AN EXPLANATION OF THE LEVELS OF COMPLIANCE IN FILING
COMPANY ANNUAL RETURNS – THEORY OF PLANNED BEHAVIOR
APPROACH
“A CASE FOR ZAMBIA”

BY

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DEDICATION

I dedicate this work to my late Mother, Esther Rose Mwaanga Mweetwa who gave birth to me and took care of me. Thank you Mum. To my young Sister, Amelia Choolwe Mweetwa whose handwork, purpose driven and faith I emulate from.
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I CHIMUKA MWETWA do hereby declare that this thesis titled “An explanation of the levels of compliance in filing company annual returns – theory of planned behavior approach “a case for Zambia” is the record of my research work and has not been submitted for any academic reward in any other college, institution or University other than the Graduate School of the University of Zambia for academic Purposes;

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ABSTRACT

Company registers are increasingly becoming a crucial source of business information for many stakeholders. While most company registers have concentrated on simplifying business registrations, reducing the number of procedures, time and cost for small entities to be formed, compliance remains a big challenge for many Company Registers. Compliance is not just influenced by economic variables of enforcement and penalties but should be understood in the context of behaviour as influenced by demographic, socio-economic and Institutional factors. The aim of this study was to identify and explain the factors influencing compliance behaviour in filing company annual returns based on the Theory of Planned Behaviour in Zambia. The study used a mixed research approach. A sample of 165 registered companies was randomly selected from the population of 68,049 active companies on the PACRA register. Nine PACRA officers were selected using judgment sampling and in-depth interviews were used. Primary data were collected through structured questionnaires. The secondary data were also collected by reviewing related published and unpublished materials. Statistical tests of independence (chi-square tests) formed the basis of analysis. The results of this study showed that annual return filings are influenced both by demographic and external factors. The demographic factors like employment status, Age and education were found to positively influence compliance. Further, compliance was highest (68%) among those with tertiary education compared with (47%) among those with no form of schooling. The study also revealed that those in formal employment were more compliant (64%) than those without employment (47%). Gender was found to be an insignificant factor and such it has no influence on compliance. On external factors, cultural norms, government policies and compliance fees were identified in the study and were found to have an influence on compliance (save for compliance fees). Finally, the findings of the study may guide government institutions that spend huge costs on enforcement year in year out but it is not so effective and that low penalty fees do not all the time cause voluntary compliance. Further, before Institutions implement costly sensitization campaigns and educational clinics, they need to understand variables that cause compliance behaviour. The study findings can help Policy makers and PACRA meeting its strategic goals of raising compliance levels which currently stand at 40% to about 70%.

KEY WORDS: Compliance, Annual Returns, Company Register, Theory of Planned Behaviour, Demographic factors, external factors
TABLE OF CONTENTS

ACKNOWLEDGEMENTS ......................................................................................... ii
DEDICATION ........................................................................................................ iii
COPYRIGHT ........................................................................................................ iv
APPROVAL ........................................................................................................... v
ABSTRACT ........................................................................................................... vi
LIST OF TABLES ................................................................................................. ix
LIST OF FIGURES ............................................................................................... x
LIST OF ACRONYMS ............................................................................................ xi
LIST OF APPENDICES ......................................................................................... xi
  PACRA report on active businesses ................................................................. xi
  Quarterly return filling report ..................................................................... xi
  Questionnaire for business owners ............................................................... xi
  Trends in annual return filing .................................................................. xi

CHAPTER 1: INTRODUCTION TO THE RESEARCH ...................................................... 1
  1.1 Introduction ............................................................................................... 1
  1.2 Background .............................................................................................. 1
  1.3 Problem Statement .................................................................................. 6
  1.4 Research Aim: ........................................................................................ 7
  1.5 Specific objectives ................................................................................... 7
  1.6 Research Questions ................................................................................ 7
  1.7 Assumptions of the study ....................................................................... 7
  1.8 Ethics Statement ...................................................................................... 7
  1.9 Justification of the Study ...................................................................... 7
  1.10 Scope of the Study ............................................................................... 8
  1.11 Limitations of the Study ..................................................................... 8
  1.12 Organization of the study ................................................................... 8
  1.13 Summary ............................................................................................... 9

CHAPTER 2: LITERATURE REVIEW .......................................................................... 10
  2.1 Introduction ............................................................................................ 10
  2.2 Definition of concepts ........................................................................... 10
  2.3 The annual return: ................................................................................ 11
    Compliance ................................................................................................. 11
    Business Registers ..................................................................................... 12
    Overview of The Patents and Companies Registration Agency (PACRA) .... 13
    Efforts to improve compliance and Administrative Challenges .............. 20
    Review of compliance and enforcement systems in other countries ........ 22
    Singapore Company Register (ACRA) ..................................................... 22
    ACRA compliance strategies and new regulatory measures to enhance corporate transparency ...................................................................................... 23
    United Kingdom Company House Register .......................................... 26
    Republic of South Africa ....................................................................... 31
CHAPTER 6: CONCLUSION AND RECOMMENDATIONS .............................................. 82
6.1 Introduction ........................................................................................................... 82
6.2 Summary and recommendations ........................................................................ 82
   Contribution and implications of the study .......................................................... 85
6.3 Summary ................................................................................................................ 87

REFERENCES ....................................................................................................... 88
LIST OF TABLES

Table 1 PACRA Performance Analysis as of December 2018 .......................................................... 19
Table 2 ACRA Performance Analysis 2018 .................................................................................. 23
Table 4 United Kingdom Company House Performance Analysis .................................................. 26
Table 1 Related Works ....................................................................................................................... 47
Table 8 PACRA Company registration register ............................................................................ 54
Table 9 Number of registrations per province ............................................................................... 55
Table 10 Data source and data collection ....................................................................................... 56
Table 11 Distribution of Study Sample by Age .............................................................................. 58
Table 12 Socio-economic demographics of respondents ............................................................... 58
Table 13 Attitude Assessment of filing compliance ...................................................................... 62
Table 14 Education and Return filing cross tabulation ................................................................ 65
Table 15 Chi-Square Tests education*filing of returns ................................................................. 65
Table 16 cross tabulation of education and return filing ............................................................... 67
Table 17 Chi-Square Tests Age*filing of returns ......................................................................... 67
Table 18 gender * return filing ...................................................................................................... 68
Table 19 Chi-Square Tests Age*filing of returns ......................................................................... 69
Table 20 Employment v Compliance ............................................................................................ 69
Table 21 Chi-Square Tests employment*compliance .................................................................. 70
Table 20 Assessment on how external factors affect filing compliance ...................................... 71
Table 21 social norms (family/friends *filing of returns cross tabulation) .................................. 73
Table 22 Chi-Square social norms (family/friends *filing of returns) ........................................ 73
Table 23 Chi-Square Government Policies *filing of returns ....................................................... 74
Table 24 Chi-Square compliance fees *filing of returns ................................................................. 75
Table 25 Challenges associated with return filing ........................................................................ 76

LIST OF FIGURES

Figure 1 Model of Theory of Planned Behavior ......................................................................... 41
Figure 2 Model of Theory of Planned Behavior applied compliance ........................................ 43
Figure 3 CIPIC Customer Segmentation .................................................................................... 34
Figure 4 Study Sample by Age .................................................................................................. 58
Figure 5 Education Background ............................................................................................... 60
Figure 6 Sample Gender representation ................................................................................... 61
Figure 7 return submission in the last four year ........................................................................ 63
Figure 8 Education vs Education .............................................................................................. 64
Figure 9 Age Vs Compliance ..................................................................................................... 66
Figure 10 Gender Vs Compliance ............................................................................................... 68
Figure 11 compliance vs employment status ............................................................................. 70
Figure 11 social Norms vs Compliance ...................................................................................... 72
Figure 12 Government agencies/policies vs Compliance .......................................................... 74
Figure 13 cost of compliance vs Compliance .............................................................................. 75

Figure a: The company registry is the information exchange hub for businesses and government ---- 15
Figure b: Company registry automations across jurisdictions--------------------------------------- 16
Figure c Main Factors in Selection of ICT Solution----------------------------------------------- 17
LIST OF ACRONYMS

ACCRA  Accounting and Corporate Regulatory Authority
CIPIC  Companies and Intellectual Property Commission
ICT  Information and Communication Technology
FYE  Financial Year End
MCTI  Ministry of Commerce, Trade and Industry
PACRA  Patents and Company Registration Agency
TPB  Theory of Planned Behaviour

LIST OF APPENDICES

PACRA report on active businesses
Quarterly return filling report
Questionnaire for business owners
Trends in annual return filing
Chapter 1: INTRODUCTION TO THE RESEARCH

1.1 Introduction
This chapter defines what Company registers do, why they are increasingly becoming crucial in meeting business needs of different stakeholders and governments fiscal needs. The chapter then introduces the focus of the study which is compliance or filing of company annual returns, the challenges and the importance of compliance in company registers and attempts to explain why company registers are increasingly becoming crucial in an economy. The chapter also describes the research problem, aim, objectives and research questions and concludes with the structure of the dissertation.

1.2 Background
Traditional formal business formation models make it difficult to encourage business formation. In the recent past several international organisations including the World Bank and United Nations Commission on International Trade Law (UNCITRAL) have identified best practices that provide a core framework for simplified business registration and incorporation (Dennis et Ramos, 2016). An enabling legal environment incorporating these core elements creates an effective gate way through which businesses can enter the formal economy. By doing this registration, legal recognition gives micro & small entities greater access to affordable credit and growth mode characteristic of the formal business sector. As the World Bank has found, economies with modern business registration and incorporation grow faster, promote greater entrepreneurship and productivity, create jobs, boost legal certainty and attract larger inflows of foreign direct investment.

The World Bank doing business reports are instrumental in the promotional of business law reforms and the development of international standards. One of the indicators of the doing business survey is starting a business which focuses on simplifying business registrations and incorporations. This calls for reducing the number of procedures, time and cost for small entities.

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1 https://www.un.org/press

The importance of company registers\(^3\) in different economies are several and their importance cannot be underestimated. To affirm their importance, Wille et al (2011) noted that most governments are revamping their processes for company registration in order to improve the competitiveness of their investment climates and drive growth in formally registered firms. Undertaking formal registration ensures that businesses benefit from increased rights, such as access to government services, fair treatment under law, and limited liability (Wille et al, 2011). Furthermore, Wille et al (2011) asserted that registered enterprises also have opportunities to grow through improved access to finance and through potential clients in the formal economy and government.

Compliance in filing company annual returns is an important part of fiscal policy which can be used effectively by government for meeting its public expenditures. In other jurisdictions like Singapore, United Kingdom, New Zealand and Republic of South Africa Company registers generate a lot of revenue and are often used as a tool in promoting growth for the development of it’s nation. Fund collected from company registers have become a major contributor towards the development of the nation for the benefit of its people. The Singaporean company register (ACRA) in 2017 with an entity size of 500,000 and compliance rating of 98% made seventy-six million dollars ($76M) in 2017\(^4\)

Every company must file annual returns with the registrar of companies\(^5\). The information in the returns and why they should be filled are set out in the companies Act governing a country or jurisdiction. The returns filed by respective companies at the corporate registries are useful in providing important current and up to date information about a company, its trading activities during the year and how it is managed to the different stakeholders who need this information to make good and reliable business decisions.

An annual return is a statutory return in terms of the companies Act and is a summary of the most relevant information pertaining to a company or corporation. The prescribed filing fees for annual returns are legislated according to each different jurisdiction. Filing of annual returns

\(^3\) A company register is a register of organizations in the jurisdiction they operate under.

\(^4\) https://www.acra.gov.sg/training-and-resources/publications/reports/acra-annual-reports

\(^5\) A statutory body mandated on behalf of a government to administer a country’s or jurisdiction’s Companies Act and other corporate laws.
are governed by different corporate laws, in some, failure of filing an annual return means the company can be struck out of the corporate register or penalties will accrue or the company secretary will be liable for the offence since this falls under their administrative duties. The filing of company annual returns is an enforceable issue by the corporate

Despite efforts to improve processes for company registration, compliance still remains a big challenge especially when it comes to aspects to do with post-registration obligations. Year in year out, new companies are registered with company registrars but the percentage of companies that comply with post-registration regulation remains low. Hatfield et. al (2003) defines compliance as the behaviour for doing or not doing certain activities in accordance with the applicable rules and regulations. The view that is held with tax compliance being multi-faceted is the same view that can be held for business registration. Brown and Mazur (2005) noted tax compliance as a multi-faceted measure and theoretically, it can be defined by considering three distinct types of compliance such as payment compliance, filing compliance, and reporting compliance. The registrar of companies also has to deal with payment compliance, filing compliance and reporting compliance of formally registered companies. The question that arises is, what causes the low compliance levels? Could it be attributed to efficiencies within statutory bodies (registrar of companies) or the general public (company owners)? Or could it be the obligations (transaction costs) that come with formalization of business? Wille et al, (2011) pointed out that formalization also involves increased obligations, including compliance with tax laws as well as regulatory and information disclosure requirements. Could the increased obligations be the cause of low compliance despite the benefits that come with formalising a business?

The higher the compliance levels in the company register, the up to date the information is, the more the quality of information, accessibility, reliability and demand for company information. However, the business owners cannot be expected to complete returns accurately unless they have ample knowledge to understand the process and forms (Kassipillai and Abdul-Jabbar, 2006).

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6 Corporate register, word used interchangeably with Company registers
7 Post registration obligations include; filing of annual returns on each financial year end or anniversary date of the company. it is a statutory requirement under the company’s act in different jurisdictions
In Zambia, the statutory body mandated to register companies and enforce compliance is The Patents and Company Registration Agency\(^8\) (PACRA). The Registry previously used to be a department under the Ministry of Trade and Commerce (MCTI) but later operated as a semi-autonomous body of the Ministry. Initially the agency, only had a presence in Lusaka. This meant all business people across the country had to travel to Lusaka to formalize their business. This was characterized by delays in the registration process, long queues and the proliferation of unscrupulous middle men that swindled people of money. As a result of this, many businesses were unformalized\(^9\). Then in 2008 came the decentralization policy and PACRA through its decentralized policy opened Ten (10) more Regional offices in each Province, whose role was to be closer to the people, easy registration process through automation of systems, integration of systems, contributing to the reduction of cost in starting a business, cutting of middle men and bringing the service closer to the people. The Agency came up with its first strategic plan (2010 - 2015) which saw increased strategic collaborations with the Local Authorities were the Agency did not have a presence. PACRA also embarked on a digitization project in 2016 to digitize all manual company information both present and past. This has enhanced PACRA’s operational efficiency. PACRA’s vision is to have its entire register digitized by (Strategic Plan 2016-2020).

The Agency just like world class registers has evolved with time, with investment in ICT infrastructure and full implementation of online services to enhance access, systems integration and company registrations increasing by 8% annually and compliance levels at 40% for the last 10 years. As read above according to the international Business Registers Report, 2017, Company registers have become a huge reservoir of information, therefore the quality of information that the register has is crucial and company registers globally are ranked by the number of business registrations\(^10\) and the levels of compliance. If the levels of compliance are high the register has good value\(^11\) information and this creates high demand for the information both locally and

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\(^8\) PACRA is an agency under the ministry of commerce in the republic of Zambia mandated to formalize companies and provide intellectual property protection.

\(^9\) Unformalised, word means the same as unregistered business.

\(^10\) Businesses registered includes all types of companies and business names.

\(^11\) Value of information in company register is measured by information, quality, accessibility and reliability.
Internationally, the result of this is more revenue for the government an example of this are registries like Singapore, United Kingdom, Rwanda, Kenya and South Africa (CRF, 2017).

PACRA has also been undertaking activities to educate, assist and guide the business owners to comply with the Companies Act and procedures. Various education and customer service programs were put in place in order to enhance business owner’s ability to understand the importance of voluntary compliance, convince the business owner in fulfilling their statute obligations and the benefits of compliance. Other initiatives include; setting up of ‘one stop counter’, establishing the Compliance and Awareness unit in 2015, conducting workshops, seminars, and public lectures and also visiting to company owners in their premises (PACRA, 2017).

Although a lot has been done by PACRA, the problem of non-compliance still exists. The Agency faces a number of barriers to address the issues of Company compliance. According to PACRA’s strategic plan on average about 60 per cent of all companies fail to submit their returns to PACRA (PACRA, 2016). Therefore, could it be behavioral aspects causing non-compliance or lack of knowledge is a contributing factor to compliance, whether intentional or unintentional?

The concern about the decline in voluntary compliance, has led to numerous concerns that the strategic plan for 2016-2020 has put up a target to increase compliance from 40% to 70%. This is part of the Agency’s key performance targets. Non-compliance is not only depressing the country’s economic growth but the government could be running into fiscal problems as company owners shun their responsibilities. In countries such as South Africa, United Kingdom and Singapore, post incorporation revenue contributes to almost 80% of the total company registry (CIPC annual report 2017). Therefore in company registers, the rate of compliance determines the amount of revenue that contributes to the financial statements total revenue figure that goes to the government treasury. This explains why compliance rating and the size of the register are parameters used to gauge the performance of register globally.

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12 Refer to table 3 under literature review
13 Company register is used interchangeably with corporate registers throughout this study
14 The total number of business registrations in a given jurisdiction
Given this background, the purpose of this study is to explain factors that influence owner’s compliance behaviour. In order to explain how attitudes affect behaviour towards compliance, this study used a Theory of Planned Behaviour (TPB) which was proposed by Ajzen (1991). The TPB is a theory which predicts deliberate behaviour because behaviour can be deliberate and emerge in a planned way.

1.3 Problem Statement

The Patent and Company Registration Agency (PACRA) has over the years embarked on massive awareness and sensitization programs aimed at increasing compliance. Some of these new strategies include; creation of separate compliance and enforcement unit (2015), introduction of electronic filing systems, opening up offices in all provincial centers of Zambia and forming increased strategic alliances like the local authorities (councils) in remotest of areas to aid in filing of registrations. In addition, some legal reforms were introduced to further enhance compliance. For example, the Ministry of Justice abolished late filing fees, and in 2012 PACRA embarked on an amnesty campaign to pardon all defaulting companies that filed late annual returns. However, despite these measures being put in place, the problem of non-compliance has continued to persist. According to the PACRA The strategic plan (2016-2020) compliance levels currently remain at 40%. For example, as at January 2019, a total of 168,512 business are recorded in the companies’ register of that, only 67,928 were submitting returns. This low level of compliance also translates into forgone revenue by government (filing fees). Therefore, this paper assesses factors that influence compliance behavior and what shapes their attitude to comply with the legislations and it seeks to give a plausible explanation as to why compliance levels are low.
1.4 Research Aim:
An explanation of the low levels of compliance in filing company annual returns

1.5 Specific objectives
i. To analyse the impact demographic factors\(^{15}\), have on compliance
ii. To understand how compliance behaviour is influenced by external factors
iii. To devise a working model that could be used in increasing compliance levels in filing returns

1.6 Research Questions
i. What is the impact of demographic factors on compliance?
ii. To what extent is compliance behaviour influenced by external factors?
iii. How can compliance levels be increased?

1.7 Assumptions of the study
i. That all respondents have registered at least one company
ii. That most respondents are aware about the core mandates of PACRA
iii. That the business owners are aware of the obligation to file annual returns.

1.8 Ethics Statement
This research made use of primary data gathered through questionnaires, interviews from PACRA employees and MCTI officials. Any sensitive information from the Public was treated with strict confidentiality with their specific experiences masked beyond specific identification by future researchers and users of this research paper.

1.9 Justification of the Study
This study is justified for a varied range of reasons. Firstly, global performance of corporate registries is assessed by the levels of compliance and number of business registrations in each jurisdiction. Compliance levels depicts value of company registers. Value for corporate registries is measured by the data quality, accessibility and reliability. If compliance is high, it means value

\(^{15}\) demographic factors are selected because they shape behaviour and influence decision making
is high and hence more demand for registry information by stakeholders (local and foreign) and hence more government revenue, and contribution to the economy\textsuperscript{16}. Secondly, the current low levels of compliance despite enforcement efforts by PACRA have necessitated (motivated) this study so as to understand compliance behaviour of business owners. Thirdly, the study is significant in that it proposes a model that seeks to address challenges of low compliance. Thirdly, this low level of compliance also translates into forgone revenue by government (filing fees). Lastly, to the knowledge of the researcher, no studies have been done on the topic at hand.

1.10 Scope of the Study
The study focused on compliance levels in the last 5 years at PACRA. The study areas where Lusaka, Ndola, Livingstone Chipata, and Chinsali.

1.11 Limitations of the Study
The study was faced with some challenges with regards to time and resources and limited literature on the topic.

1.12 Organization of the Dissertation
This chapter introduces the study by outlining the background of the study, the statement of the problem, research objectives, research questions, assumptions, ethics statement, justification of the study, scope of the study and overview of the study areas and the rest of this research paper is structured as follows:

Chapter Two – Literature Review: Reviews the theoretical and empirical literature behind service level guaranteed quality of data, accessibility and reliability and theoretical framework

Chapter Three – Methods: gives an outline of the adopted research philosophy, design and tools that were used to obtain data for analysis

Chapter Four – Presentation and Analysis: presents the results in form of tables and figures (charts and graphs) from the Data Analysis.

Chapter Five – Discussion of findings: Discussion of findings are also presented relating the results of the study to the reviewed literature.

Chapter Six – Conclusion and Recommendations: gives closure to the study by giving a summary of the research findings, some concluding remarks, makes recommendations to the various stakeholders and suggests areas of further research.

1.13 Summary
The chapter provided the basic introduction of the topic, defined what compliance. Further, the chapter outlined crucial role of company registers in the economy. The statement of the problem, research objectives and questions were outlined. Also of importance was to specify that the study in trying to understand compliance behaviour and that the Theory of Planned Behaviour will be adopted. The significance and scope of the work in this study are outlined. The chapter concludes with an outline of the dissertation.
Chapter 2: LITERATURE REVIEW

2.1 Introduction
This section begins by defining key concepts of the literature review, definition of what an Annual return is and Compliance . The study then discusses the theoretical review and looks at related studies that provided a basis for analysis in this research. The first part summarizes the theory of planned behavior; the second outlines the conceptual framework that conceptualizes this study within the aforementioned theory. The study then looks at best practices in Company Registers and how Registers have leveraged on technology to try and make it as easy as possible for businesses to formalize . The research also looked at some of the beneficiaries of company information . Thereafter, the chapter navigates through the existing empirical literature and a summary of the various reviewed published related works in table 1. The study would not be complete without a review of other company registration authorities in select countries, the purpose being to bring to light what other jurisdictions are doing. The study will use the U.K Company House register because it is one of the oldest registers, has high compliance levels and most common wealth registers benchmark from it. Singapore register is also used because it is the most improved, innovative and reformed register and South Africas register because it is similar to Zambia’s register. Irrespective of the South Africa’s register being bigger in companies registered, African countries benchmark from it.

2.2 Definition of concepts

i. Annual Return- is a document that companies have to file at the registrar of Companies each year at the end of the financial year. It contains details of the company's directors, shareholders, share capital details, the types of charges gotten and the registered office address.

ii. Registrar of companies - A registrar of companies is a public authority which is responsible for managing the companies register and deals with the administration of the Companies Act

iii. Company register- a register of companies in a given jurisdiction they operate under.

iv. Compliance- the act or process of complying with the companies Act
2.3 The annual return:
An annual return is a statutory return in terms of the companies Act and is a summary of the most relevant information pertaining to a company or corporation. The prescribed filing fees for annual returns are legislated according to each different jurisdiction. Different jurisdictions are governed by different corporate laws, in some failure of filing an annual return means the company can be struck out of the corporate register or penalties will accrue or the company secretary will be liable for the offence since this falls under the administrative duties.
Some of the information found on an annual return include;

i. A company’s new shareholders and directors because it would have changed in the course of its financial year end.
ii. A company’s indebtedness in forms of bank charges or mortgages it borrowed and who are the financiers indicated on the annual return.
iii. A companies nature of business and sector
iv. A company’s current place of business
v. A company’s share capital and contributors either in equity or preference shares to this share capital.

Some Users of Information on Annual Returns
i. Commercial Banks: When they are performing their KYC’s due diligence.
ii. Government: help inform public policies such as taxation, labour laws and industrial policy strategies
iii. Helpful too for investors (foreign and local) when making investment decisions

2.3.1 Compliance

Compliance means the action taken by companies to file the post incorporation procedures. In this case the action the companies take to file company annual returns. Compliance is a post registration requirement. Once a company is registered, it is supposed to file its annual returns each year on a selected date called a financial year end (FYE). A FYE is simply a company’s anniversary date. It is therefore important to file annual returns because the higher the compliance levels in filing annual returns for a business register, the higher the value of the information held by the registers. Since value is difficult to define and measure, business registers use certain variables that could
be interpreted as indicators of value and these are; the availability, quality, reliability, and accessibility of information which if these are higher, creates demand for information in the business registers (CRF, 2017).

2.3.2 Business\textsuperscript{17} Registers

Business registers hold a great deal of information, but the extent of the information depends on different legislations. Therefore, a higher compliance level means more accurate company information that generates interest in the specific business register and therefore more demand of the business register information by stakeholders and this contributes to the day to day business decisions and revenue to the economy. For example, commercial banks before they open a bank account for a company, the bank will have to confirm if the company is registered with a business register through a company search. The search comes with a fee and can be accessed electronically or physically. Business registries in the world have seen the growing need and crucial role company registers play in an economy, therefore countries in Europe, Asia and the United States of America have become innovative, invested in ICT infrastructure which has in turn enhanced compliance. Among the world’s leading registries, compliance ratings are as follows; New Zealand (99%), Singapore (98%), Companies House in U.K (97%), Malaysia (93%), Mauritius (85%), and Republic of South Africa (68%)\textsuperscript{18}.

However, there are challenges in modernising a business register and maintaining an up to date corporate register as mentioned above and notably these challenges are common in least developed countries and Africa is not spared. Some of the challenges here to are:

i. Lack of corporate legal reforms
ii. Lack of available research data on corporate registers
iii. Reforming a corporate register requires heavy investment in ICT
iv. Education background of the business owners
v. Complexity of registration processes
vi. Most registers are manual or a mixture of manual and electronic
vii. Cost of digitisation of manual data
viii. Appropriate mix of awareness and sensitisation initiatives

\textsuperscript{17} Business register is a broader term of a register that holds more than company information this includes sole traders and other business names.

\textsuperscript{18} https://www.corporateregistersforum.org
2.4 Leveraging Technology to Support Business Registration Reform

Governments are revamping their processes for business registration, which can help improve the competitiveness of their investment climates and drive growth in formally registered firms. Company registrars are deploying information and communications technology (ICT) applications to reduce the time and effort required for new businesses to register, improve regulatory oversight by government, and facilitate access to company information. Empirical evidence has shown that significant reductions in the time and costs required to register a business can have material effect on new registrations (Wille et al, 2011). While many countries have already undertaken legal and procedural reforms to reduce the burden of registration on new and existing firms, further significant gains in efficiency and accessibility can only be realized through the application of technology. Thus, Leveraging technology to improve client service and data-sharing capabilities is at the top of the agenda for most company registries (Doing Business Report, 2016). According to the Doing Business Report, 2016, the driving forces behind registry automation are manifold, including competitive pressures to reduce the time and costs for business registration as well as improve access for smaller firms that operate at a distance from the registrar’s offices (in many countries, a businessperson must still go to the capital city to register).

The recent years have seen an increasing demand for company information within government for regulatory oversight and audit purposes and the consequent need for government databases to share information and revenue opportunities arising as businesses and financial institutions seek company information to inform their risk analysis of potential trading counterparties and borrowers. Figure a illustrates the company Registry “ecosystem” of information suppliers and users surrounding the Company registry. As can be seen there are various users of information. The demand gets even more when this information is of high quality, can be easily accessed and the information is reliable. Figure a, below shows some of the stakeholders and inter related needs of company information from a Registry. It is this growing need of company information, this demand for registries to offer quality information, the unique potential that company registers have in generating revenue, becoming self-sustainable, contribute to the treasury, provide multiple

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19 Refer to chapter one on some of the various users of company registry information.
20 Refer to the Financials in the Annual Reports for Singaporean, New Zealand, South Africa’s and Rwanda’s Company registries.
information sources to the government and a wide array of stakeholders with different needs and leverage on technology that prompted this research. As a result of systems automation and moving away from the manual systems, this has seen improvements in registration efficiencies, made it easy for the Public to formalise their businesses. The consequence of this however was increase in registrations and no emphasis on Compliance hence low compliance levels in filing company annual returns especially for developing countries. While countries such as Newzeland, Netherlands, Singapore have high compliance levels in filling annual returns, empirical evidence seem to suggest that these registers while they automated for easiness of registrations they also understood compliance from both an enforcement and behavioral consideration as espoused by the sections below.

![Diagram](image)

Figure a: The company registry is the information exchange hub for businesses and government

Source: Wille & others, 2011

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21 Refer to Table 2 and 4 for compliance levels
2.4.1 E-services available For Starting a Business

Figure b below shows that the majority of OECD countries now are leveraging on technology to provide e-services relating to Company registrations ranging from Online name Search, Company registration to virtual One stop shops combining social security, tax, business registrations and other key registrations into a single Online interface which also accepts various types of e-payments. Developing countries are increasingly joining this trend, with registry automation projects initially in Eastern Europe and Latin America, and more recently in Africa and South Asia (Doing Business Report, 2017).

Developing countries lag behind their OECD counterparts in moving business registration functions online.

Note: VAT abbreviates value-added tax.

Figure b: Company registry automations across jurisdictions
To enable registration efficiency, systems across jurisdictions are being automated. Governments may decide to eliminate paper-based application forms, stamps, and physical signatures as well as to implement standardized business rules so that manual reviews of applicant information can be more easily replaced by computer logic.

While most of the registry automation projects were standalone initiatives in different jurisdictions, developing economies show that their projects were often implemented in the context of a larger e-Government program (Doing business report, 2017). Such programs can improve the operational framework for online company registries by establishing interoperability standards to permit the exchange of information between government databases this way furnishing key shared services, such as government wide e-payment portals and user authentication Systems. According to the doing business report 2017, the fully online application processes, including digital signatures and e-payment of fees, were introduced as part of the registry automation solution in almost all developed economies and about half of developing economies. Also, to encourage use of the online system, some economies set lower fees for online registration. For example, in Belgium, online registration costs €140 versus €2,004 for paper-based registration. In Canada, the company registration costs Can$200 for Online and Can$350 for paper applications. In Zambia the Online company registration costs $90 to $100 paper applications. Such incentives have been cited as factors accelerating the uptake of the ICT solution (Wille & all, 2011)

2.4.2 Procurement and management of the registry technology solution

Government budgets funded the technology solution for all the developed country registrars and the World Bank Group project experience also shows that digitization of the existing paper records can be a considerable expense, particularly in larger countries just moving online. In selecting the technology solution, having features and functionality that best fit their needs was the most important consideration, availability of local support and security features of the application were also important factors, while cost of the solution was of lesser concern. These selection criteria may help explain why the majority of registry solutions are characterized as “custom developed,”
although this may also reflect the unique nature of registry software products available. Most software on the market is based on solutions initially implemented at leading company registries (for example, in New Zealand and Norway) and subsequently adapted for use in other countries; few, if any, “shrink-wrapped” package applications are offered (Foley, 2010).

While almost all developing economies rely on government staff to operate and maintain the application, developed economies tend to favour outsourced contractor staff for this service. In a few cases, one of two other approaches was taken where either both government and contractor information technology, staff manage the platform together, or the vendor supports the hardware infrastructure in a government or private data Centre while application maintenance and upgrades are managed by government staff. The moving of company data online provides the opportunity for registrars to create new revenue streams through the sharing of company Information with the private sector. Some business registries realize over 20 percent of their funding by packaging registry information into products tailored for various customer groups. For example, bulk data is marketed to credit reporting agencies and marketing firms, and tailored data products are offered to financial institutions and companies analysing potential trading counterparts (Ortega, 2011).

### 2.4.3 Lessons learnt in implementing registry technology solutions.

![Main Factors in Selection of ICT Solution](Source: Meunier 2011)

*The factors that most frequently influenced survey respondents' software purchase decisions were compatibility with the registrar’s business requirements and local support capabilities. Surprisingly, cost was considered a deciding factor by only slightly more than one-third of respondents.*

figure c Main Factors in Selection of ICT Solution (Source: Meunier 2011)
2.4.4 Technology is a means, but not an end. Re-think the registration process first

Moving Online or making a process electronic does not necessarily make it better. In a CRF conference, 2016 in Hong Kong, shared was that reengineering the business process prior to the deployment of the ICT solution was critical. There is no point to making an archaic system electronic. Many registries got excited with the thrill of going online, processing documents electronically and the saying that every company registry seemed to be automating but failed cases after systems automation were recorded were the registers went back to the Manual systems. For example, in Nepal the initial attempt at automation failed because the staff did not find the software application user-friendly and selected to return to the paper-based system. Bangladesh’s registrar chose to roll out the implementation in separate phases to allow time for the stakeholders to become accustomed to the new services. Through this sequential approach, the registrar was able to minimize the difficulties encountered by new users to the system, and in turn, established a sound basis for the next phase. New Zealand also introduced new enhancements gradually rather than through a single “big bang” deployment (wille et all, 2011).

2.4.5 Key Considerations in Implementing Company Registry Software Applications

a) Complete the legal and business process reforms before automation—to fully realize the potential benefits of technology.

b) Critically assess the agency’s ICT capacity, both staff and infrastructure—if internal capacity is inadequate, identify hosting alternatives within government or the private sector.

c) Fully document the business and functionality requirements before procuring a technology solution—this will also inform decisions concerning packaged versus custom-developed software.

d) Identify and build data linkages with other government agencies both to simplify the overall business entry process and ensure company data is fully leveraged to improve regulatory oversight.

e) Leverage the technology platform to produce new revenue streams including information products for financial institutions, credit bureaus, and other firms seeking company data
2.4.6 Overview of The Patents and Companies Registration Agency (PACRA)

Table 1 below is a summary of the Performance analysis of Zambia’s Company Register as at end of 2018.

<table>
<thead>
<tr>
<th>1 Registry size</th>
<th>168,512 (includes active and non-active companies)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Active companies 68,049</td>
</tr>
<tr>
<td></td>
<td>Non active companies 100,463</td>
</tr>
<tr>
<td>2. Income</td>
<td>K63, 600,000 m</td>
</tr>
<tr>
<td>3. New Incorporations</td>
<td>10,887</td>
</tr>
<tr>
<td>4. Growth rate of company registrations 2017/2018</td>
<td>8%</td>
</tr>
<tr>
<td>5. Growth rate of annual returns for companies only</td>
<td>15%*</td>
</tr>
</tbody>
</table>

*figures are only for companies but note overall compliance of the register is at 40%.

The Patents and Companies Registration Agency (PACRA) is a Statutory Body under the Ministry of Commerce, Trade and Industry. The Agency is established under the Patents and Companies Registration Agency Act No. 15 of 2010 with the principal mandate of providing business and Intellectual Property services. The Agency confers Intellectual Property Rights and serves as a legal repository for business and intellectual property information (PACRA, 2017).

The following are the services currently provided by the Agency:

i. Companies Incorporation
ii. Business Names Registration
iii. Registration of Cooperatives
iv. Registration of Security Interests in Movable Property
v. Industrial Designs Registration
vi. Trade Marks Registration
vii. Granting of Patents
viii. Registration of Copyright and Performance Rights
PACRA has offices in the ten provincial capitals of Zambia as well as in Kitwe and Livingstone. The Agency has strategic partnerships with 53 Local Authorities countrywide aimed at taking services closer to its customers. Further, PACRA is establishing Regulatory Services Centres under the auspices of the Business Regulatory Review Agency (PACRA Annual Report, 2017).

The functions of the Agency are to;

i. Administer the Companies Act, the Registration of Business Names Act, the Patents Act, the Trademarks Act, the Industrial Designs Act, the Companies (Certificates Validation) Act, The Movable Property (Security Interest) Act, The Protection of Traditional Knowledge, Genetic Resources and Expressions of Folklore Act, the Copyright and Performance Rights Act and the Layout Designs of Integrated Circuits Act;

ii. Receive and investigate complaints of alleged or suspected breach of the Acts referred to in paragraph (a) and subject to the directives of the Director of Public Prosecutions or Attorney General prosecute offences under those Acts, as the case may be;

iii. Collect, collate and disseminate information on the law relating to the Acts referred to in Paragraph (a);

iv. Advise Government on all matters pertaining to the Acts referred to in paragraph (a); and

v. Do all such other things as are necessary or incidental to the performance of its functions Under the PACRA Act.

2.5 Efforts to improve compliance and Administrative Challenges

i. One-Stop-Shop Integration

The Agency operates the One-Stop- Shop Integration System (OSSIS), a platform for information sharing among Government Agencies. Businesses are no longer required to submit the same information already provided at PACRA and Introduction of a single unique identifier for registered businesses which can be used across statutory bodies

ii. Establishment of Regulatory Services Centre

The Agency commenced the establishment of Regulatory Services Centres (formerly named One-Stop-Shops for business registration). An RSC was established in Kitwe in collaboration with the BRRA. RSCs are established pursuant to the Business Regulatory Act No. 3 of 2014. Under this
Act, the Agency is mandated, together with Local Authorities, to establish RSCs while the BRRA is responsible for coordinating them. The establishment and management of RSCs has nonetheless been adversely affected by inadequate funding.

iii. Modernisation of Cooperatives Registration Services
The Agency, in conjunction with the Department of Cooperatives, developed an electronic system for the registration of cooperatives aimed at reducing the time to register a cooperative. The registration time has now been reduced from 30 days to 48 hours. The department has also been allocated space in the Agency’s Customer Services Centre. Consequently, the public is now able to obtain business and cooperatives services under one roof. The Agency has nonetheless faced the challenge of lack of sufficient office space to accommodate the department. In addition, the automated system has not been decentralised due to lack of funds.

iv. Sensitisation and Awareness
The Agency in collaboration with BOZ, FSDZ and RUFEP, organises stakeholder training sessions in all provincial capitals targeted at Financial Service Providers, and SMEs such as farmers, marketeers and shop owners. The media and business associations also participate in these sensitisation seminars.

v. Training of Local Authority Officers
The Agency trains Local Authorities on business registration services. The trainings also focus on online registration which the Agency introduced in 2015.

vi. Collaboration with the Ministry of Education
In an effort to enhance compliance and information sharing pertaining to the registration of private schools, the Agency entered into a Memorandum of Understanding with the Ministry of General Education with the objective of ensuring that only duly registered businesses are licensed to operate as schools.

vii. Mobile Registrations and Sensitisation
The Agency conducts mobile registration in all provinces. The aim of the exercise is to sensitise SME’s on the benefits of formalising businesses. In addition, the authority regularly conducts mobile registration exercises in order to reach MSMEs in far flung places where the Agency has no physical presence. This is done to ease and reduce the cost associated with the formalisation of businesses (PACRA Strategic Plan, 2016-2020).
Some of PACRA’s administrative challenges are as follows according to the 2018 PACRA annual Report;

i. Low Sensitisation and Awareness
The business community and general public is not being adequately sensitised on the new laws and developments in the Agency such as the online system due to budgetary constraints.

ii. ICT Infrastructure enhancement
The Agency has migrated from manual to electronic registration processes. While facilitating efficient service delivery, ICT equipment requires regular maintenance and upgrade, particularly in view of the newly enacted laws. Due to inadequate funding, however, the Agency has been unable to upgrade and adequately maintain its current ICT Infrastructure.

iii. Compliance with the Companies Act and Other Statutes
The Agency has faced challenges in enforcing compliance with the requirements of the Companies Act and other statutes, due to inadequate funding. The Agency has been unable to effectively conduct inspections and awareness activities.

iv. Adequate funding
With adequate funding, the Agency would be able to efficiently and effectively deliver services, raise compliance levels, enhance awareness, motivate and retain staff as well as generate more revenue for the Central Treasury (PACRA Strategic Plan, 2016-2020).

2.5.1 Review of compliance and enforcement systems in other countries
The purpose of this review is to undertake an analysis of best compliance systems in the world. The reviews will help to model the compliance baseline model which is in line with one of the objectives of this study.

2.5.2 Singapore Company Register (ACRA)
Table 2 below is a summary of the Performance analysis Singapore’s Company Register as at end of 2018.
Table 2 ACRA Performance Analysis 2018

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Registry size</td>
<td>490,911</td>
</tr>
<tr>
<td>2. Income</td>
<td>$76,600,000 m</td>
</tr>
<tr>
<td>3. New Incorporations</td>
<td>61570</td>
</tr>
<tr>
<td>4. Growth rate of registrations 2017/2018</td>
<td>3.2%</td>
</tr>
<tr>
<td>4. Income/no of incorporations</td>
<td>$76,600,000/500000=$153.2 per registration</td>
</tr>
</tbody>
</table>

The Singapore Company Register (ACRA) has about 500,000 registered entities. The compliance rating for the registry is at 98%. More than 1.5 million records of business entities registered with ACRA have been made available for public access, through data download and is updated on a monthly basis, to enable researchers and developers to glean insights and develop applications for businesses. In addition to displaying the registered address of an entity, the public can now click on the address to access a map view showing the exact location of the entity. As part of its Open Data initiative, ACRA provides the public with free and easy access to online business datasets to promote corporate transparency. In June 2017, ACRA’s online entity search service was enhanced to provide the following additional information, Business activity, Filing history of the entity, Validity of the registered business address and Map location of the registered business address. Singapore was once again ranked second in the World Bank Doing Business report and sixth for the indicator on “Starting a Business” (World Bank report, 2017). It takes just two and a half days to start a business in Singapore. The registry continues to review policies and streamline business registration processes to improve the ease of doing business and keep compliance burden low.

2.6 ACRA compliance strategies and new regulatory measures to enhance corporate transparency

i. Ping on digital

As a means to raise compliance levels, ACRA has been working with companies to rectify misstatements by restating the financial statements on a timely basis and communicating these promptly to investors as part of the Financial Reporting Surveillance Programme. To boost the quality of financial reporting, ACRA’s Financial Reporting Surveillance Programme adopted the “re-statement first” approach at the start of 2017. The aim was to have companies rectify
misstatements on a timely basis and communicate these promptly to investors. (Annual Report 2017). A Financial Reporting Practice Guidance highlighting the areas of review focus for the coming year was published on the ACRA website, to guide directors and other financial statements preparers on the risks of misstatements in the financial statements, as well as how to better meet the information needs of investors and other users of financial statements.

ii. Voluntary Compliance

To encourage voluntary compliance, the online e-Directors Compliance Programme was launched in June 2017 to allow first-time offenders who have failed to comply with statutory filing requirements under the Companies Act, to go through an online training programme in lieu of prosecution. (ACRA Annual Report, 2017)

iii. Compliance Partnerships

Partnerships and collaborations with government agencies with the private sector and international synergies have worked well in increasing compliance in Singapore. Singapore continues to share digitalisation plans with global counterparts on how to enhance business registration and filing services to meet the changing needs of the business community, public and as the international trade increases.

The new regulatory measures to enhance corporate transparency at ACRA are part of larger nationwide efforts to strengthen Singapore’s regulatory framework to combat money laundering and terrorism financing, ACRA introduced the Beneficial Ownership regime that provides greater transparency in the ownership and control of corporate entities. Since 31 May 2017, ACRA requires all existing companies and limited liability partnerships to set up a Register of Controllers to maintain beneficial ownership information that must be made available to public agencies upon request.

iv. New Regulatory Corporate Services

In line with international standards, this aims to establish a reliable and transparent business register that seeks to prevent the misuse of corporate entities for illicit purposes. ACRA was part of a multi-agency team that participated in the Global Forum on Transparency and Exchange of Information on-site evaluation from 19 to 23 March 2018, during which Singapore was assessed to be compliant with the Global Forum’s standard. Over 140 inspections were conducted from September 2017 to March 2018, with enforcement actions taken against companies that were non-compliant. Since February 2017, such compliance checks were also included in the audit
inspections on public accountants and public accountant’s entities. ACRA also revised the guidelines for Registered Filing Agents in August 2017 to include new obligations on the identification of beneficial owners and strengthening of some customer due diligence measures. (ACRA Annual Report, 2017).

v. Promoting high voluntary compliance
On 12 April 2017, ACRA and the Singapore Institute of Directors (SID) conducted a deep-dive session for over 60 audit committee members on the use of ACRA’s Audit Quality Indicators Disclosure Framework to better evaluate and select the right auditors, and on key learning points from ACRA’s Financial Reporting Surveillance Programme. At ISCA’s Quality Assurance Seminar held on 22 May 2017, over 300 participants from the public accountancy sector were updated on upcoming audit regulatory initiatives and key observations from the Ethics Pronouncement 200 inspections conducted under ACRA’s Practice Monitoring Programme. ACRA organised the fourth ACRA-Audit Committee Seminar together with the Singapore Exchange and SID on 16 January 2018. Using case studies, ACRA and SGX shared with over 450 directors of listed companies on how they could improve the quality of their financial reporting and fulfil their obligations as directors.

vi. Compliance catalysts
This innovation helps customers use the ‘compliance critical’ information among the products more efficiently. It pulls relevant data from existing Global databases into a tailor-made platform. ACRA’S has also linked company reports with information on politically exposed persons (PEPs), sanctions and other adverse data

vii. Company Compliance Rating
ACRA, introduced a colour-coded compliance rating for companies in 2010. This rating system recognizes Companies with a good record for holding their annual general meetings (AGMs) on time, tabling and filing up-to-date financial statements and annual returns for the year in question with a positive compliance rating in the form of a green tick. This makes them eligible for a Certificate of Compliance. Companies that were non-compliant in their filing would be given a negative rating in the form of a red cross. Company ratings are available free of charge to the public through ACRA’S online filing and information retrieval system, BizFile. On the flipside, non-compliance can be extremely unproductive for a business. As the national regulator of
business entities, ACRA’S issues about 10,000 summonses against directors yearly for not complying with basic statutory requirements such as holding AGMs and filing annual returns on time under the Companies Act. About 40 per cent of these offences are committed by repeat offenders, and these breaches can lead to heavy penalties with fines of up to S$10,000 or imprisonment of up to two years. Besides incurring additional business costs in the form of paying fines, these businesses also have to spend a lot of time in rectifying the breaches and attending court to answer the charges. A study conducted by ACRA showed that many directors in default are ignorant of statutory requirements and are not aware of their duties and responsibilities. To strengthen the competencies of company directors, ACRA launched the Directors’ Compliance Programme to train company directors (ACRA Annual Report, 2017).

### 2.6.1 United Kingdom Company House Register

Table 4 below is a summary of the Performance analysis of United Kingdom’s Company Register as at end of 2018.

<table>
<thead>
<tr>
<th>1 Registry size</th>
<th>4,033,365</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Income</td>
<td>$89,700,000 m</td>
</tr>
<tr>
<td>3. New Incorporations</td>
<td>620285</td>
</tr>
<tr>
<td>4. Income/no of incorporations</td>
<td>$89,700,000/4033365 = $22.234 gain per company registration</td>
</tr>
<tr>
<td>5. Growth rate</td>
<td>3.5% from last year</td>
</tr>
<tr>
<td>6. Digital take up</td>
<td>86.7%</td>
</tr>
</tbody>
</table>

*Rated us the third best register of size four million and thirty-three, three hundred and fifty-five (4,033,355) and compliance rating at (98%) (Annual Report 2017)*

The Register incorporates companies and publishes the information to the Public. This includes information on who owns and runs a company, as well as information about their financial position. Companies provide this information in return for being able to operate as limited liability entities and they are legally responsible for the information they provide to the registrar. The head office is in Cardiff, and offices are in Edinburgh, Belfast and London (Company House UK Annual Report, 2017). The vision is to be the best registry in the world. Business success and economic
growth depend on investors, employees, consumers and the wider public having confidence in business. The register of companies provides that confidence. To be the best registry in the world, the registry needs to have an excellent registration and search services. The government launched its Industrial Strategy in 2018 and this makes the UK the best place in the world to start and grow a business, and the registries services are made simple, easy to use, at relatively low cost, freeing up companies to focus on doing business.

i. Information through Digital Channels

The Company House U.K believes that it is better for companies if they file their information through digital channels. It is quicker, simpler and cheaper than sending in a paper form. The information is more accurate and can be made available in a more easily accessible and reusable way. The registry can see the clear benefits of digital filing and is moving towards being a fully digital organization. By making the register as complete and accurate as possible, the importance of making sure that the data on the register is of high quality, in particular to ensure that it is as useful as possible in successfully delivering the government’s Industrial Strategy is recognised. For the register to be as valuable as possible, people using it need to have confidence that the data is current, complete and correct. The aim is to achieve this by focusing on helping companies file the right information, and by working with them to ensure the information remains correct and up to date (Company House UK Annual Report, 2017).

ii. Data Quality

The strategy for 2017 to 2020 sets out how the registry will ensure excellence in companies’ search and registration, by making sure customers can do everything online and by making sure the services are simple and easy to use. The registers aim is to be complete and accurate as possible, which will include working with others to identify data issues that need to be corrected. The register will design out scope for error in the services, and help companies provide current, complete and correct information. It will build a high performing culture to support customer service by making sure staff strive for excellence. They will be adaptable, embrace change with confidence and have the skills to ensure the register maintains the compliance rating of 98% or above (Company House UK strategic plan, 2017-2020)
iii. Customer Relationship
The register has developed mechanisms to get feedback from people using the data about its quality, and quickly acted to make improvements. For example, the register had complaints about the misspelling of country names and this prompted the carrying out of a data cleansing exercise, correcting addresses and nationalities right across the register. In addition, introduced is the drop down lists for nationality and country information, to ensure the data is clean, consistent and reusable. Company House U.K recognises the importance of making sure that the data on the register is of high quality, in particular to ensure that it is as useful as possible in successfully delivering the government’s Industrial Strategy. For the register to be as valuable as possible, people using it need to have confidence that the data is current, complete and correct. They aim to achieve this by focusing on helping companies file the right information, and by working with them to ensure the information remains correct and up to date (Company House UK Annual Report, 2017)

iv. Free Data Accessibility-Report it now
In July the register launched a ‘report it now’ facility on the Companies House Service (CHS), the flagship online free search service. The new functionality allows customers inform the register about anything that is wrong with the information on the register. This has been a huge success, with 58,352 reports between its launch in July 2017 and 31 March 2018. The register is getting some extremely helpful feedback on company information, which we can follow up with those companies to deal with identified problems. These range from complaints that data is incorrect, to notifications of directors that have resigned. Some of the contacts identified the unauthorised use of addresses as registered offices. In these cases, the register was able to use its powers to ensure that the company addresses were changed.

v. Partnerships and Collaborations with aim to Improve Compliance and Enforcements
The Company House started using other data sources to improve the quality of data. Increased Collaborations with other data holders by becoming members of the data leader’s network, a cross government partnership which is working innovatively with data. The registry works closely with the banks, and the law enforcement community to ensure that the data on the register is as useful as possible. Requests for help in law enforcement investigations increased by 26% in 2016. Companies House is also a partner organisation of the Government Agency Intelligence Network
(GAIN). Its aim is to solve issues by working across agencies and sharing information when taking enforcement action. The registry is increasingly seeing improved results from partnership working. This year it helped with painting an intelligence picture around companies involved in organised crime and people trafficking. In one case, the registries support to law enforcement resulted in an individual being imprisoned for offences relating to human trafficking and modern slavery. One of the most important sets of data on the register is information about PSCs. This information was accessed over 5 million times last year. Company house understands how important this information is to its users and therefore the importance of helping companies get it right.

vi. Learning and Development
To be a truly high-performing organisation and deliver brilliant services, the register recognises the need to develop a culture of striving to achieve and this is what has helped with the much progress? A new programme of learning and development was launched aimed specifically at new and aspiring managers to aid the development of people management skills and knowledge. The programme content was built as a result of feedback received from workshops held with a range of staff. The programme was launched in March 2018 and received positive feedback to date. There are 40 people from all regions involved with more on the waiting list. A new performance management approach was introduced during the year concentrating on improved people manager roles and relationships.

vii. Late Filing Penalties
The purpose of the late filing penalty scheme is to promote the timely delivery of accounts to Companies House. Penalties were first introduced in 1992 in response to increasing public concern about the number of companies that failed to file their accounts on time or at all. It was thought that the prospect of incurring a penalty would be an incentive for companies to file on time.
viii. Filing company information using Companies House Web Filing

UK will be required to file a Confirmation Statement instead of an Annual Return (businesses with a return date of 29th June 2016 or earlier must still file an Annual Return).

a) The Confirmation Statement aims to simplify the previous annual return process, as follows: Companies will no longer need to repeat previously filed information and may
simply confirm that since their previous statement (or Annual Return) they have made every filing required by Companies House;

b) The Confirmation Statement may be filed at any point but at least one must be submitted in any 12-month period (which restarts each time a statement is filed); and

c) Companies that choose to submit more than one statement in a year will only be subject to a single annual fee rather than being charged for each submission. Note however that the compliance period was halved. Companies needed to file the Confirmation Statement within 14 days (rather than 28) of their due date. A failure to do so left the company and its officers liable to a fine.

ix. Efficiency Filing Process

The introduction of the Confirmation Statement aim was to reduce the administrative burden of the Annual Return for many businesses and allow businesses to notify Companies House of shareholder changes immediately rather than waiting until their next Confirmation Statement date, but companies should beware of the shortened compliance period. Currently, each register is kept updated and available for inspection at the registered office or another location (which must be registered at Companies House). Whilst the ability to hold registers at Companies House, rather than keeping and maintaining a separate register, will be a useful tool for many small businesses, it does have some drawbacks. Certain information, such as directors’ or shareholders’ addresses and for PSCs or directors, their day of birth, is protected when the registers are held by the company. However, this information is publicly available should the company opt out of maintaining their own register. Also, as a person (meaning an individual or corporate entity) only becomes a shareholder of a company when their name is entered on the register of members, companies will lose control over the exact timing of this process (which can sometimes be key).

2.6.2 Republic of South Africa

The Companies and intellectual Property Commission (CIPC)’s primary institutional mandate is derived from the Companies Act, 2008 (No. 71 of 2008), which establishes CIPC as a juristic person. The CIPC is responsible for administering all or parts of 13 legislative components relating to corporate and intellectual property regulation (listed under General Information, Section 7 Legislative and other mandates). Its key mandate encompasses companies, close corporations, co-
operatives, rules and regulations in most of these areas of law. Part of the CIPC’s mandate is investigations into compliance with company law.

South Africa’s company register, Companies and intellectual Property Commission (CIPC) ranks 74 out of 190 countries in the doing of business report (Doing of Business report 2017) in the world, ranked 50th in resolving solvency, 22nd in protecting minority investors and 131st in starting a business. (CIPC Annual Report, 2017). In 2017 CIPC made three hundred and nineteen, four hundred and thirteen million rands R319, 413,000 in compliance fees and one million and sixty-five and fifty million rands in fees. CIPC is ranked as the second register in Africa from Mauritius and ranked 47 out of 148 countries in business registers. The CIPC is heavily influenced by government policy and strategy and must align itself to these. The rules and regulations imposed by National Government are essential to effective governance of the country. These rules and regulations need to be managed and navigated effectively to ensure effective delivery on the CIPC mandate, and continued performance.

i. Economic factors affecting CIPC
Economic factors refer to determinants of a country’s economic performance which impact the CIPC. These factors include, but are not limited to, economic growth, interest rates, exchange rates, inflation, disposable income of consumers and businesses. A dynamic relationship exists between economic growth and IP generation. IP rights can contribute significantly to economic development. The CIPC can therefore influence economic development by providing a conducive environment that increases IP protection. South Africa’s unemployment rate has reached an all-time high, and is expected to worsen. There may be a correlation between increased unemployment and increased entrepreneurship (CIPC Annual Report, 2017). The CIPC can support new entrepreneurs through education and awareness, and business registration promotion to improve current unemployment rates. The CIPC can further assist with education by partnering with relevant organisations.

ii. Socio-cultural
Social factors are areas that involve shared beliefs and attitudes of the population. These factors are used to gauge determinants like cultural trends, demographics and population analytics. South Africa has a strong culture of innovation, supported by a well-established research base. In the
2015 World Intellectual Property Organisation (WIPO) global innovation index, South Africa was ranked a global 60th, after Mauritius (49th), and 2nd in Africa. South African universities and research institutions have done exceptionally well in producing world-class research and publications in peer-reviewed journals. However, there is still a gap in the National Innovation System (NIS), as most of the research outputs have not translated to commercially-viable products and services, nor creation of new industries. This requires a coherent strategy to close the innovation chasm.

iii. Value proposition
The CIPC customer value proposition is aspirational. It includes benefits that customers currently enjoy, as well as future benefits to be developed and delivered by the CIPC in association with its channel and strategic partners. Living up to these aspirations requires that the CIPC builds future requisite capabilities in collaboration with its strategic partners. Therefore, achieving these aspirations is partly within its scope of control and partly under the control of the CIPC’s strategic partners. Understanding customers is a key part of situation analysis. It involves knowing the target audience, their behaviour, market size, market growth, buying patterns, average purchase size, frequency of purchase, and preferred channels

iv. Segmentation
The CIPC uses behavioural segmentation, dividing the market according to its needs. These segmentation categories include:
- Registration needs
- Information and data needs
- Compliance needs
- Redress needs
- Maintenance requirements

Figure 1 summaries CIPC’s customer segmentation
v. Turn around call answer rate
The call answer rate has been improving steadily from October 2017, maintaining an average rate above 90% in the fourth quarter. It is presently consistently maintained at a level above 90%. The average number of calls answered stood at about 15 000 per month and about 800 per day.

vi. The Query Resolution System (QRS) project was rolled out during the reporting and Information sessions were conducted for all staff members, as well as the Johannesburg, Pretoria and Cape Town service centres. Top reasons for customers logging tickets with CIPC included allocation of funds, company registration, director amendments and annual returns.

vii. Grow its social media strategy
The CIPC website recorded an increase in use, with CIPC social media following growing during the year at just over 5%. The growth in Twitter followers has always been higher than that of Facebook, notwithstanding the fact that there is a higher number of Facebook followers, compared to Twitter. The majority of queries Pertained to company registration and annual return processes, status of customers’ application for company registration, and name reservations. A small fraction of queries were complaints relating to a delayed response to queries lodged through the query resolution system, and lack of clarity in reasons for rejection of customers’ applications.

viii. Customer responsiveness
a) In being responsive to customer requirements, the CIPC has been on a drive to:
   The CIPC introduced a number of enhancements, such as a simplified payment system for submission of annual returns. This led to elimination of queries relating to allocation of funds for annual returns. The intention is to continue implementation of this system, which accepts both debit and credit cards. Plans are underway to provide real-time electronic fund transfer options. In its quest to continually improve ease of doing business, the CIPC aims to provide a one-stop service for as many business-related services as possible. In December 2017, partnership with the regulator of Domain Name registration resulted in a mutual customer of the two organisations enjoying the option to apply for a domain name whilst doing company registration services either at a CIPC service centre or via its website.

viii. Structure of the Business Registries
The CIPC offers its services through partnerships and collaborative initiatives, using multiple channels such as a third-party model, self-service terminals, self-service centres and banks. This provides ease in transacting and accessing CIPC services countrywide.

ix. Increased Call Centre Efficiency
The CIPC’s call centre is an essential touch point for its customers. The call centre has improved service provision over the past five years. Specifically, the call centre has experienced an increase in call/answer rates in the past five years. Key initiatives such as recruitment of experienced call agents and continuous training have contributed to the improvement in capacity building.

x. Automation and Digitisation
The CIPC has made radical improvements in the levels of automation and modernisation within the organisation. Automation has led to the CIPC’s registration systems being faster and more cost-effective, offering enhanced data integrity, information security, registration system transparency and verification of business compliance.

xi. Integrated Registration System
ICT makes registration systems faster and more cost-effective. It enhances data integrity, information security, registration system transparency and verification of business compliance. The use of technologies also assists countries with limited human resource to meet customer demand and reduces administrative costs. An ICT-led registration system is crucial for both the virtual and physical one-stop-shops. Physical shops can deliver services faster and more efficiently by using ICT for the back-office workflows. ICT can also play an essential role in developing integrated systems. The CIPC has automated processes over the past five years. It has made significant strides in achieving automation targets, with 27% of processes automated.

xii. Distribution Channels
The CIPC has made great strides in collaboration and distribution channels. The figure below illustrates the CIPC’s various distribution channels:

Weaknesses

xiii. Collaborators
Collaborators are external stakeholders who partner with the organisation in a mutually beneficial partnership. Agencies, suppliers, distributors, and business partners are typical examples. It is important to understand their Capabilities, performances, and issues to better identify business problems.

xiv. Partnerships
Collaboration is one of the CIPC’s core values. As a value-based organisation, every effort is made to demonstrate these new values in the organisation’s activities. Over the past several years, collaborations with both public and private organisations have been a central distribution model focus and have proved to be particularly significant.

xv. Automation and Digitisation
The CIPC has made radical improvements in the levels of automation and modernisation within the organisation. Automation has led to the CIPC’s registration systems being faster and more
cost-effective, offering enhanced data integrity, information security, registration system transparency and verification of business compliance.

xvi. Implement a query resolution system

The Query Resolution System (QRS) project was rolled out during the reporting period. Information sessions were conducted for all staff members, as well as the Johannesburg, Pretoria and Cape Town service centres. Top reasons for customers logging tickets with CIPC included allocation of funds, company registration, director amendments and annual returns

2.7 Theoretical Review

Theory is a set of interrelated concepts, definitions and principles that describe a phenomenon by clearly identifying relations among variables with the purpose of predicting the Phenomena. The use of psychological constructs to understand the low levels of compliance when it comes to complying with mandatory annual returns with PACRA will be used in this study. The theory of planned behaviour (TBZ) which was put forward by Azjen (1991) will be adopted for the study. Most studies ignore the role of social psychological constructs and the influence of others’ opinions regarding decision making behaviour analysis (Martinez-Garcia et al., 2013). The theory of planned behaviour is therefore an ideal theory to study about the compliance behaviour regarding the filing in of annual returns by business owners in Zambia.

2.7.1 The Theory of Planned Behavior

The underpinning theory for this study is the theory of planned behaviour, a theory that takes into consideration the role of social-psychological constructs regarding issues of decision making. The theory of reasoned action and its extension, the theory of planned behaviour (Fishbein and Ajzen 1975; Ajzen 1991) represent the models that are mostly used by social psychologists to try and understand human behaviour. While a lot of studies have looked at regulatory compliance regarding tax compliance, very few if not none have looked at the subject of compliance behaviour regarding company registration and post-company registration requirements. Most studies that have been done on company registration are studies that have focused on making company registration processes a lot more efficient or the use of technological solutions in company registration processes (Wille et al, 2011). According to our knowledge, this study is the first study
in the developing world that uses the theory of planned behaviour to understand the role of psychological constructs in company registration and post company registration compliance behaviour. This theory has been extensively used in understanding tax compliance behaviour (Salman and Sarjono, 2013; Smart, 2013). Furthermore, Sutinen and Kuperan (1999) and Braithwaith (2003), proposed the need to also consider theories from psychology and sociology to account for both tangible and intangible motivations influencing individuals’ decisions on whether to comply with a given set of regulations or not.

The Theory of Planned Behavior (TPB) started as the Theory of Reasoned Action in 1980 to predict an individual's intention to engage in a behavior at a specific time and place. The theory was intended to explain all behaviors over which people have the ability to exert self-control. The key component to this model is behavioral intent; behavioral intentions are influenced by the attitude about the likelihood that the behavior will have the expected outcome and the subjective evaluation of the risks and benefits of that outcome.

According to the theory of planned behaviour (Azjen, 1991), the best predictor of behaviour is intention. This means that an individual with high intention or motivation to comply with company registration formalities during registration and post registration is likely to be compliant. Furthermore, intention is influenced by three (3) independent variables namely; attitude towards compliance (the degree to which a person has a favourable or unfavourable evaluation of the behaviour of interest); subjective norms (the belief about whether most people approve or disapprove of the behaviour) and perceived behavioural control (a person's perception of the ease or difficulty of performing the behaviour of interest). Below a diagram that depicts the relationships of the different variables in the theory of planned behaviour;

In terms of attitude, if an individual feels or believes performance of a particular behaviour of compliance is likely to benefit them or favourable to them, they are likely to perform that particular behaviour. Wile et al (2011) presented the different benefits that come with formalising a business and maintaining the formalisation and these benefits are likely to make company owners who believe the formalisation process to have more advantages than disadvantages to be motivated to be compliant. However, if company owners feel and believe, there are more disadvantages than advantages in the formalisation process, they are less likely to be motivated to be compliant.
The subjective norms or normative beliefs also influence intention. According to Salman and Sarjono (2013), normative belief relates to our beliefs about the normative expectations of the people who are around us about the behaviour that we will perform. Azjen (1991) defines it further by saying that it refers to the perceived social pressure to perform or not to perform the behaviour. The business owners who intend to register companies are surrounded by different people or groups of people in the community from family, business associates, government agencies etc. These different groups of people have power to influence the business owners to either comply or not comply with company registration requirements.

The perceived behavioural control also influences the intention of whether business owners will be complaint towards business registration requirements. According to Azjen (1991, pp.188), perceived behavioural control, “refers to the perceived ease or difficulty of performing the behavior and it is assumed to reflect past experience as well as anticipated impediments and obstacles.” If the company registration process as well as maintenance of the formalisation status is laborious, the chances that someone will be motivated to be compliant are slim. The easier the company registration process and other processes to maintain the formalisation status, the more likelihood that the intention to be complaint will be enhanced.

The TPB has been used successfully to predict and explain a wide range of health behaviors and intentions including smoking, drinking, health services utilization, breastfeeding, and substance use, among others. The TPB states that behavioral achievement depends on both motivation (intention) and ability (behavioral control). It distinguishes between three types of beliefs - behavioral, normative, and control.
The TPB is comprised of six constructs that collectively represent a person's actual control over the behaviour;

- **Attitudes** - This refers to the degree to which a person has a favourable or unfavourable evaluation of the behaviour of interest. It entails a consideration of the outcomes of performing the behaviour.

- **Behavioural intention** - This refers to the motivational factors that influence a given behaviour where the stronger the intention to perform the behaviour, the more likely the behaviour will be performed.

- **Subjective norms** - This refers to the belief about whether most people approve or disapprove of the behaviour. It relates to a person's beliefs about whether peers and people of importance to the person think he or she should engage in the behaviour.

- **Social norms** - This refers to the customary codes of behaviour in a group or people or larger cultural context. Social norms are considered normative, or standard, in a group of people.

- **Perceived power** - This refers to the perceived presence of factors that may facilitate or impede performance of a behaviour. Perceived power contributes to a person's perceived behavioural control over each of those factors.

- **Perceived behavioural control** - This refers to a person's perception of the ease or difficulty of performing the behaviour of interest. Perceived behavioural control varies across situations and actions, which results in a person having varying perceptions of behavioural control depending on the situation. This construct of the theory was added later, and created the shift from the Theory of Reasoned Action to the Theory of Planned Behaviour.

The figure 2 below gives a conceptual framework using the Theory of planned behaviour and how it helps in understanding compliance behaviour.
2.8 Conceptual Framework

Figure 2 Model of Theory of Planned Behavior

Source: Azjen (1991)
According to the model above, Ajzen’s six constructs are crucial in circumstances/projects/programs when changing behavior of people. In their respective aggregates, behavioral beliefs produce a favorable or unfavorable attitude toward the behavior, normative beliefs result in perceived social pressure or subjective norm, and control beliefs give rise to perceived behavioral control. In combination, attitude towards the behavior, subjective norm, and perception of behavioral control lead to the formation of a behavioral intention. As a general rule, the more favorable the attitude and subjective norm, and the greater the perceived control, the stronger should be the person’s intention to perform the behavior in question. Based on Theory of Planned Behavior (TPB), The conceptual framework of this study is illustrated in the below in figure 3 ;

22 http://www.valuebasedmanagement.net/methods_ajzen_theory_planned_behaviour.html
Notes on the model constructed above:

i. The Intention of business owners to comply will predict compliance behaviour

ii. Attitudes towards filing annual returns will effect intention to comply with return obligations

iii. Norms in relation to return filing will effect intention to comply with return obligations

iv. Perceived control of return filing effects intention to comply with return obligations

v. Perception of the registrations office’s willingness to cooperate will affect business owner’s intention to comply with return obligations

vi. Perception of the registrations office’s willingness to cooperate will business owner’s compliance behaviour

Source: researcher’s own construction

Figure 3 Model of Theory of Planned Behavior applied compliance
2.9 Related Studies
A number of studies have made use of the Theory of Planned Behavior in predicting and shaping compliance behavior. In a recent study on the application of the Theory of Planned Behavior to Predict Young Drivers’ Speeding Behavior. The efficacy of the theory was evaluated in the young drivers’ speeding behavior and intention to speed. The results showed that young drivers’ speeding behavior appeared to be affected by perceived behavioral control, past behavior, personal norms, intention to speed, affective and evaluative attitude towards compliance with speed limit, and social support. It also found that the impact of personal norms is greater in the intention to speed. Furthermore, the effect of socio-economic characteristics and the vehicle usage such as gender, age, income level, university type, and location of university etc. were significant factors to report that young drivers are more likely to be speeding offenders. Interestingly, racing movies and racing also make important predictors to influence drivers to drive exceeding the speed limit. (Ketphat, m et al, 2013).

In another study, the application of the theory of planned behaviour was used in modelling tax compliance behavior in New Zealand. The results of this study suggested that noneconomic variables, such as beliefs and attitudes, are good predictors of tax compliance behaviour. Consistent with the majority of studies, the most influential factor in predicting and explaining tax compliance behaviour (through the mediating effects of behavioural intention) is attitude towards the behaviour. Other factors such as personal, social and societal norms were also significant predictors of tax compliance behaviour. Perceived behavioural control was only significant for the taxpayers but not for the tax agents. In contrast, perception of the tax authority was significant for New Zealand tax agents, but not for taxpayers. The results also suggest that tax compliance behaviour is complex, and different determinants of compliance behaviour affects different sub-groups of taxpayers differently. This study also found that taxpayers and tax agents generally perceive tax noncompliance as less serious relative to a number of other similar civil offences. This perception may explain why respondents (from both sample groups) who were penalized for noncompliance felt that the penalties imposed were harsh, unfair and excessive. Overall, the current study illustrates the importance of incorporating noneconomic variables comprising beliefs, attitudes, and norms, with widely used economic variables such as penalties and other enforcement tools, for achieving an optimal compliance strategy. (Martha, S, 2012)
The theory of planned behaviour Prediction was used in a study of self-monitoring compliance among sufferers of a chronic illness. The Theory of Planned Behaviour (TPB) made it possible to predict those clients who complied with medical guidelines, prescription drug intake, and self-monitoring behaviors (peak flow or blood sugar levels). Significant amounts of variance explained by the TPB model indicated its usefulness as a predictor of self-monitoring behaviour intentions in the sample. The results also highlighted the importance of subjective norm and perceived behavioural control within the TPB in predicting intentions. The utility of the TPB in this study also provides evidence for health promotion professionals that costly clinic / hospital treatment provision can be reduced, whilst also being satisfied with ongoing client self-monitoring of their condition (Garry, P et. al, 2012).

In a study on tax Compliance using the Economical deterrent model (Allingham and Sandro’s, 1972), The research revealed that the use of penalties and other deterrent measures such as enforcement were not the only determinants of tax compliance, that enforcements come at such a huge cost and high penalties don’t always result in high compliance. However, the main criticism relates to the assumption that individuals make tax paying decisions in a social vacuum and overlooks important human elements or traits addressed in the behaviour of planned behaviour such as values, norms, morals, beliefs and attitudes towards tax compliance behaviour, involved in the decision making.

In a study applying the theory of planned behaviour and structural equation modelling to Tax compliance behaviour: A New Zealand Study (Smart, 2016), The findings revealed the importance of norms in tax compliance behaviour (personal, social and societal) and that non-economic variables also have an important role in tax compliance behaviour. The findings also provide justification for the use of the TPB framework

In a study, Legacy: The Reasoned Action Approach by (Anzen &Fischbein’s, 2012), the research concluded that the attitudes and social norms influence intentions, which then influence behavior as in the TPB model.
In a study, using social-psychology models to understand farmers' Conservation behaviour (Beedell1 & Rehman, 2000), Responses from a survey of 100 Bedfordshire farmers were analysed to identify the underlying determinants of behaviour and to comprehend farmers' attitudes. Farmers with greater environmental awareness, members of the Farming and Wildlife Advisory Group, are more influenced by conservation-related concerns and less by farm Management concerns than other farmers.

In a study on Sole Proprietorship and Tax Compliance Intention In Self-Assessment System - A Theory of Planned Behaviour Approach (Shaharuddin, 2012), the result showed that, certain small business categories such as restaurants or those who run their business at the roadsides or at hawkers’ Centre were found not to fully comply with tax laws. They are not only required to adhere to tax obligations of doing business, but taxpayers Must also have sufficient tax knowledge in order to assess their tax liability correctly and to file tax return forms on time. The tax compliance behavior has been thoroughly explained by the economic deterrence models which primarily emphasize on enforcement and detection variables. These models however have some limitation to fully explain the reasons why many people may or may not comply with tax laws. Since then, many researchers have shifted to focus more on sociology and psychology Variables in an attempt to explain taxpayer behaviour.

In a study A socio-economic theory of regulatory compliance (Sutinen, 1999), The body of empirical evidence demonstrated that the pure deterrence model of regulatory compliance, Which focuses primarily on the certainty and severity of sanctions as key determinants of compliance, provides only a partial explanation of compliance behaviour. It was concluded that conventional costs and revenues associated with illegal behaviour of non-compliance sometimes, can be too costly and farmers that showed high levels of compliance belonged to a farmers’ groups and association. In a study, Company Registration: Toward a Status-Based Antifraud Regime (Cohoi, 1997), Company registrations within certain regulations are a tool used to undertake business and maximise wealth.

In a study, A Review of the Theory of Planned Behaviour in the Context of Information Security Policy Compliance Sommestad, (Teodor & Hallberg, Jonas, 2013), the results showed that the
theory explains information security policy compliance and violation approximately as well as it explains other behaviours.

In a study Tax Compliance Intentions and the Behaviour of the Individual Taxpayer: Evidence from Nigeria (Ebimobowei, 2016) the result revealed that a significant relationship between tax compliance intentions and equity attitudes; tax compliance intentions and social and moral norm Variables; and tax compliance intentions and risk and penalties. That the relevant tax authorities should put in place a permanent department devoted specifically to voluntary tax Compliance issues; the relevant tax authorities should apply tax morale model of compliance that incorporates internal taxpayer motivations and emphasizes a more individual carrot and stick approach.

In a study, Understanding and improving use-tax compliance (Jones 2009). Study reviewed, that states would not involve any new law, but just improve the residents’ knowledge base on tax. This could be accomplished by an advertising campaign and this is a low cost remedy for a potentially large tax revenue gain.

The above studies are summaries in Table 4 below and the research Gaps identified in those studies is also highlighted.

Table 4 Related Works

<table>
<thead>
<tr>
<th>Title</th>
<th>Year</th>
<th>Authors</th>
<th>Findings</th>
<th>Gaps</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. A study on tax Compliance using the Economical deterrent model.</td>
<td>1972</td>
<td>Allingham and Sandmo’s</td>
<td>The research revealed that the use of penalties and other deterrent measures such as enforcement were not the only determinants of tax compliance, that enforcements come at such a huge cost and high penalties don’t always result in high compliance</td>
<td>The main gap relates to the assumption that individuals make tax paying decisions in a social vacuum and overlooks the human elements or traits addressed in the theory of planned behaviour such as values, norms, morals, beliefs and attitudes towards tax compliance behaviour, involved in the decision. The research was conducted on Tax compliance and not Company compliance.</td>
</tr>
<tr>
<td>2. Applying the theory of planned behaviour and structural equation modelling to tax compliance behaviour: a new Zealand study</td>
<td>2012 Martha smart</td>
<td>The findings revealed the importance of norms in tax compliance behaviour (personal, social and societal) and that non-economic variables also have an important role in tax compliance behaviour. The findings also provide justification for the use of the TPB framework for tax compliance research. The research could have also looked at demographics such as age, gender and levels of experience and how these affect tax compliance behaviour in a person. Perceived control which is the extension of TPB could also have been looked at i.e. how tax payers evaluate if tax they are paying improves their livelihood. If they see the good results tax becomes a moral obligation. The research was conducted on Tax compliance and not Company compliance.</td>
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<td></td>
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<tr>
<td>3. Legacy: The Reasoned Action Approach</td>
<td>2012 Azjen &amp; Fishbein's The ANNALS of the American Academy of Political and Social Science, 640(1), 11-27</td>
<td>Concluded that the Attitudes and Social norms influence intentions, which then influence behavior. The RAP ended at social norms and attitudes as influencing factors to intentions of behavior but this is where the TBZ model is extended by including controlled behavior as a factor to contribute to behavior intentions. The research was on Animal behavior and not Company compliance.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Application of the theory of planned behaviour to predict young drivers' speeding behavior</td>
<td>2013 Montira Ketphat, Kunnawee Kanitpong &amp; Piyong Jiwattanakulpaisarn</td>
<td>Results show that young drivers’ speeding behavior appears to be affected by perceived behavioral control, past behavior, personal norms, intention to speed, affective and evaluative attitude towards compliance with speed limit, and social support. The speed fines in trying to control young drivers' speeding behaviour could not explain young drivers speeding behaviour or neither did the fines control the behaviour. The attitude and subjective norms were not enough to explain the speeding behaviour. The theory of planned behaviour was applied to try and understand the behaviour of young drivers.</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>5. Using social-psychology models to understand farmers' conservation behaviour</td>
<td>2000</td>
<td>Beedell &amp; Rehman, Journal of Rural Studies 16 117–127</td>
<td>Responses from a survey of 100 Bedfordshire farmers were analysed to identify the Underlying determinants of behaviour and to comprehend farmers' attitudes. Farmers with greater environmental awareness, members of the Farming and Wildlife Advisory Group, are more influenced by conservation-related concerns and less by farm Management concerns than other farmers.</td>
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<tr>
<td></td>
<td>6. A socio-economic theory of regulatory compliance</td>
<td>1999</td>
<td>Sutinen, International Journal of Social Economics 26,1/2/3</td>
<td>The body of empirical evidence demonstrated that the pure deterrence model of regulatory compliance, which focuses primarily on the certainty and severity of sanctions as key determinants of compliance, provides only a partial explanation of compliance behaviour. It was concluded that conventional costs and revenues associated With illegal behaviour of non-compliance.</td>
</tr>
<tr>
<td>7. Sole Proprietorship and Tax Compliance Intention In Self-Assessment System - A Theory Of Planned Behaviour Approach.</td>
<td>2012</td>
<td>Noor Suhaila Shaharuddin</td>
<td>sometimes, can be too costly and farmers that showed high levels of compliance belonged to a farmers groups and association. as it includes the social &amp; psychological and perceived control considerations. The result showed that, certain small business Categories such as restaurants or those who run their business at the roadsides or at hawkers’ centre were found not to fully comply with tax laws. They are not only required to adhere to tax obligations of doing business, but taxpayers Must also have sufficient tax knowledge in order to assess their tax liability correctly and to file tax return forms on time. The tax compliance behaviour has been thoroughly explained by the economic deterrence models which primarily emphasize on enforcement and detection variables. These models however have some limitation to fully explain the reasons why many people may or may not comply with tax laws. Since then, many researchers have shifted to focus more on sociology and psychology variables in an attempt to explain taxpayer behaviour. Based on this basic to whether or not to willingly comply with tax laws. Therefore, the theory of planned behaviour was used to understand the behaviour of sole traders towards tax compliance. The gap is that unless compliance behaviour is first understood in terms Of attitudes, social norms and perceived control, the use of enforcement and penalties will not give optimal results. The study was not on compliance on company registers.</td>
<td>50</td>
</tr>
</tbody>
</table>
laws. Since then, many researchers have shifted to focus more on sociology and psychology Variables in an attempt to explain taxpayer behaviour.

   Sommestad, Teodor & Hallberg, Jonas  
   2013  
   The results showed that the theory explains information security policy compliance and violation approximately as well as it explains other behaviours. The gap is that not all employees complied with the information security policy even when it was communicated to the employees. Employees developed a perceived behaviour control that the policy was there to punish them and not in their best interest. To get the best out of employees’ compliance both the TPB and economic deterrent models should be used.

   Appah, Ebimobowei Vol.7, No.13,  
   2016  
   The result revealed that a significant relationship between tax compliance intentions and equity attitudes; tax compliance intentions and social and moral norm Variables; and tax compliance intentions and risk and penalties. The gap reviewed is that voluntary Tax compliance was not achieved unless compliance behaviour was understood first. TPB on perception of controlled behaviour says, tax payers should see the benefit of paying tax e.g. see good roads, good health facilities then the tax payers will develop a moral obligation that is positive that after all paying tax is worthwhile.
authorities should apply tax morale model of compliance that incorporates internal taxpayer motivations and emphasizes a more individual carrot and stick approach.

Tax payers should be seen to be part of the tax payer’s institution and the institution should be friendly, accessible and not seen as enemies.

Research was on tax compliance and not company registers.

| 10. Understanding and improving use-tax compliance: A theory of planned behaviour approach | 2009 | Christopher Robert Jones | Study reviewed, that states would not involve any new law. But just improve the residents’ knowledge base on tax. This could be accomplished by an advertising campaign and this is a low cost remedy for a potentially large tax revenue gain. | First, participants all came from one state that does not have an income tax. Different states have different tax Compliance rules and regulations and, perhaps, publicity regarding their use of tax. Also demographic factors as reviewed by the TPB of age, education, income and income levels help to understand compliance behaviour. The study was not on company compliance. |

2.10

2.11 Summary
The chapter gave a comprehensive review of the theory of Planned Behaviour and some of the studies that have applied the theory in an attempt to understand compliance behaviour. Brief notes on what annual returns, compliance and company registers were also presented within the chapter. Specific focus of company registers in Zambia, Singapore, UK and South Africa were also outlined. The chapter, concludes with a summary of related works in table 1.
Chapter 3: RESEARCH METHODOLOGY

3.1 Introduction
The purpose of this chapter is to present underlying principles of research methodology and the choice of the appropriate research method for the study. This chapter has been arranged as follows: 3.2 presents the research design, 3.3 presents the Target population, 3.4 outlines the sample size and sampling technique, (3.5) Data Collection Procedures, (3.6) data analysis, and lastly the sample reliability analysis (3.9).

3.2 Research Design

In analyzing the research questions, a quantitative research design was adopted so as to ensure effective interpretation of the data. Analysis was done using SPSS version 22. The table below displays the research design matrix which breaks down the research objectives and how the study seeks to address them. These are shown below.

3.2.1 Research design matrix

<table>
<thead>
<tr>
<th>Research Objectives</th>
<th>Research Questions</th>
<th>Sampling and Data Collection</th>
<th>Data Collection Methods</th>
<th>Data Analysis</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. To analyse the impact of demographic factors on compliance</td>
<td>What is the impact of demographic factors on compliance?</td>
<td>Survey results</td>
<td>Survey Questionnaires</td>
<td>Chi-square correlation analysis, descriptive analysis</td>
</tr>
<tr>
<td>2. To understand how compliance behaviour is influenced by external factors</td>
<td>To what extent is compliance behaviour influenced by external factors?</td>
<td>Survey results</td>
<td>Survey Questionnaires</td>
<td>Chi-square correlation analysis, descriptive analysis</td>
</tr>
</tbody>
</table>
3. To devise a working model that could be used in increasing compliance levels in filing returns

How can compliance levels be increased?

Model to be constructed using theory of planned behavior

3.3 Target population

The population of attention for this study were all the registered businesses under PACRA register. As at January 2019, a total of 168,512 business were recorded in the companies’ register. Of that, only 68,049 were active. Hence our target population comprises of all active 68,049 companies. This is shown in the table 5 below.

Table 5 PACRA Company registration register

<table>
<thead>
<tr>
<th>Description</th>
<th>Numbers</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL: BUSINESS NAMES</td>
<td>303,341</td>
<td></td>
</tr>
<tr>
<td>TOTAL CEASED &amp; EMPTY RECORDS</td>
<td>88,803</td>
<td>29</td>
</tr>
<tr>
<td>INACTIVE BUSINESS NAMES</td>
<td>130,069</td>
<td>43</td>
</tr>
<tr>
<td>TOTAL: LOCAL COMPANIES</td>
<td>168,512</td>
<td></td>
</tr>
<tr>
<td>NEW REGISTRATIONS IN LAST 4 YEARS</td>
<td>31,051</td>
<td>18</td>
</tr>
<tr>
<td>FILED AT LEAST 1 AR IN LAST 4 YEARS</td>
<td>36,998</td>
<td>22</td>
</tr>
<tr>
<td>ACTIVE LOCAL COMPANIES</td>
<td>68,049</td>
<td>40</td>
</tr>
</tbody>
</table>

Source: PACRA register 2019

3.4 Sample Size and Sampling Technique

The study randomly sampled a total of 160 companies Company register outlined in table 8 above. A Simple random sampling techniques was employed in the study with aid of SPSS. Simple random sampling is a sampling technique where every item in the population has an even chance and likelihood of being selected in the sample. The sample was selected as follows; firstly, a list

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23 By active it implies the business has submitted at least one return in the last four years. 6
of all the registered companies was obtained from PACRA offices. Secondly, the list was further arranged into clusters of provinces. For purposes of this study only five clusters (provinces) were considered (Lusaka, Southern, Eastern, Copperbelt and muchinga were selected)\(^{24}\). Table 6 below gives a breakdown of the number of registrations per province in the study focus areas.

Table 6 Number of registrations per province

<table>
<thead>
<tr>
<th>Province</th>
<th>Total number registered businesses</th>
<th>% business register</th>
</tr>
</thead>
<tbody>
<tr>
<td>Copperbelt</td>
<td>38,646.00</td>
<td>22.93</td>
</tr>
<tr>
<td>Eastern</td>
<td>1,805.00</td>
<td>1.07</td>
</tr>
<tr>
<td>Lusaka</td>
<td>83,735.00</td>
<td>49.69</td>
</tr>
<tr>
<td>Muchinga</td>
<td>1,120.00</td>
<td>0.66</td>
</tr>
<tr>
<td>Southern</td>
<td>4,991.00</td>
<td>2.96</td>
</tr>
</tbody>
</table>

Source: PACRA register 2019

A random sample was then selected from each cluster by way of simple random sampling. Lusaka as it accounts for more than 50% of our target population (50% of registered businesses are in Lusaka), as such, a larger random sample of 80 was selected from the Lusaka cluster. Respective random samples of 20 were draw from the four remaining provinces\(^{25}\).

**Response rate:**

Issued questionnaire: 160
Completed questionnaires: 146
Uncollected/incomplete: 14\(^{26}\)
Response rate: 91%

**3.5 Data Collection Procedures**

The collection of data was done through primary sources. Primary data was obtained from company owners by the administering of questionnaires. The researcher introduced himself, the title of the study, and clarified on the overall objective, time to be taken and confidentiality

\(^{24}\) these provinces were selected by the researcher because of ease of data collection (convenience). Times and resources limited the study to incorporate other provinces.

\(^{25}\) refer to the scope of study under chapter 1. the sample of 20 from each provincial center is enough to capture the behavioural characteristics of business owners towards compliance.

\(^{26}\) A total of 5 of the 14, completely refused to answer the questionnaire.
assurance by the use of the questionnaire. Secondary data was collected from PACRA. Table 7 below gives a summary of the various sources of data.

Table 7 Data source and data collection

| Primary data | Information through questionnaires was collected from survey respondents, in-depth interviews with officials from PACRA and MCTI. |
| Secondary data | • Through off website of PACRA (www.pacra.org.zm)  
• PACRA Annual Reports  
• Journals (e.g. International Journal of Scientific Research) |

3.6 Data processing and Analysis
Data collected\(^{27}\) were carefully compiled, sorted, edited, classified, coded and checked for accuracy and relevancy.

3.7 Data processing
Data from various documents including questionnaires was read carefully, edited for completeness and accuracy. Data pertaining to the companies’ register was aggregated with the help of Excel and SPSS.

3.8 Data analysis
Tables, graphs, figures, percentages, chi-square correlation tests were used to analyze and present the findings of the study. SPSS aided the analysis of both the qualitative and quantitative aspects of the data. The Chi-Square test of independence is used throughout this study so as to determine if there is a significant relationship between two nominal (categorical) variables. Below is a list of the variables of interest in this study:

i. Compliance: actual filing of company annual returns
ii. Demographic data\(^{28}\): Age, Gender and Level of education
iii. External factors: Cultural norms, Government Agencies/policies and Compliance fees (filing fees)

---

\(^{27}\) Due to time constraints, pretesting of data collection instruments was not undertaken

\(^{28}\) This pertains to the demographic characteristics of the company owners
From the above, the following statistical tests (Chi-Square test of independence) were conducted so as to determine if there is a significant relationship with compliance:

- Age vs Compliance
- Gender vs Compliance
- Education vs Compliance
- Employment Vs Compliance
- Cultural norms vs Compliance
- Government Agencies/policies vs Compliance
- Compliance fees (filing fees) vs Compliance

3.9 Reliability Analysis
In order for assessments to be sound, they must be free of bias and distortion. Reliability and validity are two concepts that are important for defining and measuring bias and distortion. Reliability refers to the extent to which assessments are consistent. Validity refers to the accuracy of an assessment -- whether or not it measures what it is supposed to measure. Cronbach's Alpha is a statistical measure used to when you want to assess the internal consistency of a questionnaire (or survey) that is made up of multiple Likert-type scales and items. the closer, the Cronbach’s alpha coefficient is to one, the more reliable the data is. The table below displays reliability statistics from SPSS. Cronbach’s alpha coefficient is 0.673. this denotes a fairly high internal consistency. In this case, $\alpha = .81$, which shows the questionnaire is reliable.

<table>
<thead>
<tr>
<th>Reliability Statistics</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cronbach's Alpha</td>
<td>0.673</td>
<td></td>
</tr>
<tr>
<td>Cronbach's Alpha Based on Standardized Items</td>
<td>0.679</td>
<td></td>
</tr>
<tr>
<td>N of Items</td>
<td>4</td>
<td></td>
</tr>
</tbody>
</table>

3.10 Summary
The chapter outlined the methods used to gather data, the sampling method used and also highlighted the target population and the sample size adopted in the study. This chapter also presented a description of the analytical methodology and a description of the statistical tests of independence that were used in analyzing relationships among study variables and concluded with an outline of the research design matrix.

29 the categories of response are coded numerically, in which case the numerical values must be defined for that specific study, such as 1 = strongly agree, 2 = agree, and so on
Chapter 4: PRESENTATION OF DATA FINDINGS

4.1 Introduction
This chapter presents the results of the various data collection methods and analysis in the context of the existing knowledge reviewed under literature review. Frequency tables and graphs are presented on the data that was collected. Statements of hypotheses are presented before each respective statistical test.

4.2 Socio-demographic Characteristics of Respondents

Table 8 below displays the frequency distribution of the age groups from sample. As can be noted the age group (28-37) had the highest frequency of 57, which represents 39% of the sample. Similarly, the other age groups frequencies and percentages are as shown below;

<table>
<thead>
<tr>
<th>age group</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-27 years</td>
<td>34</td>
<td>23.3</td>
</tr>
<tr>
<td>28-37 years</td>
<td>57</td>
<td>39</td>
</tr>
<tr>
<td>38-47 years</td>
<td>37</td>
<td>25.3</td>
</tr>
<tr>
<td>above 48 years</td>
<td>18</td>
<td>12.3</td>
</tr>
</tbody>
</table>

Source: survey results

The above information is summarized in the bar chart as figure 4:

The Table 9 and the Figures (5 and 6) above gives the percentages and frequencies of three variables; gender, education, and other economic occupation. The gender composition of the sample was 98 males (representing 67% of the sample respondents) 48 females (33% of the sample
respondents). Survey results indicated that 17% of the respondents had primary level education while 21% had secondary education. Majority of survey respondents attended tertiary education (college/university) represented by 49% of the Sample and lastly, 19 respondents (13%) had no form of schooling. On other economic occupation (i.e. alternative source of income), a total of 61 survey respondents were employed in the public and private sectors. This represented a total of 61% of the sample. A total of 85 (58%) were self-employed as indicated above.

Table 9 Socio-economic demographics of respondents

<table>
<thead>
<tr>
<th>VARIABLE</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>gender</td>
<td></td>
<td></td>
</tr>
<tr>
<td>male</td>
<td>98</td>
<td>67</td>
</tr>
<tr>
<td>female</td>
<td>48</td>
<td>33</td>
</tr>
<tr>
<td>highest level of education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>primary</td>
<td>25</td>
<td>17</td>
</tr>
<tr>
<td>secondary</td>
<td>31</td>
<td>21</td>
</tr>
<tr>
<td>tertiary</td>
<td>71</td>
<td>49</td>
</tr>
<tr>
<td>none</td>
<td>19</td>
<td>13</td>
</tr>
<tr>
<td>Other economic occupation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Formal Employment</td>
<td>61</td>
<td>42</td>
</tr>
<tr>
<td>None</td>
<td>85</td>
<td>58</td>
</tr>
</tbody>
</table>

Source: survey results
Figure 3  Education Background
Figure 4 Sample Gender representation
4.3 Objective one: demographic factors and compliance (filling of returns)\textsuperscript{30}

Table 10 Attitude Assessment of filing compliance

<table>
<thead>
<tr>
<th>How likely are you to file your returns this year?</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Unlikely</td>
<td>22</td>
<td>15%</td>
</tr>
<tr>
<td>Unlikely</td>
<td>13</td>
<td>9%</td>
</tr>
<tr>
<td>Neutral</td>
<td>30</td>
<td>20%</td>
</tr>
<tr>
<td>Likely</td>
<td>81</td>
<td>56%</td>
</tr>
<tr>
<td>Highly Likely</td>
<td>0</td>
<td>0%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How likely are you to file your returns in the next four years?</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Unlikely</td>
<td>26</td>
<td>17.8%</td>
</tr>
<tr>
<td>Unlikely</td>
<td>13</td>
<td>8.9%</td>
</tr>
<tr>
<td>Neutral</td>
<td>23</td>
<td>15.8%</td>
</tr>
<tr>
<td>Likely</td>
<td>84</td>
<td>57.5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How likely are you to employ/hire someone to handle annual returns on your behalf</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Unlikely</td>
<td>20</td>
<td>13.7%</td>
</tr>
<tr>
<td>Unlikely</td>
<td>35</td>
<td>24%</td>
</tr>
<tr>
<td>Neutral</td>
<td>26</td>
<td>17.8%</td>
</tr>
<tr>
<td>Likely</td>
<td>35</td>
<td>24%</td>
</tr>
<tr>
<td>Highly Likely</td>
<td>30</td>
<td>20.5%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How likely are you to commit resources into technological products (smart phones, laptops etc.) to enhance online filing of returns?</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Unlikely</td>
<td>20</td>
<td>13.7%</td>
</tr>
<tr>
<td>Unlikely</td>
<td>31</td>
<td>21.2%</td>
</tr>
<tr>
<td>Neutral</td>
<td>17</td>
<td>11.6%</td>
</tr>
<tr>
<td>Likely</td>
<td>30</td>
<td>20.5%</td>
</tr>
<tr>
<td>Highly Likely</td>
<td>48</td>
<td>32.9%</td>
</tr>
</tbody>
</table>

Source: survey results

The Table 10 above gives a summary of attitudes assessment of business owners as far as return filing is concerned. Business owners were asked to self-assess their likelihood to file returns on various aspects as indicated above. From the above, favorable responses (“likely” and “highly likely”) give an indication of positive attitude towards compliance where as (unlikely and highly unlikely) indicate a negative attitude towards compliance. The responses were generally positive (higher frequency of likely and highly likely responses).

\textsuperscript{30} all responses in this study were made by the company owners
On the likelihood to file a return this year, 56% of survey indicated they would comply while the remaining 44% were undecided or unlikely, to file a return. A similar pattern of responses was observed when respondents were asked to indicate their likelihood to file annual returns in the next four years (refer to table 10 above).

Respondents were asked on the likelihood to hire someone to handle returns on their behalf. Results indicated 46% would likely hire someone to handle returns while 38% would handle returns by themselves. 16% were undecided. Lastly, 53.4% would be willing to invest in technology gadgets to enhance online returns submission compared with 35% who had opposing views. Figure 7 below summaries the actual return submission by survey respondents in the last four years. As the figure depicts, only 54% of surveyed respondent’s at least filed a return in the last four years. The 46% have not submitted an annual return in the period under review.

![Figure 5 return submission in the last four year](image)

Source: survey results
4.4 Tests of independence

The Chi-Square test of independence is used to determine if there is a significant relationship between two nominal (categorical) variables. The frequency of each category for one nominal variable is compared across the categories of the second nominal variable. The data can be displayed in a contingency table where each row represents a category for one variable and each column represents a category for the other variable. For example, say a researcher wants to examine the relationship between gender (male vs. female) and empathy (high vs. low). The chi-square test of independence can be used to examine this relationship. The null hypothesis for this test is that there is no relationship between gender and empathy. The alternative hypothesis is that there is a relationship between gender and empathy (e.g. there are more high-empathy females than high-empathy males)\(^{31}\). These tests are discussed in the sections below:

4.5 Education vs Compliance

![Education vs Compliance Graph]

* "Yes" indicates those that filled a return in the last 4 years and those that didn’t by “No”

Figure 6 Education vs Compliance

\(^{31}\) https://www.statisticssolutions.com/non-parametric-analysis-chi-square/
The bar chart above depicts the relationship between compliance and education background. As seen, those with a level of compliance were the most compliant. So the test below is performed to ascertain whether or not one’s level of education has an influence on compliance.

**Statement of hypothesis**

H0: education has no influence on compliance
H1: education has an influence on compliance

Table 11 below is a cross tabulation of education and return filing

<table>
<thead>
<tr>
<th>have you filled a return in the last 4 years</th>
<th>yes</th>
<th>no</th>
</tr>
</thead>
<tbody>
<tr>
<td>Education</td>
<td></td>
<td></td>
</tr>
<tr>
<td>primary</td>
<td>44.00%</td>
<td>56.00%</td>
</tr>
<tr>
<td>secondary</td>
<td>35.50%</td>
<td>64.50%</td>
</tr>
<tr>
<td>tertiary</td>
<td>67.60%</td>
<td>32.40%</td>
</tr>
<tr>
<td>none</td>
<td>47.40%</td>
<td>52.60%</td>
</tr>
<tr>
<td>Total</td>
<td>54.10%</td>
<td>45.90%</td>
</tr>
</tbody>
</table>

As the results indicate, respondents with tertiary education had a larger proportion of return filing. This is represented by about 68% whole indicated having submitted at least a return in the last four years, compared with only 32% who indicated non filing for the same period. A high proportion of non-compliance was observed for those with primary and no education, this is represented by 56% and 52.6% respectively. An interesting result was higher none compliance (65%) observed by those with secondary level education. These results seem to indicate that one’s level of education does have an impact on compliance. By observation, the higher the level of education, they higher the compliance levels.

Table 12 Chi-Square Tests education*filing of returns

<table>
<thead>
<tr>
<th>Chi-Square Tests</th>
<th>Value</th>
<th>DF</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>10.916a</td>
<td>3</td>
<td>0.012</td>
</tr>
</tbody>
</table>

*a 0 cells (0.0%) have expected count less than 5. The minimum expected count is 8.72.*

---

32 A research hypothesis is a statement of expectation or prediction that will be tested by research
**Conclusion:** According to the Chi-square test above, the observed P-value (0.012) is less than the significance level of 0.05, hence the test is significant and we reject the null hypothesis and conclude there is evidence to suggest, **education has an influence on compliance**.

### 4.6 Age vs Compliance

Figure 9 below depicts the relationship between compliance and Age

<table>
<thead>
<tr>
<th>AGE</th>
<th>yes</th>
<th>no</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>22</td>
<td>27</td>
</tr>
<tr>
<td>30</td>
<td>21</td>
<td>16</td>
</tr>
<tr>
<td>21</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>16</td>
<td>2</td>
<td>2</td>
</tr>
</tbody>
</table>

*”Yes” indicates those that filled a return in the last 4 years and those that didn’t by “No”*

The bar chart above depicts the relationship between compliance and Age. As seen, the older business owners were the more compliant they were. so the test below is performed to confirm if one’s age has an influence on compliance.

**Statement of hypothesis:**

H0: age has no influence on compliance  
H1: age has an influence on compliance

Table 13 below is a cross tabulation of age and compliance (return filing).
Table 13 cross tabulation of education and return filing

**Table 13 cross tabulation of education and return filing**

<table>
<thead>
<tr>
<th>age group</th>
<th>yes</th>
<th>no</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-27 years</td>
<td>12</td>
<td>22</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>35.30%</td>
<td>64.70%</td>
<td>100.00%</td>
</tr>
<tr>
<td>28-37 years</td>
<td>30</td>
<td>27</td>
<td>57</td>
</tr>
<tr>
<td></td>
<td>52.60%</td>
<td>47.40%</td>
<td>100.00%</td>
</tr>
<tr>
<td>38-47 years</td>
<td>21</td>
<td>16</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>56.80%</td>
<td>43.20%</td>
<td>100.00%</td>
</tr>
<tr>
<td>above 48 years</td>
<td>16</td>
<td>2</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td>88.90%</td>
<td>11.10%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

Source: survey results

As shown above, levels of compliance are higher the older one is. For example, compliance is highest (89%) for the age group above 48 years and lowest for the age group 18-27 years. In similar fashion, the lowest noncompliance (11.10%) was observed with the age group (above 48 years) compared with noncompliance of 64.7% of the youngest age group (18-27 years). These results seem to indicate that one’s age does have an impact on compliance.

Table 14 Chi-Square Tests Age*filing of returns

<table>
<thead>
<tr>
<th>Chi-Square Tests</th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>13.770a</td>
<td>3</td>
<td>0.003</td>
</tr>
</tbody>
</table>

a 0 cells (0.0%) have expected count less than 5. The minimum expected count is 8.26.

**Conclusion:** According to the Chi-square test above, the observed P-value (0.003) is less than the significance level of 0.05, hence the test is significant and we reject the null hypothesis and conclude there is evidence to suggest, Age has an influence on compliance.

4.7 Gender vs Compliance

Figure 10 below depicts the relationship between compliance and Gender.
"Yes” indicates those that filled a return in the last 4 years and those that didn’t by “No”

Figure 8 Gender Vs Compliance

As seen, Females seem relatively more compliant (if we compare within-group compliance). so the test below is performed to confirm whether or not one’s gender has an influence on compliance.

**Statement of hypothesis:**
H0: Gender has no influence on compliance
H1: Gender has an influence on compliance

Table 15 below is a cross tabulation of gender and compliance (return filing).

<table>
<thead>
<tr>
<th>have you filed a return in the last four years</th>
<th>yes</th>
<th>no</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>gender</td>
<td>Count</td>
<td></td>
<td></td>
</tr>
<tr>
<td>male</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Count</td>
<td>52</td>
<td>46</td>
<td>98</td>
</tr>
<tr>
<td>% within gender</td>
<td>53.10%</td>
<td>46.90%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Std. Residual</td>
<td>-0.1</td>
<td>0.2</td>
<td></td>
</tr>
<tr>
<td>female</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Count</td>
<td>27</td>
<td>21</td>
<td>48</td>
</tr>
<tr>
<td>% within gender</td>
<td>56.30%</td>
<td>43.80%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Std. Residual</td>
<td>0.2</td>
<td>-0.2</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>79</td>
<td>67</td>
<td>146</td>
</tr>
<tr>
<td>% within gender</td>
<td>54.10%</td>
<td>45.90%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
As shown above, levels of compliance are relatively higher for females than males (56% for females and 53% for males). These results seem to indicate that one’s gender has an impact on compliance.

The test of independence between gender and compliance is displayed in Table 16 below.

### Table 16 Chi-Square Tests Age*filing of returns

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
<th>Exact Sig. (2-sided)</th>
<th>Exact Sig. (1-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>.132a</td>
<td>1</td>
<td>.716</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. 0 cells (0.0%) have expected count less than 5. The minimum expected count is 22.03.

**Conclusion:** According to the Chi-square test above, the observed P-value (0.716) is less than the significance level of 0.05, hence the test is insignificant and we fail to reject the null hypothesis and conclude there is insufficient evidence to suggest, *gender has no influence on compliance.*

### 4.7.1

### 4.8 Employment Status vs Compliance

Table 17 and Figure 11 below, depict the relation between the relationship between employment status and compliance.

### Table 17 Employment v Compliance

<table>
<thead>
<tr>
<th>have you filed are turn in the last four years?</th>
<th>yes</th>
<th>no</th>
</tr>
</thead>
<tbody>
<tr>
<td>employed</td>
<td>39</td>
<td>22</td>
</tr>
<tr>
<td></td>
<td>63.90%</td>
<td>36.10%</td>
</tr>
<tr>
<td>Not employed</td>
<td>40</td>
<td>45</td>
</tr>
<tr>
<td></td>
<td>47.10%</td>
<td>52.90%</td>
</tr>
<tr>
<td>Count</td>
<td>79</td>
<td>67</td>
</tr>
<tr>
<td></td>
<td>54.10%</td>
<td>45.90%</td>
</tr>
</tbody>
</table>

Source: survey results
"Yes" indicates those that filled a return in the last 4 years and those that didn’t by “No”

Figure 9 compliance vs employment status

As the results indicate that within those that are employed, the compliant respondents were in the majority (64% compared with the non-compliant 36%). On the other, noncompliance was high within the unemployed segment (47% were compliant where as 53% were non-compliant). The results seem to suggest that employment status may have an influence on compliance behaviour. The following section is the chi-square test to confirm whether or not, compliance and employment status are independent or not.

**Statement of hypothesis**

H0: employment status has no influence on compliance

H1: employment status has an influence on compliance

Table 18 Chi-Square Tests employment*compliance

<table>
<thead>
<tr>
<th>Chi-Square Tests</th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
<th>Exact Sig. (2-sided)</th>
<th>Exact Sig. (1-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>4.073a</td>
<td>1</td>
<td>0.044</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a 0 cells (0.0%) have expected count less than 5. The minimum expected count is 27.99.

**Conclusion:** According to the Chi-square test above, the observed P-value (0.044) is less than the significance level of 0.05, hence the test is significant and we reject the null hypothesis and conclude there is evidence to suggest, employment status has an influence on compliance.
4.9 Objective two: external factors and compliance (filling of returns)
The table 20 above gives a summary of external factors (family/friends, Government policies and filing fees) and how they influence compliance behaviour.

Table 19 Assessment on how external factors affect filing compliance

<table>
<thead>
<tr>
<th>To what extent are you influenced by your friends and family members to file annual returns?</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Strongly influenced</td>
<td>60</td>
<td>41.1%</td>
</tr>
<tr>
<td>Not influenced</td>
<td>26</td>
<td>17.8%</td>
</tr>
<tr>
<td>Neutral</td>
<td>29</td>
<td>19.9%</td>
</tr>
<tr>
<td>influenced</td>
<td>19</td>
<td>13%</td>
</tr>
<tr>
<td>Strongly influenced</td>
<td>12</td>
<td>8.2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>To what extent are you influenced by government policies to file annual returns?</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Not Strongly influenced</td>
<td>29</td>
<td>19.9%</td>
</tr>
<tr>
<td>Not influenced</td>
<td>19</td>
<td>13%</td>
</tr>
<tr>
<td>Neutral</td>
<td>20</td>
<td>13.7%</td>
</tr>
<tr>
<td>influenced</td>
<td>31</td>
<td>21.2%</td>
</tr>
<tr>
<td>Strongly influenced</td>
<td>47</td>
<td>32.2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Filing fees of annual returns are affordable</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>7</td>
<td>4.8%</td>
</tr>
<tr>
<td>Disagree</td>
<td>67</td>
<td>45.9%</td>
</tr>
<tr>
<td>Neutral</td>
<td>29</td>
<td>19.9%</td>
</tr>
<tr>
<td>Agree</td>
<td>39</td>
<td>26.7%</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>4</td>
<td>2.7%</td>
</tr>
</tbody>
</table>

Source: survey results

Business owners were asked to self-assess to what extent the above mentioned factors influence their ability to file returns. The above, responses show that about 59% of survey respondents not influenced by Family/friends while, about 21 % indicated that they are influenced by Family/friends when it comes to return filing. These results give an indication of that social norms (family/friends) have no impact on compliance
4.10 Tests of independence on external factors:

Figure 11 below depicts the relationship between compliance and social norms.

4.11 Social norms (family/friends) vs Compliance

As seen, the majority of compliant respondents indicated that were not influence not influenced by family/friends when filing returns and of those, the higher proportion comprised of the compliant respondents. So the test below is performed to confirm whether or not social norms have an influence on compliance.

Statement of hypothesis
Ho: social norms (family/friends) have no influence on compliance
H1: social norms (family/friends) have influence on compliance
Table 20 below is a cross tabulation of social norms and compliance (return filing).

Table 20 social norms (family/friends *filing of returns cross tabulation)

<table>
<thead>
<tr>
<th>to what extent are you influenced by your friends and family to file returns?</th>
<th>have you filed a return in the last four years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>yes</td>
<td>no</td>
</tr>
<tr>
<td>not highly influenced</td>
<td>34</td>
<td>26</td>
</tr>
<tr>
<td>not influenced</td>
<td>8</td>
<td>18</td>
</tr>
<tr>
<td>neutral</td>
<td>16</td>
<td>13</td>
</tr>
<tr>
<td>influenced</td>
<td>10</td>
<td>9</td>
</tr>
<tr>
<td>highly influenced</td>
<td>11</td>
<td>1</td>
</tr>
<tr>
<td>Total</td>
<td>79</td>
<td>67</td>
</tr>
</tbody>
</table>

Source: survey data

As shown above, it is not easy to come to a conclusion by merely looking at the frequencies above. Hence a chi square test of independence was used. And the test results are as below:

The test of independence between social norms (family/friends and compliance is displayed in Table 21 below:

Table 21 Chi-Square social norms (family/friends *filing of returns

<table>
<thead>
<tr>
<th>Chi-Square Tests</th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>12.709a</td>
<td>4</td>
<td>0.013</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>14.145</td>
<td>4</td>
<td>0.007</td>
</tr>
<tr>
<td>Linear-by-Linear Association</td>
<td>2.115</td>
<td>1</td>
<td>0.146</td>
</tr>
</tbody>
</table>

0 cells (0.0%) have expected count less than 5. The minimum expected count is 5.51.

According to the chi-square test above, the observed P-value (0.013) is less than the significance level of 0.05, hence the test is significant and we reject the null hypothesis and conclude there is evidence to suggest, **social norms (family/friends) has influence on compliance.**
4.12 Government agencies/policies vs Compliance

Figure 12 below depicts the relationship between compliance and Government agencies/Policies.

![Graph showing the relationship between government agencies/policies and compliance](image)

As seen, the majority of compliant respondents indicated that they were highly influenced by government agencies/policies when filing returns. And of those, the higher proportion comprised of the compliant respondents. So the test below is performed to confirm whether or not government agencies/policies have an influence on compliance.

**Statement of hypothesis**

Ho: Government agencies/NGOs no influence on compliance

H1: Government agencies/NGOs has influence on compliance

**Table 4 Chi-Square Government Policies *filing of returns**

<table>
<thead>
<tr>
<th>Chi-Square Tests</th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>18.718a</td>
<td>4</td>
<td>0.001</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>19.353</td>
<td>4</td>
<td>0.001</td>
</tr>
<tr>
<td>Linear-by-Linear Association</td>
<td>1.438</td>
<td>1</td>
<td>0.23</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>146</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a 0 cells (0.0%) have expected count less than 5. The minimum expected count is 8.72.
Conclusion: According to the Chi-square test above, the observed P-value (0.001) is less than the significance level of 0.05, hence the test is significant and we reject the null hypothesis and conclude there is evidence to suggest, **Government agencies/NGOs has influence on compliance.**

4.13 Compliance fees (filing fees) vs Compliance

Figure 13 below depicts the relationship between compliance and cost of compliance

![Graph showing the relationship between compliance fees and compliance](image)

**Figure 12 cost of compliance vs Compliance**

The responses were mixed and the general picture as regards compliance is not very clear as seen above. So the surest way was to conduct an independent chi square test so as ascertain whether or not compliance fees have an influence on compliance.

**Statement of hypothesis:**

Ho: filing fees have no influence on compliance

H1: filing fees has influence on compliance

Table 5 Chi-Square compliance fees *filing of returns*

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Asymp. Sig. (2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>8.785a</td>
<td>4</td>
<td>0.067</td>
</tr>
</tbody>
</table>

a. 4 cells (40.0%) have expected count less than 5.

**Conclusion:** According to the Chi-square test above, the observed P-value (0.067) is greater than the significance level of 0.05, hence the test is insignificant and we fail to reject the null hypothesis and conclude there is no evidence to suggest, **filing fees have no influence on compliance.**
4.14 Challenges in filing annual returns

In order for us to come up with plausible solutions aimed at increasing compliance, it is important that we look at some of the challenges that are associated with filing of annual returns. Hence the purpose of this section is just to highlight these challenges. The next chapter, shall discuss the ways in which these challenges can be overcome. Table 25 below outlines the varied questions survey respondents were asked as regards any perceived difficulties/challenges they encounter when complying with filing of annual returns.

Table 24 Challenges associated with return filing

<table>
<thead>
<tr>
<th>Annual return forms user friendly?</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>21</td>
<td>14.4%</td>
</tr>
<tr>
<td>Disagree</td>
<td>35</td>
<td>24%</td>
</tr>
<tr>
<td>Neutral</td>
<td>42</td>
<td>28.8%</td>
</tr>
<tr>
<td>Agree</td>
<td>46</td>
<td>31.5%</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>2</td>
<td>1.4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The filing of annual returns online is complicated?</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>8</td>
<td>5.5%</td>
</tr>
<tr>
<td>Disagree</td>
<td>31</td>
<td>21.2%</td>
</tr>
<tr>
<td>Neutral</td>
<td>41</td>
<td>28.1%</td>
</tr>
<tr>
<td>Agree</td>
<td>57</td>
<td>39%</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>9</td>
<td>6.2%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Offices where to file returns are easily accessible?</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>12</td>
<td>8.2%</td>
</tr>
<tr>
<td>Disagree</td>
<td>45</td>
<td>30.8%</td>
</tr>
<tr>
<td>Neutral</td>
<td>33</td>
<td>22.6%</td>
</tr>
<tr>
<td>Agree</td>
<td>51</td>
<td>34.9%</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>5</td>
<td>3.4%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Officers at PACRA are helpful during filing?</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Disagree</td>
<td>20</td>
<td>13.7%</td>
</tr>
<tr>
<td>Disagree</td>
<td>31</td>
<td>21.2%</td>
</tr>
<tr>
<td>Neutral</td>
<td>17</td>
<td>11.6%</td>
</tr>
<tr>
<td>Agree</td>
<td>30</td>
<td>20.5%</td>
</tr>
<tr>
<td>Strongly Agree</td>
<td>48</td>
<td>32.9%</td>
</tr>
</tbody>
</table>

Source: survey results
As seen above, a larger proportion (38.4%) of respondents held the view that annual return forms were not user friendly (compared with 32.9% who agreed that returns forms were user friendly, 28.8% held a neutral view). As regards online filing, majority held the view that the process is complicate. This is represented by 45.2%, compared with only 27% who held the view that the online process was not complicated. In similar fashion, a larger proportion held the view that offices where to file returns are not easily accessible. However, the majority indicated that officers at PACRA are helpful when filing returns. Please refer to the above table.

4.15 Summary
In conclusion, the chapter presented the data findings of our study. It first outlined the descriptive statistics (frequencies of demographics characteristics). Thereafter, relationships between interest variables were analyzed using chi-square tests of independence so as to address our research objectives. The chapter concludes by outlining the challenges associated with return filing.
5.1 Discussion of research findings

This section discusses the main findings of the research. It first outlines each respective objective, then discusses the findings in the previous section so as to contextualize the study.

5.2 Analysing the impact of demographic factors on compliance

To understand the impact demographic factors, have on compliance, the researcher first identified three demographic factor that may influence compliance behaviour. These were: Age, gender and education qualification. Respective analyses were conducted on these factors. The intuition behind this method is that background factors (e.g. demographics) have an impact on attitudes towards compliance. Attitudes ultimately determine the intention or actual compliance behaviour. Thus, it was important to analyse these factors individually so as to establish any relation with compliance behaviour.

According to the results in the previous section, it was established that education has an influence on compliance. The observed results indicated that, the higher one’s level of education is, the higher the compliance. Therefore, higher educated people understand the law and filing rules, while low educated people with little understanding are likely to make mistakes when filing their annual returns. Higher education is also associated with better access to information. On the other hand, Low literacy in general limits the understanding of one’s duties, and opportunities may breed distrust and consequently non-compliance.

As regards to age, levels of compliance were noticeably higher with the older sections of the sample. For example, compliance is highest (89%) for the age group above 48 years and lowest (35%) for the age group 18-27 year. This was later, confirmed by the chi-square tests results. Suggesting that Age has an influence on compliance. An intuitive explanation could be that, the socialization of older generations differs from younger generations: social values, attitudes towards the state and towards compliance may change from one age cohort to another. In addition,
with age the need for public goods such as social security and health care increases. Older citizens might, thus, treasure the benefits complying with statutory laws than the younger population, hence tend to be more compliant.

On gender, survey results indicated a higher percentage of compliance among females as compared to males. The intuitive explanation could be women may perceive sanctions for noncompliance as more severe and threatening than men. Thus, female business owners tend to be more compliant than males. However, statistical tests on gender were found to be insignificant in this study and as such, the study concluded that gender has no influence on compliance.

Regarding Employment status, levels of compliance were noticeably high for those that were in formal employment than those unemployed. For example, the compliant respondents (those employed) were in the majority (64% compared with the non-compliant 36%). on the other, noncompliance was high within the unemployed segment (47% were compliant where as 53% were non-compliant). the plausible explanation for this may be those in formal employment are in most cases educated, and thus in this study we have already established that education does in fact influence compliance. In addition, access to information is relatively easier for those in formal employment (e.g. can easily access the internet at the office, easily interact with technocrats or professionals in various field during such things as workshops, company meetings etc.) and as such this may increase one’s awareness of statutory obligations.

The analyses show indeed there are relations between demographics and return filing compliance, save for gender. These results support the hypothesis that demographics influence compliance behaviour.

**5.3 Understanding how compliance behaviour is influenced by external factors**

Besides demographic factors affecting filing compliance attitudes of citizens, social life of business owners has its own impact on compliance attitude. There is an existing social bond between the society and this bond influences the members of the society in complying with the legal regulations. For example, perceptions of equity or fairness may influence how company owners comply. People with the same income or wealth brackets should pay the same amount
filing fees and those with higher incomes to pay a relatively higher amount. In Zambia, compliance fees are fixed across the board, and that may present some implications on compliance. Thus government policies also shape the level of compliance.

As in the previous discussion, the researcher first identified three external factor that may influence compliance behaviour. These were: social norms, government policies and compliance fees. Respective analyses were conducted on these factors so as to establish any relation with compliance behaviour.

According to the results in the previous chapter, the observed results indicated that there was sufficient evidence to suggest, social norms (family/friends) has influence on compliance. Therefore, a referent group (peer influence) has an impact on compliance attitude of a taxpayer. This result is in line with the Theory of Planned Behavior [TPB] discussed under literature Review. Referent groups (family and friends) play a significant role in determining people’s intentions and behavior regarding compliance. Decisions either to comply or not sometimes are influenced by family members or friends. Therefore, the influence of referent groups is seemingly important in making a decision, particularly involving monetary aspects and the obedience to laws. In addition, societal norms or positive (or negative) perceptions of others” tax reporting behaviour, also positively influenced intentions to comply.

On government agencies/policies and compliance, the study established that Government Agencies/Policies have an influence on compliance. With regard to changes in government policies as factors that affect compliance attitude, studies have disclosed that the government decisions and changes to policies in accordance with the economic and political situation have a significant impact on compliance. For example, a positive move made by political situation has a significant impact on compliance attitude. For instance, a positive move made by the government such as an increase in tax rebate is likely to increase taxpayers’ compliance. (Hasseldine, J., 2003)

Lastly, the researcher wanted to understand to what extent compliance fees affect filing compliance. The statistical tests on this matter were insignificant and hence the conclusion was that filing fees don’t influence the level of compliance.

In summary, from the above findings, what the paper generally concludes is that demographic data more specifically education and age, are strong predictors of compliance. The analyses show that there indeed are relations between demographics and return filing compliance, save for gender.
These results support the hypothesis that demographics influence compliance behaviour. The researcher first identified three external factors (*social norms, government policies and compliance fees*) that may influence compliance behaviour. It was concluded that social norms (family/friends) has influence on compliance and Government Agencies/Policies have an influence on compliance. It was also established that Gender and compliance don’t influence the level of compliance.
Chapter 6: CONCLUSION AND RECOMMENDATIONS

6.1 Introduction

This chapter summarizes the findings of the study and also recommends strategies that may be adopted by PACRA to enhance compliance and lastly, the contribution and implications of the study is briefly discussed.

6.2 Summary and recommendations

Compliance is often controlled through monitoring, surveillance, and enforcement. This control is often left to Compliance Officers. If policies that govern compliance are crafted without understanding compliance behavior the results of the efforts of a compliance program will not yield the intended results. Compliance in filling annual returns should be understood in context and the variables that are significant or insignificant influencers of Compliance.

Usually enforcement is a costly undertaking, the cost benefit analysis is not favorable and even worse the implementing of an enforcement program cannot be done to full scale. The sanctions through penalties does not always guarantee improved compliance, what matters most is achieving voluntary compliance from economic agents if they are educated, they see compliance as a moral obligation, if they perceive good out of being compliant and if the institutions demanding for compliance treats them well and makes procedures so easy and accessible. This is also consistent with the findings of the knowledge gap in table 1 of the literature review that tax payers develop a perceived controlled behaviour by observing if the tax collected is being put to good use, example through better health facilities, roads and in our study compliance behaviour of interest to PACRA would be, the register should not just be seen as only interested in registering companies and business ends there, but PACRA should be seen to be concerned in the entrepreneurial survival, especially of the small companies. If companies perceive that PACRA has genuine concern for

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34 A small Company under the Companies Act number 10 of 2017 of Zambia is the one categorised by a certain numerical value as prescribed by the Minister. The intention is to distinguish between a big and small company.
their survival and not just making money out of the public through registrations then compliance behaviour is positive\textsuperscript{35}. 

There is little or no recognition of how policies and the policy process may affect the extent of compliance with regulations. Police analysis and formulation frequently assume perfect compliance can be achieved at no cost. Yet, when things go wrong, as they often do, enforcement is cited as one of the principal reasons for failure, and more and better prescribing compliance policy an institutional design requires a sound understanding of compliance behaviour. People are driven by both intrinsic and extrinsic motivations therefore the appropriate model to use is a combination of both economic theory, psychology and sociology theories (TPB).

In an attempt to overcome these and other shortcomings, this paper presents an enriched model\textsuperscript{36} of compliance behavior in which rational individuals are driven by both intrinsic and extrinsic motivations (including, but not restricted to, wealth enhancement). The model integrates economic theory with theories from psychology and sociology to account for both tangible and intangible motivations influencing individuals’ decisions whether to comply with a given set of regulations. Specifically, the model accounts for moral obligation and social influence in addition to the conventional costs and revenues associated with illegal behaviour.

Meanwhile Institutions are continuing to allocate increased resources and budgets to compliance and awareness programs which yield no or little results (compliance levels) ,this will continue to be a cost and government will continue losing uncollected revenues ( low levels of compliance) not until compliance behavioral models are understood and applied .As reviewed in the literature review countries such as South Africa\textsuperscript{37}, Singapore and the United Kingdom have now included annual returns in their financial statements and attaining high compliance on this is not an option and a bigger contributor of revenue .

\textsuperscript{35} This is consistent with the findings in the Literature review (section 3.6.1) under CIPC (South Africa’s Register) where the process does not end on company registration but goes further to provide entrepreneurship training ,that way the Public develops a positive perceived control behaviour of the importance in filling annual returns.  
\textsuperscript{36} Refer to figure 3 under Chapter 2  
\textsuperscript{37} Refer to CIPC Annual Report 2017
Systems automation and leveraging on technology is not an end in itself, there are some failed cases recorded as reviewed by the research,38 but that technology should be applied in context to needs of people and that non technological factors come first before technology in ensuring a register maintains efficiency and high compliance levels, example ACRA, Singapore’s registry has invested in data analytics this way able to monitor the behaviour of defaulting directors and offers training to repeated offenders and also their partnering with the Institute of directors enables that company directors are trained in corporate governance issues this is also consistent with our findings that education and social norms are significant influencers to compliance.

Based on the finding of the study, it can generally be concluded that annual return filing has been influenced from both internal and external factors. The internal factors like age and education have been found to influence compliance. Gender was discovered to be an insignificant factor and as such, it has no influence on compliance. On external factors, cultural norms, government policies and compliance fees were identified in the study. Cultural norms (influence of friends and family) and government policies were found to have an influence on compliance. However, the study concluded that current compliance fees (filing fee) have no influence on compliance behaviour. The findings suggest that in order for PACRA, to improve compliance behaviour, the authority should monitor closely those business owners who may not perceive fairness and trustworthiness in government agencies/policies. The results also suggest that to improve compliance, PACRA should target company owners who are younger as they have the lowest levels of compliance.

On education, PACRA must enhance its efforts in educating the public on compliance matters (identifying repeating defaulting directors in compliance, and offer them training as option for reduced penalties as done in Singapore) through formal and informal channels (community drama plays, appointing focal point people who can be educating others in local languages) and this is consistent with our findings in the literature review which reviewed that in South Africa for example, unemployment amongst youths has reached the highest levels ever therefore the company register CIPIC has deliberately come up with a Youth entrepreneurship program specifically to help youths (refer to 2.6.1(i) under literature review) On doing this, it’s possible that the numbers of abandoned registered companies can be reduced, hence increasing compliance.

38 Refer to the Literature review under Company Registries leveraging on Technology
levels. Secondly, youths end up complying because the outcome perception (which is a company register that cares for them) is favorable (refer to paragraph 2.6.2, under economic factors in the literature review). The overall should be an improved moral obligation and youths feel that they are part of the company register. It is possible through education; concepts of compliance shall be imparted. Furthermore, business owners need more information about their legal obligations and their role in promoting the growth of the economy of the country and the well-being of its citizens.

In addition, PACRA should consider providing the public with various payment options (e.g. banks, internet web solutions, Mobile phone payment options especially to the youths as the research findings reviewed, mobile money facilities (e.g. ZOONA, AIRTEL, MTN), easy filing, and assistance, and this is consistence with the literature review finding under the Singapore register (ACRA) who provide a payment service called ‘Mobile Pay’.

While reform efforts begin by addressing legal and procedural improvements, with technological enhancements coming at a later stage, it is important to harmonize all initiatives affecting the business registration functions to avoid inconsistencies like low compliance levels. Also, Digitization of records should be closely monitored especially for larger registries as they can be costly undertaking as espoused in the literature review.

In order to enhance information sharing, PACRA must develop an effective feedback mechanism so as to get feedback from companies promptly. This may involve an online or mobile platform that is easy to use and understood by all and most importantly, one that does expose the public to additional costs. An efficient feedback mechanism would allow PACRA gather accurate information as well as understand the needs and concerns of the public. This would be a valuable input into the improvement of compliance procedures and systems throughout the country.

6.2.1 Contribution and implications of the study

Despite the large body of research currently available on compliance behaviour, to the best of the researchers’ knowledge no studies have been conducted on compliance behaviour as it pertains to filing of company returns. Most focus has been on tax compliance. Therefore, there is a continuous
need to contribute towards the body of knowledge in smaller steps, with the new focus on a combination of economic and noneconomic factors. The analysis employed in the current study has attempted to explain compliance behaviour of business owners and in the process have provided several possibilities for future research.

The results of this study shows that the use of Economic deterrent models of using enforcement and penalties to curb illegal activities or those who are liable does not explain compliance behaviour or either do they ensure voluntary compliance. In fact, enforcement comes at a huge cost and some empirical reviews suggest that budgets allocated to enforcements in government institutions are huge and that those in enforcement are usually the target of blame when this activity fails. The use of penalties as well does not guarantee voluntary compliance or understanding of compliance behaviour in fact the payment of penalties makes the public to device other ways of circumventing this. Sutinen (1999) says that Low expected penalties do not always result in high levels of non-compliance; and prescriptions for more enforcement inputs and higher penalties are usually unfeasible or not cost-effective. He further said in his study, that the courts are not willing to mete out sanctions perceived as excessively severe. Rather, courts tend to impose sanctions that fit the crime, as measured by the illegal gains realized or the social harm caused.

The result of not understanding compliance behaviour therefore means government institutions will continue increasing budgets on enforcements which are not cost effective, they will continue to allocate huge financial resources on educational clinics, sensitisation and awareness programs which will not result in increased voluntary compliance. If this continues governments shall continue to lose potential revenue in compliance fees. The research also showed that compliance fees are insignificant influence on compliance, this implies that even reducing fees in the hope that people will comply cannot improve compliance, increase fiscal targets or curb illegal activities until compliance behaviour is understood. Therefore all compliance strategies should be crafted with full understanding of compliance behaviours in context. This perhaps explains why compliance at PACRA remained at 40% for many years irrespective of removal of penalties, reduction of fees, going online, setting up of a compliance unit and embarking on an amnesty.39

39 Amnesty is a declaration by the Registrar that all companies owing penalties in fees for the years a company has not filled an annual return, penalties are scrapped off with the aim of improving compliance.
The results of this study illustrates that the TPB, which is based on attitudes and behaviour, offers a useful framework for exploring compliance issues. More research applying the TPB is needed to explore factors that are likely to strongly influence intentions to comply (or not comply) and compliance (or noncompliance) behaviour. That is to say, further research is needed to ascertain the strength of the relationship of compliance and the factors identified in the study so as to understand which factors strongly influence compliance and which do not. This may provide PACRA with the tools to tailor its compliance services accordingly, and not simply based compliance initiatives on generic the attributes company owners.

6.3 Summary
With the understanding of the above, the results of this study illustrates that the TPB, which is based on attitudes and behaviour, offers a useful framework for understanding compliance behaviour. This theory offers an accurate framework to predict compliance behaviour and combining it with the economic deterrent models espoused in this study, government and non-government Institutions could yield more effective results and thereby become more viable, sustainable and contribute to the treasury. The problem of Compliance especially in developing countries is because of lack of empirical study in this subject and therefore more studies in understanding compliance behaviour using the TPB should be encouraged to explore factors that are likely to strongly influence intentions to comply (or not comply).
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## APPENDIX

### 6. PACRA report on active businesses

<table>
<thead>
<tr>
<th>Description</th>
<th>Numbers</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL: BUSINESS NAMES</strong></td>
<td>303,341</td>
<td></td>
</tr>
<tr>
<td>NEW REGISTRATIONS IN LAST 4 YEARS</td>
<td>47,812</td>
<td>16</td>
</tr>
<tr>
<td>FILED AT LEAST 1 AR IN LAST 4 YEARS</td>
<td>36,657</td>
<td>12</td>
</tr>
<tr>
<td>ACTIVE BUSINESS NAMES</td>
<td>84,469</td>
<td>28</td>
</tr>
<tr>
<td>CEASED</td>
<td>14,645</td>
<td>5</td>
</tr>
<tr>
<td>Empty Records</td>
<td>74,158</td>
<td>24</td>
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<tr>
<td><strong>TOTAL CEASED &amp; EMPTY RECORDS</strong></td>
<td>88,803</td>
<td>29</td>
</tr>
<tr>
<td>INACTIVE BUSINESS NAMES</td>
<td>130,069</td>
<td>43</td>
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<tr>
<td><strong>TOTAL: LOCAL COMPANIES</strong></td>
<td>168,512</td>
<td></td>
</tr>
<tr>
<td>NEW REGISTRATIONS IN LAST 4 YEARS</td>
<td>31,051</td>
<td>18</td>
</tr>
<tr>
<td>FILED AT LEAST 1 AR IN LAST 4 YEARS</td>
<td>36,998</td>
<td>22</td>
</tr>
<tr>
<td>ACTIVE LOCAL COMPANIES</td>
<td>68,049</td>
<td>40</td>
</tr>
<tr>
<td>STRUCK OFF</td>
<td>5,978</td>
<td>4</td>
</tr>
<tr>
<td>Empty Records</td>
<td>1,306</td>
<td>1</td>
</tr>
<tr>
<td><strong>TOTAL CEASED &amp; EMPTY RECORDS</strong></td>
<td>7,284</td>
<td>5</td>
</tr>
<tr>
<td>INACTIVE LOCAL COMPANIES</td>
<td>93,179</td>
<td>55</td>
</tr>
<tr>
<td><strong>TOTAL: FOREIGN COMPANIES</strong></td>
<td>1,881</td>
<td></td>
</tr>
<tr>
<td>NEW REGISTRATIONS IN LAST 4 YEARS</td>
<td>186</td>
<td>10</td>
</tr>
<tr>
<td>FILED AT LEAST 1 AR IN LAST 4 YEARS</td>
<td>152</td>
<td>8</td>
</tr>
<tr>
<td>ACTIVE FOREIGN COMPANIES</td>
<td>338</td>
<td>18</td>
</tr>
<tr>
<td>STRUCK OFF</td>
<td>65</td>
<td>3</td>
</tr>
<tr>
<td>Empty Records</td>
<td>632</td>
<td>34</td>
</tr>
<tr>
<td><strong>TOTAL CEASED &amp; EMPTY RECORDS</strong></td>
<td>697</td>
<td>37</td>
</tr>
<tr>
<td>INACTIVE FOREIGN COMPANIES</td>
<td>846</td>
<td>45</td>
</tr>
<tr>
<td><strong>TOTAL: other</strong></td>
<td>1,529</td>
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<td>NEW REGISTRATIONS IN LAST 4 YEARS</td>
<td>1,524</td>
<td></td>
</tr>
<tr>
<td>ACTIVE other</td>
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<td>STRUCK OFF</td>
<td>4</td>
<td></td>
</tr>
<tr>
<td>Empty Records</td>
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<td></td>
</tr>
<tr>
<td><strong>TOTAL CEASED &amp; EMPTY RECORDS</strong></td>
<td>5</td>
<td></td>
</tr>
</tbody>
</table>
6.2 Quarterly return filling report

<table>
<thead>
<tr>
<th>YEAR</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
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</thead>
<tbody>
<tr>
<td>2010</td>
<td>2,624.00</td>
<td>3,859.00</td>
<td>5,511.00</td>
<td>3,270.00</td>
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<tr>
<td>2011</td>
<td>3,619.00</td>
<td>5,548.00</td>
<td>4,053.00</td>
<td>3,511.00</td>
</tr>
<tr>
<td>2012</td>
<td>5,702.00</td>
<td>8,872.00</td>
<td>8,562.00</td>
<td>22,377.00</td>
</tr>
<tr>
<td>2013</td>
<td>14,355.00</td>
<td>7,234.00</td>
<td>4,510.00</td>
<td>4,556.00</td>
</tr>
<tr>
<td>2014</td>
<td>6,182.00</td>
<td>8,567.00</td>
<td>6,720.00</td>
<td>6,905.00</td>
</tr>
<tr>
<td>2015</td>
<td>8,574.00</td>
<td>11,181.00</td>
<td>6,140.00</td>
<td>6,031.00</td>
</tr>
<tr>
<td>2016</td>
<td>8,439.00</td>
<td>7,623.00</td>
<td>6,204.00</td>
<td>5,483.00</td>
</tr>
<tr>
<td>2017</td>
<td>6,995.00</td>
<td>7,560.00</td>
<td>6,559.00</td>
<td>5,755.00</td>
</tr>
<tr>
<td>2018</td>
<td>7,256.00</td>
<td>9,487.00</td>
<td>6,599.00</td>
<td>8,572.00</td>
</tr>
</tbody>
</table>

source: PACRA Compliance Report

6.3 Trends in annual return filing

Source: PACRA Compliance Report
6.4 Questionnaire for business owners

DISCLAIMER

Dear respondents, the questions you are about to read and answer are purely for research purposes and are in no way personal. Therefore, there will be no need for names or signatures of the respondents anywhere on the questionnaire.

INSTRUCTIONS

Tick in the appropriate box as appropriately as possible.

SECTION A

1. Gender: 
   - male [ ]
   - female [ ]

   - Location of business (town)..................

2. What is your age?
   - 18 – 27 years [ ]
   - 28-37 years [ ]
   - 38-47 years [ ]
   - Above 48 years [ ]

3. What is your highest level of education?
   - Primary [ ]
   - Secondary [ ]
   - Tertiary [ ]
   - None [ ]

4. Are you in formal employment?
   - Yes [ ]
   - No [ ]

SECTION B

5. Have you filed a return in the last four years?
   - Yes [ ]
   - No [ ]

6. How likely are you to file your returns this year?
   - Very unlikely [ ]
   - unlikely [ ]
   - Neutral [ ]
   - likely [ ]

7. How likely are you to file your returns in the next four years?
   - Very unlikely [ ]
   - unlikely [ ]
   - Neutral [ ]
   - likely [ ]

8. How likely are you to employ/hire someone to handle annual returns on your behalf?
   - Very unlikely [ ]
   - unlikely [ ]
   - Neutral [ ]
   - likely [ ]
   - Very likely [ ]

9. I believe filing of returns annually is a waste of time and money.
   - Very unlikely [ ]
   - unlikely [ ]
   - Neutral [ ]
   - likely [ ]
   - Very likely [ ]

10. Have you registered any other company in the last turn years?
    - Yes [ ]
    - No [ ]
11. If Yes, what is the current status of the company?

- Deregistered [ ]
- Abandoned [ ]
- Active and upto date with returns [ ]
- Active and not upto date with returns [ ]

**Section C**

12. How likely are you to commit resources into technological products (smart phones, laptops etc) to enhance online filing of returns?

- Very unlikely [ ]
- unlikely [ ]
- Neutral [ ]
- likely [ ]
- Very likely [ ]

13. Filing fees are annual returns are affordable?

- Strongly disagree [ ]
- Disagree [ ]
- Neutral [ ]
- agree [ ]
- Strongly agree [ ]

14. To what extent are you influenced by your friends and family members to file annual returns?

- Not at all [ ]
- Not influenced [ ]
- Neutral [ ]
- Influenced [ ]
- Very much [ ]

15. To what extent are you influenced by the government agencies/NGOs to file annual returns?

- Not at all [ ]
- Not influenced [ ]
- Neutral [ ]
- Influenced [ ]
- Very much [ ]
SECTION D
16. Are the Annual return forms user friendly?
   - Strongly disagree [  ]
   - Disagree [  ]
   - Neutral [  ]
   - agree [  ]
   - Strongly agree [  ]
17. the filing of annual returns online is complicated?
   - Strongly disagree [  ]
   - Disagree [  ]
   - Neutral [  ]
   - agree [  ]
   - Strongly agree [  ]
18. Offices where to file returns are easily accessible.
   - Strongly disagree [  ]
   - Disagree [  ]
   - Neutral [  ]
   - agree [  ]
   - Strongly agree [  ]
19. Officers at PACRA are helpful during filing
   - Strongly disagree [  ]
   - Disagree [  ]
   - Neutral [  ]
   - agree [  ]
   - Strongly agree [  ]
20. The penalties for non-filing of returns are bearable?
   - Strongly disagree [  ]
   - Disagree [  ]
   - Neutral [  ]
   - agree [  ]
   - Strongly agree [  ]

END

THANK FOR YOUR PARTICIPATION