

CHAPTER I

INTRODUCTION

1.1 Background to the study.

The National Social Security (NSSA) is a parastatal that was tasked with administering a statutory obligation fund in Zimbabwe in the form of Social Security Schemes, where all employers and employees in formal employment are mandated to make monthly pension and workmen's compensation and insurance contributions (The National Social Security Act, Chapter 17.04 of 1989, Statutory Instrument 393 of 1993 and Statutory Instrument 68 of 1990). Despite such a clearly labelled obligation, The NSSA National Compliance Manager highlighted that "...Our compliance rate has remained relatively low despite increased efforts to attain the short term 60% target..." (Contributions and Compliance division annual report, 2011)

Non-compliance by employers to the NSSA schemes constitute some violation of laws "Any person who contravenes any provision of a Scheme with which it is his duty to comply shall be guilty of an offence and liable to a fine not exceeding level five or to imprisonment for a period not exceeding six months or to both..."(NSSA Act Chapter 17.04, Sec 3A)

Any default by employers in paying their monthly social security contributions affect the growth of the social security fund. It also disadvantages the employers as they

cannot transfer the risk of work related injuries to NSSA in case of an accident happening at the workplace. This also impacts negatively on NSSA financial performance. The government also benefit from NSSA contributions as a source of funding as NSSA invest their excess funds in treasury bills and therefore any default payment of NSSA contributions by employers affect the Government's income base. The society at large also benefit from compliance by employers as NSSA also invest in socio economic activities like building of dams and shopping malls (NSSA employers guide, 2011). Non-compliance by Employers has impacted negatively on the National Social Security Authority's surplus as illustrated below.

Table 1.1 NSSA consolidated Employer Compliance and profit Trend analysis

Year	Total yearly average registered employers (a)	Total yearly average employers who complied (b)	Average yearly compliance rate (c)	Profit(Surplus) for the year (D)	% change in profit/surplus (e)
2009	28,654	14,040	49%	147,808,568	-
2010	27,336	12,488	47%	142,595,993	-3.53%
2011	27,901	12,834	46%	123,087,951	-13.68%
2012	26,984	11,873	44%	103,484,138	-15.93%
2013	26,739	11,498	43%	96,311,168	-6.93%

Source: NSSA Contributions and Compliance Division Annual reports file: 2009-2013

Generally the above trend shows that an average of 46% has been complying with NSSA obligations over the five year period from 2009-2013 whilst the majority (54%) have not been complying. This has got a negative impact on financial performance of NSSA as an actuarial evaluation that was done on the NSSA pension scheme in Zimbabwe highlighted that the Scheme is at the risk of collapsing by the year 2023 if NSSA continue to register low compliance rates as well as revenue collection below budget as evidenced in the first four years of the multicurrency system. **(The International Labour Organisation actuarial report 2012)**

This has prompted the researcher to investigate the causes of non-compliance and impact of such non-compliance on financial performance with special reference to NSSA schemes.

1.2 Statement of the problem

This study seeks to establish why compliance by employers regarding payment of contributions to NSSA remained low irrespective of the management's initiative of increasing the number of compliance inspectors by more than double and also despite the fact that NSSA Schemes form part of statutory obligations and also that employers are operating in a relatively stable environment since the adoption of the multicurrency system in 2009. Failure by employers to comply with their statutory obligation has resulted in a decrease in the social security schemes funding and this can affect the financial performance of the organisation that can lead to payment of low benefits and failure to meet administration costs.

1.3 The main research question

What is the impact of non-compliance with statutory obligations on financial performance of the National Social Security Authority?

1.4 Research objectives

Generally the study is aimed at determining the factors behind non-compliance by employers in paying NSSA contributions and how this impacts on financial performance. Specifically the research seeks to:

- Establish the reasons why employers have not been remitting their Social security contributions to NSSA since 2009 despite it being a statutory obligation.
- Evaluate how non-compliance by employers to NSSA schemes has affected the financial performance of NSSA.
- Assess whether the size of an employer's workforce influences his/her compliance behaviour.
- Analyse whether NSSA compliance inspectors have a significant influence on employer compliance.
- Assess the impact of regulatory laws on financial performance of NSSA.

1.5 Sub research questions

- What are the reasons for non-compliance with the payment of NSSA contributions by employers?

- How has non-compliance by employers affected the financial performance of NSSA?
- Does the employers' workforce size have any influence on non-compliance to NSSA obligations by employers?
- Does the number of compliance inspectors have any influence on the compliance by employers?
- How does regulatory laws have an impact on the financial performance of NSSA?

1.6 Justification of the study

The research is in partial fulfilment of the requirements of Bachelor of Commerce accounting degree with the Midlands state university. It will also acquaint the student with analytical skills that are essential in decision making and problem solving both at the workplace and in social life. Midlands State University can avail the information contained in the research to other scholars who can use it as a basis for further investigation and improvement in the area of study. The National Social Security Authority (NSSA) will benefit from the research with regard to understanding the reasons behind non-compliance by employers and the impact thereof, on financial performance as well as in the implementation of strategies that would enhance revenue inflows as a result of high compliance by employers which will translate into a continued viability of the two schemes and thus payment of meaningful benefits to intended beneficiaries.

1.7 Research assumptions

In carrying out the research, the following assumptions were made:

- The study assumes that all organisations, with NSSA included need to be highly liquid and viable for it to fund its operations and thus achieving organisational goals.
- NSSA management will not change during the period of the study and the management will adopt the recommendations from the study as part of their strategy.
- The political, Economic and social environment will remain unchanged during the period of research.
- NSSA will be a going concern at least for the period under study.

1.8 Definition of terms and abbreviations.

- **Compliance:** The extent to which registered employers meet their contribution obligations within the stipulated time. It can also be viewed as the employers' ability and willingness to comply with contribution laws which are determined by ethics, legal environment and other situational factors at a particular time and place.
- **Compliance rate:** the total number of employers who comply expressed as a percentage of the total number of employers that are registered to NSSA over a period of time.
- **Contribution collection rate:** contributions actually received as a percentage of budgeted revenue.

- **Compliance Blitz:** an exercise where by all NSSA compliance inspectors from different regional offices target one area to enforce compliance by employers in that area.
- **Contribution evasion:** a situation where employers do not pay required social security contributions.
- **Insurable Earnings:** the employee earnings that are subjected to a NSSA deduction and currently it is total basic Salary for The Workers Compensation and Insurance Fund and total Basic salary up to a maximum of \$700 for the National Pension Scheme.
- **Contribution rate:** The rate which is used to calculate contributions on insurable earnings and currently 3.5%.
- **Workers compensation insurance fund rate:** is the rate in percentage terms that is charged on employee basic salaries to determine the premium that is attributed to the Workers compensation and insurance fund.
- **Social security:** Government programmes aimed at providing basic needs to citizens who are retired or unemployed due to disability or retirement.
- **Dollarization:** A situation where citizens of a country officially or unofficially uses foreign currency for conducting transactions.
- **NSSA:** National social security Authority.

1.9 Delimitations of the study

The research is expected to explore the causes of non-compliance by employers with regards to NSSA schemes contributions and the impact there of, on financial

performance and try to come up with recommendations that can be implemented to improve on compliance.

Though there are various NSSA regional offices in the country, only employers from Harare will be sampled to represent all employers in the country. The main thrust is on period 2009-2013 which is a period when the country had adopted dollarization which brought about some economic stability in the operating environment.

The research subjects will be the principal compliance inspectors, senior compliance inspectors, inspectors, and some selected employers from Harare Region.

The study will not look at non-compliance by employers and its impact on financial performance during the Zimbabwean Dollar era, which is the period before 2009 as there were some distortions resulting from hyperinflation.

1.10 Limitations of the study

- Respondents may not be willing to disclose all the information that they think is confidential but however assurance will be given that the information is only for academic purposes and will not be disclosed to anyone else.
- The restrictive policy of the organisation on access of data may hinder the research and again assurance will be given that the information will be used for academic purposes only.

1.11 Summary

This chapter looked at the background of the study, Statement of the problem, research objectives, research questions, justifications and limitation of the study as well as the importance of the study.

CHAPTER 2

LITERATURE REVIEW

2.0 Introduction

This chapter reviews literature on the causes and impact of non-compliance with statutory obligations on financial performance of NSSA schemes and any issues related to the topic, to put the current study into context. Dawidowicz (2010) defines literature review as the objective evaluation of your topic and situation using literature that was done by others in a related area. It assists in giving direction to the study or research.

This chapter will focus on the following aspects; the causes of non-compliance, the impact of non-compliance on financial performance of NSSA, influence of employer's workforce size on compliance behaviour, assess the influence of NSSA compliance inspectors on employers' compliance behaviour and the impact of regulatory laws on the financial performance of NSSA.

2.1 Causes of non-compliance by employers to statutory obligations.

Authors have cited a number of different factors as the causes of Non-compliance with reference to statutory obligations and these are discussed in turn.

2.1.1 Liquidity challenges

Liquidity challenges seem too be a problem that affects many countries as it results in non-payment of debts. This was confirmed to be a problem affecting Malawi according to the results of a research that was carried out by Malawi College of accountants (2010). It resulted in employers failing to pay their social security obligations as they did not have enough funds. In Uganda, liquidity problems were also found to be the main cause of non-compliance by employers regarding payment of social security obligations (International journal of business and social science, September 2013)

On the other hand it can be established that there are some employers who are just evading paying statutory obligations under the guise of the Liquidity crisis yet their financial standing is sound (www.zncc.co.zw). This was also supported by Warneryd & Walerude, (2008) who stated that people and organisations with no financial distress also exercise statutory obligations evasion and surprisingly the level of evasion they exhibit can be more serious than those in financial distress and this shows that even without the liquidity crisis, non-compliance with statutory obligations is bound to be there.

The NSSA annual report for 2010 also alludes that liquidity crisis cannot be solely pointed out as the main cause of non-compliance as evidence show that there are some employers who were doing well during the Zimbabwean dollar era but have never paid any contributions to NSSA. In support of this view, Shuzo (2011) shows that in Japan, non-payment of contributions is not caused by any liquidity crisis. It is attributable to other factors. The Zambian case study that was done by Mukukwa et al

(2002) maintains a status quo on the effect of liquidity challenges on the non-payment of social security obligations.

In Zimbabwe, the liquidity crisis seem to be forcing employers not to comply with NSSA contributions as even big institutions like the civil service and parastatals are not complying on a monthly basis as they used to do during the Zimbabwean dollar era. Most employers seem to be struggling even to pay wages and salaries due to the liquidity crunch that has hit the economy. The economy in Zimbabwe is posing some serious financial distress to companies there by forcing some of the companies to retrench, shut down or to be in arrears with regards to payment of statutory obligations as well as other labour related costs like wages and salaries.

2.1.2 Complexity of payment procedures and laws

Holzmann et al (2009) cited that complexity of compliance procedures may include the use of formulas that are not easily understood in calculating statutory obligations, too much paper work needed when making a payment, time spent during the payment process complicated laws involved and high costs such as transport costs that are incurred when one wants to make a payment. He further highlighted that employers may choose not to comply with statutory obligations if they view the compliance procedures to be more complex. Kirchler (2014) also support the view that complexity of compliance procedures may cause employers not to comply for example if they are not able to calculate what is due to be paid on a monthly basis. They would rather wait for the inspectorate team to come and do the calculations for them rather than to try and calculate the monthly bills on their own.

Related to the complexity of payment procedures is the complexity of laws. Oberholzer (2008) highlighted that laws that are not understood by the contributors also results in evasion of paying statutory obligations as this complicate the payment procedures. He further stated that all regulations governing statutory obligations are found in Acts of Parliament which are pregnant of law jargon that is not easy to understand to an average person and thus results in non-compliance.

Complexity of compliance procedures were also found to be a cause of non-compliance Kenya as was highlighted by The African journal of business and management (2010) that compliance procedures that are not easily understood by contributors have resulted in employers evading payment of social security obligations.

Some authors also argue that complexity of compliance procedures and laws do not drive employers into evading payment of their statutory obligations. Allingham and Sandmo (2007) state that people try to hide and evade the compliance laws even if they are aware of their statutory obligations. This was also supported in the Sunday news dated June 1, 2014 which explains that some employers even default paying Debts that will have already been calculated and given to them by NSSA compliance inspectors and thus leading to their prosecution. This shows that they are not being forced into non-compliance by any complexity of compliance procedures.

Shuzo (2011) on the other hand was uncertain as to the effect of complexity of compliance procedures and laws.

The effect of complexity of compliance procedures and laws on non-compliance seem to be applicable in Zimbabwe to some extent as most employers in the rural areas may choose not to comply with their NSSA obligations citing that transport costs involved

in travelling to nearest NSSA offices to make a payment may sometimes be higher than the monthly contribution to be paid. With the advent of indigenisation, not all employers are conversant with the law jargon and this may be a valid reason that cause many employers not to comply.

2.1.3 Myopic behaviour, Ethics and attitude

Shuzo (2011) asserts that myopic behaviour may also affect compliance with statutory obligations especially social security pension schemes. Myopic behaviour may cause people to place too low a value on future retirement needs and favour current consumption needs thus leading to non-compliance on statutory obligations. It is reinforced when individuals perceive that they are unlikely to survive to receive retirement benefits or when inflation discourages saving. The default and non-remittance of contributions to the pension scheme in Japan is worse in younger generations as they perceive the forty year contribution period required for one to get a pension to be too long a period to wait for and thus end up not contributing.

In Kenya, employers generally do not want to comply with statutory obligations such that there is hostility between statutory obligation payers and revenue collectors **(African journal of business and management, 2010)**

Talking social security magazine (2012) in support of the above also highlighted that there are some employers who just have an attitude of defaulting whatever statutory obligations irrespective of their liquidity problems. It cited that such employers defaulted paying NSSA contribution even during the Zimbabwean dollar Era.

In a different view, the financial gazette dated June 28, 2012 highlighted that non-payment of contributions is not an option resulting from one's attitude but instead it is a result of the harsh economic conditions or liquidity crisis.

Allingham and Sandmo (2007) did not see any relationship between myopic behaviour and non-compliance

In Zimbabwe some employers have got a non-compliance culture or attitude such that even when things are financially stable they just avoid paying their NSSA contributions. They even go to the extent of deducting NSSA contributions from their employees but still fail to remit the contributions to NSSA.

2.1.4 Probability of not being detected

Compliance in respect to the probability of detection has received attention from researchers. Contributors are bound to comply if the probability of detection is high (Allingham and Sandmo, 2007). In support of the above Slemrod, Blumenthal and Christian (2008) investigated the relationship between the probability of being caught and the contributors' responses. The experiment indicated that contributors' perceived probability of being caught played a significant role in determining contributors' evasion behaviour. However the direction of the relationship (positive or negative) was not clearly stated.

A study carried out in Kenya also supports the above view as it shows that employers are likely not to comply with any statutory obligations if there are high chances of not being detected. They will only pay when they are caught (**African journal of business and management**, 2010)

There are however other schools of thought to the issue of probability of non-detection. Song and Yarbrough (2006) said that the probability of non-detection does not force employers to default as some may default even when they are easily detectable. The Sunday news dated June 1, 2014 explains about some employers who were taken to court for non-payment of NSSA contribution. This shows that probability of non-detection was not a valid factor for promoting evasion since some companies continued to evade even after being issued with a letter of demand. The 2013 NSSA Contributions and annual report highlights that the Civil service owes NSSA since July 2013 and concurs that such non-compliance is not a result of riding on the probability of non-detection as the probability of non-detection for the civil service is nil. Spicer and Becker (2005) were neutral with regards to whether non-compliance is caused by the probability of non-detection or not.

In Zimbabwe, the probability of non-detection as a cause for non-compliance can be applicable as employers who have their offices in the suburbs and those who occupy small apartments in the multi-storey buildings seem to lag behind in terms of voluntarily complying with the payment of NSSA obligations. They ride on their high probability of non-detection.

2.1.5 Low penalties for evasion

Torgler (2007) highlighted that employers are likely to default when low penalties are charged for non-compliance. His view concurs with Somasundram (2005) who also stated that an employer does a cost benefit analysis before paying their statutory contributions. If the penalty is low they would rather default and invest the money

somewhere else where it earns a return that is higher than the penalty that is charged for late payment of statutory contributions.

Nyland, et al, (2011) however argue that charging low penalties for non-payment of contributions by the due date does not force employers to default. Too high penalties may put the defaulter in a worse position that may threaten closure of business when it is paid. Such levels of penalties are likely to be ignored by contributors.

Holzmann et al (2009) however did not see any link between the charging of low penalties and non-compliance by employers.

In Zimbabwe charging low penalties to some extent has a bearing on non-payment of NSSA contributions. NSSA for example charges penalties in the range of ten to fifty percent while the Zimbabwe Revenue Authority charges one hundred percent for late payment. Most employers prefer to pay their taxes first before paying their NSSA contributions as they want to avoid the higher tax penalties.

2.1.6 High contribution rates

Kirchler (2014) explains that high contribution rates increase the financial burden of employers. They are bound to default as this will strain their financial resources. This view was also supported by the **Penn state University press journal (20)** which highlights that high contribution rates forced employers to evade their statutory obligations in Chile and Argentina as the rates led to increased cost burden. Such a scenario was also found to be prevalent in Zambia by Mukuka et al (2002) where a lot of employers evade paying their statutory obligations such as social security contributions due to the charging of high contribution rates.

In contrary to the above view, James and Alley (2004) highlighted that contribution rates do not have any effect on compliance behaviour. Those who comply are bound to continue irrespective of the rates due to their compliance culture and evaders may continue to evade even when contribution rates are reduced.

In Zimbabwe the compliance culture seem to be very low and it seems contribution rates is not a major effect on non-compliance. When contribution NSSA rates were reduced from 8% to 6% in May 2010 and then increased again in June 2013 to 7%, no corresponding decreases or increases in compliance rates were registered.

2.1.7 Low benefits paid by the social security Scheme

Sundali et al (2008) stressed that benefits are of value to contributors. He was of the view that contributors make an assessment of what current pensioners are getting and what they are contributing. If they are satisfied with the benefits they comply with paying their monthly contributions but if they are not satisfied they are likely not to comply. Chitambira(2010) also noted that NSSA pays low benefits that are far much lower than the Poverty Datum Line and this demotivate current contributors from paying their contributions.

Holzmann et al (2009) however maintains that it is known that low contributions are made to social security schemes in developing countries hence this result in low benefits being paid. Contributors are concerned with keeping costs at low levels hence are satisfied with the low contributions that they make. The low contributions motivate them to pay irrespective of the pensions that are being paid.

The News Day April 14, 2012 highlighted that contributors should expect to get low pensions as they are also paying low contributions. This explains that non-compliance is not linked to the low benefits that are paid by NSSA as low contributions lead to low benefits.

A neutral view was made by James and Alley (2004) who neither agreed nor disagreed with the fact that low benefits that are paid by social security schemes lead to non-compliance with payment of Social security contributions. They did not see any connection or relationship between benefits that are paid by social security schemes and non-compliance with payment of social security contributions.

In Zimbabwe a lot of contributors are not satisfied by the amounts of benefits paid by NSSA hence most employers cite it as a concern that force them not to pay their monthly contributions.

2.2. Impact of non-compliance on the financial performance of NSSA

2.2.1 Financial performance measures

Needles et al (2013) highlighted that financial accounting ratios are a good statistical measure of a firm's financial performance. This is due to the fact that they are derived from a firm's financial statements. He further adds that the three main financial performance measures include Revenue from operations, net profit and positive cash flows.

2.2.2 Traditional financial performance ratios

Leach and Melicher, (2014) highlighted that a financial ratio shows the relationship that exist between financial variables. They are useful in assessing the financial performance of an entity and make comparisons with its own performance over time or with other entities. Pandey (2009) also support that a ratio is a good measure of financial performance as he highlights that a ratio is a powerful tool that is used in financial analysis and can be used as a benchmark in evaluating the financial performance of an entity. He stated that the three main ratios that can be used in assessing the financial performance are: Profitability ratios, liquidity ratios and Solvency ratios.

2.2.3. Impact of non-compliance on financial performance of Social security schemes.

Livingstone (2008) highlighted that social security system is a pay as you go programme where the monthly benefits pay-out are paid from the monthly contributions that are paid by the contributors. Non-payment of such contributions will thus affect the payment of benefits. Hofman (2006). Also supports this view as he says that non-compliance with statutory obligations affects the solvency of the organisations that administer such statutory obligations for example social security institutions are forced to pay meaningless pensions.

In Tanzania, the impact of non-compliance on solvency is felt more as their National Social Security Fund recognize members contributions even where there is proof that the employer has not remitted any contributions but deductions were made from the member salary(Tulia et al, 2008). The same case applies to Zambia where the Pension

scheme has liquidity problems that are a result of the non-payment of contributions by the government. This has resulted in the payment of lower benefits as well as some serious delays in paying such benefits (Gondo, 2009)

In support of the same view, Gondo, (2009) goes on to say that delays in paying benefits was due to inadequate funds in the scheme to pay the benefits. **International Labour Conference, 100th session (2011) Report** states that non-compliance with social security contributions by employers in developing countries pose a threat to the survival of their schemes. It cites this as the reason for low pension benefits or delays in the payment of pension benefits in developing countries as opposed to developed countries.

Louis et al (2011) however argues that non-compliance does not have any impact on the financial performance of social security schemes as in some countries like Romania, Croatia and Poland they have a policy of protecting worker rights in the event that employer fail to remit their monthly contributions. The concept is that the state budget takes over responsibility to bail out the social security schemes from any liquidity challenges caused by non-compliance.

In Zimbabwe non-compliance by employers seriously affects the financial performance of NSSA as it leads to low revenues which cause delays in payment of pensions and the payment of low pensions.

2.3 Effect of employers' workforce size on Non-compliance

Livingstone (2008) highlighted that there is usually a positive relationship between the number of workers that are employed by an organisation and the related employee

costs. Employers with a large labour force are usually faced with paying more employee related costs such as social pension contributions hence they are likely to default as the level of their employee related cost is high

In support of the above, NSSA contributions and Compliance file (2009-2013) highlights that firms that employ a large number of employees are failing to meet their statutory obligations including NSSA. The civil service being the highest employer of labour in Zimbabwe has been struggling to pay their NSSA contributions since dollarization.

The National railways of Zimbabwe highlighted that they are failing to pay statutory obligations and owe NSSA, ZIMDEF and ZIMRA millions of dollars as their obligation is high due to the larger workforce size that they employ which stands at six thousand (www.dailynews.co.zw).

Nyland, et al, (2011) says that employers may evade paying statutory obligations irrespective of their workforce size.

In Zimbabwe employers seem to be defaulting paying NSSA contributions irrespective of the size of their workforce size as both small and big employers are defaulting.

2.4 Influence of number of compliance inspectors on employers compliance behaviour.

Most employers have got a culture of non-compliance with statutory obligations if they are not regularly followed up. The need for regular inspections requires organisations that administer statutory obligations such as social security schemes to provide a large team of compliance inspectors who make regular compliance

enforcement. These organisations should train and resource the compliance inspectors for them to be effective. The inspectors should also be adequately remunerated to reduce their susceptibility to financial temptations (Louis, et al 2011)

The Kenyan study alludes that an aggressive and highly staffed inspectorate team can be used to combat non-compliance by employers with regards to their statutory obligations (**African journal of business and management, 2010**)

In support of the above, www.nssa.org.zw states that NSSA carries out compliance blitz exercises where door to door compliance checks are done by a pool of inspectors that are drawn from other regions to enforce compliance in one region. This helps in terms of coverage on monitoring compliance.

Contrary to the above thinking, James and Alley (2004) argue that audit frequencies and the number of inspectors do not have a direct influence in reducing non-compliance. Inspectors may order employers to pay but if they do not have the money then no payment will be made.

In Zimbabwe however this seems to be working out as there is some selective treatment in terms of paying statutory obligations. Employers usually pay those who give them a push so the higher the number of the inspectorate team, the higher the chances of visiting defaulters and thus improving on compliance.

2.5 Impact of regulatory laws on financial performance of NSSA

Jorens et al (2013) highlights that social security should be regulated through an Act of parliament that clearly shows how it is financed as well as the how the benefits will

be paid. Such financing may be through the taxes system or through the contributions system.

Ruffing (2013) highlighted that regulatory laws may lead to a low revenue base for statutory obligations programmes such as social security especially when they result in the pegging of low contribution rates. This was also supported by Gallasso (2008) who said that regulations that reduce contribution rates also forces the social security revenue to go down thereby affecting the pension base. This may lead to a delay in payment of social security benefits or payment of low benefits.

Chitambira (2010) also argue that the maximum insurable earnings limit that are put by the Government reduces the amount of contributions and thus revenue for social security schemes. This impact negatively on their financial performance. Meyerson (2014) also adds that regulatory laws that put in place a minimum guaranteed pension irrespective of the contributions made by the pensioner during his working period may also pose some financial threat to the fund.

On the other hand, Shuzo (2011) highlights that regulations may sometimes be meant to increase the pension base as was the case in Japan when regulations to increase the pension contribution from 6% to 9% were enacted.

In Zimbabwe the Government regulations influence the amount of money to be deducted from employee salaries through determining or approving the maximum insurable earnings where NSSA pensions are deducted from (insurable earnings), the percentage charged as well as the minimum pensions to be paid out. This is done through statutory instruments that are issued by parliament such as Statutory Instrument 60 and 61 of 2013 which brought about the changes in insurable earnings from \$200 to \$700, percentage deduction from 3% to 3.5%, and increase in minimum

pension from \$40 to \$60. In 2010 the Government also ordered NSSA to reduce percentage deduction from 4% to 3% and ordered the adoption of a ceiling of \$200 down from no ceiling (www.nssa.org.zw).

2.6. Chapter summary

The chapter looked at literature review regarding the research topic with a view to establishing the causes of non-compliance by pension contributors to pension schemes in both developing and developed countries. The next chapter deals with the research methodology to be applied in collecting data.

CHAPTER III

RESEARCH METHODOLOGY

3.0. Introduction

This chapter focuses on research methodology. Research methodology is a system of explicit rules and procedures on which the research is based on, aimed to express how the data was collected, analysed and processed to ensure that collected information is reliable enough to support recommendations that will be given at the end of the research project(Nachias and Nachchmia, 2002). The chapter details how the researcher conducted and collected data, make discussions on research design, target population, sample and sampling technique, research instruments, validity and reliability of data, data presentation and analysis and a summary of the chapter.

3.1 Research Methods

In this study the researcher utilised the quantitative research. The quantitative research method was also successfully used by Roe and Webb in 1998.

3.1.2. Quantitative research methods

Polonsky (2011) defines quantitative research method as the varioustechniques where the researcher collect and analyse data from relatively large numbers of respondents

who are taken as representatives of the whole population. It involves the analysis of data from relatively large numbers of respondents from which the information can be analysed from. The researcher was able to analyse data through the use of statistical models and graphs using the information that was gathered from quantitative research. It thus led to the use of the descriptive research design method.

The researcher opted for the quantitative research method as it is a quick method of gathering data even when dealing with a large population, it enables the gathering of precise data and is suitable for gathering data that can be used to make quantitative predictions regarding the compliance rate by employers and its impact on financial performance of NSSA. The method was also used because it uses statistical software thereby reducing the time consumed in data analysis.

3.2. Research design

A research design is a plan or set of decisions and procedures used to govern a study and make it understandable to others. It is sometimes referred to as research methodology which is also a road map that guides a study. These procedures guide the choices researchers make with respect to sampling, data collection and analysis (Lapan, 2011). A research design is also defined as a strategy for a study and the plan by which the strategy is to be carried out. It spells out the methods and procedures to be used in the collection, and analysis of data. A research design should provide results which are judged to be credible and a replica of reality (Blumberg et al 2011).

For the purpose of this study the descriptive research design was used as it gathers both qualitative and quantitative information which was considered suitable in dealing with the problem under investigation.

3.2.1 Descriptive Research Design

Descriptive research is a type of conclusive research and its major objective is to describe a situation, phenomenon or market characteristics. This type of research however does not rush to generate conclusions but instead provides facts upon which decisions can be based. It describes the commonalities in respect of the research problem. (Welman, 2011). Leady (2007) clearly states that the descriptive survey method also called normative survey is employed to process the data that comes to the researcher through observation. Surveys are concerned with generalized statistics that result when data is abstracted from a number of individual cases. A sample survey is more efficient than a population survey in terms of cost, the size of the population being dealt with and its capability of inferring generalization to the whole population.

The process of descriptive research goes beyond the mere gathering of data. It involves the description, recording, analysis and interpretation of data gathered for a specific purpose and goes to the extent of using visual aids such as graphs to illustrate the relationship that is peculiar to the variables under study. (Daniel et al, 2011). The researcher used the descriptive case study method where descriptive research was applied to NSSA as a case study.

3.3. Sources of Data

The researcher gathered data from both primary and secondary sources.

3.3.1 Primary Data

Primary data refers to facts collected and assembled specifically to solve the current research problem or facts gathered relating to a particular research topic (Gratton and Jones, 2010). Saunders et al (2009) also concur that primary Data is data collected specifically to suit the needs of the research being undertaken. Remler (2011) further adds that Primary data is data collected from the field, that is, from the target population using questionnaires and interviews. For the purposes of this research, data was collected from the targeted population, through personal interviews and self-administered questionnaires.

The researcher had to use primary data because it is related to the problem under study; the data gathered is current and specific to the problem at hand and the data was original and reliable due to the fact that it was gathered from parties involved in dealing with non-compliance and financial performance of NSSA schemes.

Although it was prudent to use primary data to enhance high quality in the research, the researcher faced some challenges that are common with the gathering of primary data such as high costs of collecting the data as well as time consuming. The data that was collected was raw and there was need for the researcher too devote some time in giving meaning to the data. Such shortcomings were mitigated by adopting current related secondary data where it was necessary and appropriate.

3.3.2 Secondary Data

The researcher also used secondary data during the study and this was mainly taken from the reports and policies of the institution as well as journals, textbooks and the internet. The researcher used secondary data because it is suitable in forming a foundation for the research. It also provided some readily available data that is relevant to the study with very little time consuming. The low cost that is involved in accessing secondary data was also another merit that was considered in the adoption of secondary data during the study.

Despite adopting secondary data during the study, the research was also not spared by some of the shortcomings that included coming across outdated data relating to periods before 2008 as well as the fact that secondary data can be outdated such that placing a lot of reliance on it could mislead the research findings. Such shortcomings were mitigated by selecting data that is current and relevant to the study and also gathering primary data whenever there was a need to do so (Blumberg et al, 2011).

3.4. Research instruments

Questionnaires and interviews were used in the research to gather the required data. The questionnaires (Appendix B) were distributed to twenty (20) employers out of the 50 employers that fall under the researcher's portfolio, and ten (10) out of 24 NSSA Harare Region compliance inspectors. Interviews were conducted on four (3) principal compliance inspectors and the National Compliance Manager. The total sample size was 34.

3.4.1. Questionnaires

A questionnaire is an instrument that is used for gathering data through laid down questions chosen with a view of getting responses from a chosen sample (Chisaka, 2000).

A questionnaire is a survey that is delivered to the respondent through personal or non-personal means that is completed by the respondent without additional contact with an interviewer (Blumberg et al 2011). A questionnaire includes all techniques of data collection in which each person is asked to respond to the same set of questions in a predetermined order. Since each person (respondent) is asked to respond to the same set of questions, it provides an efficient way of collecting responses from a large sample prior to quantitative analysis, (Saunders, et al 2009).

Both open ended and closed questions can be used in a single research. Open ended questions allow respondents to give answers in their own way and can be utilised when a detailed answer is required or when one wants to find out the independent view of the respondents. Closed questions on the other hand provide a number of alternative answers from which the respondent is instructed to choose. It is usually easier and quicker to answer, as they have been predetermined. (Saunders et al 2009)

Closed questions were used in the questionnaires.

The researcher used the Likert scale in constructing the questionnaires. This is where by a question is posed and the respondents are asked to express their agreement or disagreement on a scale as per illustration below (Saunders et al 2009; Kaplan and Saccuzzo, 2012)

5	Strongly agree
4	Agree
3	Uncertain
2	Disagree
1	Strongly disagree

The questionnaires were delivered to the targeted population in person for completion.

The researcher used questionnaires because: they are Cost effective; allows contact with otherwise inaccessible respondents for example chief executive; they reduced data bias;

Required minimal staff to administer the questionnaires; allowed respondents time to think about the questions and provides the respondents with anonymity where they can express their views without fear of victimisation (Blumberg et al 2011).

In using questionnaires the researcher faced some challenges including the high cost to produce the questionnaires, there was no interviewer intervention available for probing or further explanation and possibility of question misinterpretation. The researcher tried to mitigate this problem by purchasing bond paper in bulk to save costs as well as keeping the questions in simple and precise form. (Blumberg et al 2011)

3.4.2. Interviews

Kvale (2009) highlights that an Interview is a method of gathering facts through conversations and oral means and should be used as the simplest method of human exchange of ideas. During interviews, the researcher asks the questions and receives answers from the respondents (Robson, 2011). Interviews are one of the most

effective research tools as probing or asking the respondent to clarify some issues is facilitated (Robson, 2011)

The researcher used the interview method during the survey and was targeted at NSSA management and senior personnel. Interviews were used as they enjoy good cooperation from respondents, the researcher probed for answers and used follow up questions and also benefited from non-verbal communication. It also provided immediate data that was related to the problem under study (Blumberg, et al 2011; Robson, 2011)

Despite using the interview method of data collection, the researcher faced some challenges such as longer time period that was taken in the field collected data; the follow-up was labour intensive; cost involved in terms of time and money. Some responses could have been influenced by the interviewer's presence as compare to the questionnaire method (Blumberg, et al 2011; Robson, 2011)

3.5. Population

A population is a total collection of elements from which one wishes to make inferences and draw conclusions from (Blumberg, et al 2011). Wegner (2001) also defines a population as the entire group of people where the researcher wants to collect information from. The population in this study is made up of the target population. The target population was made up of 50 contributors (employers) and 31 NSSA officials.

3.6. Research Sample

A sample is the actual people or things that were included in the study and from

which data is collected. (Churchill 2002). It is a part of the target population that was carefully selected to represent that population. (Blumberg, B et al 2011)

In this research, the samples were drawn from the target population.

3.7. Non probabilistic sampling

Non probabilistic sampling is a sampling method where the researcher gathers samples in a process that does not give all the population members equal chance of being selected (Wegner, 2001) it uses subjective judgement in the selection of the sample to which subjects best suit the criteria of the study.

The researcher's judgement is thus used to determine the inclusion or exclusion of respondents. (Saunders et al 2009).

The researcher employed non-probability sampling in choosing respondents in a bid to cut on cost hence those respondents that were in close proximity to the researcher were considered first for convenience purposes.

3.8. Sample size

A good sample should be a true replica of the population from which it is taken from.

A sample that is greater than 33, 33% of the population is a true representative of the population (Saunders et al 2009)

The above assertion was used to determine the sample size as shown in table 3:1

Table 3.1 Sample size

Stratum	Population	Sample size	Percentage
NSSA contributors(employers	50	20	40%
NSSA inspectors	24	10	42%
NSSA management	7	4	57%
TOTAL	81	34	42%

As shown above, interviews were done on four principal compliance inspectors and the National Compliance Manager who all represent management and deal with compliance policy issues on a daily basis.

3.9. Reliability

Reliability is the consistency in which something is measured. It influences the validity of information (Robson, 2011) Reliability can also be defined as the extent to which a certain procedure yields a consistent observation of the same facts from one time to another (Seamen et al, 2000).Reliability exist where data collection and analysis will generate the same results with similar studies on the same topic and data(Saunders et al 2009).

3.10. Validity

Validity is defined as the extent to which a test measures what it is supposed to measure. Validity thus enables the results of the study to be used with a high degree of confidence (Saunders et al 2009)

The Researcher ensured that research instruments were reliable and valid by using questions that covered the content of each research objective. Enough time was also give to respondents to complete the questionnaire.

3.11. Data Presentation and Analysis

After the data was gathered, the next stage was to analyse the data so as to give meaning to it and identify patterns. Microsoft power point and Microsoft Excel were used to analyse the data as well as to come up with the related graphs. This made it possible for some meaning to be added to the collected data so as to give a detailed explanation on the impact of non-compliance to the financial performance of NSSA.

3.12. Summary

The chapter looked at the research methodology, research design, population, sampling procedures research instruments, data collection procedures and data analysis techniques. The next chapter focuses on the data presentation and analysis.

CHAPTER 4

DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.0 Introduction

This chapter covered the presentation of the study findings, analysis and interpretation in accordance with the data gathered from the questionnaire survey and the interviews. The main aim was to ascertain the impact of non-compliance by contributors on financial performance of NSSA as established in the problem setting of this study. The chapter analysed the overall questionnaire response rate before covering the main research questions. Data analysis was done in Microsoft excel and PowerPoint which helped to produce tables, pie charts and bar graphs thus improving the presentation of the research findings.. The chapter summary was also provided at the end of the section.

4.1 Questionnaire Response

In this study, data collection involved the use of two sets of questionnaires, one for NSSA contributors or employers and another one for NSSA inspectors. The survey registered a positive response rate. This helped the researcher in obtaining more accurate and reliable responses which were sufficiently representative of the total population. The response rate was as illustrated in table 4:1

Table 4.1: Questionnaires Response Rate

Participants	Questionnaires Sent	Questionnaires Returned	Valid Responses	Valid Response Rate
NSSA Contributors/ Employers	20	20	18	90%
NSSA Inspectors	10	10	10	100%
Total	30	30	28	93.3%

Source: Primary Data

Table 4.1 shows that 30/30 (100%) of all the questionnaires that were sent out to targeted respondents were returned. However, only 2 employers did not fully complete their questionnaires and as a result the researcher declared the 2 questionnaires as non-responses as the missing information was important. The study therefore registered a satisfactory valid questionnaire response rate of 93.3% which was partly attributed to the follow-up made on the respondents. The validity is thus high and this means that the research will produce results that are representative of the total population with a confidence interval of 93.3%.

4.2 Non-Compliance

Employers are expected to remit their contributions to NSSA on a monthly basis after deducting the contributions from their employees' salaries on a monthly basis. The due date is the 10th of every month. The researcher asked the NSSA inspectors to

respond to the statement that more than 60% of employers paid their NSSA contributions on a monthly basis and their responses are as shown in Figure 4:1.

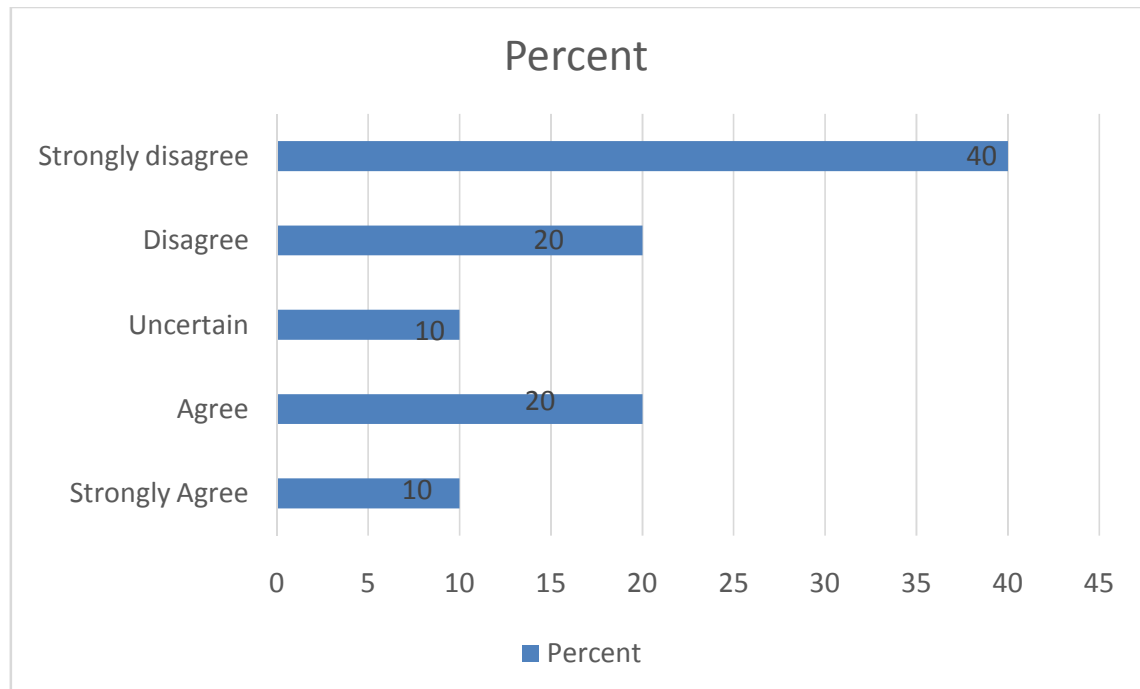


Figure 4.1 -More than 60% of employers pay their NSSA contributions on a monthly basis. Source: Primary Data

In response to the statement that more than 60% of employers pay their NSSA contributions on a monthly basis, 1/10 (10%) strongly agree and 2/10 (20%) agreed. This means that these respondents are of the view that the NSSA contribution compliance rate is above 60% thus limiting non-compliance to levels of at most 40%. Livingstone (2008) was also of the same view as he argued that although compliance rates for developing counties are low, they are above 60%.

The findings show that 1/10 (10%) was uncertain as to the truthfulness of the statement that more than 60% of the contributors pay their contributions on a monthly basis. This means that this respondent is not sure as to the number of employers who contribute to NSSA on a monthly basis as was the case with Louis E et al (2011) who

did a survey on the social security schemes of countries like Romania, Croatia and Poland but could not ascertain their compliance rates with regards to social security contributions.

Respondents who disagreed were 2/10 (20%) and 4/10 (40%) strongly disagreed. Their view was that not more than 60% of the employers comply on a monthly basis.

Overallly (6/10)60% of the NSSA inspectors were in disagreement while 40% were in agreement. This means that non-compliance is high in Zimbabwe when it comes to NSSA contributions as 60% of the respondents were of the view that not more than 60% of contributors pay their contributions on a monthly basis. Such a trend was also observed by Mukukwa et al (2002) in Zambia who said that compliance rate for Zambia and most developing countries does not exceed 52%.These findings further relate well to the low rates of compliance by contributors to the National social security authority.Contributors were also requested to respond to the statement that your organisation pays NSSA contributions on a monthly basis. The results were diagrammatically presented as per figure 4.2

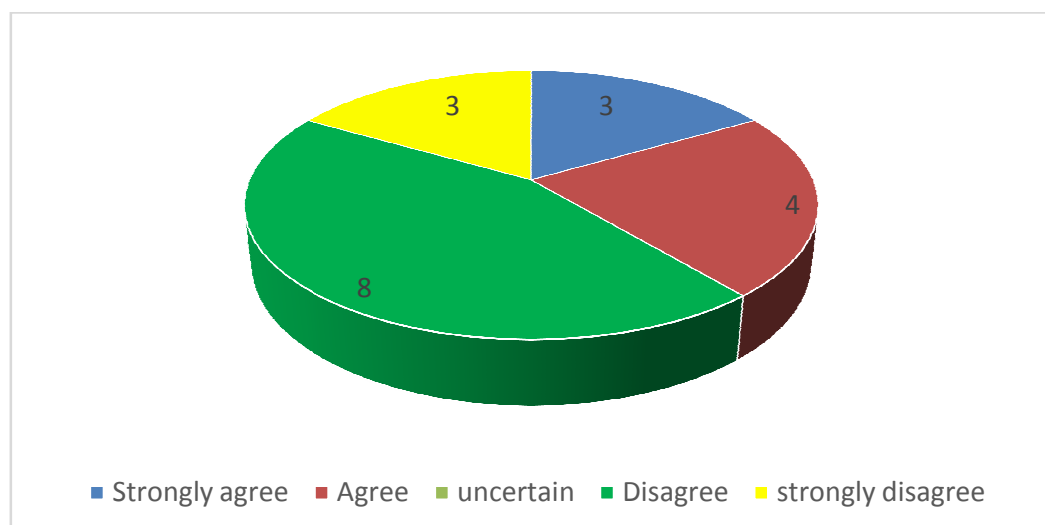


Figure 4.2: Payment of NSSA contributions on monthly basis.Source primary data

Respondents who strongly agreed with the statement that their organisations pay NSSA contributions on a monthly basis were 3/18 (17%) while 4/18 (22%) agreed. This shows that on average 39% of the employers pay their NSSA contributions on time and thus leaving non-compliance at around 61%. This is also in line with Mukukwa et al (2002) findings in Zambia where compliance rates are not more than 52%.

No respondent chose the uncertain rating. This clearly shows that respondents knew exactly where they belong that is either paying NSSA contributions on a monthly basis or failing to pay on a monthly basis.

The pie chart shows that 8/18(44%) respondents disagreed and 3/18(17%) strongly disagreed that they pay contributions on a monthly basis. This means that non-compliance is high in Zimbabwe as 61% of the respondents said that they are not able to pay their NSSA contributions on a monthly basis as required by NSSA relevant statutory instruments. This conforms to Mukukwa et al (2002) findings in Zambia who said that compliance rate for Zambia and most developing countries is below 52%.

To sum up the responses on the compliance rate, the above pie chart shows that cumulatively 61% disagreed that they pay NSSA contributions on a monthly basis. This shows that the majority of employers usually do not comply on a monthly basis as supported by the inspectors' view from whom 60% disagreed that more than 60% of employers pay the NSSA contribution on a monthly basis. This shows that Mukukwa et al (2002) observations in Zambia that compliance rate for Zambia and most developing countries hovers around 52% also apply to Zimbabwe.

4.3. Causes of Non-Compliance

Concerning the factors that caused non-compliance by employers with regard to payment of NSSA contributions, the researcher asked the study respondents to rate identified causes on a Likert scale. The results are as shown in Table 4.2

Table 4.2: Reasons for Non-Compliance by Employers

Causes of non-compliance	Ratings				
	S/Agree	Agree	Uncertain	Disagree	S/Disagree
Liquidity challenges and financial constraints	42%	39%	14%	3%	2%
Complexity of compliance procedures and laws	19%	20%	20%	18%	23%
Low benefits offered by the schemes	36%	32%	12%	11%	9%
Low penalties for evasion	3%	7%	3%	53%	34%
High contribution rates	29%	27%	16%	15%	13%

Source: Primary Data

Liquidity challenges and financial constraints

The results show that 12/28 (43%) strongly agreed and 11/28 (39%) agreed. A cumulative 82% agreed that liquidity challenges is a cause of non-compliance in relation to NSSA contributions. This shows that Zimbabwe has been hardly affected by the liquidity crisis such that many employers are failing to pay their NSSA contributions. This is in line with the findings by Malawi College of accountants in

Malawi as well as the Uganda research that was documented in the **International journal of business and social science, September 2013**. These two literature review sources highlighted that non-compliance is mainly driven by liquidity crisis and financial hardships.

The respondents who were uncertain as to the impact of liquidity challenges were 3/28(14%). This shows that they did not understand any connection between non-compliance and the liquidity crisis. They hold the same notion with the Zambian case study that was done by Mukukwa et al (2002) which holds that the relationship between non-compliance and liquidity is uncertain.

Only 1/28 (4%) was in disagreement and another 1/28 (4%) strongly disagreed). These respondents clearly showed their non-alliance to the statement that liquidity challenge is one of the causes of non-compliance. This is the view that was supported by Warneryd&Walerude, (2008) as he stated that people and organisations with no financial distress also exercise statutory obligations evasion.

Complexity of compliance procedures and laws

The findings show that 5/28(18%) strongly agreed while 6/28 (21%) agreed that complexity of compliance procedures and laws causes non-compliance in relation to NSSA contributions. This means that employers may not remit NSSA contributions if the payment procedures are complicated such as how to calculate the amounts due or how to having to travel long distances to make a payment. This is in line with the literature that was supplied by Holzmannel al (2009) and Kirchler (2014) who said

that employers may be forced into non-contributory behaviour if they perceive the payment procedures and laws to be complex.

The respondents who were uncertain as to the effect of complexity in compliance procedures and laws on non-compliance came to 6 (22%). They did not understand the relationship between the two if ever it exists same as was the case with Shuzo N (2011).

The respondents who strongly disagreed and disagreed with the statement that complexity of compliance procedures and laws results in non-compliance of NSSA contributions were 5/28 (18%) and 6/28 (21)% respectively. They were of the opinion that employers cannot be forced not to comply by the complexity of compliance procedures and laws. In their literature, Alligham and Sandmo (2007) also argued that complexity of compliance procedures and laws do not cause non-compliance as evidence shows that some contributors can choose not to pay even after an assessment has been done by inspectors.

Low benefits offered by the schemes

The respondents who strongly agreed to the fact that low benefits offered by NSSA causes non-compliance were 10/28 (36%) while those who agreed were (9/28) 32%. These respondents are of the view that contributors do a cost benefit analyses by comparing what they are supposed to pay on a monthly basis and what current NSSA beneficiaries are getting. If they perceive that low benefits are being paid than what they are paying as contributions, they are demotivated from paying thus leading to non-compliance. Sundali . et al (2008) and Chitambira, (2010) also commended in

line with this view when they said that most social security schemes in developing countries offer low benefits which in turn forces contributors to view paying social security contributions as uses less and thus stop to remit their contributions.

Only 3/28 (11%) of the respondents were uncertain as to the existence of any influence of low benefits being paid by NSSA and non-compliance by contributors. This notion was also accepted by James and Alley (2004) who maintained a neutral view on the effect of low benefits that are paid by social security schemes and non-compliance.

Those who disagreed that low benefits offered by NSSA causes non-compliance posted a cumulative percentage of 22%. They are of the view that low benefits is not an important factor that affect non-compliance. Holzmann et al (2009) who supported this view said that people are motivated with paying low contributions and will accept the low benefits in return and such low benefits will not have any impact on non-compliance.

Low penalties for evasion.

In response to low penalties being a cause of non-compliance, Only 1/28(4%) strongly agreed and 2/28(7%) agreed that non-compliance with regard to social security contributions in Zimbabwe is also caused by low penalties that are being charged by NSSA. They are of the view that low penalties do not deter contributors from defaulting and charging them high penalties will deter them from defaulting as they will be afraid of the high financial burden that is imposed by high penalties whenever they default. Available literature shows that Torgler (2007) and

Somasundram (2005) highlighted that employers are likely to default when low penalties are charged for non-compliance as they do a cost benefit analysis and invest the money somewhere else where they get good returns.

Holzmann et al (2009)'s view that there is no link between the charging of low penalties and non-compliance by employers concurred with the 3% of the respondents who scored the uncertain rating. They were not certain as to whether low penalties can have any effect on non-compliance or not.

The respondents who disagreed that low penalties cause non-compliance were 15/28 (54%) and those who strongly disagreed were 9/28 (32%) Their view is that charging low penalties does not automatically lead to non-compliance. Increasing penalties may instead of deterring contributors from defaulting actually cause contributors to default more as their financial burden is increased as was the view of Nyland et al, (2011).

High contribution rates

The respondents who strongly agreed that high contribution rates lead to non-compliance were 8/28 (29%) while those who agreed were also 8/28 (29%). Their view was that an increase in the contribution rates leads to an increased financial burden to contributors and thus force others not to pay. This was explained by Kirchler (2014) Such a scenario was also found by Mukuka et al (2002) to be prevalent in Zambia where non-compliance is caused by the charging of high contribution rates.

Findings show that 4/28 (14%) of the respondents were uncertain as to the impact of charging high contribution rates on non-compliance. They did not see any relationship between contribution rates and non-compliance.

Those who disagreed were 4/28 (14%) while those who strongly disagreed were also the same. Their view is that contributors may even default when low contribution rates are charged. This view was supported by James and Alley (2004) who highlighted that contribution rates do not have any effect on compliance behaviour.

In summary the results indicated that liquidity challenges and financial constraints, low benefits levels offered by the schemes together with perceived high contributions rates were rated the most factors causing non-compliance with respect to NSSA contributions as they came in at cumulative ratings of 82%, 68% and 58% respectively on the most constraining rankings of strongly agree and agree. The researcher noted that at the time of conducting this study Zimbabwe was undergoing serious and excruciating liquidity challenges exacerbated by a worsening current account deficit and dampened aggregate demand. Further, the transition from the hyperinflationary decade to the multi-currency regime in February 2009 swept away the savings made over the years and there had been widespread criticism on the meagre pay-outs as confirmed by this report. These results confirmed a case study carried out in Malawi by Malawi college of accountants (2010) which showed that the main cause of Non-payment of statutory obligations was the liquidity crunch where employers did not have the funds to part with so as to meet their statutory obligations. The researcher also noted that NSSA reviewed upwards its contribution rates over the study period from 6% in May 2010 to 7% in June 2013 although the business performance in the economy remained subdued. The implication was that most employers faced an unfunded increase in the cost of doing business. This

development was confirmed by the above results where higher contributions rates came top as a constraining factor. This finding also came in line with Kirchler (2014) who explained that high contribution rates increase the financial burden of employers.

It is important to note that this study received mixed feelings on the effect of the complexity of compliance procedures and laws as the ratings were evenly distributed across the rankings. Notably, 39% agreed that complexity of compliance procedures cause non-compliance 11% agreed with charging low penalties as a cause of non-compliance. Holzmann et al (2009)'s assertions that employers may choose not to comply with statutory obligations if they view the compliance procedures to be more complex was supported by 39% of the respondents. This study further dismissed the unconfirmed rumours that employers in Zimbabwe did not understand the procedures and laws governing the contributions to the social security authority. Empirical evidence observed by the researcher was in line with this finding as NSSA conducted extensive contributors' education across the country in order to clarify the compliance procedures and laws particularly to human resources professionals. Some employers would even continue defaulting even after attending such informative seminars. Some employers even default after the inspectors have calculated the outstanding dues for them.

The results in Table 4.2 further showed that respondents generally felt that low penalties for evasion did not negatively affect non-compliance by employers as the results further illustrated that the respondents lowly rated the position that low penalty rates were a significant cause of non-compliance. In this connection, the factor received higher ratings of 53% and 34% for the least constraining rankings of disagree and strongly disagree.

4.4 Impact of Non-compliance on financial performance of NSSA. Contributions from employers are the major source of income in the financial performance of the social security authority. A number of authors including Hofmann (2006) and Livingstone (2008) generally agreed that since NSSA is a non-profit organisation, its financial performance should be measured with respect to its ability to meet its pay-outs to contributors. In this understanding, the study respondents were asked to indicate their level of agreement or disagreement with the statement that non-compliance with payment of contributions negatively affected the financial performance of NSSA. The results were as indicated in Table 4.3.

Table 4.3: Impact of non-compliance on financial performance of NSSA

	Frequency	Percent	Cumulative Percent
Valid Strongly Agree	7	25	25.0
Agree	13	46.4	71.4
Uncertain	4	14.3	85.7
Disagree	3	10.7	96.4
Strongly Disagree	1	3.6	100.0
Total	28	100.0	

Source: Primary Data

The results showed that a total of 71.4% of the respondents either strongly agreed or agreed and this means that they see a negative relationship between non-compliance and financial performance as was found by Hofman (2006) and Livingstone (2008). The implications were that non-payment of contributions by employers seriously

affected its liquidity and solvency hence impairing the financial capacity of NSSA to meet obligations to pension beneficiaries. These study results confirmed empirical evidence in Tanzania in 2008 and Zambia in 2009 where the pension schemes had liquidity problems that emanated from the non-payment of contributions by the government.

Four out of twenty eight (14.3%) were uncertain as to whether there is a relationship between non-compliance and financial performance. Another 4/28 (14.3%) of the respondents disagreed that non-compliance affect the financial performance of NSSA. This means that they hold a view that even if contributors are to default in paying their NSSA contributions, this has no effect on the financial performance of NSSA including their operating surplus, liquidity and solvency. Such a view goes in line with Louiset al (2011)'s view that non-compliance does not have any impact on the financial performance of social security schemes

In Zimbabwe, the research shows that non-compliance has got a financial impact on the financial performance of NSSA as shown by the high score of agree 20/28 (71.4%) as compared to lower scores of uncertain and disagree which were 4/28(14.3%) each.

4.5. Effect of workforce size on non-compliance by employers to payment of NSSA contributions.

Among other objectives, this study sought to establish whether the size of employer's workforce influenced the compliance behaviour. The respondents were asked to indicate their response to the statement that the employers' workforce size have an effect on non-compliance with NSSA contributions (particularly that the larger the

workforce size, the higher the likelihood of non-compliance) the responses were as per fig 4:3

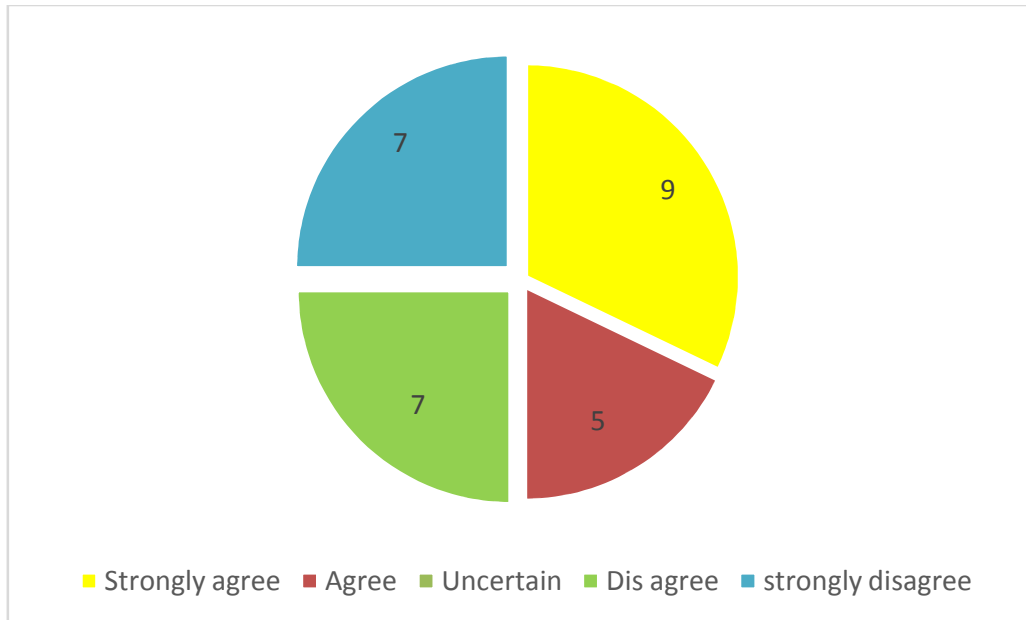


Figure 4.3 Effect of workforce size on non-compliance: source primary data

The results showed a fairly balanced distribution in which 14 of the respondents agreed while another 14 disagreed that workforce size has a direct impact on non-compliance.

The 14 (50%) respondents who agreed that workforce size has got an effect on non-compliance were of the view that employers with a large workforce are likely to default due to a large financial burden than those with a smaller workforce. In support of this view, Livingstone (2008) highlighted that employers workforce size has a bearing on non-compliance as employers of a large workforce have got a high likelihood of defaulting due to increased labour related costs.

The other 14(50%) respondents who disagreed that workforce size has got an effect on non-compliance were of the view that contributors may fail to comply irrespective

of the size of their labour force. In explaining such a perception, Nyland et al, (2011) says that employers may evade paying statutory obligations irrespective of their workforce size.

To sum it up, the outcome shows that the workforce size on its own did not have a direct impact on non-compliance as employers in both categories of either having a large workforce and those with a smaller workforce size are bound to default in terms of payment of NSSA contributions depending on how they are subjected to the other important causes of non-compliance such as financial constraints and liquidity crisis. Nyland et al (2011) says that employers may evade paying statutory obligations irrespective of their workforce size.

4.6. Effect of NSSA compliance inspectors on reducing non-compliance by employers

The researcher further asked the respondents to indicate whether most employers pay their contributions only after inspectors' visits or not. This question was meant to ascertain the relationship between the number of compliance inspectors and the compliance behaviour displayed by employers through the relevant compliance rates as well as the importance of the number of compliance inspectors in reducing non-compliance. The responses were then to be used in recommending to NSSA whether there was any need to increase or decrease the number of their inspectorate members. The results can be illustrated as per chart labelled figure 4.4.

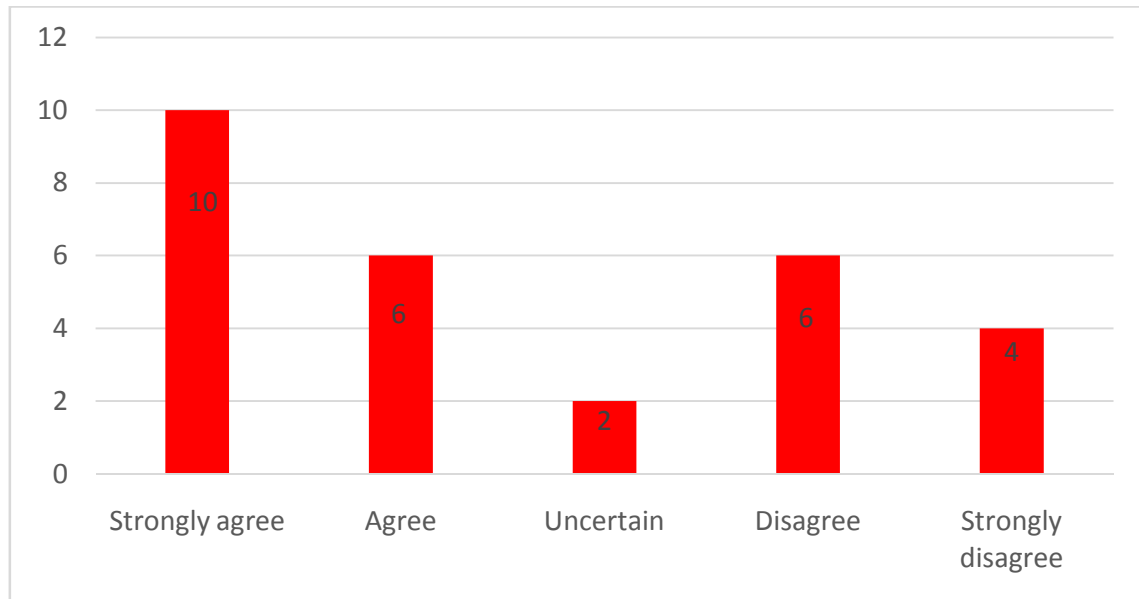


Figure 4.4 Effect of NSSA compliance inspectors on reducing non-compliance by employers. Source: primary data

The above chart shows that a total of 16 respondents out of 28 (that is 57%) agree that most employers only pay after a visit by inspectors and thus more than 50% of the employers do not voluntarily pay NSSA contributions. This then translate to say that a large number of inspectors will lead to increased compliance by employers as these will be able to visit many employers so as to enforce on compliance. The findings were in line with what was found to be applicable by Louis et al (2011) who said that a large number and well-resourced inspectorate team can deal with most employers who do not want to pay their statutory obligations voluntarily. In Kenya, their research findings also show that most employers only comply after they are visited by inspectors

The research shows that 2 respondents were uncertain about the effect of compliance inspectors on non-compliance.

The respondents who disagreed that inspectors have an effect on non-compliance were 10 (35.7%). Their view was that employers may default even if a large inspectorate team is employed. This was true according to James and Alley (2004)

who argued that audit frequencies and the number of inspectors do not have a direct influence in reducing non-compliance.

4.7. Regulatory Laws and their Impact on the Financial Performance of NSSA

Literature revealed that government could regulate the maximum insurable earnings, the minimum guaranteed pension irrespective of the contributions made by the pensioner and the rate of contribution among other areas. Concerning whether regulatory laws had a negative impact on the financial performance of NSSA, as high as 78.6% of the respondents agreed, 25% were in disagreement while only 3.1% of the respondents were uncertain as shown in Table 4.4 below.

Table 4.4 Regulatory Laws and Impact on the Financial Performance of NSSA

	Frequency	Percent	Cumulative Percent
Valid Strongly Agree	10	35.7	35.7
Agree	12	42.9	78.6
Uncertain	1	3.6	82.2
Disagree	3	10.7	92.9
Strongly Disagree	2	7.1	100.0
Total	32	100.0	

Source: Primary Data

The results above suggest that regulatory laws that result in reduced contribution rates for instance, invariably forced the social security revenue to go down thereby affecting the pension base. As a result, this could lead to delays in payment of social security benefits or payment of low benefits thus adversely affecting the financial

performance of NSSA. Overall, the study noted that most regulations that are passed by the government are normally of a populist nature and would adversely affect the financial performance of most pension schemes as put forward by Chitambira (2010) and Meyerson (2014).

4.8. Measures to Reduce Non-Compliance by Employers

There are a number of options that could be pursued in an attempt to increase the compliance levels. In this understanding, the researcher asked respondents to rate pre-established options on a Likert scale the findings are presented in Table 4.5.

Table 4.5: Measures to reduce non-compliance

Measures to reduce non-compliance	Ratings				
	S/Agree	Agree	Uncertain	Disagree	S/Disagree
Simplifying payment and compliance procedures and laws	21%	10%	14%	25%	30%
Employing a large and aggressive inspectorate team	29%	29%	7%	25%	10%
Increasing the penalties for non-compliance	7%	11%	11%	43%	28%
Low contribution rates	32%	36%	14%	7%	11%
Increased benefits paid	46%	29%	7%	10%	8%

Source: Primary Data

Simplifying the compliance procedures and laws

In response to simplifying the compliance procedures and laws being a measure to curb non-compliance by contributors 6/28 (21%) of the respondents strongly agreed while 3/28 (10%) agreed. This means that they are of the view that employers will choose to default with payment of NSSA contributions whenever they view the compliance procedures such as how to calculate NSSA contributions as complex. They were in support of the view that was held by Holzmann et al (2009) and Kirchler (2014)

The respondents who were uncertain concerning implementation of simplifying compliance procedures as a measure to deal with non-compliance were 4/28 (14%). These respondents did not see the relationship between compliance procedures and non-compliance hence they could not support or oppose the fact that complexity of compliance procedures may lead to non-compliance. Available literature also shows that this was the same view that was held by Shuzo (2011).

Those who strongly disagreed were 8/28 (30%) and those who disagreed were 7/28 (25%). These respondents opposed the view that simplifying the compliance procedures and laws can be instituted as a measure to deal with non-compliance as was held by Allingham and Sandmo (2007)

Employing a large aggressive inspectorate team

The responses who strongly agreed that this can be used as a good measure against non-compliance were 8/28 (29%) and those who agreed were also 8/28 (29%). Their view was that contributors need a push for them to comply hence employing more

inspectors will make an impact on increasing compliance rate as more contributors will be pushed to comply. This was the same recommendation that was put across by (Louis E, et al 2011) who said that employers are not willing to pay social security contributions unless there is intensive compliance auditing.

There were 2/28 (7%) who were uncertain pertaining to the employment of a large and aggressive inspectorate team as a measure to reduce non-compliance with regards to NSSA contributions.

Those who disagreed were 7/28 (25%) and those who strongly disagreed were 3/28 (10%). They did not rate employing a large and aggressive inspectorate team as a good measure to curb non-compliance as they are of the view that contributors may fail to comply even after being visited by NSSA inspectors as was held by James and Alley (2004).

Increasing the penalties for non-payment

In response to the above as being a good solution to deal with non-compliance 2/28 (7%) strongly agreed while 3/28 (11%) agreed. Their view was the same as that was held by Torgler (2007) and Somasundram (2005) that whenever low penalties are charge, they will not bring about a large financial burden and increasing the penalties result in a potential large financial burden that can frighten contributors and make them to pay.

Those who held the same sentiments with Holzmann et al (2009) that they are uncertain with regards to the impact of increasing penalties on reducing non-compliance were 3/28(11%).

Disagreeing respondents were 12/28 (43%) and strongly disagreeing were 7/28 (25%). They did not view increasing penalties as a good measure to reduce non-compliance with NSSA payments as they felt that the increase in penalties will further place contributors in a worse financial hardship and increase the number of contributors who are unable to pay. Nyland, et al, (2011) was one of the proponents of such a view.

Reducing contribution rates

The respondents who strongly agreed that reducing contribution rates is a good measure to curb non-compliance were 9/28 (32%) while those who agreed were 10/28 (36%). They perceived any increases in contribution rates as putting contributors in financial distress as costs are increased without corresponding increases in revenue. A reduction in contribution rates thus motivate contributors to pay as they are given a breathing space due to reduced costs. This was in line with the findings by Mukuka et al (2002) in their Zambian research.

Those who were uncertain were 4/28 (14%). They could not ascertain if reducing contributions really can induce contributors to voluntarily comply with NSSA payments.

The respondents who disagreed were 2/28 and those who strongly disagreed were 3/28 (11%). They supported James and Alley (2004) who said that even if contribution rates are reduced, contributors will not be lured by the reduction to pay but instead may continue with their on compliance culture.

Increasing the amount of benefits paid by NSSA

This was supported by 13/28 (46%) and 8/28 (29%) of the respondents who registered their strong agreement and agreement respectively. They viewed social security as any other product where consumers will consider the perceived satisfaction that they place on such a product before deciding to purchase it. Contributors are likewise motivated to pay NSSA contributions if the perceived value (benefits paid) increase. This was in line with submissions made by Sundali et al (2008) and Chitambira (2010).

The uncertain response scored 2/28 (7%) who held the same view with Holzmann et al (2009) that there is no clear relationship between benefits paid by NSSA and non-compliance.

The respondents who disagreed were 3/28 (10%) while those who strongly disagreed were 2/28 (8%). They held that increasing the amount of benefits paid by NSSA does not automatically drive up compliance.

Overall, In line with the sentiments by Sundali et al (2008), the results displayed show that the best recommended ways to reduce non-compliance were to increase the amounts of benefits to be paid as supported by a cumulative 75% of the respondents with the combined rating of agree and strongly agree. The second recommended option was reducing contribution rates as cited by cumulative 68%. Thirdly, the respondents also felt that NSSA could employ an aggressive inspectorate team as backed by 58% of the respondents.

On the other hand, increasing the rate of charging penalties and simplifying the payment calculations and procedures were not considered as best options from the

respondents view as evidenced by the combined lower scores of 31% and 18% respectively for the ratings of strongly agree and agree combined. This was in contradiction to Torgler (2007) who recommended increasing the penalty rates for most developing countries.

4.9 Interviews

In carrying out the research, four face to face interviews were conducted with a success rate of 100%.

Table 4.6: Interview success rate

Participants	Sample for interviewing	Number successfully interviewed	Valid Responses	Valid Response Rate
NSSA compliance management	4	4	4	100%

Source: Primary Data

The table above shows that 4/4 (100%) were successfully interviewed and thus improving the validity of research findings.

4.9.1 Response to interview questions

1. Average compliance rate per year

Table 4.7. Average compliance rate

Interviewee number	1	2	3	4
Response	43%	43%	44%	44%

Source: primary data

Interviewee 1 and 2 cited 43% while interviewee 3 and 4 cited 44%. The average compliance rate for NSSA is 43.5% as derived from the responses mean which is calculated using the formula $(43\% + 43\% + 44\% + 44\%)/4$. Such a view is in line with Holzmann et al (2009) who said that compliance rate for social security schemes in most developing countries is not more than 52%. NSSA seem to be on the lower end in terms of compliance rate as compared to the average compliance rate for developing countries.

2. The five major causes of non-compliance by employers

The results were as given in table 4.8

Table 4.8 Causes of non-compliance

Interviewees	(1)	(2)	(3)	(4)	Total Score
Liquidity challenges	1	1	1	1	4
Low benefits	1	1	1	1	4
Complexity compliance procedure	1	1	1	1	4
Low penalties	1	1	1	0	3
High contribution rates	1	0	-	1	2
Probability of non-detection	-	-	1	0	1
Influence from neighbours	-	-	-	1	1
Myopic behaviour	-	1	-	-	1
Total responses	5	5	5	5	20

Source: primary data

The above table shows that the most common causes among the four interviewees were; liquidity and financial constraints, low benefits that are paid by the scheme and complexity of compliance procedures with 4 points each. Low penalties received a fair score of 3 while high contribution rates were on the lower side with 2 scores. Interviewee 3 mentioned a different cause which is probability of non- detection, interviewee 4 talked about the influence from neighbours and interviewee 2 talked about myopic behaviour. The two responses are similar in terms of the top three causes of non-compliance that were raised by contributors and employees but the only difference was seen on management's view that complexity of compliance procedures is a more important cause of non-compliance than contribution rate. These findings were in line with Kirchler (2014) and Mukuka et al (2002) and Sundali et al (2008).

3. Impact of non-compliance on the financial performance of NSSA?

All the 4/4 (100%) interviewees stated that non-compliance results in low pension base that will also lead to low benefit pay-outs as well as delayed payment of benefits. The interview results fit well with the literature that was provided by Hofman (2006) and Livingstone (2008) that non-compliance affects the solvency and liquidity of any social security scheme.

4. Effect of employer's workforce size on non-compliance.

There was a deadlock in terms of responses as 2/4 (50%) that is interviewee 2 and 3 supported that a large workforce led to a high chance of non-compliance. Livingstone (2008) viewed it in the same manner that there is a positive relationship between a contributor's workforce size and non-compliance.

The other 2/4 (50%) comprising Interviewees 1 and 4 however did not see any connection between an employer's workforce size and their compliance behaviour as they highlighted that both categories of employers with a small labour force and those with a large labour force has got both defaulters and regular payers. This view was also raised by Nyland et al, and (2011) who said that employers may evade paying statutory obligations irrespective of their workforce size.

5. Influence of the number of compliance inspectors on non-compliance

The responses can be represented in a pie chart as shown below:

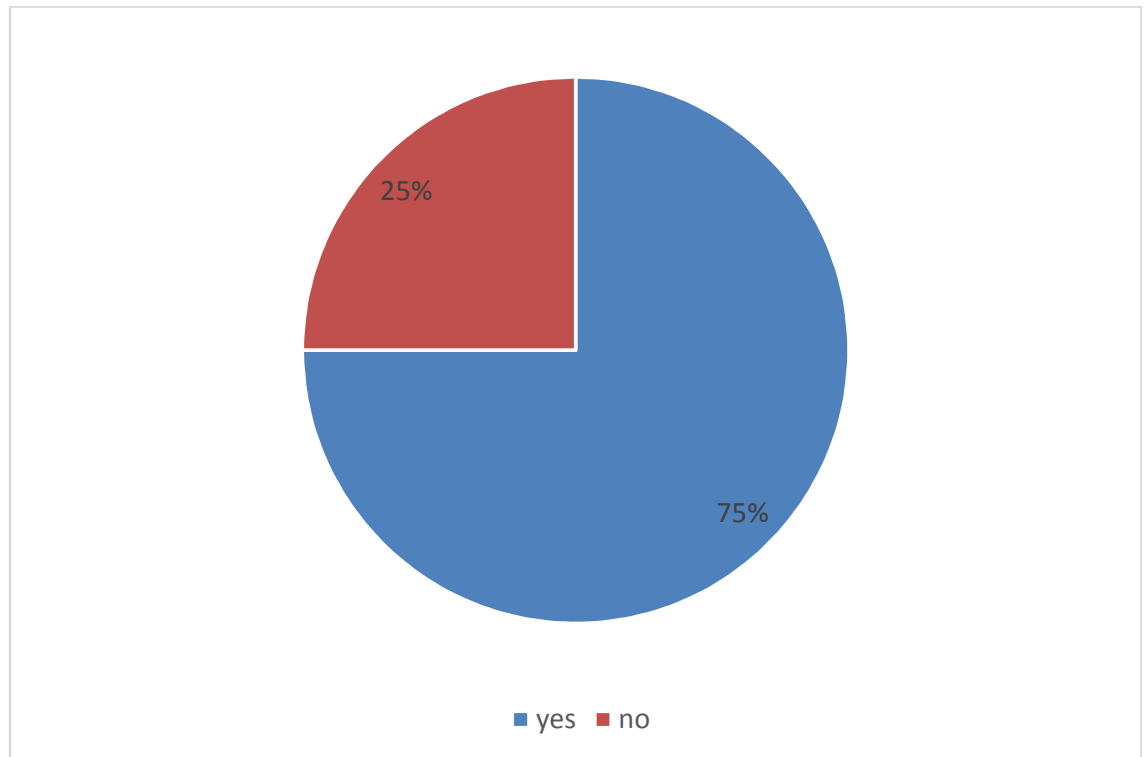


Figure 4.5 Effect of the number of inspectors on reducing non-compliance.Source: primary data

All the interviewees except interviewee 4 highlighted that there is a positive relationship between the number of compliance inspectors and the compliance rate bringing a score of $\frac{3}{4}$ (75%) in support and $\frac{1}{4}$ (25%) in opposition. They said that this was evidenced whenever compliance inspectors carry out their blitz exercises which entails bringing all the inspectors in one region to enforce on compliance, that region's compliance rate increased. This was in line with what was said by Louis E, et al (2011) that the higher the number of compliance inspectors to enforce compliance, the higher the compliance rate.

Interviewee 4 however was of the James and Alley (2004)'s view that it is not always the case that an increase in compliance inspectors leads to a reduction in non-compliance as other factors like liquidity challenges impact more on non-compliance such that any visits by the inspectors will not be fruitful as the employers do not have money.

6. The impact of government regulations on the financial performance of NSSA?

All the interviewees highlighted that government regulations may bring either positive or negative effects on the financial performance of NSSA. Positive results do come though rarely when for example contribution rates and ceilings are increased. Negative impact come when these rates are decreased.

The interview respondents felt that regulatory instruments that might raise the contributions might unfortunately induce increased evasion tendencies among contributors, and the resultant non-compliance also negatively affects the liquidity and solvency of the pension scheme. Their views tally with what was observed by

Ruffing (2013) and 2008 that most regulatory laws reduce the revenue base of social security schemes there by impacting negatively on benefits that are paid.

7. Measures can be taken to reduce non-compliance by employers?

The common measures among all the interviewees were:

Increase benefits paid; increase the number of inspectors; carry out awareness campaigns and giving incentives to voluntary contributors and awarding tenders and issuing clearance certificate to only paid up employers. These findings were as per views supported by (Louis et al, (2011).and Clotfeilter, (1983).

4.10 Chapter Summary

This chapter focused on presenting the data gathered from interviews and questionnaires distributed to the respondents. The next chapter will provide the conclusions and recommendations as informed by the findings established in this chapter

CHAPTER 5

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.0 Introduction

This chapter summarised the major study findings on the impact of non-compliance on financial performance in order to draw conclusions and recommendations for the study. The chapter also provided suggestions that could be incorporated in the future in studies related to the subject matter.

5.1. Summary

The study set out to investigate the impact of non-compliance with statutory obligations by employers on the financial performance of NSSA. The researcher started by introducing the topic with the research problem and objectives that relate to the topic. Related literature was then reviewed where journals and texts were used to explore the research topic. Shuzo (2011), Nyland et al (2011), Holzmann et al (2009), Kirchler (2014) and Louis et al (2011) were the main authors who were used in this research to provide the related literature on the causes of non-compliance with statutory obligations and the financial impact of NSSA. The research methodology adopted in this research was the quantitative research method as the topic under study had two variables whose relationship was to be analysed using statistics gathered from

a sample that is chosen from a large population. This led to the adoption of the descriptive research design whose aim was to describe a situation using gathered statistical data. The researcher used both primary and secondary data in carrying out the research. Secondary data complimented primary data so as to save on time and costs of carrying the research. The researcher used questionnaires and structured interviews as the research instruments. A sample of 20 employers from Harare region 10 members of the compliance inspectorate team and 4 NSSA compliance section management were used

The findings were presented in the form of tables, diagrams and charts in chapter 4 in analysing the data that was collected from the research so as to portray a true picture of the trends in the variables involved. Lastly. A summary of the research and findings was given with the suitable recommendations that NSSA need to put in place to reduce non-compliance as it was found to be affecting the financial performance of NSSA

Despite the challenges that were encountered during the research, some interesting findings and observations were made and the following conclusions came out:

5.2 Findings

The study examined the impact of non-compliance on financial performance and revealed the following major findings after the analysis of the primary and secondary data:

5.2.1 Reasons for Non-compliance With the Payment of N SSA Contributions by Employers

The study found out that the major reasons for non-compliance with payment of N SSA contributions by employers were liquidity challenges and financial constraints, low benefits levels offered by the schemes and perceived high contributions rates. This was supported by cumulative 81%, 68% and 56% of the respondents for the respectively. These were also supported by interview findings.

5.2.2 Non-compliance by Employers and Effect on Financial Performance of N SSA

The research noted that increasing levels of non-compliance by employers had negative effects on the financial performance of the pension scheme as measured by its ability to meet pay-out obligations. More specifically, the study found out that the liquidity and solvency of N SSA would be adversely affected by non-compliance as indicated by 74.4% of the respondents. Managers who were interviewed also strongly felt the same.

5.2.3 Workforce Size and Influence on Compliance Behaviour

The study revealed there is no any definite relationship between workforce size and compliance behaviour as each outcome posted a 50% score.

5.2.4 Compliance Inspectors and Influence on the Compliance by Employers

The study found out that increased use of compliance inspectors had a positive impact on compliance levels of employers. This was supported by 57% of the respondents who agreed that most only paid their monthly contributions after NSSA inspectors' visit.

5.2.5 Regulatory Laws and Impact on the Financial Performance of NSSA

The research further found out that regulatory laws invariably impacted negatively on the performance of the NSSA particular regulatory instruments that cause a downward review of contribution rates, set maximum insurable earnings and the minimum guaranteed pension irrespective of the contributions made by the pensioner. As high as 78.6% of the respondents felt that the net effect would be delays in payment of the social security benefits or payment of low benefits thus adversely affecting the financial performance of NSSA.

5.3 Conclusions

Conclusions for the study were as follows:

5.3.1 The study concluded that non-compliance by employers on payment of NSSA contributions was largely caused by the liquidity and financial constraints that the country faced, uneconomic and unsustainably low benefit levels that the pension scheme offered as well as high contributions rates that de-incentivised employers to contribute.

5.3.2 The research concluded that non-compliance by employers negatively affected the financial performance of the pension scheme as simply measured by its liquidity and solvency.

5.3.3 The study concluded that workforce size does not have any defined relationship as evidence showed that employers failed to pay their NSSA contributions irrespective of their workforce size.

5.3.4 The study concluded that compliance inspectors had a positive impact on compliance levels of employers. As a result, increased use of compliance inspectors would increase the compliance levels of employers. This was also supported by 75% of the interviewees.

5.3.5 The research further concluded that regulatory laws negatively impacted on the financial performance of the NSSA. Common examples were downward review of the monthly contribution rates, setting of the maximum insurable earnings and pegging of minimum guaranteed pension irrespective of the contributions made by the pensioner.

5.4 Recommendations

The following recommendations were made:

5.4.1 Increase the benefits that are paid by NSSA.

Efforts should be put in place to review NSSA benefits regularly so that they move in line with changes in the cost of living. This will motivate contributors to pay.

5.4.2 Reducing contribution rates.

This has an impact of reducing the employers cost and can motivate them to pay though the benefits may not come as expected. This should be coupled with employing an aggressive inspectorate

5.4.3 Employing strategies that reduce non-compliance.

The research proved that non-compliance was seriously affecting the financial performance of NSSA hence the organisation needs to employ various strategies to curb non-compliance so as to safeguard the financial performance of NSSA.

5.4.4 Compliance policies should be applied to employers equally.

Findings show that the workforce size does not have any direct influence on non-compliance hence compliance policies should be treated equally to all contributors irrespective of their workforce size.

5.4.5 Increase Number of NSSA Compliance Inspector

The study established that compliance levels rise if visits to the employers are increased and that bigger organisations are normally reluctant to submit contributions despite having deducted them from their payrolls. Accordingly, the study recommended that the number of well-trained and motivated compliance inspectors be increased in order to increase the level of compliance by employers. This

recommendation recognised that most employers faced financial and liquidity challenges that forced selective treatment and payment of creditors. Aggressive collection of contributions would increase the capacity of NSSA to meet its financial obligations as they fell due.

5.4.6 Liaising with the minister of public service for input on new regulations

NSSA executive management should liaise with the Minister of public service, labour and social welfare and the Minister of finance and economic planning so as to sell their ideas pertaining to the impact of regulations on the financial performance of NSSA. They should actively participate in the making of new regulations on social security administration.

5.4.7 Be Accommodative on Collecting Contributions

To improve its financial performance, the study recommended that NSSA proactively approach non-performing employers with accommodative payment plans in view of the difficult economic environment characterised by tight liquidity constraints. In the same reasoning, priority could be given to distressed companies on tenders for major jobs and contracts with the view that outstanding contributions are deducted upfront when payment is effected for the services rendered.

5.4.8 Increase Educational Campaigns

The study noted that there was widespread outcry when NSSA contributions were increased at a time when benefits paid out to members were low. Moreover, the

employers generally doubted the value derived from the pension scheme' investment activities. The study therefore recommended that educational campaigns and outreach programmes be established to educate the public and employers about the benefits that are offered by the pension scheme, its strategic national importance and why benefits paid out to the pensioners in the multi-currency regime were low. It was hoped that such education would increase the compliance levels of employers as they would most likely see NSSA in the positive light a good public relations policy.

5.5 Suggestions for Future Research

Future studies could improve on the following issues. Firstly, this study was conducted at a time when Zimbabwe had adopted multi-currency. This resulted in a fairly stable but difficult extraordinary macro-economic backdrop that could have artificially affected the ability of employers to remit contributions to NSSA. Assuming the economic environment normalises in the future, it would be necessary to re-examine some of the assumptions made by this research as they could potentially not apply. Secondly, the study only narrowed its geographic to Harare in order to contain the research budget. This meant that only employers and NSSA in Harare were considered. Future studies could encompass other cities in Zimbabwe and in the

5.6 Summary

This chapter looked at the summary of all the chapters namely introduction, literature review, research methodology, the major research findings, and conclusions from the

study and recommendations. The research looked into the impact of non-compliance by contributors on financial performance with NSSA being used as a case study.

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APPENDIX A

QUESTIONNAIRE COVER NOTE ON THE IMPACT OF NON-COMPLIANCE ON FINANCIAL PERFORMANCE -CASE STUDY OF NSSA (2009-2013)

My name is Livingstone T. Rwafa. I am a Bachelor of Commerce in Accounting Degree student at the Midlands State University. I am carrying out a study titled, **“impact of non- compliance on financial performance – case study of NSSA”**This is in partial fulfilment of the requirements of the Bachelor of Commerce in Accounting Degree with the University.

Please be assured that all information gathered in the study will be treated with **strict confidentiality** and shall solely be used for the purposes of this study only.

GENERAL INSTRUCTIONS

- 1. Please kindly attempt all questions by ticking or circling your selected choice(s).**
-

APPENDIX B

QUESTIONNAIRE TO NSSA INSPECTORS

Please tick in the appropriate box.

- 1. More than 60% of employers in Zimbabwe contribute to NSSA on a monthly basis.**

Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree

- 2. The causes of non-compliance with NSSA contributions in Zimbabwe are:**

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Liquidity challenges and financial constraints					
Complexity of compliance procedures and laws					
Low benefits levels offered by the schemes					
Low penalties for evasion					
High contribution rates					

- 3. Non-compliance with payment of contributions has affected the financial performance of NSSA.**

Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree

--	--	--	--	--

4. **Employers with large workforce size have got a high likelihood of not complying with payment of NSSA obligations.**

Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree

5. **Most employers do not comply unless visited by inspectors.**

Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree

6. **Regulatory laws have got an impact on the financial performance of NSSA.**

Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree

7. Measures to reduce non-compliance with regards to NSSA contributions are:

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Simplifying the payment calculations and procedures					
Employing an aggressive inspectorate team/increasing number of inspectors					
Increasing the penalties for non-compliance					
Reducing contribution rates					
Increasing the amounts of benefits to be paid					

Thank you for your time and cooperation

**Appendix C: QUESTIONNAIRE TO PENSION CONTRIBUTORS
(EMPLOYERS)**

Please tick in the appropriate box.

1. Your organization pays NSSA contributions on a monthly basis

Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree

2. The causes of non-compliance with NSSA contributions in Zimbabwe are

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Liquidity challenges and financial constraints					
Complexity of compliance procedures and laws					
Low benefits levels offered by the schemes					
Low penalties for evasion					
High contribution rates					

3. Non-compliance with payment of contributions has negative impact on the financial performance of NSSA.

Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree

--	--	--	--	--

4. The workforce size has got an effect on non-compliance (the larger the workforce size, the higher the likelihood of non-compliance)

Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree

5. You do not comply with NSSA contributions unless visited by inspectors.

Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree

6. Regulatory laws have got an impact on the financial performance of NSSA.

Do you agree?

Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree

7. Measures to reduce non-compliance with regards to NSSA contributions are:

	Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
Simplifying the payment calculations and procedures					
Employing an aggressive inspectorate team/increasing number of inspectors					
Increasing the penalties for non-compliance					
Reducing contribution rates					
Increasing the amounts of benefits to be paid					

Thank you for your time and cooperation

APPENDIX D
INTERVIEW GUIDE FOR NATIONAL SOCIAL SECURITY AUTHORITY
MANAGEMENT

1. What is your average compliance rate per year?

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.....

2. In your own view, what are the five major causes of non-compliance by employers?

.....
.....
.....
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.....
.....

3. Briefly describe how non-compliance by contributors has impacted on the financial performance of NSSA?

.....
.....
.....
.....

4. Do you think there is a relationship between an employer's workforce size and their compliance behaviour? Please explain

.....
.....
.....
.....

5. Does the number of compliance inspectors have any influence on compliance by employers?

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.....

.....
.....

6. What is the impact of government regulations on the financial performance of NSSA?

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7. What measures can be taken to reduce non-compliance by employers?

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Thank you for your time and cooperation