TAX DEFERRAL PROGRAMMES AND FINANCIAL SUSTAINABILITY OF SMALL AND MEDIUM ENTERPRISES IN NAKURU COUNTY, KENYA

Grace Njeri Mwangi.
Masters of Business Administration, Kenyatta University, Kenya.
Dr. Daniel Makori.
Kenyatta University, Kenya.

©2026

International Academic Journal of Economics and Finance (IAJEF) | ISSN 2518-2366

Received: 19th October 2026

Published: 6th November 2026

Full Length Research

Available Online at: https://iajournals.org/articles/iajef_v6_i1_294_307.pdf

Citation: Mwangi, G. N., Makori, D. (2026). Tax deferral programmes and financial sustainability of small and medium enterprises in Nakuru county, Kenya. *International Academic Journal of Economics and Finance, 6*(1), 294-307.

ABSTRACT

Small and medium enterprises (SMEs) depend on reliable cash flow to meet operating expenses, purchase inventory, pay employees and remain in business during periods of economic uncertainty. Tax deferral programmes may support these needs by postponing eligible tax payments and temporarily allowing enterprises to retain funds for working capital. This study examines tax deferral programmes and financial sustainability among SMEs in Nakuru County, Kenya. The study used a descriptive research design, structured questionnaires and proportionate stratified sampling. The population of the study was the 154,500 registered Small Medium enterprises in the county of Nakuru, while the sample consisted of 378 SMEs, which was obtained through proportionate stratified random sampling. Primary data collection was carried out using structured questionnaires and analysis was done using descriptive statistics and multiple regression analysis. Descriptive results show a composite tax-deferral mean of 2.2 (standard deviation = 1.0), suggesting relatively modest awareness, familiarity and reported use of the deferral arrangements measured. The study also reports a positive correlation between tax deferral and financial sustainability ($r = 0.544$, $p < 0.01$). In the multiple regression model, tax deferral had a positive coefficient ($B = 0.457$; $t = 2.135$; $p = 0.033$), remaining statistically significant at the 5% level after the other tax-incentive measures were included in the model. The findings suggest that payment timing can matter to SME financial sustainability, although a deferral postpones rather than necessarily cancels a tax obligation. The study recommends clearer communication of eligibility and repayment requirements, simpler administrative processes, and further research using objective financial records.

Key words: Tax deferral, Financial sustainability, Cash flow, Working capital.

INTRODUCTION

Small and medium enterprises (SMEs) are important contributors to employment, household income, entrepreneurship and local economic activity. Their financial sustainability depends not only on their ability to generate sales but also on maintaining sufficient liquidity to meet operating obligations when they fall due. An enterprise may record sales and still experience financial distress when customers delay payments, inventory must be purchased in advance, or wages, rent, utilities and tax liabilities fall due before revenue is received. Consequently, effective cash-flow and working-capital management are important to business continuity, particularly for smaller enterprises that may have limited access to affordable external financing (Organisation for Economic Co-operation and Development [OECD], 2021). Financial sustainability therefore requires SMEs to balance revenue generation with the timely availability and management of funds needed to support daily operations and meet financial obligations.

The COVID-19 period intensified these pressures across many economies. Restrictions on movement and business operations, supply-chain interruptions, labour shortages, reduced consumer demand and economic uncertainty disrupted SME operations while financial commitments continued. Dai et al. (2021), using evidence from two-wave telephone surveys in China, documented substantial disruptions among SMEs, including temporary closures, logistical difficulties and declining demand. Similarly, Adam and Alarifi (2021) examined the challenges facing SMEs during the pandemic and highlighted the relevance of innovation and external support to enterprise survival. Governments consequently introduced tax relief and other business-support measures intended to ease liquidity constraints and help firms maintain operations during the crisis (OECD, 2021). However, the effects of the pandemic varied across businesses depending on their sectors, exposure to restrictions, resources and capacity to adapt.

Tax incentives are policy instruments governments may use to influence business decisions, encourage investment or cushion enterprises against temporary financial pressures. They may include tax-rate reductions, exemptions, deductions and payment deferrals. A tax deferral differs from a permanent tax reduction or exemption because it generally postpones the payment obligation rather than eliminating the liability. The immediate benefit arises from allowing a business to retain cash for a longer period, potentially enabling it to purchase inventory, pay employees, settle suppliers and meet other short-term operating expenses. The OECD (2021) identifies tax payment deferrals as an important measure used internationally to ease business cash-flow difficulties during the COVID-19 crisis. Nevertheless, the effectiveness of such arrangements depends on factors such as eligibility, awareness, administrative accessibility and the enterprise's ability to settle the deferred liability when payment becomes due. Thus, tax deferral may offer temporary liquidity relief, but it does not automatically guarantee profitability or long-term financial sustainability.

In Kenya, the government introduced tax measures in response to the economic disruption associated with the COVID-19 pandemic. The Kenya Revenue Authority (KRA, 2020) documented legislative changes that included reductions in personal income tax, corporate income tax, value-added tax and turnover tax. These measures demonstrate the use of tax policy to cushion businesses and households against economic pressures, although tax-rate reductions should be distinguished from tax-payment deferrals because they affect tax liabilities differently. The present study focuses on SMEs in Nakuru County over the 2019–2023 period, covering the pandemic shock and subsequent recovery. Tax deferral is examined through respondents' understanding of available options, familiarity with Pay As You Earn (PAYE) deferral arrangements, and reported use or perceived usefulness of PAYE, corporate income tax and value-added tax payment deferrals. These measures are relevant because the timing of tax payments can affect the cash available for business operations. However, their contribution to financial sustainability must be assessed empirically, since temporary payment relief alone cannot guarantee stable sales, profitable operations or long-term solvency.

PROBLEM STATEMENT

Small and medium enterprises (SMEs) play an important role in employment creation, income generation and economic development in Kenya. However, their financial sustainability depends on their ability to generate adequate revenue, maintain liquidity, meet operational obligations and remain viable over time. Recent Kenyan research identifies access to finance and financial management as important considerations in SME financial sustainability (Owino et al., 2025). In addition, effective working-capital and cash-flow management are relevant to maintaining liquidity and supporting business operations (Nasimiyu & Kamau, 2024; Sogomi et al., 2024). SMEs may experience financial pressure when sales revenues fluctuate, customers delay payments, operating costs increase, or statutory obligations fall due before sufficient cash has been received. These challenges can constrain working capital, disrupt business operations and limit enterprises' capacity to invest in growth. The problem may be particularly pronounced among smaller enterprises with limited access to affordable external financing. Consequently, interventions that ease short-term cash-flow constraints are relevant to sustaining SME operations. Tax deferral programmes offer a potential mechanism for addressing these pressures by allowing eligible businesses to postpone tax payments to a later date. Unlike tax exemptions or permanent tax reductions, deferral generally postpones rather than eliminates the tax liability. The temporary retention of cash may enable SMEs to purchase inventory, pay employees, settle suppliers and meet other immediate operating expenses. The Organisation for Economic Co-operation and Development (OECD, 2021) identifies tax-payment deferrals as an important policy measure used to alleviate business cash-flow difficulties, including during the COVID-19 crisis. Nevertheless, the availability of a deferral programme does not necessarily guarantee improved financial sustainability. Its usefulness may depend on business awareness, eligibility requirements, accessibility of the application process, the amount of tax deferred and the enterprise's ability to

settle the liability when payment becomes due. Where SMEs lack information or cannot effectively manage deferred obligations, the intended liquidity benefits may be limited, and subsequent repayment requirements may create additional financial pressure. The relationship between tax deferral and financial sustainability therefore requires empirical examination within the context of SMEs in Nakuru County, Kenya.

SMEs can face a mismatch between the timing of cash receipts and the timing of operating and statutory payments. When sales are weak or customer payments are delayed, paying tax at the usual due date may intensify short-term liquidity pressure and limit the funds available for inventory, wages and other essential operations. Tax deferral can potentially ease this mismatch by postponing eligible payments, but the extent of relief depends on awareness, eligibility, administrative accessibility and the capacity to meet the deferred liability later. International evidence suggests that tax incentives may support SME recovery and performance, but effects vary with policy design and how effectively firms can access the support (Kurniawan et al., 2023; Olayemi & Folajimi, 2021).

Evidence from Nakuru County indicates that previous research has examined SME financial management, access to finance and tax compliance, but these studies have not directly established the relationship between tax deferral programmes and financial sustainability. For example, Njiru (2020) found that financial reporting, cash management and budget planning were significantly associated with VAT compliance among SMEs in Nakuru Town. Similarly, Kinuu (2023) examined tax modernisation programmes and tax compliance among SMEs in Nakuru County, while Oyieno (2022) investigated the relationship between the business environment and SME financial performance. Although these studies provide useful insights into the financial and tax-related challenges facing SMEs, their focus differs from the present study's specific concern with tax deferral and financial sustainability. The empirical problem is therefore whether tax deferral programmes are associated with improved financial sustainability among SMEs in Nakuru County, particularly through their potential to ease short-term liquidity constraints and support continuity of operations.

RESEARCH HYPOTHESIS

Null hypothesis (**H_0**): Tax deferral programmes have no statistically significant relationship with the financial sustainability of SMEs in Nakuru County, Kenya.

THEORETICAL FRAMEWORK

Tax Incentive Theory provides the principal theoretical lens for this study. In broad terms, the theory proposes that tax provisions can influence business behaviour by changing the effective cost of undertaking activities, the amount of cash retained by a firm, or the expected return from

investment. Tax incentives may be designed to encourage investment and enterprise activity, but their effectiveness depends on their design, transparency, targeting and administrative implementation. Zee, Stotsky and Ley (2002) caution that tax incentives are not automatically cost-effective and argue that they should be evaluated in relation to the market failures or policy objectives they are intended to address. This qualification is important: the existence of an incentive is not, by itself, evidence that it improves business outcomes.

Applied to tax deferral, Tax Incentive Theory suggests that changing the timing of tax payments can temporarily increase the cash available to eligible small and medium enterprises (SMEs). The retained funds may be allocated to working capital, employee wages, supplier payments, inventory purchases and other immediate operating needs. The Organisation for Economic Co-operation and Development (OECD, 2021) identified tax-payment deferrals as a policy measure used to ease business cash-flow pressures, particularly during periods of economic disruption. From this perspective, if temporary liquidity relief reduces operational disruptions and enables an enterprise to sustain revenue-generating activities, tax deferral may be positively associated with financial sustainability. However, the expected benefit primarily arises from the timing of payment rather than permanent tax savings because the deferred liability generally remains payable. Zee et al. (2002) caution that the effectiveness of tax incentives depends on their design and implementation. Accordingly, the contribution of tax deferral to SME financial sustainability depends on whether businesses can use the temporary liquidity effectively and subsequently meet their deferred tax obligations without creating additional financial pressure.

The theory also explains why the relationship may not be uniform across SMEs. A deferral may have limited value if the business does not know the programme exists, does not meet eligibility requirements, cannot complete the required administrative process, or faces a prolonged decline in demand. A repayment deadline may also create renewed pressure if the business has not recovered sufficiently. Accordingly, Tax Incentive Theory supports an expectation of a potentially positive relationship, while also requiring attention to awareness, accessibility and the timing of the deferred liability. In this study, the theoretical expectation is assessed against the descriptive results and the reported correlation and regression results for tax deferral.

EMPIRICAL REVIEW

Olayemi and Folajimi (2021) examined tax incentives and sales-revenue growth among SMEs in Ondo and Ekiti States, Nigeria. Their survey covered a stated population of 2,708 SMEs and a sample of 386 enterprises. The study considered several tax-incentive measures, including tax deferment, and reported that the tax-incentive measures jointly had a positive and statistically significant relationship with sales-revenue growth ($F = 313.815$, adjusted $R^2 = 0.759$, $p < 0.001$). The findings support the proposition that tax incentives, including deferment, can be associated with SME revenue growth. However, because the analysis considered several incentives together,

it does not establish that tax deferral alone explains the reported outcome. The study also took place in Nigeria, so its results cannot be assumed to transfer directly to SMEs operating under Kenya's tax and administrative environment.

Kurniawan, Maulana and Iskandar (2023) investigated tax-incentive policy and SME recovery in the post-COVID period in Indonesia, including the role of perceived policy effectiveness. Their study addressed whether tax incentives were associated with sustainable financial performance and SME survival or recovery. It provides relevant comparative evidence that the effectiveness of tax relief depends not only on the formal availability of support but also on how businesses perceive and experience its implementation. Although the Indonesian study considered tax incentives more broadly rather than tax deferral exclusively, it reinforces the need to examine both the financial purpose of a measure and whether firms can access and use it effectively.

Advantages of fiscal postponement on smaller enterprise expansion in Ondo and Ekiti territories of Nigeria was investigated by Babatayo and colleagues (2021). They specifically studied the effect of taxation delays on revenue growth of small and medium enterprises. The population for the survey comprised 2708 smaller enterprises which were registered with the Small and Medium Enterprise Development Agency of Nigeria in both territories and the survey design used methodological framework. Investigators calculated sample sizes of 386 commercial entities with Taro Yamane formulations. Using multi-phase sampling approaches and stratified, proportionate and random selection, participants were drawn from among proprietors, administrators, workers, financial experts and auditors. Information analysis was done using descriptive and inferential statistical methods. Results showed that there are significant positive impacts of taxation postponement in the expansion of the smaller enterprise revenues with strong statistical indicators ($F679= 313.815$, Adj. $R2= 0.759$, p-value= $0.000< 0.05$). The results revealed that the taxation postponement strategies were considered as significant determinants in terms of revenue expansion for smaller businesses situated in these Nigerian territories. Based on these findings, the focus of the current study is on smaller enterprises in Nakuru County to test how aware they are of the advantages of fiscal postponement, how they have been able to access and utilize the financial instruments and to what extent they have affected their overall financial sustainability in the Kenyan economic system.

Adegbie, Babatayo and Siyanbola (2020) examined the effects of fiscal postponement on the growth of smaller enterprises in the unofficial commercial sector in Nigeria, with focus on South Western regions. The study methodology was based on survey methods wherein the populations were 2708 smaller enterprises registered with Small and Medium Enterprises Development Agency (SMEDA). 386 commercial entities were selected by stratified and proportionate quota sampling technique and questionnaires were administered. A total of 772 copies of the questionnaires were given out with 88% retrieval. The reliability of the instruments was between 0.70 and 0.87 which is a sign of high instrument consistency. The data analysis was done by

descriptive and inferential statistic. Results showed that fiscal postponement actions were important in terms of gross margin expansion of business units studied. These findings give credence to the investigators that fiscal postponement policies have qualities that show their prediction potential in stimulating growth in smaller businesses of the unofficial sector in Nigeria. This research was motivated by this study and is focussed on smaller enterprises operating in the wider economic context of Nakuru County to gauge the extent of their knowledge of the advantages of fiscal postponement, their ability to access and benefit from the financial mechanisms and the effects they were found to have on their long-term financial sustainability within the regulatory and economic environment of Kenya. The overall findings in these investigations show uniformity in positive relationships between taxation postponement policies and performance of small businesses in various geographical settings. Kurniawan and colleagues emphasized the increased benefits that fiscal postponement measures can offer in the context of perceived effectiveness of such policies, whereas Babatayo et al. specifically reported strong positive link between taxation delays and revenue growth. Likewise, the findings of the study by Adegbie *et al* confirmed the positive effect of gross margin growth for businesses in the unofficial sector in Nigeria. This regularity of results in different economic contexts indicates that taxation postponement rules mean a good policy tool to sustain and develop smaller enterprises. Success of such policies, however, is likely to vary by region based on contextual factors such as awareness, accessibility, and implementation mechanisms, as well as broader economic factors. The current study will contribute to this knowledge by trying to understand how smaller companies in Nakuru County, Kenya item-wise interact with fiscal postponement opportunities, in terms of awareness, accessibility, utilisation capacity and ultimate effects by exploring financial sustainability measures. This study will thus reveal insights on the transferability of fiscal policy effectiveness across developing economies in Kenya's unique economic and regulatory environment. This knowledge is highly relevant to the policy development and implementation approaches in order to help strengthen smaller enterprise resilience and growth through targeted fiscal interventions. Moreover, this study concentrated on financial sustainability outcomes given that there is a lack of knowledge respective to the long-term effects of temporary financial aid during economic shadow created by such events beyond survival.

METHODOLOGY

The study adopted a descriptive research design and examined SMEs operating in Nakuru County over the 2019–2023 period. The target population was 25,385 SMEs and a sample of 378 was selected through proportionate stratified sampling across SME sectors. The methodology involved stratification in which Cochran's formula was used to determine the sample size (n) from the population of 25,385 enterprises. This systematic procedure provided representation to different types of SMEs while ensuring at the same time statistical validity by allocating proportionally.
Formula:

$$n = \frac{Z^2.p.(1-p)}{(N-1).E^2 + z^2.p.(1-p)}$$

"Where: Population size" (N = 25,385)
(z)-score for 95% confidence level (z = 1.96)
Estimated proportion (p = 0.5)
Margin of error (E = 0.05)

$$n = \frac{25{,}385 \cdot (1.96)^2 \cdot 0.5 \cdot (1-0.5)}{(25{,}385-1) \cdot (0.05)^2 + (1.96)^2 \cdot 0.5 \cdot (1-0.5)}$$

$$n = \frac{25{,}385.3.8416.0.25}{153{,}999.0.0025 + 3.8416.0.25}$$

$$n = \frac{24{,}379.754}{64.4204}$$

$$n \approx 378.44$$

The sample size was made a whole number as it had to be larger than a certain value to ensure that the sample size was sufficiently large.

$$n \approx 378$$

Table 1: Sampling frame

Sector	Population Size	Sample Size
Retail and Wholesale Trade	2,432	36
Hospitality and Tourism	2,229	33
Transport and Logistics	1,980	29
Information and Communication	1,333	20
Financial Services	1,574	23
Health Services	1,396	21
Education and Training	1,472	22
Real Estate Activities	1,015	15
Manufacturing and Construction	3,549	53
Artisan and Handcrafts	2,663	40
Agriculture, Forestry, Fishing	5,742	86
Total	**25,385**	**378**

Source: Kenya Institute for Public Policy Research and Analysis [KIPPRA] (2026)

Data was collected using structured questionnaires administered to SME owners or managers. Tax deferral was measured using items relating to general understanding of available deferral options, familiarity with PAYE deferral arrangements, reported benefit from PAYE deferral, use of corporate income tax deferral, use of VAT deferral and perceived usefulness of delayed VAT payment. The questionnaire items used Likert-type response scales. Descriptive statistics were used to summarise responses to the tax-deferral items. The study also conducted Pearson correlation and multiple regression analyses relating tax deferral to financial sustainability. The

correlation was interpreted as the strength and direction of association between the two measures. The regression coefficient was interpreted as the adjusted association for tax deferral in the model.

FINDINGS AND DISCUSSIONS

Descriptive Analysis

The study aimed at evaluating the effect of tax deferrals on financial sustainability for SMEs in Nakuru County. Tax deferrals were also regarded as a significant tax concession as it gives qualifying business entities the opportunity to delay tax due and continue to hold their money which is needed to cover them for other operational and cash flow requirements. It was, therefore, important to conduct an assessment on the usefulness that tax deferrals were perceived to have, in order to determine whether the tax deferrals actually provided any financial relief and, in fact, promoted the ongoing operations and sustainability of SMEs in the county of Nakuru. Table 1 summarises respondents' reported understanding, familiarity, uptake and perceived usefulness of tax deferral arrangements during 2019–2023.

Table 2: Descriptive analysis for Tax Deferral

Statement	Mean	Std. Deviation
I have a general understanding of some of the tax deferral options available to the SMEs during 2019–2023.	2.5	1.1
I am familiar with the PAYE deferral arrangements which are offered to help low earners and SMEs during this time.	2.5	1.3
So, from 2019–2023, my business was able to benefit from the PAYE deferral provisions.	2.1	0.9
This was the period my business had been able to leverage corporate income tax deferral options.	2.0	0.9
My business has been able to take advantage of the options for deferring VAT in 2019–2023.	2.1	0.9
I could take advantage of the possibility to defer payment of VAT, from 2019 to 2023.	2.1	0.9
Finding the right person was able to be aided by the payment deferral for VAT as that meant my business could use or invested cash, which helped it to grow and stay stable.	2.0	0.9
Composite Mean	**2.2**	**1.0**

The composite mean is 2.2 (SD = 1.0). The highest item means were for general understanding of tax-deferral options and familiarity with PAYE deferral arrangements, both at 2.5. The items concerning reported benefit from PAYE deferral and use or usefulness of VAT deferral had means of approximately 2.0–2.1, while corporate income tax deferral had a mean of 2.0. Overall, the pattern suggests that respondents' reported awareness was somewhat higher than their reported

uptake or perceived benefit from the specific arrangements. Because the questionnaire's response anchors are not reproduced in Table 4.8, the means should be interpreted cautiously and not labelled as a specific level of agreement without checking the original scale coding.

The study reports a tax-deferral mean of 2.2426 and standard deviation of 1.012, alongside skewness of 0.4475 and kurtosis of 0.13. These statistics are broadly consistent with the rounded composite mean and standard deviation shown in the table. The positive skewness indicates some asymmetry in the distribution; it should not be interpreted as proof that respondents strongly agreed with the items. The descriptive evidence therefore points to moderate-to-limited awareness and reported use, rather than widespread or consistently high uptake of tax deferral.

Relationship Between Tax Deferral and Financial Sustainability

The study established a moderate positive correlation between tax deferral and financial sustainability (Pearson's $r = 0.544$, $p < 0.01$). This indicates that higher scores on the tax-deferral measure tended to occur alongside higher scores on the study's financial-sustainability measure. The correlation is statistically significant at the 1% level, but it does not establish that tax deferral caused better financial sustainability. Other characteristics of SMEs, including sector, management capability, demand conditions and access to finance, may also be relevant.

Table 3: Regression Result for Tax Deferral

Predictor	B	t	p-value
Tax deferral	0.457	2.135	0.033

The reported regression coefficient for tax deferral is positive ($B = 0.457$) and statistically significant ($t = 2.135$, $p = 0.033$). Thus, tax deferral retained a statistically significant positive association with financial sustainability after accounting for the other tax-incentive measures included in that model.

The descriptive findings suggest that tax deferral was not uniformly understood or used by the SMEs surveyed. General understanding of options and familiarity with PAYE deferral scored somewhat higher than the reported benefit from PAYE arrangements, use of corporate income tax deferral, and uptake or perceived usefulness of VAT deferral. This gap between awareness and reported use matters for implementation: a measure can be available in policy but provide limited practical support if firms do not know whether they qualify, cannot navigate the application process or do not have the administrative capacity to comply.

The positive correlation and significant regression coefficient are consistent with the liquidity mechanism proposed by Tax Incentive Theory. By postponing an eligible payment, a business may retain cash that can be used for essential near-term operating needs. This can be particularly important for SMEs whose revenues fluctuate or whose access to external finance is constrained. The finding is also broadly consistent with Olayemi and Folajimi's (2021) Nigerian study, which reported a positive relationship between tax-incentive measures, including deferment, and SME

sales-revenue growth, and with Kurniawan et al. (2023), who examined tax incentives in the context of SME recovery and sustainable financial performance in Indonesia.

At the same time, the results should not be interpreted as showing that deferral is always beneficial or that it removes the underlying tax burden. A deferred liability can become a later cash-flow challenge if sales do not recover or if the repayment date coincides with other large expenses. The relationship between deferral and financial sustainability may also be affected by sectoral conditions, programme design, the size and timing of the deferred payment, and the firm's ability to plan for repayment. The results therefore support improving the clarity and accessibility of deferral arrangements while retaining attention to repayment capacity and the broader conditions required for business sustainability.

CONCLUSION

This study examined tax deferral programmes and financial sustainability among SMEs in Nakuru County, Kenya. The descriptive results showed a composite mean of 2.2 (SD = 1.0), with awareness and familiarity items scoring higher than several items concerning reported uptake or perceived benefit. The inferential results showed a moderate positive correlation with financial sustainability ($r = 0.544$, $p < 0.01$) and a positive, statistically significant regression coefficient ($B = 0.457$, $p = 0.033$). Taken together, these results indicate that the tax-deferral measure was positively associated with the study's financial-sustainability measure. Because the design is observational and the measures are self-reported, the findings should be interpreted as associations rather than causal effects.

RECOMMENDATIONS

First, tax authorities and relevant business-support organisations should communicate tax-deferral arrangements in clear, practical language, specifying eligibility, application procedures, due dates and repayment obligations. Second, administrative processes should be as simple and predictable as possible for smaller firms, while maintaining appropriate safeguards and compliance requirements. Third, SMEs should be encouraged to incorporate deferred tax liabilities into cash-flow forecasts so that the temporary relief does not create an avoidable repayment shock later. Fourth, future evaluations should distinguish awareness, eligibility, application, actual uptake and repayment outcomes rather than treating them as a single measure. Finally, further research should combine survey evidence with objective financial indicators and, where possible, longitudinal data to assess whether deferral is associated with sustained improvements after the deferred liability becomes due.

REFERENCES

Adegbie, F. F., Babatayo, K. O., & Siyanbola, T. T. (2020). Tax incentives and growth of informal sector small and medium enterprises in South West, Nigeria. *International Journal of Creative Research Thoughts, 8*(9), 4088–4098.

Adam, N. A., & Alarifi, G. (2021). Innovation practices for survival of small and medium enterprises (SMEs) in the COVID-19 times: The role of external support. *Journal of Innovation and Entrepreneurship, 10*, Article 15. https://doi.org/10.1186/s13731-021-00156-6

Babatayo, K. O., & Adegbie, F. F. (2021). Tax incentives and the growth in sales revenue of small and medium enterprises (SMEs) in Ondo and Ekiti States, Nigeria. *International Journal on Data Science and Technology, 7*(1), 1–16. https://doi.org/10.11648/j.ijdst.20210701.11

Bett, P. C., Tarus, J. K., & Wanjala, A. (2024). The moderating effect of regional economic policies on the relationship between tax compliance and financial sustainability of SMEs in Trans Nzoia County. *Journal of Business, Economics and Management Research Studies, 2*(3), 128–142. https://doi.org/10.69897/jobemrs.v2i3.166

Dai, R., Feng, H., Hu, J., Jin, Q., Li, H., Wang, R., Wang, R., Xu, L., & Zhang, X. (2021). The impact of COVID-19 on small and medium-sized enterprises (SMEs): Evidence from two-wave phone surveys in China. *China Economic Review, 67*, Article 101607. https://doi.org/10.1016/j.chieco.2021.101607

Karimi, J. W., & Wanjohi, F. M. (2024). Tax incentives and financial performance of manufacturing firms in Nairobi City County, Kenya. *The Strategic Journal of Business & Change Management, 11*(2), 253–278. https://doi.org/10.61426/sjbcm.v11i2.2907

Kenya Revenue Authority. (2020, April 2). *Tax legislative changes contained in Legal Notice No. 35 of 2020 and Business Laws (Amendment) Act, 2020*.

Kinuu, I. M. (2023). *Moderating role of tax training on the relationship between tax modernization programs and tax compliance among small and medium enterprises in Nakuru County, Kenya* [Research project]. Kinuu's research record

Kurniawan, Maulana, A., & Iskandar, Y. (2023). Tax incentive policy and recovery of SMEs in the post-COVID period: The moderating role of perceived policy effectiveness in Indonesia. *Journal of Tax Reform, 9*(2), 161–180. https://doi.org/10.15826/jtr.2023.9.2.135

Nasimiyu, A. E., & Kamau, C. G. (2024). Cashflow management practices and financial performance of small and medium business enterprises in Kenya. *African Journal of Commercial Studies, 4*(3), 252–263.

Njiru, D. M. (2020). *Effect of financial management practices on value added tax compliance among small and medium enterprises taxpayers in Nakuru Town* [Research project]. Kenya School of Revenue Administration. Njiru's research record

Nyabera, L. E., & Warui, F. (2026). Specific taxes and financial performance of registered small and medium-sized enterprises in Nairobi City County, Kenya. *Asian Basic and Applied Research Journal, 8*(1), 351–368. https://doi.org/10.56557/abaarj/2026/v8i1231

Olayemi, B. K., & Folajimi, A. F. (2021). Tax incentives and the growth in sales revenue of small and medium enterprises (SMEs) in Ondo and Ekiti States, Nigeria. *International Journal on Data Science and Technology, 7*(1), 1–16. https://doi.org/10.11648/j.ijdst.20210701.11

Organisation for Economic Co-operation and Development. (2021). *Tax policy reforms 2021: Special edition on tax policy during the COVID-19 pandemic*. OECD Publishing. https://doi.org/10.1787/427d2616-en

Owino, O. D., Irungu, A., & Muchiri, B. (2025). Financial determinants and financial sustainability of small and medium-sized enterprises in Nairobi City County, Kenya. *International Academic Journal of Economics and Finance, 4*(4), 90–123.

Sogomi, F. C., Patrick, M. K., & Kamau, C. G. (2024). Exploring the relationship between working capital management, liquidity, and financial performance within the context of Kenyan SMEs. *African Journal of Commercial Studies, 4*(2), 113–120.

Zee, H. H., Stotsky, J. G., & Ley, E. (2002). Tax incentives for business investment: A primer for policy makers in developing countries. *World Development, 30*(9), 1497–1516.