UNIVERSITY OF CAPE COAST

TAXATION AND SMALL AND MEDIUM ENTERPRISES' GROWTH IN

THE BONO EAST REGION, GHANA

GILBERT AGIAH AGOLMAH

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BY

GILBERT AGIAH AGOLMAH

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Business Administration degree in Accounting

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DECLARATION

Candidate's Declaration

I hereby declare that this dissertation is the result of my original research and that no part of it has been presented for another degree in this university or elsewhere.

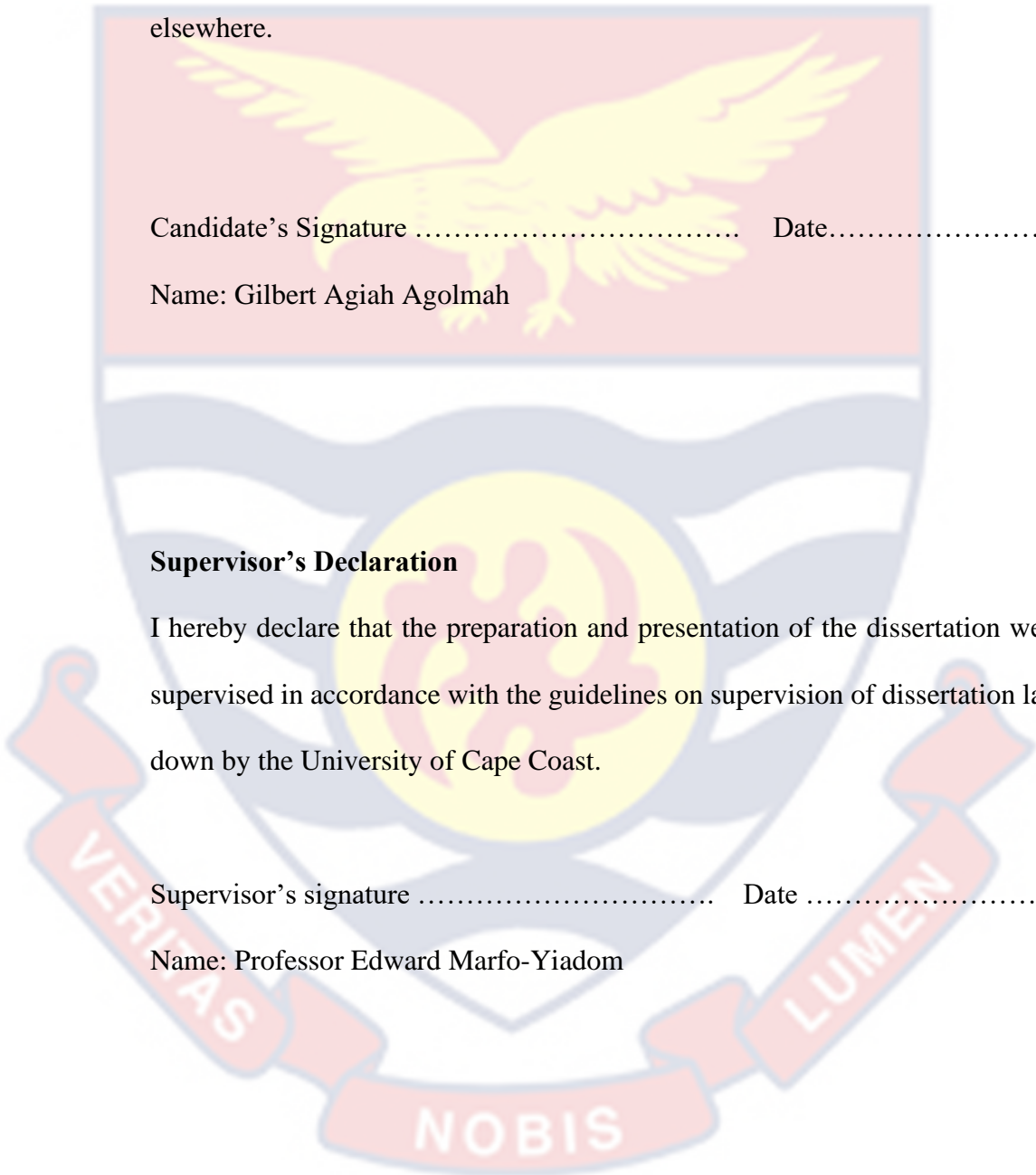Candidate's Signature ………………………….   Date……………………

Name: Gilbert Agiah Agolmah

Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation were supervised in accordance with the guidelines on supervision of dissertation laid down by the University of Cape Coast.

Supervisor's signature ………………………….   Date …………………….

Name: Professor Edward Marfo-Yiadom

ABSTRACT

The study examined the influence of taxation on Small and Medium Enterprises' growth in the Bono East region of Ghana. An explanatory research design was employed to quantitatively approach the conduct of this empirical study. The target population included Small and Medium Enterprises that were operating in the Bono East region. A simple random sampling technique was used to select the participants of the study and therefore structured questionnaire was issued to 400 Small and Medium Enterprises to obtain the primary data that relied on achieving the specific research objectives. The validity and reliability of the scales and the data were measured with principal component factor analysis and internal consistency respectively. Multiple regression was conducted to examine the specific research objectives. The study proved proves taxation relates positively to Small and Medium Enterprises' growth in the Bono East Region and that taxation accounts for a substantial positive significant variance in Small and Medium Enterprises' growth. Among the components of taxation that contribute significantly and in a positive manner to the growth of Small and Medium Enterprises include tax policy and tax administration. However, the tax system relates in an insignificant and negative manner to Small and Medium Enterprises' growth in the Bono East Region of Ghana. The study concludes that taxation overall significantly contributes positively to the growth of Small and Medium Enterprises. It is recommended that the relevant stakeholders introduce policy reforms that prioritize creating a tax system that can predict and facilitate the development and growth of SMEs in the region.

KEYWORDS

Growth and development

Small and Medium Enterprises

Taxation

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I want to thank the management of the Ghana Revenue Authority (GRA) Techiman Branch for providing a tall list of SMEs within the Bono East Region. It is my pleasure to give special thanks to Mohammed Mujtaba and Stapheny Gyasi, Research Fellows of the Kintampo Health Research Centre for their technical support.

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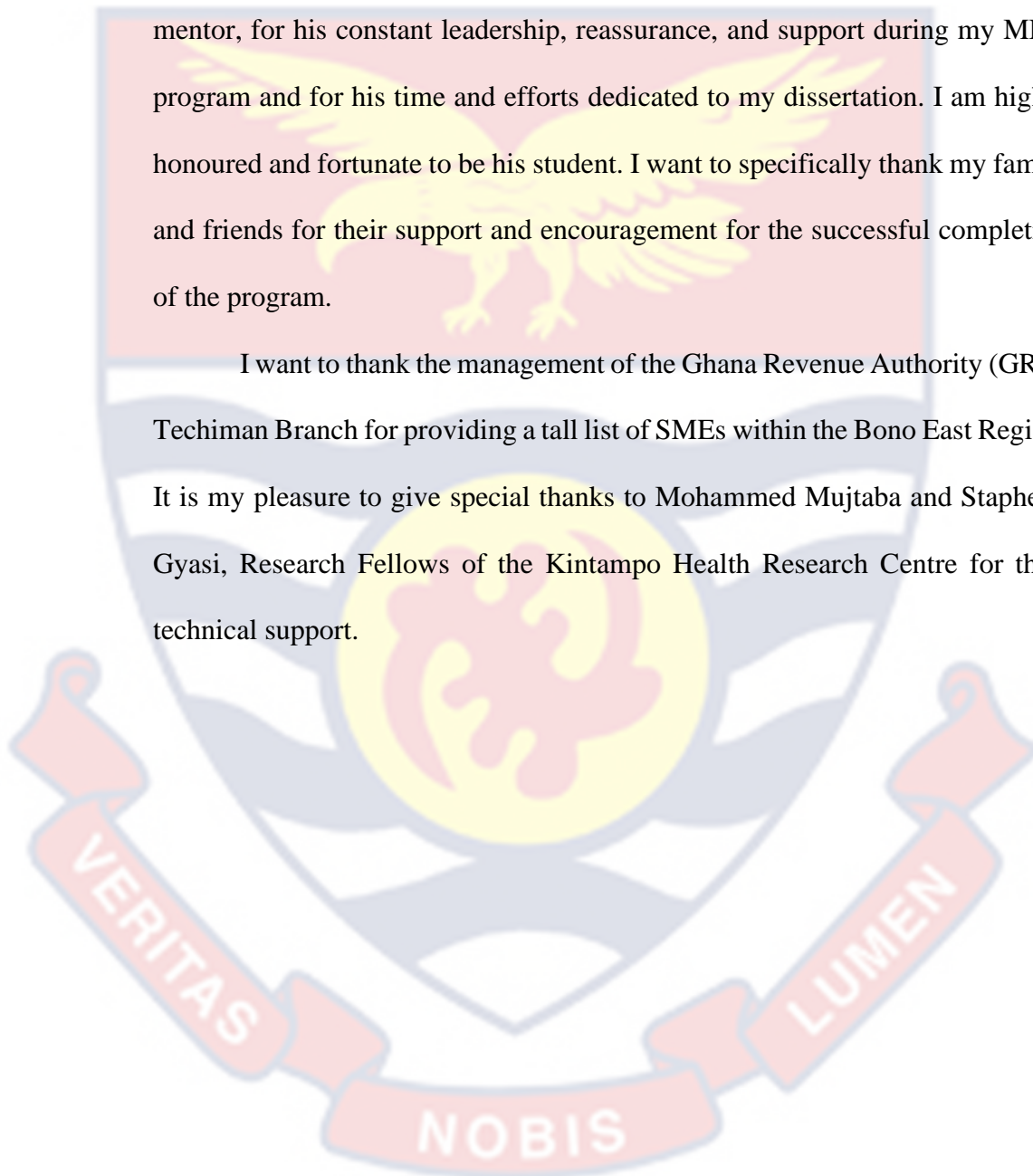
DEDICATION

To my wife, Esther Akadare and children; Brown Agolmah, Brain Fifi

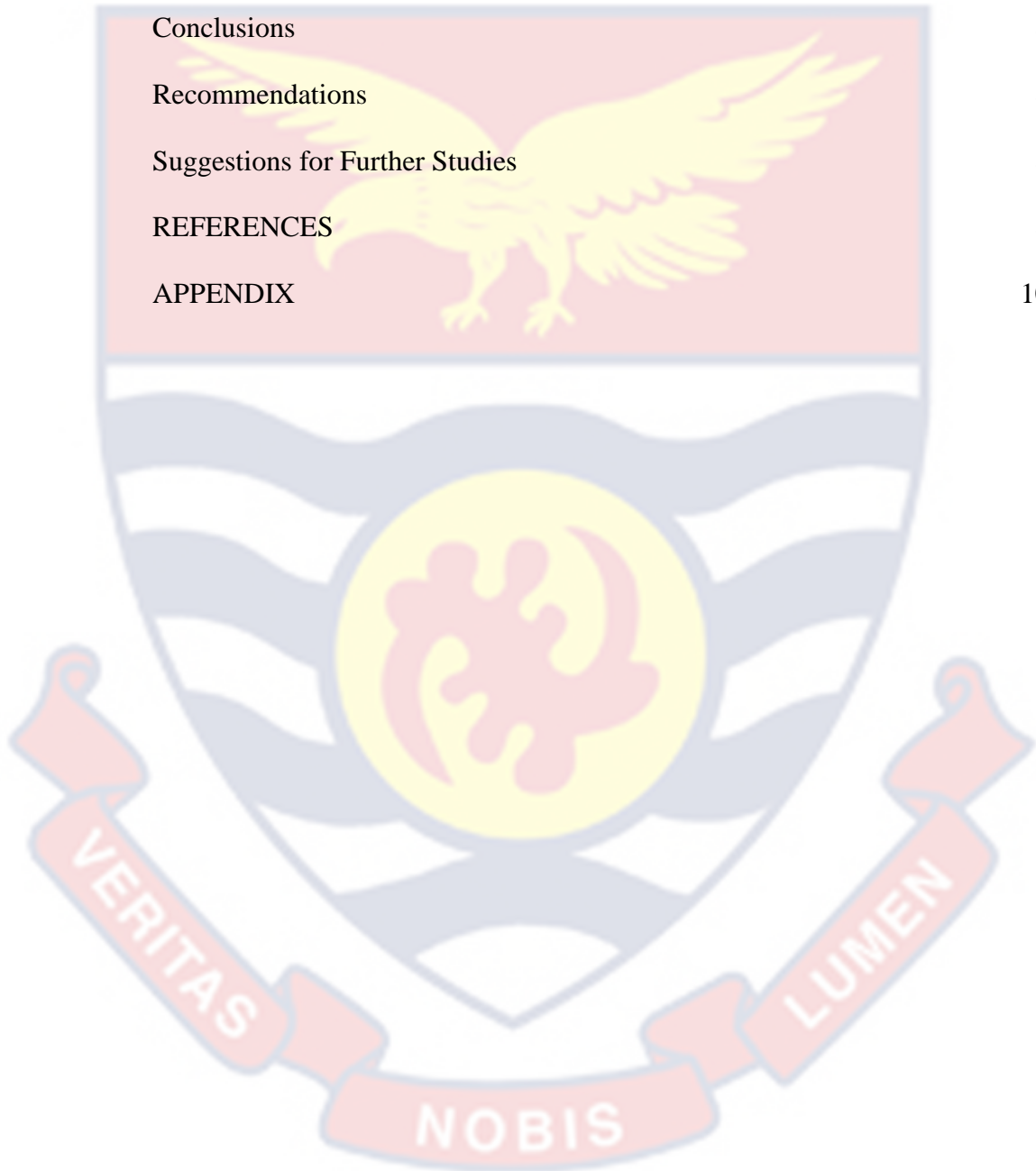Agolmah, Bryce Aka-etiko Agolmah and Bastain Agolmah.

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LIST OF ACRONYMS

BAC	Business Advisory Center
CHF	Cooperative Housing Foundation
CIT	Corporate Income Tax
EC	European Commission
GDP	Gross Domestic Product
GEA	Ghana Enterprise Agency
GET	Ghana Education Trust
GRA	Ghana Revenue Authority
GSS	Ghana Statistical Service
NHIL	National Health Insurance Levy
NSSBI	National Board for Small-Scale Business
PIT	Personal Income Tax
SMEs	Small and Medium Enterprises
VAT	Value-Added Tax
VFRS	VAT Flat Rate Scheme

CHAPTER ONE

INTRODUCTION

Tax payment is proof of the desire of every county to create a well-developed nation with a sound economy even though specific earners of income may see it as a platform for public exploitation (Drake, Lusch & Stekelberg, 2019). Globally, SMEs play a crucial role in the economic development of nations and world economies as they form a majority of businesses in countries (Cusmano & Koreen, 2017). In the Ghanaian context, this situation is evidenced by the report from the Ghana Statistical Service (2017) shows that SMEs constitute 92% of all registered firms in Ghana. The economic importance of SMEs cannot be overstated in Ghana's economy yet, the established tax systems in the country disproportionately affect SME as compared to larger firms. This existing problem necessitates this empirical study.

Background to the Study

Small and medium enterprises (SMEs) motivate business spirits and the diffusion of skills because SMEs enjoy a more varied geographical presence than big companies in developing countries (Panitchpakdi, 2006). In 1998, an International Labour Conference was held and this recommendation was adopted by member states to recognize the need for policy and legal framework in setting an environment for the development of small enterprises (Ameyaw, Korang, Twum, & Asante, 2016). Taxation contributes in three folds to the development and welfare of any economy and these are; the generation of adequate funds for public service financing and social transfers at the high level

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of quality, motivation for more employment and rationalization of income (Holban, 2007).

Taxation is one of the important rudiments in managing   national income in developed countries it has played an important role in the mobilization of national income (Gitaru, 2017). For dependability in government financing, taxation cannot be on a voluntary or discretionary contribution basis. Lymer and Oats (2009), defined tax as a compulsory levy imposed by the government or other tax-raising body on income, expenditure, or capital assets for which the taxpayer receives nothing specific in return. SMEs in developing countries as reckoned by Reuber and Fisher (2000) have several features in developing countries under the broad headings: labour characteristics, sectors of activity, gender of the owner and efficiency.

Given that most SMEs are one-person businesses; the largest employment category is working proprietors. This group made up more than half the SME workforce in most developing countries; their families tend to be unpaid but active in the enterprise, making up roughly another quarter. The remaining portion of the workforce is split between hired workers and trainees or apprentices. SMEs are more labour-intensive than larger firms and therefore have lower capital costs associated with job creation (Poschke & Stehrer, 2017; Guzman & Stern, 2020).

In terms of activity, they are mostly engaged in retailing, trading or manufacturing (Reuber & Fisher, 2000). While it is a common perception that the majority of SMEs will fall into the first category, the proportion of SME activity that takes place in the retail sector varies considerably between countries, and between rural and urban regions within countries. Retailing is

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mostly found in urban regions while manufacturing can be found in either rural or urban centres. However, the extent of involvement of a country in manufacturing will depend on several factors including, the availability of raw materials, taste and consumption patterns of domestic consumers and the level of development of the export markets.

The growth of SMEs in Ghana has not achieved much of its goal of playing a substantial role in the growth and development of the Ghanaian economy (Ameyaw, Korang, Twum & Asante, 2016). Governments have stepped up efforts to promote SME development through the increase of incentive schemes comprising budgetary allocations for technical assistance to these SMEs (Li, Anaba, Ma & Li, 2021). The government of Ghana levies numerous types of taxes to protect infant industries and safeguard fair competition among other SMEs (Ansong, 2017). However, the growth of SMEs is disturbed by high tax rates and tax complicity (Ngoobo, 2016). Taxes levied on SMEs increase the cost of production of goods and services and cause the increment of prices of goods thus affecting the final consumers.

In Ghana, SMEs can be categorized into urban and rural enterprises (Sarbah & Quaye, 2021). The former can be subdivided into "organized" and "unorganized" enterprises. The organized ones mostly have paid employees with a registered office whereas the unorganized category is mainly made up of artisans who work in open spaces, temporary wooden structures, or at homes and employ few or in some cases no salaried workers (Amoako & Boateng, 2022). They rely mostly on family members or apprentices. Rural enterprises are largely made up of family groups, individual artisans, and women engaged in food production from local crops (Sarbah & Quaye, 2021). The major

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activities within this sector include soap and detergents, fabrics, clothing and tailoring, textile and leather, village blacksmiths, ceramics, timber and mining, bricks and cement, beverages, food processing, bakeries, wood furniture, electronic assembly, agro-processing, chemical-based products and mechanics (Amoako & Boateng, 2022; Sarbah & Quaye, 2021).

There have been various definitions given for SMEs s in Ghana but the most commonly used criterion is the number of employees of the enterprise (Hagin & Caesar, 2021) In applying this definition, confusion often arises in respect of the arbitrariness and cut-off points used by the various official sources. In its Industrial Statistics, the Ghana Statistical Service (GSS) considers firms with fewer than 10 employees as small-scale enterprises and their counterparts with more than 10 employees as medium and large-sized enterprises. Ironically, the GSS in its national accounts considered companies with up to 9 employees as SMEs (Ayandibu, Kaseeram & Ayandibu, 2021). The value of fixed assets in the firm has also been used as an alternative criterion for defining SMEs.

However, the National Board for Small Scale Industries (NBSSI) in Ghana applies both the International Research Journal of Finance and Economics - Issue 39 (2010) 221 "fixed asset and a number of employees" criteria. It defines a small-scale enterprise as a firm with not more than 9 workers and has plant and machinery (excluding land, buildings and vehicles) not exceeding 10 million Ghanaian cedis. The Ghana Enterprise Development Commission (GEDC) on the other hand, uses a 10 million Ghanaian cedis upper limit definition for plant and machinery. It is important to caution that the process of valuing fixed assets poses a problem. Secondly, the continuous

depreciation of the local currency against major trading currencies often makes such definitions outdated (Dalitso & Peter, 2000).

In defining small-scale enterprises in Ghana, Steel, Webster and Mundial (1991) and Osei et al (1993) used an employment cut-off point of 30 employees. Osei, Baah-Nuakoh, Tutu, and Sowa, (1993) however, classified small-scale enterprises into three categories. These are (i) micro - employing less than 6 people; (ii) very small - employing 6-9 people; (iii) small - between 10 and 29 employees. A more recent definition is the one given by the Regional Project on Enterprise Development Ghana manufacturing survey paper. The survey report classified firms into (i) micro-enterprise, less than 5 employees; (ii) small enterprise, 5 - 29 employees; (iii) medium enterprise, 30 – 99 employees; (iv) large enterprise, 100 and more employees (Teal, 2002).

Small and medium enterprises in Ghana are said to be a characteristic feature of the production landscape and have been noted to provide about 85% of the manufacturing employment in Ghana (Aryeetey & Ahene, 2005). They represent about 92% of Ghanaian businesses and contribute about 70% to Ghana's GDP and over 80% to employment (Sabanidze, Kivenko, Benics, Lalkan & Tick, 2021). A general opinion has been made in the effects of taxation on SMEs have been ignored or neglected despite the key role these SMEs play in the development of the economy. That is why it is the main objective of this study to lay out the actual impacts of taxation and tax policy towards SMEs in the Bono East region.

The situation raises a serious concern about the issue of aligning the tax-planning system to the specific requirements of a particular country's growing needs as it has to balance the both short-term and long-term impact of the policy

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(Mwangi, 2019). This also generates the need for an in-depth study of the different issues preventing the Development and Implementation of effective tax policies and systems, particularly in the context of SMEs. SMEs are having three main difficulties in their businesses which are access to capital, tax compliance costs, and the administrative burden (Mwangi, 2019). This puts SMEs at a disadvantage and can hamper their growth. Therefore, this study will investigate the effects of taxation of business income on the growth and development of small and medium enterprises in Bono East.

The study is underpinned by the institutional anomie theory and the theory of planned behaviour proposed by (Ajzen, 1991). The institutional anomie theory thus asserts when individuals have varied sets of values which are imbalanced and the decisions that they made based on these values may have different like crime (Tilahun, 2019). The institutional anomie theory highlights four hypothetically inferred sets of national social measurements likely to advance or stifle tax avoidance (Itashiki, 2011). The theory of planned behaviour is used to clarify tax compliance decision-making complexity and to develop compliance strategies for the general population (Bani-Khalid, Alshira'h & Alshirah, 2022).

Statement of the Problem

There is a far-reaching and active revenue mobilization drive in Ghana, most of which is carried out by agencies under the umbrella of the Ghana Revenue Authority (GRA) that occasionally come up with various taxes and levies on business operators in the country. Kolstad and Wiig (2019) indicated that these taxes are declared to be a major problem for both young and old firms respectively. In Ghana, Damoah and Peperah, (2021) found that owners and

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managers of SMEs even see tax evasion as ethical behaviour. This probably could account for tax non-compliance behaviour among SMEs in Ghana (Hamid, Ismail, Yunus, Jali & Rosly, 2022).

Taxation is an essential component of revenue mobilization in Ghana. However, there are concerns that the taxes and levies imposed on small and medium enterprises (SMEs) may be hindering their growth. While there have been some studies conducted on the effects of taxation on SMEs in Ghana (Carsamer & Abbam, 2020; Twum, Amaniampong, Assabil, Adombire, Edisi & Akuetteh, 2020; Peprah, Abdulai & Agyemang-Duah, 2020 and Amaning, Anim, Kyere, Kwakye & Abina, 2021), there is still a need for more research, particularly in the Bono East region. This study seeks to explore the effects of taxation on SME growth in the region and identify any gaps in tax policies that may be hindering SME development.

Existing empirical studies have shown that multiple taxes, high tax rates, and tax delays are some of the major constraints affecting the growth of SMEs in Ghana. For instance, Awotwe (2018) found that tax delay is a significant constraint to tax compliance among SMEs in the Kumasi metropolis in Ghana, while Mohammed and Bunyaminu (2021) reported that higher tax rates and trade regulations are hindering SMEs' growth in Ghana. Furthermore, Rehman, Çela, Morina and Gura (2019), identified tax rates, tax administration, corruption, political instability, crime, informal competition, and access to finance as significant constraints affecting the development, survival, and growth of SMEs in Western Balkan countries.

Based on the Institutional Anomie Theory as posited by Rosenfeld and Messner (1995), it can be argued that the high tax rates and multiple taxes on

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SMEs in Ghana could reflect the broader cultural values and institutional norms in the country, where economic success is highly prioritized, and the means of achieving it are less regulated. In such a cultural and institutional environment, businesses may feel less compelled to comply with tax regulations, as tax evasion and avoidance may be viewed as acceptable behaviour in pursuit of economic success.

Moreover, the Theory of Planned Behavior propounded by Ajzen (1991), suggests that the attitudes, subjective norms, and perceived behavioural control of SME owners and managers may significantly influence their intentions to comply with tax regulations. SME owners and managers who perceive tax compliance as a moral obligation, who perceive strong social pressure to comply, and who perceive low barriers to compliance may be more likely to comply with tax regulations.

The motivation behind this study is to address the lack of comprehensive research on the effects of taxation on SMEs in the Bono East region. There is a need to clarify whether tax policies are positively or negatively affecting the growth of SMEs, as well as to identify any gaps in existing policies that may be hindering SME development. Understanding the effects of taxation on SME growth is important for policymakers to design and implement tax policies that are conducive to SME development and growth. Thus, the necessity for this study.

Purpose of the study

The purpose of the study was to ascertain the effect of taxation on the growth of SMEs in the Bono East Region of Ghana. To achieve the overall purpose of this study, the following specific research objectives were pursued.

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1. To examine the perception of SMEs about the effectiveness of taxation in the Bono East region.

2. To assess the relationship between taxation and SMEs' growth in the Bono East region.

3. To assess the effect of taxation on the growth of SMEs in the Bono East region.

Research Questions

To be able to achieve these specific objectives, the following specific research questions were formulated to provide answers to the specific research objectives in a chronological manner.

1. What is the perception about the effectiveness of taxation in the Bono East region?

2. What is the nature of the relationship between taxation and SMEs' growth in the Bono East region?

3. Does taxation affect the growth of SMEs in the Bono East region?

Hypothesis

H₁: There is a positive relationship between taxation and SME growth.

H₂: Taxation has a significant effect on the growth of SMEs.

Significance of the Study

The significance of the study is to contribute to the body of knowledge on the perception of SME owners on the effect of taxation on the growth of small and medium enterprises. It's important due to the following; firstly, it may provide useful information to business practitioners and tax authorities on the association between income tax and the growth of small and medium

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enterprises. Secondly, the findings of the study are likely to benefit the regulatory authorities and policymakers in understanding the specific issues, especially in the modification of various rules, laws and regulations, and may also reveal the effect of their fiscal policy specifically taxation on SMEs variables in the region. More so, the study findings if used will suggest a possible solution to the poor operation and failure of small and medium enterprises in the Bono East region. Finally, the study findings if used will add to the existing stock on the study of small-scale enterprise and taxation for academicians.

Delimitations of the Study

The scope of the study is delimited to all SMEs in the Bono East region of Ghana specifically among the four MDAs thus Techiman, Kintampo municipality, Nkoranza and Atebubu districts Assemblies. Bono East region was used for the study because of the proximity and easy access to the researcher. The study makes use of primary data which were collected with a structured questionnaire designed in line with the study objectives largely in the form of a Likert scale. An adequate sample size was selected from the SME population currently operating in the Region. Data were analyzed using percentages, mean and frequencies in the bid of establishing the relationship between the dependent and independent variables.

Limitations of the Study

The key challenges that limited the researcher were the fact that responders who are mainly SMEs have little time to answer the questionnaire, difficulty understanding the questionnaire clearly and the fear of contracting COVID-19 since the study was done during the COVID time.

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Definition of Terms

- **Small and Medium Enterprises:** enterprises with a staff strength of not less than 5 and not more than 100, and with an asset base (excluding land and buildings) of not less than GH¢10,000 and not more than GH¢5,000,000 (Ghana Enterprise Agency, 2020).

- **Taxation:** they refer to the required transfer of money from citizens and organisations of a country to their government as a basis of revenue. Ameyaw, Korang, Twum & Asante (2016).

Organisation of Study

The study was made up of five chapters. The first chapter consisted of the background to the study, statement of the problem, research objectives, research questions, significance of the study and the structure of the study. Chapter two dealt with the literature review of concepts relevant to the study. It also extensively discusses both theoretical and empirical literature on the tax knowledge and compliance nexus. Chapter three presented the methodology adopted to conduct the research. This chapter contained issues such as the research design, instrument and data collection tools. Chapter four focused on data presentation, discussion and analysis. Finally, chapter five dealt with the findings of the study, conclusion and recommendations for policy.

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CHAPTER TWO

LITERATURE REVIEW

Introduction

Chapter two critically reviewed relevant literature on the impact of business income tax and SMEs growth. It is sectioned into four. The first section discussed tax laws and tax administration in Ghana while the second section discussed business income tax policy among SMEs. The third section reviewed the theoretical literature while the final section extensively reviewed the empirical literature on the impact of business income tax on SMEs growth.

Theoretical Review

This section provides information about the theories underpinning the nature of the relationship that exists among the constructs under investigation. It focuses on providing information on the central themes of the theories, assumptions, demerits and merits and scope of application in the context of the study.

Institutional Anomie Theory (IAT)

The central focus of the institutional anomie theory is that people make decisions that are based on societal values, which may be contradictory but together, balances each other out, thereby producing behaviour that is labelled as "normal" by society (Marandu, Mbekomize & Ifezue, 2015). The state of anomie is characteristically normless of goals, which usually results from trade and industry that is chronologically deregulated (Durkheim, 1897). Therefore, when institutional social norms are deactivated from regulating entities, the economy becomes self-regulating, which in turn yields limitless economic

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ambition and unchecked materialism thereby ultimately weakening the social bond between the individual and society alike (Polanyi, 1957).

The institutional anomie theory thus asserts when individuals have varied sets of values which are imbalanced and the decisions that they made based on these values may have different like crime (Tilahun, 2019). The institutional anomie theory highlights four hypothetically inferred sets of national social measurements likely to advance or stifle tax avoidance (Itashiki, 2011). The major facets of the institutional anomie theory incorporate independence, accomplishment introduction, confidence and compassionate orientation.

Individualistic social values set the point for behaviours that emphasize the interest of firm self-interest generally, ignoring concern for moral results. Concurring with institutional anomie theory, individualistic social values energize a firm's choice creators to select objective accomplishments past concerns for the moral or lawful implies to attain goals (Marandu, Mbekomize, & Ifezue, 2015). The theory has been applied in different study contexts including tax compliance behaviour (Tilahun, 2019; Marandu, Mbekomize & Ifezue, 2015), unbalanced institutional commitments and delinquent behaviour (Stults & Falco, 2014).

Bird, Martinez-Vazquez and Torgler (2006) assert that businesses are social institutions that are considered one of the building blocks of the whole society. Institution connotes any relatively stable sets of norms and values, statuses and roles and groups and organisations (Messner & Rosenfeld 2006). Contextually, it is expected that with such civilizations, firms may willingly diverge from accepted norms and evade taxes when there is an imbalance in the

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gains from the taxes paid by such firms, especially in situations where taxes impede the development of the businesses (Fisher & Wassmer, 2014). On the contrary, communist cultures favour loyalty to the greater collective rooted in the notion that societal members are interdependent (Bond & Smith, 1996) and as such, should discourage individual gains at the expense of the collective. This suggests that individualistic cultural values should expand temptations for firms to evade taxes.

AT highlights four national social measurements that may promote or hinder tax compliance behaviour: independence, accomplishment introduction, confidence, and compassionate orientation (Itashiki, 2011). The theory suggests that individualistic social values, which prioritize self-interest over moral concerns, may encourage businesses to prioritize achieving their goals over complying with moral or legal norms (Marandu, Mbekomize, & Ifezue, 2015).

In the context of this study, IAT may help explain why some SMEs in the Bono East region may choose to evade taxes if they perceive that the benefits of non-compliance outweigh the costs. For instance, if taxes impede the development of businesses, firms may willingly diverge from accepted norms and evade taxes, especially in individualistic cultures that favour self-interest over collective gains (Fisher & Wassmer, 2014).

Moreover, IAT suggests that the weakening of the social bond between the individual and society may impede business growth, as firms may prioritize their own goals over their social responsibilities. This may have implications for your study's objectives, as you seek to assess the relationship between taxation and SMEs' growth in the Bono East region and evaluate the effect of taxation on the growth of SMEs.

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Theory of Planned Behavior

The theory of planned behaviour was proposed by (Ajzen, 1991) as an expansion of the theory of reasoned action which had been projected a decade prior, (Montaño & Kasprzyk, 2015). According to the theory of reasoned action, individuals are more likely to do a behaviour in case they assess the proposed behaviour as having positive comes about (demeanour) and in case they think their noteworthy others need them to perform the behaviour (subjective norm). A high relationship between attitude and subjective norms of behaviour has been affirmed in numerous things (Park & Levine, 1999). However, the same authors have raised a counterargument against the high relationship between attitude, subjective norms and behaviour. They contended that circumstantial limitations, attitude and subjective norms don't continuously lead to behaviour.

To move forward on the analytical power of the theory of reasoned action Ajzen included an unused component "perceived behavioural control" to assist account for behaviours that emerge where an individual's control over the behaviour is inadequate. Through this, he expanded the theory of reasoned action to incorporate the part of non-volition in foreseeing behaviour. The expanded form is called the theory of planned behaviour. In expansion, the three indicators are determined as follows.

State of mind may be a work of behavioural conviction or salient data which is the perceived probability that performing the specific behaviour will lead to certain results weighted by the extent to which these results are esteemed. Subjective norms could be a work of normative conviction which is the perceived pressure from indicated referents to perform the target behaviour, weighted by the inspiration to comply with the individuals one cares around.

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Perceived behavioural control is determined by control belief which is the perceived access to the necessary resources and occasions to perform a behaviour successfully.

In the context of taxation and SMEs' growth in the Bono East region of Ghana, SMEs' attitudes towards taxation can be influenced by their beliefs about the benefits of paying taxes, the cost of compliance, and their understanding of tax regulations. Their subjective norms may be shaped by the perception of what their peers, employees, or society at large think about paying taxes. Finally, perceived behavioural control may be influenced by the availability of resources and their level of knowledge about tax compliance.

Several studies have applied TPB to explore the relationship between SMEs and taxation. For example, Davila and Elvira (2017) used TPB to examine the factors influencing tax compliance among SMEs in Peru. Their findings showed that perceived behavioural control, followed by attitudes, and subjective norms significantly influenced SMEs' tax compliance behaviour. Additionally, Hassan (2019) applied TPB to explore the factors that influence SMEs' willingness to pay taxes in Nigeria. Their results indicated that SMEs' attitudes, subjective norms, and perceived behavioural control significantly influenced their willingness to pay taxes.

Therefore, in the context of the study on taxation and SMEs' growth in the Bono East region of Ghana, TPB can be a useful framework to explore SMEs' behaviour towards taxation. Specifically, examining SMEs' attitudes towards taxation, subjective norms, and perceived behavioural control can provide insights into their tax compliance behaviour, and ultimately, the effect of taxation on their growth.

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Conceptual Review

This section provides information concerning the key concepts that were considered in the study and aligns the concepts together through the nature of theoretical relationships espoused as existing among the concepts. It also contextualizes the literature to reflect the specific case of Ghana's business landscape, regulations and growth of SMEs.

Concept of Taxation

Taxes are the required transfer of money from citizens of a country to their government as a basis of revenue (Ameyaw et al., 2016). Made a categorical statement that taxes cannot be avoided without attracting punishment. Tax policies are implemented either to: (i) Finance a budget shortfall, (ii) Promote long-run growth, or (iii) Counter other effects on the economy (Romer & Romer, 2010). Taxes vary according to economic policies adopted by a particular government and are tools of social engineering in stimulating economic growth (Sanni, 2007). Taxation entails four principles: certainty, equality or equity, convenience and economy (Ddumba-Ssentamu, 1999). The adherence to these rules and regulations for tax assessment collection and implementation can be referred to as the values of taxation (Ameyaw et al., 2016). These include Fairness:

Taxes should be applied in fairness to all taxpayers as well as being aligned with the benefits received by taxpayers; Economic growth: taxes paid by citizens of a country should gear towards the achievement of goals required for the economic growth of that country; Equity: taxpayers' revenue and expenditure should correspond with their tax liabilities; Convenient: systems on

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the manner of paying taxes, it should be made suitable for taxpayers (Ameyaw et al., 2016).

Taxation in Ghana

Taxation in Ghana as captured by Amoah (2012) began in the then Gold Coast by the Income Tax Ordinance 1943 (Ordinance No. 1943). However, this Ordinance has been amended several times. The Consolidated Edition was first amended in 1961 by Act 68, followed by Acts 178 and 197 in 1963. Thus between 1961 and 1963, additional taxes and duties were introduced. Among these were Property Tax (1961), Entertainment Duty Tax (1962) Airport Tax, Hotel Customers Tax, and Standard Assessment and Excess Profits Tax, all in 1963. In July 1961, the tax year was changed to 1st July-30th June. The Pay As You Earn (PAYE) system was also introduced.

In July 1963, with the addition of more taxes, the Income Tax Department was renamed Central Revenue Department to reflect the broad scope of taxes collected. This was followed by the Income Tax Decree in 1966 – No. 78 and the Income Tax Decree – SMCD5 in 1975. Section 71 of the Income Tax Decree 1975 provides for a Commissioner who is responsible for the assessment and collection of income tax. All these years – 1943 to 1985 – the Department was a civil service department. In July 1986, the government decided on structural changes in the Department. The Internal Revenue Service, Law – 1986 (PNDCL, 143) – was passed. This law transformed the hitherto Central Revenue Department into a public service organization, the Internal Revenue Service with its Board of Directors. The current Income Tax Law is the Internal Revenue Act, of 2000 (Act 5592) (Ali-Nakyea, 2008).

Tax System in Ghana

The two forms of tax systems in Ghana are the direct and indirect taxes imposed by the government on the citizens. Direct taxes instances are personal income taxes, company taxes, capital gain taxes, toll taxes, poll taxes gift taxes and property taxes to mention a few. Indirect taxes on the other hand include Value Added Taxes (VAT), Tariffs, and import and export duties. Direct taxes have two major components, these are individual income tax and corporate tax as other direct taxes including capital gains, property and rent taxes contribute very little revenue due to extremely weak enforcement.

Ghana's tax regime which is influenced by that of the United Kingdom (Thuronyi, 2012), falls under the common law legal framework. Personal income tax is a progressive tax with the highest rate of 25% while the corporate tax rate has declined considerably in recent years from 32.5% in 2001 to 25% in 2006. The main legislation regarding direct taxation is the Income Tax Act 592 (2000) which comprises Personal Income Tax (PIT) and Corporate Income Tax / Profit Tax (CIT). Recently the act was amended by Amendment 622 (2002).

The Act spells out tax policy as well as tax procedures. Personal income tax in Ghana has always been progressive thus, tax rates are graduated with higher income earners paying more tax. The progressive rates are divided into six bands with tax rates bracketed between 5 and 25 per cent. Tax payments of employees are withheld monthly. All resident individuals who receive income from the business, investment or employment, brought into or received in Ghana are liable to pay income tax. Over the years, other taxes and duties were added to these taxes. They were Minerals Duty in 1952, Betting Tax in 1952

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and Casino Revenue Tax in 1955. These reductions in the corporate tax rate coupled with improved ease of compliance were reflected in Ghana's gains in the World Bank

Doing Business survey climbing from 83rd position to 77th position in a League of 175 countries. Ghana was for that period among the top ten movers in the World Bank Doing Business survey (Amoah, 2012). In terms of revenue, corporate taxes and individual income taxes comprise almost identical shares of the total tax rate, which is the result of steady gains in the area of individual income taxation. Of individual income taxes, the overwhelming share (88.7% in 2007) comes from withholding taxes on formal sector wages (PAYE), with only a tiny share accruing from the self-employed, which encompasses most of the informal sector and many professional occupations such as consultants.

Arguably the most glaring weakness of the direct tax system is the almost total failure to tax property or rental income. While this failure is common across most of sub-Saharan Africa, it nonetheless represents a major revenue loss and erodes the redistributive capacity of the tax system. The housing market in Kumasi in particular is dominated by rental properties while rental prices and property values are remarkably high given the relatively low incomes of most citizens (Cooperative Housing Foundation, 2004).

As such taxation of rental incomes and property could yield potentially very significant additional revenues, which some estimate at as much as 1-2% of GDP Property taxation would have the added advantage of implicitly clarifying ownership which would represent a major success given that land tenure disputes are a source of major conflicts in Ghana and one of the major causes of inefficiency and high costs in the property and real estate markets

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(CHF, 2004). Indirect taxes and for that matter taxes on goods and services are mainly composed of the VAT and excise taxes, the latter of which have declined consistently over time (Amoah, 2012).

The VAT was initially introduced to replace the existing sales tax in 1995 under significant pressure from the IMF which was concerned about high levels of indebtedness in the aftermath of huge expenditure increases surrounding the 1992 election. Because of the looming fiscal crisis, it was introduced at a relatively high rate of 17.5%, with somewhat less public education that might have been desirable and without the support of the opposition which was boycotting parliament over alleged electoral irregularities.

The consequence of these three factors was the outbreak of massive street demonstrations against the tax with the protests becoming incorporated into broader demands for political liberalization. The government eventually revoked the tax and only reintroduced it three years later at a much lower rate of 10% (Osei, 2000). The rate was subsequently increased to 12.5% in 1999 but was earmarked for the newly created Ghana Education Trust (GET) Fund to secure political support. In 2003 the rate was effectively further increased to 15% though, political concerns led the government to go so far as to identify it as an independent tax item, the National Health Insurance Levy (NHIL) which was earmarked for funding a new health insurance scheme (Quartey, 2005).

Though smaller in absolute terms, the most volatile element of indirect taxation has been the share of petroleum taxes in total revenue. The change of government at the end of the year 2000 saw a renewed surge in petroleum taxes but this began to be reversed by 2005, while further major cuts in petroleum

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taxes were announced in the run-up to the 2008 elections. The reach of the VAT is significantly wider than income tax as it is in principle, levied on all forms of consumption. Because the VAT is levied on every transaction along the value chain even goods that are not taxed at the final point of sale may carry a significant tax component that was levied at an earlier stage (Amoah, 2012). That said it is worth noting various factors that reduce the tax burden on lower-income taxpayers.

First, the Value Added Tax Act contains a fairly wide range of exemptions primarily on basic consumption goods which reduces the burden on lower-income taxpayers. Likewise, in 2008 there were 46,842 traders registered (up from 30,377 in 2006), of whom 36,000 filed tax returns which represents only a fraction of the total number of businesses in the country (Dabuo, 2017). To bring small traders into the tax net the government introduced the VAT Flat Rate Scheme (VFRS) in September 2007 at a flat rate of 3% of turnover. In principle, every trader is meant to be registered irrespective of the VAT threshold, though the VAT Service estimates that only about 26.4% of potential informal sector traders are currently registered.

Definition of Small and Medium Enterprises

There are several definitions for SMEs by scholars because several principles are utilized in defining SMEs. And most of these definitions are made with supported factors such as the number of employees, business annual turnover, ownership of enterprise and the value placed on the fixed assets. As proclaimed by (Dalitso & Peter, 2000), there are issues with what constitutes small or medium enterprise investigators. Different authors have usually given different definitions to the group of business (Storey, 1994),

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discussed the danger of using size to define the status of a firm by stating that, in some segments, all firms could also be considered small whilst, in other sectors, such small firms are not small.

According to Bolton, (1971), that foremost formulated an "economic" and "statistical" definition of a small firm. Under the "economic" definition by the Bolton Committee, a firm is claimed to be small if it meets the three standards: if it is a comparatively small share of its marketplace; it is managed by owners or part-owners during a personalized way of operating, and not through the medium of a formalized management structure and lastly, it is independent within the sense of not forming a part of an outsized enterprise.

Under the "statistical" definition, the Committee proposed the subsequent criteria to work out the dimensions of the small firm sector and its influence on GDP, employment, exports, et cetera the extent to which the small enterprise sector's economic contribution has changed over time and applying the statistical definition across board comparison of these smaller enterprises economic contribution. The European Commission (EC) well-defined SMEs largely in terms of the number of employees they have: firms with 1 to 9 employees – micro-enterprises; 10 to 99 employees - small enterprises; and 100 to 499 employees - medium enterprises.

Therefore, the SME sector is encompassed by enterprises (except agriculture, hunting, forestry and fishing) that employ about 500 workers. In effect, the EC definitions are based solely on employment instead of a multiplicity of criteria. The utilization of 100 employees because of a smaller enterprise's upper limit is more suitable given the rise in

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productivity over the last 20 years (Storey, 1994). In Ghana, the Ghana Statistical Service (GSS), in their 1987 Ghana industrial census measured enterprises employing between 5 and 29 employees and with fixed assets not exceeding $100,000 as small scale, while those employing between 30 and 99 employees as medium scale category.

Lastly, the EC definition did not adopt that the SME group is homogenous; the definition makes a very distinction between micro, small and medium-sized enterprises. However, the EC definition is just too comprehensive to be applied to several countries. Researchers would need to use descriptions of small enterprises that are more fitting to a particular group. One has to state that debates on SME definitions end up being in harmony unless size may be a factor that influences performance. As illustrated by Storey (1994) that, the linking of size and performance matters when assessing the impact of a credit program on a target group.

Tax Administration in Ghana

The body established to collect tax in Ghana was the Income Tax Department in the Income Tax ordinance (No. 27) of 1943. With the introduction of the other taxes and duties between 1961 and 1963, it was changed to Central Revenue Department from 1st July 1963. This has undergone re-organization in 1986 and by the enactment of P.N.D.C law 143 of 1986, the name was again changed to Internal Revenue Service (Internal Revenue Service, Act 2000). The name is now Domestic Tax Revenue Division of Ghana Revenue Authority upon passing the Ghana Revenue Authority Act 2009 (Act 791).

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Ghana Revenue Authority has replaced the Ghana Revenue Agencies in the Administration of Taxes and Customs Duties in the country. (GRA News, 2010) The main objective of the Domestic Tax Revenue Division is to collect direct taxes for the state. Taxes administered include Pay As You Earn (PAYE), business Income Tax, Corporate Tax and other Miscellaneous Taxes such as Stamp Duty, Gift Tax, Rent Tax, Capital Gains Tax, Dividends Tax, and Mineral Royalties, among others. Corporate Tax is paid by companies and personal/business Income Tax is paid by self-employed persons who are required to pay Income Tax at graduated rates in four equal instalments.

The current tax rate took effect in June 2019. Pay-As-You-Earn (PAYE) is withholdings from the salaries of employees to satisfy their Income Tax responsibilities. The Pay As You Earn is computed with the rates as shown in Annual Tax Rates - Effective June 2010. Furthermore, the Division receives taxes from certain recognizable groups. The Division has an agreement with the Leader of such groupings and Associations to gather taxes at agreed rates on a daily, fourth nightly and monthly basis. Grouping Such as Ghana Private Roads and Transport Union, Dressmakers Association, Cosmetologists and Hairdressers Association and Ghana Union of Trade Association.

These incorporate Custom Division, Homegrown Assessment Income Division and Backing Administrations, Division. Ghana Revenue Authority has three main divisions. They are the Customs Division, Domestic Tax Revenue Division and Support Services Division. However, for this research, the Domestic Tax Revenue Division is the main focus. The vision of the Domestic Tax Revenue Division is to be a world-class revenue administration recognized for professionalism, integrity and excellence.

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The mission is to mobilize revenue for national development in a transparent, fair, effective and efficient manner, through professional and friendly client services, promotion of voluntary compliance, application of modern technology, effective border protection and a well-trained disciplined and highly motivated staff. The core values include integrity and fairness in our service delivery, teamwork, innovation and professionalism is the hallmark (Owusu, 2014). This philosophy is operationalized into the strategy of the service. This organization believes in masculinity thereby preference is given to achievement, assertiveness, the importance of work and tax collection performance results.

Performance is measured based on target achievement. The structure of the authority includes the Commissioner-General as the overall head; the three major divisions are each headed by a commissioner. The structure is pyramidal and designed to be a world-class Revenue Administration Agency. According to Drucker (1979), a good organizational structure does not by itself produce good performance but a poor organizational structure makes good performance impossible no matter how good the individual managers may be. This excellent structure does not have the desired impact on the operations of the Techiman Tax Office thus confirming Drucker (2011).

Reforming a Tax System for Small Businesses

A tax system reform for small businesses is not without complications. No one best practice can comprehend all the issues that are raised in attempting to implement a tax system, feasible and fairly. The potential for developing countries is often overlooked if small business taxation is considered solely from the revenue perspective. The benefits of a wider tax base in the medium

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to long term may not seem to offset the comparatively high cost of administering small contributors (ITD, 2007). Nonetheless, small business taxation should be considered an entry point formality. A favourable tax regime for small firms is a key policy tool to leave the "informality trap" of low growth limited access to markets and exclusion from formal financial services (Kapaz & Kenyon, 2005).

A formal small business venture progresses proportional connections between the state and most of its citizens-those associated with small-scale economic activities. Inventive and effective tax systems to empower formalization are hard to find even though the boundaries for a decent system appear to be moderately clear. Small business tax collection ought to be planned with insignificant compliance costs requirements commensurate with taxpayer capacity and skills and few government authorities' interactions to limit the opportunity for corruption (Everest & Phillips, 2010). Compliance ought to be connected to the advantages of being formal.

The administrative expense of mobilizing tax revenue from small businesses must be kept to the barest minimum for resources and limit compelled tax authorities. Joining and accommodating these destinations into detailed and feasible strategies is near impossible as policy makers have been faced with different choices between equitable, convenience, efficiency and administrative feasibility. Informality comes with a cost to both firms and governments. For some reason, casual firms are less able to develop and contribute. Governments lose both the tax revenue to defray the cost of public goods and services and the gain arising from the formal entrepreneurship that can drive economic growth.

Informal firms lack at least one of the following. First, businesses in the informal division need to work under the radar of the tax authority. Consequently, they frequently like to limit business size and development to abstain from standing out. Secondly, the inability to access formal financial facilities firm speculations. Thirdly informal firms are normally disqualified from public procurement contracts which often constitute a significant part of economic activities in developing countries and Ghana is not an exception. Lastly, informal companies may need to frequently pay bribes or split their business into several smaller units at various locations, change location or activities in the event to avoid taxes.

Informal businesses do not expand because they operate in an uncertain environment and tend not to invest in their business and employees (Loeprick, 2009). It is satisfying to note that the existence of informal businesses because of cost and process of formalization are among the reasons they remain informal. A cross-country study of 75 countries (Bakashaba, 2019) indicates that the official cost of setting up a business entails fees worth at best 1.4% of the GDP per capita in Canada and worst 260% per capita in Bolivia. In addition to the processing fees, the bureaucracy of registering a business can be very complicated and time-consuming.

Accordingly, establishing a new firm requires 2 days and 2 steps in Canada and the worst case requires 82 days and 20 procedures in Bolivia. A study by Bakashaba (2019) concludes that the barriers to entry by firms are higher in countries with lower GDP per capita. The grounds in which small enterprises stay informal is that turning out to be formal involves huge fixed

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costs, and the greater part of them is sunk. Official registration is essentially beyond the reach of informal businesses.

The discoveries by Bakashaba (2019) are the same by a survey among Micro Small Enterprises (MSEs) in Ghana which indicated that the expenses and length of business registration differ significantly, depending upon the channel a proprietor decides to register a business. In any case, intermediary institutions referenced, Registrar General's Office, Business Advisory Commission and Mailing services reported registration costs varying from Ghc25.50 at the post office to Ghc60.00 at the Business Advisory Centers (BACs) with an average duration of 3 months. Entrepreneurs even paid up to Gh300.00.

Small and Medium Enterprises' Growth

Approaches of the conceptualization for small business growth can be grouped into six major categories including descriptive, stochastic, evolutionary, learning, deterministic and resource-based (Dobbs & Hamilton, 2007). With the stochastics approach, it is posited that there are a number of factors that affect the growth of businesses and thus explaining the absence of any dominant theory (McMahon, 1998). Business growth encapsulates positive stable improvement in the business indices known to portray better performance (Dobbs & Hamilton, 2007).

The descriptive approach to measuring growth is concerned with how small businesses adapt internally to continue their growth. The growth process, according to the descriptive approach is smooth and takes a longer period given the numerous crises that have to be resolved for the firms to learn and translate such into capabilities for sustained growth (Dobbs & Hamilton, 2007). The use

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of evolutionary models creates the means to resolve the idiosyncratic nature of firm growth. This view of SME growth is guided that the idea that interaction between internal and external factors over a given period produces growth in businesses, hence, the unique circumstances of the firm determine its growth therefore no need for any standard model to explain firm growth (Vinnell & Hamilton, 1999).

The deterministic approach to business growth seeks to use objective means to identify a stable set of explanatory variables which essentially relate to people, the organization, and the industrial environment, which can explain the major aspect of the observed variation in business growth rate (Becchetti & Trovato, 2002). This approach to growth studies is more prescriptive, which is the major pivot of this empirical study. This assertion is backed by the fact that the study examines how taxation in Ghana, with subdimensions such as tax system, tax administration and tax policy) cause changes, if any, in the growth of SMEs that are operating in the Bono East Region of Ghana.

A key indicator of the growth of SMEs is the integration of innovations in their business operations. Innovative firms can overcome operational challenges, serve customers better and then amass competitive advantage in a sustainable manner (Caballero-Morales, 2021). Other key indicators considered included the number of workers, productivity, sales revenue, sale volume, asset utilization, better pricing, customer attraction, profit, customer satisfaction, new branches, asset acquisition, operating capital, and the rest (Anim, Awotwe, Nyarku & Kusi, 2020; Scuotto, Nicotra, Del Giudice, Krueger & Gregori, 2021; Dalgic & Fazlioglu, 2021).

Empirical Review (Taxation and SMEs' Growth)

In 2021, Mohammed and Bunyaminu examined the barriers to business enterprise growth in Ghana. The study relied on a quantitative research approach to conducting the study and utilized a survey design. A stratified sampling technique was used for the selection of the participating firms. The study employed two analytical techniques for the primary data analysis which included factor analysis and multiple regression analysis. It was discovered that access to finance, crime, theft, disorder, tax burden, labour inadequacy and regulations were all significant predictors of SMEs' growth.

In the central region of Ghana, Bentum (2020) examined the effect of taxation on the growth of SMEs. The study employed descriptive statistics survey design to conduct study with the issuance of structured questionnaires for the primary data collection. Three hundred (300) questionnaires were issued to individual taxpayers through a convenience sampling technique. A 5-point Likert scale was used to measure the attitude of the respondents on the items contained in the structured based on the degree of agreement.

The internal consistency approach was used to measure the reliability of the primary data collected via the structured questionnaires used for the data collection. The response rate of the data collection procedure was 98.1%. Multiple regression was used to examine how changes in the predictors (Measures of taxation) affected the changes in the dependent variable (SMEs' growth). It was discovered that taxation accounted for a statistically significant positive weak change in SMEs growth. Again, tax compliance costs and business experience are related positively to SMEs' growth. On the contrary,

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tax rates and complexities and tax policy significantly relate negatively to SMEs' growth.

Cheong, Lee and Weissmann (2020) in their empirical study assessed the influence of credit access, and tax structure on the performance of manufacturing SMEs in Malaysia. Data were obtained from 52 SMEs across four sectors based on the data period between 2010 and 2014. A dynamic panel system GMM (DPS-GMM) was used to estimate the model. It was discovered that debt funding is not conducive to the performance of SMEs in Malaysia. On the other hand, access to non-bank credit sources and tax incentives were key factors that significantly cause a significant improvement in SMEs' manufacturing.

Rehman, Çela, Morina and Gura (2019) in their empirical study examined the barriers to the growth of SMEs in the Western Balkan countries. The study targeted SMEs in both manufacturing and service sectors and employed a descriptive survey as the main design of the study. principal component factor analysis was conducted to check the validity of the subscales used for the measurement of the constructs considered in the context of the study. The regression results proved that factors included factors including business regulation, tax administration, tax rates, corruption, political instability, inadequate labour force, business licensing and access to finance affect the growth potentials of SMEs in the WBCs. However, the service sector had higher growth potential than the manufacturing sector.

Another study was conducted by Awotwe (2018) to assess the effect of taxation on the financing decisions of SMEs in the Kumasi metropolis. The study used a descriptive research design in conducting the empirical study. A

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structured questionnaire was used for the primary data collection from 115 SMEs in the Kumasi metropolis. A stratified sampling technique was used for the selection of the participants that were surveyed for the primary data. The reliability of the data was measured with an internal consistency approach with Cronbach's Alpha.

Self-administration was used for the primary data collection. SPSS was used for the data processing because it is embedded with appropriate statistical techniques for the primary data. The multiple regression results proved taxation accounted for a statistically significant moderate positive change in SMEs' growth. Tax administration, tax incentives and tax education all contributed significantly to predicting the change in the growth of SMEs. Tax delay is a major challenge to tax compliance among SMEs in the Kumasi metropolis.

An empirical study was carried out by Ameyaw, Korang, Twum and Asante (2015) to examine the influence of tax policy, compliance and growth of SMEs in Ghana. The study adopted a mixed research approach to measuring and analyzing the primary data collected via structured questionnaire administration. The SMEs targeted included those located in Kantamanto, Makola, Malata and Dome markets in the Tema metropolis, the capital city of Ghana. The purposive sampling technique was used for the selection of the participants used for accessing the primary data. a 5-point Likert scale was used to assess the attitude of the participants. The study proved that the introduction of tax policies poses threat to SMEs' ability to pay taxes and negatively relates to their profitability potential. Again, it was discovered that tax policies negatively relate to SMEs' growth in the metropolis.

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Another empirical study was carried out to examine the influence of tax policy on the growth of SMEs in Nigeria by Ojeka (2011). The study used an explanatory research design to approach the study given the cause-and-effect orientation of the study. a structured questionnaire was used for the primary data collection alongside personal interviews and perusal of previous publications and records. A response rate of 71.33% was recorded for 107 cases. The study used non-parametric statistical tools including Spearman's rank correlation to test the formulated research objectives at a 2-tailed level of significance. It was discovered that there was a significant negative but weak correlation between the amount of tax paid and the number of projects carried out of business profits. Hence the conclusion that taxation had an unbearable burden on the success of businesses in Nigeria.

Conceptual Framework

According to (Mwinzi, 2015), a defined conceptual framework is a set of wide ideas and values taken from a relevant field of inquiry used to structure a subsequent presentation. This conceptual framework represents the researcher's synthesis of the literature on how to explain a phenomenon. It maps out the actions required in the course of the study given his previous knowledge of other researchers' points of view on the subject of research. According to the conceptual framework, the study proposes the various dimensions of taxation including tax policy, tax administration and tax system relate to the SMEs' growth in the context of the study, thus there is some form of linear relationships that exists between the various dimensions of taxation and the growth of SMEs in the context of the study.

On a higher level, the study contends changes in the various dimensions of taxation could cause changes in the growth of the SMEs that are operating in the Bono East region of Ghana. Therefore, the study proposes that unfavourable changes in taxation dimensions including tax administration, tax policy and tax system could cause a negative change in the growth of SMEs in the Bono East region whilst positive changes in the components of taxation could cause positive variance in the growth of the SMEs in the Bono East region. The conceptual framework of this study is illustrated in Figure 1.

Independence Variable   **Dependent Variable**
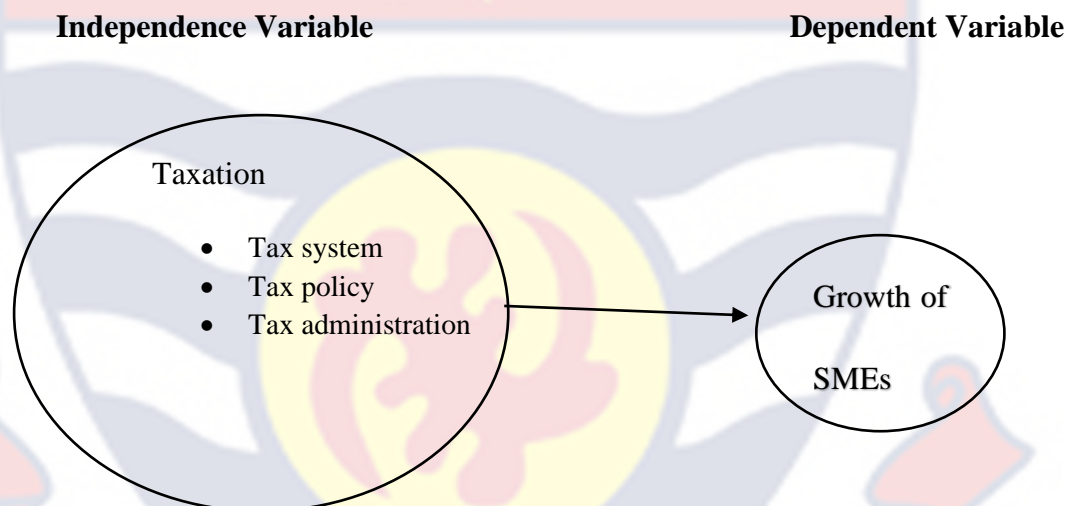
Figure 1: Conceptual Framework

Source: Authors' Construct (2020)

Chapter Summary

This chapter has described the theory which guided this study. Specifically, this chapter constituted a theoretical review, empirical review, conceptual review and the conceptual framework of the terms used for the conceptual framework.

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CHAPTER THREE

RESEARCH METHODS

Introduction

This chapter discussed the research methodology that was employed to collect the related data for the study. It dealt with the research design, study area, study population, sample size, sampling technique, study Instruments, data collection procedures and data analysis.

Research Design

This study utilized a descriptive survey. According to Creswell (2003), a descriptive survey is a type of data-collecting method which purposely is used to test a theory or is used to answer research questions that have to do with the current status of the subject beneath consideration. Within the beliefs of (Dabuo, 2017) a descriptive survey is a study design utilized to collect data at a particular point in time with a deliberate aim of describing the nature of the existing conditions or distinguishing measures against which existing conditions can be compared with the relationship that exist between measures.

In this way, a descriptive study is undertaken to find out and be able to describe the characteristics of the variables of interest in a particular circumstance. This is can be done through the utilization of approaches to depicting clarify and interpret existing factors that constitute a phenomenon. A descriptive survey is related to a few impediments according to Beza (2015), they maintained that there is trouble in safeguarding that the study questions to be answered in descriptive survey format are not misleading and are very clear. Typically so since survey reports can vary altogether because of the precise wording of study questions as claimed (Mutete, 2019) that the method may

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deliver unreliable results since questions asked may bother the private thing that individuals may not be willing to have a conversation about.

The above disadvantages regardless of the descriptive survey are found to be most suitable for this study. Generally, due to the reality that the design is considered to be moderately simple to conduct since data are decent to get and interpret by the use of descriptive statistics (Blaikie, 2000; Corbally & O'Neill, 2014). This current study will embrace the descriptive design since it has the advantage of creating a good amount of reactions from a wide range of managers, collectors, assessors and the taxpaying public in the business environment of SMEs in the Bono East region on issues concerning the impact of taxation of business and the growth of SMEs.

Research Approach

Based on the nature of the study's aim, particular objectives, and the type of primary data to be gathered and evaluated, the quantitative research method was utilised for this investigation. The conceptions were quantifiable and susceptible to statistical manipulation by their very nature. The quantitative approach, according to Creswell (2014), explains phenomena by gathering numerical data and analysing them using mathematically-based approaches (in particular statistics). Quantitative research methodology is a strategy for collecting and analysing data using quantification (Bryman, 2012).

Quantitative methods (typically employing deductive logic) seek regularities in human lives by dividing the social world into empirical components called variables that can be represented numerically as frequencies or rates, whose relationships can be explored by statistical techniques, and

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whose associations can be accessed by researcher-introduced stimuli and systematic measurement (Ben-Shlomo, et al., 2013). Typically, this method begins with the collecting of data based on a hypothesis or theory, followed by the use of descriptive or inferential statistics (Tashakkori & Teddlie, 2003).

In the sense that findings from testing of statistical hypotheses lead to general generalisations about the features of a population, quantitative approaches are typically characterised as deductive. In addition, quantitative approaches are usually criticised as presuming the existence of a singular "truth" independent of human experience (Lincoln & Guba, 1985). A bigger, randomly selected sample increases the likelihood that the quantitative findings may be generalised to an entire population or subpopulation (Carr, 1994). Quantitative research methodologies create superficial pictures of phenomena and disregard test-takers and testers' experiences, as well as what they mean by something.

Study Area

This study will be carried out among SMEs in the Bono East region of Ghana and it will cover some of the communities and towns from different areas of the region. The four communities in this study will be conducted includes Kintampo, Techiman, Nkoranza and Atebubu. Each area has both SMEs. Bono East region is one of the 16 regions in Ghana and it's in the middle belt of the country which divides the south from the north. It shares boundaries with five other regions namely the Ashanti and Eastern region to the south, the Bono region to the west, the Oti region to the east and the Savannah region to the north.

There has been an increase in growth within the local economy with the extension of Small and Medium Scale Enterprise that has led to a decrease in

the high unemployment rates. The mainstream of the working class is involved in agribusiness and related activities such as sales, services, transport and manufacturing. As stated earlier, a large number of the population are involved in the cultivation and sale of raw/fresh food items (unprocessed food by the roadside such as yam, cassava, mango, rice, plantain, etc.) and processed nourishment food such as roasted yam and plantain with groundnuts, fried rice, banks, fufu, etc. Below is the map of the Bono East Region of Ghana.
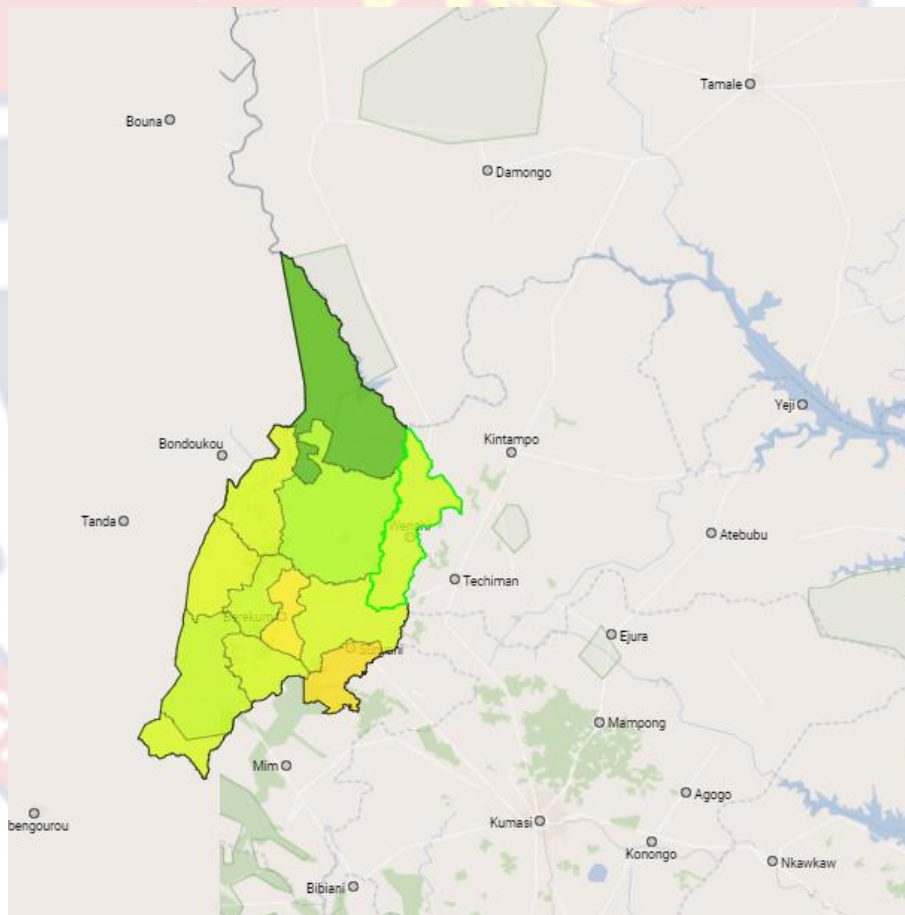
Figure 2: Map of Bono East Region

Source: Citipopulation (2023)

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Population

The target study population constituted all small and medium registered taxpayers with Ghana Revenue Authority (GRA) collects taxes from both formal and informal sectors of SMEs, employees and self-employed in the Bono East region. The study would be conducted in these 4 towns, thus Kintampo, Techiman, Nkoranza and Atebubu respectively. The current registered SMEs in the above-mentioned communities per the GRA (2020) statistics are 5,148 which comprises 2,739 small and 2,409 medium enterprises and this includes Techiman (1,496), Kintampo (1,240), Nkoranza (1,008) and Atebubu (1,404) will constitute the study population. Therefore, the target population for the study is 5,148.

Sampling Procedure

Considering the circumstance that the study covers such a huge sector, not all the respondents can be included in the study. It is hence noteworthy to draw a sample from the population. Based on a survey by Tee, Boadi and Opoku, (2016), about 13% of the SMEs were aware and comfortable with the Tax system in the country. To statistically estimate the appropriate sample size for the study, The Taro Yamane formula developed by Yamane (1973) was adopted. Assuming a 95% confidence level, and a 0.05 margin of error, the total sample size is estimated as follows.

$$n = N / (1 + N(e^2))$$

where:

n = sample size

N = population size

e = margin of error (as a decimal)

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Assuming a margin of error of 0.05 (5%), we can plug in the values:

n = 5148 / (1 + 5148(0.05^2))

n = 383.69

Rounding up to the nearest whole number, the appropriate sample size would be 384.

To account for the non-response rate, the total sample size was finally settled at 400. The study employed simple random sampling for data collection due to the large target population. This method of sampling is preferred because it gives equal chance for each SME member of the group to be selected for the study. Though participants were selected at simple random, care was taken to safeguard that each group were adequately represented as there was an equal chance of being selected. Given the distribution of the population across the four towns, the data collection was also sampled according to the towns such that each town corresponded with an appropriate sample distribution. Thus, Techiman: 116, Kintampo: 96, Nkoranza: 78 and Atebubu: 109. The unit of analysis for this study is at the firm level, thus, small and medium enterprises.

Data Collection Instrument

A structured questionnaire was used for the collection of the primary data used for the analysis in respect of the specific research objectives of the study. with this instrument, pre-determined responses were given to the various statements that measured the constructs/variables of interest in the context of the study (Shrestha, 2021). The use of a structured questionnaire made it easy the completion the scales of the participants compared to situations where the respondents had to write in detail their responses in their perspective (Chen, Siddik, Zheng, Masukujjaman & Bekhzod, 2022). Also, the use of the structured

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questionnaire supported the quantitative research approach adopted by the study since numeric coding was done for the numeric rating scale employed in the study.

The close-ended questioning technique was used to measure the views of the participants concerning the items that measured the constructs/variables in the study (Ansari & Asim, 2021; Widayat, Praharjo, Putri, Andharini & Masudin, 2021). The subscales that measured the constructs under investigation were adapted from some extant empirical sources. The taxation scale was adapted from these empirical sources (Aladejebi, 2018; Tee, Boadi & Opoku, 2016). Taxation had three sub-constructs including the tax system, tax administration and tax policy. A 5-point Likert scale was used to test the attitude and opinions of the participants on the effectiveness of taxation in Ghana. SMEs' growth was measured with a scale adapted from these empirical sources (Anim, Awotwe, Nyarku & Kusi, 2020; Yeboah, 2021; Nyarku & Oduro, 2017).

Validity and Reliability

KMO and Bartlett's Test Results

Table 1: KMO and Bartlett's Test

		Tax system	Tax administration	Tax policy	SMEs' growth
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.933	0.924892		0.868
Bartlett's Test of Sphericity	Approx. Chi-Square	1540.739	932.929	1253.500	1492.123
	Df	66	36	78	136
	Sig.	0.000	0.000	0.000	0.000

Source: Field survey (2021)

The KMO and Bartlett's results (Table 1) prove that the results of the principal component factor analysis conducted for the test of the confirmatory factor analysis can be relied on for the test of the validity of the subscales used for the measurement of the constructs under investigation. The KMO and Bartlett's Test are key assumptions that must be met before the results of principal component factor analysis can be confirmed as being valid and reliable for usage in empirical studies. The KMOs for the constructs are all acceptable because the scores for the items are all greater than 0.05. Barlett's Test of Sphericity proves the correlation matrix is invertible (Alabdulkarim, 2022; Gatto & Busato, 2020).

Validity for Tax System

Table 2: Component Matrix for Tax System

	Tax system 1
TaxS1	0.780
TaxS2	0.818
TaxS3	0.820
TaxS4	0.794
TaxS5	0.820
TaxS6	0.885
TaxS7	0.869
TaxS8	0.860
TaxS9	0.809
TaxS10	0.794
TaxS11	0.775
TaxS12	0.780

Extraction Method: Principal Component Analysis.

a. 1 component extracted.

Source: Field survey (2021)

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The validity result in respect of the "Tax system" construct is presented in Table 2. The study proves all the variables that were used to measure the tax system collectively contribute to measuring such a construct, hence providing the validity of the tax system in the context of this study. This claim is justified by the fact that correlation scores between the variables purported to be measuring the tax system construct and tax system are all above the minimum 0.3 thresholds. The items measuring tax system construct are more than the minimum 4 thresholds established in previous empirical studies (Alabdulkarim, 2022; Rasool, Asghar, Gill & Khan, 2021; Osti & Goffi, 2021).

Validity for Tax Administration

Table 3: Component Matrix for Tax Administration

	Tax administration 1
TaxA1	0.819
TaxA2	0.849
TaxA3	0.849
TaxA4	0.817
TaxA5	0.758
TaxA6	0.779
TaxA7	0.800
TaxA8	0.769
TaxA9	0.828

Extraction Method: Principal Component Analysis.

a. 1 component extracted.

Source: Field survey (2021)

The validity result in respect of the "Tax administration" construct is presented in Table 3. The study proves all the variables that were used to measure tax administration collectively contribute to measuring such a

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construct, hence providing the validity of tax administration in the context of this study. This claim is justified by the fact that correlation scores between the variables purported to be measuring the tax administration construct and tax administration are all above the minimum 0.3 thresholds. The items measuring tax administration construct are more than the minimum 4 thresholds established in previous empirical studies (Alabdulkarim, 2022; Rasool, et al., 2021; Osti & Goffi, 2021).

Validity for Tax Policy

Table 4: Component Matrix for Tax Policy

	Tax policy
	1
TaxP1	0.655
TaxP2	0.716
TaxP3	0.733
TaxP4	0.654
TaxP5	0.727
TaxP6	0.738
TaxP7	0.746
TaxP8	0.724
TaxP9	0.727
TaxP10	0.719
TaxP11	0.727
TaxP12	0.737
TaxP13	0.751

Extraction Method: Principal Component Analysis.

a. 1 component extracted.

Source: Field survey (2021)

The validity result in respect of the "Tax policy" construct is presented in Table 4. The study proves all the variables that were used to measure tax

policy collectively contribute to measuring such a construct, hence providing the validity of tax policy in the context of this study. This claim is justified by the fact that correlation scores between the variables purported to be measuring the tax policy construct and tax policy are all above the minimum 0.3 thresholds. The items measuring tax policy construct are more than the minimum 4 thresholds established in previous empirical studies (Alabdulkarim, 2022; Rasool, et al., 2021; Osti & Goffi, 2021).

Validity for SMEs' Growth

Table 5: Component Matrix for SMEs' Growth

	SMEs' Growth
	1
G1	0.679
G2	0.711
G3	0.649
G4	0.651
G5	0.674
G6	0.683
G7	0.688
G8	0.644
G9	0.471
G10	0.644
G11	0.696
G12	0.684
G13	0.642
G14	0.689
G15	0.679
G16	0.659
G17	0.559

Extraction Method: Principal Component Analysis.

a. 1 components extracted.

Source: Field survey (2021)

The validity result in respect of the "SMEs' growth" construct is presented in Table 5. The study proves all the variables that were used to measure SMEs' growth collectively contribute to measuring such a construct, hence providing the validity of SMEs' growth in the context of this study. This claim is justified by the fact that correlation scores between the variables purported to be measuring the SMEs' growth construct and SMEs' growth are all above the minimum 0.3 thresholds. The items measuring SMEs' growth construct are more than the minimum 4 thresholds established in previous empirical studies (Alabdulkarim, 2022; Rasool, et al., 2021; Osti & Goffi, 2021).

Reliability Results

Table 6: Reliability Statistics

Construct	Cronbach's Alpha	N of Items
Tax system	0.954	12
Tax administration	0.933	9
Tax policy	0.922	13
SMEs' Growth	0.913	17

Source: Field survey (2021)

The reliability of the primary data collected via the structured questionnaires was measured with the internal consistency method with Cronbach's Alpha criterion. For the primary data to be reliable for analysis in respect of the testing of the formulated research objectives, a Cronbach's Alpha score should be greater than 0.7 (Deb, Mohanty & Valeri, 2022; Yang, Sulaiman, Yin, Mallamaci & Alrabaiah, 2022). Observation of the results in Table 6 proves the data collected for all the subconstructs through the structured

questionnaire are reliable for analysis as demanded by the specific research objectives.

Data Collection Procedures

Self-administration of the questionnaire was done for the primary data collection for this empirical study. The participants that were randomly selected were contacted for the data collection. Before this exercise, a formal letter introduced the student as a researcher for the study which was sought from the Department of Accounting in the School of Business, University of Cape Coast. Permission was then granted to the researcher to collect the primary data from the registered SME taxpayers within the Bono East region of Ghana. Through the lottery method, 200 random serial numbers of the elements in the sampling frame that were randomly picked were then contacted for the collection of the primary data. The drop-and-pick method of personal data administration was employed for the data collection (Njoroge, Kaluyu & Muchara 2021). Thus, the respondents were initially contacted and issued structured questionnaires (Nzioka & Waithaka, 2021; Kariuki & Kiiru, 2021).

Afterwards, the respondents were called and reminded of the need for them to complete the questionnaires as they had promised during the initial contact phase. Issues raised by the participants on the items in the instrument were dully addressed which eventually influenced positively, the response rate of the study (Zuberi & Khattak, 2021). Therefore, three months were allowed to elapse for the participants to use to complete the questionnaires. Thus, the data collection period lasted about 4 months from June 2021 to September 2021. Once they had completed the questionnaires, a retrieval exercise was then carried out to obtain the filled questionnaires. In all, a 100% response rate was

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obtained (Nzioka & Waithaka, 2021). It should be stressed that this approach was tedious and time-consuming since in several instances, more than two field visits were done to finally retrieved the questionnaires. This had some implications for the budget for the data collection exercise.

Data Processing and Analysis

Before entering the data into the statistical tool, the researcher screened all responses collected through the surveys to limit mistakes and data inconsistencies through a data cleansing exercise. After this, a codebook was created for the structured questionnaire which essentially guided the coding of the questionnaire items into the Statistical Package for Social Sciences (SPSS version 25.0). This technique is well recognized in empirical studies (Garza, Goodson & Franklin, 2021; Nicely, Singh, Zhou & Yoo, 2021). Data entry was then carried out to obtain the data file for the analysis of the primary data in respect of the specific research objectives. Per the nature of the formulated research objectives, appropriate statistical techniques were selected for the analysis of the objectives.

Objective one was analyzed descriptively with mean and standard deviation because the items were measured at the interval level which was treated in the SPSS as continuous data. These measures are appropriate measures of central tendency and dispersion. Objective two was measured with the Pearson product-moment correlation technique because this technique helped in assessing the nature of the linear relationship that exists between the various dimensions of taxation and SMEs' growth in the Bono East Region. This technique is supported for analysis of this nature (Gambo, Kunya,

Ishiyaku, Ashen & Dzasu, 2021; Windapo, Adediran, Rotimi & Umeokafor, 2021).

Objective three was measured with the multiple regression techniques and the analysis of variance (ANOVA) because the objective sought to examine how changes in taxation cause, if any, changes in the growth of the SMEs (Sadeh, Mirarchi, Shahbodaghlou & Pavan, 2022; Howland & Larsen, 2021). Some preliminary analyses including tests of normality and common method bias were also carried out to ensure validated data and statistical procedures are used in the context of this study. Since inferential statistics were employed for the analysis of the second and third objectives, assumptions such as auto-correlation and multicollinearity were tested to give credence to the statistical techniques employed in the study (Iqbal, Nisha & Rashid, 2018; Nandy, Borthakur, Yunus, Karim, Dey & Bhattacharyya 2022). The findings were presented in Tables and Figures.

Ethical Considerations

The researcher all through, considered all ethical issues, particularly the data collection process. The fundamental conventions and administrative processes were duly followed before these questionnaires were administered to the owners/managers of SMEs. The different questions on the questionnaires were looked into to maintain a strategic distance from moral misconduct. This study sought the consent of the respondents and the reason for the research was clearly explained to them. All respondents were guaranteed privacy and nondisclosure of information to any third party. These respondents were given the choice to ask further questions about the study before the start of the

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interviews and after the interviews. The respondents were given the room to either decline or acknowledge to take part in the study.

Chapter Summary

This chapter focused on the methods and strategies that were used by the researcher in the study to achieve its objectives. The design adopted for the study and the description of the study area were clearly stated. The population which constitutes registered taxpayers at the GRA in the Bono East region formed the basis of selecting the study samples using a convenient sampling technique. This method was adopted as a result of the distribution of the population. Also, the instrument for data collection was designed and tested to ensure its validity and reliability in collecting data for the intended purpose. Data was collected with the help of experienced and well-trained staff who were on the spot in terms of questionnaire administration. Data collected was input into SPSS version 25.0 and results were generated for discussion in figures and tables.
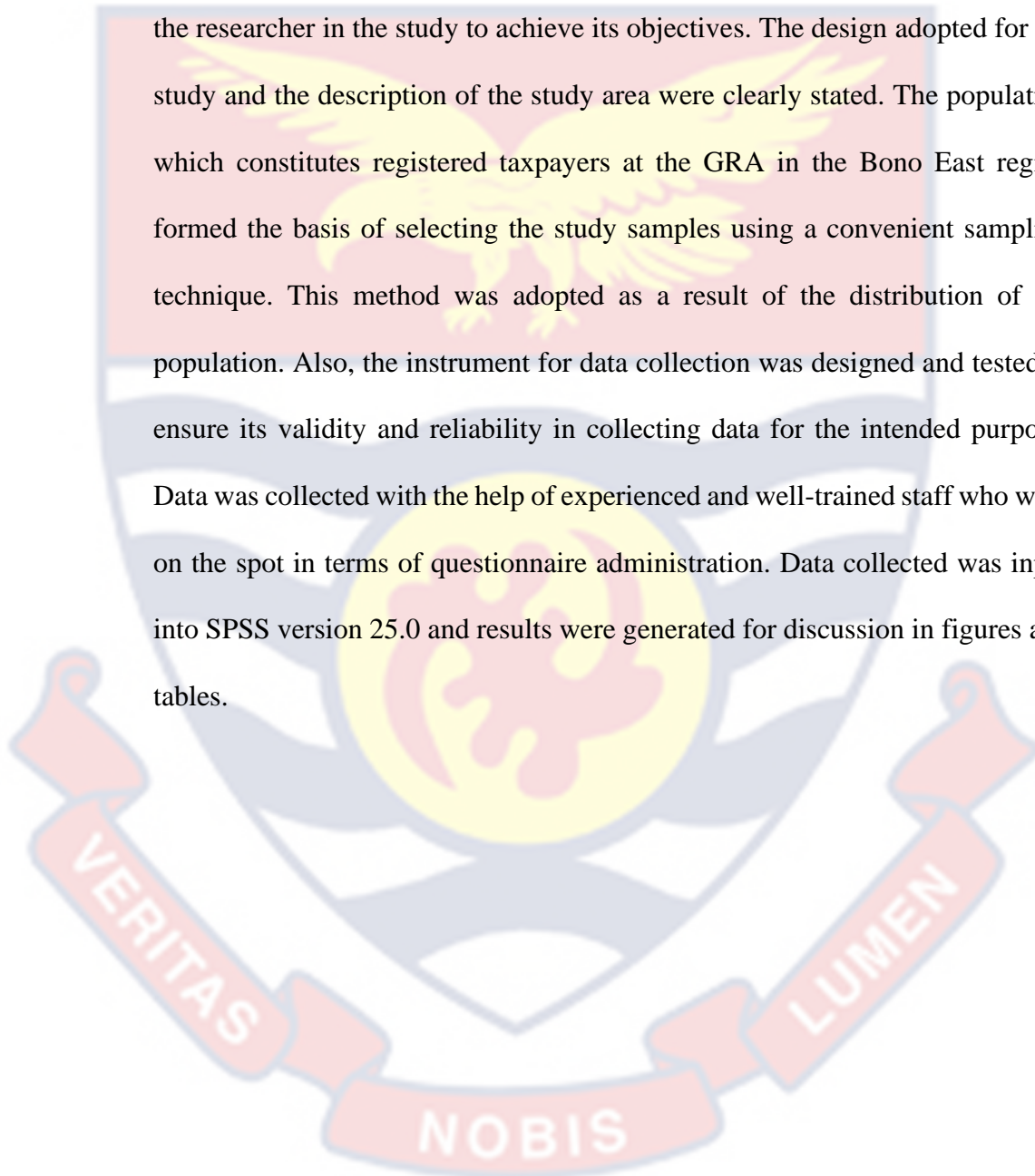
CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

The study sough to examine the effect of taxation on the growth of SMEs in the Bono East Region of Ghana. a structured questionnaire was used for the gathering of the primary data. data analysis was at the firm level and data analysis in respect of the demands of the specific research objectives was based on 200 cases. This chapter presents the findings obtained after subjecting the primary data to statistical analysis and discusses the implications of the findings, giving cognizance to previous empirical claims.

Demographic *C*haracteristics of Respondents

Demographic characteristics of the participants and their respective SMEs were analysed with the use of descriptive statistical tools of frequency and percentages. The use of frequency and percentage was informed by the fact that these tools are appropriate for measuring central tendency and dispersion given the nominal and ordinal nature of the measurement of the variables in the demographic section. The findings are presented as follows.

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Table 7: Demographic Characteristics

Basic Characteristics	Options	Frequency	Percentage (%)
Gender	Male	268	67.0
	Female	132	33.0
Age group	20-29 years	4	1.0
	30-39 years	68	17.0
	40 – 49 years	134	33.5
	50 – 59 years	150	37.5
	60 years and above	44	11.0
Educational Level	No education	32	8.0
	Basic	30	7.5
	Secondary	178	44.5
	Tertiary	160	40.0
Nature of SME	Manufacturing	6	1.5
	Transport	20	7.5
	Distribution and Retailing	224	56.0
	Electricals Supply	36	9.0
	Hotel / Restaurant services	56	14.0
	Other	48	12.0
Ownership of SME	Sole trade	292	73.0
	Partnership	60	15.0
	Private company	48	12.0
Number of Employees	10 – 29 workers	294	73.5
	30 – 99 workers	106	26.5
Annual – Revenue	Less than GH60,000	34	8.5
	GH60,000 – 120,000	118	29.5
	GH12,001 – 180,000	106	26.5
	GH180,001– 240,000	100	25.0
	GH240,001 – 300,000	40	10.0
	Don't wish to Disclose	2	0.5
Number of SMEs registered for GRA	Yes	400	100.0

Source: Field survey (2021)

Observation of the distribution of the gender of the participants proves most of the participants are male although female owners/managers also participated in the study. The age range distribution proves the majority of the

respondents are in the 50-59 years category, followed by those in the 40-49 years bracket. Only a few were in the 20-29 years category. The implication is that most owners/managers of SMEs in the Bono East region are aged and there is a relatively less youthful workforce as part of the managers/owners of SMEs in the context of the study. This provides a clue as to how the nation should focus its entrepreneurial policy, especially for the youth. The majority of the participants have secondary education, followed by those with tertiary education. Relatively, smaller percentages had no formal education or basic education.

The study further sought to examine the nature of SME operations of the businesses that were surveyed. The results prove majority (56.0%) are into distribution and retailing. 14.5% of the businesses are into hotel/restaurant operations whilst 9.0% are into the electrical supply. Only 1.5% are into manufacturing. The form of ownership proves the majority of the SMEs are sole proprietorship forms of business, followed by partnership businesses and then private companies. The manufacturing sector in the Bono East region per the findings of this study is not as vibrant as those in distribution and retailing. Special national focus could be placed on encouraging SMEs into manufacturing. Interestingly, none of the SMEs was into agri-business.

Most of the businesses surveyed by size are small enterprises followed by medium size enterprises. This finding does not pull any surprises because, it reflects the nature of business structure in Ghana since most businesses, especially in the informal sector are small businesses. Most the SMEs obtain GH₵60,000-GH₵120,000 annual revenue. This was followed by those that earn GH₵12,001-GH₵180,000 annual revenue. Only 0.5% were not willing to

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disclose their annual revenue range. All the SMEs are registered tax payers within the Bono East Region of Ghana. hence, collecting the primary data from these SMEs is a step in the right direction as they are more equipped to provide useful data for a study of this nature.

Preliminary Analysis

Common Method Bias

Table 8: Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
Tax system	8.025	66.878	66.878	8.025	66.878	66.878
Tax administration	5.879	65.326	65.326	5.879	65.326	65.326
Tax policy	6.745	51.886	51.886	6.745	51.886	51.886
SMEs' growth	7.301	42.948	42.948	7.301	42.948	42.948

Source: Field survey (2021)

Common method bias was measured statistically for the individual constructs with Harman's single-factor method (Sachdeva, Lehal, Gupta & Gupta, 2022; Nugraha, Silintowe & Paramita, 2022; Aguirre-Urreta & Hu, 2019). The results are presented in Table 8 the study proves there were threats of common method bias for all the constructs except SMEs' growth because the % of the variance for all the constructs was above 50% except for SMEs' growth.

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Test of Normality

Table 9: Descriptives

				Statistic	Std. Error
SMEs' growth	Mean			3.9205	0.02446
	95% Confidence Interval for Mean	Lower Bound		3.8723	
		Upper Bound		3.9687	
	5% Trimmed Mean			3.9165	
	Median			3.9333	
	Variance			0.127	
	Std. Deviation			0.35705	
	Minimum			3.20	
	Maximum			4.93	
	Range			1.73	
	Interquartile Range			0.57	
	Skewness			0.08	0.167
	Kurtosis			-0.530	0.332

Source: Field survey (2021)

As part of the use of inferential statistics for data analysis, it is customary to examine the normality of the data distribution of the dependent variable in the estimation of multiple regression (Wulandari, Sutrisno & Nirwana, 2021; Rahareng, 2021).

Objective One: Perception about the Effectiveness of Taxation

The study once again sought to examine the perception of the participants regarding the extent of effectiveness of the implementation of taxation by tax authorities in the Bono East Region of Ghana. This study heavily leans on the theory of planned behaviour. As perceptions tend to inform

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behaviour. This was analyzed with the mean and standard deviation as key descriptive statistical tools. The threshold for the mean scores determines the perception of the degree of effectiveness of the tax implementation. The thresholds are given as follows:

0.0-1.49 = Not at all effective

1.5-2.49 = Slightly effective

2.5-3.49 = Moderately effective

3.5-4.49 = Effective

4.5-5.0 = Highly effective

Table 10: Perception about the Effectiveness of Tax System

Tax system variables	Mean	Std. Deviation
SMEs pay taxes through electronic tax systems	0.2526	1.11193
Tax amounts are reasonable given the business climate in Ghana	3.2115	1.12222
Prompts for payment of tax are electronically given to SMEs	0.1770	1.11037
Taxes do not siphon the working capital of SMEs	0.1165	1.02934
The tax system does not support tax evasion	0.1154	2.54736
Tax officials educate businesses about the tax system in Ghana	0.0766	1.05333
Tax rates are reasonably supportive of business development	0.9710	1.26150
A reasonable period is given for tax payment	0.9406	1.56975
Taxes are paid based on pay-as-you-earn	0.8693	1.25650
The tax system in Ghana is managed by efficient state institutions	0.7734	1.22591
Tax authorities are right at demanding taxes	0.7573	1.18087
The number of taxes paid by SMEs is manageable	0.5990	1.25744

Source: Field survey (2021)

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Observation of the mean scores in Table 10 shows that, for the tax system, the participants perceived the payment of tax through electronic means as moderately effective. Similar ratings were given to the assertions that tax amounts are reasonable given the business climate in Ghana (M=3.2115; SD=1.12222), prompts for payment of tax are electronically given to SMEs (M=3.1770; SD=1.11037), taxes do not siphon the working capital of SMEs, the tax system does not support tax evasion and tax officials educate businesses about the tax system in Ghana. All the remaining variables that measured the tax system were also rated as being moderately effective.

None of the items measuring the tax system was considered as being not effective, slightly effective, effective or highly effective. This underscores the need management of the Ghana Revenue Authority to put in place measures to improve the state of the effectiveness of the tax system in the Bon East Region of Ghana so that these practices that collectively measure the tax system would become highly effective to enhance the development and growth of SMEs in the Bono East Region of Ghana. although all the items were rated as being moderately effective, however, some items underperformed in the perception index including the claims that the tax system in Ghana is managed by efficient state institutions, tax authorities are right at demanding taxes and the number of taxes paid by SMEs is manageable. Tax authorities should work on these aspects of the tax system acidulously to make them effective as demanded by SME taxpayers in the Bono East Region.

Table 11: Perception about the Effectiveness of Tax Administration

Tax administration variables	Mean	Std. Deviation
If the taxpayer fails to timely pay the required amount of tax due or fails to file a required return, a contact will result	3.3781	1.09376
Tax officials maintain and update the registry of business taxpayers	3.0882	1.12388
Tax officials respond to all enquires that are made by business operators	3.0392	0.97679
Tax officials require that all relevant business information and documents are made available for tax computation	2.9657	0.97949
Tax officials provide tax law training is given to SMEs	2.9646	2.60686
Tax officials cross-check if limited information is provided by businesses	2.9557	1.01621
Registering for a tax identification number is easy	2.7396	1.17785
Tax crimes are investigated and where necessary prosecutions are made	2.6915	1.11999
When the business fails to prepare tax returns, tax officials do it for the business	2.5490	1.05165

Source: Field survey (2021)

Regarding the perception of the participants about the state of the effectiveness of tax administration in Ghana, it was discovered that the participants rated the assertion that if the taxpayer fails to timely pay the required amount of tax due or fails to file a required return, a contact will result (M=3.3781; SD=1.09376), tax officials maintain and update the registry of business taxpayers (M=3.0882; SD=1.12388) and that tax officials respond to all enquires that are made by business operators (M=3.0392; SD=0.97679) as

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being moderately effective in their implementation. The remaining items measuring tax administration were all perceived as being moderately effective.

The study also proved that all the items measuring tax administration were rated as being moderately effective per the perceptions of owners/managers of the SMEs in the Bono East region of Ghana. However, none of the items was rated as being highly effective hence providing the cues that the Ghana Revenue Authority should intensify its efforts at improving the implementation of tax administration. Among the key areas needing such attention include tax officials cross-checking if limited information is provided by businesses, registering for a tax identification number is easy, tax crimes are investigated and where necessary prosecutions are made and when the business fails to prepare tax returns, tax officials do it for the business.
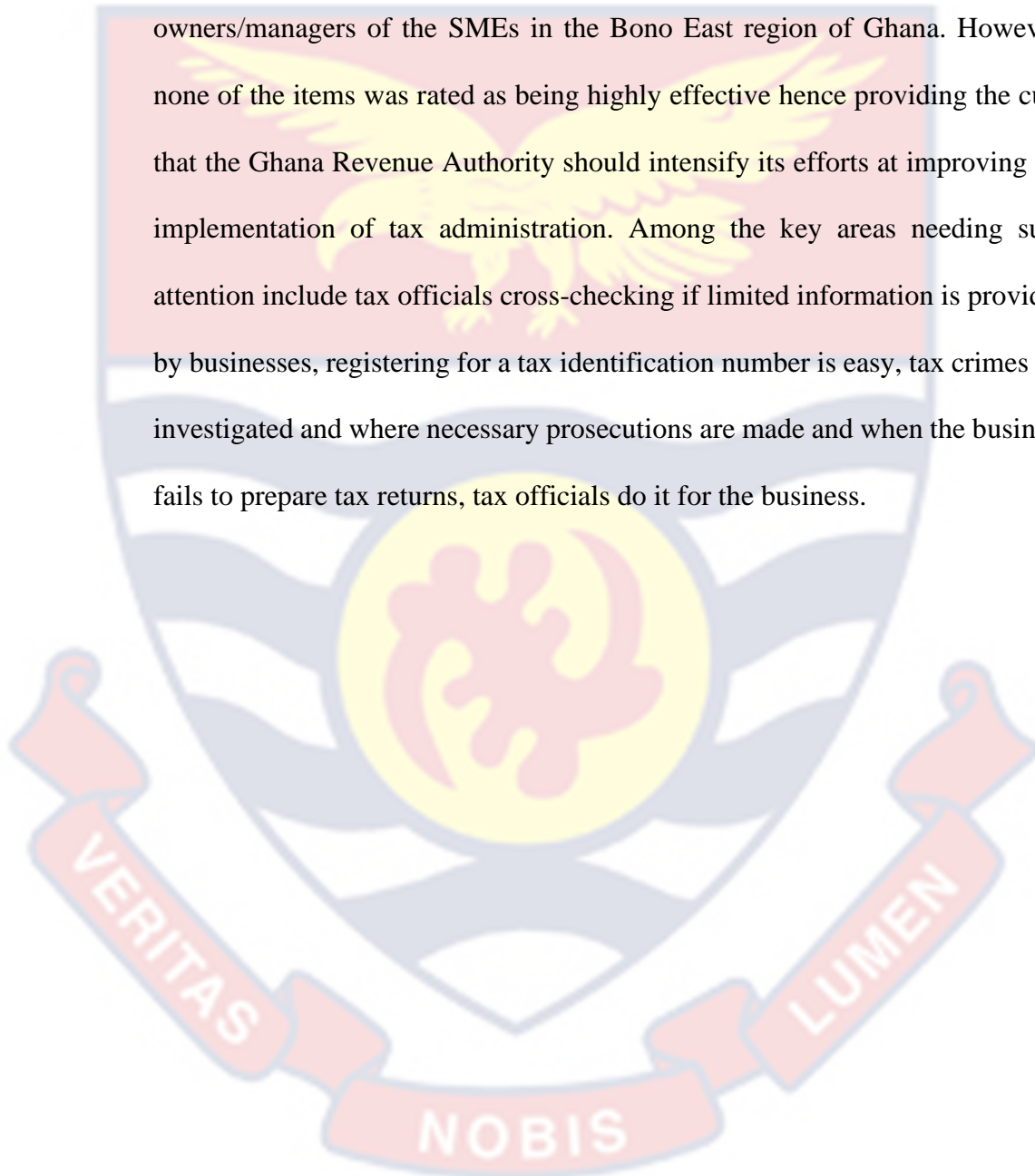
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Table 12: Perception about the Effectiveness of Tax Policy

Tax policy variables	Mean	Std. Deviation
Penalties for non-payment of tax are stated in the tax policy	3.4146	2.49092
Tax amounts are made known in advance to business taxpayers	3.1429	1.04563
Tax rates are detailed for the information of SMEs	3.0376	1.06729
Changes in tax policy are timely communicated to businesses	2.9900	1.06766
Tax holidays, allowances or exemptions for SMEs are based on net profit	2.9665	1.16595
There is a single tax for small business taxpayers which combines all types of taxes	2.9662	1.08109
Progressive income tax rates are based on net profits	2.9617	1.18015
Presumptive taxes are based on the size, location and type of business activities for SMEs	2.9474	1.14443
Exemption from VAT registration and filing based on threshold amounts proscribed by the law	2.9471	1.09107
Business taxes are backed by the laws of Ghana	2.8038	1.15808
The tax authority in Ghana is legally established for the administration of tax in the country	2.7440	1.14364
Owners/managers of SMEs are consulted when tax policies are being formulated	2.7427	1.10732
Owners/managers of SMEs are educated about changes in tax policy	2.6927	1.11505

Source: Field survey (2021)

From Table 12 it can be seen that the participants perceived all the indicators of tax policy as being moderately effective given the mean threshold obtained for such variables. For instance, items such as penalties for non-payment of tax are stated in tax policy (M=3.4146; SD=2.49092), tax amounts are made known in advance to business taxpayers (M=3.1429; SD=1.04563), tax rates are detailed for the information of SMEs (M=3.0376; SD=1.06766), changes in tax policy are timely communicated to businesses (M=2.9900;

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SD=1.06766) and tax holidays, allowances or exemptions for SMEs are based on net profit (M=2.9665; SD=1.16595) were all rated moderately effective given the perception of the participants of this empirical study.

It is worth noting that none of the items measuring tax policy was rated as being not at all effective, slightly effective, effective or highly effective. Ghana Revenue Authority as a matter of concern has to intensify its efforts at consulting owners/managers of SMEs when formulating tax policies in the country. Also, educating SME managers/owners on changes in tax policy is required because this indicator seems to have performed poorly comparatively to other variables regarding the perceptions of the participants on the tax policy in the Bono East region of Ghana.

Based on the findings of the first objective, it can be inferred that the perceptions of owners/managers of SMEs in the Bono East region of Ghana about the effectiveness of taxation are moderately positive. These findings are consistent with the theory of planned behaviour, which suggests that attitudes, subjective norms, and perceived behavioural control influence individuals' intentions and actual behaviour. In this case, the perceptions of the participants about the effectiveness of taxation may influence their willingness to comply with tax obligations, which in turn can affect the growth and development of SMEs in the region.

Moreover, the findings of the first objective also confirm the institutional anomie theory, which argues that the breakdown of social norms and values in society can lead to anomie, or a state of normlessness, which can promote deviant behaviour such as tax evasion. In this case, the moderately positive perceptions of owners/managers of SMEs about the effectiveness of

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taxation may indicate that the institutional norms and values related to taxation are still intact in the Bono East region of Ghana, which can discourage tax evasion and promote compliance.

Objective Two: Relationship Between Taxation and SMEs' Growth

This specific research objective sought to examine the nature of the relationship between taxation components and SMEs' growth. The results are presented in Table 13. It was analyzed with the Pearson product-moment correlation technique. The findings of this objective also confirm the theory of planned behaviour. This technique helps to establish the linear association between/among variables of interest. The thresholds used for the interpretation of the correlation results propounded by Pallant (2020) as presented as follows:

r=0.10 to 0.29 or -0.10 to -0.29 = small

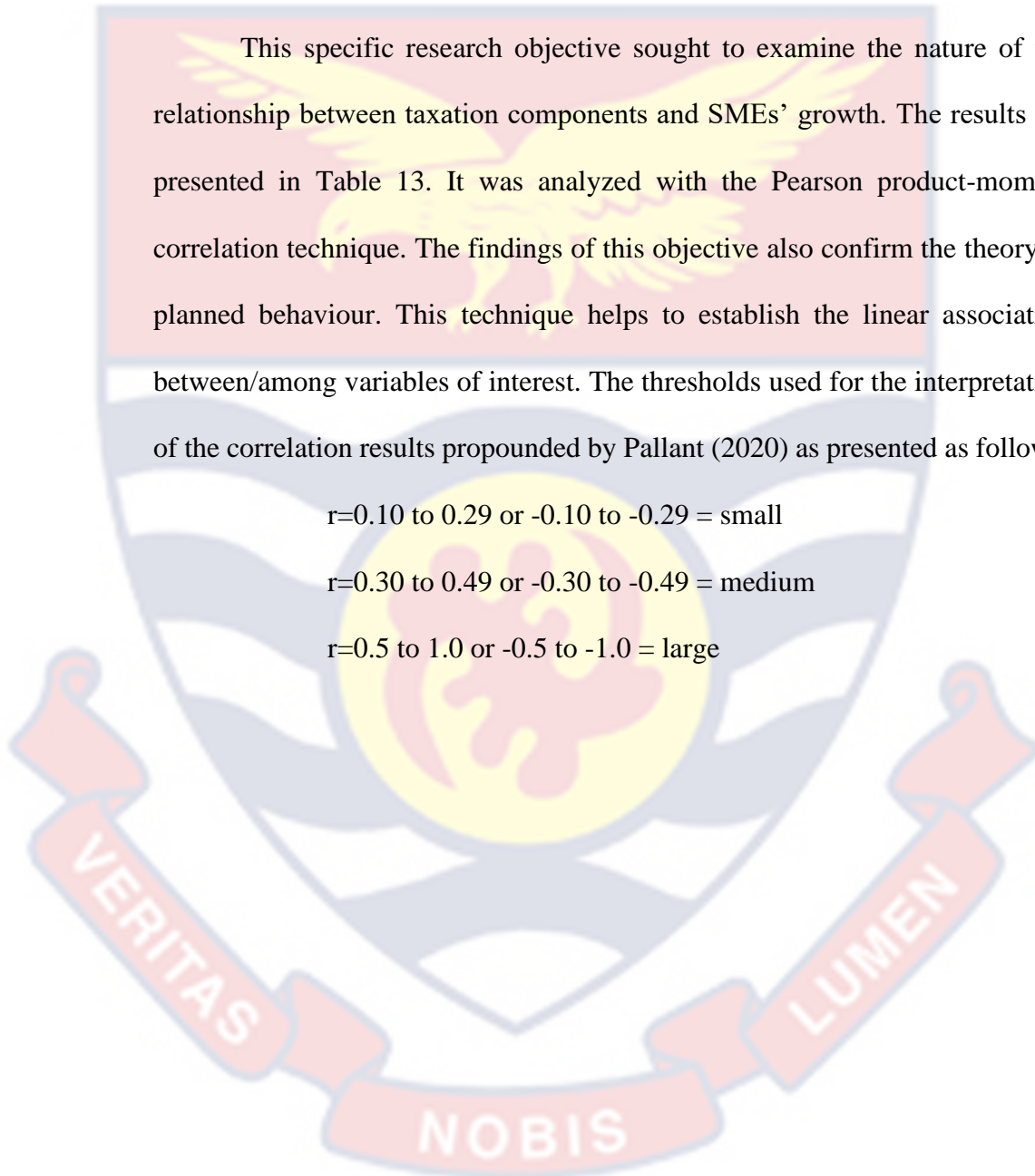r=0.30 to 0.49 or -0.30 to -0.49 = medium

r=0.5 to 1.0 or -0.5 to -1.0 = large

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Table 13: Correlations

		SMEs' growth	Tax system	Tax administration	Tax policy
SMEs' growth	Pearson Correlation	1			
	Sig. (2-tailed)				
Tax system	Pearson Correlation	0.640**	1		
	Sig. (2-tailed)	0.000			
Tax administration	Pearson Correlation	0.722**	0.860**	1	
	Sig. (2-tailed)	0.000	0.000		
Tax policy	Pearson Correlation	0.818**	0.736**	0.805**	
	Sig. (2-tailed)	0.000	0.000	0.000	

**. Correlation is significant at the 0.01 level (2-tailed).

Source: Field survey (2021)

Based on the thresholds established by Pallant (2020), it can be seen that there is a statistically significant positive large relationship between the tax policy and SMEs' growth (r=0.818; p=0.000: p<0.05) in the context of the study. This means that the established relationship between the tax policy and SMEs' growth is not caused by chance but by the true scientific interaction between the variables (Tax policy and SMEs' growth) considered in the estimated model (Nyarku & Oduro, 2018; Amanamah, 2016; Ameyaw, Korang, Twum & Asante, 2016; Tee, Boadi & Opoku, 2016; Joshi, Prichard & Heady, 2013; Atawodi & Ojeka, 2012). Therefore, the study proves a significantly large rise in tax policy is associated with a significantly large rise in SMEs' growth whilst a significantly large fall in scores for the tax policy is associated with a

significantly large decrease in scores for SMEs' growth in the context of the study.

The relationship is explained by the position espoused by the theory of planned behaviour (Ajzen, 1991) which presumes individuals are more likely to do a behaviour in case they assess the proposed behaviour as having positive comes about (demeanour) and in case they think their noteworthy others need them to perform the behaviour (subjective norm). This is anchored on the fact that the study proves favourable tax policy relates to improving SMEs' growth which also calls for improved tax compliance among tax payers or registered SMEs that pay taxes in the context of the study.

Based on the thresholds established by Pallant (2020), it can be seen that there is a statistically significant positive large relationship between the tax administration and SMEs' growth (r=0.722; p=0.000: p<0.05) in the context of the study. This means that the established relationship between the tax administration and SMEs' growth is not caused by chance but by the true scientific interaction between the variables (Tax administration and SMEs' growth) considered in the estimated model (Nyarku & Oduro, 2018; Amanamah, 2016; Ameyaw, Korang, Twum & Asante, 2016; Tee, Boadi & Opoku, 2016; Joshi, Prichard & Heady, 2013; Atawodi & Ojeka, 2012). Therefore, the study proves a significantly large rise in tax administration is associated with a significantly large rise in SMEs' growth whilst a significantly large fall in scores for the tax administration is associated with a significantly large decrease in scores for SMEs' growth in the context of the study.

The relationship is explained by the position espoused by the theory of planned behaviour (Ajzen, 1991) which presumes individuals are more likely to

do a behaviour in case they assess the proposed behaviour as having positive comes about (demeanour) and in case they think their noteworthy others need them to perform the behaviour (subjective norm). This is anchored on the fact that the study proves favourable tax administration relates to improving SMEs' growth which also calls for improved tax compliance among taxpayers or registered SMEs that pay taxes in the context of the study. From the institutional anomie theory, people make choices based on socialized values which distinctly may be conflicting but together equalize each other creating behaviour considered "normal" by society. Hence, the favourable tax administration may be associated with a willingness to pay tax for the growth of SMEs as attested by the findings in this empirical study (Itashiki, 2011).

Based on the thresholds established by Pallant (2020), it can be seen that there is a statistically significant positive large relationship between the tax system and SMEs' growth (r=0.640; p=0.000: p<0.05) in the context of the study. This means that the established relationship between the tax system and SMEs' growth is not caused by chance but by the true scientific interaction between the variables (Tax system and SMEs' growth) considered in the estimated model (Nyarku & Oduro, 2018; Amanamah, 2016; Ameyaw, Korang, Twum & Asante, 2016; Tee, Boadi & Opoku, 2016; Joshi, Prichard & Heady, 2013; Atawodi & Ojeka, 2012). Therefore, the study proves a significantly large rise in the tax system is associated with a significantly large rise in SMEs' growth whilst a significantly large fall in scores for the tax system is associated with a significantly large decrease in scores for SMEs' growth in the context of the study.

Objective Three: Effect of Taxation on SMEs' Growth

The third objective examined the influence of taxation on the growth of SMEs. This objective was analyzed with the multiple regression techniques recommended for testing the effect of the dependent variable(s) and independent variable (Harrison, 2021; Fan, Deng, Qiu, Zhao & Wu, 2021). This analysis was done with the transformed composite variables owing to the higher construction of the scales used in the structured questionnaire. The findings are presented as follows. The findings of this objective firmly confirm both the institutional anomie theory and the theory of planned behaviour

Descriptive Statistics for SMEs' Growth

It is vital to examine the descriptive statistics for the dependent variables hence mean and standard deviation was employed as the measure of central tendency and dispersion respectively. These techniques are appropriate to measure the descriptive nature of the state of improvement in the performance of the SMEs that were surveyed subjectively. Since a 5-point Likert scale was used for the measurement of the attitude of the participants, subjective criteria were created to guide the interpretation of the mean scores for the variable. 0.0-1.49 = Poor; 1.5-2.49 = Fair; 2.5-3.49 = Good; 3.5-4.49 = Very good; 4.5-5.00 = Excellent

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Table 14: Descriptive Statistics for SMEs' Growth

SMEs' growth variables	Mean	Std. Deviation
Better pricing strategies	0.7606	0.97077
Performing better than key rivals	0.7604	1.06092
Reduction in cost of operations	0.6316	0.94340
Opening new branches	0.6263	1.06027
Employing more workers	0.6250	1.00000
Expansion in operating capital	0.6146	1.00125
Improved customer satisfaction	0.6094	0.98604
Expansion of business operations	0.6021	1.05071
Increase in profit	0.5885	0.93924
Attracting more customers	0.5882	1.00347
Improved throughput	0.5479	0.99885
Acquiring of assets	0.5417	1.04272
Asset utilization	0.5208	0.95423
Better customer service delivery	0.4398	1.10753
Improved sales revenue	0.2368	0.96044
Increase in sales volume	0.2042	1.17213

Source: Field survey (2022)

The study proved that the participants rated most of the indicators of SMEs' growth as being very good. For instance, items such as better pricing strategies, better performance than rivals, reduced operations costs, creation of new branches, and employing more workers were all considered as witnessing very good growth. The items with good improvement include better customer service delivery, sales revenue and sales volume. None of the items was rated as being poor, fair, or excellent. Therefore, SMEs in the Bono East region are somehow doing well given the perception of the growth of their businesses. However, more needs to be done to improve the growth measures into excellence improvement.

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Table 15: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
	0.825[a]	0.680	0.674	0.45124	1.757

a. Predictors: (Constant), Tax policy, Tax system, Tax administration

b. Dependent Variable: SMEs' growth

Source: Field survey (2021)

The autocorrelation assumption in the estimated regression model was checked with the Durbin-Watson criterion. To avoid the threat of autocorrelation in the estimated regression model, the Durbin-Watson score should be within the range of 1.5 and 2.5 (Kim, 2021; Kabaila, Farchione, Alhelli & Bragg, 2021). The Durbin-Watson score in the estimated regression model proves there is no threat of autocorrelation because the score is within the acceptable threshold. The estimated regression model again provided information on the joint correlation between the predictors (Measures of taxation) and SMEs' growth. The results in Table 15 prove there is a large positive linear joint relationship between the dimensions of taxation and SMEs' growth (r=0.825), thereby signifying a possible positive impact of taxation on SMEs' growth in the context of the study.

Measurement of the effect of taxation on SMEs' growth was done with the co-efficient of determination which is represented by the r-squared value. tentative cut-off points have been prescribed for the interpretation of the r-squared value whenever an estimated regression model is configured. The r-square provides information about the in-sample predictive power of the estimated or formulated regression model (Becker, Rai & Rigdon, 2013). The cut-off points are given as follows.

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$R^2 > 0.67$ = Substantial

$R^2 > 0.33$ = Moderate

$R^2 > 0.19$ = Weak

Observation of the co-efficient of determination proves changes in taxation including tax administration, tax system and tax policy jointly account for 68.0% change (improvement) in the growth of the SMEs in the context of the study ($r^2 = 0.68$) when all other factors that influence the growth of SMEs in the context of the study are statistically controlled for apart from taxation. Thus, those factors collectively could account for a 32.0% change in SMEs' growth under the same conditions as in the case of this empirical study. however, the model does not state whether the 68% change in SMEs' growth as accounted for by changes in taxation is attributed to chance or not, hence the need to examine the results in the ANOVA Table below.

Table 16: ANOVA

Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	63.262	3	21.087	103.561	0.000[b]
Residual	29.729	146	0.204		
Total	92.990	149			

a. Dependent Variable: SMEs' growth

b. Predictors: (Constant), Tax policy, Tax system, Tax administration

Source: Field survey (2021)

Observation of the results in Table 16 shows changes in taxation account for a statistically significant positive substantial improvement in SMEs' growth ($r2 = 0.68$; p=0.000: p<0.05). Thus, the growth of SMEs is strongly linked to the taxation system in Ghana. The effect size (f^2) of the change in the growth of SMEs as occasioned by changes in taxation dimension is 2.122 which is

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regarded as being strong. The computation of the f^2 was based on this formula ($f^2=r^2/(1-r^2)$). The interpretation of the f2 was based on these classifications.

$f^2 > 0.35$ = Strong

$f^2 > 0.15$ = Moderate

$f^2 > 0.02$ = Weak

The result implies that taxation in the Bono East Region relates positively to the development and the growth of SMEs in a substantial manner. Therefore, SMEs in the context of this empirical study are not negatively affected by taxation dimensions considered in this study including the tax system, tax policy and tax administration. This finding could be attributed to the fact that perhaps taxation that targets SMEs in the Bono East is effectively administered by tax institutions and agents within the region and thus, creating the ambience for the flourishing of the SMEs in terms of their growth. The growth dimensions measured in the context of the study included the employment of more workers by the SMEs, increment in profit, business expansion, the opening of new branches, customer satisfaction, customer attraction, asset use, asset acquisition, improved operating capital, efficiency in throughput, sales revenue, sale volume, better customers service delivery, reduction in operating costs and productivity.

This finding supports some previous empirical studies that collectively proved taxation improves SMEs' growth (Etuk, Etuk & Michael, 2014; Kruja, 2013; Adebisi & Gbegi, 2013), especially in Ghana (Nyarku & Oduro, 2018; Amanamah, 2016; Ameyaw, Korang, Twum & Asante, 2016; Tee, Boadi & Opoku, 2016; Joshi, Prichard & Heady, 2013). The finding also confirms the assertion that the situation raises a serious concern about the issue of aligning

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the tax-planning system to the specific requirements of a particular country's growing need as it has to balance both the short-term and long-term impact of the policy (Mwangi, 2019) which means the taxation issues in Ghana are linked strongly with the development of SMEs in the country (Mwangi, 2019; Nyarku & Oduro, 2018; Amanamah, 2016; Ameyaw, et al., 2016; Tee, Boadi & Opoku, 2016; Joshi, Prichard & Heady, 2013)

Table 17: Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	IF
(Constant)	1.815	0.216		0.422	0.000		
Tax system	-0.026	0.064	-0.037	0.403	0.687	0.256	0.912
Tax administration	0.148	0.075	0.209	0.981	0.049	0.196	0.101
Tax policy	0.575	0.068	0.677	0.487	0.000	0.345	0.902

a. Dependent Variable: SMEs' growth

Source: Field survey (2021)

The multicollinearity assumption was measured with the VIF values. To avoid the threat of multicollinearity, the VIF scores should be less than 5 for an estimated regression model (Kock, 2015). Observation of the VIF scores for the variables in the estimated regression model shows the threat of multicollinearity was not a major threat in this empirical study because the VIF scores are less than 5 for the tax system and tax policy except for tax administration which had a little above 5. This slight deviation however is within the acceptable threshold

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of deviation in multicollinearity analysis (Salmeron Gomez, Rodriguez Sanchez, Garcia & Garcia Perez, 2020).

The contributions of the dimensions of taxation to predicting the statistically significant positive substantial change in SMEs' growth was measured with the path co-efficient which was measured with the beta coefficient score. For comparison purposes, the standardized beta path coefficient was relied on. It can be seen therefore that tax policy makes the strongest statistically significant unique positive contribution to predicting that 68% improvement in SMEs' growth when the effects of other dimensions of taxation in the regression model are statistically held constant (Beta=0.677; t=8.487: t>1.96; p=0.00: p<0.05). In unstandardized terms, a unit significant rise in tax policy causes a 0.575 significant improvement in the growth of SMEs whilst a unit significant fall in tax policy causes a 0.575 reduction in SMEs' growth in the context of the study.

This finding signals that tax policies in Ghana do not negatively affect the growth of SMEs in the Bono East region of Ghana specifically among the four MDAs thus Techiman, Kintampo municipality, Nkoranza and Atebubu districts assemblies but rather help to improve the growth of the SMEs operating in the Region. This finding also confirms the earlier position that tax policy reforms in Ghana are meant to create a flourishing business environment for SMEs to develop (Atawodi & Ojeka, 2012). This finding also goes to contradict the claim that tax policies negatively affect SMEs' growth by reducing sales, profit and employment levels (Nganga & Mwangi, 2007).

The statement that some erroneous taxation policies and uncertainties hinder some of these SMEs from obtaining assets to strengthen their growth

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(Ameyaw et al., 2016) is also rendered futile by the very nature of this finding that shows tax policy causing a statistically significant positive change in the growth of SMEs in the Bono East region of Ghana specifically among the four MDAs thus Techiman, Kintampo municipality, Nkoranza and Atebubu districts assemblies. The efficiency of tax policies depends on the designing of appropriate and rational tax rates, reducing the tax burden of the indigent people and intensifying the fight against corruption and the evasion of taxes (Dabuo, 2017), features that are strongly epitomized by the tax policies in the context of this study.

Furthermore, it can be seen that tax administration makes the next strong statistically significant unique positive contribution to predicting that 68% improvement in SMEs' growth when the effects of other dimensions of taxation in the regression model are statistically held constant (Beta=0.209; t=1.981: t>1.96; p=0.049: p<0.05). In unstandardized terms, a unit significant rise in tax administration causes a 0.148 significant improvement in the growth of SMEs whilst a unit significant fall in tax administration causes a 0.148 reduction in SMEs' growth in the context of the study.

Since tax administration made some statistically significant contribution to predicting the positive substantial change to the growth of SMEs, it goes to the claim that poor implementation of tax policies connotes high collection charges, low efficiency, time wastage for taxpayers and staff deviation from best allocation of resources and low amount of tax revenues (Farzbod, 2000) which eventually reduces SMEs' growth (Nganga & Mwangi, 2007; Eragbhe & Modugu, 2014). Therefore, the various tax institutions charged with the tax administration in the Bono East Region are effective in their administrative

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function as such function does not negatively affect the growth of SMEs in the region but rather contributes significantly and in a positive manner to the growth of the SMEs.

However, the tax system makes some negative contribution to predicting the 68% significant change in SMEs' growth, such contribution is a result of chance (Beta=-0.037: t=0.403: t<1.96: p=0.687; p>0.05), making it scientifically imprudent to rely on the tax system to improve SMEs' growth. The tax system, therefore, has the potential to reduce SMEs' growth in the context of the study because the study shows it contributed negatively to the growth of SMEs in SMEs in the Bono East region of Ghana specifically among the four MDAs in Techiman, Kintampo municipality, Nkoranza and Atebubu districts assemblies.

Mathematically, the estimated regression function under this empirical study is given as follows: SMEs' growth = 1.815 + (taxAd * 0.148) + (TaxP * 0.575). Positive contributions of tax policy and tax administration as attested by the findings in this empirical study explained by the position espoused by the theory of planned behaviour (Ajzen, 1991) which presumes individuals are more likely to undertake a behaviour in case they assess the proposed behaviour as having positive comes about (demeanour) and in case they think their noteworthy others need them to perform the behaviour (subjective norm).

This is anchored on the fact that the study proves favourable tax administration and tax policy cause significant contributions to predicting SMEs' growth, hence explaining why SMEs in the Bono East Region comply with tax laws in the country. From the institutional anomie theory, people, in this case, managers and owners of SMEs make choices based on socialized

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values which distinctly may be conflicting but together equalize each other creating behaviour considered "normal" by society. Hence, favourable tax administration and tax policy may be associated with the willingness to pay tax for the growth of SMEs as attested by the findings in this empirical study (Itashiki, 2011).

The result in respect of the contribution of the tax system to predicting the change in SMEs' growth could be best explained by the position of the institutional anomie theory (Bond & Smith, 1996) when one holds an imbalanced set of values, choices made on that set may deliver degenerate behaviour, such as regular wrongdoing (Itashiki, 2011) hence tax system may produce non-compliance behaviour among SMEs because this aspect of taxation has the potential to retard the growth of SMEs operating in the Bono East Region. Besides, individualistic social values set the point for behaviours that emphasize the interest of firm self-interest generally, ignoring concern for moral results (Marandu, Mbekomize, & Ifezue, 2015).

Limitations

Since data transformation was carried out to obtain composite variables for the holistic analysis of the respective objective, it became impossible to examine how the individual indicators of the subconstructs related to the various dimensions of the dependent construct. Again, since a structured questionnaire was administered for the gathering of the primary data, the study was exposed to the threats of common method bias and multicollinearity per the statistical tests carried out in this empirical study.

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Chapter Summary

The study empirically proves taxation relates positively to SMEs' growth in the Bono East Region and that taxation accounts for a substantial positive significant variance in SMEs' growth. Among the components of taxation that contribute significantly and in a positive manner to the growth of SMEs include tax policy and tax administration. However, the tax system relates in an insignificant and negative manner to SMEs' growth in the Bono East Region of Ghana.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

This empirical study was carried out to examine how changes in taxation affected changes in SMEs' growth, if any, in the Bono East Region of Ghana. The study adopted an explanatory research design to conduct this empirical study, given the quantitative approach of the study. Structured questionnaires were self-administered for the gathering of the primary data. Data analysis was based on 400 cases and was at the firm level of the unit of analysis. The data were analysed with SPSS version 25.0 with descriptive and inferential statistics. The previous chapter provided information on the findings as directed by the nature of the specific research objectives. This chapter however provides information concerning the summary of the key findings, the conclusions drawn and the commendations that were offered to the various stakeholders that could rely on the findings of the study for decision-making.

Summary of Key Findings

- The first objective sought to examine the perceptions of the owners/managers of SMEs on the extent of effectiveness of taxation in the Bono East region of Ghana. The results proved that for the tax system, the participants perceived the payment of tax through electronic means as moderately effective. Similar ratings were given to the assertions that tax amounts are reasonable given the business climate in Ghana, prompts for payment of tax are electronically given to SMEs, taxes do not siphon the working capital of SMEs, the tax system does

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not support tax evasion and tax officials educate businesses about the tax system in Ghana.

Furthermore, regarding the perception of the participants about the state of the effectiveness of tax administration in the Bono East region of Ghana, it was discovered that the participants rated the assertion that if the taxpayer fails to timely pay the required amount of tax due or fails to file a required return, a contact will result, tax officials maintain and update the registry of business taxpayers and that tax officials respond to all enquires that are made by business operators as being moderately effective in their implementation. The remaining items measuring tax administration were all perceived as being moderately effective.

Additionally, the participants perceived all the indicators of tax policy as being moderately effective given the mean threshold obtained for such variables. For instance, items such as penalties for non-payment of tax are stated in tax policy, tax amounts are made known in advance to business taxpayers, tax rates are detailed for the information of SMEs, changes in tax policy are timely communicated to businesses and tax holidays, allowances or exemptions for SMEs are based on net profit were all rated moderately effective given the perception of the participants of this empirical study

- The second objective sought to examine the nature of the relationship between taxation components and SMEs' growth in the Bono East Region of Ghana. The Pearson product-moment correlation results

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proved there is a statistically significant positive large relationship between the tax policy and SMEs' growth (r=0.818; p=0.000: p<0.05) in the context of the study. Furthermore, there is a statistically significant positive large relationship between the tax administration and SMEs' growth (r=0.722; p=0.000: p<0.05) in the context of the study. Additionally, the correlation results prove there is a statistically significant positive large relationship between the tax system and SMEs' growth (r=0.640; p=0.000: p<0.05) in the context of the study.

- The third objective sought to examine the influence of taxation on SMEs' growth in the Bono East Region of Ghana. This objective was assessed via the use of multiple regression techniques. there is a large positive linear joint relationship between the dimensions of taxation and SMEs' growth, thereby signifying a possible positive impact of taxation on SMEs' growth in the context of the study. Observation of the co-efficient of determination proves changes in taxation including tax administration, tax system and tax policy jointly account for 68.0% (Substantial) significant change (improvement) in the growth of the SMEs in the context of the study (r^2=0.68) when all other factors that influence the growth of SMEs in the context of the study are statistically controlled for apart from taxation.

    Tax policy makes the strongest statistically significant unique positive contribution to predicting that 68% improvement in SMEs' growth when the effects of other dimensions of taxation in the regression model are statistically held constant. In unstandardized terms, a unit

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significant rise in tax policy causes a 0.575 significant improvement in the growth of SMEs whilst a unit significant fall in tax policy causes a 0.575 reduction in SMEs' growth in the context of the study.

Tax administration makes the next strong statistically significant unique positive contribution to predicting that 68% improvement in SMEs' growth when the effects of other dimensions of taxation in the regression model are statistically held constant. In unstandardized terms, a unit significant rise in tax administration causes a 0.148 significant improvement in the growth of SMEs whilst a unit significant fall in tax administration causes a 0.148 reduction in SMEs' growth in the context of the study. However, the tax system makes some negative contribution to predicting the 68% significant change in SMEs' growth, such contribution is a result of chance, making it scientifically imprudent to rely on the tax system to improve SMEs' growth.

Conclusions

For the first objective, the study reveals that SME owners/managers in the Bono East region of Ghana perceive the tax system, tax administration, and tax policy to be moderately effective. The electronic payment of taxes, reasonable tax amounts, prompt reminders for payment, and tax education for businesses were perceived as effective. Thus, the tax system in the region is perceived to be generally effective. This is evidenced in the studies of (Ameyaw et al, 2016; Joshi et al, 2013).

For the second objective, the study found a statistically significant positive large relationship between taxation components (tax system, tax administration, and tax policy) and SMEs' growth in the Bono East region of

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Ghana. Tax policy makes the strongest unique positive contribution to SMEs' growth, followed by the tax administration and then the tax system. This is also evidenced in the studies of (Tee et al, 2016; Twum & Asante, 2016; Amanamah, 2016).

The results of the multiple regression analysis for the third objective reveal a significant positive linear relationship between the dimensions of taxation and SMEs' growth, indicating that taxation has a possible positive impact on SMEs' growth in the context of the study. Tax policy and tax administration were found to have a significant positive impact on SMEs' growth, while the tax system made a negative contribution due to chance. This is evidenced in the studies of (Eragbhe & Modugu, 2014; Atawodi & Ojeka,2012; Nyarky & Oduro, 2018).

Recommendations

Based on the findings of the study, the following recommendations are proposed for stakeholders to make informed decisions on practice, policy and theory in relation to the growth and development of SMEs in the Bono East region of Ghana.

Firstly, the Ghana Revenue Authority must reform the current tax system to cater to the unique needs of SMEs. This will enhance the effectiveness of tax implementation, as the study reveals that the current tax system does not adequately promote the growth of SMEs in the Bono East region. Therefore, policy reforms must prioritize creating a tax system that can predict and facilitate the development and growth of SMEs in the region.

Secondly, the study indicates that although the subconstructs considered in the empirical analysis were rated as moderately effective, more attention must

be placed on those perceived as lower to improve their implementation. The tax authorities must invest resources and effort to equip their agents with the necessary skills and practices to ensure efficient taxation in the Bono East region. This will create the conditions for these variables to become highly effective in their implementation.

Thirdly, while taxation accounts for a statistically significant improvement in SMEs' growth in the Bono East region, tax policy and tax administration have a more significantly positive contribution in predicting the substantial change in the growth of SMEs. Therefore, the Ghana Revenue Authority must invest more resources in tax policy and administration, as they are critical to creating the necessary conditions for SMEs' growth.

Fourthly, the study shows that the tax system has the potential to reduce SMEs' growth in the region due to its statistically insignificant negative contribution in predicting the substantial positive change in the growth of SMEs. Thus, radical strategies, including a complete stoppage of tax system implementation in the Bono East region, may be required to promote SMEs' growth in the region. Finally, managers and owners of SMEs must continue to comply with tax laws that regulate corporate taxation in the Bono East region. This will create an enabling environment for the growth, development, and survival of SMEs. However, they must seek clarification on tax laws that are perceived as disincentives to their development and growth to improve their compliance behaviour.

Suggestions for Further Studies

Further studies should be carried out to examine how some contextual factors including the education and working experience of managers/owners of

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SMEs induce their state of tax compliance in the Bono Region of Ghana. Other studies could adopt mixed research methods to examine how changes in taxation influence if any, changes in the growth of SMEs in the Bono East region by obtaining qualitative data for triangulation purposes.

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APPENDIX

APPENDIX A: QUESTIONNAIRE

UNIVERSITY OF CAPE COAST

COLLEGE OF HUMANITIES AND LEGAL STUDIES

SCHOOL OF BUSINESS

DEPARTMENT OF ACCOUNTING

Dear Participant,

I am Gilbert Agiah Agolmah, a post-graduate student of University of Cape Coast, who is carrying out this empirical study in partial fulfillment of the requirement of the award of the masters certificate. The study is being carried out to examine the influence of taxation of the growth of small and medium enterprises in the Bono East region of Ghana. Your opinions expressed on the statements in this questionnaire can go a long way to make this empirical study a success. Thank you.

Demographics Characteristics
1. Gender
    a. Male [ ]
    b. Female [ ]

2. Age range
    a. 20-29 years   [ ]
    b. 30-39 years   [ ]
    c. 40-49 years   [ ]
    d. 50-59 years   [ ]
    e. 60years and above[ ]

3. Educational level
    a. No education   [ ]
    b. Basic   [ ]
    c. Secondary   [ ]
    d. Tertiary   [ ]

4. Nature of SME business operations […………………………]

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5. Ownership structure
    a. Partnership   [ ]
    b. Private company   [ ]
    c. Sole trade   [ ]

6. Number of employees
    a. 10-29 workers [ ]
    b. 30-99 workers [ ]

7. Annual revenue
    a. Less than GH₵60,000   [ ]
    b. GH₵60,000- GH₵120,000   [ ]
    c. GH₵12,001- GH₵180,000   [ ]
    d. GH₵180,001- GH₵240,000   [ ]
    e. GH₵240,001- GH₵300,000   [ ]
    f. Don't wish disclose   [ ]

8. Tax registration status
    a. Yes [ ]
    b. No [ ]
    Taxation in Ghana

Measures Of Tax System

9. To what extent do you rate the effectiveness of tax system in Ghana?
    Where: 1-Not at all effective; 2-Slightly effective; 3-Moderately effective; 4-Effective; 5-Higly effective

Tax system indicators	1	2	3	4	5
Tax authorities are right at demanding taxes					
The tax system does not support tax evasion					
Tax rates are reasonably supportive of business development					
The number of taxes paid by SMEs is manageable					
Tax officials educate businesses about the tax system in Ghana					
Tax amounts are reasonable given the business climate in Ghana					
Prompts for payment of tax are electronically given to SMEs					
Taxes do not siphon the working capital of SMEs					
A reasonable time period is given for tax payment					
The tax system in Ghana is managed by efficient state institutions					
Taxes are paid based on pay-as-you-earn					
SMEs pay taxes through electronic tax systems					

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Tax administration indicators	1	2	3	4	5
Registering for a tax identification number is easy					
Tax officials require that all relevant business information and documents are made available for tax computation					
Tax officials cross-check if limited information is provided by businesses					
If the taxpayer fails to timely pay the required amount of tax due or fails to file a required return, a contact will result					
Tax officials maintain and update the registry of business taxpayers					
Tax officials respond to all enquires that are made by business operators					
When the business fails to prepare tax returns, tax officials do it for the business					
Tax officials provide tax law training is given to SMEs					
Tax crimes are investigated and where necessary prosecutions are made					
Without any auditing, taxes are not paid by this business					
Tax policy indicators	1	2	3	4	5
Tax rates are detailed for the information of SMEs					
Changes in tax policy are timely communicated to businesses					
Tax amounts are made known in advance to business taxpayers					
Business taxes are backed by the laws of Ghana					
The tax authority in Ghana is legally established for the administration of tax in the country					
Owners/managers of SMEs are educated about changes in tax policy					
Owners/managers of SMEs are consulted when tax policies are being formulated					
Penalties for non-payment of tax are stated in tax policy					
Exemption from VAT registration and filing based on threshold amounts proscribed by the law					
There is a single tax for small business taxpayers which combines all types of taxes					
Tax holidays, allowances or exemptions for SMEs are based on net profit					
Progressive income tax rates are based on net profits					
Presumptive taxes are based on the size, location and type of business activities for SMEs					

Measures of SME's Growth

10. How do you rate the state of growth of your business in respect of these growth indicators?

Where: 1-Poor; 2-Fair; 3-Good; 4-Very good; 5-Excellent

Growth indicators	1	2	3	4	5
Employing more workers					
Increase in profit					
Expansion of business operations					
Opening new branches					
Attracting more customers					
Improved customer satisfaction					
Performing better than key rivals					
Better pricing strategies					
Acquiring of assets					
Asset utilization					
Expansion in operating capital					
Improved throughput					
Better customer service delivery					
Increase in sales volume					
Improved sales revenue					
Reduction in cost of operations					
Enhanced productivity					

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