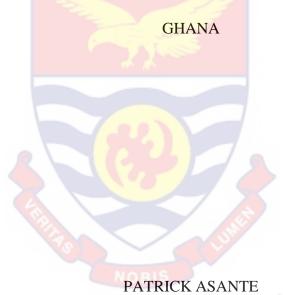UNIVERSITY OF CAPE COAST

EFFECT OF TAX COMPLIANCE ON THE GROWTH OF SMALL AND

MEDIUM-SIZED ENTERPRISES IN THE WESTERN NORTH REGION,

GHANA

PATRICK ASANTE

2024

UNIVERSITY OF CAPE COAST

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GHANA

BY

PATRICK ASANTE

Dissertation submitted to the Department of Accounting, School of Business, College of Humanities and Legal Studies, University of Cape Coast, in partial fulfilment of the requirements for the Award of Master Business Administration degree in Accounting

DECEMBER 2024

DECLARATION

Candidate's Declaration

I hereby declare that this dissertation is the result of my own original research

and that no part of it has been presented for another degree in this University or

elsewhere.

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

Name: Patrick Asante

Supervisor's Declaration

I hereby declare that the preparation and presentation of the dissertation were

supervised in accordance with the guidelines on supervision laid down by the

University of Cape Coast.

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

Name: Professor Edward Marfo Yiadom,

ABSTRACT

The study aimed at examining the effect of taxation on the growth of Ghana's small and medium-sized enterprises. Because the data analysis was quantitative, the study used an explanatory research design. At the time of the study, there were 2345 registered SMEs in Ghana's Sefwi Juaboso District. The study targeted all managers or owners of the 310 SMEs in the Sefwi Juaboso District of Ghana. The study used 310 small and medium-sized firms in Ghana's Sefwi Juaboso District as its sample size. The sample size consisted of managers or owners from the 310 SME enterprises sampled for the study and questioned by self-administration of the questionnaire. First, the study found a strong positive association between tax rates and complexities and the expansion of small and medium-sized firms in the Sefwi Juaboso District. The study found that tax policy has a significant impact on the growth of small and medium-sized businesses in the Sefwi Juaboso district. Finally, the study found that tax compliance expenses had a statistically significant positive impact on the growth of small and medium-sized businesses in the Sefwi Juaboso District. To encourage the growth of small and medium-sized businesses, tax breaks should be offered to these enterprises.

KEYWORDS

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My utmost gratitude goes to my supervisor Professor Edward Marfo Yiadom, who tenaciously coached me through this daunting task. I am grateful for his patience, commitment, discipline and meticulous tutelage greatly influenced the eventual completion of this academic work.

DEDICATION

To my wife and children.

TABLE OF CONTENTS

LISTS OF TABLE

LIST OF FIGURES

LIST OF ABBREVIATIONS

G	Growth
GEA	Ghana Enterprises Agency
GRA	Ghana Revenue Auhority
HND	Higher National Diploma
SJD	Sefwi Juaboso District
SMEs	Small and Medium Enterprises
SPSS	Statistical Product for Service Solution
TC	Tax Compliance
TCC	Tax Compliance Cost
TP	Tax Policy
TPB	Theory of Planned Behaviour
TRA	Theory of Reasoned Action
TRC	Tax Rate and Complexities

CHAPTER ONE

INTRODUCTION

Background to the Study

Taxation acts as indication of a country's readiness for progress, despite some persons considering it as a tool of societal exploiting (Drake, Lusch, & Stekelberg, 2019). A tax is a mandatory monetary assessment or another form of imposition levied on a taxpayer (an individual or legal entity) by a government organization to finance diverse public expenses. Tax revenue plays a crucial role in Ghana government's finances, serving as a significant source of money and a key instrument for promoting economic growth and development in the country.

The Small and medium-sized enterprises (SMEs) contribute significantly to global economic growth. SMEs account for a large percentage of firms established in both developed and developing countries. Small and medium-sized enterprises account for 99.7% of all registered firms in the United States of America (Flores, Andrés-Rosales, & Villarreal, 2016). According to Oladipupo and Obazee (2016), SMEs account for 97% of all businesses in Nigeria.

According to Ghana Statistical Service (GSS) surveys, SMEs account for roughly 92% of registered firms in Ghana. Although SMEs are smaller in size than larger businesses, they are critical entities in the economy since their cumulative influence outweighs that of larger companies. Šeba (2016) argues that SMEs promote employment, competition, economic growth, and innovation. They also encourage an entrepreneurial mindset and the transfer of talent. As established in prior debates, governments must create suitable

1

business environments that promote the growth and sustainability of SMEs. Government support is required in the taxation of SMEs.

Taxation is a crucial source of revenue for the government of Ghana and plays an important part in the country's economic development. A country's tax policies and procedures have a substantial impact on its economic operations. A country that adopts beneficial and forward-thinking tax legislation and regulations has the potential to create growing and financially stable commercial endeavors. According to Petersen and Schoof (2015), taxation can have a substantial impact on several elements of the economy, including business formation and the expansion of SMEs.

The importance of SMEs in Ghana as a main source of employment, particularly for people with minimal skills, is widely acknowledged. SMEs contributes 70% of Ghana's GDP and around 71% of the sector's workforce (Ghana Statistical Service, 2017). SMEs in the manufacturing sector account for around 85% of the total workforce. A report by Ghana Enterprises Agency in 2016 indicated that, over time, the rate of employment growth in SMEs has surpassed the rate of growth in their contribution to the Gross Domestic Product (GDP).

The key factor driving the Government of Ghana efforts to promote SMEs through policies and programmes aimed at providing financial resources for their development. However, the government's attempts have been fruitless due to a lack of assistance in the field of tax policy. Tax rules impede the establishment and expansion of small and medium-sized enterprises in Ghana. SMEs in Ghana are subject to many sorts of taxes, such as income tax, corporation tax, capital gains tax, customs charges, and value-added tax. These

2

taxes are paid at different points throughout the business process (Petersen & Schoof,2015).

The imposition of these taxes diminishes the profits of SMEs, which could otherwise be invested in their business activities. The elevated tax rate has resulted in increased tax compliance expenses and has posed issues for taxpayers in fulfilling their tax responsibilities, so adversely affecting the growth and development of SMEs in Ghana. According to Keith (2012), high taxes can affect the population of SMEs by decreasing the number of new businesses being formed and hindering their ability to finance rapid growth. It on the basis of the foregoing background the at the present study is conducted to investigate the effects of taxation on the growth of Small and Medium enterprises in Ghana.

Statement of the Problem

Small and medium-sized enterprises (SMEs) face significant taxation due to their critical role in the economies of governments around the world. SMEs make up the vast majority of business ventures and have made important contributions to employment and economic growth in both developed and emerging countries (Barungi, 2018). Although SMEs make a significant contribution to the country's economic growth, they encounter obstacles such as exorbitant tax rates, unfavourable tax policies that negatively impact their profits coupled with high costs associated with complying with tax regulations when submitting tax returns to revenue authorities. According to Barungi (2018), a strategic development of government initiatives for SMEs, such as implementing specific tax regulations, can effectively tackle market inefficiencies and alleviate the excessive regulatory burdens faced by SMEs.

3

In Ghana, SMEs experience a significant rate of failure, particularly, few years after being established, primarily due to unfavourable tax policies and excessively high tax rates imposed on their operations. These taxes affect all aspects of production and services provision (Ghana Enterprise Agency, 2016). The situation remains unchanged for SMEs in the Sefwi Juaboso District. Initial inquiry indicated that numerous businesses have failed and others are on the brink of failure due to taxation concerns, including high tax rates, the cost of tax compliance, and government tax policies (Barungi, 2018).

The re-introduction of the VAT flat rate scheme in July 2017 has faced opposition due to its impact on the demand for products from SMEs and the subsequent increase in business risk. In addition, the 3% VAT flat rate is further eroding the profit margins of SMEs in the Sefwi Juaboso District. This is exacerbating the already existing challenge of SMEs in accessing funding, as reported by the Ghana Enterprises Agency (GEA). According to Kumar and Rao (2015) the current tax system in Ghana unfairly impacts SMEs compared to bigger organisations. This is because larger organizations and SMEs assess profits and losses differently, and larger firms have an advantage in getting credit than SMEs. This enables companies to mitigate their tax liability by deducting loan interest expenses, whereas SMEs have significant compliance expenses since they lack the ability to finance significant business operations through loans.

The substantial tax rate, expenses associated with tax compliance, and the difficulties encountered by taxpayers in fulfilling their tax responsibilities have been adversely affecting the expansion of SMEs in Ghana. According to Keith (2012), high taxes can affect the population of SMEs by reducing the

4

number of new businesses being formed and hindering the ability of existing SMEs to finance rapid growth.However, the researcher believes that there has been insufficient research to show a link between taxation and the growth of SMEs in Ghana's Sefwi Juaboso district. The current study is to evaluate the impact of taxation on the growth of SMEs in Ghana, with a particular emphasis on Sefwi Juaboso District. It is on the premis of the of this backdrop that the present study investigate how tax rates and complexities affect SMEs, examine the role of tax policy on SME growth, and evaluate the consequences of tax compliance costs.

Purpose of the Study

The study sought to investigate the effects of taxation on the growth of Small and Medium enterprises in Ghana.

Research Objectives

Specifically, the study sought to:

1. Examine how tax rate and complexities affect the growth of small and medium enterprises in the western north region

2. Analyze the influence of tax policy on the growth of small and medium enterprises in the western north region

3. Determine how tax compliance cost affect the growth of small and medium enterprises in the western north region

Research Hypotheses

The research objectives were hypothesised as;

1. H_1: There is a significant relationship between tax rate and complexities and growth of small and medium enterprises in western north region

5

2. H_0: There is no significant relationship between tax rate and complexities and growth of small and medium enterprises in western north region

3. H_2: Tax policy has a significant influence on the growth of small and medium enterprises in the western north region

4. H_0: Tax policy does not have a significant influence on the growth of small and medium enterprises in the western north region

5. H_3: Tax compliance cost has a significant effect on the growth of small and medium enterprises in the western north region

6. H_0: Tax compliance cost does not have a significant effect on the growth of small and medium enterprises in the western north region

Significance of the Study

The findings of this study will help the government and policymakers understand the influence of tax policies on the financial performance and growth of small and medium-sized firms (SMEs). The government's rules and regulations have a tendency to impact the sustainable growth of small and medium enterprises (SMEs), given the significant role they play in the economic development of the country. The study will provide significant advantages to small and medium enterprise (SME) owners and managers by examining the influence of taxation on their business growth and offering guidance on effectively managing tax-related matters to ensure business continuity. In addition, the taxpayers' understanding of tax-related matters will be advantageous for both the government and the taxpayers. The present study will additionally offer more empirical data and conclusions pertaining to

6

taxation and the efficiency of SMEs. This would be of interest to academics and researchers with a focus on these subject domains.

Delimitations of the Study

The study focused on SMEs that are properly registered with the Ghana Revenue Authority in the Sefwi Juaboso District. The study used primary data acquired through a standardized questionnaire designed expressly to correspond with the study aims. The questionnaire was primarily composed of a five-point Likert scale. A adequate sample size was chosen from the District's existing population of subject matter experts (SMEs). To assess the relationship between the dependent and independent variables, the data was statistically evaluated using percentages, mean, standard deviation, and regression analysis.

Limitation of the Study

The sample size used in this study may not be large enough to represent the entire population of SMEs in the Sefwi Juaboso District. A small sample size can limit the generalizability of the findings to all SMEs in the district. There may be a selection bias in the sample if it does not adequately capture the diversity of SMEs in terms of size, sector, and stage of development. The reliability and accuracy of the data collected depend on the honesty and accuracy of the responses from SME owners and managers. Respondents may have provided socially desirable answers rather than truthful responses, leading to response bias. Limited access to comprehensive financial records of the SMEs could have impacted the ability to measure the true effect of tax compliance on their growth.

The study may not fully account for other external economic factors that influence SME growth, such as access to finance, market conditions,

7

competition, and government policies beyond tax compliance. Changes in the economic environment during the study period, such as inflation or economic downturns, could have affected the growth of SMEs, making it difficult to isolate the impact of tax compliance. Again, variations in tax regulations and enforcement intensity over time and across different sectors may not be fully captured in the study, potentially affecting the consistency and comparability of the results. The study may not adequately consider the role of informal sector activities, where tax compliance is often minimal or non-existent, thus skewing the overall picture of tax compliance among SMEs.

Organisation of the Study

The study was organized into five chapters. The first chapter contained an introduction that addressed the study's history, problem statement, purpose, research objectives, research hypothesis, importance, scope, and organization. The second chapter provided a review of the study's related literature, with an emphasis on a theoretical framework as well as an empirical analysis of the study, while the third chapter (Chapter Three) outlined the methodology of the study, which included major themes such as research approach, population, research design, sampling and sampling procedures, study area, data collection procedure, data processing and analysis. Chapter Four analyzed and discussed data results, while Chapter Five presented information on a summary of key findings, conclusions drawn about specific research objectives based on actual findings, recommendations, and suggestions for future studies.

Chapter Summary

The chapter began with a background to the study, where the researcher showed the relevance of the study by elaborating on the theoretical

8

underpinnings of the study as well as empirical revelation and claims put forth by prior researchers. The chapter continued with the statement of the problem, where the problem was logically explained, as well as identifying the gaps in the existing literature. Subsequently, the purpose of the study was articulated, and three objectives were set to give the study direction. Research questions were enunciated based on the stated research objectives. The significance of the study was later elaborated, followed by delimitations of the study, and the organisation of the respective chapters.

9

CHAPTER TWO

LITERATURE REVIEW

Introduction

This section of the research consists of reviewing relevant literature linked to the topic of the investigation. The review centered on three major themes: theoretical, empirical, and conceptual literature evaluation. The theoretical literature review aimed to establish a strong theoretical basis for the investigation. The empirical review includes an examination of comparable studies completed in the current field of research, which aids in identifying the flaws that the study attempted to address. The study variables were evaluated using conceptual analysis, followed by a diagrammatic representation of the dependent and independent variables' interrelationships.

Theoretical Review

This section of the literature examines into the theoretical foundations of the study, which were produced by scholars and are directly related to the research. The ideas mentioned include the ability to pay, economic deterrence theory, and planned behavior theory.

The ability to pay theory of taxation

In 1985, Swiss philosopher Rousseau proposed the concept of taxability, sometimes known as ability to pay. According to the principle, taxes placed on individuals should be based on their income or ability to pay, laying the foundation for a progressive tax system in which the tax rate rises in proportion to the taxable amount (Jones, 2014). The idea is that people or businesses with more income or wealth should pay more in taxes than those with less. This is the

10

most equitable and just sort of tax structure in an economy, and it has been widely adopted in industrialized nations (Ogbonna & Ebimobowei, 2012).

The fundamental idea of this model is that the responsibility of taxing should be distributed among individuals in society based on the principles of fairness and equality. According to Ogbonna and Ebimobowei (2012), the payment of tax under this approach is determined by the relative capacity to pay and is consequently distributed based on the income levels of individuals or businesses. This theory is relevant to this study as it elucidates how taxation impacts the growth of small and medium enterprises (SMEs), either in a favourable or negative manner. Consequently, firms' payment of taxes is determined by their capacity to bear the tax burden placed on them by tax authorities. Excessive taxation can have a detrimental impact on the profitability of small and medium enterprises (SMEs), leading to a halt of their growth.

The economic deterrence theory

The Economic Deterrence Theory was primarily developed within the field of economics and criminology to understand the factors that deter individuals and organizations from engaging in illegal or non-compliant behavior, such as tax evasion. This theory is associated with the work of several prominent economists, but it is most notably attributed to the contributions of Gary Becker and Michael Allingham along with Agnar Sandmo in the years 1972.Tax compliance theory, often known as deterrence theory, maintains that taxpayers are rational persons who aim to maximize their moral utility and are motivated to obey tax laws.

11

According to the hypothesis, taxpayers are motivated by economic incentives such as the desire to maximize profits and the risk of prosecution. According to economic deterrence theory, taxpayers are rational actors seeking to maximize their utility. This idea contends that people are more prone to cheat on taxes when the potential gain outweighs the penalty for noncompliance. As a result, the penalty structure is an important component of the punishment, influencing an individual's decision to avoid paying taxes.

There was widespread agreement that there was a point at which the expense of enforcement outweighed the advantages, causing societal harm (Becker, 1968). As a result, additional theories were established based on the economic deterrence concept. Allingham and Sandmo (1972) discovered that there is a negative relationship between the likelihood of being caught and the severity of the penalty. They argued that in circumstances when the likelihood of being caught is high, sanctions should be modest, and vice versa. Given Ghana's extensive unregulated informal sector and high rate of tax evasion, Allingham and Sandmo's (1972) argument appears to be appropriate. Furthermore, their research asserted that when the likelihood of detecting evasion is definite, a moderate punishment can be just as efficient in deterring evasion as a more severe punishment.

Therefore, it is argued that raising the severity of the punishment may not always result in a stronger deterrent impact if the perpetrator is aware that the likelihood of getting caught is high (Kuug, 2016). Allingham and Sandmo (1972) examined taxpayers' risk aversion and its relationship to income and tax evasion. They reasoned that when a taxpayer is risk-averse and their aversion decreases as their income rises, raising the tax rate would reduce tax evasion.

12

As a result, it was argued that the taxpayer's income level influenced their risk-taking behavior. The upshot of this perspective is that as taxpayers' income increases, the probability of tax evasion or non-compliance decreases. Lyons (1974) suggests that if the government establishes favourable economic conditions that lead to higher taxpayer income, tax evasion will decrease as a result.

The occurrence of tax evasion in the United States has demonstrated the economic deterrence theory's inadequacies. As a result, there is now a quest for more intricate theories that can effectively decrease non-compliance by imposing more severe penalties on tax evaders. Although the studies were based on economic deterrence theory, they suggest that taxpayers are more concerned with the severity of the punishment than the probability of detection when the likelihood is extremely low (Reinganum & Wilde, 1986). Brunner and Falkinger (1999) argue that a taxation system that includes both penalties and rewards is more effective in achieving maximal compliance than a system that just focuses on punishments. Consequently, offering incentives for following rules may be crucial in discouraging undesirable behaviour. The issue, however, lies in determining the manner in which the inducements would be implemented. Inducements can be in the form of expedited tax refunds or a reduction in the proportion of tax owed.

The importance of this theory in relation to the present study stems from its capacity to shed light on tax authorities' and the government's knowledge of the incentives that motivate taxpayers and how these incentives influence their willingness to fulfill their tax commitments. Businesses will thrive and increase their earnings if the government creates a favorable business environment.

Consequently, business owners will be prepared to fulfil their tax obligations without failing to do so. The present research has unequivocally proved that using sanctions to prevent tax evasion may not produce the expected results.

Theory of planned behaviour (TPB)

The Theory of Planned Behaviour (TPB) was proposed by Icek Ajzen. Ajzen introduced this theory in 1985 as an extension of the earlier Theory of Reasoned Action (TRA), which he developed with Martin Fishbein in 1975.The theory of planned behavior emphasizes a clear relation between an individual's intention and behavior, which is critical for any significant policy change. The taxpayer's intention plays a crucial role in tax compliance as it is solely through the voluntary engagement of taxpayers that money is gathered. Hence, it is equally crucial to forecast the inclination of taxpayers to adhere to regulations as it is to forecast their actual compliance behaviour (Chorlton, Conner, & Jamson, 2012). It is important to consider whether the behaviour is driven by a refusal to cooperate, as this will influence how taxpayers are treated in order to enhance their behavioural performance.

Hence, the tax authority would devise proactive interventions to tackle the root cause of non-compliance, rather than implementing remedies after non-compliance has occurred, which could potentially foster more non-compliance. The TPB not only considers intention, but also handles the matter of behavioural control by incorporating both perceived behavioural control and actual control. Perceived behavioural control refers to an individual's perception of their ability to control their behaviour and their confidence in carrying out the necessary actions. Actual control, on the other hand,

14

encompasses the specific skills and abilities, as well as any obstacles or factors that can either hinder or assist in performing the behaviour (Ajzen, 2011).

The theory of reasoned action (TRA) is inextricably linked with the TPB. Many scholars have used the Theory of Reasoned Action (TRA) as the major theoretical foundation for their research on various behavioural settings. The TRA stresses behavioral intention as a precursor to actual behavior. Intentions are understood to encompass the motivational variables that impact behavior. Ajzen (2011) defines intention as the amount of determination and effort that people are willing to put into carrying out an activity. To understand a specific individual's behavior, such as taxpayers, it is critical to identify the factors that influence their behavioural intention. The TRA proposes that there are two distinct factors that influence one's intentions. These are the perspectives on behaviour and personal beliefs about what is considered normal or acceptable. According to Ajzen (2011), attitude relates to an individual's favorable or negative perception of a given behaviour.

Attitudes can be influenced by a phenomenon called behavioural belief, which involves assessing the potential outcomes or repercussions of a specific behaviour. Attitudes are shaped by a conviction in a result, with its magnitude assessed in terms of outcome evaluation. Subjective norms, as defined by Loo, Evans, and McKerchar (2012), are the perceived societal influences that affect an individual's decision to either take action or refrain from taking action. Hence, societal pressure can serve as the impetus for an individual to adopt a specific fashion style.

Millar and Shevlin (2003) found that taxpayers' perceptions of disproportionate tax burdens can influence their behavior regarding paying

15

taxes, thereby affecting their compliance with the tax system. Breckler and Wiggins (1991) proposed that an effective attitude includes emotional responses, such as enjoyment, sadness, or guilt, when doing specified behaviors. On the other hand, instrumental attitude pertains to a more cognitive evaluation of the potential benefits associated with doing certain behaviours. This suggests that the taxpayer's emotions can influence their willingness to comply with tax regulations. When the taxpayer is in a positive emotional state, they are more likely to gladly fulfil their legal requirement of tax compliance. Nevertheless, when the taxpayer evaluates the benefits gained from adhering to the rules, whether they are favourable or negative, such as cognitive reflection, they may choose to comply or not.

This hypothesis demonstrates that the payment of taxes by small and medium enterprises (SMEs) is influenced by the attitudes and beliefs of managers and owners. It is not just driven by the government's demands or the fear of legal consequences. The theory facilitates the explanation of additional influential aspects that impact tax compliance and the perception of how tax revenue is utilized.

Conceptual Review

This section of the literature review elucidates the study variables and their measurement, as employed by previous investigations. It establishes the fundamental framework by clearly articulating the rationale for including a specific variable in the investigation. The variables examined include the tax rate and its correlation with the expansion of small and medium enterprises (SMEs), the influence of tax policies on SME growth, and the cost of tax compliance and its effect on SME growth. The discussion also encompassed the

16

measurement of small and medium enterprise (SME) growth. Additionally, the difficulties that impact taxpayers and the growth of SMEs were thoroughly examined.

Definition of SMEs

Small enterprises are commonly defined based on the size of their workforce, with the number of employees being the most commonly used criterion. Confusion stems from the arbitrary decisions and thresholds used by various authoritative sources when adopting this concept. According to the Ghana Statistical Service's (GSS) Industrial Statistics, enterprises with fewer than ten people are classified as Small Scale organizations, while those with more than ten employees are classified as Medium or Large organizations. In contrast, the GSS classified enterprises with a workforce of nine or less as Small and Medium in its domestic statistics.

The crucial role of SMEs in emerging nations as channels for achieving the development goals of these nations has been well acknowledged. According to Levy and Powell (2004), in the least developed nations, small and medium enterprises (SMEs) are expected to provide employment for approximately 22% of the adult population. The agricultural sector in Ghana employs approximately 15.5% of the labour force, while in Malawi it employs around 14.09% (Parker, Bellucci, Torlina, Zutshi, & Fraunholz, 2014). This industry has created more jobs than small and large enterprises, with growth rates of 5% in Ghana and 11% in Malawi. In Ghana, the sector's output is calculated as a proportion of GDP.

In order to expedite the pace of progress in economically disadvantaged nations, officials have shown significant interest in small-scale enterprises

17

located in both rural and urban areas. These endeavours have been acknowledged as the catalysts via which developing nations can achieve their development objectives. Developing nations often serve as potential sources of employment and income (Calipinar & Ulas, 2013).

Measurement of SMEs' growth

The number of jobs created by small and medium-sized businesses (SMEs) is used to measure their growth. Expansion rates are demonstrated by an increase in the number of branches, which contribute significantly to job creation and play an important part in promoting economic growth (Kumar & Rao, 2015). Furthermore, Kumar and Rao (2015) found that small and medium-sized enterprises (SMEs) have higher rates of net job creation than bigger organizations since they operate in a variety of industries. Bannier and Zahn (2012) argue that a corporation's age is an important factor that may distinguish it from others. Empirical research supports the idea that age, size, and proportionate growth are interconnected. The growth rate of enterprises typically decreases proportionally as they age, regardless of their size. Similarly, more established businesses have a higher probability of enduring compared to newer ones. These data align with theories of firm selection, as new market entrants require time to acquire knowledge about the industry's relative efficacy (Bannier & Zahn, 2012).

According to Rojsurakitti (2015), continuous growth is not very common, as only a small number of enterprises had consistent growth for a duration of seven years or longer. However, several companies saw an erratic path characterised by only two years of consistent expansion. Consequently, the majority of firms that were enjoying significant growth did not continue to grow

at a rising rate. The firm's strategy, which involves a yearly expansion of its workers, has been widely utilised in numerous researches as a measure of organisation growth (Bannier & Zahn, 2012).

Tax Rate and Complexities and SMEs Growth

The expansion of the firm was impacted by the tax rates imposed on SMEs. Higher tax rates and tax complexities had a negative impact on SMEs' growth and development, as well as business creation. The elevated tax rates lead to increased production costs, thereby leading to price increases for goods and services offered by small and medium enterprises (Graham & Mills, 2008). The company tax has an impact on the determination of finance and investment decisions, as well as the selection of the organisational structure. Lowering corporate tax rates below the highest personal income tax rates, combined with allowing entrepreneurs to delay personal taxes by reinvesting gains, can encourage them to register their enterprises (Graham & Mills, 2008). A decrease in corporate tax rates incentivizes the incorporation of more enterprises that have refrained from registering due to concerns about taxation, assuming all other factors remain constant (Graham & Mills).

Governments in many nations aim to enhance the competitiveness of SMEs, which entails lowering tax rates (Gordon, 1963). They levy diverse forms of taxes to safeguard emerging sectors and promote equitable competition among small and medium enterprises (SMEs). According to Loo et al. (2012), these procedures are driven by the equity aim (SMEs earning lesser profits) and the efficacy objectives (SMEs facing market failures, such as limited access to funding, which requires government intervention).

Tax Policy and SMEs Growth

SMEs may have allocated the resources they spend on tax compliance towards reinvestment, which would contribute to the future growth of SMEs (Bahl & Bird, 2008). Hence, there is a prevailing belief that taxes and a convoluted tax system unfairly impose a heavier load on smaller enterprises. Slemrod (2008) noted that imposing the same compliance requirement and expense on both small and large enterprises can be seen as discriminatory towards smaller companies. The reduction in compliance costs and tax rates will lead to an improvement in the profit margin of SMEs. In addition, the simplification of regulations for small businesses would lead to an increase in government revenue from taxation. This is because it will reduce the size of the informal sector and the number of registered taxpayers who do not comply with tax regulations (Slemrod).

Furthermore, the excessive regulatory environment, which includes numerous regulatory organizations and firms, various taxes, cumbersome importation procedures, and high port charges, continues to impose unnecessary constraints on the operations of small and medium-sized businesses (SMEs). Due to these complications, a large number of enterprises failed to register or meet their tax requirements (Lisi, 2015). This increases the burden on taxpayers who attempt to comply with tax regulations while discouraging future compliance.

A complicated and heavily regulated tax regulatory system is excessively costly and has a detrimental influence on the growth of small and medium-sized firms (SMEs) as they try to shift to structures with a lower or no tax burden at all (Harju, 2014). Poor tax system implementation results in

20

decreased efficiency, increased collection costs, wasted time for taxpayers and staff, and inefficient resource allocation (Loo et al., 2012).

Tax Compliance Cost and SMEs Growth

Academics, government policymakers, and corporations have all been paying close attention to the cost of tax compliance. According to Ameyaw, Addai, Ashalley, and Quaye (2015), the cost of complying with tax obligations is one of three components of the social cost of taxes. These charges, as stated by them, represent the costs suffered by society when purchasing power is transferred from taxpayers to the government.

The cost of compliance can be categorized into three main components: the amount of time invested, the monetary expenses incurred, and the psychological burden. The overall time spent encompasses both the expenses incurred for in-house workers and the fees paid to external accountants and other experts. These compliance expenditures are outside the scope of corporate management (Pope & Abdul-Jabbar, 2008). Previous empirical evidence has demonstrated that small and medium enterprises (SMEs) bear a disproportionate burden of regulatory requirements (Pope and Abdul-Jabbar, 2008). This is due to the limited resources available to SMEs and their insufficient experience in complying with many and intricate regulations (Atawodi Ojeka, 2012). In addition, Eichfelder and Vaillancourt (2014) argued that when the cost of complying with taxes is high, it can result in tax evasion, tax fraud, and hinder investment by reducing the country's competitiveness in terms of tax appeal.

The problem of noncompliance is also attributable to the high cost of tax compliance. Noncompliance by small and medium-sized enterprises (SMEs)

21

can manifest as failure to meet the tax return submission deadline, incomplete submission of tax returns, underreporting of income, exaggeration of deductions, or failure to pay assessed taxes by the specified due dates (James and Edwards, 2010).

Empirical Review

The existing literature was reviewed in accordance with the study's objectives. This review was conducted to identify significant studies and their conclusions, which were then utilized as a benchmark for comparing current research. Numerous studies have been undertaken to determine the impact of taxation on small and medium-sized businesses. The review comprised investigations conducted across Africa, with an emphasis on Ghana. Please refer to the reviews below.

Keith (2012) studied the effects of taxation on small and medium-sized enterprises in the United States of America. Data were collected through interviews with small and medium-sized firm (SME) owners and managers, and then analyzed using a descriptive technique. The study found that various federal tax policies, while not expressly meant for businesses, have resulted in higher tax rates, which have hampered the growth and success of small and medium-sized organizations (SMEs). The study also revealed that applying high personal income taxes has severely reduced the several ways via which small and medium-sized firms (SMEs) formerly got external capital.

Aizenman and Jinjarak (2009) investigated the elements that influence the efficiency of Iran's tax system. They proposed that enhancing taxation techniques, utilizing information technology, minimizing interference from departments and industrial unions, and growing the personnel in the tax

22

organization would result in increased compliance. Furthermore, improving management quality and hiring competent personnel with the necessary expertise and motivation, implementing measures to address tax collector misconduct, and conducting public education campaigns to emphasise the importance of tax payment at all societal levels will all contribute to increased compliance and effectiveness. Furthermore, it would be useful to analyze and apply effective tax systems from other nations, where deemed appropriate.

Atawodi and Ojeka (2012) conducted research in Nigeria to investigate the relationship between tax policy, the expansion of small and medium-sized firms (SMEs), and the overall performance of the Nigerian economy. A non-probability sampling method was utilized to choose 150 small and medium-sized business (SME) owners from the total population of SMEs in Zaria, a state in North Central Nigeria. The selected participants were given questionnaires to complete. The study's hypotheses were tested using Spearman's rank correlation. The study found a significant unfavorable relationship between taxes and the growth of small and medium-sized firms (SMEs). They also stated that in order to create a vibrant and growing SME sector, Nigeria's tax policy must be appropriate, ensuring that it does not inhibit the growth of SMEs.

Ocheni and Gemade (2015) conducted a follow-up study in Nigeria to investigate the influence of various taxes on the operational efficiency of small and medium-sized businesses in Benue. The survey study design was carried out with a population size of 91. Data was gathered through self-administered questionnaires. The study found that the introduction of various taxes has a negative influence on the survival of small and medium-sized firms (SMEs).

23

Furthermore, there is a strong association between a SME's size and its ability to satisfy tax responsibilities.

Nyamwanza, Mavhiki, Mapetere, and Nyamwanza (2014) used a descriptive research approach to assess the effectiveness of Zimbabwe's presumptive tax collection system and its impact on small and medium-sized firms (SMEs). The survey's sample size is 67 Bindura commuter transport operators who have responded to the study. The study's findings demonstrated a negative association between presumptive tax and the profitability of small and medium-sized businesses (SMEs). Nyakundi (2018) found that SMEs in Kenya have a poor degree of tax compliance. This was ascribed to a variety of issues, including poor management and internal control systems, as many businesses struggled to survive. Another important quality that was mentioned is the informal approach to starting, running, and closing a business, which allows for simple movement.

Machogu and Amayi (2016) evaluated the tax system's impact on the growth of small and medium-sized enterprises (SMEs) in Shinyanga, Tanzania. Their goal was to analyze managers' perceptions of the tax system's effectiveness in promoting SMEs' growth in Tanzania. According to the study's findings, boosting taxes causes higher prices for goods and services, which leads to lower consumption and sales volumes. The study found that the tax system has a negative influence on the growth of small and medium-sized businesses (SMEs). This arises because the collected income is used to pay taxes rather than to expand the firm. The study utilised a sample size of 120 participants and using a descriptive survey methodology.

24

Tee, Boadi, and Opoku (2016) evaluated the influence of taxation on the performance of small and medium-sized firms (SMEs) in Ghana's Ga West Municipality Assembly. They gathered data by distributing questionnaires and conducted interviews with 102 managers/executive officers. The data were examined using descriptive, correlation, and regression approaches. According to the findings, the majority of respondents recognized the current tax system's detrimental impact on the growth of small and medium-sized firms (SMEs).

According to Adebisi and Gbegi (2013), income tax evasion is one of the most critical difficulties affecting Ghana's tax administration. Asante (2012) endorses this study by stating that tax evasion is a serious problem in Ghana. He proposed that tax evasion is caused by factors such as widespread illiteracy, a lack of understanding of tax rules, difficulties in recognizing sole proprietors, insufficient tax offices and officers, and the complexity of tax regulations. Tax evasion includes not declaring income, intentionally underreporting income, and falsely inflating deductions from income (Pirttilä and Selin, 2011).

In their study on tax evasion in Ghana, Amoah, Asuamah, and Amaning (2014) argue that when the tax system is regarded as unjust, with a major percentage of the collected cash squandered and benefiting corrupt politicians, citizens may find justification for engaging in tax fraud. It is recommended that taxation systems in the economy be egalitarian, and tax officials be rewarded to avoid corrupt activities. Their conclusion was that tax revenue should be allocated towards endeavours that will yield collective benefits, thereby incentivizing citizens to fulfil their tax obligations.

Conceptual Framework

The conceptual framework emphasizes the interconnection of the investigation's dependent and independent variables. Because these variables and concepts are interconnected, the study determined that it was important to visually describe the concept using diagrams to demonstrate their relationships. The dependent variable of interest is the expansion of small and medium-sized firms (SMEs), while the independent variables are the tax rate, tax policy, and tax compliance costs. Figure 1 illustrates the link between these variables.

Figure 1: Conceptual Framework

Source: Author's construct (2022)

The conceptual framework demonstrated that the expansion of small and medium enterprises (SMEs) is propelled by the tax policy implemented by the government. Hence, the burdensome regulatory environment characterized by a plethora of regulatory authorities and entities, multiple levies, intricate import protocols, and high port charges imposes unwarranted strain on small and medium enterprises (SMEs). Due to these intricacies, a significant fraction of small and medium enterprises (SMEs) have also neglected to register or fulfil their tax obligations. This eventually impacts their financial viability and

26

expansion in both the short and long term. Moreover, the tax rate levied on SMEs is correlated with their growth. The increased tax rates and intricate tax regulations have negatively impacted the growth and advancement of small and medium enterprises (SMEs) as well as overall corporate development. The increasing tax levels lead to increased manufacturing expenses, ultimately leading to higher prices for SMEs' products and services.

The perception is that the cost of complying with taxes has a detrimental impact on the growth of small and medium enterprises (SMEs). The limited financial resources and lack of understanding to adhere to complex rules have a negative impact on the growth of small and medium enterprises (SMEs). The size of the firm and the number of years the business has been operating are control variables that have a beneficial impact on the growth of SMEs.

Chapter Summary

The study examined three concepts that are relevant to the current investigation. These theories include the ability to pay theory of taxation, the economic deterrence theory, and the theory of planned behavior. The hypotheses were analysed to see how taxpayers interpreted and responded to the request to pay their tax obligations, as well as the impact on SME growth. The review of the study's primary variables of interest illustrates how they are related to the growth of SMEs. Variables such as tax rates and their complexities are likely to either positively or adversely affect SME growth, tax policy may have a positive or negative effect on SME growth, and tax compliance expenses may have a negative impact. In terms of empirical reviews, there is no definitive proof. Thus, research in Ghana and other parts of

27

the world revealed a paradoxical relationship between the growth of SMEs and

taxation.

CHAPTER THREE

RESEARCH METHODS

Introduction

This chapter covered research approach, research design, study area, population, sample size and sampling procedure, data collection instrument, reliability and validity, data collection procedure, data processing and analysis, ethical consideration and chapter summary.

Research Approach

There are three main techniques for conducting empirical research: qualitative research, quantitative research, and mixed research. Contextually, the usage of quantitative research approach is justified on the ground that, like physical phenomenon, human behaviour can be quantified in attributes (Bhattacherjee, 2012). The researcher used a quantitative research strategy to explain the phenomenal and social aspects of the variables under inquiry by gathering numerical data and analyzing it using mathematically-based methodologies, specifically statistics (Creswell and Clark, 2017). Given the structured nature of the research instrument, the opinions and attitude of the respondents concerning the items were numerically measured and coded into appropriate software which in turn made it possible for statistical processing and analysis (Goertzen, 2017; Creswell, 2003). The quantitative research approach supported the study's deductive perspective, allowing for inferences from testing of statistical hypotheses, which led to broader inferences regarding population characteristics (Rahi, 2017).

29

Research Design

Every study requires an adequate and supportive design. According to Boru (2018), study design outlines precise protocols for data collection, analysis, interpretation, and reporting in research investigations. There are three sorts of study designs: exploratory, descriptive, and explanatory (Leedy & Ormrod, 2010). Because of the predictive nature of this study's overall purposes and specific research objectives, the study used the causal or explanatory research design as a plan to guide and act as a blueprint for the conduct of this empirical study.

With this design, appropriate hypotheses that were formulated were subjected to statistical manipulation (Through usage of statistical techniques) to examine how changes in tax compliance induced changes in SME growth. The explanatory research design encouraged the use of a quantitative research approach, statistical tools or techniques, and a structured questionnaire for primary data collecting in the context of the study (Krichene & Baklouti, 2020). Explanatory research design further supported the study's cause-and-effect orientation (Walliman & Goertzen, 2017).

Study Area

The study targeted SMEs and specifically targeted those in the Sefwi Juaboso District of Ghana. The Western North Region has six (6) taxpayer offices, which are classified as middle or small. Sefwi Juaboso has two taxpayer offices, one for medium and one for small taxpayers, with the remaining four at Wiawso and Aowin Municipal.

30

Population

The population of the study comprised of all SMEs in the Juaboso District of Ghana. This consisted of all 2345 registered SMEs within the Juaboso District of Ghana at the time of the study (Registrar Generals Department records, 2022). SMEs in the Juaboso District of Ghana were appropriate for this study because they happen to pay tax on any revenue they earn, which might or might not influence them financially. Additionally, the populace was easily accessible. The survey targeted all 2345 SMEs in Ghana's Juaboso District, including its managers and owners.

Sample Size and Sampling Procedure

Because not all elements in the sampling frame could be reached and accessed for primary data collection, a representative sample size of 310 was chosen using suitable scientific methods. The sample size was determined using the following settings from the G*power application: [Test type: F test; statistical test: linear multiple regression. Fixed model with r2 deviation from zero; input parameters: effect size-0.15, error prop-0.05, power-0.95, number of predictors-5].

Table 1: Medium Taxpayer Office (MTO) and Small Taxpayer Office (STO) in Western North Region

Location	No. of STO	No. of MTO	Total Tax Office	No. of Respondents Selceted
Sefwi Juaboso	1	1	2	150
Wiawso	1	1	2	100
Aowin	1	1	2	60
Total	3	3	6	310

Source: Ghana Revenue Authority (2022)

Financial managers, general managers, accountants, and small and medium-sized business owners were chosen as sample respondents because they are qualified to answer the surveys due to their knowledge of the business and tax issues that influence their companies. The sample size is determined by the number of registered taxpayers at each taxpayer's office. Because the Juaboso taxpayer office has a larger number of taxpayers, 150 were chosen at random: 100 from Wiawso and 60 from Aowin. The criterion is based on the number of SMEs paying taxes at each office. Mugenda and Mugenda (2003) proposed that a sample size of 10-50 percent of the population is appropriate.

The study used a convenience sampling technique. A convenience sample is a non-probability sampling strategy that selects persons who are easy to contact or reach. For example, a convenience sample could be to stand in a mall or grocery shop and ask people questions. The sampling method is sometimes referred to as grab sampling or accessibility sampling. The sampling technique has no further prerequisites other than that participants be available and willing to participate. Furthermore, this sampling technique does not require the development of a simple random sample, as the only requirement is whether respondents consent to participate (Saunders & Thornhill, 2011). The study used this sample strategy since registered taxpayers are difficult to locate. As a result, the researcher was stationed at the GRA offices at five locations in the Western North region. Workers in the offices assist taxpayers in understanding the study's rationale. Those who accepted to participate in the study were sampled and given questionnaires.

Data Sources

Malhotra (2015) defines primary data as information acquired directly for the intended purpose. It is considered the original, first-hand source of information. Secondary data, on the other hand, is information that was recently gathered for reasons other than the current issue. To properly complete the study, primary data on four concerns were necessary. First, demographic information about the SMEs that took part in the study was needed. To precisely define the respondents to the study, information on their age, gender, position, and level of education was requested. Information was acquired from many sources. These resources include both published and unpublished internet content, magazines, handbooks, reports, and textbooks.

Data Collection Instruments

To collect data from respondents, the study used a structured questionnaire that was developed to meet the study's aims. The questionnaires used a 5-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). Section A of the questionnaire includes demographic characteristics such as firm size, industry sector, number of employees, funding method, and years of experience. Section B included questions that assessed SMEs' tax compliance. The next section, C, had questions measuring the growth of SMEs.

Validity and Reliability of Research Instrument

A pilot study was performed. The research was carried out in two taxpayer offices: the Bibiani taxpayer's office. This office was handpicked to test the questionnaire before it was distributed. The office was selected based on parallels in its characteristics within the study area and activities in other districts in the region. This was done to ensure that participants addressed all

33

potential concerns when answering the questions, allowing the investigator to make the questions more clear and simple. The consistency with which it quantifies credit should be used to assess the unwavering quality of any instrument. As a result, the Cronbach Alpha coefficient approach was used to measure the reliability of the study's key constructs, resulting in an alpha of 0.8545. This demonstrates that the data collection instrument is accurate and reliable.

Data Collection Procedure

The study used a face-to-face data collection approach. This exercise was carried out at the targeted SMEs once the owner/manager acquired official authority to collect primary data from them. This was made possible by the submission of an introductory letter from the University of Cape Coast to the SMEs. Three hundred and ten (310) structured questionnaires were distributed. Respondents accepted before participating in the survey, thus no one was forced to participate. Respondents' contact information was recorded, and each participant was phoned at least once during the data collecting period to remind them.

Data Processing and Analysis

After receiving the completed structured surveys, a comprehensive cleansing exercise was done to ensure that there were no outliers, poorly filled questions, or empty responses in the instrument. Coding and data entry exercises were then carried out using the Statistical Product for Service solution (SPSS version 27.0). The data transformation operation was carried out after the data's reliability and validity, as well as the constructs, had been assessed using appropriate methods. The essence of data transformation enabled a

34

comprehensive study of constructs with sub-dimensions. After the assumptions underlying the use of the parametric statistical tools utilized in the study were evaluated and validated, data analysis was performed. Multiple regression was used to measure objectives one, two, and three. The findings were provided in Tables and Figures for ease of comprehension and summary.

Ethical Consideration

Ethics is mostly associated with morality and deals with issues of right and wrong among groups, societies or communities (Plaisance, 2006). It is therefore important that everyone who is engaged in research should be aware of the ethical concerns (Rubin & Babbie, 2016). The researchers employed every effort to avoid as far as possible violation of ethical principles. Edginton et al (2012) have identified the basic ethical considerations for research as; respondents being fully informed about the aim's methods and benefits of the research, granting voluntary consent and maintaining the right of withdrawal. The rationale for the study, assurance of confidentiality and the right of withdrawal was explained to the participants. The researcher took a letter of introduction from the department regarding the researcher's intention to conduct the study and presented it to the respective SMEs to allow for data collection. The researcher in the conduct of this study also educated the participants concerning the details needed for the study, the reasons why the information was being gathered, the rationale, as well as how they were expected to participate.

Chapter Summary

The third chapter discusses the study's methodology and tactics for accomplishing its objectives. The study's design and area descriptions were

35

clearly defined. The population of registered taxpayers at STOs in the Western North region served as the basis for selecting study samples using a simple sampling technique. The population dispersion prompted the use of this technique. In addition, the data collection instrument was designed and tested to ensure its validity and reliability when gathering data for the study. Data was gathered with the help of certain GRA officials, who distributed questionnaires on the spot. The collected data was coded into SPSS, and the findings were presented for debate.

CHAPTER FOUR

RESULTS AND DISCUSSION

Introduction

This chapter contains the study's findings, which were based on the stated study objectives. The findings are presented chronologically and fully analyzed, taking into account implications and prior empirical findings (Anand, Hu, Liden, & Vidyarrhi 2011).

Response Rate

According to Mugenda & Mugenda (2003), a response rate is the number of people who participated in a specific study. According to the authors, a response rate of 70% or greater is outstanding and adequate for analysis, 60% is very good, 50% is acceptable, and less than 50% is improper for quantitative research analysis. Of the three hundred and ten (310) questionnaires distributed to study participants, only 200 (64.5%) completed and returned them to the researcher. The remaining one hundred and ten (110) surveys were discarded because the individuals did not respond or provided inadequate information.

Demographic Information of Respondents

This section discusses the respondents' background characteristics. The section examined the gender, age, education level, job experience, and position of respondents from small and medium-sized businesses in the Sefwi Juaboso District. The respondents' demographic information was descriptively quantified using frequency and percentage (%) because these statistical methods are excellent for quantifying categorical variables. This information describes the respondents surveyed to show that the sample was drawn from the desired population. Table 2 presents the findings.

Table 2: Demographic Information

Variable	Options	Frequency	Percentage (%)
Sex	Male	107	53.50
	Female	93	46.50
Total		200	100.00
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	100.00
Educational Level	Non Formal	45	22.50
	Basic Education	71	35.50
	Secondary/Technical	54	27.00
	Tertiary Level	30	15.00
Total		200	100.00
Position and Role	Owner	53	26.50
	Manager	79	39.50
	Owner and Manager	68	34.00
Total		200	100.00
	1-5 years	42	21.00
Work Experience			
	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
Total		200	100.00
Length of service	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
Total		200	100.00

Source: Field Survey (2023)

According to the study, men made up the majority (53.50%) of respondents, with women accounting for 46.50 percent. The gender dimension of the analysis was significant because Liu (2008) contended that differences in

38

the socio-cultural roles assigned to both sexes have different effects on their attitudes and perceptions of taxation and financial performance of small and medium-sized businesses in the Sefwi Juaboso District. Table 3 also displays the age distribution of the respondents. The Table shows that the majority (22.00%) of the respondents were between the ages of 32 and 38 years, 20.00% were between the ages of 25 and 31 years, 19.00% were between the ages of 18 and 24 years, 16.50% were between the ages of 39 and 44 years, 12.50% were between the ages of 45 and 51 years, and the remaining 10.00% were between the ages of 30 and over.

The findings indicate that the respondents were not evenly distributed across different active working age groups. Nonetheless, the survey obtained additional information about the respondents' levels of schooling. The majority of responders (35.50%) had a basic education. This was followed by workers, with Secondary/Technical and No Education accounting for 27.00 and 22.50 percent, respectively. However, those with Post-Secondary were in the minority, accounting for only 15.00 percent. This implies that the majority of respondents possessed the educational qualifications required to engage in small and medium-sized firms in the Sefwi Juaboso District. Another topic addressed by the section was the position of responders from small and medium-sized businesses in the Sefwi Juaboso District.

The data as reported indicated that the majority of the workers (27.2%) were Managers, accounting for 39.50 percent of the respondents. This was followed by respondents serving as Owners and Managers, who accounted for 34.00 percent. However, respondents who identified as Owners were in the minority at 26.50 percent. The distribution revealed that the respondents were

39

capable of responding adequately to the questionnaires since they possessed the relevant knowledge. The study then assessed each respondent's employment experience. The survey also took into account each respondent's employment experience. The results revealed that the majority (24.50%) of respondents had worked for 16 to 20 years. This was followed by 21.00, 19.00, and 18.50 percent of respondents working between the ages of 1 and 5 years, 21 years and older, and 11 to 15 years, respectively. However, 17.00 percent, or the minority of respondents, had worked for 6 to 10 years. According to the data, the vast majority of employees (79.00%) have been with pharmaceutical companies for more than five years.

Background Information of Businesses

This section describes the business's background features. The part addressed aspects such as the size of the business, the number of years in existence, the sector, and the number of employees. The business's demographic information was measured descriptively using frequency and percentage (%) because these statistical approaches are acceptable for categorical data. This information describes the businesses that were surveyed to demonstrate that the sample was drawn from the target population. Table 3 summarized the findings.

Table 3: Background information about the Sampled SMEs

Variable	Options	N=200	(100%)
Number of years	Less than 5 years	105	52.5
	5Years and above	95	47.50
Total		200	100
Sector	Manufacturing	34	17.0

40

	Srvice	27	13.5
	Agricultural and Agro-processing	91	45.5
	Construction	23	11.5
	Utilities	25	12.5
		200	100
Size	Small	112	
	Medium	88	
Total		200	100
People employed	Less than 6 persons	69	34.0
	6-9 persons	57	28.5
	10-29 persons	40	20.0
	30-100 persons	19	9.5
	More than 100 persons	15	7.5
Total		200	100

Source: Field Survey (2023)

From the study, the majority (52.5%) of the respondents have been in the business for less than 5 years, whilst the remaining 47.5 per cent have been in business for 5 years and above. Table 3 also presents results on the sector in which the business falls. The Table shows that majority (45.5%) of the business falls under the agricultural and agro-processing sector, 17.0% and 13.5% were within the manufacturing and service sector respectively, 12.5% were within the utility sector and 11.5% were within the construction sector. Majority of the business in the district were on a small scale representing 56 per cent. This was followed by medium scale businesses, representing 44.0%. Another issue considered under the section was the position of respondents of small and

41

medium enterprises in the Sefwi Juaboso District. Subsequently the study considered the number of people employed by each business. The results showed that majority (34.0%) had less than 6 persons. This was followed by 28.5, 20.0 and 9.5 per cent of the businesses had between 6-9 persons, 10-29 persons and 30-100 persons respectively. However, 7.5 percent representing the minority of businesses who have more than 100 persons.

Descriptive Statistics of Constructs

The constructs were descriptively measured using means (M) and standard deviations (SD). The mean was interpreted using these subjective criteria, which were informed by previous studies and measurement scales. *0 – 1.49=Not at all agree; 1.5-2.49= Slightly agree; 2.5 – 3.49= Moderately agree; 3.5-4.49=Agree and 4.5 – 6= Highly agree.*

Table 4: Tax Rate and Complexities

Statement	Mean	Std. Deviation
The current tax rate is a fair burden for businesses.	2.1748	.98701
The current tax rate is a disincentive for business growth	2.1019	1.05196
A reduction in the tax rate would encourage businesses to invest and expand	2.1068	1.25261
The tax law is too complex for businesses to understand easily	2.1311	1.03467

The complexity of the tax law makes it difficult for businesses to comply with tax laws	2.2233	1.05860
The complexity of the tax law creates unnecessary administrative burdens for businesses	2.0922	1.03887
The current tax rate and complexities have a negative impact on my business's profitability	2.0388	.98696
The current tax rate and complexities make it difficult for my business to plan for the future	2.2136	1.08336
The current tax rate and complexities discourage my business from investing and expanding	1.9369	.98817

Source: Field Survey (2023)

Table 4 showed that, respondents had slight agreement to majority of the items used to measure their tax rate and complexities. The respondents had a slight agreement that current tax rate is a fair burden for businesses ($\bar{x}=2.1748$) and disincentive for business growth ($\bar{x}=2.1019$). They also had slight agreement that a reduction in the tax rate would encourage businesses to invest and expand ($\bar{x}=2.1068$), tax code is too complex for businesses to understand easily ($\bar{x}=2.1311$), complexity of the tax code makes it difficult for businesses to comply with tax laws ($\bar{x}=2.2233$) and complexity of the tax code creates unnecessary administrative burdens for businesses ($\bar{x}=2.0922$). In addition, the respondents had a slight agreement that current tax rate and complexities have a negative impact on my business's profitability ($\bar{x}=2.0388$) and current tax rate and complexities make it difficult for my business to plan for the future ($\bar{x}=2.2136$). On the other hand, the respondents had a not at all agreement that

current tax rate and complexities discourage my business from investing and expanding ($\bar{x}$=1.9369).

Table 5: Tax Policy

Statement	Mean	Std. Deviation
The current tax system is fair to all taxpayers	2.0485	1.41682
The current tax system places an unfair burden on low-income taxpayers	2.2136	1.06520
The current tax system favours wealthy taxpayers	2.0631	.96823
The current tax system is efficient and easy to administer	2.3155	1.09654
The current tax system is too complex and inefficient	2.0680	.94494
The current tax system creates unnecessary administrative burdens for taxpayers	2.1117	1.08298
The current tax system promotes economic growth	2.1602	.99686
The current tax system discourages investment and innovation	1.9951	1.05691
The current tax system encourages businesses to move jobs overseas	2.0971	1.07762

Source: Field Survey (2023)

The descriptive results relating to tax policy show that the respondents slightly agreed that current tax system is fair to all taxpayers (M=2.0485; SD=1.41682) and current tax system places an unfair burden on low-income taxpayers (M=2.2136; SD=1.06520). Furthermore, it was discovered that the respondents slightly agreed that current tax system favours wealthy taxpayers

(M=2.0631; SD=.96823), current tax system is efficient and easy to administer (M=2.3155; SD=1.09654) and current tax system is too complex and inefficient (M=2.0680; SD=.94494). It was also discovered that the respondents slightly agreed that current tax system creates unnecessary administrative burdens for taxpayers (M=2.1117; SD=1.08298), current tax system promotes economic growth (M=2.1602; SD=.99686) and current tax system encourages companies to move jobs overseas (M=2.0971; SD=1.07762).On the other hand, the respondents had a not at all agreement that current tax system discourages investment and innovation (M=1.9951; SD=1.05691).

Table 6: Tax Compliance Cost

Statement	Mean	Std. Deviation
I spend a significant amount of time complying with tax regulations	2.1602	1.11686
I would be able to focus more on my business if tax compliance was less burdensome	2.2524	1.00456
Complying with tax regulations is a complex and time-consuming process	2.1165	1.05739
I would be able to save money if tax compliance was less expensive	2.1602	1.00174
I incur significant financial costs to comply with tax regulations	1.9709	1.04491
The cost of tax compliance is a significant burden on my business	2.1942	1.06892

45

Tax compliance requirements make it difficult to run my business efficiently	2.0927	1.06006
My business would be more successful if tax compliance was less burdensome	1.9610	1.04714
Tax compliance requirements distract me from my core business activities	2.3415	1.07123

Source: Field Survey (2023)

The descriptive results relating to tax compliance cost show that the respondents slightly agreed that they spend a significant amount of time complying with tax regulations (M=2.1602; SD=1.11686) and are able to focus more on my business if tax compliance was less burdensome (M=2.2524; SD=1.00456). Furthermore, it was discovered that the respondents slightly agreed that complying with tax regulations is a complex and time-consuming process (M=2.1165; SD=1.05739), they would be able to save money if tax compliance was less expensive (M=2.1602; SD=1.00174) and cost of tax compliance is a significant burden on my business (M=2.1942; SD=1.06892).

It was also discovered that the respondents slightly agreed that tax compliance requirements make it difficult to run my business efficiently (M=2.0927; SD=1.06006) and tax compliance requirements distract me from my core business activities (M=2.3415; SD=1.07123). On the other hand, the respondents had a not at all agreement that they incur significant financial costs to comply with tax regulations (M=1.9951; SD=1.05691) and their business would be more successful if tax compliance was less burdensome (M=1.9610; SD=1.04714).

46

Table 7: Growth

Statement	Mean	Std. Deviation
My business revenue has increased over the past year	1.9515	.98653
My business profit margin has increased over the past year	2.0146	.97018
My business return on investment has increased over the past year	2.3398	2.38308
My business market share has increased over the past year	2.1214	1.29156
My business is gaining new customers at a faster rate than our competitors	2.1311	1.71003
My business is expanding into new markets	2.2670	1.08271
My business has hired new employees over the past year	2.1317	1.07886
My business is investing in employee training and development	2.2864	1.10012
My business has a strong employee retention rate	2.2829	1.09721
My business is developing new products and services	2.0971	1.30301
My business is investing in new technologies	2.0583	1.09834
My business is adopting new processes and procedures to improve efficiency	2.2621	.99227
My business has a strong leadership team	2.1019	1.09290
My business has a clear vision and strategy for growth	2.2282	1.01759
My business is effectively managing its resources	2.2816	1.09471

Source: Field survey (2023)

Table 7 showed that, respondents had slight agreement to majority of the items used to measure growth. The respondents had a slight agreement that their business profit margin has increased over the past year ($\bar{x}$=2.0146) and business return on investment has increased over the past year ($\bar{x}$=2.3398). They also had

47

slight agreement that their business market share has increased over the past year ($\bar{x}$=2.1214), business is gaining new customers at a faster rate than our competitors ($\bar{x}$=2.1311), business is expanding into new markets ($\bar{x}$=2.2670) and business has hired new employees over the past year ($\bar{x}$=2.1317).

In addition, the respondents had a slight agreement that their business is investing in employee training and development ($\bar{x}$=2.2864), business has a strong employee retention rate ($\bar{x}$=2.2829), business is developing new products and services ($\bar{x}$=2.0971) and business is investing in new technologies ($\bar{x}$=2.0583). The results indicated that respondents had a slight agreement that their business is adopting new processes and procedures to improve efficiency ($\bar{x}$=2.2621), business has a strong leadership team ($\bar{x}$=2.1019), business has a clear vision and strategy for growth ($\bar{x}$=2.2282) and business is effectively managing its resources ($\bar{x}$=2.2816). On the other hand, the respondents had a weak agreement that their business revenue has increased over the past year ($\bar{x}$=1.9515).

Examine How Tax Rate and Complexities Affect the Growth of Small and medium Enterprises in the Sefwi Juaboso District.

This part of the study aimed to give findings related to the study's first objective, which was to examine how tax rates and complexities affect the growth of small and medium-sized firms in the Sefwi Juaboso District. A regression study was used to determine the impact of tax rates and complexities on the growth of small and medium-sized businesses in the Sefwi Juaboso District. According to Pallant (2016), a regression analysis is used to establish the cause-and-effect relationship between two variables. The independent variables were tax rate and complexity, whereas the dependent variable was

48

growth. Simple regression was used to analyze the effect, and the results are presented in Tables 8, 9, and 10.

Table 8: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.714[a]	.510	.507	.41678

a. Predictors: (Constant), Tax rate and complexities

Source: Field Survey (2023)

First, Table 8 depicts the connection and the amount to which variation in the dependent variable was explained by the independent variable. According to Tabachnick and Fidell (2012), the R column, also known as the correlation coefficient, indicates the direction and intensity of the association between the dependent and independent variables. Adjusted R-squared, commonly known as the coefficient of determination, indicates how changes in one variable affect the other.

Table 8 shows a strong correlation between tax rate, complexities, and growth of small and medium enterprises in the Sefwi Juaboso District based on Cohen's (1992) criteria ($\pm0.1 \leq R \leq \pm0.29$ = weak relationship, $\pm0.3 \leq R \leq \pm0.49$ = moderate relationship, and $\pm0.5 \leq R \leq \pm1$ = strong relationship). Again, the results indicated that 50.7% (Adjusted R Square) variation in growth was accounted for by tax rate and complexities in the respective small and medium enterprises in the Sefwi Juaboso District. However, to ascertain the statistical implication of the results in Table 8, Table 9 was generated to explain statistical implications of the findings.

Table 9: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	42.950	1	42.950	247.261	.000[b]
	Residual	41.341	198	.174		
	Total	84.291	199			

a. Dependent Variable: Growth

b. Predictors: (Constant), Tax rate and complexities

Source: Field Survey (2023)

The regression model was statistically significant (F (1, 199) = 247.261, P < 0.05) despite being considerably below the 95% confidence interval threshold. Previous researchers argued that a probability level of less than or equal to 0.05 fits the requirement for the significance of a regression model (Pallant, 2016; Tabachnick & Fidell, 2012), implying that the relationship between tax rate, complexity, and growth is statistically significant. The ANOVA results (Table 9) indicate that tax rates and complexities have a significant beneficial impact on the growth of small and medium firms in the Sefwi Juaboso District (p=0.0001; p<0.05). The study therefore demonstrate that tax rate and complexities cause massive significant improvement in the growth of small and medium enterprises in the Sefwi Juaboso District.

Table 10: Coefficients^a

Model		B	Std. Error	Beta	T	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
1	(Constant)	.656	.094		6.977	.000
	Tax rate and complexities	.672	.043	.714	15.725	.000

a. Dependent Variable: Growth

Source: Field Survey (2023)

Table 10 confirms that tax rates and complexities have a significant favorable impact on the growth of small and medium enterprises in the Sefwi Juaboso District (t = 15.725, P < 0.05), as shown in Tables 8 and 9. As a result of this conclusion, the study concluded that tax rates and complexities had a statistically significant positive effect on the growth of small and medium-sized businesses in the Sefwi Juaboso District. By extension, tax rates and complexities are a good indicator of growth among small and medium-sized businesses in the Sefwi Juaboso District. Based on these findings, the researcher can present the following regression equation, which predicts growth based on available tax rates and complexities. Y (Growth) = .656+ .672*(Tax rate and complexities).

Using the values for the slope and intercept in the derived regression equation, the researcher can make the following assertion: that is from the intercept, when there is no tax rate and complexities, thus when tax rate and complexities procedures for tax compliance are non-existent, growth of small

51

and medium enterprises in the Sefwi Juaboso District will be .656. However, from the same slope, when any additional reduction in tax rate and complexities will lead to an improvement in the growth of small and medium enterprises in the Sefwi Juaboso District by 67.2%.

Analyze How Tax Policy Influence the Growth of Small and medium Enterprises in the Sefwi Juaboso District.

The study intended to determine how tax policy influences the growth of small and medium-sized businesses in the Sefwi Juaboso District. The data transformation method resulted in a composite variable for the dependent variable (growth) and the independent variable (tax policy). A simple regression analysis was conducted to investigate how tax policy affects the growth of small and medium-sized businesses in the Sefwi Juaboso District. According to Pallant (2016), a regression analysis is used to establish the cause-and-effect relationship between two variables. The results are shown in Tables 11, 12, and 13.

Table 11: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.791[a]	.626	.624	.36414

a. Predictors: (Constant), Tax Policy

Source: Field Survey (2023)

A joint correlation was calculated between the predictor (tax policy) and the dependent variable (growth). A thorough examination of the findings reveals a statistically significant, substantial positive relationship between predictors (tax policy) and growth (R=.791a). It therefore demonstrates that the

52

more favorable the tax policy, the greater the improvement in the growth of small and medium-sized businesses in the Sefwi Juaboso District. Furthermore, the more adverse the tax policy, the slower the growth of small and medium-sized businesses in the Sefwi Juaboso District.

The R-square has been identified as the most prevalent effect size measure in path models (Garson 2016). Hock and Ringle (2006) also proposed some preliminary cut-off points for describing R-square, as follows: Results > 0.67 (Substantial), 0.33 (Moderate), and 0.19 (Weak). In terms of the model's predictive capacity, the variables were shown to account for 62.6% of the moderate positive variance in growth (R2=0.626). The moderate positive variance in growth was statistically significant (p=0.000, p<0.05). On the other hand, the model indicates that a 37.4% variance in growth was accounted for by factors not captured in this model. Based on these criteria, it is possible to conclude that tax policy was responsible for a moderate positive variance in growth. This shows that the favourable the tax policy, the higher the improvement in growth. An unfavourable the tax policy lowers the improvement of growth.

Table 12: ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	52.733	1	52.733	397.690	.000[b]
	Residual	31.558	198	.133		
	Total	84.291	199			

a. Dependent Variable: Growth

b. Predictors: (Constant), Tax policy

Source: Field Survey (2023)

The significance value (Table 12) indicates that this predictive model is statistically significant ($p=0.000$: $p<0.05$), indicating that the 62.6% positive change in predictors was due to scientific interaction among the variables in the model. Thus, the more beneficial the tax policy, the greater the improvement in growth; the less favourable the tax policy, the smaller the improvement in growth. Management may thus use this model to make predicted decisions about tax policy and growth.

Table 13: Coefficients[a]

Model		B	Std. Error	Beta	t	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
1	(Constant)	.375	.088		4.249	.000
	Tax policy	.805	.040	.791	19.942	.000

a. Dependent Variable: Growth

Source: Field Survey (2023)

Table 13 contains essential information for comprehending the regression equation. The numerical value for the first row, labeled (constant), in the column labeled standardized coefficient and sub-column Beta, is the value for the intercept (a) in the regression equation. The numerical value on the second row, labeled tax policy, which represents the independent variables, is the regression equation's slope (b) dependent on these findings, the following research equation may be derived, which predicts the growth of small and medium-sized firms in the Sefwi Juaboso District dependent on their tax policy. Y (Growth) = 0.375 + 0.805 * (Tax Policy).

It can be inferred that when tax policy is null, thus when owners and

managers do not have knowledge on the tax policy, growth will be at 0.375, taking the values for the slope and the intercept in the resulting regression function. Moreover, according to the slope, for a favourable increase in the knowledge of tax policy, growth will increase by 80.5%. Therefore, it is contingent that tax policy has a significant impact on the growth of small and medium enterprises in the Sefwi Juaboso District. In this context, one can rely on the tax policy to positively improve growth because its contribution is not due to chance. Hence, it is managerially and scientifically feasible to rely on these predictor changes to cause positive improvement in growth.

Determine How Tax compliance cost Impact the Growth of Small and medium Enterprises in the Sefwi Juaboso District

This section of the study aimed to offer findings on the third objective of the study, which was to assess how tax compliance costs affect the growth of small and medium-sized businesses in the Sefwi Juaboso District. A regression analysis was used to determine the impact of tax compliance costs on the growth of small and medium-sized businesses in the Sefwi Juaboso District. According to Pallant (2016), a regression analysis is used to establish the cause-and-effect relationship between two variables. Tax compliance costs were the independent variable, while growth was the dependent variable. In analyzing the effect, simple regression was used, and the results are shown in Tables 14, 15, and 16.

Table 14: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.681[a]	.464	.462	.43569

a. Predictors: (Constant), Tax compliance cost

Source: Field Survey (2023)

First, Table 14 depicts the connection and the amount to which variation in the dependent variable was explained by the independent variable. According to Tabachnick and Fidell (2012), the R column, also known as the correlation coefficient, indicates the direction and intensity of the association between the dependent and independent variables. Adjusted R-squared, commonly known as the coefficient of determination, indicates how changes in one variable affect the other.

Table 14 shows a strong correlation between tax compliance costs and small and medium enterprise growth in the Sefwi Juaboso District, based on Cohen's (1992) criteria ($\pm 0.1 \leq R \leq \pm 0.29$ = weak relationship, $\pm 0.3 \leq R \leq \pm 0.49$ = moderate relationship, and $\pm 0.5 \leq R \leq \pm 1$ = strong relationship). Again, the results showed that tax compliance costs applied to small and medium firms in the Sefwi Juaboso District accounted for 46.2% (Adjusted R Square) of the variation in growth. However, to determine the statistical significance of the results in Table 14, Table 15 was created to explain the statistical implications of the findings.

56

Table 15: ANOVAᵃ

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	39.112	1	39.112	206.040	.000[b]
	Residual	45.179	198	.190		
	Total	84.291	199			

a. Dependent Variable: Growth

b. Predictors: (Constant), Tax compliance cost

Source: Field Survey (2023)

The regression model was statistically significant (F (1, 199) = 206.040, P < 0.05) despite being considerably below the 95% confidence interval threshold. Prior researchers argued that a probability level of less than or equal to 0.05 fits the requirement for regression model significance (Pallant, 2016; Tabachnick & Fidell, 2012), implying that the relationship between tax compliance costs and growth is statistically significant. ANOVA results (Table 15) indicate that tax compliance costs have a statistically significant beneficial impact on the growth of small and medium firms in the Sefwi Juaboso District (p=0.0001; p<0.05). The study shows that lower tax compliance costs result in a significant increase in the growth of small and medium-sized businesses in the Sefwi Juaboso District. The finding is also consistent with past empirical studies that have identified tax compliance costs as a strong predictor of growth.

Table 16: Coefficients[a]

		Unstandardized Coefficients		Standardized Coefficients		
Model		B	Std. Error	Beta	T	Sig.
1	(Constant)	.731	.098		7.496	.000
	Tax compliance cost	.638	.044	.631	14.354	.000

a. Dependent Variable: Growth

Source: Field Survey (2023)

Table 16 confirms Table 14 and 15's findings that tax compliance costs have a significant positive impact on the growth of small and medium enterprises in the Sefwi Juaboso District (t = 14.354, P < 0.05). As a result of this finding, we may conclude that tax compliance costs have a statistically significant positive impact on the growth of small and medium-sized businesses in the Sefwi Juaboso District. As a result, favorable tax compliance costs are a good predictor of growth among small and medium-sized businesses in the Sefwi Juaboso District. Based on these findings, the researcher can present the following regression equation, which predicts growth based on available tax compliance costs. Y (Growth) =.731 +.638*(Tax Compliance Cost). Using the slope and intercept values from the resulting regression equation, the researcher can make the following assertion: when there is no tax compliance cost, the growth of small and medium enterprises in the Sefwi Juaboso District is.731. However, based on the same slope, any additional tax compliance cost will

result in a 63.8% increase in growth among small and medium-sized firms in the Sefwi Juaboso District.

Discussion of Results

The objective of the study was to investigate the relationship between taxation and growth to determine whether taxation is a predictor of growth or not. To this end, three hypotheses were formulated. Three regression outputs were also used to test the hypotheses. The first output was used to test hypothesis one (H_1), the second output was used to test hypotheses H_2, and the third output was also used to test the hypotheses H_3. The outputs adequately fitted the data which gains support for the proposed theoretical model. First of all, the first objective of the study sought to examine how tax rate and complexities affects the growth of small and medium enterprises in the Sefwi Juaboso District.

Findings revealed that tax rate and complexities significantly influenced growth. The co-efficient of determination result showed that tax rates and complexities contributed significantly to the variance in growth. Thus, a unit increase in scores for beneficial tax rates and difficulties results in significant gains in the growth of small and medium-sized businesses in the Sefwi Juaboso District. On the other side, a unit drop in scores for beneficial tax rates and complications results in a large decline in the growth of small and medium-sized businesses in the Sefwi Juaboso District.

This contradicts the position taken by certain prior research that suggested that tax rates and complexities had the capacity to forecast positive variance in growth (Machogu & Amayi, 2016; Adebisi & Gbegi, 2013; Tee, Boadi & Opoku, 2016). The study's findings led to the rejection of the first

59

hypothesis, which indicated that there is no substantial relationship between tax rate and complexities and growth. The study found out that, tax rate and complexities significantly predict growth. This contradicts the position held is some previous studies that asserted that tax rate and complexities have the capacity to predict positive variance in growth (Machogu & Amayi, 2016; Adebisi & Gbegi, 2013; Tee, Boadi & Opoku, 2016).

The study also sought to determine how much and what type of variance in growth is caused by changes in the predictor (tax rate and complexity). The results demonstrated that tax rates and complexities contributed for a moderate positive variance in growth. Thus, changes in the advantageous tax rate and complications account for a positive variance in growth. The analysis thus rejected the null hypothesis, which states that there is no meaningful association between tax rates, complexities, and growth. Second, the study attempted to examine how tax policy affects the growth of small and medium-sized businesses in the Sefwi Juaboso District. The findings demonstrated that tax policy had a major impact on growth.

According to the coefficient of determination data, tax policy had a moderate statistically significant positive contribution to the variance in growth. Thus, a unit increase in scores for advantageous tax policy results in significant increases in the growth of small and medium-sized businesses in the Sefwi Juaboso District. On the other hand, a unit drop in scores for favorable tax policy results in a large decline in the growth of small and medium-sized businesses in the Sefwi Juaboso District. This contradicts the position taken by certain prior research that suggested that tax policy had the capacity to forecast

positive variation in growth (Atawodi & Ojeka, 2012; Nyamwanza et al., 2014; Nyakundi, 2018; Ocheni & Gemade, 2015).

The second hypothesis which stated that tax policy had no significant effect on growth was therefore rejected based on the findings of the study. The study found out that, tax policy significantly predicts growth. The study further sought to assess how much and the kind of variance in growth is attributed to changes in the predictor (tax policy). Findings revealed shows that tax policy accounted for a moderate positive variance in growth. Thus, a positive variance in growth is attributed to changes in the tax policy. This contradicts with some previous empirical studies which say that tax policy has a positive impact on growth (Amoah, Asuamah & Amaning, 2014; Asante, 2012; Pirttilä & Selin, 2011).

The study therefore rejected the null hypothesis, which states that tax policy has no substantial effect on growth. Finally, the study's final purpose was to assess how tax compliance costs affect the growth of small and medium-sized businesses in the Sefwi Juaboso District. The findings demonstrated that tax compliance costs had a major impact on growth. The co-efficient of determination results show that tax compliance costs contributed a moderately large positive contribution to the positive variance in growth.

Thus, a unit increase in scores for favorable tax compliance costs results in significant benefits in the growth of small and medium-sized businesses in the Sefwi Juaboso District. On the other hand, a unit drop in scores for favorable tax compliance costs results in a large reduction in the growth of small and medium-sized businesses in the Sefwi Juaboso District. This contradicts the findings of some prior studies, which claimed that tax compliance costs can

61

predict positive variance in growth (Atawodi & Ojeka, 2012; Nyamwanza, Mavhiki, Mapetere, & Nyamwanza, 2014; Nyakundi, 2018; Ocheni & Gemade, 2015). The third hypothesis which stated that tax compliance cost had no significant effect on growth was therefore rejected based on the findings of the study.

The study discovered that tax compliance expenses have a significant impact on growth. The study also sought to identify how much and what sort of variable in growth changes in the predictor (tax compliance cost) in a single model. The findings indicate that tax compliance costs contributed for a moderate positive variance in growth. Thus, changes in tax compliance costs account for a positive variance in growth. This contrasts earlier research, which found that tax compliance costs can predict positive variance in growth (Machogu & Amayi, 2016; Adebisi & Gbegi, 2013; Tee, Boadi & Opoku, 2016). The analysis therefore disproved the null hypothesis that tax compliance costs have no substantial influence on growth.

Chapter Summary

The study examined the effect of tax rate and complexities on growth of small and medium enterprises in the Sefwi Juaboso District. From this chapter it was found out that tax rate and complexities significantly account for a moderate positive change in growth hence rejecting the null hypothesis that there is no significant relationship between tax rate and complexities and growth for the alternative hypothesis which state that there is no significant relationship between tax rate and complexities and growth. Also, tax policy significantly accounts for a moderate positive change in growth hence rejecting the null hypothesis that tax policy does not have a significant effect on growth

for the alternative hypothesis which state that tax policy has a significant effect on growth. Finally, tax compliance cost significantly accounts for a moderate positive change in growth hence rejecting the null hypothesis that tax compliance cost does not have a significant effect on growth for the alternative hypothesis which state that tax compliance cost has a significant effect on the growth.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

Introduction

The study sought to examine how taxation affect the growth of small and medium enterprises in the Sefwi Juaboso District. This chapter presents an overview of the study's findings. A summary of the study's research methodologies was provided before this. In addition, the chapter provides an overview of the analytical techniques used in this study, the results based on the study's objectives, recommendations based on the study's important findings, and suggestions for future research.

Overview

This study aimed to evaluate the impact of tax rates and complexities on the growth of small and medium enterprises in the Sefwi Juaboso District of Ghana. The primary objective of this study was to investigate the impact of tax rates and complexities on the growth of small and medium enterprises (SMEs) in the Sefwi Juaboso District of Ghana. Additionally, the study aimed to analyze the influence of tax policies on the growth of SMEs in the same district. Lastly, the study aimed to determine the effect of tax compliance costs on the growth of SMEs in the Sefwi Juaboso District of Ghana.

The research study utilised an explanatory research design due to the adoption of a quantitative approach for data processing. The research focused on small and medium enterprise (SMEs) located in the Sefwi Juaboso District of Ghana. The sample for this study comprised all 2345 Small and Medium Enterprises (SMEs) that were officially registered with the Ghana Revenue Authority (GRA) in the Sefwi Juaboso District of Ghana.

64

A sample was picked using the convenience sampling technique. Based on the sampling formula proposed by Yamane (1973). The study utilised a sample size of 262 small and medium enterprise located in the Sefwi Juaboso District of Ghana. The study included a sample size of 262 small and medium enterprise (SME) managers or owners who were surveyed through self-administered questionnaires. The research focused on the managers or owners of small and medium enterprises (SMEs) within the Sefwi Juaboso District of Ghana. The impact of tax rate and complexities, tax policy, and tax compliance costs on economic growth was examined by regression analysis utilising IBM SPSS Statistics version 27. The study's main findings can be summarized as follows:

Summary of Key Findings

The study aimed to examine the correlation between taxation and growth in order to ascertain whether taxation may serve as a predictive factor for growth. The primary aim of this study was to investigate the impact of tax rates and complexities on the growth of small and medium enterprises in the Sefwi Juaboso District. The results of the study indicated that both the tax rate and the level of complexity associated with taxation had a substantial impact on growth. The coefficient of determination revealed that both tax rate and complexities had a moderate, statistically significant beneficial impact in the variability on growth. Based on the study's findings, the initial hypothesis asserting that tax rate and complexities do not exert a major impact on growth was consequently refuted. The analysis revealed that tax rates and complexities are strong predictors of economic development. The study aimed to evaluate the extent and nature of the impact that changes in the predictor variables (tax rate

65

and complexity) have on growth. The results of the study indicated that there was a moderate positive correlation between tax rate and complexities, and their impact on growth.

Therefore, the observed increase in growth might be linked to fluctuations in the tax rate and the presence of intricate factors. Consequently, the present study refuted the null hypothesis positing that there is no substantial impact of tax rate and complexities on growth. Additionally, the secondary aim of this study was to examine the impact of tax policy on the growth of small and medium enterprises in the Sefwi Juaboso District. The results of the study indicated that tax policy exerted a substantial impact on growth. The findings from the analysis of the coefficient of determination suggest that tax policy had a statistically significant beneficial impact on the variability in growth, albeit to a moderate extent. Based on the study's findings, the second hypothesis, which posited that tax policy had no substantial impact on growth, was thus refuted.

The study determined that tax policy is a strong predictor of growth. The study aimed to evaluate the extent and nature of the variability in growth that can be linked to fluctuations in the predictor variable, specifically tax policy. The findings indicate that tax policy had a moderately beneficial impact on growth. Therefore, changes in the tax policy are ascribed to a positive variance in growth. The present study thus refuted the null hypothesis positing that tax policy lacks a substantial impact on growth. The primary aim of the study was to investigate the impact of tax compliance costs on the growth of small and medium enterprises (SMEs) within the Sefwi Juaboso District.

The results of the study indicated that there was a substantial impact of tax compliance cost on growth. The results of the coefficient of determination

66

suggest that tax compliance cost has a moderate and statistically significant positive impact on the observed variation in growth. Based on the study's findings, the hypothesis asserting that tax compliance cost does not have a substantial impact on growth was thus refuted. The analysis revealed that there is a considerable relationship between tax compliance costs and economic development. The study aimed to evaluate the extent and nature of the impact of changes in the predictor variable (tax compliance cost) on growth, within a single model. The findings indicate that tax compliance costs have a moderately beneficial impact on growth. Therefore, the observed increase in growth might be linked to fluctuations in the cost of tax compliance. Consequently, the research findings have refuted the null hypothesis positing that the impact of tax compliance cost on growth is not statistically significant.

Conclusions

The research revealed that there is a notable correlation between tax rate and complexities and a positive change in growth. This finding contradicts the null hypothesis, which suggests that tax rate and complexities do not have a significant impact on growth. Instead, it supports the alternative hypothesis, which posits that tax rate and complexities do have a significant effect on growth. Therefore, it can be inferred that the tax rate and complexities have contributed a statistically significant and distinct contribution to predicting the variance in growth. This implies that the tax rate and intricacies exert an impact on growth.

Moreover, the impact of tax policy on growth is found to be statistically significant, so refuting the null hypothesis that tax policy has no major influence on growth. Instead, the alternative hypothesis, which posits that tax

policy does have a considerable effect on growth, is supported. Therefore, it may be inferred that tax policy has a statistically significant and independent impact on predicting the variability in growth. Tax policy has a discernible influence on growth.

In conclusion, the cost of tax compliance plays a substantial role in driving positive growth. This finding contradicts the null hypothesis, which suggests that tax compliance cost has no major impact on growth. Instead, it supports the alternative hypothesis, which posits that tax compliance cost does indeed have a considerable effect on growth. Hence, it may be inferred that the cost associated with tax compliance has made a statistically significant and distinct contribution to predicting the variability in growth. The impact of tax compliance cost on growth is significant.

Recommendations

Considering the notable impact of tax rates and complexities on the growth of small and medium enterprises (SMEs), it is advisable for local tax authorities to prioritise the streamlining of tax procedures. By simplifying tax processes, these authorities can facilitate the adherence of SMEs to tax legislation, hence fostering their development. In order to foster the expansion of small and medium enterprises, it is recommended that tax benefits be extended to these entities. Reducing tax rates or providing deductions specifically for small and medium enterprises (SMEs) might be regarded as a favourable measure to stimulate growth. There is a need to implement educational initiatives aimed at enlightening small and medium enterprise (SME) proprietors in the Sefwi Juaboso District regarding the implications of

tax rates and intricacies on their enterprises. Such programmes would enhance their understanding and foster improved tax planning strategies.

It is imperative for local authorities to develop tax laws that are conducive to small and medium enterprises (SMEs), while considering the unique requirements and obstacles encountered by such businesses. These policies ought to foster both expansion and adherence. It is recommended that local authorities actively engage small and medium enterprise (SME) leaders in the formulation of policies. Additionally, it is imperative to collect feedback from subject matter experts (SME) who are owners of small and medium enterprises (SMEs) as well as relevant organisations. This will help to guarantee that tax policies are strategically formulated in a manner that fosters and supports economic expansion. In conclusion, it is imperative for authorities to consistently evaluate the effects of tax policies on the growth of small and medium enterprises (SMEs) and demonstrate a willingness to modify them accordingly. The utilisation of an iterative strategy will serve to guarantee the continued effectiveness of tax policies in providing support to small and medium enterprises (SMEs).

Tax authorities should strive to streamline tax compliance procedures for small and medium enterprises. This measure is expected to result in a decrease in compliance expenses and the allocation of additional resources towards the expansion of businesses. Furthermore, it is recommended that tax authorities provide training and resources to small and medium enterprises (SMEs) regarding efficient tax compliance practises. This can assist individuals in effectively navigating tax regulations. Furthermore, it is advisable to promote the adoption of digitization in tax compliance procedures. The utilisation of

digital tools and platforms is expected to enhance the cost-effectiveness and efficiency of tax compliance procedures for small and medium enterprises (SMEs). It is imperative for tax authorities to implement procedures aimed at evaluating the tax compliance expenses encountered by small and medium enterprises (SMEs) and extend support when deemed required. The identification and resolution of compliance cost concerns have the potential to result in increased rates of growth.

Suggestions for Further Studies

Conducting similar studies in other small and medium enterprises in other districts and different regions in Ghana and beyond could add more insights as to the nature of interplay among taxation and growth. Other contextual factors could as well be considered in such studies because of the position of the ability to pay theory of taxation, economic deterrence theory and theory of planned behaviour (TPB) that is fully underscored in this study. Further study should be conducted to investigate the other factors that influence growth because those variables are very significant and therefore, need to be considered in any effort to boost the growth of small and medium enterprises in the Sefwi Juaboso District.

70

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81

APPENDIX

UNIVERSITY OF CAPE COAST

COLLEGE OF DISTANCE EDUCATION

DEPARTMENT OF BUSINESS PROGRAMMES

I am a postgraduate student of the Department of Accounting, School of business, College of Humanities and Legal Studies, University of Cape Coast. As part of the requirement for the award of Master of Business Administration in Finance, I am conducting a study on the topic *"EFFECT OF TAX COMPLIANCE ON THE GROWTH OF SMALL AND MEDIUM-SIZED ENTERPRISES IN THE WESTERN NORTH REGION, GHANA "* You have been selected to participate in this study to seek your opinion. This study is for academic purposes and thus the information you provide will be treated with the greatest confidentiality. Please tick as applicable

SECTION A: BACKGROUND CHARACTERISTICS OF RESPONDENTS

1. **Sex**

Male [ ]   Female [ ]

2. **Age**

18-24years [ ]   25-31years [ ]   32-38years [ ]   39-44years [ ]

45-51years   52years and above [ ]

3. **Educational Level**

Non-formal [ ] Basic Education [ ] Secondary/ Technical [ ] Tertiary Level

[ ]

4. **Position and Role**

Owner [ ] Manager [ ]   Owner manager [ ]

5. **Work Experience**

   6-10years [ ] 11-15 years [ ]   16-20 years [ ] 21years and above [   ]

6. **Length of Service**

   1-5years [ ] 6-10years [ ] 11-15 years [ ]   16-20 years [ ] 21years and

   above [   ]

7. **Number of years**

   Less than 5years [   ]   5years and above [   ]

8. **Sector**

   Manufactruing [   ] Service [ ] Agricultural and Agro-processing [   ]

   Construction [   ] Utilities [   ]

9. **Size**

   Small [ ] Meduim [ ]

10. **Number of employees**

    Less than 6 persons [ ]   6-9persons [   ]   10-29 persons 30-100persons

    [   ]

SECTION B: TAX RATE AND COMPLEXITIES

Please indicate your level of agreement with regard to tax rate and complexities

for your business. *1= Strongly Disagree 2=Disagree 3=Neutral 4=Agree 5=*

Strongly Agree

No:	TAX RATE AND COMPLEXITIES	1	2	3	4	5
1	The current tax rate is a fair burden for businesses.					
2	The current tax rate is a disincentive for business growth					
3	A reduction in the tax rate would encourage businesses to invest and expand					

83

4	The tax law is too complex for businesses to understand easily					
5	The complexity of the tax law makes it difficult for businesses to comply with tax laws					
6	The complexity of the tax law creates unnecessary administrative burdens for businesses					
7	The current tax rate and complexities have a negative impact on my business's profitability					
8	The current tax rate and complexities make it difficult for my business to plan for the future					
9	The current tax rate and complexities discourage my business from investing and expanding					

SECTION C: TAX COMPLIANCE COST

Please indicate the extent to which you agree or disagree with each of the following statements by ticking the appropriate number. *1= Strongly Disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly Agree*

No:	**TAX COMPLIANCE COST**	1	2	3	4	5
1	I spend a significant amount of time complying with tax regulations					
2	I would be able to focus more on my business if tax compliance was less burdensome					
3	Complying with tax regulations is a complex and time-consuming process					

4	I would be able to save money if tax compliance was less expensive					
5	I incur significant financial costs to comply with tax regulations					
6	The cost of tax compliance is a significant burden on my business					
7	Tax compliance requirements make it difficult to run my business efficiently					
8	My business would be more successful if tax compliance was less burdensome Tax compliance requirements distract me from my core business activities					

SECTION D: GROWTH OF SMEs

Please indicate the extent to which you agree or disagree with each of the following statements by ticking the appropriate number. *1= Strongly Disagree 2=Disagree 3=Neutral 4=Agree 5=Strongly Agree*

No:	**GROWTH OF SMEs**	1	2	3	4	5
1	My business has experienced consistent revenue growth over the past three years.					
2	My business has successfully expanded into new markets or regions.					
3	My business regularly introduces new and innovative products or services.					
4	My customer base has grown significantly in recent years.					

85

5	I increased the number of employees to support our business growth.					
6	My business has seen an increase in profitability over the past three years.					
7	I have improved the operational efficiency to support growth.					
8	I have successfully secured the necessary finance to support our growth initiatives.					
9	My strategic planning processes have contributed significantly to our business growth.					
10	My brand recognition has increased over the past few years.					
11	I have developed a strong competitive advantage in our market.					
12	I have maintained high levels of customer satisfaction, which has contributed to our growth.					

THANK YOU FOR YOUR TIME AND SUPPORT, GOD BLESS YOU!