




Research Article

An Investigation of Factors Contributing to Tax Avoidance and Evasion Among Cross-Border Traders in Lilongwe City, Malawi

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Abstract

This research investigates tax evasion and avoidance among cross-border informal traders in Lilongwe City, Malawi, in order to examine factors affecting compliance behaviour and investigate mechanisms for improving tax collection. A mixed-methods design was employed, combining survey data from 62 structured questionnaires and qualitative data from interviews and focus group discussions conducted with the traders and stakeholders. The survey assessed demographic and socio-economic profiles of traders, awareness and knowledge of tax demands, the impact of institutional and regulatory frameworks, perceptions of the taxation regime, and the contribution of government policies toward enforcing compliance. The results indicate that although most traders are cognizant of their tax burden, tax compliance is frustrated by excessive taxation rates, burdensome processes, corruption, and the absence of effective enforcement. The majority of traders are young, relatively educated, and are trading on a small scale, and experience difficulties with insufficient training and capacity to deal effectively with tax systems, leading to both deliberate and inadvertent non-compliance. The report highlights the need for transparency, fairness, taxpayer education, and selective incentives in order to enhance voluntary compliance. The study recommends tax policy reform, simplified procedures, enhanced capacity-building programs, stronger anti-corruption efforts, and enabling incentives to small traders. More broadly, the research adds to knowledge of informal taxation of trade in Malawi and provides policy-relevant recommendations to enhance the tax base and encourage compliance.

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KEYWORDS: Tax compliance, tax avoidance, tax evasion, cross-border trade, informal traders, Malawi, tax policy, enforcement, capacity building.

1. INTRODUCTION

Background of the Topic

Tax avoidance and evasion are ongoing global issues that erode the capacity of governments to mobilize sufficient domestic resources for sustainable development (OECD, 2021). The Sub-Saharan region is losing billions of dollars annually due to these

activities, which enhance fiscal vulnerability and constrain the financing of vital services such as healthcare, education, and infrastructure (UNCTAD, 2020). In developing nations like Malawi, revenue from taxation is the backbone of the national budget, being the main source of financing for the government (IMF, 2022). Compliance is hampered by the pervasive

informality of economic activity, especially in the cross-border trade economy.

Cross-border trade in Malawi entails the exportation and importation of goods and services to and from the neighboring countries, namely Zambia, Mozambique, and Tanzania. Although this sector has both registered businesses and unregistered traders, the latter are numerous in number but are mostly outside the tax net. The majority of informal traders operate without business licenses, have weak record-keeping systems, and consistently fail to pay taxes (Chiumia, 2022). Malangalanga, Bwaila Street, Area 2 Bwalo la Njovu, and Area 3 Old Town are some of the markets in Lilongwe City that serve as focal points of such activity. For most households, participation in these markets is not only a business activity but also a survival mechanism in the face of scarce formal employment opportunities.

Tax avoidance by informal cross-border traders is a result of interrelated problems. Disincentive is created due to high tax rates, particularly among those with low profit margins. Lack of tax act awareness and inadequate taxpayer education create misunderstandings. Inefficiencies and bureaucratic delays are also mentioned by traders as further disincentives. Weak enforcement and entrenched corruption create loopholes for avoidance, and prevalent poverty compels most traders to focus on survival from day to day at the cost of legal compliance (Fjeldstad, 2023).

Despite the sector's significance, limited empirical research exists on the specific drivers of tax avoidance and evasion among Malawi's cross-border traders. Current estimates by the Malawi Revenue Authority (MRA) suggest that less than 60% of the country's potential tax revenue is collected, with informal markets accounting for much of the shortfall. This means that over a third of taxable income is uncollected, underscoring the seriousness of the issue. Bridging this gap requires a number of interventions: improving the education of taxpayers, simplification of procedures, leveraging the application of online platforms such as Msonkho Online, increasing enforcement, and fighting corruption in tax administration. In addition, the design of low-cost and fair tax systems tailored for small-scale business people, as well as incentives to formalize, may facilitate voluntary compliance.

This study seeks to advance the policy debate by analyzing the root causes of tax avoidance and evasion among informal cross-border traders in Lilongwe City. By examining the structural, institutional, and behavioral dimensions of non-compliance, the research aims to generate evidence-based recommendations that can support tax reforms. Ultimately, the study intends to contribute to domestic revenue mobilization while promoting inclusive growth and encouraging the gradual formalization of Malawi's cross-border trade sector.

2. OBJECTIVES OF RESEARCH

Main Objective

The main objective of this research study is to investigate the factors contributing to tax avoidance and evasion among cross-border traders in Lilongwe City, Malawi.

Specific Objectives

1. To identify the socio-economic characteristics of cross-border traders who affect tax compliance in the city of Lilongwe.
2. To assess the level of awareness and understanding about tax obligations between traders across the border.
3. To investigate the impact of institutional and regulatory factors, including enforcement and alleged corruption, on tax compliance.
4. To analyze how the characteristics of the tax system, such as tax rates and processes, affect compliance behaviour.
5. Proposing policy measures aimed at improving tax compliance between cross traders in Lilongwe city.

Scope of the Discussion

This study is geographically located in the major business zones of Lilongwe City, Malawi, specifically Malangalanga Market, Region 2 Bwalo la Njovu, Bwaila Street, and Region 3 Old Town, which are identified as central points of cross-border trading that is primarily conducted with border countries, including Zambia, Mozambique, and Tanzania (Malunga, 2021). The study investigates the notion of tax compliance, and focuses on the socio-economic characteristics of traders, their views and comprehension of taxation obligations, the conditional factors of institutions or regulatory, and structural characteristics of the tax system that enable non-compliance. The study does not include formal large importers and exporters who have engaged in the structured, formal economy.

Temporally, the study is limited to the period 2015–2025 in an effort to record recent data, policies, and trends that reflect the current reality (World Bank, 2020). Data collection of both qualitative and quantitative methods will be towards traders engaging in cross-border trade. Although the findings reflect a Lilongwe City setting, they are expected to be generally relevant for tax reform and regulating the informal trader sector in other cities in Malawi and Sub-Saharan Africa (Kedir, 2021). The quantitative part of the study will include questionnaires devised in a structured method.

3. LITERATURE REVIEW

Overview of Previous Studies or Relevant Research Empirical Literature Review

Extensive empirical research at both an international and national level has studied patterns of tax compliance and the factors that drive taxpayer behavior. Findings have consistently revealed that socio-economic attributes, including income, levels of education, and your own profession, matter and demonstrate relevance to compliance. Important institutional factors such as the capabilities of the tax authority, the effectiveness of enforcement, and public views on governance also emerge as essential. Alongside these, also seen in the literature is the importance of tax literacy and awareness. Research indicates the influence of knowledge of taxation on compliance to a degree (Kassie & Teklewold, 2020).

In Malawi, research into informal cross-border trade again draws parallels and similarities to sub-Saharan African patterns

whilst recognising important national realities. Research suggests that informal traders often operate in a constrained socio-economic environment, finding themselves more likely to engage with but having limited access to many of the formal financial services and, meanwhile, regulations that can both hinder compliance and discourage compliance and the regulation of tax (Chipeta, 2021). The empirical research here has explored the interplay between individual, institutional, and structural factors relating to tax evasion and avoidance.

This review organizes the literature thematically, summarizing research findings, methodology, and limitations. This is designed to curate the research at a global, regional, and local level to inform the socio-economic, institutional, and regulatory drivers of tax behavior and to identify deficits in the research to be filled in this study.

Social Economic Determinants

Several studies have shown how economic difficulty and dependence on informal livelihoods shape behavior. In his study by SME in (Thomas & Munthali 2020), in their studies in Mchinji and Karonga, they found that many traders failed to pay taxes not out of resistance, but because the tax systems were unsuitable for their small-scale operations. The traders threatened their existence, compliant about both expense and bureaucracy, and thus called for simplified rules to suit micro-businessmen. However, the narrow geographical scope and lack of longitudinal analysis of the study limited wide insight.

Similarly, Mzumara (2020) found that urban vendors in Blantyre and Lilongwe faced complex registration procedures, weak incentives for compliance, and disabled government service distribution, all of which reinforced comprehensive theft. While the study offered valuable insight, its dependence on self-reported data and the absence of triangular sources disrupted its reliability.

On a large scale, Evans (2022), drawing from Southeast Asia and Sub-Saharan Africa, concluded that compliance cost presents a significant obstacle to formalities for small firms. Although the study emphasized the importance of simplifying the system, it provided limited practical guidance to the administration by resources, making Malawi less directly to Malawi.

Another major topic in literature is the importance of trust in the government and the perception of fairness in shaping tax behavior. Using cross-transit data from (Martinez,2023), in Africa and Latin America, it has been shown that voluntary compliance increases where citizens believe that tax systems are justified and governments are reliable. However, dependence on perception data increases concerns about short-term bias and content.

In Malawi, Charles (2021) found that the perceptions of corruption, discriminatory audit, and the government's failure to organize tax revenue in public goods eradicated compliance. Useful in identifying governance -transportation links, the study offered limited actionable strategies for the reconstruction of trust.

(Feldstad, 2023) emphasized that the validity of the state is central to compliance in sub-city Africa, given that taxpayers are less likely to comply with taxpayers when looking at tax enforcement as corrupt or unfair. While the conclusions are relevant, Malawi was not included directly in the primary dataset. Similarly, (ATAF,2019) reported that about half of sub-Saharan Africa is informal, which connects widespread transparency, low literacy, and widespread theft with poor border management. However, regional generalization has limited the utility of the report for country-specific improvement strategies.

Socio-Economic Determinants of Tax Compliance

Various studies have examined how economic hardships and off-the-books livelihoods shape tax compliance decisions. (Thomas and Munthali 2020), A study of small and medium-sized enterprises (SMEs) in border districts of Mchinji and Karonga found that most traders contribute little or no tax, not out of ill will, but because the existing tax systems are incompatible with their scale of business. Many informal traders perceived formalization as costly and bureaucratic, with compliance seen as a threat to their survival. They recommended introducing a tax regime tailored to micro-traders. However, the study's geographic scope was limited to two districts and lacked longitudinal analysis, restricting insights into long-term behavioral changes.

(Mzumara 2020), In their study of urban informal market vendors in Blantyre and Lilongwe, they identified complex registration procedures, limited incentives for cooperation, and inefficient government service delivery as key contributors to widespread evasion. While their quantitative questionnaires and interviews provided a snapshot of taxpayer attitudes, the study was limited by self-reporting biases and the lack of triangulated data sources.

At a broader level, Evans (2022) conducted field research in Southeast Asia and sub-Saharan Africa and concluded that tax compliance costs for small businesses are significant barriers to formalization. While advocating for system simplification, the study did not provide actionable insights for resource-constrained tax administrations, limiting its relevance to the Malawian context.

Institutional Trust and Governance

Another key theme in the literature is the influence of trust in institutions, governance, and perceived fairness on tax behavior. Martinez-Vazquez (2023), using cross-country data from Africa and Latin America, found that voluntary tax compliance rises in societies where taxpayers perceive the government as honest and tax systems as equitable. However, the study relied heavily on perception data, which may reflect short-term political moods rather than long-term institutional arrangements.

In Malawi, Charles (2021) surveyed urban and peri-urban citizens and found that corruption perceptions, discriminatory audits, and failure to reinvest tax revenues in public goods reduced compliance likelihood. While valuable in linking

governance and compliance, the study lacked practical policy recommendations to restore institutional trust.

(Fjeldstad, 2023) Extended this idea in a Sub-Saharan African context, highlighting that state legitimacy is central to tax morale, taxpayers conceal income when officials are perceived as corrupt or enforcement is unfair. Although the sample was large, Malawi was not included, limiting direct applicability. The African Tax Administration Forum (ATAF, 2019) similarly highlighted that nearly 50% of Sub-Saharan Africa's trade is informal, attributing this to untransparent systems, low taxation literacy, and poor border management. While regionally informative, the report generalized trends across countries with diverse institutional capacities and did not provide localized reform strategies.

Tax Morale, Literacy, and Public Perceptions

Tax compliance is also influenced by internalized civic duty, tax knowledge, and moral obligation, collectively referred to as tax morale. Benno (2019) argued using cross-sectional global data that internal motivation is a key compliance driver, especially where formal enforcement is weak. Critics, however, suggest that moral appeals alone are insufficient in contexts of weak governance and mismanaged public funds.

Kasamabala (2018) focused on urban informal markets in Malawi and found that low tax literacy is a primary driver of avoidance. The study emphasized community-level education but did not examine whether such interventions led to sustainable behavioral change. Similarly, the Malawi Revenue Authority (MRA, Annual Compliance Report, 2021) reported that over 60% of informal cross-border traders were unlicensed or unregistered, citing inadequate knowledge of tax processes and weak enforcement as key factors. However, the report was largely administrative and lacked deep engagement with traders' experiences and motivations.

Methodological Reflections Across the Literature

Empirical tax compliance research employs diverse instruments, from large cross-country surveys (Torgler, Alm, & Martinez-Vazquez, 2020) to country-specific case studies and national surveys (Chipeta, 2021; Banda & Mzumara, 2020; MRA, 2021). While these studies offer insights into determinants of compliance, institutional limitations, and taxpayer attitudes, a common methodological weakness is a mismatch between qualitative and quantitative depth.

For example, administrative reports like (MRA, 2021) and (ATAF, 2019) capture general trends but provide limited insight into behavioral drivers, whereas studies relying on self-reported questionnaires (Banda & Mzumara, 2020; Chipeta, 2021) are susceptible to social desirability bias and intentional misreporting. Moreover, few studies apply mixed-methods or longitudinal designs, limiting understanding of how compliance changes over time in response to policy, enforcement, or socio-economic shifts, especially in informal trade contexts.

Theoretical framework

Many principles want to explain why people follow or survive taxes. In Malawi, it is important to understand these approaches to check the behavior of informal border traders, which is compliant by both structural and behaviour affected by factors. The principles below inform this study.

Economic Deterrence Theory

Deterrence's Economic Principle (Oingam and Sandmo, 1972) believes that taxpayers take rational decisions, leading to the benefit of theft against risk and punishment detection. In Malawi, the Malawi Revenue Authority (MRA) has a short-term compliance benefit (ATAF, 2021) as a result of preventive measures such as boundary patrol, seizures, and prosecution. However, the enforcement of resource boundaries, corruption perceptions, and limited taxpayer awareness have been reduced (Mwaungulu, 2020). This means that prevention alone is not enough; It should be complemented by taxpayer education, trust, and institutional improvement.

Fiscal Exchange Theory

Fiscal Exchange Theory (Sebastian, 2007) emphasizes a social contract. Taxpayers follow whether they experience tangible benefits from taxation, namely, infrastructure, hassle-free customs services, and security. The Malawian data shows high compliance in the border post where there are better services (World Bank, 2020; Mzumara, 2020). Low literacy, absence of transparency, and weak communication of government intervention weaken this exchange relationship. Therefore, good policy must be accompanied by service distribution with clear communication strategies to restore trust.

Theory of Planned Behaviour

Ajzen (1991). The principle of planned behaviour focuses on approach, social norms, and perceived behavior controls as motivators of compliance. Informal traders mimic non-compliance of peers, especially where theft is not approved, and bureaucracy and expensive processes disintegrate. Empirical observation suggests that simplification of registration processes has improved compliance in Lilongwe markets (MRA, 2022). This theory reduces structural obstacles such as corruption and poverty, which can override individual intentions.

Institutional Theory

Institutional theory (Scott, 2014) emphasizes that compliance is based on the alleged validity, capacity, and fairness of the institutions. In Malawi, the perceptions and mistrust of corruption in MRA processes decompose voluntary compliance (Chipped, 2021). In contrast, improvement can enable transparency and validity, such as digital platforms (eg, msonkho online). However, institutional reforms are gradual to gain belief and should be complemented with short-term incentives to formalize informal traders.

The Research Gap

Despite growing literature, important gaps remain in Malawi's context. Much of the research focuses on Blantyre, Mchinji, or national-level trends, leaving Lilongwe's informal cross-border trading hubs underexplored. Furthermore, studies rarely combine quantitative and qualitative methods, resulting in limited triangulation of findings. Temporal coverage is also weak, with few studies examining the 2015–2025 period, a decade marked by major policy reforms, the introduction of electronic platforms such as Msonkho Online and Electronic Fiscal Devices (EFDs), and external shocks such as COVID-19. Another gap lies in the lack of evidence-based recommendations tailored to the realities of small-scale cross-border traders. While many studies identify compliance challenges, few examine interventions such as simplified registration, targeted taxpayer education, or community engagement strategies. This study, therefore, aims to fill these gaps by applying a mixed-methods approach to examine the socio-economic, institutional, and behavioral determinants of tax compliance among informal cross-border traders in Lilongwe City. The ultimate goal is to generate context-sensitive recommendations that balance revenue mobilization with the livelihoods of traders.

4. DISCUSSION

Explanation of Key Concepts

Tax Compliance: The study refers to taxpayers which, in this study, fulfills the border merchants' legal tax obligations, including registration, accurate income declaration, and timely payment of arrears. This is a central concept in tax research, because an understanding of drivers of compliance is important to improve revenue raising, especially within the informal trade sector.

Tax Avoidance: A legal practice whereby taxpayers minimize their liabilities by exploiting loopholes, ambiguities, or weaknesses within the tax system. Although not unlawful, tax avoidance undermines the intent of tax legislation and contributes to revenue loss for governments (Slemrod & Yitzhaki, 2017; James & Nobes, 2019).

Tax Evasion: An illegal practice in which individuals or firms deliberately misrepresent information, hide, or provide the information to reduce their tax liability. General methods include low-reporting income, smuggling goods, and financial records manipulation (Chipeta, 2021). Within informal border trading, tax evasion is the most widespread form of non-transportation.

Informal Cross-Border Trade (ICBT) refers to small-scale trade across national borders, often conducted by unregistered individuals or micro-enterprises. While ICBT significantly contributes to livelihoods and local economies in Malawi, it frequently escapes taxation due to its informal nature (Mzumara, 2020).

Socio-Economic Characteristics: Trader-specific characteristics such as education, gender, income, and business that shape both the desire and ability to follow taxation. Studies show that limited income and education often reduce compliance between informal traders (Thomas and Munthali, 2020).

Institutional and Regulatory Factors: These include the enforcement capacity of tax authorities, the efficiency of procedures, and perceptions of corruption within the system. Such factors determine whether compliance is perceived as fair, feasible, and beneficial (Martinez-Vazquez, 2023; Charles, 2021).

Tax System Features: Structural components of a tax regime, including rates, filing requirements, penalties, and incentives. Research highlights that high rates and complex processes discourage compliance, whereas simplified regimes and incentives encourage it (Fjeldstad, 2023; Evans, 2022).

Tax Morale: The intrinsic motivation to pay taxes, shaped by fairness perceptions, trust in governance, and social norms. Higher tax morale increases voluntary compliance, while weak institutional trust undermines it (Benno, 2019; Kasamabala, 2018).

Awareness and Understanding of Tax Obligations

The study revealed that nearly all cross-border traders in Lilongwe City were aware of their legal obligation to pay taxes. Of the 62 respondents, 61 (98.4%) acknowledged awareness, while only one (1.6%) expressed ignorance. These findings suggest that ignorance is not a significant impediment to compliance. However, awareness did not necessarily translate into compliance, indicating a knowledge–practice gap. Traders often made informed choices to evade taxes, driven by factors such as negative perceptions of taxation, perceived discriminatory rates, corruption among enforcement officials, and weak monitoring systems.

Self-assessed understanding of tax rules varied. While 40.3% rated their knowledge as good and 29.0% as fair, 20% admitted poor or very poor understanding. Only 9.7% reported excellent knowledge. This uneven distribution of knowledge highlights a dual effect: poorly informed traders may evade taxes inadvertently, while well-informed traders may exploit their knowledge strategically to minimize their liabilities, consistent with findings from behavioral tax compliance literature.

Training and Sensitization on Tax Compliance

Less than half of the respondents (45.2%) reported having participated in training or sensitization workshops, while 54.8% had not. Limited access to structured training perpetuates misinformation and reliance on informal sources such as peer networks, which may encourage non-compliance. Traders exposed to training were more knowledgeable but not necessarily more compliant, suggesting that sensitization alone

does not guarantee adherence; rather, attitudes towards the tax system mediate its impact.

Institutional and Regulatory Factors

Traders expressed mixed perceptions of enforcement effectiveness. A combined 62.9% perceived enforcement mechanisms as effective or very effective, while 37.1% regarded them as ineffective. These divergent views imply that while enforcement fosters compliance for some, skepticism regarding consistency and fairness fuels opportunities for avoidance.

Corruption was identified as a significant institutional barrier. More than half of respondents (53.2%) reported that corruption among tax officials strongly influenced compliance decisions. This aligns with Institutional Theory, which posits that legitimacy and trust in governance are critical to fostering voluntary compliance. Furthermore, 69.4% of traders agreed that fair enforcement positively influences compliance, underscoring the role of equity and transparency in shaping behavioral outcomes.

Tax System Features and Compliance Behavior

High tax rates emerged as the most influential driver of evasion. A majority (58.1%) admitted to frequent tax evasion motivated by excessive rates, with an additional 22.6% evading occasionally. Similarly, perceptions of administrative burden were widespread: 59.7% considered tax procedures complex or very complex. Both high rates and procedural complexity were linked to deliberate and unintentional non-compliance, reflecting the explanatory power of the Economic Deterrence Model.

Measures to Improve Tax Compliance

Respondents emphasized economic relief and education as primary solutions. Lowering tax rates (38.7%) and expanding awareness/training programs (33.9%) were identified as key measures, while smaller shares proposed simplified procedures (9.7%), reduced corruption (9.7%), and support for small traders (8.1%). Incentives also proved influential: 74.2% of respondents stated they would comply if the government introduced compliance-related incentives. These findings suggest that both structural reforms (simplification, fairness, anti-corruption) and behavioral interventions (education, training, incentives) are necessary to improve compliance.

Cross-Tabulation Insights

Cross-tabulation analyses further demonstrated the nuanced relationship between socio-economic characteristics and compliance behavior. Low-income traders (earning below MK2,000,000 monthly) were more likely to prioritize reduced tax rates and training, reflecting affordability and access constraints. Conversely, wealthier traders emphasized governance concerns such as transparency and corruption reduction. Income also correlated negatively with tax evasion frequency: the poorest traders reported the highest rates of evasion due to the perceived unsustainable burden of taxation.

Education level positively influenced knowledge of tax rules, though deficiencies persisted even among tertiary-educated respondents, suggesting that formal education alone is insufficient without targeted tax training. Additionally, moderately experienced traders (1–3 years) were more likely to participate in sensitization programs than new entrants or long-established traders, indicating that program outreach may not adequately capture the most vulnerable groups.

5. FINDINGS/OBSERVATIONS

Key Insights

1. **High awareness but low compliance** – Awareness of tax obligations (98.4%) does not guarantee compliance, highlighting a knowledge–practice gap.
2. **Uneven depth of knowledge** – While 40.3% had good knowledge, 20% rated theirs as poor or very poor, enabling both deliberate and unintentional non-compliance.
3. **Training is limited and insufficient** – Only 45.2% of traders had received training, and even trained traders sometimes evaded taxes.
4. **Institutional weakness and corruption** – 37.1% viewed enforcement as weak, and 53.2% cited corruption as a major barrier, undermining trust in tax authorities.
5. **Perceptions of excessive taxation** – 74.1% perceived tax rates as high or very high; 58.1% admitted to frequent evasion due to affordability concerns.
6. **Procedural complexity reduces compliance** – 59.7% found procedures complex, increasing reliance on informal systems.
7. **Policy priorities for traders** – Lowering tax rates (38.7%) and expanding awareness (33.9%) were seen as the most effective strategies, with incentives viewed as additional motivators.

Table 1: Statistical Analysis of the Findings

Variable	Response (%)	Interpretation
Awareness of tax obligations	98.4% aware	High general awareness, low ignorance
Understanding of tax rules	Good: 40.3%, Fair: 29%, Poor/Very Poor: 20%	Knowledge gaps affect the compliance type
Training participation	45.2% trained	Limited formal sensitization
Perception of enforcement effectiveness	Effective/Very Effective: 62.9%	Mixed perceptions influence compliance
Perception of corruption impact	Major/Partial: 62.9%	Corruption undermines legitimacy
Tax rates are perceived as high	74.10%	High rates drive evasion
Tax procedure complexity	Complex/Very Complex: 59.7%	Procedural burden affects compliance
Suggested measures for compliance	Lower tax rates 38.7%, Awareness/training 33.9%	Economic relief and education are key

6. CONCLUSION AND RECOMMENDATIONS

Summary of the Main Points

The study concluded that tax avoidance and evasion among cross-border traders in Lilongwe City are influenced not by a lack of awareness but by systemic and institutional challenges. High tax rates, complex procedures, and corruption remain the key drivers of non-compliance, particularly among small-scale and low-income traders. However, the findings also show that transparency, fairness, and education can significantly enhance compliance if properly implemented. By reforming tax policies, simplifying procedures, strengthening accountability, and introducing supportive measures, government institutions can expand the tax base while ensuring equity and sustainability. Ultimately, addressing the identified barriers is essential for building a fairer and more effective tax system that promotes both economic growth and government revenue.

Suggestions For Future Research or Actions

The findings of this study provide the basis for implementing measures targeted to improve tax compliance between informal traders from across the border in Lilongwe city. The recommendations are focused on overcoming systemic obstacles such as high tax rates, procedural barriers, corrupt practices, and lack of enforcement, while voluntary compliance (Feldstad & Hegstad, 2012) also offers support for creating an atmosphere. By focusing on changes in institutional drivers of both economic factors and behavior, these measures should help to develop confidence in tax administration, improve compliance with tax obligations, widen the tax base, and develop a fair and more durable tax system (Kirchler, 2007)

The proposals are based on evidence of an interconnected relationship between socio-economic situations, business experiences, institutional approaches, and behavioral reactions, which show tax evasion and informal cross-border trade. (Anuradha, Wilson, & Christopher, 2014). There is evidence of the balance between enforcement, education, transparency, and access to economic and institutional obstacles for compliance with proposals. Thus, both of them question practical measures on theory and theoretical paradigms such as preventive theory, responsible regulation theory, and social contract theory. Tax compliance emphasizes all these outlines on restrictions, responsible regulation, and validity participation (Brathwaite, 2003; Kirchler, 2007).

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