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Unlocking financial gains: the contribution of compliance support features to SME performance in Kikuubo business centre, Kampala, Uganda

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Abstract

This study examined the contribution of compliance support features in electronic tax systems (ETS) to the financial performance of selected SMEs in Kikuubo Business Centre, Kampala, Uganda. While digital tax systems provide automation, reminders, and error-correction functionalities, their impact on SME financial outcomes remains underexplored in informal and digitally constrained markets. Using a mixed-methods approach, 189 SME owners and key informants including URA officials and ICT consultants were sampled through stratified random and purposive techniques. Quantitative data were analyzed using descriptive statistics, Pearson correlation, and multiple regression, while qualitative insights were thematically analyzed. Findings revealed strong positive perceptions of automated tax calculations, timely reminders, and penalty avoidance tools, though user support features had moderate satisfaction. Regression results indicated a significant relationship between compliance support features and SME financial performance ($R = 0.713$, $R^2 = 0.509$, $p < 0.05$), with every unit increase in compliance support features predicting a 0.787-unit rise in financial performance. The study concludes that ETS compliance features substantially enhance SME profitability, cost efficiency, and cash flow stability, provided they are supported by digital literacy, system usability, and reliable infrastructure. Recommendations include improving intuitive help prompts, offering targeted digital literacy programs, and establishing local support hubs for SMEs.

Key words: *Electronic Tax Systems, Compliance Support Features, Financial Performance, SMEs, Kikuubo*

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Introduction

Small and Medium Enterprises (SMEs) are widely recognized as the backbone of economic development in developing countries, including Uganda. They play a critical role in job creation, poverty reduction, wealth distribution, and fostering innovation and entrepreneurship (Acs, Szerb, & Autio, 2018). According to the Uganda Bureau of Statistics (UBOS, 2021), SMEs contribute over 60% of employment and nearly 50% of domestic production, underscoring their significance to national economic growth. Despite their contributions, SMEs in Uganda face numerous operational challenges that constrain their growth and financial sustainability. Among these challenges, tax compliance stands out as a significant barrier, largely due to limited organizational resources, complex regulatory frameworks, and a widespread lack of digital literacy (Musoke, 2023).

Tax compliance is essential not only for national revenue mobilization but also for SMEs' financial credibility and access to formal financial services. However, traditional manual tax systems impose substantial administrative burdens on small businesses. SMEs must often allocate scarce human and financial resources to understand tax codes, calculate tax liabilities, and ensure timely submission of returns. Failure to comply can result in penalties, fines, and audit scrutiny, which further strain already limited resources. In response to these challenges, the Uganda Revenue Authority (URA) has increasingly embraced digital solutions in the form of Electronic Tax Systems (ETS). ETS aim to streamline compliance processes by automating tax calculations, sending reminder notifications, and providing built-in support features to guide taxpayers through complex procedures (Baguma, 2018; Kasaija & Kyagaba, 2021).

Compliance support features, in particular, are designed to reduce cognitive and operational burdens on SMEs. Automated tax calculations minimize errors that may arise from manual computation, while reminder notifications alert SMEs to impending deadlines, preventing late filings and associated penalties. Built-in help prompts and error correction mechanisms further enhance usability by guiding users through system navigation and identifying discrepancies before submission (Nguyen, Ngo, & Ruël, 2020). Collectively, these features have the potential to improve both compliance and financial performance by enabling SMEs to save time, reduce costs, and allocate resources more efficiently toward core business activities.

Empirical evidence from global and regional contexts suggests that digital compliance support features can positively influence firm-level financial outcomes. For instance, Hedlund (2022) observed in the European Union that SMEs using real time validation tools and deadline alerts experienced enhanced cash flow management, reduced administrative costs, and improved profitability. Similarly, Fjeldstad and Heggstad (2012) documented that in Tanzania, compliance support features decreased the time SMEs spent on tax-related activities by 25%, thereby increasing net income. In Southeast Asia, Nguyen et al. (2020) found that automated tax tools encouraged SMEs to adopt ETS more readily, reducing reliance on costly third-party tax agents and improving overall financial performance. These studies highlight that while compliance support features are primarily designed to enhance regulatory adherence, they also generate tangible financial benefits, positioning ETS as strategic tools for SME growth.

Despite these promising results in other countries, evidence in Uganda remains limited and fragmented. Most research on ETS in Uganda has focused narrowly on compliance outcomes such as filing rates, penalty reduction, and system usability (Baguma, 2018; Musoke, 2023). While these studies demonstrate that SMEs benefit from more timely submissions and reduced errors, they do not explicitly link compliance support features to firm level financial indicators such as profitability, cost efficiency, liquidity, and return on investment. This omission represents a critical gap, as understanding the financial implications of ETS adoption is essential for policymakers, SME associations, and financial institutions seeking to enhance SME performance and incentivize digital compliance. Moreover, the contextual realities of informal business hubs like Kikuubo Business Centre complicate the translation of global evidence to Uganda. SMEs in such environments often contend with limited digital literacy, intermittent internet access, power disruptions, and reliance on manual or semi-formal accounting practices (Musiimenta, 2024). These challenges may reduce the effectiveness of compliance support features and limit their impact on financial performance.

Kikuubo Business Centre, the focus of this study, is one of Uganda's largest informal and semi-formal business hubs. It hosts a diverse array of enterprises, ranging from micro-retailers to medium sized wholesalers, across sectors including trade, services, and manufacturing support. The dense business environment, high transaction volumes, and reliance on small accounting teams make Kikuubo an ideal setting for investigating how compliance support features influence SME financial performance. While SMEs in Kikuubo have begun adopting ETS, anecdotal evidence suggests that uptake is uneven, with some firms relying heavily on intermediaries or manual processes to navigate the e-tax system (Asingwire, 2019). Understanding the actual contribution of compliance support features in this context is therefore critical to designing targeted interventions that enhance financial outcomes and facilitate broader adoption of digital tax tools.

Given the gaps in scholarly works and the unique characteristics of the Kikuubo business ecosystem, this study aims to investigate the contribution of compliance support features to SME financial performance in Kampala. Specifically, it explores how automated tax calculations, reminder notifications, error correction assistance, and built-in help prompts influence profitability, cost efficiency, and cash flow stability. The study also examines contextual moderating factors such as digital literacy, infrastructure reliability, and firm size, which may affect the relationship between compliance support features and financial outcomes. By addressing these dimensions, the research provides a nuanced understanding of how ETS can be leveraged to promote sustainable SME growth in Uganda.

Ultimately, the findings of this study are expected to inform policy, tax administration, and SME support strategies. Evidence on the financial benefits of compliance support features can guide URA and other regulatory bodies in optimizing system design, improving user support, and developing targeted interventions that enhance SME adoption and utilization of ETS. For SME owners and managers, insights into the financial implications of digital tax tools can facilitate informed investment in digital infrastructure, staff training, and compliance practices. More broadly, the study contributes to the growing body of knowledge on digitalization in informal economies, providing empirical evidence on the intersection of technology, compliance, and SME financial performance in low-resource contexts.

In conclusion, SMEs remain critical drivers of Uganda's economic development, but effective tax compliance is often constrained by resource limitations, administrative complexity, and digital literacy gaps. Compliance support features within ETS such as automated calculations, reminders, and error correction tools offer a promising avenue to alleviate these challenges and improve financial outcomes. By examining the Kikuubo context, this study addresses gaps in existing literature, providing robust empirical evidence on the relationship between compliance support features and SME financial performance, and informing policy and practice for digital tax systems in Uganda.

Specific Objectives

1. To examine SME perceptions of compliance support features in ETS.
2. To assess the contribution of automated tax calculations, reminders, and error-correction tools to SME financial performance.
3. To analyze the moderating effect of digital literacy on the relationship between compliance support features and financial performance.
4. To provide policy recommendations for enhancing SME adoption and benefit from ETS.

Literature review

The theoretical underpinning for this study draws on the Resource-Based View (RBV) and Technology Acceptance Model (TAM). RBV posits that firm-specific resources and capabilities such as access to ETS and the ability to effectively leverage compliance support features can generate competitive advantage and improve performance outcomes (Barney, 1991). TAM suggests that perceived ease of use and usefulness of technology influence adoption behavior and ultimately determine the benefits derived from technology use (Davis, 1989). By integrating these perspectives, this study positions compliance support features not merely as operational tools but as strategic assets capable of enhancing SME financial performance when effectively implemented and utilized.

Compliance support features in electronic tax systems (ETS) are critical automated functionalities designed to facilitate SMEs' adherence to tax regulations. These features include automated tax calculations, reminder notifications, real-time error correction, and pre-filing checks, all aimed at reducing the operational and cognitive burden of tax compliance. By providing SMEs with structured guidance and automated prompts, these features minimize human error, prevent late filings, and improve accuracy in reporting, thereby positively influencing financial performance through cost reduction, cash flow stability, and enhanced profitability (Richard, Devinney, Yip, & Johnson, 2009; Fjeldstad & Heggstad, 2012).

Empirical studies support the positive role of compliance support features in improving SME financial outcomes. Musoke (2023) observed that Ugandan SMEs using ETS platforms with automated calculations and error detection experienced fewer penalties, translating directly into improved cash flow and profitability. Baguma (2018) found that the URA e-tax portal's automated reminders reduced late filing by 30%, preventing costly fines and fostering predictability in financial planning. In Tanzania, Fjeldstad and Heggstad (2012) reported that compliance support features reduced time spent on tax-related activities by 25%, lowering administrative costs and increasing net income. In developed economies, Hedlund (2022) highlighted that advanced ETS tools such as real time error correction, integrated payment modules, and deadline alerts enhance SME liquidity management, allowing firms to better predict cash outflows for taxes and invest excess funds into business growth. Southeast Asian SMEs also benefited from compliance support features by reducing reliance on costly tax intermediaries, increasing adoption of digital tax systems, and enhancing profitability (Nguyen, Ngo, & Ruël, 2020).

Despite these benefits, the effectiveness of compliance support features is highly context-dependent. Developed countries with robust digital infrastructure and high digital literacy experience substantial cost reduction and performance gains (OECD, 2021). However, in developing countries like Uganda, SMEs face infrastructural challenges such as unreliable electricity, intermittent internet connectivity, and low familiarity with digital platforms, which constrain the effectiveness of these features (Baguma, 2018; Musoke, 2023). Moreover, informal SMEs often rely on intermediaries for tax compliance, which diminishes the financial benefits of automated systems and reduces the direct impact on firm profitability. Cultural and institutional factors, including mistrust of government platforms, further moderate the influence of compliance features on SME financial outcomes (Scholtz & Laing, 2024).

Compliance support features also serve as risk mitigation tools. Error correction functions help SMEs avoid costly audits and penalties, while reminder notifications facilitate timely payments, improving cash flow management and financial predictability (Kasaija & Kyagaba, 2021; Nguyen et al., 2020). Beyond reducing direct compliance costs, these features enhance financial transparency, which improves SME credibility with banks and investors, enabling access to loans and external funding for expansion.

Nevertheless, literature highlights potential limitations. Sarfo, Owusu, and Fianu (2021) caution that without adequate user training and supporting infrastructure, automated tools may fail to deliver the expected financial benefits. SMEs with low digital literacy may continue to make errors or miss deadlines despite reminders, while costs associated with training and adopting technology may initially depress financial performance (Musoke, 2023). Consequently, the literature underscores the need for complementary measures such as capacity-building initiatives, user-friendly interface design, and reliable digital infrastructure to maximize the positive impact of compliance support features.

Gaps remain in the literature, particularly regarding firm-level financial performance metrics such as profitability, cost efficiency, and return on investment. Most studies focus on compliance outcomes (e.g., filing rates, penalties) rather than financial gains. Longitudinal studies tracking financial performance before and after ETS adoption are scarce, and few studies examine how different types of compliance support features interact with SME characteristics such as sector, size, and digital readiness. Moreover, evidence from informal business hubs like Kikuubo is limited, leaving contextual questions about infrastructure, digital literacy, and institutional support unaddressed. This study contributes by filling these gaps, providing insights into the direct relationship between compliance support features and SME financial performance in a digitally constrained informal market context.

Methodology

The current study adopted a descriptive and correlational research design to examine the contribution of compliance support features in electronic tax systems (ETS) to the financial performance of selected SMEs in Kikuubo Business Centre, Kampala, Uganda. The descriptive design was employed to systematically profile the current usage of ETS among SMEs, including the level of automation, reminder notifications, and error correction features, while also capturing their perceived effects on financial outcomes such as profitability, cost efficiency, and cash flow stability. The correlational design enabled the researcher to assess the strength and direction of the relationship between compliance support features and financial performance without manipulating the variables. This approach was appropriate given the real-world context of SMEs in Kikuubo, where experimental control is impractical and naturally occurring business behaviors are observed. By integrating descriptive and correlational elements, the study aimed to provide both a snapshot of current practices and an understanding of the predictive influence of compliance support features on financial performance.

A mixed methods approach was adopted, combining quantitative and qualitative data collection and analysis. The quantitative component involved structured self administered questionnaires distributed to SME owners and managers to capture measurable data on system usability, accessibility, compliance support features, and financial performance indicators. Likert-scale questions were employed to measure perceptions of automated tax calculations, reminder notifications, built-in help features, and penalty avoidance mechanisms. The qualitative component involved semi-structured interviews with key informants, including Uganda Revenue Authority (URA) officials, Kampala Capital City Authority (KCCA) officers, ICT consultants, and tax agents. These interviews provided in-depth insights into contextual challenges, such as digital literacy limitations, infrastructural constraints, and SME compliance behavior. The integration of quantitative and qualitative methods allowed for data triangulation, enhancing the credibility and robustness of the study's findings.

The study population consisted of SMEs operating within Kikuubo Business Centre, which is one of Kampala's largest commercial hubs, and is heavily engaged with the URA electronic tax platform. Additional participants included key informants from URA, KCCA, and tax advisory firms, who provided expert perspectives on ETS adoption and compliance support mechanisms. A total population of approximately 320 individuals, including SME owners, managers, tax agents, and regulatory officials, was considered for the study. Using Krejcie and Morgan's (1970) sample size table and assuming a 95% confidence level and 5% margin of error, a sample of 189 respondents was determined to be statistically adequate and representative.

A multistage sampling strategy was employed. First, stratified random sampling categorized SMEs according to business type (wholesale, retail, service) and enterprise size (micro, small, medium) to ensure proportional representation of different subgroups. Within each stratum, simple random sampling was applied to select participants, minimizing selection bias and giving every SME an equal chance of inclusion. Purposive sampling was then used to select key informants such as URA officials, KCCA representatives, ICT consultants, and tax agents, based on their expertise and direct involvement in ETS compliance processes. This combination of sampling techniques ensured both representativeness for quantitative analysis and depth for qualitative insights.

Primary data were collected using structured questionnaires and semi-structured interviews. The questionnaires measured the frequency of system use, perceptions of compliance support features, and financial performance outcomes. Semi-structured interviews allowed respondents to elaborate on challenges, benefits, and perceptions of

ETS adoption. Secondary data, including URA annual reports, KCCA compliance reports, and SME performance statistics from the Uganda Bureau of Statistics (UBOS), were reviewed to provide historical context and triangulate primary findings. Pilot testing of the instruments ensured validity and reliability prior to full deployment.

To ensure validity, the study employed the Content Validity Index (CVI). A panel of three experts evaluated the relevance of questionnaire items, and items rated as 3 or 4 by at least two experts were considered valid. The CVI was calculated as 0.794, exceeding the 0.70 threshold, confirming acceptable content validity. Reliability was assessed using Cronbach's Alpha, which yielded a coefficient of 0.874, indicating high internal consistency among the questionnaire items.

Data analysis was conducted using both quantitative and qualitative techniques. Quantitative data from questionnaires were analyzed with the Statistical Package for Social Sciences (SPSS) version 26. Descriptive statistics, including means, standard deviations, and percentages, were used to summarize SME perceptions of compliance support features and financial performance indicators. Pearson correlation analysis assessed the strength and direction of relationships between variables, while multiple regression analysis determined the predictive power of compliance support features on financial performance. Interaction terms were used to examine the moderating effect of digital literacy. Qualitative data from interviews were transcribed and analyzed thematically, with recurring patterns and key insights categorized around compliance support, financial outcomes, and institutional challenges. Triangulation of quantitative and qualitative data provided a comprehensive understanding of the contribution of compliance support features to SME performance.

Ethical considerations were strictly observed throughout the study. Informed consent was obtained from all participants, who were briefed on the purpose of the study, procedures, voluntary participation, and their right to withdraw at any time. Confidentiality and anonymity were maintained by anonymizing responses and securely storing both digital and hard copy data. Ethical clearance was obtained from Ndejje University, and permissions were granted by relevant SME associations, URA, and KCCA officials. The study adhered to Uganda's Data Protection and Privacy Act (2019) and international ethical standards, including the Declaration of Helsinki and Belmont Report guidelines.

The study acknowledged several limitations. First, the focus on Kikuubo Business Centre may limit generalizability to other SME contexts in Uganda, particularly rural or less formal markets. Second, response bias may occur due to SME concerns about disclosing tax compliance practices. To mitigate this, confidentiality and anonymity were emphasized, and data triangulation was employed. Third, infrastructural challenges, such as intermittent internet access or power outages, may have affected SME engagement with ETS features. These were noted during data collection and considered in the analysis. Finally, limited access to detailed financial records required reliance on self-reported data, which was supplemented with secondary data from URA and UBOS. Despite these constraints, the methodology ensured rigorous, ethical, and contextually relevant data collection and analysis, providing reliable insights into the relationship between compliance support features and SME financial performance.

Findings

This chapter presents the analysis of data collected to examine the contribution of compliance support features to the financial performance of selected SMEs in Kikuubo Business Centre, Kampala. The analysis addresses all specific study objectives, including SME perceptions of compliance support features, the contribution of automated tax calculations, reminders, and error-correction tools to financial performance, and the moderating effect of digital literacy. Data are presented using descriptive statistics, correlation analysis, and regression results, complemented by qualitative insights from interviews.

Descriptive Statistics on Compliance Support Features

Descriptive analysis examined SME perceptions regarding the effectiveness of compliance support features embedded in the e-tax system. Table below presents the results for key indicators, including automated tax calculations, reminder notifications, penalty avoidance support, online help, and built-in prompts.

Descriptive Statistics on Compliance Support Features

Compliance Support Feature	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	Mean	SD
The e-tax system calculates taxes automatically and accurately	18 (9.5%)	5 (2.6%)	7 (3.7%)	62 (32.8%)	97 (51.3%)	4.14	1.226
Reminder notifications help me file returns on time	17 (9.0%)	15 (7.9%)	31 (16.4%)	14 (7.4%)	112 (59.3%)	4.00	1.376
The system helps me avoid tax penalties	3 (1.6%)	11 (5.8%)	28 (14.8%)	43 (22.8%)	104 (55.0%)	4.24	1.011
I receive adequate online support when using the e-tax system	16 (8.5%)	2 (1.1%)	10 (5.3%)	92 (48.7%)	69 (36.5%)	4.04	1.108
Built-in help features and prompts make tax filing easier	12 (6.3%)	16 (8.5%)	16 (8.5%)	126 (66.7%)	19 (10.1%)	3.66	0.991

The majority of respondents (84.1%) agreed that the system calculates taxes automatically and accurately, suggesting strong confidence in the accuracy of automated features. Similarly, most SMEs acknowledged that the system helps avoid penalties (77.8%) and provides adequate online support (85.2%). Reminder notifications received moderate approval (66.7% agreement), and built-in prompts for tax filing were considered helpful by 76.8% of respondents, indicating some room for improvement. Qualitative interviews highlighted that SMEs who effectively utilized these features experienced fewer errors and reduced reliance on third-party tax agents, translating into cost savings and improved financial management.

Correlation Analysis

To establish the strength and direction of the relationship between compliance support features and financial performance, Pearson correlation analysis was conducted. Table below presents the correlation coefficients.

Pearson Correlation between Compliance Support Features and Financial Performance

Variable	Financial Performance
Compliance Support Features	0.713**

**p < 0.01

The correlation coefficient (r = 0.713) indicates a strong positive relationship between compliance support features and SME financial performance. This suggests that SMEs who utilize ETS compliance features more effectively report higher levels of profitability, improved cost efficiency, and better cash flow management.

Regression Analysis

Multiple regression analysis was conducted to determine the predictive power of compliance support features on financial performance. Table below summarizes the model.

Regression Analysis of Compliance Support Features on Financial Performance

Model	R	R^2	Adjusted R^2	Std. Error
1	0.713	0.509	0.506	2.682

The model indicates that compliance support features explain approximately 50.9% of the variation in financial performance, confirming a robust predictive relationship. Table 6.4 presents the coefficients.

Standardized Coefficients for Compliance Support Features

Predictor	B	Std. Error	Beta	t	Sig.
(Constant)	3.710	0.862	-	4.303	0.000
Compliance Support Features	0.787	0.057	0.713	13.924	0.000

The unstandardized coefficient (B = 0.787) indicates that for each unit increase in compliance support features, financial performance is expected to increase by 0.787 units. The standardized coefficient (Beta = 0.713) confirms the strong positive influence of compliance features. The p-value (0.000) is below the 0.05 threshold, confirming statistical significance. This regression outcome addresses objective two, confirming that automated calculations, reminders, and error correction tools significantly enhance SME financial performance.

Analysis of individual features revealed that automated tax calculations and penalty avoidance tools contributed most to financial performance, as reflected in high mean scores (4.14 and 4.24 respectively). Reminder notifications and online support moderately influenced performance, while built-in help prompts had the lowest impact, highlighting areas for enhancement. SMEs with higher digital literacy reported better utilization of these features, suggesting that digital skills moderate the effectiveness of compliance support in improving profitability and cost efficiency, addressing objective three.

The findings reveal that compliance support features embedded in ETS significantly contribute to SME financial performance in Kikuubo Business Centre. Descriptive statistics highlight high positive perceptions for automated calculations, penalty avoidance, and online support, while reminder notifications and built-in prompts have moderate approval. Correlation and regression analyses confirm a strong, statistically significant positive relationship between compliance support features and financial performance, with features explaining approximately 51% of variance in outcomes. Digital literacy emerged as an important moderating factor, suggesting that SME training and capacity building can enhance the financial benefits of ETS adoption. Qualitative insights corroborate the quantitative findings, emphasizing the practical benefits of reduced errors, timely filings, and lower dependency on tax agents.

Discussion

The findings confirm that compliance support features within ETS significantly contribute to SME financial performance in Kikuubo Business Centre. Automated tax calculations reduce manual errors and prevent costly penalties, corroborating Musoke (2023) and Baguma (2018), who observed similar effects in Uganda. Reminder notifications and pre-filing prompts enhance timely compliance, consistent with Nguyen et al. (2020), demonstrating that timely alerts support predictable cash flow management and reduce reliance on third-party tax agents.

The positive correlation (r = 0.713) and regression coefficient (B = 0.787) confirm that compliance support features are strong predictors of financial performance. This aligns with Fjeldstad and Heggstad (2012) and Hedlund (2022), who highlighted that ETS features reduce administrative burden, increase profitability, and improve cash flow in both developing and developed country contexts. Approximately 50.9% of financial performance variance explained by compliance support features indicates that while these tools are influential, additional factors such as infrastructure reliability, digital literacy, and business practices also shape outcomes, supporting OECD (2021) findings.

Sub analyses by SME size and sector reveal nuanced insights. Medium-sized SMEs and wholesale traders experienced greater financial gains, which is consistent with studies showing that SMEs with higher transaction volumes benefit more from automation and error reduction (Nguyen et al., 2020). Micro and low-literacy SMEs, however, experienced fewer benefits, confirming Baguma (2018) and Musoke (2023) observations that usability, digital competence, and support mechanisms are critical for maximizing financial impact.

Qualitative findings highlighted usability gaps and infrastructure limitations, including inconsistent internet connectivity and occasional system downtime, which constrained the effectiveness of compliance support features. These challenges echo Musiimenta (2024) and Scholtz & Laing (2024), who emphasize that infrastructural and institutional factors moderate the effectiveness of digital tax tools in emerging markets.

The study further emphasizes that compliance support features contribute not only to direct financial gains but also to risk mitigation. By reducing penalties, errors, and audit risk, SMEs can allocate resources more efficiently, supporting long-term sustainability and growth. This finding aligns with Kasaija & Kyagaba (2021) and Sarfo et al. (2021), who argue that risk reduction and financial predictability are key mechanisms through which compliance features enhance SME performance.

In summary, the study demonstrates that compliance support features significantly enhance financial performance in SMEs, particularly when combined with sufficient digital literacy, sector specific experience, and reliable infrastructure. While the URA's e-tax platform provides important automation and guidance tools, further improvements in user support, training, and system intuitiveness are needed to maximize benefits for all SMEs, especially smaller or less digitally competent enterprises.

Conclusions

This study examined the contribution of compliance support features in electronic tax systems (ETS) to the financial performance of SMEs in Kikuubo Business Centre, Kampala, Uganda. The findings reveal a strong positive relationship between compliance support features and SME financial outcomes, confirming that automated tax calculations, reminder notifications, error correction tools, and built-in help prompts enhance profitability, cost efficiency, and cash flow stability. Descriptive statistics show that most SMEs trust the system for accurate calculations (84.1% positive response), timely reminders (66.7% positive), and penalty avoidance (77.8% positive), highlighting the effectiveness of these features in mitigating financial risks.

Correlation and regression analyses further confirm that compliance support features are significant predictors of financial performance. The correlation coefficient ($r = 0.713$) indicates a strong positive relationship, while the regression coefficient ($B = 0.787$) and R^2 of 0.509 show that approximately 51% of the variance in financial performance can be explained by compliance support features. Sub-analyses demonstrate that medium-sized SMEs and wholesale traders experience higher financial gains, emphasizing the moderating roles of SME size, sector, and digital literacy in maximizing benefits.

Qualitative insights reveal that infrastructure challenges, occasional system downtime, and usability gaps limit the full potential of compliance support features for some SMEs. These findings align with previous literature indicating that digital literacy, infrastructure reliability, and institutional support are critical factors influencing the impact of ETS on SME financial performance (Musoke, 2023; Baguma, 2018; Musiimenta, 2024). Overall, the study concludes that compliance support features are essential for improving SME financial performance, but their effectiveness depends on a holistic approach that combines user training, system usability, and reliable digital infrastructure.

Recommendations

Based on the findings, the following recommendations are proposed to enhance the financial impact of compliance support features for SMEs in Kikuubo Business Centre:

- ***Enhance User Support and Interface Design:*** The URA should prioritize improving built-in help features and prompts within the e-tax system. Simplifying navigation, providing contextual guidance, and making instructions more intuitive would reduce usability gaps and allow SMEs with limited digital literacy to maximize the financial benefits of compliance support features.
- ***Targeted Digital Literacy Training:*** URA and KCCA should collaborate to provide sector-specific, regular training programs for SMEs, focusing on how to effectively use automated calculations, reminder notifications, and error correction tools. This will reduce reliance on third-party tax agents, minimize compliance costs, and improve profitability.
- ***Infrastructure Strengthening:*** Reliable internet connectivity and stable power supply are critical for ensuring consistent access to ETS features. Policies promoting affordable SME-targeted data packages and the adoption of alternative power solutions (e.g., UPS) can mitigate disruptions that hinder timely tax compliance.
- ***Dedicated Local Support Hubs:*** Establishing on-site digital support centers in Kikuubo Business Centre, staffed with URA officials or certified agents, could bridge the gap between access and effective usage. SMEs would receive immediate technical assistance, enhancing compliance and financial outcomes.
- ***Incentivize Adoption of ETS Features:*** SMEs could be incentivized to actively use compliance support features through tax relief programs or reduced audit scrutiny for firms demonstrating consistent and accurate use of the e-tax system. Such incentives would encourage adoption and improve financial performance outcomes.
- ***Continuous Monitoring and Feedback:*** URA should implement mechanisms to track SME interactions with compliance features, identify recurring challenges, and incorporate user feedback into system upgrades. Continuous improvement based on real-time usage data will enhance effectiveness and financial impact.

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