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TAX PLANNING PRACTICES AND SUSTAINABILITY OF FAMILY-OWNED BUSINESSES IN KERICHO COUNTY, KENYA

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Abstract

Family-owned businesses make a substantial contribution to economic growth by creating employment opportunities, promoting entrepreneurship, and supporting household incomes. Despite their importance, many struggle to achieve long-term sustainability because of weaknesses in financial management, particularly in tax planning. This study examined the influence of tax planning practices on the sustainability of family-owned businesses in Kericho County, Kenya. Guided by the positivist research paradigm, the study adopted a correlational research design to determine the relationship between tax planning and business sustainability. Primary data were collected using structured questionnaires administered to owners and managers of licensed family-owned enterprises. Of the 393 questionnaires distributed, 280 were completed and returned, representing a response rate of 71.2%. Data analysis was conducted using descriptive statistics, Pearson's correlation analysis, and simple linear regression in SPSS Version 29. The findings indicate that tax planning practices were widely adopted among the surveyed businesses, with tax compliance recording the highest level of implementation. Statistical analysis revealed a strong positive and significant relationship between tax planning and business sustainability ($r = 0.69$, $p < 0.001$). Regression results further showed that tax *planning explained 48% of the variation in sustainability ($R^2 = 0.48$), while the regression coefficient ($\beta = 0.69$, $p < 0.001$) confirmed that improved tax planning significantly enhances the long-term viability of family-owned businesses. The study concludes that effective tax planning strengthens financial stability and supports the continued growth of family-owned enterprises. It recommends integrating tax planning into routine financial management, maintaining accurate tax records, utilizing available tax incentives, and engaging qualified tax professionals where necessary. The findings provide practical insights for business owners, policymakers, and enterprise support organizations seeking to improve the sustainability of family-owned businesses in Kenya.*

Keywords: Tax planning practices, business sustainability, family-owned businesses, financial management, small and medium enterprises, Kenya

INTRODUCTION

Family-owned businesses remain the backbone of economic activity in many countries, accounting for a substantial share of business establishments and making significant contributions to employment, income generation, and national economic growth. Their importance is particularly evident in developing economies, where they dominate the small and medium enterprise (SME) sector and provide livelihoods for a large proportion of the population. Beyond their economic contribution, these enterprises promote community development, facilitate intergenerational wealth transfer, and strengthen local investment. Unlike many other business entities that often emphasize short-term financial returns, family-owned businesses typically pursue long-term continuity and sustainable growth across generations.

The long-term success of these enterprises depends largely on their ability to manage financial resources effectively. Sound financial management supports efficient resource allocation, strengthens liquidity, improves investment decisions, and enables businesses to meet statutory obligations while remaining competitive. Among the various financial management functions, tax planning has become increasingly important because it directly affects profitability, cash flow, and overall organizational sustainability. By organizing financial activities in accordance with existing tax legislation, businesses can legitimately reduce unnecessary tax costs while maintaining compliance with legal requirements. Effective tax planning therefore provides opportunities to preserve financial resources, avoid avoidable penalties, and improve operational efficiency.

Strategic tax planning extends beyond meeting statutory obligations. It encompasses maintaining accurate financial records, identifying available tax incentives, forecasting tax liabilities, and seeking professional tax advice where necessary. When these practices are implemented effectively, businesses are better positioned to strengthen financial stability, improve decision-making, and generate additional resources for reinvestment and future expansion. Consequently, tax planning has increasingly been recognized as an important component of sustainable financial management.

Empirical research has consistently reported positive associations between effective tax planning and organizational performance. Businesses that maintain proper tax records, comply with regulatory requirements, and utilize legitimate tax-saving opportunities often experience stronger financial performance than those with weak tax management systems. Effective tax planning not only minimizes exposure to penalties and legal disputes but also enhances liquidity and creates a more stable financial environment that supports business continuity. These benefits are particularly important for family-owned businesses, where limited financial resources often require careful management to ensure long-term survival.

Despite these potential benefits, many family-owned businesses operating in developing countries continue to experience taxation-related challenges. Frequent changes in tax regulations, limited financial literacy, inadequate record-keeping systems, and restricted access to professional tax advisory services often undermine effective tax management. These challenges increase compliance costs, expose businesses to regulatory penalties, and reduce their ability to benefit from available tax incentives. As a result, weaknesses in tax planning may contribute to financial instability and limit the capacity of businesses to sustain operations over time.

In Kenya, family-owned businesses constitute an important segment of the national economy through their contribution to employment creation, entrepreneurship, and local economic development. However, many of these enterprises continue to face financial pressures associated with increasing operational costs, changing tax policies, and evolving regulatory requirements. Although tax compliance has received growing attention from both policymakers and revenue authorities, many businesses still struggle to integrate strategic tax planning into their broader financial management practices. Consequently, opportunities to improve financial efficiency and long-term sustainability through effective tax planning remain underutilized.

Kericho County provides a suitable setting for investigating this issue because its economy is supported by numerous family-owned enterprises operating in sectors such as agriculture, retail trade, hospitality, transport, manufacturing, and other commercial activities. These businesses function within an environment characterized by seasonal income fluctuations and changing taxation requirements, making effective financial planning essential for continued operation. Despite their importance to the county's economic development, limited empirical evidence exists regarding how tax planning practices influence the sustainability of family-owned businesses within this local context.

Previous studies have largely examined financial management practices among SMEs as a broad category, with relatively little attention given to family-owned enterprises and their distinctive governance structures, financial objectives, and long-term orientation. Moreover, county-level evidence on the relationship between tax planning and business sustainability in Kenya remains limited. This gap restricts the development of evidence-based strategies that can assist business owners and policymakers in strengthening enterprise sustainability through improved financial management practices.

The present study addresses this knowledge gap by examining the influence of tax planning practices on the sustainability of family-owned businesses in Kericho County, Kenya. Specifically, the study evaluates whether tax planning practices significantly affect business sustainability and tests the null hypothesis that tax planning practices have no statistically significant influence on the sustainability of family-owned businesses in Kericho County. The findings are expected to enrich the existing body of knowledge on financial management and sustainability while providing practical recommendations for business owners, policymakers, and institutions responsible for enterprise development.

LITERATURE REVIEW AND THEORETICAL FRAMEWORK

Tax Planning Practices and Business Sustainability

The sustainability of a business depends largely on its capacity to manage financial resources efficiently while responding to changes in the operating environment. Among the various components of financial management, tax planning has emerged as an important strategic function because it influences profitability, liquidity, regulatory compliance, and long-term organizational viability. Rather than being viewed solely as a statutory obligation, tax planning has increasingly become an integral aspect of strategic financial decision-making that enables businesses to optimize available resources within the framework of existing tax legislation.

Tax planning refers to the systematic organization of financial transactions and business activities to minimize tax obligations through lawful means while ensuring full compliance with applicable tax regulations. Effective tax planning involves maintaining accurate accounting records, preparing tax obligations in advance, utilizing available tax incentives, filing tax returns on time, and obtaining professional tax advice where appropriate. Collectively, these practices help organizations reduce unnecessary tax-related costs, improve cash flow management, and strengthen overall financial performance.

For family-owned businesses, effective tax planning is particularly important because these enterprises frequently operate with limited financial resources and depend on prudent resource utilization to achieve long-term continuity. Efficient management of tax obligations enables owners to preserve working capital, allocate resources more effectively, and reduce financial uncertainty arising from regulatory penalties or unexpected tax liabilities. Consequently, businesses that integrate tax planning into their financial management systems are generally better positioned to sustain growth and withstand economic fluctuations.

Business sustainability encompasses the ability of an enterprise to maintain profitable operations while remaining financially stable and capable of adapting to changing economic conditions over time. Sustainable businesses consistently generate sufficient financial returns, retain operational resilience, and invest in future development without compromising their long-term viability. Since taxation directly influences cash flows and resource availability, effective tax planning contributes significantly to achieving these sustainability objectives.

Existing empirical studies have consistently reported positive associations between tax planning practices and organizational performance. Businesses that comply with tax regulations, maintain reliable financial records, and utilize legitimate tax-saving opportunities generally experience stronger financial outcomes than organizations with weak tax management systems. Proper tax planning minimizes exposure to financial penalties, enhances liquidity, and creates opportunities for reinvestment, thereby supporting sustained business growth and organizational resilience.

Professional tax advisory services further strengthen tax planning by helping businesses interpret changing tax regulations, identify lawful tax optimization strategies, and improve compliance with statutory requirements. Organizations that seek expert tax guidance are often better equipped to make informed financial decisions and reduce risks associated with tax administration. Consequently, professional tax support complements internal financial management practices and contributes to improved organizational performance.

Within Kenya, family-owned businesses continue to encounter several taxation-related challenges that hinder effective financial management. These include frequent amendments to tax legislation, inadequate bookkeeping practices, limited knowledge of tax regulations, and restricted access to professional advisory services. Such constraints often increase compliance costs, reduce the effective utilization of available tax incentives, and expose businesses to avoidable financial penalties. As a result, inadequate tax planning may weaken financial performance and reduce the capacity of enterprises to sustain long-term operations.

Although previous studies have demonstrated the importance of tax planning in improving business performance, relatively few have examined its influence specifically within family-owned businesses operating at the county level in Kenya. Much of the available literature focuses on SMEs as a broad category without recognizing the distinctive ownership structures, governance characteristics, and long-term orientation associated with family-owned enterprises. This study therefore contributes additional empirical evidence by examining how tax planning practices influence the sustainability of licensed family-owned businesses in Kericho County.

Theoretical Framework

This study is grounded in Financial Sustainability Theory and Agency Theory, both of which provide a useful explanation of how tax planning practices influence the sustainability of family-owned businesses.

Financial Sustainability Theory

Financial Sustainability Theory emphasizes an organization's ability to generate and manage financial resources in a manner that supports both present operations and future growth. According to the theory, sustainable organizations achieve long-term success through prudent financial planning, efficient allocation of resources, effective cost management, and responsible investment decisions. Maintaining financial stability enables firms to withstand economic uncertainties while preserving their capacity to expand and remain competitive.

Within family-owned businesses, tax planning represents one of the key financial management practices that support financial sustainability. By minimizing unnecessary tax expenditures through lawful planning, businesses retain more financial resources for operational activities, capital investment, and future expansion. Effective tax planning also improves liquidity, reduces exposure to financial penalties, and strengthens overall financial resilience. Consequently, Financial Sustainability Theory provides a logical foundation for explaining why sound tax planning contributes to long-term business sustainability.

Agency Theory

Agency Theory explains the relationship between principals (owners) and agents (managers) by emphasizing accountability, transparency, and efficient management of organizational resources. Theory suggests that conflicts may arise when managers make decisions that do not fully align with the interests of business owners. Appropriate governance mechanisms therefore become necessary to promote responsible decision-making and safeguard organizational resources.

Although ownership and management responsibilities often remain within the same family in family-owned businesses, agency-related challenges may still emerge as businesses expand, involve multiple family members, or employ external managers and professional advisors. Under such circumstances, effective financial control becomes increasingly important.

Tax planning contributes to these governance mechanisms by encouraging accurate financial reporting, systematic record management, and compliance with statutory requirements. These practices enhance transparency, strengthen accountability, and support informed managerial decisions regarding financial resource allocation. Consequently, Agency Theory complements Financial Sustainability Theory by explaining how improved financial governance contributes to organizational sustainability.

Empirical Review

Empirical evidence from previous studies generally indicates that tax planning contributes positively to business performance and organizational sustainability. Research involving small and medium-sized enterprises has shown that businesses adopting effective tax planning practices have improved profitability, stronger cash flow management, and reduced exposure to tax-related risks. Compliance with tax regulations also minimizes financial penalties and legal disputes, thereby improving organizational stability.

Other studies have demonstrated that strategic tax planning extends beyond compliance by enabling firms to utilize available tax incentives, improve financial forecasting, and allocate resources more efficiently. Businesses that incorporate tax planning into broader financial management systems are generally more resilient during periods of economic uncertainty because they maintain stronger financial positions and greater operational flexibility.

Studies conducted within African economies similarly report that improved bookkeeping practices, increased tax knowledge, and access to professional tax advisory services strengthen financial performance and support long-term business continuity. These findings suggest that effective tax planning enhances both regulatory compliance and organizational efficiency.

Despite these contributions, much of the existing literature concentrates on SMEs collectively rather than examining family-owned businesses as a distinct category. In addition, many studies primarily emphasize tax compliance while giving relatively limited attention to broader tax planning dimensions such as strategic tax planning, tax record management, utilization of tax incentives, and professional tax advisory services. These limitations create a need for additional empirical research focusing specifically on family-owned enterprises operating within local contexts such as Kericho County.

Research Gap

The literature reviewed indicates that effective tax planning is positively associated with financial performance and organizational sustainability. However, limited empirical evidence exists regarding this relationship among family-owned businesses operating at the county level in Kenya. Previous studies have largely treated SMEs as a homogeneous group without adequately recognizing the unique governance structures, financial objectives, and succession-oriented characteristics that distinguish family-owned enterprises.

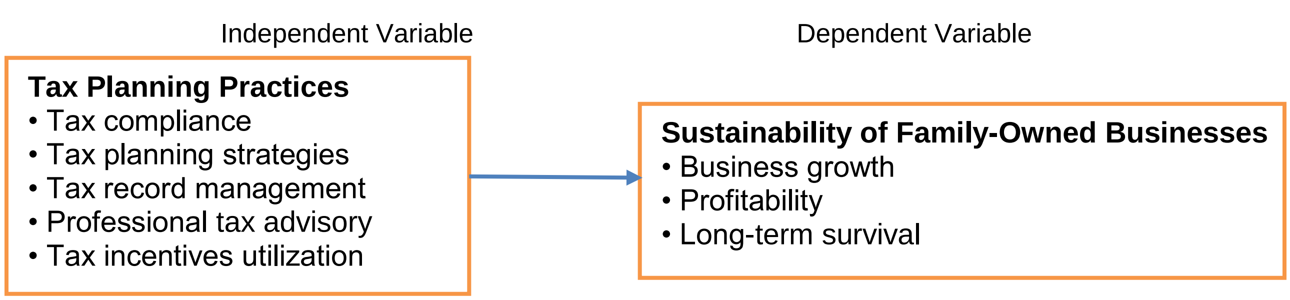
Furthermore, earlier research has tended to emphasize tax compliance while paying comparatively less attention to broader strategic tax planning practices that influence business sustainability. Addressing these limitations, the present study examines tax planning practices from a broader financial management perspective and evaluates their influence on the sustainability of licensed family-owned businesses in Kericho County, thereby contributing context-specific evidence to the existing body of knowledge.

Conceptual Framework

The conceptual framework for this study proposes that tax planning practices constitute the independent variable, while the sustainability of family-owned businesses represents the dependent variable. Tax planning practices are operationalized through five dimensions: tax compliance, tax planning strategies, tax record management, professional tax advisory services, and the utilization of available tax incentives. Business sustainability is assessed using indicators of business growth, profitability, and long-term survival.

The framework assumes that improvements in tax planning practices enhance financial efficiency, strengthen regulatory compliance, improve liquidity, and facilitate better allocation of organizational resources. These outcomes are expected to contribute positively to the sustainability of family-owned businesses through enhanced financial stability and long-term operational continuity.

Figure 1: Conceptual Framework



Source: Adapted from Thairu (2015).

RESEARCH METHODOLOGY

Research Design

This study employed a quantitative research approach anchored in the positivist research philosophy, which assumes that social phenomena can be objectively measured and analyzed using statistical techniques. The positivist perspective was appropriate because the study sought to empirically determine the relationship between tax planning practices and the sustainability of family-owned businesses. A correlational research design was adopted to examine the direction and strength of the association between independent and dependent variables without manipulating the study environment. This design enabled the generation of objective evidence regarding the extent to which tax planning practices influence business sustainability.

Study Area and Target Population

The study was undertaken in Kericho County, Kenya, an area characterized by a vibrant business environment comprising retail, agricultural, manufacturing, hospitality, transport, and service enterprises. Family-owned businesses constitute a significant proportion of these enterprises and contribute substantially to employment creation and local economic development. However, they operate within an increasingly dynamic regulatory and taxation environment, making financial management practices particularly important.

The target population consisted of 22,292 licensed family-owned businesses operating across the six sub-counties of Kericho County as of December 2025. Owners and managers were selected as respondents because they are directly involved in financial decision-making, tax administration, and strategic planning within their businesses.

Sample Size and Sampling Procedure

The sample size was determined using Yamane's formula for finite populations, producing a sample of 393 respondents. This sample was considered adequate to generate statistically reliable findings while ensuring representation of the target population.

A proportionate stratified random sampling technique was used to select respondents. The population was first categorized according to the six sub-counties of Kericho County. Each sub-county received a proportionate allocation of the sample based on its share of the total population, after which simple random sampling was applied to identify the participating businesses. This procedure enhanced representativeness and minimized sampling bias.

A total of 393 questionnaires were distributed, of which 280 were correctly completed and returned, yielding a response rate of 71.2%. This response level exceeded the minimum threshold generally recommended for quantitative studies and was therefore considered adequate for statistical analysis.

Data Collection Instrument and Procedure

Primary data were collected using a structured questionnaire specifically designed to address the study objectives. The instrument comprised three sections. The first captured demographic and business profile information. The second measured tax planning practices using indicators such as tax compliance, tax planning strategies, tax record management, utilization of tax incentives, and engagement of professional tax advisors. The third section assessed business sustainability through indicators reflecting profitability, business growth, and long-term continuity.

All construct items were measured on a five-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). The structured format promoted consistency during data collection and facilitated quantitative analysis.

Validity and Reliability of the Instrument

The questionnaire underwent validity and reliability assessment before the main survey. Content validity was established through expert review by university supervisors and specialists in finance and business management. Their recommendations were incorporated to improve the relevance, clarity, and comprehensiveness of the questionnaire items.

Construct validity was enhanced by adapting measurement items from previously validated empirical studies on tax planning and business sustainability while aligning them with the study objectives and conceptual framework.

Reliability was evaluated through a pilot study involving family-owned businesses in Konoin Sub-County, Bomet County. These respondents did not participate in the main survey to avoid contamination of the study sample. Internal consistency was assessed using Cronbach's alpha coefficient. The instrument achieved an overall Cronbach's alpha value of 0.82, which exceeded the recommended threshold of 0.70, indicating good reliability. Consequently, the questionnaire was considered suitable for the main data collection exercise.

Data Analysis

Completed questionnaires were screened for completeness before being coded and entered the Statistical Package for the Social Sciences (SPSS) Version 29 for analysis. Descriptive statistics, including frequencies, percentages, means, and standard deviations, were used to summarize respondents' characteristics and assess the level of implementation of tax planning practices.

Inferential analysis was conducted to test the study hypothesis. Pearson's product-moment correlation coefficient was used to determine the strength and direction of the relationship between tax planning practices and business sustainability. Simple linear regression analysis was then performed to establish the predictive effect of tax planning practices on business sustainability. All statistical analyses were undertaken at a 95% confidence level ($\alpha = 0.05$). The null hypothesis was rejected whenever the associated probability value was less than 0.05, indicating a statistically significant relationship.

Ethical Considerations

The study complied with accepted ethical standards governing research involving human participants. Ethical clearance was obtained from the University of Kabianga before securing a research permit from the National Commission for Science, Technology and Innovation (NACOSTI) and authorization from the County Government of Kericho.

Participation was voluntary, and informed consent was obtained from every respondent before data collection commenced. Participants were assured that the information they provided would remain confidential and would be used exclusively for academic purposes. No identifying information was recorded on the questionnaires, thereby safeguarding respondents' anonymity. Throughout the research process, the principles of honesty, integrity, objectivity, confidentiality, and responsible data management were strictly observed.

RESULTS

Response Rate and Profile of Respondents

The study targeted 393 owners and managers of licensed family-owned businesses operating in Kericho County. Following the data collection exercise, 280 completed questionnaires were returned, representing a 71.2% response rate. This level of participation was considered adequate for quantitative analysis because it provided sufficient observations for reliable statistical testing and meaningful interpretation of the findings.

The respondents represented businesses with diverse demographic characteristics. The largest proportion possessed diploma qualifications (34.3%), followed by respondents with secondary education (27.9%) and bachelor's degrees (21.4%). Regarding enterprise size, 60% of the surveyed firms were classified as small businesses, while 30% were medium-sized enterprises and 10% were large enterprises. In terms of business experience, 40% had operated for between five and ten years, 35% had been in operation for more than ten years, and 25% had operated for less than five years. These characteristics suggest that the respondents possessed adequate managerial experience and were therefore well placed to provide reliable information concerning tax planning practices and business sustainability.

Descriptive Analysis

Descriptive statistics were generated to determine the extent to which tax planning practices had been implemented and to evaluate the level of sustainability among the participating family-owned businesses.

Table 1: Descriptive Statistics for Tax Planning Practices

Indicator	Mean	Standard Deviation
Proper tax compliance	4.08	0.70
Tax planning strategies	3.92	0.78
Professional tax advisory services	3.85	0.82
Overall Mean	**3.95**	**0.77**

The findings indicate that respondents generally reported a high level of implementation of tax planning practices, as reflected by an overall mean score of 3.95. Among the individual indicators, proper tax compliance achieved the highest mean score (M = 4.08), suggesting that most businesses consistently fulfilled their statutory tax obligations. Conversely, professional tax advisory services recorded the lowest mean (M = 3.85), implying that although many enterprises recognize the value of professional guidance, external tax expertise is not utilized as extensively as other tax management practices.

Overall, these results suggest that family-owned businesses in Kericho County place considerable emphasis on tax compliance and related financial management practices, although opportunities remain for greater engagement with professional tax specialists.

Table 2: Descriptive Statistics for Business Sustainability

Indicator	Mean	Standard Deviation
Business growth	4.15	0.66
Profitability	4.08	0.70
Long-term survival	4.12	0.68
Overall Mean	**4.12**	**0.68**

The descriptive results indicate that the surveyed businesses perceived themselves as exhibiting relatively strong sustainability performance. Business growth recorded the highest mean score (M = 4.15), followed closely by long-term survival (M = 4.12) and profitability (M = 4.08). The overall mean of 4.12 demonstrates that most respondents considered their enterprises to be financially stable and capable of maintaining continued operations.

These findings suggest that many family-owned businesses have established practices that support sustained organizational performance despite operating within an increasingly competitive and dynamic business environment.

Correlation Analysis

To determine whether an association existed between tax planning practices and business sustainability, Pearson Product Moment Correlation Analysis was conducted.

Table 3: Correlation between Tax Planning Practices and Business Sustainability

Variables	Tax Planning	Sustainability
Tax Planning	1.000	
Sustainability	**0.69****	1.000

Note: $p < 0.01$

The analysis revealed a strong positive correlation between tax planning practices and the sustainability of family-owned businesses ($r = 0.69$, $p < 0.001$). The relationship was statistically significant, indicating that improvements in tax planning practices were associated with corresponding improvements in business sustainability. The magnitude of the correlation suggests that enterprises implementing stronger tax planning systems, including effective compliance, strategic tax planning, and sound record management are more likely to experience sustainable business performance than those with weaker tax management practices.

Regression Analysis

Simple linear regression analysis was performed to determine whether tax planning practices significantly predicted the sustainability of family-owned businesses.

Table 4: Model Summary

R	R^2	Adjusted R^2	Standard Error
0.69	0.48	0.47	0.56

The regression model produced a coefficient of determination (R^2) of 0.48, indicating that 48% of the variation in business sustainability could be explained by tax planning practices. Although this demonstrates that tax planning is a major predictor of sustainability, the remaining variation suggests that other organizational and environmental factors also contribute to business performance.

Table 5: ANOVA Results

Source	Sum of Squares	df	Mean Square	F	Sig.
Regression	72.83	1	72.83	234.29	0.000
Residual	78.90	278	0.284		
Total	151.73	279			

The analysis of variance confirmed that the regression model was statistically significant ($F(1,278) = 234.29$, $p < 0.001$). This finding demonstrates that tax planning practices provide a meaningful explanation of variations in the sustainability of family-owned businesses and that the fitted regression model adequately represents the observed data.

Table 6: Regression Coefficients

Variable	β	Standard Error	t	Sig.
Constant	1.38	0.23	6.00	0.000
Tax Planning Practices	0.69	0.05	15.31	0.000

The regression coefficient indicates that tax planning practices exert a positive and statistically significant influence on business sustainability ($\beta = 0.69$, $p < 0.001$). This implies that an improvement of one unit in tax planning practices is associated with an estimated 0.69-unit increase in the sustainability of family-owned businesses.

Based on these findings, the study rejects the null hypothesis, which stated that tax planning practices have no statistically significant influence on the sustainability of family-owned businesses in Kericho County, Kenya. The evidence demonstrates that effective tax planning contributes significantly to sustainable business performance.

Summary of Findings

The analysis provides consistent evidence that tax planning practices are an important determinant of the sustainability of family-owned businesses. Descriptive statistics indicate that tax planning practices are widely implemented, with tax compliance recording the highest level of adoption among the enterprises surveyed. The businesses also reported relatively high levels of sustainability across indicators of growth, profitability, and long-term survival.

Inferential analysis further established a strong positive relationship between tax planning practices and business sustainability. The regression results confirmed that tax planning practices explain a substantial proportion of the variation in sustainability outcomes and significantly enhance organizational sustainability. Collectively, these findings support the proposition that strategic tax planning represents an essential component of effective financial management and contributes to the long-term success of family-owned businesses operating in Kericho County.

DISCUSSION

The purpose of this study was to examine the influence of tax planning practices on the sustainability of family-owned businesses in Kericho County, Kenya. The findings demonstrate that tax planning is more than a statutory obligation; it is a strategic financial management practice that contributes significantly to long-term business sustainability. Both descriptive and inferential analyses consistently indicate that enterprises implementing effective tax planning practices are more likely to experience sustained growth, improved profitability, and greater business continuity.

The descriptive findings show that family-owned businesses generally reported a relatively high level of implementation of tax planning practices, with an overall mean score of 3.95. Among the various dimensions of tax planning, tax compliance recorded the highest level of implementation. This finding suggests that most business owners recognize the importance of complying with taxation laws and fulfilling statutory obligations. High compliance levels may reflect increased awareness of the financial and legal consequences associated with non-compliance, including penalties, interest charges, litigation, and reputational damage. Compliance also enables businesses to maintain positive relationships with regulatory authorities and supports uninterrupted business operations.

Although compliance levels were relatively high, the results indicate comparatively lower utilization of professional tax advisory services. This finding suggests that many family-owned businesses continue to rely primarily on personal experience or internal knowledge when making taxation decisions. While this approach may reduce immediate operational costs, it may also limit opportunities to identify legitimate tax-saving strategies, benefit from available tax incentives, and respond effectively to changes in taxation policies. Increased engagement with qualified tax professionals could therefore strengthen financial decision-making and improve overall business performance.

The study also established that the surveyed businesses reported relatively high levels of sustainability across the three indicators examined, namely business growth, profitability, and long-term survival. These findings suggest that many family-owned enterprises have developed financial and operational capabilities that enable them to remain competitive despite operating within a challenging economic environment. Nevertheless, sustaining this performance requires continuous improvement in financial management practices, particularly those relating to taxation, financial planning, and regulatory compliance.

Correlation analysis revealed a strong positive and statistically significant relationship between tax planning practices and business sustainability ($r = 0.69$, $p < 0.001$). This result indicates that businesses with stronger tax planning systems generally achieve better sustainability outcomes than those with weaker tax management practices. Effective tax planning contributes to improved cash flow management, reduces unnecessary tax-related expenditures, and enhances the availability of financial resources for reinvestment and business expansion. Consequently, organizations that strategically manage their tax obligations are better positioned to withstand economic uncertainty and maintain long-term operational stability.

The regression analysis further reinforces these findings. The coefficient of determination ($R^2 = 0.48$) indicates that tax planning practices explain approximately 48% of the variation in the sustainability of family-owned businesses. This demonstrates that tax planning is a major predictor of sustainable business performance within the study context. Furthermore, the regression coefficient ($\beta = 0.69$, $p < 0.001$) confirms that improvements in tax planning practices are associated with corresponding improvements in business sustainability. Although more than half of the variation in sustainability remains attributable to other organizational and environmental factors, the results clearly establish tax planning as a significant contributor to business success.

The findings provide empirical support for Financial Sustainability Theory, which argues that prudent financial planning and efficient allocation of organizational resources are fundamental to long-term sustainability. By maintaining effective tax compliance systems, utilizing available tax incentives, and implementing strategic tax planning practices, family-owned businesses preserve financial resources that can be directed toward operational activities, investment opportunities, and future expansion. These outcomes strengthen financial resilience and improve the capacity of businesses to sustain operations over extended periods.

The study also supports the propositions of Agency Theory, which emphasizes accountability, transparency, and responsible management of organizational resources.

Although ownership and management responsibilities frequently overlap within family-owned businesses, effective tax planning promotes disciplined financial reporting, systematic record management, and stronger internal controls. These practices enhance transparency, improve the quality of financial information, and facilitate informed managerial decision-making. Consequently, effective tax planning contributes not only to regulatory compliance but also to improved organizational governance and long-term sustainability.

The present findings are broadly consistent with earlier empirical studies reviewed in this research, which reported positive relationships between tax planning, financial performance, and organizational sustainability. Previous studies have demonstrated that businesses implementing effective tax planning practices experience improved profitability, stronger liquidity positions, and reduced exposure to tax-related risks through enhanced compliance and strategic financial management. The current study extends this body of knowledge by providing evidence from licensed family-owned businesses operating within Kericho County, Kenya. Unlike many previous studies that examined SMEs as a single category, this research focuses specifically on family-owned enterprises, thereby addressing an important gap in existing literature.

Overall, the findings demonstrate that tax planning should be regarded as a strategic component of financial management rather than merely a legal compliance requirement. Businesses that integrate tax planning into their broader financial management systems are more likely to strengthen financial stability, improve profitability, and achieve sustainable long-term growth. These findings have practical implications for business owners, policymakers, financial advisors, and institutions responsible for enterprise development, highlighting the importance of promoting strategic tax planning as a means of enhancing the sustainability of family-owned businesses.

CONCLUSION

This study examined the influence of tax planning practices on the sustainability of family-owned businesses in Kericho County, Kenya. The findings provide clear empirical evidence that effective tax planning is an important determinant of sustainable business performance. Businesses that implemented stronger tax planning practices generally demonstrated higher levels of growth, profitability, and long-term continuity than those with less effective tax management systems.

The descriptive findings revealed that tax planning practices were widely adopted among the enterprises surveyed, with tax compliance emerging as the most consistently implemented component. Nevertheless, the comparatively lower use of professional tax advisory services suggests that many businesses have not yet fully embraced strategic tax planning as part of their overall financial management framework. This indicates an opportunity for family-owned businesses to strengthen their financial decision-making by increasing the use of professional tax expertise.

Inferential analysis further confirmed that tax planning practices have a statistically significant positive effect on business sustainability. The strong positive correlation and regression results demonstrate that improvements in tax planning are associated with corresponding improvements in sustainability outcomes. These findings indicate that strategic management of tax obligations enables businesses to improve financial stability, optimize resource utilization, reduce avoidable compliance costs, and enhance their capacity for long-term growth.

Accordingly, the study rejects the null hypothesis that tax planning practices have no statistically significant influence on the sustainability of family-owned businesses in Kericho County. The evidence supports the conclusion that tax planning should be regarded as a strategic financial management function that contributes directly to organizational sustainability rather than merely as a legal compliance requirement.

PRACTICAL IMPLICATIONS

The findings of this study provide useful insights for business owners, government agencies, financial professionals, and organizations involved in enterprise development.

For family-owned businesses, the results emphasize the importance of incorporating tax planning into broader financial management processes. Maintaining accurate financial records, preparing tax obligations in advance, complying consistently with tax regulations, and making effective use of available tax incentives can improve financial efficiency and strengthen long-term business performance. Business owners should also consider engaging qualified tax professionals to obtain expert guidance on changing tax legislation and strategic tax planning opportunities.

Government institutions responsible for taxation and enterprise development may use these findings to strengthen taxpayer education initiatives targeting family-owned businesses. Expanding training programs, providing practical guidance on tax compliance, simplifying tax administration procedures, and improving access to digital tax services could encourage voluntary compliance while reducing the administrative burden faced by small enterprises.

Financial institutions, business associations, and enterprise support organizations may also apply these findings by integrating tax planning into entrepreneurship training and financial literacy programs. Enhancing entrepreneurs' knowledge of tax management practices is likely to improve financial decision-making, strengthen business resilience, and promote sustainable enterprise growth.

LIMITATIONS OF THE STUDY

Although this study achieved its objectives, several limitations should be acknowledged when interpreting the findings.

First, the study focused exclusively on licensed family-owned businesses operating within Kericho County. Consequently, the findings may not be fully generalizable to enterprises located in other counties or regions that operate under different economic, regulatory, or institutional conditions.

Second, the study employed a cross-sectional research design, meaning that data were collected at a single point in time. While this approach enabled the examination of existing relationships between the study variables, it did not capture how tax planning practices and business sustainability may change over time.

Finally, the study examined tax planning practices as the principal explanatory variable influencing business sustainability. Other factors, including financial literacy, access to finance, corporate governance, entrepreneurial competencies, innovation, technological adoption, and broader macroeconomic conditions, were beyond the scope of this investigation. These factors may also contribute significantly to sustainable business performance.

SCOPE FOR FUTURE RESEARCH

Future studies should extend this research by examining family-owned businesses in other counties and regions of Kenya. Comparative studies involving multiple geographical locations would provide broader evidence regarding the influence of tax planning practices under different economic and regulatory environments.

Further research should also incorporate additional variables that may influence business sustainability, including financial literacy, access to credit, corporate governance practices, innovation capability, digital taxation systems, entrepreneurial skills, and technological adoption. Examining these factors alongside tax planning would provide a more comprehensive understanding of the determinants of sustainable business performance.

In addition, future researchers are encouraged to adopt longitudinal research designs to investigate how tax planning practices influence organizational sustainability over extended periods. Longitudinal studies would provide stronger evidence regarding causal relationships and enable researchers to evaluate the long-term effects of taxation policies, financial management strategies, and changing business environments on the continuity and growth of family-owned enterprises.

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CONFLICT OF INTEREST

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