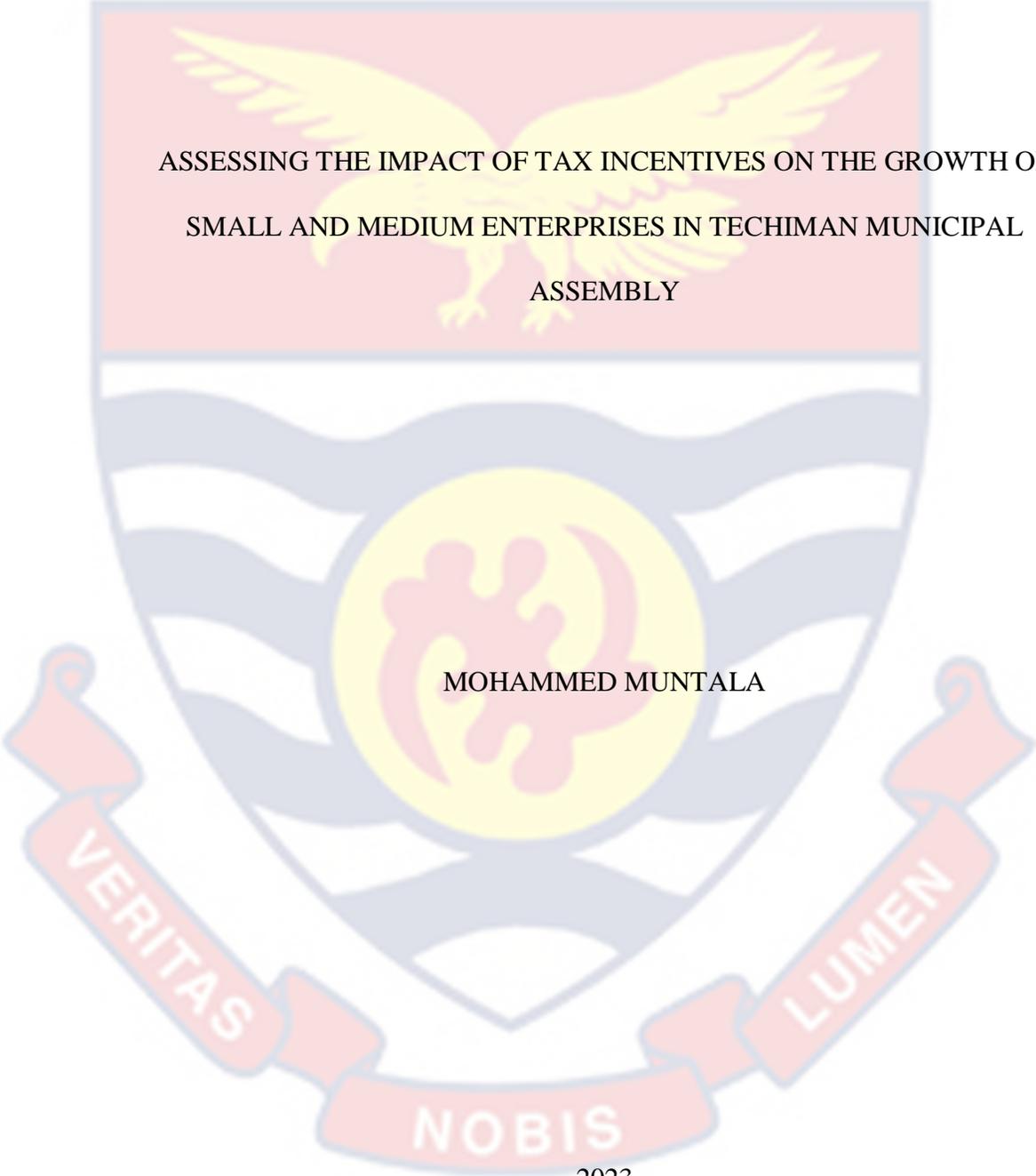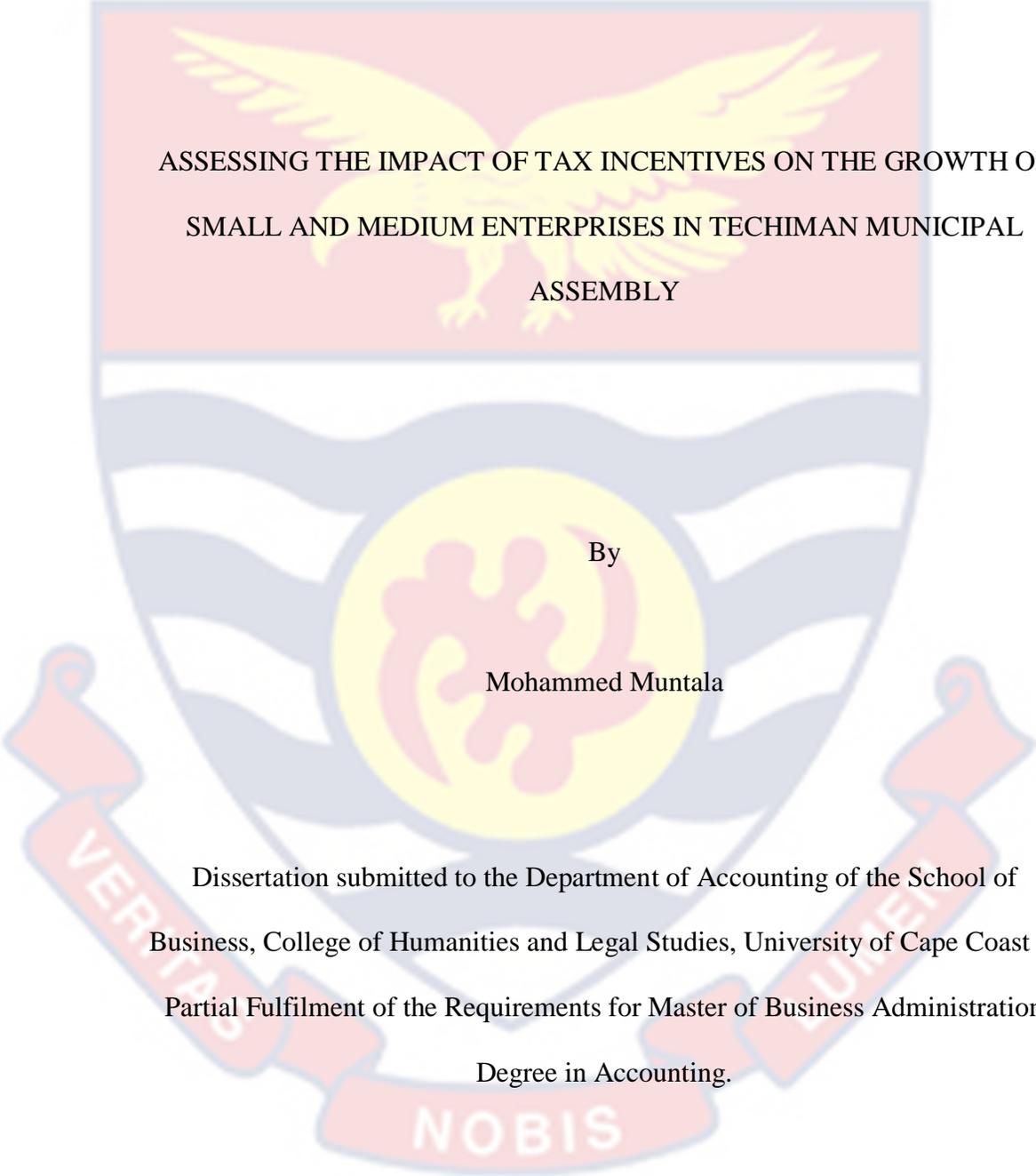UNIVERSITY OF CAPE COAST

ASSESSING THE IMPACT OF TAX INCENTIVES ON THE GROWTH OF

SMALL AND MEDIUM ENTERPRISES IN TECHIMAN MUNICIPAL

ASSEMBLY

MOHAMMED MUNTALA

2023

UNIVERSITY OF CAPE COAST

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ASSEMBLY

By

Mohammed Muntala

Dissertation submitted to the Department of Accounting of the School of

Business, College of Humanities and Legal Studies, University of Cape Coast in

Partial Fulfilment of the Requirements for Master of Business Administration

Degree in Accounting.

2023

DECLARATION

Candidate's Declaration

I hereby declare that this project work is the result of my original research and that no part of it has been presented for another degree at this university or elsewhere. All references used in the work have been duly acknowledged

Signature ………………………… Date ………………………

Name: Mohammed Muntala

Supervisor's Declaration

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

Supervisor's Signature ……………………Date……………………

Name: Isaac Kwadwo Anim

ABSTRACT

The primary goal of this research was to evaluate the impact of tax incentives on the growth of SMEs in the Techiman municipality. The study was conducted using a quantitative survey approach and a descriptive survey design. A convenience sampling technique was used to select 200 employees from a population of 400 small business operators in the Techiman community. The demographics of respondents and the data from study were quantitatively analyzed using descriptive statistics such as frequency, percentage, mean, and standard deviation. The study's findings revealed SMEs received some form of corporate income tax incentives and reduced tax obligations during a specific time period. In addition, the study's findings revealed that SMEs over the years have experienced increased in sales revenue, market share, profit, operational branches, and asset growth. Finally, the study recommended that the government should formulate policies to provide more tax incentives to SMEs to aid their growth, survival and sustainability. Also, there should be capacity building and training for owners of SMEs on how to make good use of tax incentives towards the growth of their businesses.

ACKNOWLEDGMENTS

First, I want to appreciate my supervisor for his immerse contribution and

guidance throughout this thesis. Secondly, special appreciation goes to my family

for their enormous support throughout this journey."

DEDICATION

To my wife, Grace M. Attafoe and my sons M.M Abu-Saddat and M.M. Raqeeb
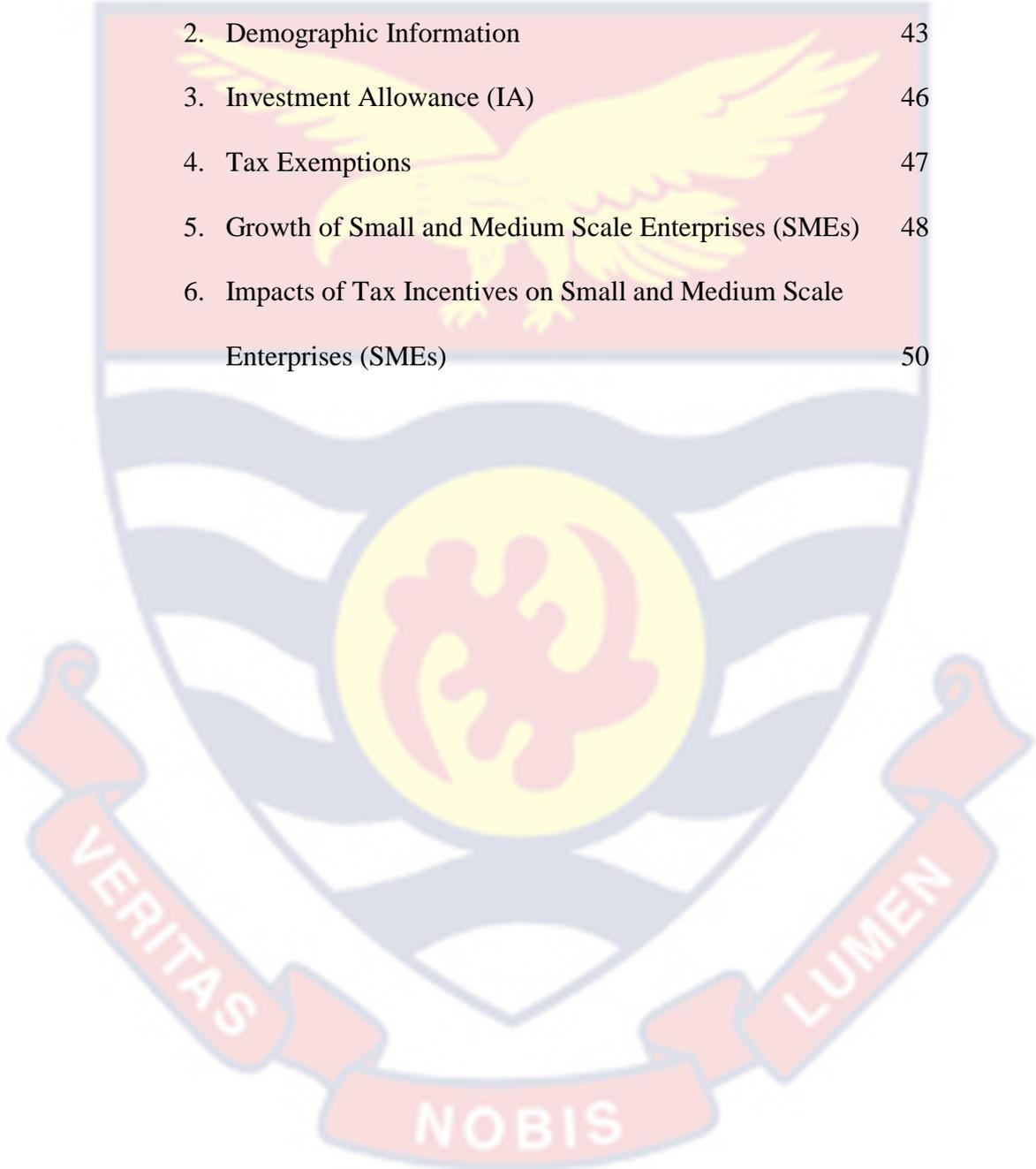
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CHAPTER ONE

INTRODUCTION

Many countries, including Ghana, depend on taxation as a means of generating the required resources to meet their expenditure requirements (Emmanuel, 2017). The theory behind using tax incentives to promote small and medium-sized enterprises (SMEs) is at its core from the finance theory of net present value (NPV) decision rule. SMEs play a vital role in the economic development of a country. Studies have indicated that SMEs contribute more than 50% of the gross domestic product (GDP) in many developing countries. In addition, SMEs are the largest employers where by more than 90% of the working force is employed by SMEs. In a bid to stimulate growth of SMEs, a number of countries have used tax incentives, for both investors and listing firms, to promote activity on SME boards. Tax incentives for investors are the more common approach, particularly in advanced markets (Mintz and Chen, 2011). This study seeks to investigate the impact of tax incentives on the growth of small and medium enterprises in Techiman Municipal assembly.

Background to the Study

Small and medium-sized enterprises (SMEs) have long been recognized as an important driver of economic development and industrialization in developing countries (Aryeetey & Ohene, 2004; Oludele & Emilie, 2012). These SMEs are rapidly recognized as major contributors to job creation, economic growth and poverty alleviation in Africa. According to the World Development Report 2005,

long-term employment and the creation of opportunities for small businesses are important ways to save people from poverty. SMEs are considered an important source of economic growth. Therefore, different economic strategies were developed to promote the economic activity of SMEs (Bus2001). The majority of companies are small and medium-sized enterprises (SMEs).

Taxation is a process or means by which a community or group is forced to donate a portion of its income for the sole purpose of social administration, while taxes are specified for the sole purpose of raising government. It is a mandatory levy imposed by people in the place of. Income is taxed on government spending. Tax incentives are special offers from tax authorities that endorse specific investments or individuals (Klemm, 2010). Tax incentives are rules that provide favorable conditions for any activity or individual that deviates from normal tax law (GRA, 2016). Tax deductions, lower corporate income tax rates, lower tariffs on imported equipment, accelerated depreciation, higher tariffs to protect the domestic market, and loss carryforwards are all examples of tax deductions. According to Keen (2013), tax incentives are "methods or means of improving the tax treatment of a particular activity or sector." According to Fletcher (2003), tax incentives are special credits, low tax rates, or certain exceptions, tax exemptions, or deductions that allow tax deferral.

Small and medium-sized enterprises, especially in rural areas, have undoubtedly improved the standard of living of many. It is very difficult to successfully and efficiently stimulate and develop the development and economic

growth of SMEs. As a result, the government allows tax cuts and cuts, encouraging small and medium-sized enterprises to invest in and engage in economic activities that increase production capacity, promote economic growth and allocate resources in a socially desirable way. For SMEs in many developing countries, tax incentives are less important than the overall "basic" aspect of good taxation. Tax laws are poorly prepared and frequently revised, making long-term planning difficult for businesses and increasing the risk of recognition.

Tax incentives do not require actual capital expenditures or financial incentives for investors, so they are much easier to implement than systemic flaws such as infrastructure and skilled labor. Incentives to improve return on investment, make investments more attractive and increase corporate profits. Despite the aforementioned benefits, tax incentives are viewed as negative in the investment climate and considered redundant because the investments they claim will stimulate have happened anyway. All businesses are established with the aim of achieving certain common goals. These goals include profit maximization, ethical relationships with suppliers, and employee interests. To determine if these goals have been met, the business must develop ways to determine if those goals have been achieved or whether the business is enriching its owners to the point of any. Profits, sales, employee adoption of technology, and market share are all used to determine a company's success (Marc, 2010). There is no widely accepted definition of growth (O'Gormoma, 2012).

Marry (2004) defines a company's growth as increased market share, increased sales, and new and improved products. "The entrepreneurial mindset that guides all SME decision-making processes is an important aspect of a company's size and growth rate," says McGrath (2008). According to Hashimoto (2011), companies are expanding due to underutilized resources within the company and a profit-oriented entrepreneurial spirit. According to Nietner and Goldmark (2005), business development progresses over time, as owners may not know how many employees are employed over time, even if they have credible written records.

In low-income countries like Ghana, SMEs are essential to achieving the country's social and economic development goals. Small and medium-sized enterprises (SMEs) are widely recognized as the economic drivers of innovation and growth (Braunerhjelm, 2012). Small and medium-sized enterprises (SMEs) are not performing well (Abotsi, Dake & Agyepong, 2014), because they have failed to play a significant role in the country's economic growth. This is due to the challenges faced by SMEs such as high tax rates, double taxation, complex tax laws and lack of proper tax education (Koranteng, Osei-Bonsu, Ameyaw, Ameyaw, Agyeman & Dankwa, 2017). Compared to large companies, SMEs face funding issues, excessive regulatory burdens, and market failures (Quaye & Sarbah, 2014). As a result, poverty rates are high, production costs are rising, and selling prices are rising (Olayemi & Folajimi, 2021). Moreover, if most of the SME's costs are spent on tax payments, SMEs will be forced to pass on the tax

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burden to consumers, making their products and services less competitive and reducing sales (Quaye & Sarbah, 2014). SMEs are dying at a high rate.

According to Oppong, Owiredu, and Churchill (2014), most SMEs fail within the first five years of operation, die less between six and ten years, and survive, prosper, and expand. It's only about 5-10%. According to Abotsi, Dake & Agyepong (2014), 80% of small businesses die before their fifth wedding anniversary. Multiple taxes, lack of funds, lack of infrastructure, lack of government support, a harsh business environment, and significant tax burdens are one of the factors that cause these premature closures (Frempong, 2007). Lack of capital, unstable power supply, inadequate infrastructure (water, roads, etc.), lack of focus, inadequate market research, excessive concentration on one or two finished goods markets, successor development plans Lack of, lack of proper accounting, and lack of capacity Reconstruction was one of the key factors identified by Akomea-Bonsu and Sampong (2012).

However, despite the importance of sustainability and continuity of SMEs, previous studies (Obafemi, Araoye, & Ajayi, 2021; Anim, Awotwe, Nyarku, & Kusi, 2020; Emmanuel, 2017) solely focused on whether tax incentives affect the growth of SMEs in developing countries. Particularly in Ghana, there seem to be very limited and scarce research in this area. It is within this context, that researcher seeks to investigate the impacts of tax incentives on the growth of SMEs in Ghana. The purpose of this study is to assess the impact of tax incentives on the growth of SMEs in the city of Techiman.

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Statement of the Problem

In a developing country like Ghana, it is critical to create the necessary enabling environment for SMEs to expand and play an important role in the country's economic transition (Abotsi, Dake & Agyepong, 2014). The major problem in Ghana is, SMEs face a variety of taxes, including business income, labor income, rental income, direct taxes on capital gains, VAT, corporate income tax, and indirect taxes such as sales tax (Quaye & Sarbah, 2014). All of these taxes can hinder the growth of small businesses by increasing the cost of doing business (Erastus, Stephen & Abdullai, 2014). To offset the rise in operating costs, SMEs are raising prices and fierce competition with imported goods is reducing sales volumes.

Decreased sales lead to lower incomes, a shrinking capital base and delayed job creation, all of which lead to slower growth and increased poverty (Dalitso & Peter, 2000). Tax incentives are aimed at supporting the economic growth and industrial development of SMEs. Therefore, it is important to create a favorable business environment in order to mitigate the effects of these barriers and ensure a fair competition for all SMEs. Issuing incentives to reduce the tax burden on SMEs frees up the money available to invest in innovation and access to global markets, thereby guaranteeing business growth (OECD, 2015).

However, this is not the case in Ghana because taxes which are levied for regulating the investment behavior of the investors are discouraging the entrepreneurial growth and development, and this thus serves as a major

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constraint to the development of the SMEs in Ghana. Studies by (Babatayo & Adegbie, 2021) show that complex taxation has been deemed to be a major threat to the growth of SMEs especially in less industrialized countries. In a study by (Anim, Awotwe, Nyarku & Kusi, 2021), the researchers comprehensively examine how tax system measured by tax administration and tax incentives in Ghana affect growth of SMEs, given the interacting effect of firm size. However, there is the need to conduct a study on the prospects and challenges of tax incentives on the growth of SMEs. To bridge this gap between literature and practice, this study intends to investigate the impacts of tax incentives on the growth of SMEs by paying particular attention to the Techiman municipality in Ghana.

Purpose of the Study

Generally, the goal of the study is to assess the impacts of tax incentives on the growth of small and medium scale enterprises in the Techiman Municipality.

Research Objectives

The following specific research objectives will be pursued in order to achieve the overall purpose of the study. The study specifically sought to:

1. analyse the tax incentives of small and medium scale enterprises in the Techiman Municipality.

2. evaluate the growth of small and medium scale enterprises in the Techiman Municipality.

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3. assess the impact of tax incentives on the growth of small and medium scale enterprises in the Techiman Municipality.

Research Questions

In order to achieve the specific research objectives, answers will be found for the following specific research questions.

1. What are the tax incentives provided to small and medium scale enterprises in the Techiman Municipality?

2. What is the extent of growth of small and medium scale enterprises in the Techiman Municipality?

3. How do tax incentives influence the growth of small and medium scale enterprises in the Techiman Municipality?

Significance of the Study

The research will be of benefit to all the stakeholders including Government, tax authorities, policy makers as well as prospective investors whose intension is to invest in a small and medium enterprises that enjoy tax incentive. It will provide a baseline for effective and efficient evaluation of tax policies and tax matters. Besides, this study will be of great assistance in the identification and utilization of tax loopholes in the existing tax system. It will also expose series of tax incentives available to the existing and prospective SMEs. On the contrary, this study will provide the essence of tax incentives to the growth of SMEs. This study will also contribute significantly to academic literature given the dearth of

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research in this area especially for Ghana and to make recommendations that will inure to the benefit of the economy.

Delimitation

The purpose of this study was to assess the impact of tax incentives on the growth of SMEs in the city of Techiman. Because the approach to data analysis was quantitative, the descriptive study design was used for this study. This survey targets small business owners in the Techiman community. This survey focused on 400 SMEs in Techiman Township. The target group for this survey included the operators of small and medium-sized enterprises in the municipality. It represents the survey population. This survey targets 400 small business owners of Techiman Township. A total of 200 small business operators from Techiman Municipality were surveyed. The sample size was calculated using Yamane's population sampling formula (1967). Respondents were selected using convenience sampling techniques. Inference statistical tools such as Pearson's product-moment correlation and multiple regression, as well as descriptive statistics (mean, standard regression, frequency, percentage) were used to analyze the specific research objectives of the study.

Limitations of the Study

Because the study was limited to small and medium-sized business operators in the Techiman Municipality, it could not be generalized to all categories of small and medium-sized business operators in the Bono East region or Ghana as a whole. Again, the composite variable was computed using data

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transformation for the dependent variables (growth of small and medium-sized enterprises), making assessing the individual contributions of the indicators impossible, even though they were reliable in measuring their underlying constructs.

Definition of Terms

Incentive

An incentive is a type of tax relief in which someone, a company, or an industry receives a reduction in or exemption from a tax for which they would otherwise be liable.

Tax Incentive

These are tax reliefs given to individuals or businesses in the form of a deduction from total profit before the tax due is calculated. In the case of industries and businesses, tax incentives are provided in the form of tax breaks imposed by legislative authorities on such tax payments.

Growth

This refers to a firm's or company's growth in size, value, and financial performance.

Organization of the Study

The research is organized into five chapters. An overview, background, problem statements, purpose, survey questions, meanings, limitations, definitions of terms, and a survey structure comprise the first chapter. The second chapter provides a summary of relevant literature in the study, with a focus on the

theoretical background and an empirical overview of the study, while the third chapter provides a study methodology that includes population, study design, sampling, and sampling procedures. This section explains everything. Methods for data collection, acquisition, display, and analysis. The fourth chapter analyzes and explains the data results, and the final chapter summarizes and provides research recommendations and conclusions.

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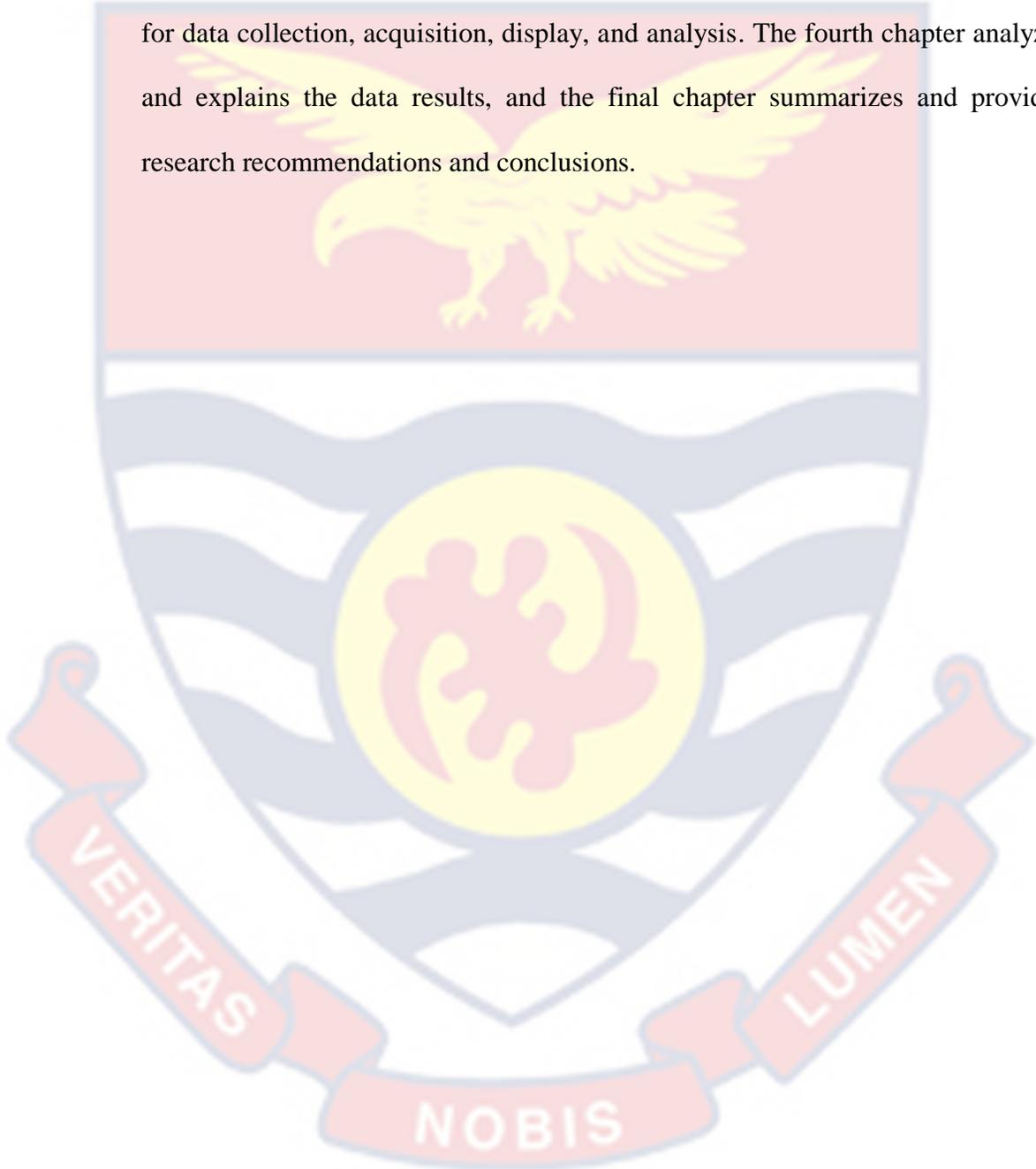
CHAPTER TWO

LITERATURE REVIEW

Introduction

The study sought to assess the impact of tax breaks on the growth of small and medium-sized businesses in the Techiman Municipality. This chapter focused on the review of literature, which is compiled from journals, articles, and books. Furthermore, the chapter investigates and offers additional aspiring to the theoretical foundations as well as empirical problems underlying the phenomena being studied. It is divided into several sections that define the concepts of tax, tax incentives, and their importance, as well as demonstrate how different researchers have measured tax incentives by dividing them into different dimensions. The remaining sections discuss tax incentives and the growth of small and medium-sized businesses. The empirical study focused on the independent variable (tax incentive) as well as the dependent variable (growth of small and medium scale enterprises). The chapter concludes with a theoretically informed conceptual framework. This summarizes the relationship between the study's key variables.

Theoretical Review

Theories are developed within the constraints of critical bounding assumptions in order to describe, anticipate, and comprehend phenomena, and in many cases, to challenge and expand established knowledge. The theoretical framework is the structure that can hold or support a research study's theory. The

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theoretical structure presents and summarizes the theories that explains why the research issue under investigation occurs.

Tax incentives theory

UNCTAD (2003) defines tax incentives as instruments that reduce the tax burden of any party in order to induce them to invest in particular projects or sectors. They are exceptions to the general tax regime and may include, reduced tax rates on profits, tax holidays, accounting rules that allow accelerated depreciation and loss carry forwards for tax purposes, and reduced tariffs on imported equipment, components, and raw materials, or increased tariffs to protect the domestic market. The Ghana Revenue Authority (GRA) defines tax incentive as a provision that grants any person or activity favourable conditions that deviate from the normal provisions of the tax legislation.

Tax expenditures refer to revenue losses that a government incurs by providing tax exemptions, deductions or allowances, tax credits, preferential tax rates or deferral of tax payments legally to any party in the economy (Gravelle, 2013). The budget deficit of a government is a form of a negative saving and a reduction in the deficit can positively influence the net national savings more than any feasible changes in tax policies and encourage savings within an economy which will then stimulate investments (Goolsbee, 2004). Keen (2013) defines tax incentives as all measures and strategies which provide for more favourable tax treatment to a certain activities or sector, and he went on to describe the following to be typical tax incentives:

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(1) Tax holidays: is defined as the temporal exemption of business investment from certain specified taxes, typically at least corporate income tax. Partial tax holidays offer the reduced obligations rather than full exemption.

(2) Special zones: are placed in geographically limited areas where qualified companies can locate and hence benefit from the exemption of various scopes of taxes or administrative requirements.

(3) Investment tax credit: this is the deduction of some fraction of an investment from the tax liability

(4) Investments allowance/Accelerated depreciation: is the deduction of some fraction of an investment from taxable profits (in addition to depreciation).

(5) Reduced tax rates/Preferential tax rates: are the reductions in a tax rate, specifically the corporate income tax rate.

(6) Exemptions from various taxes: are the exemptions from certain taxes, most of the time those collected at the border such as tariffs, excises and VAT on imported inputs.

(7) Financing incentives: are the reductions in tax rates for the funds providers for example: the reduced withholding taxes on dividends.

(8) Loss carried forward: when the business makes a loss, the loss can be carried forward to offset the future profits of the business.

Normative Theory

The normative theory proposed here provides a broad framework for a better understanding of the evolution of tax policy and administration over time

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and across cultures. It provides compelling explanations, explanations, and predictive models. According to Chua (1995), each incentive has its strengths and weaknesses, and it is very difficult to find a single set of incentives that works in different economies with different difficulties and conditions. Much of what works is determined by economic conditions, the capabilities of tax authorities, the type of investment required, and government budget constraints. The government encourages investment in the desired sector or location with minimal loss of income and little opportunity for tax planning. This model shows how the existence of an institutional government structure creates various incentives and constraints that governments must address. Incentives define a clear path of development, and different government agencies may adopt different methods, some of which may be ineffective. As a result, tax administration improvements and tax policies will evolve symbioticly and in parallel.

Normative theory provides a comprehensive framework for explaining the evolution of tax policy administration across cultures over time. According to Chua (1995), each incentive has its own strengths and weaknesses, and different economies face different situations and obstacles, making it difficult to determine which one works best. Budget constraints, required investment types, tax authority capabilities, government encouragement of investment, available tax planning options, and abandoned income range all work in a particular country. A clue about. According to Kitchen, McMillan and Shah (2019), all incentives offered by politicians and civil servants are vulnerable to corruption and abuse.

As a result, there is a strong belief that all potential investors should be able to benefit from the incentives that can be achieved through transparent allocation rules. On the other hand, companies should be given sufficient investment incentives to promote good growth. As a result, all possible investment requirements receive context-specific incentives.

Normative theories help explain the factors that affect the efficiency of tax incentives that affect a company's growth, as well as the benefits and costs of national tax incentives. Despite its contribution to business success, this idea has been criticized for its lack of theoretical support (Saez & Stantcheva, 2016). This theory helped explain the effectiveness of tax incentives that affect business growth and the factors that affect the cost and profits of tax incentives for the country. This theory allows management to seek some incentives to encourage more investment, and the government needs to provide incentives to small business owners as well (Mondo, 2022). This helps SMEs have the financial strength to compete with other foreign companies and reduce the economic loss of businesses that have a positive impact on the growth of the organization (Mayende, 2013). Strengthen the good image by providing tax incentives to domestic businesses such as SMEs and encouraging society to take socially responsible behaviour (Siyanbola, et al., 2017). This will improve growth in the long run (Twesige & Gasheja, 2019).

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Conceptual Review

Small and Medium Scale Enterprises

Small and medium-sized enterprises (SMEs) are non-subsidiary, independent firms which employ fewer than a given number of employees. This number varies across countries. The most frequent upper limit designating an SME is 250 employees, as in the European Union. However, some countries set the limit at 200 employees, while the United States considers SMEs to include firms with fewer than 500 employees.

SMEs are thought to be engine room of innovation. This is because entrepreneurial activities such as innovation, risk bearing, employment creation, finding new opportunities and the commercialization of their inventions have contributed to the prosperity in all regions of the world (Atawodi & Ojeka, 2012). Therefore, any country wishing to remain innovative will support SME growth because they also enhance competition and entrepreneurship and hence have external benefits on economy-wide efficiency, and aggregate productivity growth. Furthermore, SME proponents frequently claim that SMEs are more productive than large firms are, but financial market and other institutional failures impede SMEs development. Thus, pending financial and institutional improvements, direct government financial support to SMEs can boost economic growth and development (Avolio, n. d; Beck etal. 2005).

Small and medium scale enterprises, have contributed greatly in accelerating rural development while decreasing urban immigration and the

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problems of congestion in large cities, this is because they have less competition by serving dispersed local markets; are closer to their resources; and are cheaper to establish. In the Rural areas, entrepreneurs are attracted to invest thus discouraging rural-urban migration and making way for an even development. SMEs also contribute to domestic capital formation, play a value-adding role, mobilize private savings and harness them for productive purposes (Thabani & Richard, 2020). There is general consensus that the performance of SMEs is important for both economic and social development of developing countries.

From the economic perspective, SMEs provide a number of benefits (Advani 1997). SMEs have been noted to be one of the major areas of concern to many policy makers in an attempt to accelerate the rate of growth in low-income countries. These enterprises have been recognized as the engines through which the growth objectives of developing countries can be achieved (Aremu, & Adeyemi, 2011). They are potential sources of employment and income in many developing countries as SMEs provide employment and income to a large portion of the urban labour force and are a significant source of total output (Aryeetey 2001).

It is also estimated that SMEs generate about 50 per cent of national output and provide about 60 per cent of employment to Ghanaians López and Aybar (2000) sees SMEs as a quasisponge for urban employment and a provider of inexpensive consumer goods with little or no import content, serving an important pressure-releasing and welfare-augmenting function. SMEs also

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contribute to long-term industrial growth by producing an increasing number of firms that grow up and out of the small-scale sector. The emergence of wholly modern small/medium scale Ghanaian industries is likely to be a prerequisite for any enduring industrialization.

Tax Incentive

According to Ifueko (2009), tax incentives are aimed at promoting growth in specific areas, attracting, maintaining, expanding or expanding investment in specific sectors, or helping companies and individuals involved in specific activities. It is a special provision of the tax law. Tax incentives are monetary incentives used to attract or control investment in a particular financial activity or region of a country. Tax incentives can take many forms. Tax exemptions, investment-related expense reserves, tax deductions, accelerated depreciation, special zones, encouraged investments, tax exemptions, tax rate reductions, and indirect tax incentives for the first few years are important tax incentives (Easson & Zolit, 2013).

According to UNCTAD (2003), all tax incentives are incentives that reduce a party's tax burden in order to persuade the party to participate in a particular project or industry. Examples of exceptions are tax reductions on profits, tax exemptions, accounting rules that allow accelerated depreciation and carry-over of tax losses, tariff reductions on imported equipment, parts and raw materials, or protection of the domestic market under a general tax system. GRA defines tax incentives as provisions that provide an individual or activity with

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favorable conditions that deviate from the standard conditions of tax law. A tax deduction is a loss of income that the government incurs when it provides tax exemptions, deductions or deductions, tax deductions, tax rate reductions, or legal deferred tax payments to any party in the economy (Gravelle, 2013). The government's budget deficit is a kind of negative savings, and reducing the deficit has a greater positive impact on the country's net savings than possible changes in tax policy, promoting savings within the economy, which in turn invests.

However, the tax incentives in its definition are larger, non-discriminatory tax incentives, such as general infrastructure development, foreign direct investment including investment guarantees and the general legal environment of business. It is important to distinguish it from measures. The latter is available to all companies and is not intended to encourage investment in a particular industry or to give a particular company a competitive advantage (Dalitso & Peter, 2000). This is necessary to create tax incentives more logically, clearly and transparently, to easily assess their purpose and impact, and to avoid corruption and abuse. It is also worth noting that tax incentives can be seen from both tax authorities and investors' perspectives.

Some tax incentives may be considered tax incentives in tax incentive estimates by tax authorities, but investors may view them differently (Batchelder, Goldberg Jr & Orzag, 2006). Governments can consider capital deductions and permissible depreciation schedules as tax incentives, but investors consider them merely as part of the normal treatment of operating costs, and the basis of a

business-friendly tax system. Can be regarded as a characteristic. Tax holidays that waive the CIT, for example, may be viewed as a conventional tax inducement by investors.

Finally, regardless of the dispute, the ultimate purpose and whether it is a treatment available to select sectors or a general permitted treatment may be essential in assessing whether a fiscal policy qualifies as a tax incentive. Accelerated depreciation, for example, may qualify as a tax incentive if it is accessible in a specific industry to encourage investment in that area but not in others.

Tax Holidays

On the other hand, profit-oriented incentives (such as tax incentives) are aimed at low-risk, high-profit investments. They are often granted early in the investment and the profits are intended to be realized only in the short term. Therefore, investors benefit from cost-based incentives only when capital investment is made, which is effective for long-term investments in industries such as mining and oil and gas that are profitable over the long term (Van Parys & James, 2010). Therefore, it is not suitable for short-term investment. For-profit incentives, on the other hand, begin to pay off when a company begins to make money. Therefore, they are ideal for short-term projects with reasonable upfront costs and quick returns. It is desirable to provide tax incentives to both foreign and domestic investors (Rao, 2016).

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Domestic investors are likely to be involved in the basic sector of the economy, as opposed to FDI, and have favorable tax benefits as opposed to FDI, which is likely to be involved in secondary or tertiary. Effects can be more important in the industry (Köhler, Laredo & Rammer, 2012). Second, if tax incentives are not evenly distributed between domestic and foreign investors, it will distort foreign investors and domestic investors will send cash abroad before returning it as FDI. May encourage a round trip.

However, the tax incentives in its definition are larger, non-discriminatory tax incentives, such as general infrastructure development, foreign direct investment including investment guarantees and the general legal environment of business. It is important to distinguish it from measures. The latter is available to all companies and is not intended to encourage investment in a particular industry or to give a particular company a competitive advantage. This is necessary to create tax incentives more logically, clearly and transparently, to easily assess their purpose and impact, and to avoid corruption and abuse. It is also worth noting that tax incentives can be seen from both tax authorities and investors' perspectives. Some tax incentives may be considered tax incentives in tax incentive estimates by tax authorities, but investors may view them differently (Köhler, Laredo & Rammer, 2012). Governments can consider capital deductions and permissible depreciation schedules as tax incentives, but investors consider them merely as part of the normal treatment of operating costs, and the basis of a business-friendly tax system. Can be regarded as a characteristic.

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Special Size or Scale Tax Incentives

Special size or scale tax incentives offer a negotiated package of tax breaks to investments worth more than a certain amount or that create a certain number of new jobs (Sutherland & Figari 2013). They can be cost- or profit-driven, and they are ideal for countries or regions in need of significant transformational investments, as well as financial and technological upgrades. In Ghana, for example, an investor who invests more than USD 50 million in one of the main industries, such as energy, infrastructure, or railways, may be able to negotiate tax breaks on import taxes and other development expenditures. Another advantage of this method is that because it limits incentives to large, possibly limited investments, governments may be able to monitor their use at a low cost.

One significant disadvantage of using specific size or scale incentives is that, because of the element of discretion involved in negotiating the incentives, bureaucrats may manipulate, abuse, and distort them to their own benefit.

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Furthermore, there is a strong likelihood of creating unequal competition and suffocating the growth of smaller businesses, even if they are extremely productive, that do not have access to such incentives (Reschovsky, & Stone, 2017).

Special Regions or Zones or Special Sectors

Certain regions or zones, and certain industries or sectors, such as certain cities and counties, may be subject to tax cuts to attract investment. Special industry incentives apply to the most attractive and tax-sensitive industries in the economy (Kitchen, McMillan, & Shah, 2019). Start-ups and industries may be eligible for these tax incentives. Zones create a safe environment where companies can import machines, parts and raw materials without paying customs duties or other charges. Products sold in the domestic market are classified as imported products and may be subject to import tax (Tiefenbrun, 2013). Import and export restrictions may not be very strict in tariff-free zones, tariff-free zones, free trade zones, or special economic zones (SEZs). Special zones have the great advantage of being able to compensate for the inequality in the geographical distribution of industry and development. On the other hand, the fundamental drawback of special economic zones is that they tend to congest investment in other areas of the economy. Special zones are set up in geographically restricted locations, allowing qualified businesses to establish themselves and thereby benefit from tax and administrative exemptions (Wang, 2013).

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Investment Tax Credit

Start-ups and industries may be eligible for these tax incentives. Zones create a safe environment where companies can import machines, parts and raw materials without paying customs duties or other charges. Products sold in the domestic market are classified as imported products and may be subject to import tax. Import and export restrictions may not be very strict in tariff-free zones, tariff-free zones, free trade zones, or special economic zones (SEZs). Special zones have the great advantage of being able to compensate for the inequality in the geographical distribution of industry and development. On the other hand, the fundamental drawback of special economic zones is that they tend to congest investment in other areas of the economy. Special zones are set up in geographically restricted locations, allowing qualified businesses to establish themselves and thereby benefit from tax and administrative exemptions.

Exemptions from Various Taxes

These incentives can be set as credits or deductions. Tax credits (allowances) reduce a company's taxable income (and therefore the company's tax rate) (Klemm, 2010). Tax credits reduce the amount of unpaid tax (and therefore have the same value for taxpayers regardless of tax rate). Accelerated capital deductions are a cost-based tax incentive that exceeds the depreciation limit of an asset. Investment allowances can be applied to all types of capital investment, only to mechanical equipment, and can be granted in addition to or instead of standard depreciation (Klemm, 2010). Investment tax credits have the advantage

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of concentrating incentives on intended activities related to ongoing capital spending and can result in less loss of earnings than tax exemptions. Unlike lowering the CIT rate, which benefits both existing and new stockholders, the CIT rate also encourages new investments.

Tax payments are nominally unaffected, but the net present value is reduced and the company's liquidity is improved. The disadvantage of using investment grants and credits compared to tax exemptions is that they encourage capital-intensive investments and may not lead to job creation (Sharma & Singh, 2015). It can also result in short-term assets being favored to seek further credit at the time of exchange. The ability to deduct a portion of an investment from taxable income is known as an investment deduction (in addition to depreciation). In contrast to special depreciation, a certain percentage of eligible expenses (labor costs, costs of newly acquired assets, etc.) or balance sheet items (stocks, special assets, etc.) can be deducted from Bergner et. al. (2017). As an investment allowance super deduction. Unlike accelerated depreciation plans, they reduce total interim taxable income, leading to a reduction in actual tax payments, not just interest benefits.

Empirical Review

Growth of Small and Medium Scale Enterprise

Tax incentives for SMEs are said to create a large number of jobs and boost the level of entrepreneurship associated with flexibility, speed, risk taking, and innovation in the countries where they are located (Chen & Yang, 2019).

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SMEs, according to (Siyanbola, Adedeji, Adegbie, & Rahman, 2017), are an important driver of economic growth because they generate jobs, sales, and tax revenues. This claim is based on the fact that SMEs account for the majority of a country's GDP, employ the majority of its workforce, and have a high proportion of SMEs and large enterprises in the countries in question.

According to Siyanbola, Adedeji, Adegbie and Rahman (2017), SMEs provide a fertile foundation for the development of large, profitable taxpayers, and SMEs grow faster than large companies. On the other hand, tax policies aimed at promoting SME economic growth need to be carefully considered, as the basic characteristics of SMEs can disadvantage certain differentiated tax policies. I have. Studies show that most SMEs have limited development potential. SMEs differ in productivity, job creation, wages, innovation, and export performance within the same sector subgroup. Not all SMEs will grow in the same way. It is unclear why taxation affects the growth process, as some SMEs remain small in most of their presence. Unless it works fully, such interventions can influence marginal decisions, leading to excessive risk taking and overinvestment (Rahimpoor, Heshmati & Ahmadizad, 2016).

SMEs contribute significantly to the country's economy by fostering entrepreneurship, creating jobs and being innovative. Supporting SMEs in the informal sector leads to sustainable development in Africa, despite limited resources. In 2005, SMEs created more than half of all new jobs (Lee, Sameen & Cowling, 2015). All companies are founded with the goal of achieving a set of

common goals. Maximizing profits, fair dealings with suppliers, and employee benefits are one of these goals. To determine if these goals have been achieved, the organization needs to have a way to determine how well these goals are being achieved, or how much the company benefits the owner. Profit, sales, workforce, level of technology use, and market share are all used to measure the growth of SMEs (Marc, 2010).

Tax Incentives of Small and Medium Scale Enterprises

An exemption or relief offered to an individual or a business to lessen the impact of taxation and thereby stimulate savings and investment is known as a tax incentive (Chukwumerije & Akinyomi, 2011). Over the years, Ghana`s tax structure has been amended to provide a variety of incentives. Due to their size and stage in the business life cycle, SMEs suffer from market failures. The tax structure, once again, favors large corporations over small businesses. As a result of these dire situations, SMEs need help in the form of incentives (Feyitimi, Temitope, Akeem & Samuel, 2016). Utility tax theory states that the tax paid by an agent must represent the utility that comes from a combination of government goods and services (Alm, 2014). The taxable profit theory provides a common framework for assessing local taxes (Scherf & Weinzierl, 2020). As a result, she suggests that businesses and individuals who do not receive government benefits should have zero or low taxes, and those who receive the most benefits should have high taxes. increase.

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According to the tax incentive agency theory, tax incentives compensate for obstacles created by other nations in the economic environment and enable tax systems to cope with both tax and market failure (Twesige & Gasheja, 2019). As a result, the issuance of tax stimulus measures aims to support the growth of the country's business, thereby supporting the government's agenda of economic growth, national development, job creation and improvement of civil welfare. Some empirical studies support this claim.

According to Megersa (2019), China's tax incentives predict GDP growth, have a positive impact on Taiwanese R & D spending, and significantly increase employment, production, fixed capital and number of companies in China and India. Increase. According to Siyanbola, Adedeji, Adegbie and Rahman (2017), tax incentives are an important strategic driver of commercial and industrial growth in sub-Saharan Africa, including Ghana. The more income the government generates, the better it is to provide taxpayers with tax incentives (Siyanbola, et al., 2017).

It has been found that tax exemptions, rather than tax rates, reduce the tax burden on SMEs (Liakhoyets, 2014) and allow capital to be reinvested for more efficient operation. Government support, such as tax cuts and simplification of the tax system, can also help SMEs prosper (Louis & Macamo, 2011). Tax cuts, tax cuts and tax exemptions will help SMEs develop (Liakhovets, 2014). According to an empirical comparison study conducted in Uganda, firms with incentives outperformed firms without incentives in terms of gross sales and value added

(Mayende, 2013). Even better, simplifying tax incentives contributed to improved corporate performance (Mayende, 2013). In their recent study, Twesige and Gasheja (2019) discovered that tax incentives are predictors of long-term SME growth in Rwanda.

Conceptual Framework

This section presents a conceptual framework for investigating the impact of tax incentives on the growth of small and medium-sized businesses in the Techiman municipality. It is proposed that favorable tax provisions will result in positive changes in the growth of small and medium-sized businesses. Similarly, positive changes in providing tax incentives to SMEs are expected to account for positive changes in the growth of small and medium-sized businesses. Tax incentives for SMEs such as investment allowance, special zones, tax holidays and others may have an impact on the growth of small and medium-sized businesses in the Techiman municipality. As a result, Figure 1 depicts a conceptual framework for this study.

Independent Variables   **Dependent Variables**

Tax Incentives

- Investment allowance
- Special zone
- Tax holiday
- Special CIT rate
- Capital gain exemption

Growth of SMEs

- Increase assets
- Increase in retained earnings

Figure 1: Conceptual Framework

Source: Author's Construct, (2022)

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Key variables in this analysis are tax incentives and SME growth. The growth rate of SMEs depends largely on the tax incentives given by the government. Therefore, tax incentives are appropriate when strengthening the goal of maximizing the growth of SMEs. Promoting the growth of SMEs seems to be the main goal of all competitors. Tax incentives, such as investment subsidies and various tax exemptions, could lead to increased growth for SMEs. A company of a scale that a large company can execute. According to a survey, this includes tax exemptions, lending incentives, tax incentives of special size or size, special regions or zones or special sectors, tax credits on investments, and various taxes on SMEs. It has been shown that this can be achieved by providing tax incentives such as exemptions. Leading to a tax increase will lead to the growth of SMEs.

Chapter Summary

This chapter has provided information on the literature review in light of the study's central theme. Theoretical perspective, conceptual issues, empirical review, and conceptual framework were all given special consideration. The purpose of this chapter is to provide literature support that can be used to empirically test the specific objectives of the study, compare the findings to previous empirical claims, and provide enough information to understand key concepts in the study.

CHAPTER THREE

RESEARCH METHODS

Introduction

The overall purpose of this study was to determine the impact of tax cuts on the growth of Techiman Township SMEs. This chapter describes data collection methods and tools. It includes survey design, target population, sample sizing and sampling techniques, data collection procedures, data analysis, and ethical considerations. This chapter described the methods and procedures of the investigation. The methodology is an integral part of the study. It critically provides insight into how the study was carried out considering the design, approach, procedure and the analytical tools adopted for the study.

Research Design

According to Saunders, Lewis, and Thornhill (2007), study design is a general plan for answering research questions. It describes the overall structure of the steps taken by a researcher, the data collected by the researcher, and the data analysis performed by the researcher. Flick (2015) defines research design as a strategy for getting from here to there. The first set of research questions is referred to as "here," and the set of conclusions or answers to those questions is referred to as "there." If not done correctly, this is the planning and structure of all work and can lead to misleading results. A study design is a set of guidelines and instructions to follow when attempting to solve a research problem (Tavallaei & Talib, 2010).

According to Wong (2014), study design is a blueprint that specifies the exact data procedures or strategies that researchers use to achieve their research goals. A study design is an overarching strategy for connecting conceptual research problems with related (and feasible) empirical research. Describes the steps involved in gathering the information required to structure or solve a market research problem. Because of the nature of the scientific research that informed this study, a descriptive study design was used. The logic of the cause-effect relationship between the variables of interest (tax incentives (independent variable) and SME growth (dependent variable)) drives it.

Descriptive design studies, according to Zikmund, Babin, Carr, and Griffin (2013), are being conducted to determine the scope and nature of causality. This study is primarily a causal study. Descriptive studies examine situations or specific problems in order to explain patterns of relationships between variables (Creswell, 2014). The primary goal of descriptive research is to explain why a phenomenon occurs as well as to forecast future events (Maxwell, 2012). The claim that the data are quantitative influences the decision to approach the study quantitatively, and statistical tests are usually required to establish the validity of the relationship.

Research Approach

The research approach is a strategy and process from general reasoning to comprehensive methods of data acquisition, validation, and understanding. The plan contains many decisions that do not need to be made in a meaningful order.

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The overall decision includes which approach should use to collect data from participants (Kabir, 2016; Sileyew, 2019). The research approach can be divided into two categories: qualitative and quantitative. Quantitative research approaches are used to investigate relationships between variables, and the results of these investigations are explained and analyzed using numbers and statistics. The goal of this study was to quantitatively clarify Techiman Township and SME tax incentives, as well as the impact of tax incentives on the growth of Techiman Township SMEs. As a result, I employed a quantitative research strategy.

This study used a quantitative approach to the ability to explain the phenomenon and track the regularity of human life in deductive discussions. Since the data collected can be interpreted numerically as frequency or value, it is possible to investigate the relationship between variables using the numerical nature and purpose of the study and the statistical methods accessed through the stimuli implemented by the researcher. The hypothesis is that it is important to use a quantitative approach for systematic measurements. The quantitative approach is relevant to the study (Neethling, 2016) because the quantitative approach is easy and rapid to carry out and can cover a wide range of situations.

In addition, quantitative results may be generalized to the entire population or subpopulation because they contain a wider sample selected at random (van Rijnsoever, 2017). Also, when examining data using statistical methods, it is possible to use quantitative methods because it is easy to generalize the results. Another scope is that the final result depends on the set, not the

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interpretation. This may improve potential future twists and correlations with work.

Study Area

Techiman Municipal is one of 11 districts in the Bono East region of Ghana. Originally known as the Techiman District, it was established as a district regular meeting on March 10, 1989, and on June 28, 2012, the northern part of the district was divided into the Techiman North District. Therefore, the rest of the district was retained as a Techiman district, later promoted to Township District Assembly status, and renamed Techiman Township on June 28, 2012. Techiman is the capital of the municipality located in the western part of the Bono East region. The Techiman township is depicted in figure 2 below.

Figure 2: Map of Techiman Municipality

Source: Darkwah, Kwawu, Agyire-Tettey and Sarpong (2019).

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Population

Population is the entire population, event, or audience that researchers intend to research, collect data, and draw conclusions from it (Neethling, 2016). According to Saunders, Thornhill, and Lewis (2009), the population is a complete set of cases from which samples are extracted. The survey population represents the unit in which the survey is conducted (van Rijnsoever, 2017). The survey targeted 400 employees of SMEs in the city of Techiman. Small businesses were suitable for this survey because of their easy access to the population. The target group for this survey included the operators of small and medium-sized enterprises in the municipality. At the time this study was put together, Techiman Township's SMEs had a total of 400 employees. This forms a population of studies. The survey targeted 400 operators and employees of SMEs in Techiman City. Hence the target population of this study is four hundred (400).

Sample Size and Sampling Procedures

Sampling is also referred to as the act, method, or method of selecting an appropriate sample or representative portion of the population to determine the parameters or characteristics of the entire population (Malhotra & Birks, 2007). The researcher considered multistage sampling procedure for selecting the participants in this study. Multistage sampling procedure is taking of samples in stages using smaller and smaller sampling units at each stage. Then one or more units are chosen at random and everyone within the cluster is sampled. The first

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stage involved simple random sampling to select 20 SMEs in the Techiman Municipality.

The second stage involved a simple random sampling to select 200 employees and operators of SMEs within the Techiman city. The multistage sampling is effective and flexible with large samples and also cost effective. Also, you can reduce the sample to a workable size with no restrictions on how you divide the groups.

This study used the Krejcie and Morgan's sampling technique to sample respondents. In their paper, 'Determining Sample Size for Research Activities," Krejcie and Morgan came up with a formula to determine sample sizes, s = X NP − P ÷ d N − + X P − P

Where s = required sample size.

X = the table value of chi-square for 1 degree of freedom at the desired confidence level (3.841). N = the population size.

P = the population proportion (assumed to be .50 since this would provide the maximum sample size).

d = the degree of accuracy expressed as a proportion (.05).

Out of the population size of 400 in all the SMEs, 200 respondents were selected for the study using Krejcie and Morgan (1970) criteria for selecting sample size.

Data Collection Procedure

An introductory letter was obtained from the School of Business, University of Cape Coast to collect data. The researcher sought the consent of the respondents prior to the data collection exercise. The date for distributing questionnaires to participants was agreed upon among both parties. The drop-and-pick survey method was used. The respondents were allowed to complete the questionnaire on their own for the researcher to pick up at a later date. Trained research assistants also assisted with the data collection and data analysis exercise. The survey took place between June 1, 2021 and June 30, 2021. A total of 200 questionnaires were distributed to respondents. Data collection took a considerable amount of time.

Data Collection Instrument

The questionnaire was adopted as the research instrument for collecting data for the study. A questionnaire is a structured set of questions designed to elicit information from respondents (Malhotra & Birks, 2007). According to Young and Javalgi (2007), surveys are the most commonly used data collection method in research. The questionnaire approached the measurement of the scale's main items using a closed question style. Closed-end questions require respondents to select from a predefined set of answers, and respondents should consider each possible answer in isolation from other options. Close-end item checklists-lists of behaviors, traits, or other items that researchers investigate-and

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Likert scales-more and more useful when assessing behaviors, attitudes, or other interesting phenomena in a continuum. (Malhotra & Birks, 2007).

The questionnaire consisted of 35 items divided into three sections, A, B, and C. We searched Section A for background information on the interviewees. Five items were used to cover the respondent's background information. Section B, Techiman Township, has elicited information on tax incentives for SMEs. 18 points were used to determine tax incentives for Techiman Township SMEs that participated in the survey. Section C provided information on the growth of Techiman Township SMEs. Twelve points were used to determine the growth of SMEs in the Techiman community involved in the study. The Likert scale used in this study is a scale used to estimate people's attitudes by summarizing the scores of selected items into a single index. Scaling is achieved by allowing high and low scorers to vary their response to each item carefully selected for inclusion in the index so that distances are assumed to be equal across categories. Shaw and Wright (1967) assume that the Likert scale is the most widely used scale in the social sciences of today.

Probably because they are much easier to build and generally more reliable than other scales with a similar number of elements. I used a 5-point Likert scale to measure respondents' views on the components we considered in this study. A detailed description of the equipment can be found in Appendix A.

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Pre-Testing of Research Instrument

Pre-tests, according to Pallant et. al. (2016), are essential prerequisite in research before the actual study. This procedure aids in the clarity of instructions, questions, and scale items. They also assist potential respondents in comprehending the questions and eliciting honest responses. The study conducted pilot testing on twenty (20) employees of SMEs in the Techiman Municipality after the approval of the questionnaire appropriate for a pre-test hence, the selection of 20 respondents for a pre-test of this study. Lewkowicz and Biernacki (2020) also affirmed that a minimum threshold of 10 respondents is accepted when piloting surveys. Employees of SMEs in the Techiman Municipality were selected for the pilot study because they were part of the target and accessible population of the study. The length of the items on the questionnaire and the differences in the Likert scales used for the variables were the only concerns raised during the pilot study. The statements were summarized and a uniform Likert scale adopted based on this to encourage a greater participation.

Reliability and Validity

According to Bless, Higson-Smith and Kagee (2000), reliability refers to an instrument's consistency, which is reliable when it provides accurate and consistent measurements of invariant values. According to Saunders, Lewis, and Thornhill (2009), is achieved by correlating the answers to each question in the questionnaire with the answers to the other questions in the questionnaire. We conducted a reliability analysis to investigate SMEs' perceptions of SME tax

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incentives and growth using Cronbach's alpha. Cornbrash alpha 0.842 was recorded for the internal consistency of the scale used for a total of 30 scales. Cronbach's alpha allows you to measure the reliability of various variables. It consists of estimates of random or random error-induced variation in the results of various variables (Brink, 1991).

In principle, coefficients above 0.7 are acceptable and are considered a good indicator of the reliability of the configuration. However, exploratory studies may allow values less than 0.7 recommend a threshold of 0.6 as the lower limit of tolerance.

Table 1: Reliability Results

Construct	Items	Cronbach's Alpha
Overall scale	25	0.842
Tax Incentives	13	0.751
Growth	12	0.810

Source: Field Survey, (2021)

As shown in Table 1, the results of the variable reliability tests show that all configurations are very reliable because all the results are larger than the minimum criteria proposed by Pallant et. al. (2006). These are supporting facts: tax incentives (Cronbach's alpha = 0.751; item = 18) and growth (Cronbach's alpha = 0.810; item = 12). All Cronbach's alpha values are above 0.7, so the scale can be considered reliable given the sample size selected (Ben-Shlomo, Brookes

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& Hickman, 2013). This is a summary of the reliability values for the individual configurations of the study. Therefore, the results show a high degree of internal integrity of the construct. Instrument effectiveness refers to how well it tests the basic definition that the instrument is designed to test (Saunders et al., 2009).

They also claim that it must be accurate before the instrument is legal. In other words, the instrument must be reliable and reproducible. You can then check the instrument to see if it is what you expect. The investigator reviewed other relevant literature to confirm the validity of the questionnaire and confirmed the device design of that literature. Everything on the scale was a scientifically validated item. In addition, the questionnaire created was submitted to the project manager for review, modification, and approval before being distributed to respondents.

Ethical Consideration

Respondents' rights were protected by keeping their identities anonymous, as required by research ethics. The information gathered from the respondents were not used for any purpose other than the study. There was no malice or data manipulation for any nefarious or unethical purpose. Respondents were given complete freedom to complete the questionnaire, with no coercion or coercion-like behavior on the part of the researcher.

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Chapter Summary

This section has provided information on the methodological approaches used to collect primary data, how data were processed and analyzed with regard to statistical tools and specific research objectives, and how study findings were summarized and presented for easy interpretation and understanding.

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CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

The purpose of the study was to determine the effect of tax breaks on the growth of small and medium-sized businesses in the Techiman Municipality. The methodology for collecting, analyzing, and presenting primary data was described in the previous chapter. This chapter now discusses the study's findings as determined by the specific research objectives. The findings were also discussed in terms of managerial implications and empirical claims. Aside from the demographic information section, the findings are presented in chronological order in accordance with the specific research objectives.

Demographic Information

Because these statistical tools are appropriate for measuring categorical data, respondents' demographic information was descriptively measured with frequency and percentage (percent). This information provides a sufficient description of the respondents who were surveyed to demonstrate that the sample was drawn from the target population. Table 3 summarizes the findings.

Table 2: Demographic Information

Variable	Options	Frequency	Percentage (%)
Sex	Male	107	53.50
	Female	93	46.50
Total		200	100
Age	18-24 years	38	19.00
	25-31 years	40	20.00
	32-38 years	44	22.00
	39-44 years	33	16.50
	45-51 years	25	12.50
	52 years and above	20	10.00
Total		**200**	**100**
Educational Level	No Education	45	22.50
	Basic Education	71	35.50
	Secondary/Technical	54	27.00
	Post-Secondary	30	15.00
Total		**200**	**100**
Position and Role	Owner	53	26.50
	Manager	79	39.50
	Owner and Manager	68	34.00
Total		**200**	**100**
Work Experience	1-5 years	42	21.00
	6-10 years	34	17.00
	11-15 years	37	18.50
	16-20 years	49	24.50
	21 years and above	38	19.00
		200	100
Total			

Source: Field Survey (2022)

According to the survey, the majority of respondents (53.50%) were male and the remaining 46.50% were female. The gender aspect of the analysis is important because Liu (2008) argued that the differences in socio-cultural roles assigned to men and women have different effects on the attitudes and perceptions of SMEs in the city of taxation and financial performance. did. Table

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3 also shows the results regarding the age characteristics of the respondents. In this table, the majority of respondents (22.00%) are 32 to 38 years old, 20.00% are 25 to 31 years old, 19.00% are 18 to 24 years old, 16.50% are 39 to 44 years old, and 12.50% are 45 to 51 years old. Among them, the remaining 10.00% were over 30 years old. The results show that respondents were not properly distributed across cohorts of different activity ages. Regardless of this, the survey gathered more information about the level of education of the respondents. The majority of respondents have basic education, accounting for 35.50 percent of respondents. This was followed by secondary / technically educated and uneducated workers at 27.00% and 22.50%, respectively. However, the number of respondents with higher education was a minority of 15.00% each. This indicates that most of the respondents had the educational abilities needed to engage in small businesses in the Techiman community. Another topic covered in this section was the positioning of SME respondents in the Techiman community.

The results presented show that the majority of employees (27.2%) are managers, equivalent to 39.50% of respondents. This was followed by respondents who acted as owners and managers, accounting for 34.00 percent. However, 26.50 percent of respondents acted as owners, a minority. The distribution showed that the respondents had the necessary knowledge and were able to answer the questionnaire properly. Second, the survey took into account the professional experience of each respondent. The survey also took into account

the professional experience of each respondent. As a result, it was found that the majority of the respondents (24.50%) worked for 16 to 20 years. This is followed by 21.00, 19.00, and 18.50 percent of respondents working in the 1-5, 21+, and 11-15 age groups.

 However, 17.00%, representing the minority of respondents, worked for 6 to 10 years. The data show that the majority of employees have worked for pharmaceutical companies for more than 5 years (79.00%).

Objective One: Examine the Tax Incentives of Small and Medium Scale Enterprises in the Techiman Municipality

The purpose of this part of the study was to examine the tax incentives of Small and Medium Scale Enterprises in the Techiman Municipality. The participating respondents were then asked to rate each of the assertions based on the questionnaire. The findings for each of the tax incentive components are presented in the following sections.

Table 3: Investment Allowance (IA)

Investment Allowance variables	Mean	Std. Deviation
My company has received corporate income tax breaks in the past.	3.7262	.89377
My company receives a percentage of the value invested in innovation in tax relief.	3.6488	.97354
For borrowed funds for investment, my company receives a tax break.	3.6250	.96457
The government provides special trade zones for potential investors to establish business enterprises.	3.5714	.86565
My company gets depreciation allowances on its assets.	3.5655	.96427

Source: Field Survey (2022)

According to Table 4, respondents claimed that they had ever received some form of corporate income tax incentive (M = 3.7262; SD = 0.89377). Similar views were expressed regarding business receiving some percentage of tax relief on value invested in innovation (M=3.6488; SD=0.97354), business receiving a reduction in tax rates for borrowed funds for investment (M=3.6250; SD=0.96457), government offering special trade zones for potential investors to establish business enterprises (M=3.5714; SD=0.86565), and business receiving depreciation allowances on its assets (M=0.35655; SD=0.96427).

Table 4: Tax Exemptions

Tax Exemptions variable	Mean	Std. Deviation
My company receives tax incentives for a period of time during the year.	3.8869	.93133
My company is exempted from certain taxes, such as tariffs and excise duty.	3.7976	1.03565
My company uses tax free weekend to gather information about its customers, which it then uses to develop loyalty programs.	3.7500	.86689
My company receives back-end capital gains tax exemptions.	3.7024	.89950
The government has eliminated the majority of back-end taxes for the trade of SME shares.	3.6905	1.01458
Tax holidays have reduced my company's tax compliance costs.	3.6786	.95605
Certain activities in my company have been granted temporary exemptions.	3.6131	1.03198

Source: Field Survey (2022)

It was discovered that respondents believed that business receives reduces tax obligations during a specific time period during the year (M=3.8869; SD=0.93133). Other similar claims that were rated as agreed include the assertions that businesses are exempt from certain taxes, such as tariffs and excise duty (M=3.7976; SD=1.03565), that businesses use tax free weekends to collect information about their customers, which they use to create loyalty programs (M=3.7500; SD=0.86689), that enterprises receive back-end exemptions on capital gains tax (M=3.7024; SD=0.89950), and that the government eliminates most back-end taxes. This finding is in agreement with the findings of (Liakhoyets, 2014), which opined that tax exemptions, rather than tax rates, reduce the tax burden on SMEs.

Objective Two: Assess the Growth of Small and Medium Scale Enterprises in the Techiman Municipality

Mean and standard deviation scores were used to describe the growth of small and medium-sized businesses in the Techiman Municipality. The respondents' opinions on this construct were measured using a 5-point Likert scale, which essentially sought to assess respondents' level of agreement in the items that collectively measured growth construct.

Table 5: Growth of Small and Medium Scale Enterprises (SMEs)

Growth variables	Mean	Std. Deviation
The company's sales revenue has increased over the last three years.	3.9821	1.15543
The company's market share has increased over the last three years.	3.9702	1.00553
For the last three years, the company's asset base has grown significantly.	3.8869	.91838
The company's operational costs have been decreasing over time.	3.8810	.84633
Over the last three years, the company's profits have increased.	3.8571	.93043
There are more branches than in the previous three years.	3.8393	1.01681
When compared to the previous three years, the company now has more employees.	3.8214	.83574
The annual sales revenue of the company exceeds expectations.	3.8036	.85653
The company is able to increase its investment.	3.7500	1.04824

Source: Field Survey (2022)

Respondents in these cases confirmed that the company has seen an increase in sales over the last three years (M = 3.9821; SD = 1.15543) and that the company's market share has increased over the last three years (M = 3.9702; SD). Also, the company's asset base has increased significantly over the last three years (M = 3.8869; SD = 0.91838), and the company's operations The cost has decreased over time (M = 3.8810; SD = 0.84633). This is confirmed by the study

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of Chen et. al. (2002), which states that tax incentives for SMEs are said to create a large number of jobs and boost the level of entrepreneurship associated with flexibility, speed, risk taking, and innovation in the countries where they are located.

In addition, respondents agree that the company's profits over the last three years are high (M = 3.8571; SD = 0.93043) and there are more branches than in the last three years (M = 3.8393; SD = 1.01681), The company has more employees than in the last three years (M = 3.8214; SD = 0.83574), the company's annual sales are higher than expected (M = 3.8036; SD = 0.85653), and the company can increase its investment (M = 3.7500; SD = 1.04824). This finding conforms to the findings of (Siyanbola, Adedeji, Adegbie, & Rahman, 2017) that tax incentives have a positive effect on growth.

Objective Three: Impact of Tax Incentives on the Growth of Small and Medium Scale Enterprises in the Techiman Municipality

For the purposes of this analysis, the Mean and standard deviation scores were used to describe the impact of tax incentives on the growth of small and medium-sized businesses in the Techiman Municipality.

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Table 6: Impacts of Tax Incentives on Small and Medium Scale Enterprises (SMEs)

Statements	Mean	Std. Deviation
Tax Incentives has led to an increase in profitability	3.2891	0.865
There is an increase in sales volumes due to tax incentives	3.4261	0.819
There is an increase in Market share due to the introduction of tax incentives	3.5521	0.540
Tax incentives has led to an increase in the growth of assets of the business	3.3219	0.843
Due to tax incentives, there is increase in Product quality compared to the previous periods	4.1882	0.810
There is increase in Production levels compared to main competitors due to tax incentives	3.6912	0.570
There is increase in overall performance of the business due to tax incentives compared	4.751	0.438

Source: Field Survey (2022)

Respondents in these cases confirmed that Tax Incentives has led to an increase in profitability (M = 3.2891; SD = 0.865) and that the company's sales volumes have increased due to tax incentives (M = 3.4261; SD = 0.819). Also, the company's market share saw an increment due to the introduction of tax incentives (M = 3.5521; SD = 0.540), the company's assets grew up significantly due to tax incentives (M = 3.3219; SD = 0.843), and there is increase in product quality compared to the previous periods (M = 4.1882; SD = 0.810).

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In addition, respondents agreed that there is increase in production levels compared to their main competitors due to tax incentives (M = 3.6912; SD = 0.570), and there is an increase in overall performance of the business due to tax incentives (M = 4.751; SD = 0.438). These findings are confirmed by the study of Liakhoyets (2014) that tax exemptions, rather than tax rates, reduce the tax burden on SMEs and allow capital to be reinvested for more efficient operation. This finding also conforms to the findings of Siyanbola, Adedeji, Adegbie and Rahman (2017), which opined that tax incentives are an important strategic driver of commercial and industrial growth in sub-Saharan Africa, including Ghana.

Discussion of Results

First and foremost, the study sought to assess the tax incentives available to small and medium-sized businesses in the Techiman Municipality. The findings revealed that respondents claimed to have received some form of corporate income tax incentive in the past. Similar views were expressed regarding business receiving some percentage of tax relief on value invested in innovation, business receiving a reduction in tax rates for borrowed funds for investment, government offering special trade zones for potential investors to establish business enterprises, and business receiving depreciation allowances on its assets. This finding also supports the findings of some empirical studies in which respondents stated that they had received some form of corporate income tax incentive (Olayemi & Folajimi, 2021; Twesige & Gasheja, 2019, Kandie, 2019).

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Furthermore, the findings support the position asserted in previous studies that businesses receive some percentage of tax relief on value invested in innovation, businesses receive a reduction in tax rates for borrowed funds for investment, the government offers special trade zones for potential investors to establish business enterprises, and businesses receive depreciation allowances on their assets (Olayemi & Folajimi, 2021; Twesige & Gasheja, 2019, Kandie, 2019). In terms of tax exemptions, it was discovered that respondents rated that a business receives reduces tax obligations during a specific time period during the year as important.

Respondents in these cases said that the company has increased sales in the last three years, the company's market share has increased in the last three years, the company's ability to innovate has increased over time, and the company's asset base has increased over the past three years. The company's operating costs have been reduced. In addition, respondents strongly agreed that the business has diversified into new areas of activity over the last three years. In addition, respondents agreed that the company has increased profits over the last three years, has more stores than the last three years, has more employees than the last three years, and the company's annual revenue is higher than expected. SME meets that expectation. The annual sales target is met and the company can increase its investment.

This discovery also supports the collective views expressed by some empirical studies, in which respondents agreed that the business has increased

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profits over the last three years, the business has more branches compared to the last three years, the business has more employees compared to the last three years, the firm's annual sales revenue exceeds expectations, the SME meets its annual sales revenue target, and the enterprise is able to expand its investment (Chen et al., 2002; Gormoma, 2012, Joshua & Nicholas, 2009; Nichter & Goldmark, 2005). Furthermore, the findings support the assertion made in some previous studies that respondents agreed to a large extent in these instances that the business has increased its sales revenue over the last three years, and that the business's market share has increased over the last three years (Hashimoto, 2011; McGrath, 2008; Chukwumerije & Akinyomi, 2011).

Finally, the third objective of the study was to investigate the impact of tax breaks on the growth of small and medium-sized businesses in the Techiman Municipality. The findings revealed a statistically significant positive large correlation between tax incentives (investment allowances and tax exemptions) and growth. This discovery also supports the consensus expressed by some empirical studies that tax incentives have a positive effect on growth (Siyanbola, Adedeji, Adegbie, & Rahman, 2017; Mondo, 2022; Olayemi & Folajimi, 2021). It was discovered that tax breaks (investment allowances and tax exemptions) positively impacted small and medium-sized businesses in the Techiman Municipality.

Thus, given all of the other factors influencing growth at small and medium-sized businesses in the Techiman Municipality, only tax incentives in the

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form of investment allowances and tax exemptions have an impact on growth. As a result, the government must continue to provide tax breaks for small and medium-sized businesses in the Techiman Municipality, as this promotes their growth. On the contrary, it was discovered that other factors affecting growth that were not included in this study account for a positive variance in the growth of small and medium-sized businesses in the Techiman Municipality. The growth variance accounted for by changes in investment allowance and tax exemptions can be described as moderate. It was then confirmed that tax incentives (investment allowance and tax exemptions) are a statistically significant positive predictor of growth of small and medium scale enterprises in the Techiman Municipality.

Chapter Summary

This chapter provides information on the findings of the particular research objectives considered in the research. The results have been widely discussed in the light of their practical relevance, administrative implications, and previous empirical assumptions demonstrated in literature reviews.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

The purpose of the study was to determine the effect of tax breaks on the growth of small and medium-sized businesses in the Techiman Municipality. This section contains a summary of the key findings, conclusions drawn in relation to each of the specific research objectives, recommendations based on the findings, and future research suggestions.

Overview

The primary goal of this research was to evaluate the impact of tax breaks on the growth of SMEs in Techiman. Three research questions guided this study. The survey was conducted using a quantitative survey approach and a descriptive survey design. A convenience sampling technique was used to select 200 employees from a population of 400 small business operators in the Techiman community. A self-administered questionnaire was used to collect staff opinions on the study's stated objectives. The survey consisted of 29 questions divided into three sections that addressed respondent demographics, tax breaks, and SME growth. For the significance test, a confidence level of 5% was used. The demographics of respondents and the data from objectives 1 and 2 were quantitatively analyzed using descriptive statistics such as frequency, percentage, mean, and standard deviation. Multiple regression was also used to examine

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Objective 3. SPSS version 25 was used for the analysis. The following is a summary of the survey's main findings.

Summary of Key Findings

The study's primary goal was to evaluate the tax incentives available to small and medium-sized businesses in the Techiman Municipality. According to the findings, respondents claimed to have received some type of corporate income tax incentive in the past. Similar opinions were expressed about businesses receiving a percentage of the value invested in innovation, businesses receiving a reduction in tax rates for borrowed funds for investment, the government offering special trade zones for potential investors to establish business enterprises, and businesses receiving depreciation allowances on their assets.

1. In terms of tax exemptions, it was discovered that business receives a reduction in tax obligations during a specific time period during the year. Other similar claims that have been rated as agreed include the assertions that businesses are exempted from certain taxes, such as tariffs and excise duty, that businesses use tax-free weekends to collect information about their customers, which they use to create loyalty programs.

2. The second goal of the study was to assess the growth of small and medium-sized businesses in the Techiman Municipality. It was discovered that in instances where the company has increased its sales revenue over the last three years, that the company's market share has increased over the last three years; that the company's innovative capabilities have grown

over time, that the company's asset base has grown significantly over the last three years, and that the company's operational costs have been reduced.

3. Finally, respondents agreed that the company's profits have increased over the last three years, that SMEs experienced increase in sales volumes, increase in market share, the continuous growth of assets of the business, increase in Product quality and an increase in production levels due to the introduction of tax incentives.

Conclusions

The following conclusions were derived from the study's findings.

1. It can be deduced that SMEs receive government tax benefits such as investment allowances and tax exemptions. Respondents claimed to have received some type of corporate income tax incentive, which was determined. The findings revealed that a percentage of tax relief on value is invested in innovation, and the government offers special trade zones for potential investors to establish business enterprises, and businesses receive depreciation allowances on their assets.

2. It can be concluded that sales revenue of SMEs has increased over the last three years, the market share of SMEs has increased over the last three years, the business's innovative capabilities have increased over time, the business's asset base has expanded significantly over the last three years, and the business's operational costs have been reduced.

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3. Tax incentives make statistically significant positive impacts to small and medium-sized business. From the findings, it can be concluded that tax incentives lead to an increase in sales volumes, increase in market share, increase in the growth of assets of SMEs, increase in production levels and finally an improvement in the overall performance of the SMEs.

Recommendations

The following recommendations are made based on the findings of the study.

1. Stakeholders especially the government should formulate policies to provide more tax incentives to SMEs to aid their growth, survival and sustainability.

2. There should be capacity building and training for owners of SMEs on how to make good use of tax incentives towards the growth of their businesses.

3. Governments should encourage the growth of small and medium-sized businesses by putting in place the necessary enabling frameworks, lowering regulatory burdens, and focusing efforts on tax breaks for micro, small, and medium-sized businesses. Furthermore, before starting a business, SMEs' owners and managers should educate themselves on the type of business they want to start.

Suggestions for Further Studies

More research can be conducted to determine whether service experience influences the relationship between tax breaks and small and medium-sized business growth. Because this study did not take into account all of the factors that could influence growth, more research is needed to determine how these tax breaks affect the growth of small and medium-sized enterprises and other business organizations in Ghana and other regions.
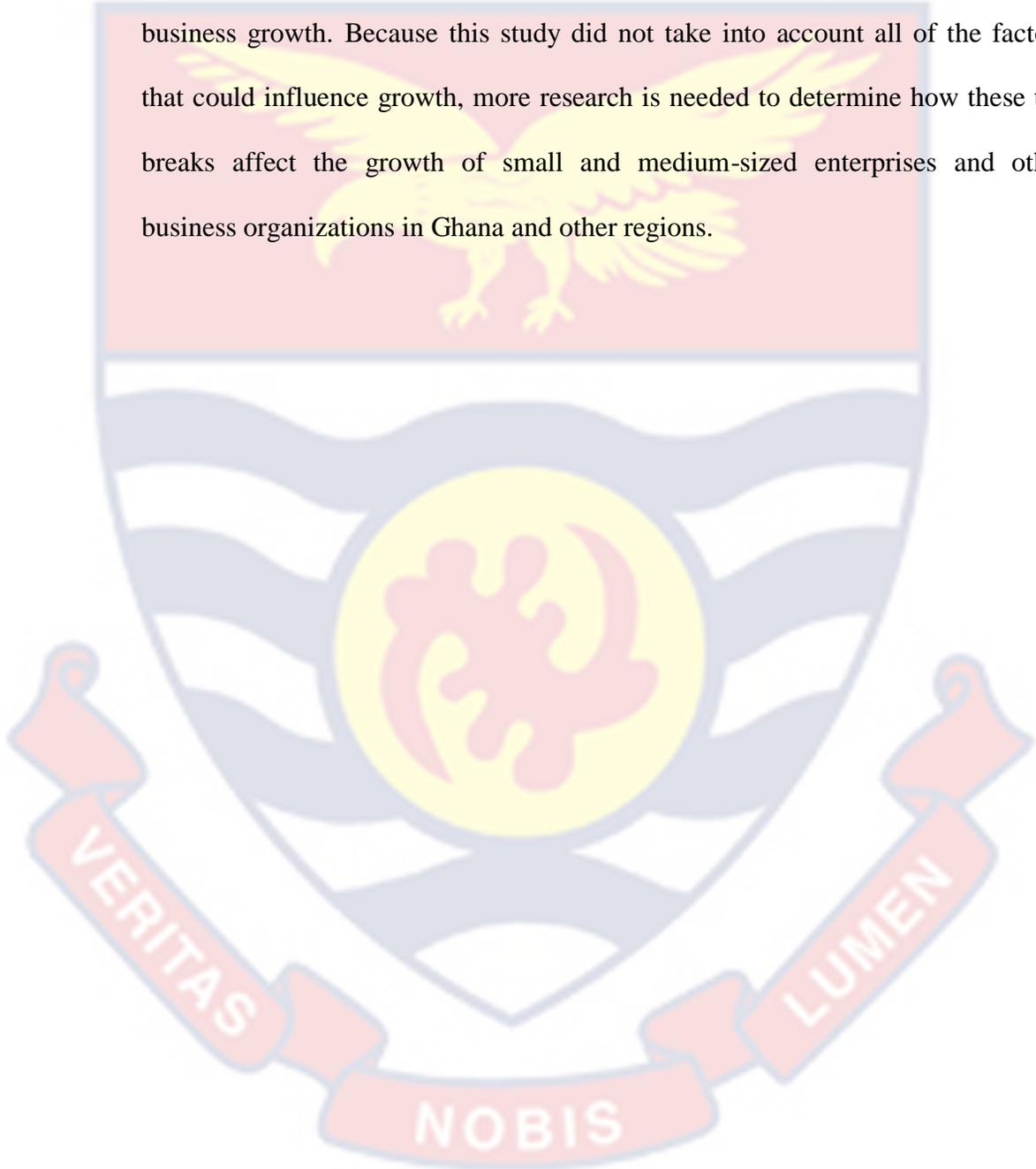
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APPENDIX

UNIVERSITY OF CAPE COAST

DEPARTMENT OF ACCOUNTING

SCHOOL OF BUSINESS

The researcher is a student of the aforementioned school and is conducting a research survey on **"Assessing the Impacts of tax incentives on the growth of small and medium scale enterprises in the Techiman Municipality"** in partial fulfillment of his MBA Accounting program.

Any information provided will be used solely for the purpose of the study. Your anonymity and confidentiality are fully assured, therefore do not indicate your name or identity on this questionnaire. This may take between 10 to 15 minutes of your time. For the questions, you are expected to be as truthful as possible in answering the questions since information given by you could assist in policy formation and decision making.

Section A: Background information

Instructions: Please write or Tick the answer that corresponds to your choice concerning each statement below.

1. Gender
   a) Male [ ]
   b) Female [ ]
2. Age
   a) 18 – 24 [ ]
   b) 25 – 31 [ ]
   c) 32 – 38 [ ]
   d) 39 – 44 [ ]
   e) 45 – 51 [ ]
   f) 51 years and above [ ]
   g)
3. Educational background
   a) No Education [ ]
   b) Basic Education [ ]
   c) Secondary/Technical [ ]
   d) Post-Secondary [ ]

4. Work Experience
   a) 1-5 years [ ]
   b) 6 – 10 years [ ]
   c) 11- 15 years [ ]
   d) 16-20 years [ ]
   e) 21 years and above [ ]

Section B: The tax incentives provided to small and medium scale enterprises in the Techiman Municipality

For the following items, please read carefully and select the appropriate response which best express your idea about each statement by ticking [√] the appropriate box. Indicate the extent to which you agree or disagree to the statements in this section.

I: Investment Allowance (IA)

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
My business has ever received some form of corporate income tax incentives					
My business receives some percentage of tax relief on value invested in innovation					
My business receives a reduction in tax rates for borrowed funds for investment					
The government offers special trade zones for establishment of business enterprises by potential investors					
My business receives depreciation allowances on its assets					

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II: Tax Exemptions

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
My business receives reduces tax obligations during a period of time in the year					
My business is exempted from certain taxes i.e., tariffs and excise duty					
My enterprise receives back-end exemptions on capital gains tax					
Most back-end taxes for trade of SME shares are eliminated by the government					
Tax compliance costs of my business have reduced due to tax holidays					
My business has received temporal exemptions for certain activities					

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Section C: Growth of Small and Medium Scale Enterprises (SMEs) in the Techiman Municipality

For the following items, please read carefully and select the appropriate response which best express your idea about each statement by ticking [√] the appropriate box. Indicate the extent to which you agree or disagree to the statements in this section.

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The company's sales revenue has increased over the last three years.					
The company's market share has increased over the last three years.					
For the last three years, the company's asset base has grown significantly.					
The company's operational costs have been decreasing over time.					
Over the last three years, the company's profits have increased.					
There are more branches than in the previous three years.					
When compared to the previous three years, the company now has more employees.					
The annual sales revenue of the company exceeds expectations.					
The company is able to increase its investment.					

Section D: Impact of Tax Incentives on the Growth of Small and Medium Scale Enterprises in the Techiman Municipality

For the following items, please read carefully and select the appropriate response which best express your idea about each statement by ticking [√] the appropriate box. Indicate the extent to which you agree or disagree to the statements in this section.

Statements	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Tax Incentives has led to an increase in profitability					
There is an increase in sales volumes due to tax incentives					
There is an increase in Market share due to the introduction of tax incentives					
Tax incentives has led to an increase in the growth of assets of the business					
Due to tax incentives, there is increase in Product quality compared to the previous periods There is increase in Production levels compared to main competitors due to tax incentives There is increase in overall performance of the business due to tax incentives compared					
Tax Incentives has led to an increase in profitability					
There is an increase in sales volumes due to tax incentives					