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Effect of Enforcement Measures on Turnover Tax Compliance Among Small and Medium Enterprises in Kikuyu Town, Kenya

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Abstract

Small and medium enterprises' (SMEs) compliance with turnover tax (TOT) is one of the key areas of concern in the mobilization of domestic revenue in Kenya. Despite the adoption of simplified tax regimes and enforcement interventions, gaps in timely filing, taxpayer registration and timely payment persist among SMEs. This study aimed to investigate the effect of enforcement measures on turnover tax compliance among SMEs in Kikuyu Town, Kenya. The study specifically examined the impact of agency notices, deactivation of PINs and court suits on TOT compliance. The study adopted an explanatory research method. The study used economic deterrence theory as its foundation. The study targeted 1,217 registered SMEs under the TOT regime in Kikuyu Town. A sample size of 301 SMEs was calculated using the Yamane formula and selected through stratified random sampling across retail, services, manufacturing and trade sectors. The study used structured questionnaires to collect primary data from SME owners and managers. Descriptive and inferential statistics such as correlation and regression analysis were used to analyse the data at the 5% level of significance. The results showed a positive, statistically significant relationship between enforcement measures and TOT compliance ($r = 0.594$). The regression results also showed that enforcement measures positively and statistically significantly influenced TOT compliance ($B = 0.305$, $\beta = 0.332$, $t = 6.224$, $p < 0.001$). The study concluded that better enforcement is positively associated with better TOT compliance among SMEs in Kikuyu Town. The study recommends that the Kenya Revenue Authority maintain efficient taxpayer communication and follow-up procedures while bolstering the prompt and uniform application of agency notices, PIN deactivation, and court suits.

Keywords: *Turnover Tax, tax compliance, enforcement measures, agency notices, PIN deactivation, court suits, SMEs, Kikuyu Town.*

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1. Introduction

Turnover Tax (TOT) compliance has become a major part of domestic revenue mobilization, as SMEs make up a significant share of businesses worldwide. TOT is generally designed as a simplified tax regime for small businesses, with tax liability calculated based on business

turnover, rather than following complex accounting procedures (Hoy et al., 2024). However, Abdellatif et al. (2021) note that compliance among small businesses remains challenging due to poor documentation, limited tax knowledge, informality and under-declaration of business income. These compliance gaps can reduce government revenue and hinder its ability to fairly allocate the costs of financing public services. As a result, tax administrations have sought ways to increase voluntary and lasting compliance among small businesses.

Across Africa, countries have introduced TOT and other simplified tax regimes to expand the tax base and bring small and informal businesses into the formal tax system. However, challenges remain in ensuring compliance among SMEs across Africa, partly due to informality, limited bookkeeping, and limited engagement between SMEs and revenue authorities (Moore, 2023). Studies in countries like Tanzania and Ethiopia have reported persistent compliance challenges among small businesses and highlighted taxpayer behaviour and administrative interventions as crucial factors influencing compliance (Buzohera, 2025). These challenges have increased interest in enforcement measures as tools to identify non-compliance and motivate taxpayers to pay their taxes.

In Kenya, TOT was introduced to provide a simpler tax regime for small businesses that meet certain criteria and to facilitate greater engagement in the tax system. The Kenya Revenue Authority (KRA) administers TOT and requires eligible taxpayers (with income ranging from 1 million to 25 million) to declare their turnover and pay the prescribed tax within the designated time (Muthinji, 2020). Even with these arrangements, SME compliance remains a concern, with challenges including late filing, inaccurate declarations, under-reporting of turnover, and failure to pay taxes. In response, KRA has implemented enforcement actions such as tax audits, penalties, and legal sanctions to discourage non-compliance and promote compliance with TOT requirements.

Within Kikuyu Town, Kiambu County, SMEs operate across retail, hospitality, service, and other commercial activities, making their adherence to TOT pertinent to revenue mobilization. At the local level, however, it remains unclear how enforcement actions affect these businesses' TOT compliance. Previous research has mostly focused on general SME tax compliance or enforcement in other geographic settings, leaving a contextual gap regarding Kikuyu Town. This study therefore aimed to assess how enforcement measures affect turnover tax compliance among small and medium-sized enterprises in Kikuyu Town, Kenya.

1.1 Problem statement

Ideally, simplified tax regimes like Turnover Tax (TOT) should improve tax compliance among SMEs by making tax determination and payment easier and lowering administrative and compliance costs (Omondi, 2020). An effective TOT system should ensure that eligible SMEs regularly declare actual turnover, file returns on time, and pay the required tax. Effective enforcement measures such as tax audits and penalties, along with legal action, should reinforce this behaviour by increasing the likelihood of detecting non-compliance and imposing appropriate consequences on taxpayers who fail to meet their obligations. Effective tax administration and enforcement should thus foster compliance and enhance domestic revenue mobilization (Hoy et al., 2024).

In reality, many developing economies with simplified tax regimes, including TOT, still have low compliance rates. For instance, administrative barriers and limited awareness remain challenges to tax compliance among SMEs in South Africa (OECD, 2022). Likewise, regular

filing among eligible SMEs in Uganda and Tanzania remains relatively low, partly due to weak taxpayer-authority relationships and record-keeping shortcomings (IMF, 2023). India has also faced compliance difficulties with turnover-based taxation, especially because of administrative and compliance costs (Suresh et al., 2025). These experiences suggest that simplifying taxes is not a sufficient condition for continued compliance.

Kenya reflects this persistent problem. In 2021/2022, KRA data show that TOT collections were KSh452 million, representing 38% of the KSh1.2 billion target (KRA, 2021/2022). In 2022/2023, compliance stood at 36%, while in 2023/2024 it was 36.3%, with KSh580 million collected against a KSh1.6 billion target (KRA, 2021/2022; KRA, 2023/2024). Additionally, Karanja (2018) estimated that KRA collects only about 15% of the informal sector's potential tax revenue.

This persistent compliance gap reduces government revenue, increases enforcement costs, and creates unfair competition between compliant and non-compliant SMEs (Wanjiku & Ndunda, 2026). However, available research offers crucial but conflicting results on whether enforcement measures significantly affect SME tax compliance. In addition, the literature explores tax administration more broadly and offers limited evidence on SMEs in Kikuyu Town, creating a contextual and empirical gap. This study thus explores the effect of enforcement measures, particularly agency alerts, PIN deactivation, and legal action, on TOT compliance among SMEs in Kikuyu Town, Kenya.

1.2 Purpose of the Study

This study aimed to assess the effect of enforcement measures on turnover tax compliance among SMEs in Kikuyu Town, Kenya.

1.3 Hypothesis

H_{o1}: Enforcement measures have no significant effect on turnover tax compliance among SMEs in Kikuyu Town, Kenya.

1.4 Significance of the Study

The study is significant to the Kenya Revenue Authority (KRA) because it provides empirical evidence on how enforcement measures affect turnover tax (TOT) compliance among SMEs. The results on the deactivation of PINs, agency notices and legal sanctions exercises will enable KRA to evaluate the effectiveness of the current enforcement strategies, as well as identify areas that require improvement. The evidence can also support the development of enforcement strategies to promote timely filing, accurate turnover declaration, and TOT payment, while improving the effective allocation of enforcement-monitoring resources.

The study findings are also beneficial to SME owners and managers in Kikuyu Town, as they provide more insight into the relationship between enforcement and their tax compliance obligations. The results contribute to enhanced awareness among SMEs of the implications of PIN deactivation, agency notices, and legal sanctions, which can prompt better tax record management, proper declaration of turnover, and timely compliance with TOT. The study also offers insights that can facilitate positive interactions between SMEs and tax authorities and help create a more stable tax compliance framework.

Furthermore, the study contributes to the academic and research community by expanding empirical knowledge on enforcement and turnover tax compliance among SMEs. In particular,

it provides empirical evidence on the individual effect of enforcement measures on TOT compliance, thereby contributing to the existing research while addressing shortcomings in previous studies. The results serve as a benchmark for future studies on SME taxation, tax enforcement and compliance in Kenya and other developing economies, while the study could be used as a foundation for other studies in other towns, counties, and other categories of taxpayers.

1.5 Scope of the study

Conceptually, the study examined the effect of enforcement measures on turnover tax compliance among SMEs in Kikuyu Town, Kenya. Enforcement measures were the independent variable, operationalized as PIN deactivation, agency notices, and legal sanctions. Turnover tax compliance, as measured by indicators of timely filing, accurate turnover declaration, timely payment of turnover tax and maintenance of proper tax records, was the dependent variable. Contextually, the study was carried out in Kikuyu Town, Kiambu County, Kenya and targeted the SMEs subject to the TOT regime. The study thus examined the relationship between enforcement measures and TOT compliance in this context.

Methodologically, the study adopted an explanatory research design. The target population comprised 1,217 registered SMEs, from which the study selected a sample of 301 respondents using the Yamane formula. The study gathered primary data using structured questionnaires from the selected SME respondents. Data collected were coded, cleaned and analysed using descriptive statistics (frequency, percentage, mean and standard deviation) and inferential statistics (correlation and regression analysis) to determine the effect of the independent variables on the dependent variable (TOT compliance). The study was conducted over six months from March 2026 to August 2026.

2. Literature Review

This section reviews theories and empirical studies on the relationship between enforcement measures and turnover tax (TOT) compliance among SMEs. It reviews the key theory that underpinned the link between enforcement measures and TOT compliance, followed by relevant empirical evidence from past research. The review also highlights the methodological, conceptual, empirical, and contextual gaps that informed the present study.

2.1 Theoretical Review

Gary Becker popularized Economic Deterrence Theory in 1968, arguing that people make decisions, including dishonest ones, based on a rational cost–benefit analysis (Raskolnikov, 2021). Allingham and Sandmo (1972) further developed the model, arguing that taxpayers compare the expected advantage of evasion with the expected penalty, including the probability of detection and the penalty's amount and severity. The theory thus suggests that the greater the perceived risk of non-compliance, the greater the compliance with tax obligations.

In the tax context, this model has been pivotal for empirically analyzing enforcement factors that affect tax compliance, such as audit rates, fines, penalties, audit technologies, and tax sanctions (Dularif & Rustiarini, 2022). Many studies in both developed and developing nations have found that stronger government enforcement efforts, including audits, the deployment of sophisticated surveillance tools, more severe penalties, and publicizing enforcement activity, make it harder for taxpayers to view tax evasion as a risk-free activity (Alm, 2021). This perceived threat of punishment deters evasion and pushes more taxpayers toward compliance.

On the other hand, low enforcement levels, low audit coverage, and inconsistent penalty application reduce the perceived risks of evasion, resulting in lower compliance (Dularif & Rustiarini, 2022).

The Economic Deterrence Model was directly relevant to this study, particularly in analyzing the role of enforcement measures in shaping compliance with TOT. Enforcement Measures, including inspections, non-filing penalties, enforcement visits, system-based detection, and follow-up activities, shape taxpayers' expectations of being caught and the consequences of noncompliance. The theory provides a strong rationale for expecting that more stringent enforcement measures would increase compliance, since taxpayers would ideally act rationally to minimize penalties and legal sanctions.

2.2 Empirical Review

This section discusses empirical research on the link between enforcement measures and turnover tax compliance for SMEs, with particular emphasis on tax audits, tax penalties, and legal sanctions. It presents the main findings, methodology, and gaps relevant to the current study.

Enforcement measures are crucial tools for enhancing tax compliance in both developed and developing countries. These measures include audits, penalties, monitoring and follow-up procedures, which raise the perceived risk of non-compliance for taxpayers. At the international level, Rosid and Romadhaniah (2023), through a descriptive analysis, studied the role of law enforcement in tax compliance in Indonesia and concluded that tougher tax enforcement had a positive effect on tax behaviours among SMEs. They found that regular audits, prompt enforcement action and communication of legal responsibilities have a deterrent effect and encourage taxpayers to adhere to tax laws voluntarily. Likewise, Putra et al. (2024) observed that credible enforcement increases the likelihood of detecting an individual's tax noncompliance, thereby raising the probability that the individual will comply with tax laws, reinforcing the need for administrative diligence and credible sanctions (Siddiqui & Tariq, 2024).

In the East African context, research has stressed the positive influence of enforcement measures on turnover tax compliance among SMEs. In Uganda, for instance Gwokyalya and Okumu (2023) conducted an explanatory study and found that certainty and credibility in presumptive tax legislation, coupled with good monitoring and follow-up, were essential factors in enhancing compliance among small businesses. They found that SMEs were more likely to report accurate turnover and tax payments when enforcement was perceived as consistent and inevitable. This shows that, beyond awareness, the effectiveness and credibility of tax authorities matter in improving tax compliance, particularly in presumptive tax or turnover tax systems among micro and small businesses.

Evidence from Kenya further corroborates the impact of enforcement measures on TOT compliance. Muthinji (2022) examined factors affecting turnover tax compliance among SMEs in Roysambu, Nairobi, and reported that enforcement mechanisms such as regular inspections, penalty enforcement, and follow-up checks significantly influenced compliance rates. Likewise, Lagat et al. (2025) reported that SMEs in Gikomba Market had better compliance scores when monitoring was visible and predictable, but non-compliance increased when monitoring was weak. They highlighted that irregular enforcement, irregular penalties and

delayed audits diminish enforcement effectiveness, allowing risk-seeking SME owners to evade taxes with minimal fear of repercussions.

Overall, the studies indicate that enforcement measures positively affect turnover tax compliance by raising the perceived costs of non-compliance and deterring evasion. They also point to issues of resource limitations, corruption, and administrative inefficiency that can undermine enforcement's impact. The evidence highlights the need for effective, consistent, and transparent enforcement systems to complement taxpayer awareness and reduce non-compliance among SMEs. However, the studies do not provide evidence specific to Kikuyu Town, creating a contextual gap. Therefore, these insights, together with the identified gap, warrant further research on the role of enforcement measures in TOT compliance among SMEs in Kikuyu Town, Nairobi County.

2.3 Conceptual Framework

This section presents the conceptual framework which shows the anticipated relationship between enforcement measures and Turnover Tax Compliance among SMEs in Kikuyu Town. Enforcement measures were operationalized through agency notices, deactivation of PIN and court suits, whereas the dependent variable, TOT compliance, was operationalized through timely filing, taxpayer registration, and timely payment. The framework therefore shows how these enforcement tools were expected to influence TOT compliance among SMEs.

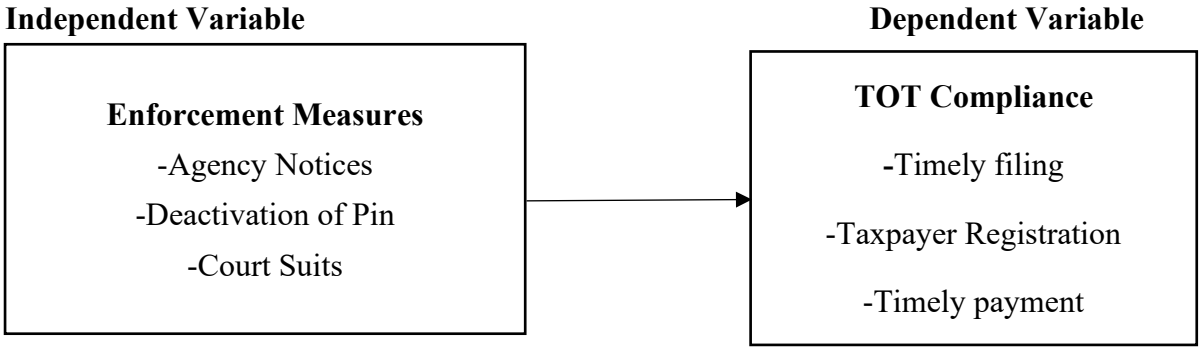


Figure 1: Conceptual Framework

3. Methodology

3.1 Research Design

This study adopted an explanatory research design to assess the effect of enforcement measures on turnover tax (TOT) compliance among SMEs in Kikuyu Town, Kenya. The design was appropriate since it allowed the study to determine the nature, strength and direction of relationships between the study variables and to test the formulated hypotheses (Ansari et al., 2022). The study used quantitative data from SME owners and managers through structured questionnaires, enabling systematic analysis and conclusions about the relationship between enforcement and compliance with TOT.

3.2 Population and Sampling

The target population was 1,217 registered SMEs in Kikuyu Town under the TOT regime. The enterprises were distributed across four sectors: retail, services, manufacturing, and trade, with 426, 253, 178, and 360, respectively. The population was considered to be suitable for this study as these SMEs were subject to TOT obligations and were able to give valuable

information on enforcement measures and compliance behaviour. The sampling frame was drawn from KRA records and served as the basis for identifying eligible enterprises for the study.

A sample of 301 SMEs was determined from the population of 1,217 using the Yamane formula at a 5% margin of error. The sample was proportionately distributed across the four sectors: retail (105), services (63), manufacturing (44), and trade (89), as shown in Table 1. Stratified random sampling was then used to select respondents from each sector, allowing equal representation across SME categories and reducing the risk of sampling bias.

Table 1: Sample Size Distribution

Sector	Population	Sample Size
Retail	426	426/1217*301=105
Services	253	253/1217*301=63
Manufacturing	178	178/1217*301=44
Trade	360	360/1217*301=89
Total	**1217**	**301**

3.3 Data Collection and Procedure

The study gathered primary data through structured questionnaires administered to the owners and managers of selected SMEs. The questionnaire consisted primarily of closed-ended items related to enforcement measures and TOT compliance, operationalized through timely filing, taxpayer registration, and timely payment. The instrument was pre-tested with 30 SMEs in Kiambu Town, representing 22% of the sample size, to evaluate its clarity, reliability, and validity before the main data collection. The researcher evaluated internal consistency using Cronbach's Alpha, with a coefficient of 0.70 or higher considered acceptable, and assessed content validity through supervisor review. The researcher obtained the necessary permissions, administered the questionnaires in person, verified their completeness, and guaranteed the respondents' privacy and anonymity. The data collection process took 14 days.

3.4 Data Analysis

The collected data were coded, entered and analysed using SPSS Version 27. The respondents' characteristics and responses to the study variables were summarized using descriptive statistics, which included frequencies, percentages, mean and standard deviations. Inferential analyses, including correlation and regression, were used to determine the relationship between and the effect of enforcement measures on TOT compliance. Regression analysis was used to assess the contribution of agency notices, deactivation of PIN, and court suits to TOT compliance, with statistical significance assessed at the 5% level. Results were presented in tables and appropriate graphs to aid interpretation and communication.

3.5 Ethical Considerations

The study observed relevant ethical principles. The researcher secured the appropriate institutional and administrative permissions from NACOSTI before collecting data and ensured informed consent from SME owners and managers. Participation was voluntary, and respondents were informed of their right to decline participation or withdraw without penalty. The researcher maintained confidentiality and anonymity by not collecting or disclosing personally identifying information and by using the information collected only for academic purposes. The researcher also made sure that the collected data were handled safely and that the researcher's interpretations or conclusions were not distorted in any way by manipulating respondents' views or research findings.

4. Findings

This section presents the study results. The results are presented according to the study objectives and the data gathered from the sampled respondents.

4.1 Response Rate

The study targeted a sample of 301 respondents. Some questionnaires were returned and well-filled, which constituted the valid response rate. However, some questionnaire were returned but well-filled (not complete) which were excluded from the valid response rate. Table 2 presents the response rate of the questionnaires distributed to the target respondents.

Table 2: Response Rate

	Number	Percentage
Questionnaires returned and well-filled	216	71.7%
Questionnaires not returned.	48	16%
Questionnaires returned but not well-filled	37	12.3%
Total	**301**	**100%**

Researchers targeted a sample of 301 SME owners and managers in Kikuyu Town and administered questionnaires, as illustrated in Table 2 and Figure 2. Of these, 216 questionnaires were returned and well completed, representing a 71.7% response rate; 48 questionnaires (16.0%) were not returned, and 37 questionnaires (12.3%) were returned but not complete and therefore not analysed. The achieved response rate of 71.7% was considered satisfactory for statistical analysis and generalization of results as it surpassed the minimum response rate of 50% required for any social science research (Wilson et al., 2024). The relatively high response rate was attributed to face-to-face questionnaire administration, follow-up visits, and assurances of confidentiality. Thus, the 216 correctly completed questionnaires were used for the descriptive and inferential analyses presented in this section.

4.2 Reliability Analysis

The reliability of the research instrument was assessed using Cronbach's alpha coefficient to measure the internal consistency of the questionnaire items used to measure the study constructs, through a pilot study with 30 respondents in Kiambu Town. A coefficient of 0.70

or higher, as reported by Izah and Hait (2023), indicates acceptable reliability, and coefficients of 0.80 and above indicate good internal consistency. The reliability analysis was conducted separately for each construct, enforcement measures and turnover tax (TOT) compliance. Table 3 presents the results.

Table 3: Reliability Test Results

Variable	Number of Items	Cronbach's Alpha	Interpretation
Enforcement Measures	5	0.821	Good Reliability
Turnover Tax Compliance	5	0.873	Good Reliability
Overall Scale	**31**	**0.847**	**Highly Reliable**

Table 3 shows that all study variables achieved Cronbach's alpha values above the recommended threshold of 0.70, indicating satisfactory internal consistency. Turnover Tax Compliance had the highest reliability coefficient ($\alpha = 0.873$), while Enforcement Measures had $\alpha = 0.821$. Moreover, the average Cronbach's Alpha coefficient was 0.847, indicating high reliability of the research instrument for data collection on the study variables. Therefore, this instrument was considered suitable for further descriptive, correlation and hierarchical regression analysis.

4.3 Descriptive Statistics

This section presents respondents' perceptions of the study variables.

4.3.1 Descriptive Findings on Enforcement Measures

The study aimed to determine respondents' perceptions of the impact of enforcement measures among SMEs in Kikuyu City. Participants rated their agreement with statements on enforcement measures using a 5-point Likert scale, where 1 = Strongly Disagree and 5 = Strongly Agree.

Table 4: Descriptive Statistics for Enforcement Measures

Statement	N	Mean	Std. Dev.
I regularly receive compliance notices or reminders from tax authorities.	216	3.62	0.98
Enforcement notices from KRA influence my decision to comply.	216	4.06	0.82
The possibility of my PIN being deactivated motivates me to meet my tax obligations.	216	4.14	0.79
Fear of legal actions (such as court suits) encourages me to comply with TOT.	216	3.91	0.87
KRA's enforcement measures significantly influence my tax compliance behavior.	216	4.08	0.81
Aggregate Mean/Standard Deviation	**216**	**3.96**	**0.85**

Table 4 shows that the respondents generally agreed that enforcement is important in promoting tax compliance among SMEs, as evidenced by the overall mean score of 3.96 and a standard deviation of 0.85. The relatively high average mean indicated that the majority of respondents

perceived enforcement actions by the Kenya Revenue Authority (KRA) as an effective way of encouraging compliance, while the moderate standard deviation implies that the opinions of the respondents were fairly consistent. 'The possibility of my PIN being deactivated motivates me to meet my tax obligations' was the highest ranked statement with a Mean of 4.14 and SD of 0.79, followed by "Enforcement measures by KRA significantly influence my tax compliance behavior" (Mean = 4.08, SD = 0.81) and "Enforcement notices from KRA influence my decision to comply" (Mean = 4.06, SD = 0.82). The results suggest that administrative sanctions and official reminders are strong perceived incentives for SME compliance with turnover tax obligations.

Despite the generally favorable perception of enforcement measures, respondents were less certain about how often they receive compliance notices or reminders from the tax authority. Not all SMEs regularly receive enforcement communications from KRA, as shown by the lowest mean score for the statement "I regularly receive compliance notices or reminders from tax authorities" (3.62, SD = 0.98). Similarly, the statement about the impact of legal actions like court suits received a mean score of 3.91 (SD = 0.87), indicating that although legal sanctions aid compliance, they are perceived as having less impact than administrative actions like PIN deactivation and enforcement notices. Overall, the results suggest that effective enforcement instruments play a crucial role in fostering turnover tax compliance, but could be strengthened by improving consistency in communication, sending timely reminders to taxpayers to comply with turnover tax, and increasing visible enforcement activities targeting non-compliant taxpayers.

4.3.2 Descriptive Findings on Turnover Tax (TOT) Compliance

The study aimed to determine the level of turnover tax compliance among small and medium-sized enterprises in Kikuyu town. Respondents rated their agreement with statements on key compliance practices on a five-point Likert scale ranging from (1) Strongly Disagree to (5) Strongly Agree. The descriptive statistics (mean and standard deviation) were calculated to gauge SMEs' level of compliance with turnover tax requirements. Table 5 presents the results.

Table 5: Descriptive Statistics for Turnover Tax (TOT) Compliance

Statement	N	Mean	Std. Dev.
I file my TOT returns on time.	216	4.02	0.83
I registered for TOT within the required timelines.	216	3.86	0.90
I consistently make TOT payments within the deadlines.	216	3.91	0.87
I maintain accurate records that support timely TOT filing and payments.	216	3.74	0.94
Overall, I fully comply with the tax authorities' TOT requirements.	216	3.68	0.96
Aggregate Mean/Standard Deviation	**216**	**3.84**	**0.90**

As presented in Table 5, the mean score for respondents' compliance with turnover tax requirements is 3.84, with a standard deviation of 0.90, indicating that respondents generally agreed they complied with turnover tax requirements. The relatively high aggregate mean implies that the majority of SME owners believe that they meet their key turnover tax requirements, while the moderate standard deviation implies fairly consistent responses across the sample. The highest rated statement was “I file TOT returns on time” (Mean = 4.02, SD = 0.83), suggesting that many SMEs do file their TOT returns on time. The respondents also agreed that they consistently made turnover tax payments within the required time frame (Mean = 3.91, SD = 0.87) and registered for turnover tax within the stipulated time frame (Mean = 3.86, SD = 0.90). These results indicate that most sampled SMEs have adopted the basic practices necessary to comply with the turnover tax system.

Although the overall level of compliance was positive, the mean scores for some aspects of turnover tax compliance were comparatively lower, suggesting opportunities for improvement. The lowest mean score was obtained for the statement "Overall, I fully comply with the TOT requirements set by the tax authorities" (3.68, SD = 0.96) while "I maintain accurate records that support timely TOT filing and payments" attained a mean of 3.74 (SD = 0.94). These results suggest that while most respondents fulfill their filing and payment obligations, some SMEs are still lagging in terms of maintaining comprehensive records and meeting all turnover tax requirements. The relative variance of these statements is also high, as evidenced by the high standard deviations, reflecting possible differences in compliance practices across businesses, which may be due to differences in business size, management, and accounting resources. Overall, the findings indicate that while turnover tax compliance among SMEs in Kikuyu Town is moderately high, further improvements in record-keeping practices and overall compliance behaviour would strengthen adherence to the turnover tax regime.

4.4 Correlation Analysis

This section presents the results of both Pearson correlation analysis and regression coefficient analysis, which were carried out to identify the relationship, strength, and magnitude of the connection between the independent variable and the dependent variable.

Table 6: Pearson Correlation Matrix

Variables	Enforcement Measures	Turnover Tax Compliance
Enforcement Measures	1	
Turnover Tax Compliance	.594**	1

Table 6 demonstrates a statistically significant relationship between enforcement measures and turnover tax (TOT) compliance among SMEs in Kikuyu town. Strong enforcement is associated with a higher percentage of TOT compliance, as shown by the correlation (r = 0.594), indicating a moderate positive relationship. This suggests that agency-issued notices, PIN deactivation, court proceedings, and other actions could serve as a good incentive for SMEs to fulfilll their TOT obligations through timely filing, taxpayer registration, and timely payments. Therefore, the findings imply that, among the SMEs studied, enforcement measures were positively correlated with TOT compliance.

4.5 Regression Coefficients Analysis

The regression coefficients were estimated to assess the individual effect of enforcement measures on turnover tax (TOT) compliance among SMEs in Kikuyu Town. The coefficients table displays the unstandardized coefficients (B), standardized coefficients (Beta), t-statistics, and significance values for the independent variables. Results are shown in Table 7.

Table 7: Coefficients of the Overall Regression Model

Model	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.
(Constant)	0.842	0.241	–	3.494	0.001
Enforcement Measures	0.305	0.049	0.332	6.224	0.000

The regression model in Table 7 shows a positive, statistically significant relationship between enforcement measures and compliance with the turnover tax (TOT) among SMEs in Kikuyu Town. The unstandardized coefficient (B = 0.305) suggests that for every one-unit increase in enforcement measures, TOT compliance increases by 0.305 units, holding other factors constant. The standardized beta coefficient ($\beta = 0.332$) also shows a positive effect of enforcement on TOT compliance, while the t-value of 6.224 and the p-value of 0.000 ($p < 0.05$) indicate that the effect is statistically significant. The constant of 0.842 implies that when enforcement measures are zero, the expected level of TOT compliance is 0.842. Thus, the results provide empirical evidence of a positive relationship between enforcement measures and TOT compliance among the SMEs studied.

4.6 Discussion

This section discusses the study findings on how enforcement measures affect turnover tax compliance among SMEs in Kikuyu town. The results are interpreted in relation to the study's purpose and compared with relevant theoretical and empirical literature.

According to the study's findings, enforcement measures positively and significantly affect turnover tax (TOT) compliance among small and medium-sized businesses in Kikuyu Town ($\beta = 0.332$, $p < 0.001$). The descriptive results also revealed that, on average, respondents believe that enforcement measures such as compliance notices, PIN deactivation, and legal sanctions affect their tax compliance, with an overall mean score of 3.96. In particular, the possibility of PIN deactivation and enforcement notices by the Kenya Revenue Authority (KRA) emerged as the most significant enforcement measures. Based on the results, effective and credible enforcement measures facilitate SMEs to comply with their turnover tax obligations by discouraging non-compliance and reinforcing the importance of meeting statutory tax requirements. As a result, stronger enforcement measures can improve voluntary and enforced tax compliance among SMEs.

The results further corroborate the Economic Deterrence Model, which asserts that tax compliance is a rational choice driven by perceived detection risk and the consequences of non-compliance. Taxpayers are more likely to comply when they see enforcement as effective and inevitable because the anticipated costs of non-compliance outweigh any potential benefits. This positive relationship shows that visible and credible enforcement measures strongly

encourage SMEs to comply with turnover tax obligations, supporting the assumptions of the Economic Deterrence Model. As a result, the theory offers a suitable framework for assessing how enforcement mechanisms affect SMEs' tax compliance behavior in Kikuyu Town.

The findings also support the empirical evidence discussed in the literature review section. The positive relationship between enforcement measures and turnover tax compliance aligns with Rosid and Romadhaniah (2023), who found that strict enforcement measures (regular audits and collection of due penalties) can significantly increase turnover tax compliance among SMEs in Indonesia. The results are also consistent with Putra et al. (2024), who found that effective sanctions and a higher risk of detection enhance tax compliance by deterring tax evasion. Further, this study corroborates Gwokyalya and Okumu's (2023) findings in Uganda, which found that regular monitoring and enforcement of presumptive tax laws improved compliance among small businesses. Similarly, Muthinji (2022) and Lagat et al. (2025) in Kenya showed a significant difference in turnover tax compliance when tax authorities conducted consistent checks and applied predictable penalties, compared with ineffective enforcement that created opportunities for tax evasion.

Overall, the results indicate that enforcement measures remain an important factor in SMEs' turnover tax compliance. They suggest that consistent enforcement efforts, backed by timely reminders to comply, robust monitoring systems, and appropriate sanctions for non-compliance, can have a significant impact on compliance behaviour. The study also suggests that tax authorities should maintain credible, transparent enforcement mechanisms and apply them fairly and consistently. The findings generally stress that enforcement measures support taxpayer awareness campaigns and enhance turnover tax compliance by reiterating the perceived certainty of detection and the consequences of non-compliance. This supports the Economic Deterrence Model and the empirical literature on tax compliance. The study, however, fills a crucial contextual gap by providing localized evidence from Kikuyu Town.

5. Conclusion

The study concludes that enforcement measures have a positive and significant impact on turnover tax (TOT) compliance among SMEs in Kikuyu Town, Kenya. The results indicated that increased enforcement efforts such as agency notices, PIN deactivation and court cases were correlated with increased TOT compliance. The regression results further showed that a one-unit increase in enforcement measures was associated with a 0.305-unit increase in TOT compliance, and the relationship was statistically significant at the 5% level. The study therefore established that enforcement measures play an important role in encouraging SMEs to meet their TOT obligations, particularly through timely filing, taxpayer registration, and timely payment.

6. Recommendations

Based on the results, KRA should ensure enforcement is timely, consistent, and proportionate, while also strengthening the practical implementation of enforcement measures for SMEs. Before deactivating PINs, KRA should communicate clearly and give taxpayers sufficient opportunities to regularize their accounts; it should also send notices promptly to taxpayers with unpaid obligations. Reserve court suits for persistent non-compliance after appropriate administrative follow-up. To make enforcement predictable and motivate SMEs to comply voluntarily, KRA should also improve taxpayer follow-up systems and provide clear information on the specific compliance requirements that trigger enforcement actions.

At the managerial and policy levels, it is essential for SME owners and managers to establish internal tax compliance practices that facilitate timely registration, filing and payment of TOT. To minimize exposure to enforcement actions, businesses should maintain accurate turnover records and regularly check their tax status. KRA and relevant legislators should create SME-focused enforcement policies that balance taxpayer facilitation and deterrence. These policies should include explicit protocols for handling agency notices, deactivating PINs, and pursuing legal action. These policies should promote uniformity of enforcement actions for SMEs and minimize uncertainty and administrative burdens that could make compliance more difficult. The study further recommends that future theoretical and empirical studies should continue examining enforcement measures within established tax compliance theories, especially theories that explain how perceived probability and consequences of tax compliance failures affect taxpayer behaviour. The results offer a foundation for expanding theoretical explanations of SME tax behavior by empirically supporting the idea that enforcement can affect compliance. To determine whether the observed effects are sustained over time, future researchers should test the same relationship in different countries and business environments, add more enforcement dimensions, and use longitudinal or mixed-methods approaches.

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