

## **Black Tax and its Impact on Entrepreneurship Growth in Zambia: A Conceptual Perspective**

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### **Abstract**

The purpose of this conceptual paper is to describe and contextualise the pervasive and yet under reported phenomenon, “**Black Tax**” and how it impacts entrepreneurship growth in Zambia. The author used extensive review of literature that encapsulates the key issues around Black Tax such as social norms and culture. The paper significantly contributes to the theoretical aspects as regards Black Tax. The paper argues that since Zambians are a highly collectivist society and consider themselves to be social actors as opposed to individualistic, they seek to share communal values over personal values. The paper posits that most entrepreneurs who hail from humble backgrounds feel obligated to help others mostly elderly or their siblings or children as a way of payback. Since traditionally it appears to be a taboo to express frugality to people that may have helped you in the past, entrepreneurs are left with no choice but to offer financial and or material support even when their businesses do not have capacity to lend such a hand. The paper posits that such culture, norms and traditions where Black Tax is normalised is partly responsible for SME under performance. The paper further posits that there is need for mindset change on the part of society generally and particularly those intending to venture into entrepreneurship as philanthropy and collectivism are at variance with entrepreneurship development

### **Keywords**

Black Tax,  
SME,  
Entrepreneurship,  
Frugality,  
Social Norms,  
Social order,  
Ubuntu

## 1. Introduction

The term *Black Tax* in the Zambian context is most often used differently to the way it is employed in other countries, say the United States or Namibia. In the United States, *Black Tax* is often understood as the additional burden placed on African Americans who need to work twice as hard to prove their worth (Stevens, 2014). In South Africa, *Black Tax* is a term used in general conversation, in social media, in newspapers and in the online press (Planting, 2013; Ratlebjane, 2015; Chabalala, 2016; Nt'sekhe, 2017). Ratlebjane (2015) describes *Black Tax* as the 'extra money that black professionals are coughing up every month to support their extended families'. In the Zambian context, *Black Tax* is a relatively new terminology depicting the frequent multiplicity of financial and material requests that come from all over the show, starting with close relatives, friends, churchmates, neighbours etc. 'Black Tax' is a term used to describe the duty of a black child to support their extended family financially: supporting their elderly parents, educating their siblings, building family homes, funding their sibling businesses, etc. This phenomenon mainly affects middle and lower-class families - the upper class rarely expects support from their children. In the actual sense, 'Black Tax' is a positive thing that was initially meant to be a way to propel the whole family out of poverty.

In this discourse, the author skews the impact of that this vice has had on the SMEs in Zambia and recommends some measures that could be adopted in aid of SMEs if they are to survive, at least from the demands of the vice. In Zambia, conversations around *Black Tax* are somehow measured and censored for varying reasons, ranging from culture to modernity, frugality to pomposity and so on and so forth. It is no secret that Zambians have been facing a lot of economic pressure in recent times. From rising fuel and food prices, to increasing interest rates on rentals and all other loans. It is clear to see that households are having to dig ever deeper into their limited pockets to get by. Small and Medium Enterprises (SMEs) have not been spared by these

predicaments. It is in trying times that the age-old debate about the "Black Tax" phenomenon to surface and resurface. This is the idea that one seemingly doing well financially is obligated to provide financial support to their extended families on a continuous basis. In this discourse, the author delves into the impact that this age-old phenomenon has had on the performance of SMEs in Zambia

The practice has always been a highly contested one, with two main groups of thought continually pushing against each other for widespread acceptance. The first group of thought is inseparable from African cultures all over the continent, and forms part of the widely admired philosophy of Ubuntu: "I am because we are". This group not only believes that *Black Tax* is an admirable responsibility of adult life, but that it also results in future benefits for them once the recipients have been empowered to earn an income for themselves. Some go as far as to say that *Black Tax* is essential for Africans to create generational wealth. The second group, which is growing in numbers, thinks the exact opposite. They believe that the practice represents only a burden: an outdated, unfair weight placed on a historically disadvantaged group that gets in the way of them creating wealth for themselves and their immediate families. This belief is especially popular amongst young professionals that are entering the workforce and trying to find their feet, and it is difficult to blame them.

## 2. Contextualising Black Tax in Zambia

The term "Black Tax" currently has no scientific definition. This phenomenon is fairly new and has yet to receive much attention from researchers and scholars. The only attention that is captured about "Black Tax" in Zambia is through conversations at workplaces and in social gatherings which are largely opinions and views rather than scientific. Although all of this has stimulated debates and triggered a new line of thinking, there still exists multiplicity of definitions of what constitute *Black Tax*.

According to Seid (2016) the term “Black Tax” is used to describe the obligation of employed black South Africans to provide for their extended family. Similarly, however in a different context, Matubatuba (2016) views Black Tax as black working-class individuals who are faced with the responsibility of supporting family members and others close to them.

Notwithstanding the above, this paper defines Black Tax in Zambia as a societal expectation which translates to a social norm. The author’s definition goes on in indicating that this societal expectation comes in different forms and not only in monetary value. The paper further posits that one’s responsibility to provide for family and relatives has been observed to be an important antecedent in defining people’s behaviour in collectivist countries such as Zambia. In other words, individual persons will act in a manner that ensures that they live out of society’s and family’s expectations. In the Zambian context, this might well be seen as the concept of Ubuntu that espouses “good or ideal morals” and behaviour (Gelfand, 1970).

The philosophy of Ubuntu derives from an Nguni word, ubuntu meaning “the quality of being human”. Ubuntu manifests itself through various human acts, clearly visible in social, political, and economic situations, as well as among family (Flippin, Jr, 2017). In other words, this means that one should always have a strong sense of consideration for others. According to the philosophy of Ubuntu, a person fully becomes mature and ‘complete’ by making his or her needs subservient to those of others (Gelfand, 1970).

### 3. Social Norm as a Determinant of Entrepreneurship Intentions

According to Linan (2004), social norms play an important role in constructing social order. Furthermore, the author also argues that such norms are the behavioural expectations and cues within a society or group. This study concerns itself with the influence of social norm as a determinant of entrepreneurship. Another

antecedent of intention is a social factor called social norm, which refers to “perceived social pressure to perform or not to perform the behavior” (Ajzen, 199). Past literature has shown controversial results on the relationship between social norm and entrepreneurial growth. For instance, Moriano, Gorgievski, Laguna, Stephan and Zarafshani (2012) confirm that social norm is a significant predictor of entrepreneurial growth. In addition, Van Gelderen et al. (2008) also found that social norm was important in explaining growth of entrepreneurship. Similarly, Engle et al. (2010) found subjective norms to be significantly related to intentions in 12 countries. The literature on social capital suggests that values and norms transmitted by “important others” may affect motivations (Casson & Della Giusta, 2007).

### 4. Impact of Black Tax on Entrepreneurship Growth

In Zambia, the need to place entrepreneurship on the economic pedestal has been underscored by the United Party for National Development (UPND) government by way of increasing Constituency Development Fund (CDF) from ZMK 1.6 Million (\$94,000) per constituency to ZMK 25.7 Million (\$1.5 Million), reforming of National Pension Scheme (NAPSA) to start paying lumpsum and waiver and reduction of penalties on delayed submission of returns. Further, SME development in Zambia has been placed as a high priority area towards national development as espoused in the 8<sup>th</sup> National Development Plan (8NDP) Strategy No 2: “*Improve Technical, Vocational and Entrepreneurship Skill*”. Many scholars that have written on failure causes of small businesses in Zambia have cited failure to separate business and personal finances as major cause. For instance, Kombe, D (2020) reported that 74% of SMEs failed partly due to their failure to separate business finances from personal finance.

He termed the phenomenon “comingling of finances”. Further, Mumba (2017) found out that the Zambian extended family (the basis of an extensive social security system) is, of course,

a drain on the successful businessman, but whereas any paid employee has a relatively fixed salary, which he cannot consistently over spend, the independent businessman continually faces the danger (exacerbated by the fact that his accounting system, such as it is may not disclose what is happening) that he may draw not only his profits (this limits his capacity to reinvest) but also in accumulated capital assets.

An observable trend is that once one starts a small business, either through acquisition of capital from the many empowerment funds such as Marketeer Loan Scheme, Citizen Economic Empowerment Commission (CEEC), Youth Empowerment or indeed any of the proffered empowerment schemes, relatives will be all over the entrepreneur with all sorts of financial and material requests. Suddenly, their children need school fees and shoes, they themselves need to start a small business as well but need small capital from the entrepreneur, funeral burial rituals wait for the entrepreneur and a whole horde of financial pressures mount.

To escape the social exclusion and in alignment of the “ubuntu”, the entrepreneur is obligated to assist financial or materially. In other instances, the entrepreneur may at one point during their youth been assisted in one way or another by the same people now looking for help, the conscious is that it is payback time. In the meantime, it is not clear whether this assistance or benevolent funding is coming from the net profit of slowly but surely coming from the capital

## **5. Limitations of the Study**

As indicated earlier, this is a conceptual paper. Consequently, this paper was limited to desktop research as well as observable phenomena. There was no empirical evidence in a form of survey, case study and interview(s) conducted. Furthermore, the lack of scientific literature in the area of ‘Black Tax’ was a major limitation of this paper.

## **6. Conclusions and Recommendations**

The purpose of this conceptual paper is to describe and contextualise a pervasive and yet under-reported phenomenon – ‘Black Tax’ – and how it influences growth of SMEs in Zambia. The paper argues that since individuals in Zambia are a highly collectivist society and consider themselves to be more of social actors than individuals; they seek to satisfy shared communal values over personal goals.

Naturally, societal piety expectations including ‘Black Tax’ govern individuals’ attitudes and behaviour. The paper posits that individuals’ perceptions of ‘Black Tax’ are an antecedent to behaviours such as entrepreneurship. Consequently, an extensive review of literature that encapsulates the key issues of Black Tax, social norm and entrepreneurship intentions, was conducted. This paper significantly contributes to the theoretical aspects with regards to Black Tax as a major phenomenon influencing a social order of an individual or group. This explanation of such behaviour can very well be extended towards explaining individuals’ desire towards entrepreneurship. Thereby, Black Tax might very well be the societal piety that influences youth to seek employment in lieu of engaging in entrepreneurship after schooling system, sometime without a chance to finish school. Further the paper also attempts to establish the association between Black Tax and growth of entrepreneurship in Zambia and as such the results may be applicable to the sub region where the cultures and customs are to a large extent similar.

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