Tax Policy, SMEs Compliance, Perception and Growth Relationship in Ghana: An Empirical Analysis

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Authors’ contributions

This work was carried out in collaboration between all authors. Author BA designed the study and wrote the literature searches. Authors BA and JAK managed the conceptual framework and designed the implementation plan. Authors BA and EVT managed the coding and running the responses from the respondents. Authors BA and IOA managed the conclusion and the recommendation part of the manuscript. All authors read and approved the final manuscript.

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ABSTRACT

Tax plays a significant role in the growth of Small and Medium Enterprises (SMEs). In a developing country like Ghana, SMEs play important roles in the development of the economy. It is vital for policy makers to consider the alignment of tax policies to the growth needs of SMEs. Government uses taxation and tax regimes to provide means for SMEs to contribute their quota to the economic growth of Ghana. Placing emphasis on this issue, the paper critically analyses tax policy, SMEs compliance, perception and growth relationship in Ghana. The specific objectives of this paper are: To find out if SMEs comply with their tax obligations and policies; To examine SMEs perception on tax policies; and To identify the effects of tax policies on SMEs growth in Ghana. The research was primarily carried out at the Accra Metropolitan Assembly and it covers four markets of Kantamanto market, Makola market, Malata market and Dome Market. Respondents from these markets were

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small and medium business owners in operation from 2002 to 2015. The survey was administered using questionnaire and a total of 200 respondents were used with 50 respondents from each market. Data was analysed using SPSS version 21. Multiple regression analysis was employed in this study and the findings of this research indicated that majority of the respondents perceived adverse impact of tax policies on SMEs compliance, growth and perception in Ghana. The findings will be beneficial to stakeholders in reforming measures to bridge tax policies to SMEs in an efficient and effective manner.

**Keywords:** Taxation; tax policy; tax systems; small and medium scale businesses.

### 1. INTRODUCTION

SMEs stimulates entrepreneurial spirits and the diffusion of skills because SMEs enjoy wide geographical presence than big companies in developing countries [1]. In 1998, recommendation was adopted by the International Labour Conference to recognise the need for policy and legal framework in setting an environment for the development of small enterprises [2]. Taxation contributes to the development and welfare of an economy through three fonts: generation of sufficient funds for public service financing and social transfers at high level of quality, incentive for more employment and reallocation of income [3]. Likewise the income and need for survival of SMEs should also be considered. The Organisation for Economic Cooperation and Development (OECD) issued a "Bologna Charta on SME policies" in which governments from OECD countries recognised the roles of SMEs as well as recommending broad policy orientations conducive for their growth [4].

A study conducted by the Ghana Statistical service in 1992 revealed approximately 93% of registered businesses in Ghana are of SME category. The recognition of SMEs in Ghana started in the early 1960s due to the springing up of small enterprises. Agriculture was seen as the main dominance of the economy before the 1960s. At that time, approximately 70% of agriculture holdings was managed by farmers whereas not more than 10% was managed by the government. The inclusion of agriculture and rural businesses into SMEs contributed greatly to the Kenyan economy [5]. The performance of SMEs in Ghana have not achieved its goal of playing significant role in the growth of the Ghanaian economy. Governments have stepped up efforts to promote SME development through the increase of incentive schemes comprising of budgetary allocations for technical assistance. The engine for the growth of the Ghanaian economy depends on the private sector which consist of SMEs. 70% of all industry establishment in Ghana is made up of SMEs. The SMEs contribute about 22% to the Gross Domestic Product (GDP) as well as accounting for 92% of businesses in Ghana and engrossing over 60% of labour force [6]. Likewise, 85% of overall employment growth in Ghana stems from SMEs [7]. This statistics makes SMEs the most important sector in the Ghanaian economy.

The Government of Ghana imposes several types of taxes to protect infant industries and ensure fair competition among SMEs. Growth of SMEs is perturbed by high tax rates and tax complicity [8]. Taxes increase the cost of production of goods and services which eventually cause prices of goods to surge thus affecting the final consumers. However, revenue mobilised from taxes represent major funding for government expenditure [9]. Taxes are perceived to be a major problem for both upcoming and established firms [10]. Attention should be geared towards the adverse effects of taxes on SMEs irrespective of the contribution of taxes to GDP because SMEs are seen as the driving force for the growth of the Ghanaian economy. This triggers the need for thorough studies on the challenges thwarting the development of effective tax policies, particularly in the context of SMEs. This study seeks to address the impact of tax policies on SMEs in the Accra Metropolitan Assembly.

#### 1.1 Research Objectives

The broad objective of this paper is to analyse the impact of tax policies on small and medium scale enterprises in Ghana. Specifically, the study seeks to satisfy the following objectives:

1. To analyse the relationship between tax policies and tax compliance by SMEs in Ghana.
2. To examine the liaison between tax policies and SMEs growth in Ghana.
3. To determine the impact of SMEs perception on tax policies.
1.2 Hypothesis

1. \( H_1 \): There is significant relationship between tax policies and tax compliance in Ghana.
2. \( H_2 \): There is significant impact of tax policies on SMEs growth in Ghana.
3. \( H_3 \): There is a bad perception by SMEs on tax policies in Ghana.

2. LITERATURE REVIEW

2.1 Concepts and Definition of SMEs

The commonly used criterion in the definition of SMEs is the number of employees. The Ghana Statistical Service (GSS) considers firms with less than 10 employees as Small Scale and Enterprises whiles firms with more than 10 employees are also considered as Medium and Large-Sized enterprises. However, in the national accounts of GSS, firms with 9 employees are considered as Small and Medium Enterprises. Alternatively, SMEs can be defined according to the number of fixed assets in the organisation. The National Board of Small Scale Industries (NBSSI) in Ghana uses both the fixed assets and number of employees in defining SMEs. The NBSSI defines SMEs as a firm with no more than 9 employees with plant and machinery of not more than 10 million Ghana Cedis excluding land, buildings and vehicles. An upper limit of 10 million Ghana Cedis is also used by the Ghana Enterprise Development Commission (GEDC) to define SMEs. However, the problem with this definition is that the continuous depreciation in the exchange rate as well as the processes involved in valuing fixed assets makes such definitions unacceptable. SMEs can be classified into three categories. (i) Micro: firms employing less than 6 workers; (ii) Very small: firms employing between 6 and 9 workers; (iii) Small firms: firms employing between 10 and 29 workers.

The concepts pertaining to SMEs are relative and dynamic [12]. In an attempt to gain an in-depth understanding of SMEs, it is important to obtain knowledge on it features. SMEs in Ghana consist of individual ownership or family owned businesses that tend to lack good management structures to help in their development. SMEs comprise of sole proprietorship or partnership although they may be registered as limited liability [13]. SMEs tends to have few number of employees which make the lifespan of the enterprise dependent on the owners’ lifespan. Most SME owners possess low levels of education because they comprise of market women and well established small businesses. Additionally, SMEs require lower start-up capital as compared to the larger companies. Managers decision may also be subjective because the same individuals are managed and controlled every day. The organisational forms of SMEs are also likely to vary from sole proprietorships (with or without employees), small corporations (public or private), professionals and partnerships which may result into different management practices and record keeping for the enterprise. Notwithstanding all these features, SMEs haven’t been vibrant enough to increase in output production even though many larger manufacturing companies rely on them for supplies [14].

2.2 Challenges Faced by SMEs

SMEs face several challenges that hinder their development. Surprisingly, these challenges are the same irrespective of the geographical location of their businesses. Lack of access to land, import procedures and utility instillation and services were recognised as constraints to the growth of SMEs [15]. In developing countries, the challenges faced by SMEs cannot only be emphasized by introduction of ineffective tax policies but also much emphasis should be placed on market failures in respective regions [16]. Generally, other factors affecting SMEs are the dependability of import, lack of access to technology, high inflation, unreliable management practice to combat macro-economic issues and high debt burden on a particular country. In developing countries where corruption is seen as a major issue confronting all the sectors of the economy, SMEs face problems of high operation cost, lack of transparency in all processes and designs that aim at protecting the development and growth of SMEs.

2.3 Concept of Taxation

Taxes are the compulsory transfer of money from citizens of a country to the government as a source of revenue [17]. [18] stated emphatically that taxes cannot be avoided without attracting punishment. Tax policies are implemented either to: (i) Finance a budget deficit, (ii) Promote long run growth or (iii) Counter other influences in the economy [19]. Taxes differ according to economic policies adopted by governments and are instruments of social engineering in
stimulating economic growth [20]. Taxation consists of four principles: certainty, equality or equity, convenience and economy [21]. The observance of rules and regulations for tax assessment collection and implementation can be referred to as the principles of taxation [22]. These include Fairness: Taxes should be fair to taxpayers as well as being aligned with the benefits received by taxpayers; Economic growth: taxes paid should gear towards the achievement of goals required for the economic growth of a country; Equity: taxpayers’ revenue and expenditure should correspond with their tax liabilities; Convenient: systems on the manner of paying taxes should be suitable for taxpayers [22].

2.4 Tax Policy and Reforms in Ghana

Appropriate policies have been made by the World Bank in reforming tax policies [23]. In creating an enabling and suitable environment for the success of businesses, governments reform taxes to garb long term economic objectives [21]. Taxation policies were passed by governments to promote and protect SMEs [18]. However, [24] probed into tax policies by asking these three questions: How much money should government gather as taxes?; How can tax liabilities be distributed among potential taxpayers?; How can the economic cost of taxation be absorbed or minimised? Irrespective of these questions on tax policies, tax policies should create a serene environment in which SMEs can expand their activities.

In Ghana, tax policies and reforms have been instituted to ensure compliance to taxes. For example, the Internal Revenue Service (IRS) and the Custom Exercise and Preventive Service (CEPS) were merged into the Ghana Revenue Authority (GRA) to enhance the payments of taxes and to improve efficiency in tax systems. Furthermore, the e-government project was introduced in November 2011 by the government of Ghana to link the GRA to the Registrar General’s Department (RGD) in order to electronically keep tabs on the payment of taxes from registered businesses.

Tax reforms have been enacted to protect SMEs. In 1998, an attempt for the re-introduction of VAT systems failed because of extensive public opposition in 1995. The Value Added Tax (VAT) flat rate scheme was enacted by an Act of Parliament in 2007, Act 734 and it served as an amendment to the VAT Act, 1998, Act 546. For example, the Tax Stamp instituted a flat tax on various SMEs retailers in Ghana. These SMEs retailers were grouped into three categories. Category A consists of retail trades; Category B consists of dressmakers, hairdressers, beauticians and artisans; Category C consists of butchers, individual undertakers and traditional healers. Despite these groupings, the Value Added Tax (VAT) flat rate scheme retailers charged a flat rate of 3% without recourse to input tax.

2.5 Policies Adopted to Promote SMEs in Ghana

The role of SMEs in boosting the economic growth of a country cannot be underestimated. SMEs are seen to be the largest employer of workers. Initiatives have been undertaken to promote SMEs by various governments. In 2005, the Growth and Poverty Reduction Strategy (GPRS II 2006-2009) reported that the private sector competitiveness should be promoted in order to direct the economy towards achieving middle-income economy by 2015. According to the World Bank/IMF’s Annual Business Report in 2008, Ghana was ranked in the top ten global reformer for two consecutive years in 2006 and 2007. This rankings was based on the diversified nature of state-owned enterprises and the increasing number of private businesses. As stated earlier, report from the National Industrial Census (NIS) concluded that approximately 70% of industrial establishments are in the sector of SMEs which contributes to 22% of GDP as well as accounting for nearly 92% of businesses in Ghana [6]. Various private and public institutions with the aim of serving as a catalyst to SMEs growth have been established. These institutions provide assistance to SMEs comprising of entrepreneurship development, training, good management advisory services, placing emphasis on the usage of made in Ghana goods, protection of their interest etc. Such institutions include the NBSSI, Association of Ghana Industries (AGI), Private Enterprises Foundation (PED) and some Non-Governmental Organisations.

2.6 Tax Compliance of SMEs

Tax compliance has been hindered by the substantial changes to tax laws, which exhibited complexity to the extent that only tax experts can understand. This might lead to challenges for taxpayers who do not have access to tax specialist to enlighten them on the complex
nature of tax laws [25]. Correlation cannot be established between enforcement of tax laws and tax non-compliance because certain tax measures can lead to SMEs being under severe liquidity pressure [26]. Realisation to tax compliance can only be noticed when the liabilities of taxpayers are accurately computed by realising the factors that can be linked to tax liability [27]. There is the likelihood that illiterate taxpayers can either be under-paying or over-paying taxes. SMEs admitted to have possessed low competence and independence relating to tax issues corresponding to the recruitment of tax agents by SMEs for aggressive tax planning [28]. Lack of expertise on tax laws is responsible for low tax compliance [29]. Tax policies in developing countries often favours large firms who have higher tax revenue payback returns than SMEs with lower tax revenue payback returns [30]. Registration of business for tax payments by SMEs are not done voluntarily whereas those who fail to register fail to file their tax returns and accurately settle their tax liabilities [26]. Tax evasion by SMEs is predicted to be high whereas high investment in auditing might prove futile without adequate audit trial [28]. The above literature reviewed leads us to our first hypothesis:

\[ H_1: \text{There is significant relationship between tax policies and compliance to taxes by SMEs in Ghana.} \]

### 2.7 Tax Accountability by Government

Taxpayers’ perception on the fairness of tax systems influence the ability to pay taxes [31]. Revenues generated by taxpayers for the government are expected to be accounted for meaningfully by the state [32]. There should always be a link between compliance to taxes by taxpayers and the tax accountability by the government such as securing the safety and security of individuals including taxpayers’ right to property [33]. The existence of tax accountability generally comprise of two parties; the one entrusted with something that results into accountability and the principal who gave the mandate [34]. Correlation was established between governance and accountability and income tax revenue performance, for example South Africa, Nigeria and Uganda had income tax ratio to good governance score as 14.4%; 2.5%; 49.6%; 3.8%; 57.9% respectively in 2006 [35]. The function of the degree to which governments can better the lots of its people is through the state political obligation [36]. The accountability of governments can correspond to tax payment by citizens thereby increasing the willingness to pay taxes and reducing the cost of tax collections. However, the non-accountability of government can also result in the likelihood of the demand of high taxes by the state which may also result in protest and violence by the citizens.

In the Ghanaian community, most owners of SMEs have negative perception towards the taxes collected by the government. Although, they may be aware of the use of taxes as major source of government revenue as well as the funding of public expenditures, they also have a perception that taxes paid to the government are not used for their intended purposes. Recently, the economy of Ghana is on a recess despite the numerous taxes paid by taxpayers. With respect to this issue, SMEs in Ghana see no reason to comply with taxes because the government is not able to align the payment of taxes to the socio-economic development of the country. SMEs in Ghana may perceive tax obligations favourably when the government acts in a trust worthy manner. There may be existence of high levels of trust and tax morale if government makes good use of tax revenues.

### 2.8 Tax Policies Influence on SMEs Growth

Resources directed towards the compliance of taxes can be used for reinvestment to facilitate future growth [37]. Complex tax policies can put uneven pressure on smaller businesses. Reduction in tax rates increases the profit margin of SMEs as well as intensifying government tax revenues since such provisions reduce the size of the shadow economy [38]. Complex tax systems distort the development of SMEs and often result in the morphing of groups that offer a lower or no tax burden hence resulting in tax systems that levies high expenses on the economy [39]. Poor implementation of tax policies connote high collection charges, low efficiency, time wastage for taxpayers and staff, deviation from optimum allocation of resources and low amount of tax revenues [40]. The efficiency of tax policies depend on the designing of appropriate and rational tax rates, reducing tax burden of the indigent people and intensifying the fight against the corruption and the evasion of taxes [41]. The complex nature of tax policies such as multiple taxes, high ports charges etc. can exert serious burden on SMEs. Such complexity in tax policies may results in SMEs hiring agents to explain tax policies which result
in additional cost for SMEs. Public corporations possess vast knowledge on tax systems than SMEs. For example, the accounting requirements of public corporations is much sturdier than sole proprietors because employees of such corporations may be subject to the awareness of requirements relating to withholding income taxes and social contributions [42]. Taxation of SMEs has a negative effect on SMEs sector growth and the economy by reducing sales, profit, capital and employment level [43]. Accumulation of assets is a key indicator of a firm’s growth and performance. Inaccurate taxation policies and uncertainties hinder SMEs from acquiring assets to strengthen their growth [44].

2.8.1 Tax policies and SMEs growth in developing and emerging countries

In developing countries, by contrast, over 90% of all firms outside the agricultural sector are SMEs or micro-enterprises. These firms produce a considerable part of GDP. In Morocco, for example, 93% of industrial firms are SMEs, representing about 38% of the production, 33% of investment and 30% of exports. The contribution of SMEs is considerably higher in South Africa. The estimated 91% of the formal business entities in South Africa that are SMEs contribute 52–57% to GDP. In Ghana, SMEs are even more prominent in the local economy, representing about 92% of Ghanaian businesses and contributing about 70% to Ghana’s GDP [45]. Although tax forms an integral part of the development of most developing countries, an increment in tax rates might really affect the productivity and structure of their business. In most developing countries especially Ghana, some exemptions are allocated to certain types of SMEs. Especially with our target population, virtually no tax exemptions are offered to petty traders in our respective market whereas in emerging countries, tax policies are implemented to enhance the growth of SMEs. For example, in China, tax policy has been designed to encourage the financing of SMEs by providing business tax exemptions for corporations that guarantee loans to SMEs. Also, tax deductions are awarded to market entities and venture capitalist who invest in SMEs to the tune of 70% of the amount of investment. The lack of tax exemptions to these petty traders in most developing countries hinder the expansion of their businesses as compared to emerging countries.

In Ghana, SME owners see taxes as just governmental way of earning revenue with no much good to the SMEs and the society at large. SMEs under the regulatory system of taxation are discriminated against since the requirement of compliance, cost of compliance and tax rate are the same for both small and large corporations. As stated earlier, such uneven nature of tax policies can exert serious burden on SMEs and might distort their development. Therefore, policy changes should be implemented to align SMEs revenue generation to the percentage of taxes paid. The growth of SMEs will result in a significant boost of the Ghanaian economy. This therefore leads us to our second hypothesis:

H2: There is a negative impact of Tax Policies on SMEs growth in Ghana.

2.9 SMEs Perception on Tax Policies

SMEs face numerous complications during their business operations. Such complications include the payment of taxes before SMEs start production of goods and services as well as the payment of other forms of taxes like payroll levy, sales tax, corporate tax etc. [45]. The informal sector deems tax authorities to be among the most feared institutions in terms of institutionalising their activities. Institutionalising the activities of the informal sector operators include registration with tax authorities, the requirement to pay relevant taxes etc. In order to avoid such institutionalising activities which serves as an additional cost, informal sector operators avoid the payment of taxes. Tax regulations and company laws are primary regulations that negatively impact SMEs [46]. The three key situations affecting SMEs owners’ perception on tax policies are: meaningful tax knowledge; decisions that portray taxes as a painful loss; perception about non-compliance opportunities [47].

In Ghana, most SMEs perception on tax policies is not quite appealing. Tax policies are seen by SMEs as an attempt made by the government to deter their growth. Most SMEs in Ghana have had enough of such policies that minimise their overall profit of business operations. Of course, there are tax policies that also encourages the growth of SMEs. SMEs perception on tax policies may not only stem on the imposition of taxes but also the rate of illiteracy of the SMEs. It can be noted that most owners of SMEs in Ghana are mostly market women who may have little or no
knowledge on tax policies. Therefore, it is important to address SMEs' perception of tax policies in Ghana. Based on this, we derive our third hypothesis as:

H₃: There is a bad perception by SMEs on tax policies in Ghana.

3. CONCEPTUAL FRAMEWORK

The conceptual framework of this study is illustrated in Fig. 1 above. According to the conceptual framework, we seek to analyze the perception of SMEs on tax policies as well as analyzing whether tax policies lead to the compliance of taxes. Lastly, we seek to conclude on whether or not tax policies have a significant impact on SMEs.

4. RESEARCH METHODOLOGY

4.1 Research Design

In analysing the research questions, qualitative and quantitative method was employed in both data collection and hypothesis testing to ensure the effective interpretation of the data by using SPSS version 21.

4.2 Research Population

The population comprises of SMEs owners from Kantamanto, Makola, Malata and Dome market. Taxpayers in each selected market were asked to provide evidence of tax payment receipts. This enabled us to identify SMEs owners who pay taxes to the GRA. Purposive sampling method was used to identify respondents to aid in our research.

4.3 Sample Size

A sample of 200 respondents was selected from four markets of the Tema Metropolitan Assembly of which 50 respondents were selected from each of the four market. This sample size was selected from each market because it is enough to generate and generalize the findings of a bigger population. Purposive and judgemental sampling techniques were employed in this research because respondents have information that is vital to this research process.

4.4 Data Source

The collection of data was done through primary sources. Primary data was obtained from SME owners by the administering of questionnaire and interview guide.

4.5 Data Collection Instruments and Procedures for Data Analysis

Unstructured interview lasting for 30 minutes was used for the collection of qualitative data whereas questionnaire was used to collect
quantitative data from respondents. A 5 point Likert-scale was employed in the administration of questionnaire with scales ranging from “Strongly Disagree” denoted by 1 to “Strongly Agree” represented by 5 with neutral scores amid the two extremes. Regression analysis was used for the analysis of the data obtained from the survey.

5. STATISTICAL FINDINGS

The following interpretations and discussions were based on the analysis and findings of the study.

Table 1 depicts an R-square value of 0.804 indicating that the predictors (compliance, growth and perception) account for approximately 80% of the variation on tax policies. The R value of 0.897 signifies a strong positive correlation between compliance, growth, perception and tax policies. This shows that compliance, growth and perception have a strong relationship with tax policies.

Table 2 shows an ANOVA Table of regression model. At α=0.05, P < .000 indicate statistically significant predictors (Compliance, Growth and Perception) for the dependent variable (tax policies). Additionally, P = .05 suggests a good fit data for the regression model. As a result, there is enough evidence against the null hypothesis.

5.1 Determining the Regression Equation

From Table 3, it is obvious that compliance, growth and perception are all significant at α=0.05. The first column of the coefficient Table contains the beta coefficients (β₀, β₁, β₂, and β₃). From the Table, β₀ = 0.005, β₁ = 0.376, β₂ = -0.096, β₃ = 0.586

The regression equation therefore becomes:

\[ Y = 0.005 + 0.376X₁ - 0.096X₂ + 0.586X₃ \]

Accordingly, a unit change in tax policies should improve compliance by 0.376 holding all variables constant. Furthermore, a unit change in tax policies must concurrently decrease growth by 0.096 holding all variables constant. Lastly, every unit change in tax policies must improve perception by 0.586 holding all other variables constant. From the regression equation, it is evident that there exist a positive correlation between tax policies and compliance, growth, perception.

| Table 1. Regression model summary |
|----------------------------------|
| Model 1  | R     | R square | Adjusted R square | Std. error of the estimate |
| 1         | .897²  | .804     | .801              | .52610                  |

a. Predictors: (Constant), compliance, growth and perception

| Table 2. ANOVA⁸ |
|-----------------|
| Model          | Sum of squares | Df  | Mean square | F     | Sig |
| Regression     | 223.146        | 3   | 74.382      | 268.742 | .000⁹ |
| 1              | Residual       | 54.249 | 196 | .277 |
| Total          | 277.395        | 199 |

a. Dependent variable: Tax policies; b. Predictors: (Constant), compliance, growth, perception

| Table 3. Coefficients⁸ |
|------------------------|
| Model                  | Unstandardized coefficients | Standardized coefficients | t       | Sig. |
|                        | B      | Std. error | beta |     |
| (Constant)             | .005   | .172       | .031  | .975 |
| Compliance             | .376   | .066       | .0365 | 5.660 | .037 |
| Growth                 | -.096  | .046       | -.072 | -2.098 | .000 |
| Perception             | .586   | .066       | .548  | 8.847 | .000 |

a. Dependent variable: Tax policies; Significant at 0.05 level
6. CONCLUSION AND RECOMMENDATION

SME$_S$ will be excited in an ideal world for the instigation of tax policies only if there is a realisation that tax policies will positively impact their operations. However, in Ghana, the introduction of tax policies poses a serious threat to SME$_S$ in relation to payment of taxes which concurrently affect the profitability of SME business operations. The study was conducted to depict whether or not there is a significant relationship between tax policies and SME$_S$ compliance, growth and perception in Ghana. Interestingly, all the three objectives developed to aid in our research proved significant. It is evident from the hypothesis that all the three predictors satisfies the regression model:

\[ Y = 0.005 + 0.376X_1 - 0.096X_2 + 0.586X_3 \]

The research portrayed that tax policies impact SME$_S$ growth negatively. Additionally, tax policies were found to affect tax compliance by SME$_S$ whereas a conclusion was drawn that SME$_S$ perception on tax policies look unappealing. It is very imperative for governments, policy makers and institutions in Ghana and the world at large to come out with pragmatic measures to design tax policies to protect the growth of SME$_S$ as well as increase the revenue mobilisation of taxes by the government. Therefore, the following recommendations are made in order to improve SME$_S$ growth as well as government revenue mobilisation on taxes to an appreciable level.

Tax systems governing SME$_S$ should be simplified to encourage compliance to taxes. For example technology can be introduced in the filing of taxes to ease the cumbersome processes in the payment of taxes. Also clear and simple tax regulations should be instigated.

SME$_S$ should be educated on issues concerning taxes such as enlightening their expected tax incentives and tax exemptions that they are liable for. Also tax administrators should improve upon their duties efficiently with integrity in order to help eradicate the issue of multiple taxes.

The government of Ghana should harmonise the payment of taxes by defining sanctions for the non-compliance of taxes by SME$_S$ as well as reviewing the cost of legislative compliance which imposes more burden on SME$_S$.

Government should appropriately define in simple and clear sentences the usage of tax revenue in order to eradicate the unappealing perception about SME$_S$ on matters relating to taxes.

A well-defined strategy should also be adopted by government to aim at the development of SME$_S$ as well as increase the mobilisation of tax revenues to help fund government expenditures.

COMPETING INTERESTS

Authors have declared that no competing interests exist.

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