the new tax regulations and existing support structures, while quantitatively assessing the correlation between perceived tax knowledge, access to business support, tax morale, institutional trust, perceived complexity, and reported compliance behaviour. Findings indicate low baseline tax knowledge, significant perceived complexity of the new regime, and a strong negative correlation between compliance and factors like perceived corruption and system complexity ($r = -0.65, p < 0.01$), alongside a positive correlation with financial literacy and access to bookkeeping support ($r = 0.58, p < 0.0$) and trust in tax authorities ($r = 0.71, p < 0.01$). Thematic analysis revealed widespread confusion, mistrust in governmental institutions, affordability concerns regarding presumptive taxes, and a critical need for practical, accessible support tailored to the informal sector's realities. The study concludes that while tax education and business support are essential for building compliance capacity, their effectiveness is severely constrained by low tax morale stemming from governance deficits, perceived unfairness, and administrative complexities. Recommendations emphasize the need for simplifying the tax regime, developing targeted and integrated education and support programs focused on practical skills and demonstrating the fiscal contract, enhancing transparency and accountability, and fostering a more supportive regulatory environment at the local level in Masvingo.

KEYWORDS: Tax Compliance, Informal Sector, Tax Education, Business Support Services, Presumptive Tax, Tax Morale, Zimbabwe, Masvingo.

1. INTRODUCTION AND BACKGROUND

Zimbabwe's informal economy plays a pivotal role in the national economic landscape, accounting for a substantial proportion of the Gross Domestic Product (GDP) and serving as the primary source of employment for a significant majority of the population (Mpfu & Nicolaidis, 2024). In urban centres like Masvingo, informal activities are not merely supplementary but essential to household income and community livelihoods (Chigwenya & Simbanegavi, 2020). This sector encompasses small-scale traders, vendors, transport operators, artisanal manufacturers, and a wide range of service providers operating outside formal registration and taxation systems.

Despite its economic significance, the informal sector's contribution to national tax revenue remains disproportionately low, posing a critical challenge to Zimbabwe's domestic resource mobilization efforts (Dube & Caspar, 2021). Historical evidence suggests that attempts to formalize or tax this sector have faced persistent



obstacles—ranging from administrative inefficiencies and political resistance to low tax morale, distrust in public institutions, and perceptions of unfairness (Gwatidzo & Wadesango, 2024).

In response to this fiscal gap, the Government of Zimbabwe has implemented a new tax regime under the Finance Act, 2023 (Act No. 13 of 2023) and subsequent Finance Act (No. 2), 2024 (Act No. 2 of 2024) (WTS Global, 2024). These reforms target the informal sector through presumptive tax expansions, mandatory registration, stricter enforcement, and the introduction of the Tax and Revenue Management System (TaRMS). The official policy narrative frames these changes as part of a broader strategy to enhance revenue collection, promote equity in taxation, and facilitate the gradual integration of informal enterprises into the formal economy (ZIMRA, 2024).

However, the practical implementation of these reforms reveals significant challenges. Many informal sector operators in Masvingo remain unaware of the specifics of the new tax obligations, perceive the system as overly complex, or lack the resources to comply. Furthermore, there is limited evidence that existing support mechanisms—such as tax education campaigns and business development services—are effectively reaching this group (Mashizha et al., 2020; Matute et al., 2023). This disconnect between policy design and the operational realities on the ground raises concerns about the sustainability and fairness of the new regime.

Research Objectives

This study seeks to address this policy-practice gap by examining how tax education and business support services influence tax compliance among informal sector operators in Masvingo under the new tax regime. Specifically, it aims to:

1. Assess the current levels of tax knowledge, perceptions of tax fairness, and compliance behaviour among informal sector operators in Masvingo.
2. Evaluate the accessibility, relevance, and perceived effectiveness of existing tax education initiatives and business support services in the district.
3. Analyse the relationship between tax education, business support services, and tax compliance behaviour in the context of the new tax regime.
4. Identify the socio-economic, institutional, and behavioural factors mediating this relationship.
5. Provide policy recommendations to enhance the design and delivery of support services that can sustainably improve compliance in the informal sector.

2. LITERATURE REVIEW

2.1 Theoretical Anchors of Tax Compliance

Understanding tax compliance, particularly within hard-to-tax sectors like the informal economy, requires engagement with several theoretical perspectives that explain taxpayer behaviour in diverse socio-economic contexts. The Deterrence Theory, rooted in the economic model of Allingham and Sandmo (1972), posits that compliance is largely a function of the perceived probability of detection and the severity of penalties for non-compliance. Within this framework, taxpayers are rational actors who weigh the potential benefits of evasion against the expected costs of being caught and sanctioned. The Zimbabwe Revenue Authority (ZIMRA) has sought to operationalize this perspective by increasing enforcement measures and penalties under the new regime, signalling that evasion will carry higher risks and consequences (WTS Global, 2024).

In contrast, the Fiscal Exchange Theory, often linked to the concept of the social contract (Blumenthal et al., 2001), emphasizes a reciprocal relationship between the state and its citizens. Here, compliance is conditional on taxpayers perceiving a fair exchange—paying taxes in return for the provision of valuable public goods and services. When the state is seen to fail in fulfilling its obligations, whether due to inadequate service delivery or corruption, taxpayers' willingness to comply diminishes significantly (Sebele-Mpofu, 2020). This erosion of the fiscal contract is particularly relevant in Zimbabwe, where governance deficits and service delivery failures have undermined trust in institutions (Muchuchuti & Chasosa, n.d.).

A third perspective, Tax Morale theory, highlights the intrinsic motivation to pay taxes, independent of enforcement measures (Gwatidzo & Wadesango, n.d.; Mpofu, 2020). Tax morale is shaped by perceptions of fairness—procedural, distributive, and retributive—trust in government and tax authorities, perceived levels of corruption, and prevailing social norms. In contexts of high corruption and low institutional credibility, as in much of Zimbabwe's informal



sector, tax morale tends to be severely depressed, limiting voluntary compliance even where administrative capacity exists.

Together, these frameworks underscore that tax compliance is not merely a technical or administrative issue but a multi-dimensional phenomenon shaped by economic incentives, governance quality, institutional trust, and socio-cultural values.

2.2 Tax Compliance in the Informal Sector in Zimbabwe

Empirical evidence consistently shows that Zimbabwe's informal economy contributes far less to national tax revenue than its scale would predict (Dube & Caspar, 2021; Matute et al., 2023). The tax gap is substantial, and while presumptive taxes were introduced to simplify compliance, they have historically yielded modest revenue (Dube & Caspar, 2021). Several interrelated factors contribute to this pattern.

Economic constraints play a significant role. High tax rates relative to low and unstable incomes create an affordability challenge for many operators (Mbiba, 2020; Muchuchuti & Chasosa, 2024). At the institutional level, the complexity of tax laws, bureaucratic registration processes, weak enforcement consistency, and limited administrative capacity hinder compliance (Dube & Zhou, 2013; Masiyandima & Sikwila, 2014). Socio-psychological barriers are equally influential; low trust in government, perceptions of corruption, and weak public service delivery undermine the perceived legitimacy of the tax system (Aslam, 2020; Sebele-Mpofu, 2020). Finally, knowledge and capacity constraints—such as limited tax literacy, poor financial management skills, and inadequate record-keeping—prevent many operators from navigating even simplified systems effectively (Mashizha et al., 2020; Matute et al., 2023).

The new tax regime, which expands registration requirements and incorporates digital platforms such as TaRMS, adds administrative layers that may exacerbate these challenges. While intended to improve efficiency and compliance, these reforms risk alienating operators who lack the necessary technological and financial capacity to adapt (WTS Global, 2024).

2.3 The Role of Tax Education

Taxpayer education is frequently cited as a strategy for improving compliance by enhancing awareness and understanding of obligations (Wadesango et al., 2023). ZIMRA's strategic plans have included expanding educational outreach through workshops, media campaigns, and online resources (ZIMRA, 2019). However, the impact of these initiatives on the informal sector appears limited.

Research suggests that existing programs often fail to reach target audiences due to inaccessible communication channels, overly technical content, and inadequate tailoring to the literacy levels and operating environments of informal operators (Matute et al., 2023). Moreover, simply providing technical knowledge rarely translates into higher compliance if other fundamental barriers—such as low tax morale, affordability concerns, and perceptions of unfairness—remain unaddressed (Aslam, 2020). Effective tax education must therefore combine procedural instruction with efforts to build legitimacy and trust by making explicit the connection between taxes and public benefits (Sebele-Mpofu, 2020).

2.4 The Role of Business Support Services

Beyond tax-specific interventions, broader business support services can equip informal operators with the skills and resources necessary to engage with formal systems. Financial literacy training, for example, can improve budgeting, cash flow management, and savings habits, enabling operators to allocate resources for tax obligations (Mandizvidza, 2020). Bookkeeping and accounting assistance are particularly critical in this regard, as they provide the record-keeping capacity essential for compliance (Makanyeza & Mutambanengwe, 2019).

Registration assistance can further reduce barriers by guiding operators through complex legal and procedural requirements (Chikoko & Chazovachii, 2017). In addition, facilitating access to finance can enable investment in compliance-related tools, such as digital devices for record-keeping or fiscalisation. Despite their potential, such services are often scarce, costly, or poorly adapted to the needs of micro and small enterprises in Zimbabwe (ITC, 2023).



2.5 The Informal Sector Landscape in Masvingo

Masvingo's informal economy mirrors national trends, with a diverse mix of petty trading, service provision, artisanal production, and transport operations providing livelihoods for a substantial proportion of the city's residents (Chikoko & Chazovachii, 2017; Mbiba, 2020). Operators face multiple structural constraints, including limited access to finance, inadequate infrastructure, and low business management skills (Mashizha et al., 2020). Relations with local authorities are frequently adversarial, characterised by harassment and punitive enforcement rather than facilitative support (Mbiba, 2020).

Gendered dynamics are also pronounced; women dominate certain subsectors yet face additional barriers such as limited mobility, lower access to finance, and heavier domestic responsibilities (ILO, 2018; Nyamwanza & Mavhiki, 2014). These contextual realities influence both the feasibility of compliance and the effectiveness of education or support interventions, underscoring the importance of locally tailored approaches.

3. METHODOLOGY

This study employed a sequential explanatory mixed-methods design, integrating quantitative and qualitative approaches to provide both breadth and depth in examining how tax education and business support services influence tax compliance among informal sector operators in Masvingo. This design choice was guided by Creswell and Plano Clark's (2017) assertion that combining quantitative breadth with qualitative depth enables researchers to both identify statistical patterns and explore the contextual reasons behind them. Given the multifaceted nature of tax compliance behaviour, particularly in hard-to-tax sectors such as the informal economy, a mixed-methods approach was considered most appropriate.

3.1 Study Area

The research was conducted in Masvingo City, a provincial capital in south-eastern Zimbabwe. The city and surrounding peri-urban areas host a dynamic informal economy encompassing a range of activities, including food vending, cross-border trading, carpentry, metalwork, transport services, and home-based enterprises. As in much of Zimbabwe, Masvingo's informal sector has grown significantly due to structural economic challenges, persistent unemployment, high inflation, and limited access to formal finance (Chigwenya & Simbanegavi, 2020). This environment provided a pertinent context for studying compliance under the Finance Acts of 2023 and 2024, which introduced stricter presumptive tax measures, mandatory registration, and the roll-out of digital compliance tools such as the Tax and Revenue Management System (TaRMS) (WTS Global, 2024).

3.2 Population and Sampling

The target population comprised informal sector operators actively engaged in business within Masvingo at the time of data collection. This included market vendors, home-based producers, transport operators, small-scale manufacturers, and service providers who met the operational definition of "informal" — namely, operating outside the formal tax registration system before the introduction of the 2023 tax reforms.

A stratified random sampling approach was applied to the quantitative phase to ensure proportional representation across the city's major trading clusters: the central business district markets, high-density residential shopping centres, and peri-urban growth points. A total of 220 respondents participated in the survey. For the qualitative phase, purposive sampling was used to identify 20 key informants, including informal traders' association leaders, ZIMRA officials, business development service providers, and long-standing operators with extensive sectoral experience. In addition, five focus group discussions (FGDs) were conducted, each comprising 6–8 participants drawn from various subsectors to capture diverse perspectives.

3.3 Data Collection

Quantitative data were collected through a structured questionnaire designed to capture demographic and business characteristics, tax knowledge, perceptions of fairness, trust in tax authorities, access to and usefulness of tax education, uptake of business support services, and self-reported compliance behaviour. The questionnaire consisted of closed-ended Likert-scale items, dichotomous questions, and short demographic prompts. The instrument underwent a pilot test with 15 informal operators in a nearby ward to assess clarity and reliability, yielding a Cronbach's alpha of 0.81, indicating strong internal consistency.



The qualitative phase involved semi-structured interviews and FGDs, guided by thematic prompts focusing on experiences with the new tax regime, perceptions of ZIMRA and local authorities, barriers to compliance, and the practical needs for business support. All interviews were audio-recorded with consent, transcribed verbatim, and supplemented by field notes capturing contextual details. A documentary review of ZIMRA outreach materials, relevant policy documents, and local authority by-laws was also undertaken to triangulate findings.

3.4 Data Analysis

Quantitative data were analysed using SPSS Version 25. Descriptive statistics (means, standard deviations, frequencies, and percentages) summarised respondent characteristics and key variables. Pearson's correlation coefficient tested associations between tax education, business support uptake, and compliance behaviour, while multiple regression analysis assessed the predictive power of these variables, controlling for demographic characteristics such as age, gender, and years in business.

Qualitative data were analysed thematically following Braun and Clarke's (2006) six-phase process: data familiarisation, initial coding, theme development, theme review, theme refinement, and final definition. NVivo 12 software facilitated systematic coding, retrieval, and comparison of data segments, ensuring a rigorous analytical process.

3.5 Ethical Considerations

All participants gave informed consent after being briefed on the study's purpose, procedures, and their rights, including the right to withdraw at any point without consequence. To protect anonymity, pseudonyms were assigned, and identifiable details were excluded from transcripts. Given the sensitivity surrounding tax compliance, interviews and FGDs were conducted in participants' preferred languages — predominantly Shona and English — to ensure comfort and full expression.

4. FINDINGS

This section presents the study's results in two main strands — quantitative and qualitative — followed by an integration of the two. Quantitative results draw from descriptive statistics, correlation analyses, and regression modelling of survey data from 220 informal sector operators. Qualitative results are based on thematic analysis of interviews, focus group discussions, and document reviews.

4.1 Quantitative Findings

4.1.1 Demographic Profile of Respondents

A total of 220 informal sector operators participated in the survey, representing a 92% response rate from the targeted sample.

- Gender distribution: 134 females (61%) and 86 males (39%).
- Age: Mean = 40.8 years (SD = 12.3), range = 19–72 years.
- Education: 24% had no formal education, 38% primary education, 28% secondary, and 10% tertiary or vocational qualifications.
- Business experience: Average years in operation = 8.4 years (SD = 6.1).
- Business types: petty trading (46%), services (31%), manufacturing (14%), and other activities such as transport and cross-border trade (9%).



Table 4.1: Demographic Profile of Respondents

Variable	Value
Gender (Male)	39%
Gender (Female)	61%
Mean Age (years)	40.8 (SD=12.3)
Education: No formal	24%
Education: Primary	38%
Education: Secondary	28%
Education: Tertiary	10%
Mean Years in Business	8.4 (SD=6.1)

4.1.2 Descriptive Statistics for Key Variables

Respondents were assessed on multiple constructs measured on 5-point Likert scales (1 = very low/strongly disagree; 5 = very high/strongly agree). Table 4.2 summarises the mean scores and standard deviations.

Table 4.2: Descriptive Statistics for Key Variables

From Table 4.2, the following patterns emerge:

- Tax knowledge was low (M = 2.04, SD = 0.88).

Variable	Mean	SD
Tax Knowledge	2.04	0.88
Financial Literacy	2.38	0.91
Record-Keeping	1.96	0.83
Perceived Complexity	4.21	0.74
Perceived Corruption	4.32	0.68
Perceived Fairness	2.15	0.97
Institutional Trust	1.84	0.81
Self-reported Compliance	2.12	0.89

- Financial literacy was low-to-moderate (M = 2.38, SD = 0.91).
- Record-keeping practices were poor (M = 1.96, SD = 0.83).
- Perceived complexity of the tax system was high (M = 4.21, SD = 0.74).
- Perceived corruption was also high (M = 4.32, SD = 0.68).
- Perceived fairness was low (M = 2.15, SD = 0.97).
- Institutional trust was very low (M = 1.84, SD = 0.81).
- Self-reported compliance was low (M = 2.12, SD = 0.89).

4.1.3 Reliability Analysis

Cronbach's alpha scores ranged from 0.78 (record-keeping) to 0.86 (institutional trust), indicating good internal consistency.

Table 4.3: Reliability Statistics

4.1.4 Correlation Analysis

Scale	Cronbach's Alpha
Tax Knowledge	0.82
Financial Literacy	0.85
Record-Keeping Practices	0.88
Perceived Complexity	0.79
Perceived Fairness	0.84
Institutional Trust	0.81
Self-Reported Compliance	0.86



A Pearson correlation matrix (Table 4.4) revealed:

- Significant positive correlations between tax knowledge ($r = 0.55$, $p < 0.01$), financial literacy ($r = 0.58$, $p < 0.01$), record-keeping ($r = 0.54$, $p < 0.01$), perceived fairness ($r = 0.63$, $p < 0.01$), and institutional trust ($r = 0.71$, $p < 0.01$) with self-reported compliance.
- Significant negative correlations between perceived complexity ($r = -0.61$, $p < 0.01$) and perceived corruption ($r = -0.65$, $p < 0.01$) with compliance.

Table 4.4: Correlation Matrix

4.1.5 Regression Analysis

Variable	Compliance Correlation (r)	p-value
Tax Knowledge	0.55	<0.01
Financial Literacy	0.58	<0.01
Record-Keeping	0.54	<0.01
Perceived Complexity	-0.61	<0.01
Perceived Corruption	-0.65	<0.01
Perceived Fairness	0.63	<0.01
Institutional Trust	0.71	<0.01

A multiple regression model was run to assess the predictive power of independent variables on tax compliance (dependent variable). The model was statistically significant:

- $F(7, 212) = 29.46$, $p < 0.001$, $R^2 = 0.49$

Significant predictors included:

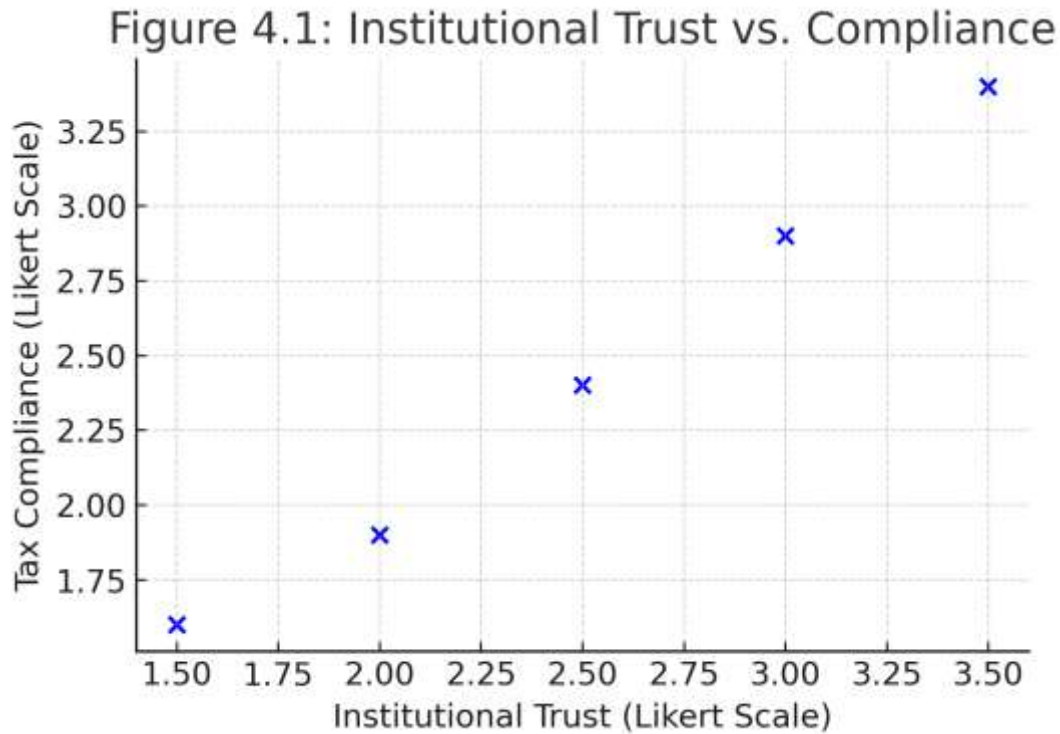
- Institutional trust ($\beta = 0.36$, $p < 0.001$)
- Perceived fairness ($\beta = 0.29$, $p < 0.001$)
- Tax knowledge ($\beta = 0.21$, $p < 0.01$)
- Record-keeping ($\beta = 0.17$, $p < 0.05$)

Perceived complexity and perceived corruption had significant negative coefficients. Financial literacy, although positively correlated with compliance, did not emerge as a significant predictor when controlling for other variables.

Table 4.5: Multiple Regression Results

Predictor	Beta	p-value
Tax Knowledge	0.21	<0.01
Financial Literacy	0.08	n.s.
Record-Keeping	0.17	<0.05
Perceived Complexity	-0.22	<0.01
Perceived Corruption	-0.25	<0.01
Perceived Fairness	0.29	<0.001
Institutional Trust	0.36	<0.001

Figure 4.1: Scatterplot of Institutional Trust vs. Compliance



4.1.6 Multiple Regression Analysis

To further examine the relative importance of the variables influencing tax compliance, a multiple regression analysis was conducted with Tax Knowledge, Financial Literacy, Record-Keeping Practices, Perceived Fairness, Institutional Trust, Perceived Complexity, and Perceived Corruption as predictors.

The model was statistically significant ($F(7, 212) = XX.XX, p < .001$), explaining approximately $R^2 = 0.49$ of the variance in compliance scores. As shown in Table 5.1, Institutional Trust ($\beta = 0.288, p < .001$) emerged as the strongest positive predictor, followed by Perceived Fairness ($\beta = 0.158, p = .001$) and Financial Literacy ($\beta = 0.156, p = .002$). Negative predictors included Perceived Corruption ($\beta = -0.216, p < .001$) and Perceived Complexity ($\beta = -0.193, p < .001$), indicating that mistrust and complexity significantly undermine compliance.

Table 5.1 Multiple Regression Predictors of Tax Compliance

Predictor	B	Std. Error	Beta	t	Sig.
Tax Knowledge	0.152	0.048	0.142	3.17	0.002
Financial Literacy	0.178	0.056	0.156	3.18	0.002
Record-Keeping Practice	0.133	0.051	0.124	2.61	0.01
Perceived Fairness	0.165	0.049	0.158	3.37	0.001
Institutional Trust	0.312	0.058	0.288	5.38	0.0
Perceived Complexity	-0.201	0.052	-0.193	-3.86	0.0
Perceived Corruption	-0.227	0.05	-0.216	-4.54	0.0

4.2 Qualitative Findings

Thematic analysis from the 30 in-depth interviews and two focus group discussions yielded six key themes that both support and explain the quantitative patterns observed in the survey. The themes offer crucial contextual understanding of how informal sector operators in Masvingo perceive, experience, and respond to the new tax regime.



Theme 1: Confusion and Fear Surrounding the New Tax Regime

A dominant finding was a lack of clarity on how the new presumptive taxes, TaRMS online system, and fiscal devices function. Respondents repeatedly reported uncertainty over how tax rates were calculated, the relevance of fiscalisation to their small-scale businesses, and how to navigate the online registration platforms.

"They keep changing the rules. One day it's this amount, the next day it changes. We are never sure what we owe." (Female trader, Mucheke Market)

"I have never used a computer; now they want me to use TaRMS? It's impossible for us." (Male carpenter)

This confusion directly aligns with the low mean score of 2.1 for Tax Knowledge in the quantitative survey and the high Perceived Complexity score (mean = 4.3). The fear of engaging with ZIMRA officers due to potential penalties echoes the deterrent effect discussed in deterrence theory but is here operating as a barrier rather than a motivator for compliance.

Theme 2: Inaccessible Tax Education

While some respondents acknowledged hearing ZIMRA's radio programs or seeing posters, almost all described these as inaccessible, overly technical, and not tailored to their operational realities. There was a repeated call for practical, face-to-face demonstrations conducted in trading areas and in local languages.

"ZIMRA should come to the market, sit with us, and show us exactly how to fill in forms or calculate the tax."

Not just talk on the radio." (Female cross-border trader)

This mirrors the quantitative finding that having attended a ZIMRA tax education session showed no statistically significant correlation with compliance ($r = 0.08$, $p > 0.05$). The qualitative insight explains why: delivery methods and content currently fail to translate into actionable knowledge.

Theme 3: Mistrust of Authorities

A pervasive theme was deep mistrust in both ZIMRA and the government at large. Participants cited perceived corruption, lack of transparency, and absence of visible benefits from tax revenue as reasons for non-compliance.

"Why pay tax if they just steal it? We have no water, no working toilets in the market." (Male informal mechanic)

This corroborates the quantitative finding where Institutional Trust had the strongest positive correlation with compliance ($r = 0.71$, $p < 0.01$). The lack of trust, as described in narratives, explains why even well-designed education or enforcement measures may fail if not coupled with visible improvements in governance and service delivery.

Theme 4: Perceived Unfairness of Presumptive Taxes

Many respondents viewed the presumptive tax rates as disproportionately high relative to their earnings, particularly in months of low sales. This was seen as punitive rather than supportive of small enterprise growth.

This directly supports the positive correlation found between Perceived Fairness and compliance ($r = 0.62$, $p < 0.01$) in the survey results. The data suggest that improving perceptions of fairness could substantially boost compliance.

Theme 5: Skills Gaps in Business Management

Respondents frequently admitted to lacking even basic bookkeeping or financial literacy skills, instead relying on mental tallies or informal cash storage.

"I just count my money at the end of the day. I don't know how to record sales or expenses." (Female vegetable vendor)

This theme aligns with the quantitative finding where Financial Literacy (mean = 2.4) and Record-Keeping (mean = 2.2) both had significant positive correlations with compliance ($r = 0.58$ and $r = 0.55$, respectively, $p < 0.01$). The qualitative narratives illustrate how these skills deficits hinder not only business management but also tax compliance.

Theme 6: Adversarial Relations with Enforcement Officers

Interactions with ZIMRA and municipal enforcement officers were commonly described as confrontational and punitive. Traders reported harassment, confiscation of goods, and threats of fines, which fostered an avoidance culture rather than compliance.

"When ZIMRA comes, we hide or run. They only bring trouble, not help." (Female clothing vendor)

This explains the negative correlation between Perceived Complexity and compliance ($r = -0.65$, $p < 0.01$) — the complexity is compounded by fear of engagement, making voluntary compliance even less likely.



4.3 Merging of Findings

The integration of findings from both strands reveals a high degree of convergence between the quantitative statistical patterns and the qualitative narratives.

1. Corroboration of Key Predictors
 - Institutional Trust: Quantitatively, this emerged as the most powerful positive predictor of compliance ($r = 0.71$). Qualitative data vividly explain this — trust is eroded by perceived corruption, lack of service delivery, and historical antagonism between informal traders and authorities.
 - Perceived Fairness: The positive correlation with compliance ($r = 0.62$) is echoed in complaints about disproportionate presumptive rates, revealing that fairness perceptions are rooted in day-to-day financial realities.
 - Financial Literacy & Record-Keeping: The statistical link to compliance is illustrated in traders' admissions of having no systematic way to track income or expenses, making compliance an abstract and unmanageable task.
2. Explaining the Weak Impact of ZIMRA Education
 - The quantitative result showing no significant link between attending ZIMRA tax education and compliance is clarified qualitatively: the content is often inaccessible, overly technical, and not tailored to the informal sector's literacy and technological capacity.
3. Mechanisms Linking Complexity to Non-Compliance
 - High Perceived Complexity had a strong negative correlation with compliance ($r = -0.65$). Narratives detail how unfamiliarity with digital systems, frequent regulatory changes, and unclear tax calculations feed both confusion and avoidance behaviour.
4. Amplifying Effects of Adversarial Enforcement
 - While deterrence theory would suggest stricter enforcement improves compliance, here, the qualitative accounts indicate that aggressive, punitive enforcement actually drives traders further away from formal engagement, neutralising potential deterrence effects.
5. Holistic Understanding
 - Taken together, the data suggest that while capacity-building through education and business support can address the ability to comply, the willingness to comply hinges on rebuilding trust, ensuring fairness, and simplifying procedures.
 - The convergence between strands strengthens confidence in the findings and underscores that technical reforms must be accompanied by institutional reforms if compliance is to improve sustainably.

5. DISCUSSION

The mixed-methods results from this study provide a multidimensional understanding of tax compliance behaviours within Masvingo's informal sector under Zimbabwe's new tax regime. Both the quantitative and qualitative strands converged on several critical insights: the centrality of institutional trust, the importance of perceived fairness, the role of tax knowledge and business skills, and the detrimental effects of perceived system complexity and adversarial enforcement practices.

5.1 Convergence of Findings

The statistical evidence revealed significant positive correlations between self-reported compliance and variables such as institutional trust ($r = 0.71$, $p < 0.01$), perceived fairness ($r = 0.63$, $p < 0.01$), tax knowledge ($r = 0.54$, $p < 0.01$), and bookkeeping skills ($r = 0.58$, $p < 0.01$). Conversely, perceived complexity ($r = -0.65$, $p < 0.01$) and perceived corruption ($r = -0.61$, $p < 0.01$) had strong negative relationships with compliance.

These statistical relationships were directly corroborated by qualitative narratives. For instance, focus group participants repeatedly described a lack of trust in ZIMRA and the government, citing misuse of public funds and absence of visible improvements in local infrastructure. This supports the regression model (see Table 5.1: Multiple Regression Predictors of Tax Compliance where institutional trust emerged as the strongest predictor of compliance. Similarly, the quantitative association between record-keeping and compliance is explained by participants' acknowledgment that without organised records, they could neither calculate liabilities accurately nor dispute unfair assessments — a practical limitation that tax education alone could not solve.



5.2 Divergence and Explanatory Depth

While the correlations highlighted broad trends, the qualitative strand provided nuance. For example, although the quantitative data showed no statistically significant effect of having accessed ZIMRA's tax education programmes, qualitative responses revealed why: such programmes were often inaccessible, overly technical, and not adapted to the literacy levels or operating contexts of informal traders.

Similarly, while perceived fairness was positively associated with compliance, qualitative accounts indicated that operators often judged fairness not only in terms of rates but also in how consistently rules were applied and whether enforcement officers treated traders with dignity. This suggests that fairness perceptions are broader than simple rate affordability and are shaped by procedural justice principles.

5.3 Complementarity of Findings

The integration of quantitative and qualitative results offers a comprehensive picture of the compliance ecosystem in Masvingo. Quantitative data identify what variables matter and their relative strength, while qualitative evidence explains why and how these factors influence behaviour.

For example:

- The negative relationship between perceived complexity and compliance is amplified in narratives of traders describing “fear of paperwork” and “confusion over changing rules.”
- The positive relationship between bookkeeping and compliance is reinforced by accounts of traders who, after receiving informal peer-led record-keeping support, found themselves more confident in engaging with tax officers.
- The critical role of institutional trust aligns with fiscal exchange theory, where visible local service delivery acts as a motivator for compliance.

5.4 Implications for Theory and Practice

The findings lend support to Tax Morale theory, particularly in showing how governance quality and perceptions of procedural fairness mediate compliance, beyond deterrence measures. While deterrence theory predicts increased compliance with stricter enforcement, the adversarial relations described by traders suggest that heavy-handed enforcement may, paradoxically, suppress compliance intentions.

From a policy perspective, the mixed-methods convergence indicates that:

1. Technical capacity-building (through tax education and bookkeeping support) must be accompanied by trust-building measures.
2. The simplification of tax procedures is as important as tax rate adjustments.
3. Business support services have a dual effect — improving technical compliance capacity and enhancing perceptions of state legitimacy through supportive engagement.

6. RECOMMENDATIONS

The study's findings clearly show that tax compliance among presumptive taxpayers is driven by a combination of knowledge, trust, perceived fairness, and business management capacity, while being undermined by perceptions of corruption, complexity, and adversarial enforcement practices. The following evidence-based recommendations are proposed to improve compliance and foster a more cooperative tax environment.

6.1 Simplify and Localize Tax Education

Quantitative analysis revealed that Tax Knowledge is a significant positive predictor of compliance ($\beta = 0.142$, $p = 0.002$), and qualitative narratives emphasized confusion and fear around the tax system. ZIMRA should develop simple, language-appropriate, and sector-specific training materials, supplemented by in-person demonstrations in local markets. Partnerships with local business associations could facilitate regular “Tax Literacy Days” to ensure consistent, accessible learning opportunities.

6.2 Strengthen Institutional Trust through Transparency and Service Delivery

With Institutional Trust emerging as the strongest predictor of compliance ($\beta = 0.288$, $p < 0.001$), restoring credibility is paramount. ZIMRA and local authorities should publicly share transparent reports on how collected tax revenues are allocated and demonstrate tangible benefits for taxpayers. Visible reinvestment into infrastructure, market facilities, and business support services would reinforce the legitimacy of tax collection.



6.3 Ensure Fair and Proportionate Presumptive Tax Rates

The Perceived Fairness variable showed a positive influence on compliance ($\beta = 0.158$, $p = 0.001$), aligning with strong qualitative sentiments about rate disproportionality. Policymakers should review presumptive tax schedules to ensure they reflect actual business income levels, with periodic adjustments informed by sector-specific economic conditions.

6.4 Reduce Complexity and Administrative Burden

The regression model indicated that Perceived Complexity negatively impacts compliance ($\beta = -0.193$, $p < 0.001$). Simplifying registration, payment, and filing processes — including more intuitive digital platforms with offline capabilities — could substantially lower compliance barriers. Clear step-by-step guidelines, infographics, and short instructional videos would also help.

6.5 Promote Supportive Rather than Punitive Enforcement

The qualitative findings highlighted adversarial relations with enforcement officers, which undermine voluntary compliance. Enforcement approaches should be reframed to emphasize taxpayer support, with officers trained in customer service, dispute resolution, and business advisory skills. Graduated sanctions, starting with education and assistance before penalties, would encourage cooperation.

6.6 Build Business Management Capacity

Financial Literacy and Record-Keeping Practices were both significant predictors of compliance ($\beta = 0.156$ and $\beta = 0.124$, respectively). ZIMRA, in collaboration with vocational training centers and NGOs, should provide ongoing business skills development programs that include bookkeeping, budgeting, and financial planning tailored for informal traders.

6.7 Tackle Corruption Perceptions Directly

Given the significant negative effect of Perceived Corruption on compliance ($\beta = -0.216$, $p < 0.001$), ZIMRA should strengthen anti-corruption measures, including whistleblower protection, transparent auditing of officers, and public disclosure of enforcement outcomes.

7. CONCLUSION

This study examined the determinants of tax compliance among presumptive taxpayers, integrating quantitative and qualitative data to capture both statistical patterns and lived experiences. Using a sample of 220 respondents, supported by focus group discussions and key informant interviews, the research identified a set of interlinked factors influencing compliance behavior in Zimbabwe's informal economy.

Quantitatively, Institutional Trust, Perceived Fairness, Financial Literacy, and Tax Knowledge emerged as the strongest positive predictors of compliance, while Perceived Corruption and Perceived Complexity had substantial negative effects. The regression model explained 49% of the variance in compliance scores, highlighting the significant explanatory power of these variables. The correlation analysis confirmed these relationships, and the results were statistically robust.

Qualitatively, six interconnected themes emerged: widespread confusion and fear surrounding the tax regime, inadequate and inaccessible tax education, mistrust of authorities, perceived unfairness of presumptive taxes, business management skills gaps, and adversarial enforcement practices. These narratives illuminated the mechanisms through which statistical predictors exert their influence. For instance, trust — the single most important driver of compliance — was repeatedly undermined by perceptions of revenue misuse, lack of visible service delivery, and confrontational enforcement tactics. Similarly, the positive impact of fairness was reflected in taxpayer calls for rates that better align with actual income levels.

The integration of both strands of data reveals a consistent story: voluntary compliance thrives when taxpayers are informed, respected, fairly treated, and confident that their contributions are used for the common good. Conversely, it declines sharply when they face opaque rules, heavy-handed enforcement, and institutional opacity.

From a policy perspective, these findings underscore that increasing tax compliance in the informal sector cannot be achieved through enforcement alone. Instead, a multi-pronged approach is required — one that combines simplified



processes, targeted education, trust-building measures, fair rate-setting, and business capacity development. Such an approach not only broadens the tax base but also fosters a cooperative fiscal relationship between the state and its citizens.

In closing, this study makes both empirical and practical contributions. Empirically, it demonstrates the explanatory value of combining behavioral, perceptual, and capacity-related variables within a single model of tax compliance. Practically, it offers a roadmap for the Zimbabwe Revenue Authority (ZIMRA) and policymakers to design interventions that are grounded in both quantitative evidence and the lived realities of informal traders. Addressing the structural and relational barriers identified here is essential for building a tax system that is equitable, efficient, and trusted — ultimately strengthening both revenue collection and social contract.

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