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Relationship Between Tax and SMEs Sustainability

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Abstract

There are many factors that can influence the development of small and medium enterprises in an economy. The most frequently mentioned among them are: state support of the sector, proper legislative support and mechanisms of its fulfilment, access to financial resources and investment incentives. However, one of the most important factors that promotes development and growth of small and medium enterprises is the taxation system. Economists argue that the resources smaller companies direct towards tax compliance are resources that could otherwise be used for reinvestment, facilitating future growth. Hence, there is a belief that taxes and a complex tax system put disproportionate pressure on smaller businesses. Small taxpayers under the regular system of taxation are discriminated against, since the compliance requirements, cost of compliance and tax rate are the same for both small and large enterprises. Reducing the compliance costs and tax rate increases the small enterprises profit margin. It also increases the Government's tax revenue, since the simplified provisions for a micro enterprise historically reduce the size of the shadow economy and the number of non-complying registered taxpayers.

Keywords: Tax Theory, Public Financial Administration, Economic management, Sustainability of SMEs, Development Economics

1.0 INTRODUCTION

Micro, Small and Medium Scale Enterprises (SMEs) are said to play important role in economic development. SMEs are often described as efficient and prolific job creators, the seeds of big businesses and the fuel of national economic engines (Carsamer, 2009). Empirically, studies have shown that, small and medium enterprises make up 97% of most economies (Ariyo, 2005). In addition, SMEs tend to be the primary driver for job creation as they are labour intensive and employ more labour per unit capita than larger enterprises thereby creating more jobs in the economy. This is also evident in developing countries like Ghana as it is estimated that SMEs employ about 35% of labour (Mensah & Rolland, 2004).

Holban (2007) opined that taxation can contribute to development and to welfare through three sources; it must be able to generate sufficient funds for financing public services and social transfers at a high level of quality; it should offer incentive for more employment and for an efficient and lasting use of natural resources; finally, it should be able to reallocate income. But in the case of SMEs, tax authorities must take into consideration their income and need for survival in imposing the taxes. Operationally, it is expedient that enough profit is allowed them for the purpose of expanding their businesses. The tax policy must be one that will not encourage SMEs to remain in the informal sector or to evade or avoid tax payments. Significantly, the development of small and medium enterprises is greatly affected by the level of taxation, its administration and compliance: the higher the tax rate is, or the greater the efforts to fulfil taxation requirements are, as well as to check how those requirements are met, the lower the initiatives are for SMEs to perform well.

Therefore, maintaining the balance between tax rate, compliance costs, tax administrating and economic development should be a main goal of every tax policy (Stem & Barbour, 2005). Small and Medium Enterprises' (SMEs) ability to grow depends highly on their potential to invest in innovation. Against this background, the consistently repeated conception of SMEs about their problems regarding the effect of multiple taxes is a priority area of concern, which if not properly addressed, can endanger the survival and growth of the sector. In the light of the foregoing, this research attempts to make an assessment of the effect of tax on the sustainability of small and medium enterprises (SMEs) in Ghana

https://damaacademia.com/fme/ June 2021 Pages: 27-39 Volume 3 | Issue 6

2.0 LITERATURE REVIEW

2.1. Tax Policy and the Growth of SMEs

There are many factors that can influence the development of small and medium enterprises in the economy. The most frequently mentioned among them are: state support of the sector, proper legislative support and mechanisms of its fulfilment, access to financial resources and investment incentives. However, one of the most important factors that promotes development and growth of small and medium enterprises is the taxation system. According to Tomlin (2008), economists argue that the resources smaller companies direct towards tax compliance are resources that could otherwise be used for reinvestment, facilitating future growth. Hence, there is a belief that taxes and a complex tax system put disproportionate pressure on smaller businesses. Small taxpayers under the regular system of taxation are discriminated against, since the compliance requirements, cost of compliance and tax rate are the same for both small and large enterprises. Reducing the compliance costs and tax rate increases the small enterprises profit margin. It also increases the Government's tax revenue, since the simplified provisions for a micro enterprise historically reduce the size of the shadow economy and the number of non-complying registered taxpayers (Vasak, 2008).

Furthermore, SMEs usually have to operate in an overbearing regulatory environment with the plethora of regulatory agencies, multiple taxes, cumbersome importation procedure and high port charges that constantly exert serious burden on their operations. Many SMEs have to deal with myriad of agencies at great cost. As stated earlier they are heterogeneous and these differences in size and structure may in turn carry differing obligations for record-keeping that affect the costs to the enterprises of complying with (and to the revenue authorities of administering) alternative possible tax obligations. Public corporations, for example, commonly have stronger accounting requirements than do sole proprietorships, and enterprises with employees may be subject to the full panoply of requirements associated with withholding labour income taxes and social contributions (International Tax Dialogue 2007).

An overly complex regulatory system and tax regime or one opaque in its administration and enforcement makes tax compliance unduly burdensome and often have a distortionary effect on the development of SMEs as they are tempted to morph into forms that offer a lower tax burden or no tax burden at all (Masato, 2009) and this results in a tax system that imposes high expenses on the society. A poorly executed tax system also leads to low efficiency, high collection charges, waste of time for taxpayers and the staff, and the low amounts of received taxes and the deviation of optimum allocation of resources (Farzbod, 2000). Existing empirical evidence clearly indicates that small and medium sized businesses are affected disproportionately by these costs: when scaled by sales or assets, the compliance costs of SMEs are higher than for large businesses (Weichenrieder, 2007). Among the factors militating against SME tax compliance rate are: high tax rates, low efficiency, high collection charges, waste of time for taxpayers and the staff, and the low amounts of received taxes and the deviation of optimum allocation of resources (Farzbod, 2000). Others according to Yaobin, (2007) are double taxation, no professional tax consultancy, weak tax planning, high taxation cost.

The World Bank has influenced many countries in reforming their tax policies (World Bank, 2007). According to Ddumba-Ssentamu (2004) governments carry out tax reforms to suit medium to long term economic objectives for example creating an enabling environment for businesses to thrive. A good tax policy will depend on effective tax administration to raise the revenue (Kayaga, 2007). Moore (2007) further asks three questions regarding tax policy: How much money should government gather as tax? How should the tax burden be distributed among actual or potential taxpayers? How can the potential adverse economic costs of taxation be contained or minimized? According to Balunywa et al. (2010) taxation policies are enacted by the government to promote small business enterprises. Despite the fact that the policies were enacted to promote small business enterprises, they have continued to perform poorly (Kiiza, 2005). Most small business enterprises do not survive for more than one year (Wannenburg, Drotsky&De Jager, 2009). Moving the argument along Rooks, Szirmai, and Sserwanga (2009) research argues that many of these businesses do not live more than a year. Tax policy should target the creation of conducive environment and assistance in which small businesses can expand their activities

https://damaacademia.com/fme/ June 2021 Pages: 27-39 Volume 3 | Issue 6

2.2 The Ghanaian Tax System

There are two main types of taxes levied by the government of Ghana; these are direct and indirect taxes. Examples of direct taxes are personal income taxes, company taxes, capital gain taxes, toll taxes, poll taxes, gift taxes and property taxes. Indirect taxes on the other hand include Value Added Taxes (VAT), Tariffs, and import and export duties. Direct Taxes have two major components which are individual income tax and corporate tax. The other direct taxes, including capital gains, property and rent taxes, contribute very little revenue due to extremely weak enforcement. Ghana's income tax system which is influenced by that of the United Kingdom (Thuronyi, 2003) falls under the common law legal system. Individual income tax is a progressive tax with a top rate of 25%, while the corporate tax rate has been significantly reduced over the past few years from 32.5% in 2001 to 25% in 2006. Principal legislation regarding direct taxation is the Income Tax Act 592 (2000) which comprises Personal Income Tax (PIT) and Corporate Income Tax / Profit Tax (CIT). The act was amended by Amendment 622 (2002).

The Act sets out tax policy as well as tax procedures.Personal income tax in Ghana has always been progressive, thus tax rates are graduated with higher income earners paying more tax. The progressive rates are divided into six bands with tax rates set between 5 and 25 per cent. Tax payments of employees are withheld monthly. All resident individuals in receipt of business, investment or employment income accruing in, derived from, brought into or received in Ghana are liable to pay income tax. Over the years other taxes and duties were added to the income tax. These were Minerals Duty in 1952, Betting Tax in 1952, and Casino Revenue Tax in 1955. These reductions in the corporate tax rate, coupled with improved ease of compliance, were reflected in Ghana's gains in the World Bank Doing Business survey, climbing from 83rd position to 77th position in a League of 175 countries. Ghana was for that period among the top ten movers in the World Bank Doing Business survey (Prichard&Bentum, 2009).

In revenue terms, corporate taxes and individual income taxes comprise almost identical shares of the total tax take, which is the end result of steady gains in the area of individual income taxation. For individual income taxes the overwhelming share (88.7% in 2007) comes from withholding taxes on formal sector wages (PAYE), with only tiny share accruing from the self-employed, which encompasses most of the informal sector and many professional occupations, such as consultants. Arguably the most glaring weakness of the direct tax system is the almost total failure to tax property or rental income. While this failure is common across most of sub-Saharan Africa, it nonetheless represents a major revenue loss, and erodes the redistributive capacity of the tax system. The housing market in Accra in particular is dominated by rental properties, while rental prices and property values are remarkably high given the relatively low-incomes of most citizens (Cooperative Housing Foundation [CHF], 2004). As such taxation of rental incomes and property could yield potentially very significant additional revenues, which some estimate at as much as 1-2% of GDP. Property taxation would have the added advantage of implicitly clarifying ownership, which would represent a major success given that land tenure disputes are a source of major conflicts in Ghana, and one of the major causes of inefficiency and high costs in the property and real estate markets (CHF, 2004).

Indirect taxes and for that matter taxes on goods and services mainly composed of the VAT and excise taxes, the latter of which have declined consistently over time (Prichard&Bentum, 2009). The VAT was initially introduced to replace the existing sales tax in 1995 under significant pressure from the IMF, which was concerned about high levels of indebtedness in the aftermath of huge expenditure increases surrounding the 1992 election. Because of the looming fiscal crisis, it was introduced at a relatively high rate of 17.5%, with somewhat less public education that might have been desirable, and without the support of the opposition, which was boycotting parliament over alleged electoral irregularities. The consequence of these three factors was the outbreak of massive street demonstrations against the tax, with the protests becoming incorporated into broader demands for political liberalization. The government eventually revoked the tax and only reintroduced it three years later at the much lower rate of 10% (Osei, 2000).

The rate was subsequently increased to 12.5% in 1999, but was earmarked for the newly created Ghana Education Trust (GET) Fund in order to secure political support. In 2003 the rate was effectively further increased to 15%, though political concerns led the government to go so far as to identify it as an independent tax item, the National Health Insurance Levy (NHIL), which was earmarked for funding a new health insurance scheme (Osei&Quartey, 2005). Though smaller in absolute terms, the most volatile element of indirect taxation has been the share of petroleum taxes in total revenue. Currently, the new rate of 17.5 per cent has taken effect which followed the presidential assent given the VAT Act 2013 (Act 870) on December 30, 2013, and its subsequent gazetting the following day. Under the regime, the standard rate which was 12.5 per cent, moved up to 15 per cent, while the National Health Insurance Levy (NHIL) remained at two-and-half per cent (Boadu, 2014).

The reach of the VAT is significantly wider than income tax, as it is, in principle, levied on all forms of consumption. Because the VAT is levied on every transaction along the value chain, even goods that are not taxed at the final point of sale may carry a significant tax component that was levied at an earlier stage (Prichard&Bentum, 2009). That said it is worth noting various factors that reduce the tax burden on lower income taxpayers. First, the Value Added Tax Act contains a fairly wide range of exemptions primarily on basic consumption goods, which reduces the burden on lower income taxpayers. Likewise, in 2008 there were 46,842 traders registered (up from 30,377 in 2006), of whom 36,000 filed tax returns, which represents only a fraction of the total number of businesses in the country (Prichard & Bentum, 2009). In an effort to bring small traders into the tax net the government introduced the VAT Flat Rate Scheme (VFRS) in September 2007 at a flat rate of 3% of turnover. In principle every trader is meant to be registered, irrespective of the VAT threshold, though the VAT Service estimates that only about 26.4% of potential informal sector traders are currently registered.

2.3 The Significance of Tax in National Development

Countries use taxes for many purposes. Taxes are used to raise revenues to fund government services, to correct market imperfections, and to encourage or discourage certain types of behaviour (Bird & Zolt, 2005). Thus, taxes of all forms could be levied to achieve national goals such as economic stability, equity, economic growth and protectionism. It could as well be employed to mobilize revenue into the nation's coffers as reserves. On the economic stability, for example, wild fluctuations (ups and downs) in prices are very harmful for the development of the economy of the country. Declining prices, for example, as witnessed during the recent Global Financial crisis, causes depression which leads to a fall in company profits, savings, investments, employment and the Gross Domestic Product (GDP). Taxation therefore supports the Government's goals by ensuring that the public finances are sustainable, contributing to a stable environment that promotes economic growth. This environment is important in building a stronger, more enterprising economy and a fairer society, extending economic opportunity and supporting those most in need to ensure that rising national prosperity is shared by all (Thuronyi, 2003 in Pleuffer&Weißert, 2006).

Though economic growth could be attained through the employment of taxation, the excessive use of taxation may be counterproductive (Baafi, 2010). For example, if tariffs on food imports including rice, edible oil, and fish and poultry products are astronomically increased as has been the case, the effects trickle down to affect consumers. Currently, there has been a drastic increase in the Roads and Bridge tolls which is still hanging over commuters. Price hikes of water (pure water) and alcoholic beverages including 'Akpeteshie' having been taxed 20%. Tariffs on electricity and water are also up and also to be pushed down the throat of the ordinary man on the street. All these tax initiatives go a long way to further reduce incomes. Because of low incomes and mass unemployment in our society, we must carefully levy taxes and skew it towards equity.

Taxation could be to strive towards equitable distribution of income to create peace and harmony in the society by bridging the gap between the rich and the poor (Baafi, 2010). Progressive forms of taxation could be used for that matter. Ali-Nakyea (2008) summarized the role of taxation in the national economy. He emphasized that taxation raises revenue to defray the cost of services provided by the state; reduce inequality arising from the distribution of wealth; restrain consumption of certain types of goods; protect indigenous industries, and controls the country's economy.

3.0 RESEARCH METHODOLOGY

This chapter deals with the research design, population of the study, sample and sampling technique, source of data, method of data collection, instrumentation, statistical analysis, validity and reliability of the data collection procedure.

3.1 Research Design

The two basic methodological philosophies to which different studies might naturally lend themselves are the qualitative and the quantitative methods. Whilst qualitative research is about exploring issues, understanding phenomena and answering questions by analysing and making sense of unstructured more descriptively, quantitative research more often draws inferences based on statistical procedures and often makes use of graphs and figures in its analysis (Ghauri&Grönhaug, 2005). In the study of research methods, the quantitative method expresses the assumptions of the positivist paradigm that tells that behaviour can be described through objective facts. This study aims at determining the correlation between identified variables.

The quantitative method is supportive in studies where some kind of explanation is sought to describe the cause of change in social facts, basically through the means of objective measurement and quantitative analysis. The quantitative method is a more powerful tool to calculate the magnitude of the relationship with added accuracy (Uma, 2006). Therefore, the researcher considers the quantitative survey method to be an appropriate tool for assessing the effect of tax on the sustainability of SMEs.

3.2 Population of the Study

Asika (2000) defines the population of a research as “all conceivable elements, subjects or observations relating to a particular phenomenon of interest to the researcher”. A research population according to Ghauri and Gronhaug (2005) relate to the total universe of units from which the sample is to be selected. The target population for the study consists of SMEs in the Ga-West Municipality. The SMEs in the Ga-West Municipality was chosen due to the fact that from 2010 to 2012 their activities have generated revenue of GH¢1,309,631.14 in 2010 and GH¢1,670,221.32 in 2011. In 2012, the Assembly experienced a drop in IGF from GH¢1,670,221.32 in 2011 to GH¢1,621,142.87 (Ministry of Finance and Economic Planning, 2013). The Assembly generated GH¢ 863,760 representing 39.5 per cent of the estimated internally generated fund of GH¢ 2,189,149, for the first-quarter. The Ga-West Municipality is the second largest of the six Municipalities and Districts in Greater Accra Region. This implies that the activities of SMEs in the Ga-West Municipality are significant to economic development of the economy.

3.3 Sample and Sampling Technique

Bless and Higson-Smith (2000) defines a sample as “a sub-set of a population which must have properties which make it representative of the whole”. Similarly, Bryman and Bell (2003) refer to samples as the population that is selected for investigation. Samples involve collecting information from a portion of the larger group, and on this basis, infer something about the larger group (population). The sample frame for the survey included SMEs in Ga-West Municipality. For the purpose of this research, a non-probability sampling technique thus, convenience sampling method was used to select the respondents.

This method was chosen because it was difficult to obtain a sampling frame for SMEs. In addition, convenience sampling provides easy access to the respondents, practical, and quick (Nachmias&Nachmias, 2008). Generally, the SMEs in Ga-West are categorized into retail and provision shop owners, food vendors, spare parts dealers, crops and fruits sellers, wax prints and dress dealers, engineering, mechanical and electrical services, carpentry shops, communication services, salons as well as transport operators. Based on these categories a sample size of fifty (50) was considered. The sample size was divided into ten (10) that is, five (5) per category.

3.4 Sources of Data

There are two different kinds of data; primary and secondary. The primary data was obtained through the administration of questionnaire. The structured questionnaire was the tool which was purposively distributed among SMEs in the Ga-West Municipal Assembly. The researcher used this mode of data collection due to the fact that, it was easy for participants to be convinced and encouraged to complete the questionnaires as cited by Zikmund (2003). It was also easy for the researcher to approach participants. Secondary data from books, journals, dissertations and information from the internet were obtained to supplement the primary data.

3.5 Research Instrument

A self-developed questionnaire was designed as an instrument for the study. This has been attached as Appendix. The structured questionnaire is closed-ended in which the researcher provides a choice of answers. The questionnaire was divided into four different sections. Section 'A' included biographical questions, such as age, gender, highest level of education and number of years in business. Section 'B' of the questionnaire deals with tax effect on SMEs' sustainability while Section 'C' consists of factors affecting SMEs compliance to taxes in Ghana. The section 'D' also measures the growth of SMEs in the Ga-West Municipality. The scales in sections 'B' and 'C' were measured using Likert scales (strongly agree, agree, neutral, disagree, and strongly disagree).

3.6 Data Analysis

Data collected were transformed into more suitable format for analysis. After data processing, the Statistical Package for Social Science (SPSS) was used for the data analysis. The use of descriptive and inferential statistics as a statistical tool was included. To examine the hypotheses established in chapter one of the study, correlation analysis was used to test the hypotheses of this study. The general goals behind using the correlation analysis were to learn more about the relationship between the independent variables and a dependent variable, also to investigate the functional relationships between independent and dependent variables, in order to understand what might be causing the variation in the dependent variable.

3.7 Validity and Reliability

According to Ghauri and Grönhaug (2005), reliability refers to stability of measurement and relates to the absence of random errors of measurements (Ghauri&Grönhaug, 2005). Reliability measure demonstrates that the operations of the study such as data collection procedures could be repeated, with the same results. The researcher pre-tested the research instruments to determine their suitability and clarity for the study. In view of this, the researcher used a convenient sample of 5 participants for that purpose. Based on the results of the pre-testing, it was observed that participants did not have problem with the items on the research instruments used in the study.

Regarding reliability of primary data collected, the researcher stated in the questionnaire that the research was for academic purposes, did not ask respondents to give their names, there was no reward associated with responding to the questionnaire and it was fully voluntary. This was to instil confidence in respondents to give reliable responses. Further the researcher eliminated responses with excessively missing data from other analysis. In relation to secondary data of the data was collected from credible sources. Hence the information the researcher analysed in this study represents the exact data obtained from the field.

3.8 Ethical Consideration in Research

The researcher took steps to guarantee the ethical acceptability of the study. Specifically, confidentiality of information provided by the participants was assured. Also, anonymity of participants was enforced. In line with this, the researcher's instructed participants not to write their names on the questionnaire. Finally, respondents were made aware that participation in the study was voluntary.

4.0 DATA ANALYSIS & DISCUSSION

4.1 Demographic Characteristics of Respondents

The demographic characteristics of respondents have been presented in Table 1.

Table 1: Characteristics of Respondents

Variables		*Frequency*	*Percent*
Age: (Years)	18-27	2	4.0
	28-37	19	38.0
	38-47	24	48.0
	48-57	5	10.0
	58 and over	0	0.0
Gender:	Male	28	56.0

	Female	22	44.0
Level of Education:	WASSCE	27	54.0
	HND	13	26.0
	First Degree	6	12.0
	Master's Degree	4	8.0
	PhD	0	0.0
Length of Business:	Less than 1year	0	0.0
	1-5 years	7	14.0
	6-10 years	32	64.0
	Above 10 years	11	22.0
Source of Finance	Self-Financing	25	50.0
	Bank Loans	9	18.0
	Funds from Relatives	3	6.0
	Loans from MFIs	13	26.0
Business Registered	Yes	50	100.0
	No	0	0.0
Where Registered	GRA	48	96.0
	GWMA	2	4.0
	AMA	0	0.0
	GRA and GWMA	0	0.0
Total Number of Respondents (N=50)			

Source: Field Data Analysis, 2015

The researcher administered 50 questionnaires which were retrieved and used for the analysis. The distributions of frequencies and percentages for each of the demographic variables in Table 1 shows majority of the respondents in the study were males constituting 56.0% of all the respondents while the 44.0% were females. This means that more males are in the categories of SMEs selected for the study. Respondents who were between 38 and 47 years make up 48.0% of the entire respondents. Those who were 28-37 years old constitutes 38.0%, however, 48-57 and 18-27 comprise 10.0% and 4.0% respectively. Thus, younger people are more into these businesses than the older people. Also, in terms of educational qualification, majority of the respondents representing 54.0% were WASSCE holders. Respondents who were holders of Higher National Diploma (HND) constitute 26.0% while those who had Bachelors' Degree make up 12.0%. Master's Degree holders constitute the least (8.0%) of all the educational qualification. There was no response for Doctorate degree. It can be deduced that highly educated people are not much involved in these businesses

In relation to sources of finance, 50.0% stated that their source of finance was self-financing which implies that they financed their own business operations, 26.0% indicated that they obtained loans from Microfinance Institutions as a source of finance while 18.0% stated that they used bank loans while the remaining 6.0% stated that they obtained support from relatives. With regards to experience in business, 64.0% of the respondents indicated that they have been in business for 6-10 years, 22.0% stated above 10 years while 14.0% of the respondents stated 1-5 years. From the analysis, it was realised that all the respondents, were all tax registered. They explained that they have been paying tax to both GRA and Ga-West Municipal Assembly. Finally, 96.0% of the respondents were registered with Ghana Revenue Authority (GRA) while 4.0% were registered with the Municipal Assembly. This implies that SMEs in the municipality are registered for tax purposes.

4.2 Relationship between Tax and SMEs Sustainability

To determine the relationship between tax and SME sustainability in the Ga-West Municipal Assembly, the Pearson product-moment correlation coefficients for tax and SME sustainability measures were calculated and interpreted in terms of direction, magnitude and significance. Table 2 presents the correlation result. In determining the relationships between overall tax and SMEs sustainability a correlation analysis was performed. The correlation coefficient (Pearson's r) measured the strength of the relationship between the overall tax and four indicators of SMEs sustainability (profitability, operating cost, expansion and investment). The hypotheses tested were: (H_1) stated that there is significant positive relationship between tax and profitability; (H_2) there exist a significant positive relationship between tax and operating cost; (H_3) there exists a significant positive relationship between tax and expansion and (H_4) there exists a significant positive relationship between tax and investment (savings).

The analysis first started by analysing the correlation results between tax and profitability. The result of the correlation analysis shows a negative relationship between tax and profitability with a coefficient of 0.605 and p-value of 0.006. This implies that, if tax increases, it would cause profitability to decrease. Additionally, the correlation between tax and operating cost which was 0.644 with a p-value of 0.00 meaning that there was positive relationship between tax and operating cost. Furthermore, the correlation coefficient between tax and expansion (in terms of branches) was 0.535 with a p-value of 0.002. This shows that there is a negative relationship between tax and expansion. This implies that if the tax increases, it would reduce the rate of expansion. Finally, the correlation coefficient between tax and investment (savings) was 0.590 and a p-value of 0. 368. This implies there was no relationship between tax and investment.

Table 4.2: Correlation Matrix between Tax (Income Tax) and SME sustainability

Tax	Profitability	Operating Cost	Expansion	Investment
Correlation Coefficient	-.605 (**)	.644 (**)	-.535 (**)	.590 (**)
Significance	.006	.000	.002	. 368
N	50			

***Correlation is significant at the 0.10 level (2-tailed). Source: Field Data Analysis, 2015*

Based on the results, it can be concluded that there is a significant positive relationship between tax and operating cost and so the first hypothesis is accepted. Similarly, the second and third hypotheses are accepted. However, the fourth hypothesis is rejected.

5.0 CONCLUSION

The main objective of the study was achieved based on the findings. It was realized that there is no statistically significant relationship between tax and SMEs sustainability in Ga-West Municipal Assembly in the sense that the findings showed that profit/revenue has coefficient of 0.605 and p-value of 0.006. This means that an increase in tax would have adverse impact on profitability of SMEs. In the same direction, there exist a positive relationship between tax and operating cost having the coefficient of 0.644 with a p-value of 0.00. There is a negative relationship between tax and expansion indicating that an increase in tax would reduce the potentials of SMEs of expanding by establishing more branches. Furthermore, the correlation result between tax and expansion (in terms of branches) also shows a correlation coefficient of 0.535 and p-value of 0.002. Finally, it disclosed that investment has no relationship with tax having a coefficient of 0.590 and a p-value of 0.368.

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