COLLEGE OF BUSINESS AND ECONOMICS

MASTERS OF BUSINESS ADMINISTRATION (MBA)

THE EFFECT OF TAXATION ON THE PERFORMANCE OF SMALL AND MEDIUM BUSINESS ENTERPRISES: THE CASE OF ADDIS ABABA CITY ADMINISTRATION KIRKOS SUB CITY ADMINISTRATION

A Thesis Submitted to Addis Ababa University College of Business and Economics: MBA Program in Partial Fulfilment of the Requirements for the Award of Master of Business Administration in Management:

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June, 2024

Addis Ababa, Ethiopia

ADDIS ABABA UNIVERSITY

COLLEGE OF BUSINESS AND ECONOMICS

This is to certify that this research entitled as "**The effect of taxation on the performance of small and medium business enterprises: The case of Addis Ababa city administration Kirkos subcity administration.**" It is submitted to Addis Ababa University in partial fulfilments of the requirements for the degree of Master of Business Administration in Management. The thesis done by **Kidist Adane** is an authentic study carried by her own effort under our guidance.

Approved by Board of Examiners

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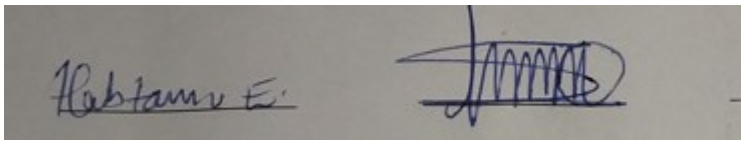
Advisor **Signature** **Date**



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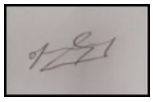
Dr. Temesgen  July 03 2024

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DECLARATION

I, the undersigned, declare that this study entitled as "**The effect of taxation on the performance of small and medium business enterprises: The case of Addis Ababa city administration kirkos subcity administration.**" is outcome of my own effort and study. This study has not been submitted for a degree in any other university. It is submitted to Addis Ababa University in partial Fulfilment of the Requirements for the degree of Master of Business Administration. All sources of materials used for the Research have been duly acknowledged, cited and referenced.

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LETTER OF CERTIFICATION

This is to certify that Kidist Adane has carried out her study under my supervision on the topic of: **The effect of taxation on the performance of small and medium business enterprises: The case of Addis Ababa city administration Kirkos sub city administration.** This work is original in its nature and it is suitable for Submission in partial fulfilment of the requirement for the award of Degree Master of Business Administration.

Tewodros Wuhib (Assistant Professor)

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Date July 03 2024

Acknowledgements

First, I am immensely grateful to the all Almighty God for giving me the strength, diligence, courage, patience and inspirations for the accomplishment of the research. The task of conducting the study could not have been achieved without the contribution of others. I would like also to express my gratitude to all those who gave me the assistance to complete this research work. I hereby mention a few individuals (as explallinery cases to be remembered).

My special appreciation and respect goes to my advisor Tewodros wubib (Assistant Professor), a very responsible intellectual. My advisor has read all the parts of the thesis right from the manuscript stage to the final output and has provided considerable professional, technical and ethical assistance throughout at all stages. To this end, I should say, his willingness to devote his time and use his expertise at every point of discussion need to be appreciated.

I am grateful to all Addis Ababa city administration kirkos subcity administration employees and management for taking the time to fill out the questionnaires and provide the essential information for the study.

Finally, I'd like to express my gratitude to my family and everyone who has assisted me in this endeavour, whether directly or indirectly. I am grateful for their support, encouragement, guidance, and suggestions at every point of my study.

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List of Acronyms

ANOVA - Variation of analysis

DF - Degree of freedom

SPSS - Statistical Package for Social Sciences

SMEs- Small and medium enterprise

ABSTRACT

The purpose of this study was to look at how taxes affected the performance of small and medium-sized businesses in the Kirkos sub-city administration of Addis Ababa city. In its conceptual framework, the study used taxation as an independent variable and the performance of SMEs as a dependent variable. To direct the investigation, three research questions and three hypotheses were developed. Certain factors, like tax laws, tax rates, and tax reforms, were used to evaluate taxes. A quantitative research approach was used in conjunction with an explanatory or causal descriptive research design. Cronbach's alpha was used to evaluate the internal consistency and reliability of the questionnaire. Closed-ended questionnaires containing 24 statements graded on a five-point Likert scale were used to gather data. The survey included a sample size of 314 respondents, 300 of whom (95.5%) responded, and it was directed towards a population of 1840 persons. Both descriptive and inferential statistics were used to interpret the findings. The performance of SMEs was found to have a statistically significant positive correlation with the three taxation variables (tax policies, tax rates, and tax changes) according to Pearson Correlation research. Furthermore, the regression analysis revealed that all three taxes variables had a favorable and significant effect on SMEs' performance. Tax policies were identified as the most influential taxing variables in predicting the success of SMEs. Tax rates and tax revisions followed closely behind, with both having a major effect on SMEs' performance in their respective order. The regression analysis results show that taxes accounts for 63.4% of the variance in SMEs' performance within the subcity. The study's findings indicate that tax laws and changes have not adequately addressed SMEs' pricing issues, resulting in a fall in their sales revenue. To improve SMEs' performance, the subcity must guarantee that tax policies, rates, and reforms are consistent with their needs.

Key words: Taxation, Tax rates, Tax reforms, SMEs performance/development.

CHAPTER ONE
INTRODUCTION

1.1. Background of the study

Every nation aspires to build a strong, stable economy and a civilized society. Even though some wage earners view paying taxes as a form of public exploitation, tax payment is evidence of this desire (Drake, Lusch & Stekelberg, 2019). A tax is an obligatory financial charge or other kind of levy that a governmental body imposes on a taxpayer (an individual or legal entity) in order to pay for different public expenses. A country's business operations and its tax laws and schemes are intimately related (Drake, 2019).

Taxation was one way that money was raised for government spending. Every government requires its people to pay their taxes with cash. Tax revenue is used by the government to fund military and policy, as well as to construct schools, hospitals, and other infrastructure. Money was also needed for a lot of other things, like feeding the poor and taking care of the elderly. If taxes weren't needed to fund government operations, the government would not exist (Gebrie, 2006).Operating tax revenues were essential for boosting federal government income and improving incentives for particular economic sectors, therefore the government was allowed to tax operating firms and collect tax returns from them (Gebrie, 2006).

Every country's economic development and progress depend heavily on its SMEs (Atawodi & Ojeka, 2015). Microbusinesses play a major role in the expansion of the economy and the generation of job opportunities. According to a 2005 World Development Report, eliminating poverty requires both the provision of opportunities and jobs that are sustainable (Herath & Mahmood, 2015). SMEs, or small and medium-sized businesses, encounter numerous difficulties when interacting with government tax administration, particularly in developing nations. Since SMEs constitute the foundation of the economy, their performance is seen as a crucial component of the overall state of the economy (Al Asheq & Hossain, 2019).

The primary driver of economic growth in Europe is the thriving entrepreneurial sector found in SMEs. Only 23 million businesses in Europe produced 3.9 trillion euros in 2015 thanks to the good performance of SMEs (European Commission, 2017). Furthermore, in 2015, the value added to the Romanian economy was produced by SMEs to the tune of 50%. SMEs are essential

to the decline in unemployment in Europe and other decentralized economies throughout the world. Following the 2008 financial crisis that rocked the world economy, the performance of SMEs in Europe and the Americas was strong and recovered quickly (Jerkovic, 2017).The SMEs' resilience and capacity to adjust to changing circumstances guarantee their long-term strength and their capacity to weather the storm of a financial crisis. The government's business development initiatives and policies have a significant impact on the performance of small and medium-sized enterprises (SMEs) in Malaysia and the Asia-Pacific region (Isaga, 2018).

SMEs account for 90% of all business entities in South Africa, where they provide 50% of the country's GDP, and make up the majority of all enterprises in Africa (Ngek, 2018). Sadly, the majority of SMEs encounter serious performance issues, which cause 50–95% of them to fail during the first five years. Furthermore, Everest-Phillip and Sandall (2019) note that while external constraints have not been thoroughly examined, the focus has been on internal reasons that impede the growth of SMEs. Customer relationships can have a negative impact on the volume of products sold on a regular basis, which is one of the constraints on SME performance. The traits of entrepreneurs influence how their company interacts with other stakeholders, such as government officials, and thus sets the stage for a specific degree of productivity and profitability.

In the latter part of the 1980s, taxation practices in the Ivory Coast grew increasingly noticeable and widespread. Foluso (2017) originally brought up this issue, pointing out that there were roughly 154 taxes in the nation and expressing doubt about whether or not these taxes might draw in significant foreign investment. He claims that taxes impede efforts to restructure the economy and force businesses to lay off employees due to the high cost of doing business.

Businesses in the Gambia are required to pay taxes on over 100 goods that are imposed by the state and its local governments. Successful taxation has been shown to have a number of negative economic consequences, including being counterproductive, damaging investor confidence, increasing operating costs, and being one of the main obstacles to the expansion of the manufacturing sector in the Gambia (Cordes, Hertzfeld & Vonortas, 2019).

SMEs are essential to Kenya's economic growth and job creation. In 2014, these businesses accounted for 80% of newly created jobs. (Simiyu, 2013).

Ethiopia is another developing nation in Africa, with its economies heavily dependent on SMEs. Small and medium-sized enterprises (SMEs) play a crucial role in generating employment opportunities and fostering economic growth in the nation, especially by acting as a catalyst for the transition to an industrialized society. SMEs are thought to be the foundation for the development of large corporations (Olana 2020). Ethiopia has the fewest private companies per capita and the lowest new venture rates in Sub-Saharan Africa, according to the UN Industrial Development Organization (Shitaye 2022).Therefore, due to their importance in creating jobs, micro and small enterprises are the focus of the Ethiopian government. This study helps to examine the effects of taxation on development of small and medium business enterprises (taking Kirkos subcity administration).

1.2. Statement of the problem

SMEs are the backbone of most economies and development engines. Studies indicate that 95% of enterprises in most nations are micro and small enterprises (SMEs). They innovate, support big businesses with inputs and services, boost GDP, foster industrial development, and create jobs locally. Eighty percent of jobs in Africa are produced by SMEs, which also create a new middle class and increase demand for goods and services (Shingirai, 2014). The chart also shows that the scale of the shadow economy has grown over time, most likely as a result of advancements in technology, stricter laws, and onerous taxation policies that drive the emergence of numerous covert economic activities. The Ethiopian government may use the tax system to target MSEs in order to meet its goals, but it may not take into account the detrimental effects on such measures (IEA, 2012).

Small and medium businesses play an essential role in many economies worldwide, especially in developing countries. SMEs represent 90% of businesses and more than 50% of jobs globally, whereas formal businesses contribute up to 40% of Gross domestic product (GDP) in emerging economies (World Bank, 2020).

There are problems with the relationship between taxes and a business's ability to expand and thrive, despite the general consensus that taxes are an essential source of finance for social service delivery and economic growth (Drake et al., 2019). SMEs have a number of difficulties, including high tax rates, multiple taxation, complex tax rules, and a lack of proper knowledge or

education about tax-related issues. Disregarding the other challenges that SMEs encounter in other developing countries, like Nigeria; inadequate funding, insufficient managerial and technical know-how, environmental effects, and government regulations that most significantly affect the way SMEs operate in Nigeria, especially the issue of multiple taxation, which eats away at the company's operations and a sizable portion of the revenue these SMEs generate for their survival and expansion. They are to blame for the rise in small- and medium-sized business fatalities (Adebisi, 2013).

Income tax has a significant impact on the expansion of many SMEs. Owing to their tax base, SMEs are typically the government's first choice when seeking to raise revenue. The government primarily impacts SMEs by raising income tax brackets since it forces them to pay higher taxes, which reduces their meager returns. Because of their unfinished business or lack of necessary tax understanding, SMEs are impacted by every tax decision made by the government (Jepkogei, 2014). Since income tax rates on SMEs are calculated based on assumptions rather than an evaluation of the enterprise's capacity to pay the tax, it is thought that these rates are inaccurate.

The management of income taxes is important for both revenue collection and business profitability. This study aims to determine the different taxation strategies that often impact small and medium-sized enterprises (SMEs) that have the capacity to generate higher revenue streams but have not been included in the tax system. In general, there are no taxes on the informal sector, and as more individuals enter it, the government will probably continue to lose a significant amount of money. A situation like this would impact the government's capacity to meet its goals and, in turn, its development plan.

The average fiscal revenue-to-GDP ratio in sub-Saharan Africa was roughly 17.9% in 2015, according to the IMF 2016 report. Nonetheless, the tax-to-GDP ratio of 16.3% in a number of low-income African nations that year was lower than the average for the area. Ethiopia performed worse than both the low-income countries average and the sub-Saharan Africa average of 17.9%, as seen by its even lower tax revenue to GDP ratio of 15.1%. This points to a historical pattern of revenue collection difficulties, which the IMF research emphasizes. A number of problems were found, including difficulties with tax administration and performance, including fraud, evasions, bad administration that raises expenses, taxpayer ignorance, and insufficient technological management, especially with regard to Electronic Tax Registers.

Further research has uncovered barriers pertaining to taxpayer ignorance and avoidance, tax authorities' commitment, business inefficiencies, and unfair competition resulting from unregistered businesses (Birhanu, 2018).

For the years 2010/11–2015/16 G.C., Ethiopia's tax revenue ratio to GDP was roughly 12.08. Tax income to GDP increased somewhat in 2013–14, from 12.4 in 2012–2013 to 12.7 in 2013–2014; nonetheless, it is still comparatively low when compared to the economy's potential to generate tax revenue and the funding requirements of development initiatives. The Growth and Transformation Plan (GTP) set a goal tax to GDP ratio of between 15 and 17 percent. Furthermore, according to the African Economic Outlook from 2015, it performs much worse than the average of other sub-Saharan African nations, which usually reach about 20% (such as Kenya with 23%, Mauritius with 19%, and Tanzania with 17%).

In Ethiopia, taxes have been used to raise as much money as possible to cover the government's expanding needs for public expenditures. In addition, it facilitates trade and capital investment, addresses income inequality, and supports or opposes particular industries according to how well they fit the nation's economic growth agenda. However, a lack of taxpayer awareness and a small number of tax authorities frequently prevent the nation from collecting its potential tax revenue. Accessing and comprehending tax law information can be challenging for business owners, and tax organizations do not offer advice services. As a result, taxpayers commonly misunderstand tax laws and guidelines. Birhanu (2018).

Currently, less than 12.7% of Ethiopia's GDP comes from tax income. A number of reasons contribute to this low number, such as taxpayer fraud and tax evasion. These fraudulent activities include things like not filing tax returns on time, not complying with income tax regulations, not reporting withholdings promptly, understating turnover and profits, understating employee wages, and generally not wanting to follow the law when it comes to taxes. Equipping the tax administration with the required enforcement instruments is essential to correcting this situation and establishing a fair and efficient tax system. As such, it is critical to resolve the administrative problems impeding the tax system.

The Kirkos sub-city administration has been receiving more and more complaints lately about unjust taxing. This demonstrates how taxpayers are becoming more conscious of tax avoidance. In light of this, the study sought to find viable methods for estimating business taxes by using

data from taxable small business operations. As was already indicated, the study's main focus is on how taxes affect the expansion of small and medium-sized businesses, including cafes, restaurants, and woodworking shops.

The problem statement ought to provide a strong case for the lack of sufficient knowledge to solve the issue or the need to confirm previously accepted facts. It should provide a succinct overview of the research and literature done in the relevant field with regard to the issue and gaps that the proposed study seeks to fill. An area where little or no study has been done is known as a research gap.

However, based on the researcher's understanding, limited research has been undertaken to establish the correlation between taxation and the growth of SMEs in the Kirkos sub-city administration of Addis Ababa. Hence, this current study aims to investigate the effect of taxation on the growth of SMEs in the Kirkos sub-city administration of Addis Ababa by analyzing the influence of tax policies, tax rates, and tax reforms on the advancement of SMEs.

1.3. Research questions

The following research questions are formulated in order to solve the problem statement.

1) How tax policies affect development of Small and Medium Enterprises in Kirkos sub city administration?

2) How tax rates affect development of Small and Medium Enterprises in Kirkos sub city administration?

3) How tax reforms affect the development of Small and Medium Enterprises in Kirkos sub city administration?

1.4. Objective of the study

1.4.1. General Objective of the study

The general objective of this study will be to examine the effect of taxation on the development of small and medium business enterprises in Kirkos sub city administration.

1.4.2. Specific Objectives

1) To determine the effect of tax policies on the development of SMEs in Kirkos sub city administration.

2) To identify the effect of tax rates on the development of SMEs in Kirkos sub city administration.

3) To ascertain the effect of tax reforms on the development of SMEs in Kirkos sub city administration.

1.5. Significance of the study

SMEs are a key focus area for the government in its efforts to promote growth and development. This research serves as a crucial component in understanding the effect of taxation on the growth of small and medium enterprises. The results of this study will offer policymakers valuable insights for designing effective promotional strategies for SMEs. Additionally, it will provide practical recommendations to assist the SME office in Kirkos sub city administration in making informed decisions to address operational challenges. Furthermore, SME operators in sub cities will gain insights into the effect of taxation on their individual enterprises. This study will also serve as a foundation for future research and offer significant contributions to interested researchers.

1.6. Scope of the study

The research will target small and medium business enterprises operating in Addis Ababa. As per the head of the Micro and Small Enterprise Office in Kirkos sub city administration, there are 1840 SMEs in operation. While it would be ideal to include all these enterprises, the study will focus on 314 randomly selected enterprises from five different SME types due to time and budget constraints. The research will specifically examine the effect of taxation on the development of small and medium enterprises in Kirkos sub city administration. The study will encompass SMEs engaged in various activities across key sectors of the economy.

1.7. Limitation of the study

Despite the numerous issues that require further research in the Addis Ababa city administration, the researcher chose to focus solely on the effect of taxation on the development of small and medium-sized business enterprises. This decision was made due to the impossibility of addressing all the various issues, concepts, and geographical settings within the scope of this study. The primary focus of this research was on the effect of taxation specifically within the Kirkos sub-city administration. By narrowing down the theme and area of study, the researcher aimed to ensure accuracy and improve the quality of data collection, taking into consideration the accessibility of relevant data and information from the study area. The study was conducted over a one-year period, allowing the researcher to gather data within a specific timeframe.

1.8. Organization of the study

There were five chapters in the study. An overview of the study is given in the first chapter, which covers the background of the research topic, the issue statement, the study's purpose, its importance, and its scope. A survey of relevant literature in the field is presented in the second chapter. The research design and methodology are the main topics of the third chapter. The analysis of the results is presented in the fourth chapter, and the study's conclusion, suggestions, and a summary of the key findings are included in the fifth chapter.

CHAPTER TWO
LITERATURE REVIEW

This section of the research will attempt to present the most pertinent theories and concepts on how taxes affect the growth of small and medium-sized businesses. By concentrating on earlier research that is pertinent to this investigation, it offers insight into these ideas as well as their connections.

2.1. Theoretical literature review

2.1.1. The Theory of Optimal Taxation

According to Farzbod (2010), the classic theory of optimal taxation recognises that, within certai n bounds, a tax structure should be selected to maximise a social welfare function. The social pla nner is usually treated as a utilitarian in the literature on optimal taxation, meaning that the social welfare function is determined by the utility of each member of the society. According to this th eory, optimal taxation theory and practice should be applied to organisations so that they can pay the taxes levied without negatively affecting the organization's overall operations (Masato, 201).

The ideal tax structure is achieved when the negative behavioral effect (weighted by the relevant population shares) and the positive redistribution impact (weighted by the relevant population shares) create a mutually agreeable relationship. A tax system that maintains population social welfare while not altering the marginal tax rates in any income category is considered ideal. Formally, this condition is described by the three parts of the optimality requirement in the model: the social preference for redistribution, the elasticity of taxable income with regard to the marginal tax rate, and the distribution of talents.

The idea of optimal taxation is also ethically sound; it essentially assumes that a kind dictator who respects individual choices as well as the general public's desire for equality makes policies. By pointing out that real policy makers usually represent particular interest groups and that real policies typically reflect some sort of compromise between competing interests rather than the maximization of a Bergson-Samuelson social welfare function, one can choose to reject this body of theory (Koehne 2017). Tax administrators may utilize this idea to draft tax laws that will levy taxes on SMEs around the nation most efficiently.

2.1.2. Ability-To-Pay Taxation Theory

The progressive notion known as the ability-to-pay theory governs the administration of taxes in many legal systems. According to the theory, an entity's tax obligation should be based on the income that people and businesses bring in from their operations. Thus, rising income levels ought to and are anticipated to lead to higher tax contributions from individuals with higher incomes. Increased tax rates imply that a sizable portion of the company's income is taxable (Downer, 2016). The ability-to-pay argument ignores the volume of services that taxpayers utilize. The taxation model can be described as a progressive taxation scheme that holds that taxes should be levied based on the ability of the person to pay. Moreover, the principles of the theory stipulate that the people with the most financial resources contribute to the public services that are utilized by the masses. Businesses and the general public of a country rely on government services including security, healthcare, and education. The ability to pay argument thus ensures that taxation ought to be raised for businesses and individuals who are able to pool their resources in the most efficient way.

The ability-to-pay theory states that low-wage workers most likely need all of their income, therefore a low tax rate guarantees they keep more of it, which boosts the economy (Schwarz, 2017). The idea is subjective since it takes into account the costs incurred by a person or company in order to pay taxes. Tax payments result in disutility and a sense of stinginess that is comparable to the sacrifices made by employees throughout corporate operations. The tax burden imposed on both individuals and corporations should be distributed across taxpayers in a way that permits an equal marginal loss of utility. Consequently, the ability-to-pay principle shields a person from being rendered useless when it comes to filing taxes. The theory's basic principle is that society's overall utility loss considerably decreases when tax payers pay a level that equalizes their marginal sacrifice of utility. According to the principle, the distribution of taxes should be determined by the well-being of the entire community.

The ultimate premise of taxation, according to Schwarz (2017), is the least sacrifice made by the taxpayers. As a result, the community's tax burden is distributed more fairly the less sacrifices the taxpayers make overall. People who are similarly able to pay taxes should pay taxes similar to each other since equal taxpayers and individuals should be treated equally. The study's independent variables, income tax, excise tax, and VAT, are all consistent with the ability-to-pay

hypothesis. SMEs base their business decisions on the availability of capital, which might be impeded by high tax rates that lower liquidity. The impact of tax administration on small and medium-sized enterprises (SMEs) and the usefulness of tax payments are positively associated.

2.1.3. Benefit Theory of Taxation

The benefit theory of taxation holds that taxes ought to be paid by individuals in proportion to the benefits that the same persons or enterprises get. As a result, the more benefits a person or organization receives from state action, the more taxes they should pay. Meier and Wrede (2016) state that the benefit hypothesis contends that taxes on the use of public goods should be determined by political will in order to offset the benefits obtained. One draws a comparison between the advantages of taxation theory and the function of prices in the distribution of private goods or items. The benefit principle assesses the efficiency of the nation's fiscal plan as well as the current tax structure. As a result, the benefit theory approaches the tax issue from a market-oriented perspective. Accurately determining the ideal revenue amount that must be allocated to the public goods is the primary objective. Since SMEs pay for what they receive from the government, benefit theory is more equitable for all taxpayers.

The benefit theory of taxation holds that taxes are similar to what individuals and businesses are required to pay for the services that the government offers. As a result, when the interests of the firms come first, the benefit hypothesis advocates for more direct and targeted taxes for taxpayers. The benefit theory holds that taxpayers know what to anticipate from the government and how much public goods cost. Furthermore, consumer autonomy in the allocation of social goods is supported by the benefits theory of taxation. The benefit theory explains the expectations of SME taxpayers after they pay income tax, VAT, and excise taxes. Consequently, the study's independent variables support the benefit theory.

2.1.4. Tax Policies and SMEs Development

A government's decision about what taxes to impose, how much to charge, and who to tax is known as its tax policy (Evans, 2013). It's been argued that smaller businesses waste money on tax complaint when they could be reinvesting that money to fuel more growth. Therefore, there is a perception that smaller enterprises are subjected to disproportionate pressure from taxes and a complicated tax structure. Since the tax rate, compliance costs, and compliance requirements

are the same for both small and large firms, small taxpayers face discrimination under the conventional tax system. The profit margin of small businesses rises when compliance expenses and tax rates are decreased (Tomlin, 2018).Additionally, it raises government revenue because, historically, the laws for microenterprises that are simplified result in a smaller shadow economy and fewer non-complying registered taxpayers (Vasak, 2018). Additionally, SMEs typically face a difficult regulatory environment due to the abundance of regulatory bodies, multiple taxes, tedious importation procedures, and expensive port fees, all of which significantly impede their ability to conduct business (Vasak, 2018).

When SMEs are tempted to transform into forms that offer a lower tax burden or no tax burden at all, an excessively complex regulatory framework and tax regime, or one that is opaque in its administration and enforcement, make tax complaint unduly burdensome and often have a distortionary effect on the development of SMEs (Masato, 2019). This leads to a tax system that imposes high expenses on society. In addition to low efficiency and high collection costs, a badly designed tax system wastes the time of both taxpayers and employees, results in low tax collections, and deviates from the best use of available resources (Farzbod, 2015).The empirical information that is now available shows clearly that small and medium-sized enterprises bear a disproportionate share of these costs: SMEs have higher compliance costs than large businesses when measured by assets or sales. High tax rates, low efficiency, high collection costs, staff and taxpayer time wastage, low quantities of received taxes, and deviations from the optimal distribution of resources are some of the reasons that work against SME tax complaint.

SME performance and growth will suffer if a significant amount of their expenses are allocated to paying taxes. This will drive them to transfer the tax burden to the customer, which will ultimately render their products and services uncompetitive.The import substitution programme that Kenya implemented after gaining independence serves as an example of how high taxes affect sales income (Republic of Kenya, 2016). The import substitution tax system was a protectionist measure designed to encourage regional companies, especially small and medium-sized enterprises, to manufacture necessities rather than import them. A number of unintended effects of import substitution, however, included the development and maintenance of an anti-export bias as a result of high tariff structures and import regulations that promoted the importation of inputs even when they could have been obtained locally.This was owing to the

paradoxical fact that import substitution attempted to increase local output, but the local cost of capital equipment was extremely expensive (because of taxes), forcing SMEs to import equipment against the program's objectives (Holban, 2017).

2.1.5. Tax Rates and SMEs Development

The tax rate is the proportion of income or the total amount that has to be paid in taxes. Indirect taxes are those imposed on an individual or companies that are subsequently paid for by another entity. The company that collects the tax will then forward it to the government. Direct taxes, on the other hand, are levied against the person who makes the immediate payment to the government. In a proportionate tax system, taxpayers with low, middle, and high incomes pay the same tax rate. In contrast, the progressive tax system adjusts tax rates in accordance with income levels. Under a marginal rate taxation system, such as the flat tax, businesses and individual taxpayers pay the same rate (Bolboros, 2016).

Bolboros (2016) investigated the relationship between Vintila's financial performance and tax rate. Examining the effect of income tax rates on organisational performance was the aim of the study. The research design used in the study was a survey study. Questionnaires were used as study instruments. The information about the company's earnings was gathered between 2009 and 2013 from secondary sources. To determine the association between the various tax rate variables, the study performed chi-square and correlation analysis. The study discovered that government demands had an impact on tax rates. As a result, the study mainly addresses tax rates that affect revenue collection; it ignores tax rates that affect tax collection and their effects on financial performance, leaving a gap in the research. Tax rates significantly influenced the financial performance of the economy and the control of money circulation. An increase in income tax has an impact on revenue collection through progressive tax rates. (2017) studied the theory of public finance. The study used regression analysis, and the findings indicated that the tax rate had an adverse effect on return on assets.

345 workers were used from Nigerian gasoline usage data by Noor-Halp (2011) in a study on the impact of tax rates on financial performance. The study used regression analysis to test the findings of tax rates. Using descriptive statistics, the study found a positive and substantial correlation between the coefficient of tax rates and financial success in Nigeria, with a 5%

probability drop. The tax rate acts as a template for raising the amount of money collected from different types of financial transactions. The study used correlation analysis, and the outcomes were reported as the relationship between the probability of the F test findings at 0.000, or less than 0.005.

According to the study's findings, R2 can be grouped by this coefficient of tax rate determinants, which is employed in a 4:5 ratio where agreement was met to characterize and validate the financial performance of an enterprise. However, the study did not examine the impact of tax rate on financial performance, which necessitates further research. Toader and Dragoti (2014) examined the relationship between taxation and net profit for an Australian company and discovered that tax rates affected profitability. The investigation also discovered that, despite unclear fluctuation, tax rates did not remain constant between 2009 and 2013.The information was gathered from 26 companies, all of which used census sampling to promote to investors in the nation. Data acquired was examined via descriptive statistics where by correlation was applied to explore the connection between variables in the study.

In their 2015 study, Ali, Sjursen, and Michelsen examined the attitudes towards tax complaint in Africa using data from South Africa, Tanzania, Kenya, and Uganda. The results showed that business owners bear the brunt of the corporate income tax rates through lower earnings, which are then absorbed by customers through prices or by employees through lower pay. On the other hand, tax equity finance refers to an investment transaction in which a taxpayer with significant tax obligations invests in an equity position in a corporation that generates tax credits. The investor's profit is derived from the realisation of those credits, which are deducted from their tax obligations. Most people agree that the primary reason for SMEs' poor performance and noncompliance is a high tax rate.Because marginal rates of taxation control the advantages from evasion as a total of the amount evaded, they influence the incentives to avoid taxes (Kaldor, 2016). High personal income tax rates encourage tax evasion by taxpayers, which is one of the main causes of tax evasion. Tax evasion is often the result of the government enforcing an excessive number of complex rules and regulations. Legal business operations are typically challenging and unprofitable for small businesses.

2.1.6. Tax Reforms and SMEs Development

One key element of macroeconomic policy is tax reform. According to many, tax reforms are the most crucial aspect of both monetary and fiscal policy (Holban, 2017). The way tax policy is applied determines whether it is used as a particular tax advantage or as a motivator to help new and expanding businesses. Effective revenue raising in accordance with each nation's distinctiveness and administrative capabilities is the goal of tax reform. The goal of tax changes is to minimize economic disturbance, lessen inequality, and lower the tax burden while simultaneously lowering collection costs and revenue loss.

The main goal of tax reform is to make taxes more productive and efficient (Wagacha, 2019). He emphasized that there are three different kinds of tax changes: reforms pertaining to income taxes, VAT and excise charges, and customs. According to Cobham (2012), improving the tax agency's administrative capabilities is necessary for the improvements to take effect. The implementation of higher tax penalties, electronic taxpayer registration, electronic tax filing, taxpayer services, and taxpayer education are some of the crucial strengthening measures.
Tax reforms, in the opinion of Bjork (2013), increase compliance, and lowering non-compliance results in more tax revenue. SMEs bear a disproportionate amount of regulatory and tax responsibilities because of their limited size and organizational structure (Pope & Abdul-Jabbar, 2018). Due to their limited resources and lack of specialized knowledge, SMEs find tax complaint to be a critical issue. Additionally, SMEs that face significant compliance expenses resort to tax fraud and avoidance. Because of the low tax appeal, this reduces county competitiveness, which discourages investment.

According to Osambo (2019), the primary barrier preventing the government from guaranteeing that SMEs are included in the tax system is the nature of the firm. Taxing the unorganised sector is also hampered by SMEs' mistrust of the government and their poor structural cooperation. In their research on the variables influencing tax complaint among SMEs in Nigeria, Atawodi and Ojeka (2012). They discovered that the biggest issue facing SMEs is the tax rate. Since most SMEs tend to stagnate in the unofficial sector, the high tax rate primarily encourages non-compliance and hinders their expansion. The results are consistent with a different study conducted in Ghana by Carroll (2011), who discovered that taxpayers' well-being was negatively

impacted by the quantity of taxes paid. The respondents stated that their after-tax profits had decreased, and some of them believed that the amount of tax paid had a negative impact on their willingness and capacity to provide for their family.

2.1.7. Development of SMEs

The financing of any business entity is a difficult process that begins with figuring out what the firm needs financially. SMEs usually face this challenge while trying to expand or manage payroll (Samuel, 2018). The material resources that are utilized as inputs into the business and support the owner in efficiently managing daily operations are what determine the effectiveness of SMEs. The biggest barrier to SMEs' growth is their inability to generate cash flow or their limited internal access to finance (Herath & Mahmood, 2015).Therefore, the effectiveness with which SMEs operate is directly impacted by the financial resources of the business. However, because banks and microfinance institutions have stringent requirements before releasing funds, SMEs find it difficult to obtain funding from them. In a similar vein, tax regulations strain SMEs' financial flow, which hinders their capacity to grow and function.

In the developing world, SMEs fail at a significant rate, with many of them never emerging from their infancy (Mwangi, 2014). The primary causes of the SMEs' subpar performance have been identified as being restricted access to finance facilities, management problems, obstacles in marketing and education, and the regulatory framework of the government. Because of their importance to the economy, small and medium-sized firms (SMEs) face performance-limiting obstacles that have an impact on the overall performance of the national economy. The nation's gross domestic product and unemployment rate are influenced by the success of SMEs. The internal business environment of the SME has a significant impact on its success and is correlated with the available financial resources. According to research by Samuel (2018), poor entrepreneurship and human resource management have an impact on SMEs' performance. In a similar vein, Swistak (2016) claims that SMEs struggle to pay their taxes because it limits the amount of money available for the expansion and success of their businesses.

Since SMEs create the majority of jobs in every country, they are essential to the economic success of every country in the world (Samuel, 2018). SMEs are typically more dynamic and inventive than large companies. Thus, the effectiveness of SMEs is crucial to the economy's

overall performance in a nation. SMEs operate in a variety of industries and are varied organizations, so their performance differs (Herath & Mahmood, 2015). Consequently, the best ways to evaluate the performance of different SMEs are through quantitative measures such as sales turnover and the pace at which new technologies are adopted.The performance of SMEs is influenced by both external and internal variables, including taxation (Samuel, 2018). Taxes affect a SME's ability to raise funds and, as a result, the turnover of the company. Taxes are a crucial factor in influencing the performance of SMEs in any country.

Since SMEs account for the bulk of firms, there is a sizable market for revenue collection. Small-scale firms are defined differently by different people and organizations according to the many criteria that are used to identify them. Concepts related to SMEs are amorphous and contextual. SMEs are defined by the size of the business, the kind of ownership, and the amount of assets they possess. According to government definitions, a business is considered small small if it employs eleven to fifty people and generates less than Ksh five million in sales, and micro if it employs one to ten people and generates less than Ksh 500,000 (Kwarteng, 2016).

According to Ocheni (2015), small firms would much rather put their tax money toward other projects that would help them grow even more. Consequently, there is a belief that taxes and a complicated tax system unfairly penalize small businesses, making it difficult for them to thrive. Under the traditional tax system, small taxpayers experience prejudice because the tax rate, compliance costs, and compliance requirements are the same for large and small businesses. For small firms, lowering the tax rate and compliance expenses increases their profit margin.

2.2. Empirical Literature review

Odhiambo (2017) carried out a study to ascertain the influence of various factors, including age, gender, education, and training, on the business performance of SMEs. The study's target population consisted of 122 respondents who worked in the auto garage industry. Consequently, the study concluded that a high level of education is not necessary to manage an auto garage. The poll also revealed a lack of gender parity in the car repair sector. It has been demonstrated that education has a significant role in the success and profitability of SMEs in the auto repair sector.

Conversely, Muturi (2016) conducted research to identify the variables affecting the performance of small and medium-sized enterprises in Kenya. The study's target audience was Nairobi

County's petroleum merchants. Data collection was conducted by the researcher from 74 dealers using a descriptive design. According to the study's findings, petroleum dealers in Nairobi County have had to adjust to a changing environment by providing value-added services to their clientele. The utilization of seminars and workshops was also shown to be crucial in improving the performance of SMEs in Nairobi County.

Similarly, Menjo and Kotut (2015) studied the distribution of Kenya's primary taxes' tax-to-income elasticity. The study made use of time series data from government organizations such as the KRA, Central Bank, and KNBS. The study concluded that tax-to-income elasticity can be enhanced by raising individual tax responsiveness. Menjo and Kotut (2015) suggest limiting arbitrary acts related to the tax and macroeconomic environment by implementing appropriate regulations.

Zafiris (2016) investigated the effects of temporary tax incentives on the equipment investment through adjustments to the accelerated depreciation. The researchers discovered that bonus depreciation increased investment in eligible capital relative to ineligible capital after looking at more than 120,000 SMEs. Additionally, the study found that small businesses are more flexible than large ones.

Bisrat (2010) employed a descriptive research approach to determine the association between tax administration and value-added tax complaint in Ethiopia. The study's target population consisted of 112 respondents, who provided the researchers with crucial data. The researchers came to the conclusion that traders' compliance with VAT can boost government revenue after carrying out a thorough analysis. In a similar spirit, fair fines and penalties combined with a structure that guarantees that all taxpayers receive salaries that are comparable can reduce noncompliance.

Awirothanon (2019) investigated the connection between financial performance on the Thailand Stock Exchange and tax planning. Financial statements were acquired for the investigation by means of selective selection procedures. The study's conclusions show that, when assessed by ETR, tax planning significantly and favorably improves financial performance; yet, when measured by tax/asset, it significantly and negatively effects financial planning. Since the study's findings show a significantly positive relationship for BIG 4 auditors and a significantly negative

relationship for non-BIG 4 auditors between tax preparation and financial planning, listed organizations are recommended to use BIG4 auditors.

Tee, Boadi, and Opoku (2016) investigated the connection between tax payments and the performance of Ghana's SMEs in the West Municipal Assembly. The survey was the foundation for the study; it comprised structured questionnaires and interviews with 102 managers and executive officers of SMEs that the municipality had chosen. The study's conclusions show that taxes levied against small and medium-sized businesses have a noticeable effect on how much money they make. The study also shows how differences in tax rates impact the costs of different goods and services. Simplifying the tax laws that impact SMEs was suggested in the research as a way to facilitate compliance. Examples of this include straightforward tax laws and a straightforward tax filing procedure. Information technology utilization ought to be promoted.

Ocheni and Gemade (2015) looked into the effects of various levies on the performance of SMEs in Benue, Nigeria. The respondents to the questionnaires in this survey research design study comprised 91 individuals, with a sample size of 74 SMEs. The study found that double taxation has a negative effect on SMEs' survival and that there is a significant relationship between SMEs' size and their ability to pay taxes. Lastly, it was recommended that the government draft uniform tax legislation that will encourage the expansion of SMEs in Nigeria and consider the scale of these businesses when drafting legislation.

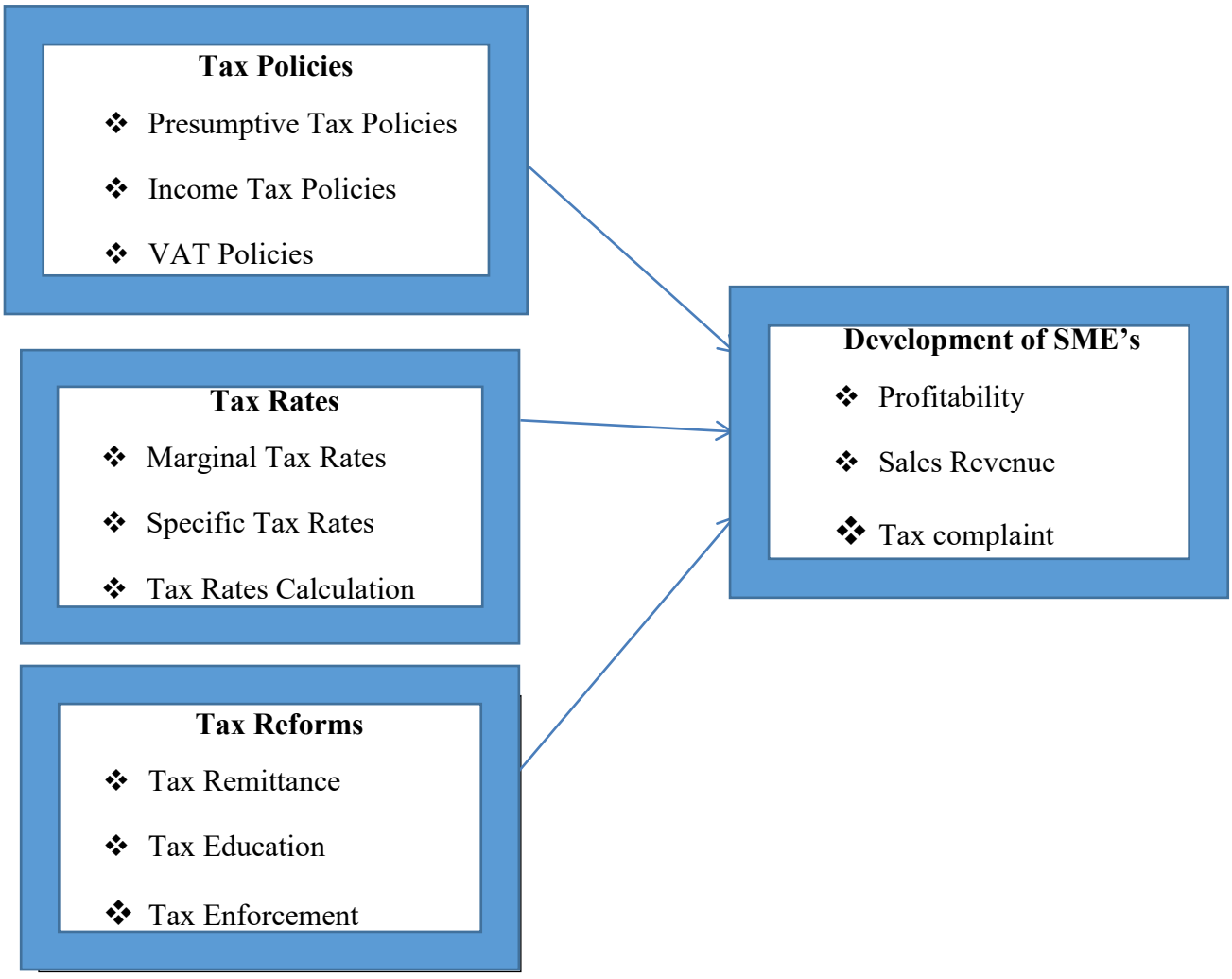
Okongo (2018) studied the impact of taxes on Ugandan small companies' profitability. Descriptive survey methodology was used in the research, along with both qualitative and quantitative techniques. Research methodologies from both qualitative and quantitative studies were compiled. 265 SSBs in Ugenya Sub County were the intended audience. The report claims that companies are aware of the consequences of failing to file their taxes on time. The survey also found that taxpayers accept reduced tax rates in relation to their financial situation. The findings demonstrated that tax administration improves taxpayer convenience in relation to tax assessment. Furthermore, it was recommended that taxpayers be provided with more information about taxes as opposed to just awareness.

2.4. Conceptual Framework

For this specific study, a conceptual model was developed based on the theoretical framework and an extensive examination of pertinent literature. According to Hong and Pluye (2018), a

conceptual framework is a network, or "a plane," of connected concepts that, when considered collectively, provide in-depth understanding of a phenomenon or occurrence. The researcher will employ the following approach for the study, which involves correlating independent factors (tax policies, tax rates, and tax reforms), with the dependent variable (development of SME's).

Independent Variable ***Dependent Variable***



(Source: from theoretical development)

2.4. Summary of Hypothesis

As a result, based on the conceptual framework and research questions, here is an outline of the main questions that summarize the null hypothesis.

H1: There is statistically significant relationship between **Tax policies** and development of SME's.

H2: There is statistically significant relationship between **Tax rates** and development of SME's.

H3: There is statistically significant relationship between **Tax reforms and** development of SME's.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1. Introduction

The particular science of research that is applied to achieve a predefined research objective is known as research methodology. Because of this, this chapter includes details on every specific technique that will be used to finish this thesis. It is composed of the following: model specification, data sources, data collection method, data analysis method, target population, sampling methods, research design, research methodology, sample design, and ethical issues.

3.2. Research design

A framework for accomplishing research goals and providing answers to research questions is provided by research design. Three categories apply to it: explanatory or causal research, descriptive research, and exploratory research. Exploratory research prioritizes the discovery of concepts and insights while attempting to find a topic for additional investigation. Studies that are descriptive characterize the traits of a person or a group. Research designs that are causal or explanatory investigate theories on the causal relationships between independent and dependent variables. Examining a condition or issue in order to comprehend the relationship between several factors is the main goal of this study design. This study uses both an explanatory or causal research design and a descriptive approach in order to examine the causal relationship between taxes and small and medium-sized firms. These designs are employed to evaluate the strength and kind of cause-and-effect relationships between variables, provide an explanation for events, problems, or behaviors that have been observed, and respond to inquiries about how and why. They also help to clarify how independent and dependent variables are related to one another.

3.3. Research Approach

Kothari (2004) distinguished between two primary research approaches: qualitative and quantitative. Using a quantitative approach means generating numerical data for in-depth examination. In contrast, the qualitative approach places more focus on the subjective assessments of attitudes, feelings, and behavior. The present investigation will employ the

quantitative technique to examine the impact of taxation on the expansion of small and medium-sized enterprises. This method makes it possible to gather data in numerical and standardized formats and to examine, show, characterize, and assess linkages and patterns in the data (Saunders, Lewis, & Thornhill, 2009).

3.4. Population and Sampling Design

3.4.1. Target Population

According to Sekeran (2001), a population is the entire set of individuals, events, or things that the researcher is interested in and intends to explore. According to Walliman (2011), this population may comprise items, humans, and even events. The focus of this study is on small and medium-sized businesses in the Kirkos sub-city administration. There are a total of 1840 active businesses in this area.

3.4.2. Sample Size Determination

The need to determine the appropriate sample size to accurately reflect a particular community has made the application of a systematic methodology necessary due to the rising demand for research. Therefore, the procedure for calculating sample size in a finite population will be applied to obtain a representative sample of employees.

As described by Kothari (2004), the formula

$$n = \frac{z^2.p.q.N}{e^2.(N-1) + z^2.p.q}$$

Where, **n** = the desired sample size

z = the standard deviation value at a certain confidence level, which may be found in the table that displays the areas under the normal curve.

p = the anticipated 50% target population proportion

Q is equal to 1 p.

e = allowable error (the accuracy) N is the population size.

Consequently, a 95% confidence level will be used to identify a representative sample of the population.

Therefore, with 95% confidence,

Z=1.96 p=0.5 q=1-p e=5% (0.05); by substituting;

$$n = \frac{(1.96)^2 (0.5) (0.5) (1840)}{(0.05)^2 (1840-1) + (1.96)^2 (0.5) (0.5)} = 313.95$$ which is approximately equal to **314**.

In order to minimize sampling error and estimate the sample size of 314 out of 1840 small and medium-sized businesses in Kirkos sub city administration, the researcher utilized the aforementioned formula for this study.

3.5. Sampling Technique

A sample is a representative fraction of the population that shares traits with the entire population, according to Sekeran (2001). Five significant SME sectors that are involved in the Kirkos sub-city administration were chosen for this study. The researcher employed a stratified sampling strategy to choose the appropriate sample despite their disparate locations inside the sub-city. The researcher obtained more accurate demographic parameters and a more representative sample from a varied community by using stratified proportionate random sampling (Denscombe, 2007). A straightforward random selection process was employed to choose 314 participants from every stratum. Since it enables the researcher to employ statistical analysis to examine the sample results, this approach was thought to be the most suitable.

Table 3. 1: Sampling frame

Key sectors	**Population**	**Sample size**	**Percentage**
Manufacturing	284	48	15.4%
Construction	320	55	17.4%
Trade	1000	171	54.4%
Service	160	27	8.7%
Urban agriculture	76	13	4.1%
Total	**1840**	**314**	**100%**

Source: Kirkos sub city administration small and medium business enterprises office

The sample is distributed based on randomly selected core sectors of SMEs of Kirkos sub city administration.

3.6. Data sources and types

Primary and secondary sources are used to compile the data. Structured surveys are used by subject matter experts (SMEs) to collect primary data. On the other hand, secondary data comes

mostly from publications that are pertinent to the study's topic, such as books, websites, bulletin boards, and reports. Books, journals, published and unpublished material on the subject region, and the Kirkos Subcity administration provided secondary data for the study.

3.7. Data collection Instruments

This study's core data was acquired by self-administered questionnaires distributed to small and medium-sized firms (SMEs) in Kirkos subcity. Once the sample respondents were determined, the researcher sent questionnaires to them and gave them plenty of time to thoroughly respond to all of the questions. To facilitate data processing, the questionnaire included closed-ended or structured questions on a predetermined 5-point Likert scale.

According to Babbie and Mouton (2006), questionnaires have several advantages, including being cost-effective, efficient, and unbiased (in comparison to interviews), as well as providing participants with anonymity and privacy to encourage honest responses, particularly on sensitive themes. Questionnaires are useful because they help convert study objectives into specific inquiries for participants.

There were three sections of the research questionnaire used in this investigation. Participants' general demographic data, including their educational background, work experience, marital status, gender, and employment status, was gathered in the first section. The focus of the second and third portions was on research variables pertaining to how taxes affect the growth of small and medium-sized enterprises.

Respondents highlighted the best acceptable response in the demographic area with a "√". A 5-point Likert scale with numerical values ranging from 5 to 1 was used by respondents to score their degree of agreement. The options were strongly disagree, disagree, agree, neither agree nor disagree, and disagree. The most favorable opinion on the statement was indicated by strong agreement (Zikmund et al. 2013).

3.8. Method of data analysis

Using the Statistical Package for the Social Sciences (SPSS) version 24, descriptive and inferential statistics were used to summarize and analyze the collected data. Frequencies, percentages, means, and standard deviations were among the descriptive statistics used to assess

the demographic data from the study sample. To facilitate comparison and enhance interpretation of survey results, tables were employed.

In contrast, inferential statistics like regression analysis and Pearson correlation were applied to the 5-point Likert scale data from parts two and three of the questionnaire. The Pearson Correlation was utilized by the researcher to evaluate the connection between taxes and the expansion of small and medium-sized enterprises. Regression analysis was also employed to assess hypotheses and achieve the study's objective of identifying how taxes affect the expansion of small and medium-sized enterprises. Taxation was treated as the independent variable in the analysis, and the growth of small and medium-sized enterprises was regarded as the dependent variable.

3.9. Model Specification

The formal process of creating a model to faithfully represent a theory through the use of mathematical formulas is known as model specification. It entails creating a theoretical model with pertinent facts, research, and theory. The following model was put forth to look at the impact and statistical significance of taxes on the growth of SMEs using multiple linear regressions.

Research Model,

$$Yi=\alpha+\beta 1X1i+\beta 2X2i+\beta 3X3i+\varepsilon i$$

Where,

Yi = Dependent variable (development of SMEs)

α = constant

β = (Beta value) coefficient of slope of regression model

X1 = Tax policy

X2= Tax rate

X3= Tax reforms

εi = error term

3.10. Validity and Reliability

3.10.1. Validity

A test's validity is determined by how well it assesses the objectives it is supposed to evaluate (Lakshmi & Mohideen, 2013). According to Kindy et al. (2016), content validity is the degree to which every item on an instrument covers every important aspect of the subject matter being studied. It is imperative that the measurement instrument—a questionnaire, for example—adequately tackle the research issues. Questionnaires are pilot tested in order to gather feedback from respondents and make the necessary revisions to verify the questionnaire's validity.

3.10.2. Reliability

According to Kothari (2004), it has to do with consistency. Matching answers to one questionnaire question to other questions is known as internal consistency. A common metric for assessing internal consistency is the Cronbach's alpha coefficient. A Cronbach's alpha coefficient of at least 0.70 is considered satisfactory, according to Pallant (2005), with higher values denoting more reliability. The reliability test results have Cronbach's Alpha coefficients greater than 0.7, as Table 3.2 demonstrates. We can therefore draw the conclusion that every variable represents a trustworthy and valid construct.

Table 3. 2: Measurement of reliability Analysis

Variables	Cronbach's Alpha	N of Items
Tax Policy	.773	6
Tax Rate	.752	6
Tax Reform	.785	6
SMEs performance	.739	6

Source: Own survey data, 2024

3.11. Ethical considerations

By using the proper protocols, the study has taken all the required safety measures to shield participants from potential risks. When completing the questionnaire, participants were instructed not to divulge any information about them, including their names. Additionally, they have been convinced that there will be no negative consequences from their involvement in this

study because the true objective of the research (to further academia) has been fully disclosed to them. Their identity and all information provided for the study were kept secret in order to protect their privacy and safety.

CHAPTER FOUR

Data Presentation, Analysis and Discussion

4.1. Introduction

This part focuses on presenting, analysing, interpreting, and discussing data relevant to the study's aims. The chapter discusses a variety of topics, including response rate, reliability analysis scores for the research instrument, assumption tests, descriptive analysis of independent and dependent variables, inferential analysis to investigate relationships and the influence of variables, and hypothesis testing. A total of 314 questionnaires were issued to the Kirkos subcity administration, with 300 (95.5%) returned and 14 (4.5%) unreturned. As a result, the data from the 300 returned questionnaires served as the basis for the study's analysis, presentation, conclusion, and recommendations.

4.1.1. Demographic Profile of Respondents

This section describes the demographic profile of female entrepreneurs in the Kirkos and Yeka subcities administrations. The analysis contains information on respondents' ages, marital statuses, and educational levels. Table 4.1 summarises the respondents' demographic characteristics.

Table 4. 1: Demographic profile of Respondents

	ITEM	FREQUENCY	PERCENT	CUMMULATIVE PERCENT
GENDER	Male	114	38.0	38.0
	Female	186	62.0	100.0
	Total	300	100.0	
AGE	18-25	130	43.3	43.3
	26-35	131	43.7	87.0
	36-50	19	6.3	93.3
	>50	20	6.7	100.0
	Total	300	100.0	
	ITEM	FREQUENCY	PERCENT	CUMMULATIVE PERCENT
MARITAL STATUS	Single	119	39.7	39.7
	Married	102	34.0	73.7
	Divorced	55	18.3	92.0
	Widowed	24	8.0	100.0
	Total	300	100.0	
	ITEM	FREQUENCY	PERCENT	CUMMULATIVE PERCENT
EDUCATIONAL BACKGROUND	10 and less than	85	28.3	28.3
	10+1	85	28.3	56.7
	10+2	55	18.3	75.0
	10+3	37	12.3	87.3
	Diploma	22	7.3	94.7
	Bachelor's Degree	16	5.3	100.0
	Total	300	100.0	

Source: Own survey data, 2024

As mentioned previously, Table 4.1 displays the respondents' demographic data. The majority of respondents in the research were female, showing that most SMEs in the subcity are owned by women.

Of the total respondents, 114 (38%) were male and the rest 186 (62%) were female. With 131 (43.7%) responses, the age group of 26–35 had the largest age dispersion. Next in line were the 18–25 age group with 130 (43.3%), the 36–50 age group with 19 (6.3%), and the over-50 age group with 20 (6.7%). This suggests that a sizable portion of the subcity's sampled SMEs are owned and operated by young people.

In terms of marital status, of the survey participants, 119 (or 39.7%) were single, 102 (34.0%) were married, 55 (18.3%) were divorced, and 24 (or 8.0%) were widowed.

Regarding education, 85 people (28.3%) had only completed the tenth grade, 85 more people (28.3%) had finished the eleventh grade, 55 people (18.3%) had finished the twelfth grade, 37 people (12.3%) had finished the thirteenth grade, 22 people (7.3%) had a college diploma, and 16 people (5.3%) had a bachelor's degree. This suggests that most responders have completed up to a diploma in technical and vocational education.

4.2. Descriptive analysis on Taxation Variables

The analyst has distilled the performance of Micro and Small Enterprises (MSEs) using a 5-point Likert scale, utilizing mean and standard deviation, in order to ascertain the participants' overall perception of the selected factors that affect taxation (i.e., tax policies, tax rates, and tax reforms). The following numerical values were equivalent to the 5-point Likert scale: There are five options: 1 (strongly disagree), 2 (disagree), 3 (neither agree nor disagree), 4 (agree), and 5 (strongly agree).

Thus, the average degree of agreement or disagreement between the sample group and the individual assertions is represented by the mean value. According to Marczyk et al. (2005), a higher mean value indicates a larger degree of agreement among participants with the assertions, whereas a lower mean value indicates a higher degree of dissent.

Consequently, a low degree of agreement is indicated by a mean score between 1 and 2.33, a moderate (medium) level of agreement is shown by a mean score between 2.34 and 3.67, and a strong level of agreement is indicated by a mean score of 3.68 or higher. In this study, the descriptive analysis was conducted using this set of criteria (Zaidatol et al., 2012).

4.2.1. Tax Policies

Table 4. 2: Descriptive statistics summary result of tax policies

Tax Policies	Number	Mean	Standard Deviation
Since the business's taxes are straightforward, tax consulting services are not necessary.	300	3.62	1.317
SMEs don't need complex tax documentation.	300	3.73	1.287
SMEs typically charge VAT at the time of sale on all of their goods.	300	3.66	1.308
The activities of SMEs are typically impacted by penalties for noncompliance with VAT laws.	300	3.87	1.332
For SMEs, information on income tax legislation is easily accessible	300	3.88	1.321
Changes in income tax rates have an impact on SMEs' performance.	300	3.96	1.247
Total grand mean and standard deviation	300	3.79	1.302

Source: Own survey data, 2024

Table 4.2 displays the data that was collected from respondents regarding their degree of agreement with six statements pertaining to tax policies. The statement with the highest mean score, 3.96, and standard deviation (SD) of 1.247, related to the effect of changes in income tax rates on the performance of SMEs in the sub city. On the other hand, the statement with the lowest mean value (3.62, SD = 1.317) was the one that implied that the tax imposed on firms is simple and does not necessitate tax advisory services.

When asked if SMEs need comprehensive tax records, the respondents got a mean score of 3.73 with a standard deviation (SD) of 1.287. With a mean score of 3.66 and a standard deviation (SD) of 1.308, the statement regarding SMEs charging VAT on all products during sales indicated moderate agreement among respondents.

Additionally, with a mean score of 3.87 and a standard deviation of 1.332, respondents agreed with the statement that SME activities are impacted by fines for VAT violation. A mean score of 3.88 and a standard deviation (SD) of 1.321 indicate that respondents were overwhelmingly in

agreement on the availability of information on income tax regulations for small and medium-sized enterprises.

Ultimately, the researcher came to the conclusion that respondents strongly agreed on the impact of tax policies on SME performance in the sub-city, as evidenced by the overall grand mean value of 3.79 and standard deviation (SD) of 1.302.

4.2.2. Tax Rates

Table 4. 3: Descriptive statistics summary result of tax rates

Tax Rates	Number	Mean	Standard Deviation
Low marginal tax rates are necessary for SMEs in order to guarantee that revenue declines in line with inflation.	300	3.54	1.489
To improve tax collection by ECRA, SMEs must pay at a specific tax rate.	300	3.64	1.430
Tax rates for SMEs ought to be lowered in order to promote an entrepreneurial culture in the community.	300	3.67	1.396
SMEs' tax rates ought to fluctuate periodically in accordance with the state of the economy.	300	3.55	1.431
For SMEs, tax rates are calculated without taking into account the actual revenue assessment.	300	3.74	1.374
Rationalization of the VAT tax rate has increased the SME's sales revenue.	300	3.74	1.359
Total grand mean and standard deviation	300	3.65	1.413

Source: Own survey data, 2024

The researcher employed six statements to gauge respondents' agreement with the existence of tax rates, based on the information shown in table 4.3 above. The first statement, "SMEs require low marginal tax rates to ensure that revenue decreases commensurate with inflation," obtained the lowest standard deviation (1.489) and mean score (3.54). The final two claims, "VAT tax rate rationalization has improved sales revenue of the SME" and "Tax rates computation for SMEs are computed without the actual assessment of the revenue," had the highest mean value—3.74, with standard deviations of 1.374 and 1.359, respectively.

The average response rate (3.64) and standard deviation (SD) of 1.430 indicate that respondents were only somewhat in agreement with the statement regarding the necessity of special tax rates for SMEs in order to enhance revenue collection by ECRA. The statement with a modest mean value of 3.67 and a standard deviation (SD) of 1.396 suggested that tax rates for SMEs be lowered in order to promote an entrepreneurial culture in the town.Similarly, the statement with a moderate mean of 3.55 and a standard deviation of 1.431 suggested that tax rates for SMEs be modified in accordance with the state of the economy. Finally, respondents significantly agreed with the notion that tax rates for SMEs are determined without an actual assessment of revenue, as indicated by the mean score of 3.74 and standard deviation (SD) of 1.357. In conclusion, tax rates significantly impact the performance of SMEs in the subcity, as indicated by the overall grand mean of 3.65 and standard deviation (SD) of 1.413.

4.2.3. Tax Reforms

Table 4. 4: Descriptive statistics summary result of tax reforms

Tax Reforms	**Number**	**Mean**	**Standard Deviation**
For SMEs, the tax rates sent to ECRA have been advantageous.	300	3.64	1.361
To avoid paying tax penalties, SMEs consistently submit their taxes on time and before the deadline.	300	3.70	1.367
The SMEs are aware of the regulations and sanctions for enforcement.	300	3.68	1.355
A few of the ECRA's enforcement guidelines prevent SMEs in the community from expanding.	300	3.50	1.434
The ECRA's online tax system training is beneficial for SMEs since it enhances their tax complaint.	300	3.29	1.447
SME comprehension of national tax laws and rates has been aided by the technical training team of ECRA.	300	3.52	1.406
Total grand mean and standard deviation	300	3.56	1.395

Source: Own survey data, 2024

In order to gauge respondents' degrees of agreement with the tax change projection, six statements were presented to them, as table 4.4 above illustrates. According to the data, which had the highest mean of 3.70 and the lowest standard deviation (SD) of 1.367, SMEs usually pay their taxes ahead of time in order to avoid fines. On the other hand, the statement that quantified the impact of ECRA's online tax system training on SMEs' ability to comply with tax laws received the lowest mean score of 3.29, along with a 2.47 standard deviation.

When respondents were asked to rate how much they agreed or disagreed that the tax rates sent to ECRA were favorable for SMEs, the mean result was 3.64, with a standard deviation (SD) of 1.363, indicating that there was strong agreement. Likewise, the assertion regarding SMEs' familiarity with enforcement guidelines and sanctions had a mean of 3.68 and a standard deviation of 1.355.

Respondents agreed, on average, (SD 1.434) that ECRA's enforcement policies had a moderate impact on the growth of SMEs in the town. Additionally, the mean value of the technical training that ECRA offered SMEs to help them understand tax laws and rates was 3.52, with a standard deviation of 1.406.

Lastly, the standard deviation (SD) of 1.395 and the overall grand mean value of 3.56 indicate that respondents were generally in agreement with the significance of tax reforms and their significant impact on the performance of SMEs in the subcity.

4.3. Descriptive analysis on business of SMEs performance

Table 4. 5: Descriptive statistics summary result of SMEs performance

SMEs performance	Number	Mean	Standard Deviation
SMEs' tax payments lower their profitability.	300	4.02	1.159
The amount of taxes imposed on small businesses is excessive.	300	3.68	1.350
Tax laws and rates play a part in SMEs' noncompliance.	300	3.57	1.411
Since tax laws and changes haven't addressed SMEs' pricing issues, their sales revenue has decreased.	300	3.68	1.361
The portfolio of small SMEs' operations is vulnerable to tax concerns, which has an impact on their profitability.	300	3.67	1.339
The performance of SMEs is hampered by tax uncertainty and repressiveness.	300	3.76	1.315
Total grand mean and standard deviation	300	3.73	1.322

Source: Own survey data, 2024

According to the data in Table 4.5, participants provided an average of six statements to evaluate the performance of SMEs. With a mean value of 4.02 and a standard deviation (SD) of 1.159, the statement "Tax paid by SMEs reduces their profitability" was most prevalent among the rest. However, with a mean value of 3.57 and a standard deviation of 1.406, the statement "Tax policies and tax rates contribute to non-compliance by SMEs" received the lowest value. The mean and standard deviation (SD) of the statement "The amount of tax levied on small-scale businesses is too much" were 3.68 and 1.350, respectively.

Additionally, with a mean score of 3.68 and a standard deviation (SD) of 1.361, the statement regarding how tax laws and amendments fail to solve the price challenges faced by SMEs and hence limit their sales revenue was found to have moderate agreement among respondents. With a mean score of 3.67 and a standard deviation (SD) of 1.339, respondents strongly agreed that small SMEs' operations are sensitive to tax risks that impact their performance. Similarly, the statement with a high mean value of 3.76 and a standard deviation of 1.315 focused on the impact of uncertainty and the regressive nature of taxes on the performance of SMEs.

The results indicate that there is considerable agreement among respondents regarding the performance of SMEs in the Kirkos subcity administration, as indicated by the overall grand mean value of 3.73 and the standard deviation (SD) of 1.322.

4.4. Correlation Analysis

Finding the relationship between two variables can be done statistically using correlation analysis. Working as a standardized measure of covariance, it illustrates the relationship between changes in one variable and changes in another (Zikmund et al, 2013). In this study, the performance of SMEs in the Kirkos subcity of Addis Ababa city administration is examined in connection to taxation factors (tax policies, tax rates, and tax revisions) using correlation analysis. The link was demonstrated in this study through the use of Pearson correlation analysis. Plotting from -1.0 to 1.0, the Pearson product-moment correlation coefficient "r" indicates how strongly the variables are related.

The strength and direction of the link are shown by the coefficient (r). The degree of the link and the sign of the coefficient show whether the correlation is positive (both variables rise concurrently) or negative (one variable increases while the other decreases). For evaluating the link between variables, correlations are crucial (Marczyk et al., 2005). Evans's (1996) classification criteria can be used to categorize correlation strength degrees. According to Evans (1996), the following categories can be found in the absolute value of the linear correlation coefficient (r): (Beldjazia and Alatou, 2016).

Very weak (r = 0.00-0.19), weak (r = 0.20-0.39), moderate (r = 0.40-0.59), strong (r = 0.60-0.79), and very strong (r = 0.80-1.0).

In order to comprehend the relationships between the dependent and independent variables, Pearson correlation coefficients were calculated, as table 4.6 below illustrates.

Table 4. 6: Correlation coefficients between dependent and independent variables

Correlations					
		SMEs Performance	Tax Policies	Tax Rates	Tax Reforms
SMEs Performance	Pearson Correlation	1	.724**	.719**	.680**
	Sig. (2-tailed)		.000	.000	.000
	N	300	300	300	300
Tax Policies	Pearson Correlation	.724**	1	.713**	.657**
	Sig. (2-tailed)	.000		.000	.000
	N	300	300	300	300
Tax Rates	Pearson Correlation	.719**	.713**	1	.696**
	Sig. (2-tailed)	.000	.000		.000
	N	300	300	300	300
Tax Reforms	Pearson Correlation	.680**	.657**	.696**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	300	300	300	300

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

Source: Own survey data, 2024

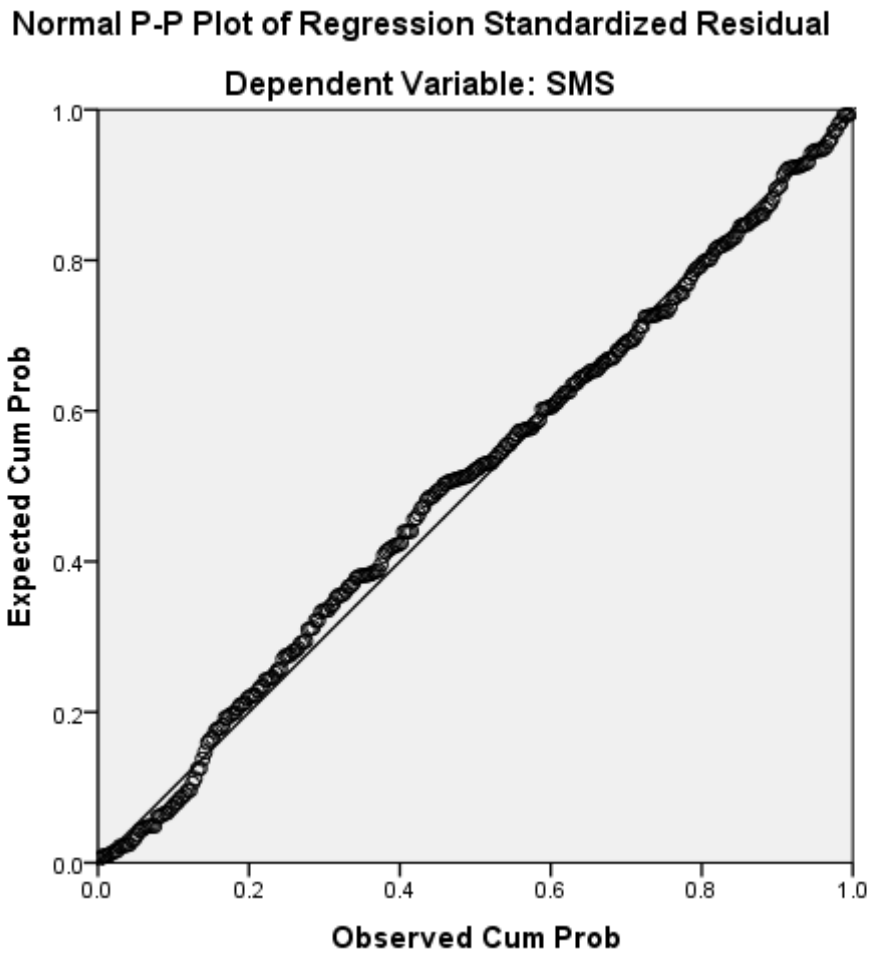
Table 4.6 shows the correlation study of overall taxation variables and SMEs' performance. The correlation matrix revealed a strong positive association ($r=0.724$, $p<0.01$) between tax policies and the performance of SMEs, surpassing other taxing variables. Tax rates were favourably connected with SMEs' success ($r=0.719$, $p<0.01$). Tax reforms had a slightly smaller positive connection ($r=0.68$, $p<0.01$) with SMEs' performance than other taxing variables. In conclusion, the correlation results show a strong and positive association between tax policies, tax rates, tax reforms, and SMEs' performance in the Kirkos subcity administration, with all factors statistically significant based on the correlation magnitude as determined by Evans (1996).

4.5. Multiple Regression Analysis

Multiple regression was used to determine the effect of independent variables on the dependent variable. It was also utilised to assess the model's overall fit, as well as the individual contributions of each predictor to total explained variance. In this study, multiple regression was used to evaluate the potential association between taxation and SMEs' performance. Furthermore, it aided in the creation of a formula that depicts the relationship between SMEs' performance and taxation. The investigation included the use of a regression model to assess the

hypotheses developed based on the three variables studied. All hypotheses were tested using a 95% confidence interval. Ballance (2004) points out that the effective use of a multiple regression model requires the compliance of crucial assumptions to assure validity. Thus, the reliability and impartiality of regression results are dependent on the assessment of underlying assumptions. Valid conclusions and generalisations can only be drawn when these assumptions have been tested and confirmed accurate. Prior to performing the multiple regression analysis, the researcher ensured that the data satisfied the assumptions required for a trustworthy and accurate analysis. The SPSS version 24 software was used to examine the assumptions of multiple linear regressions.

1. Linearity assumption: According to Balance (2004), the predictor, or independent variable, and the dependent variable are linearly related. The degree to which changes in the independent variables and changes in the dependent variable are connected is also shown by linearity. In order to confirm the linearity assumption, the Kirkos subcity administration generated Normal Probability Plots to examine the relationship between the dependent variable (SMEs' performance) and the independent variable (taxation). Standardized results are expected to follow a straight diagonal line in the Normal Probability Plot of the regression, as shown in figure 2 below, from the bottom left to the top right:

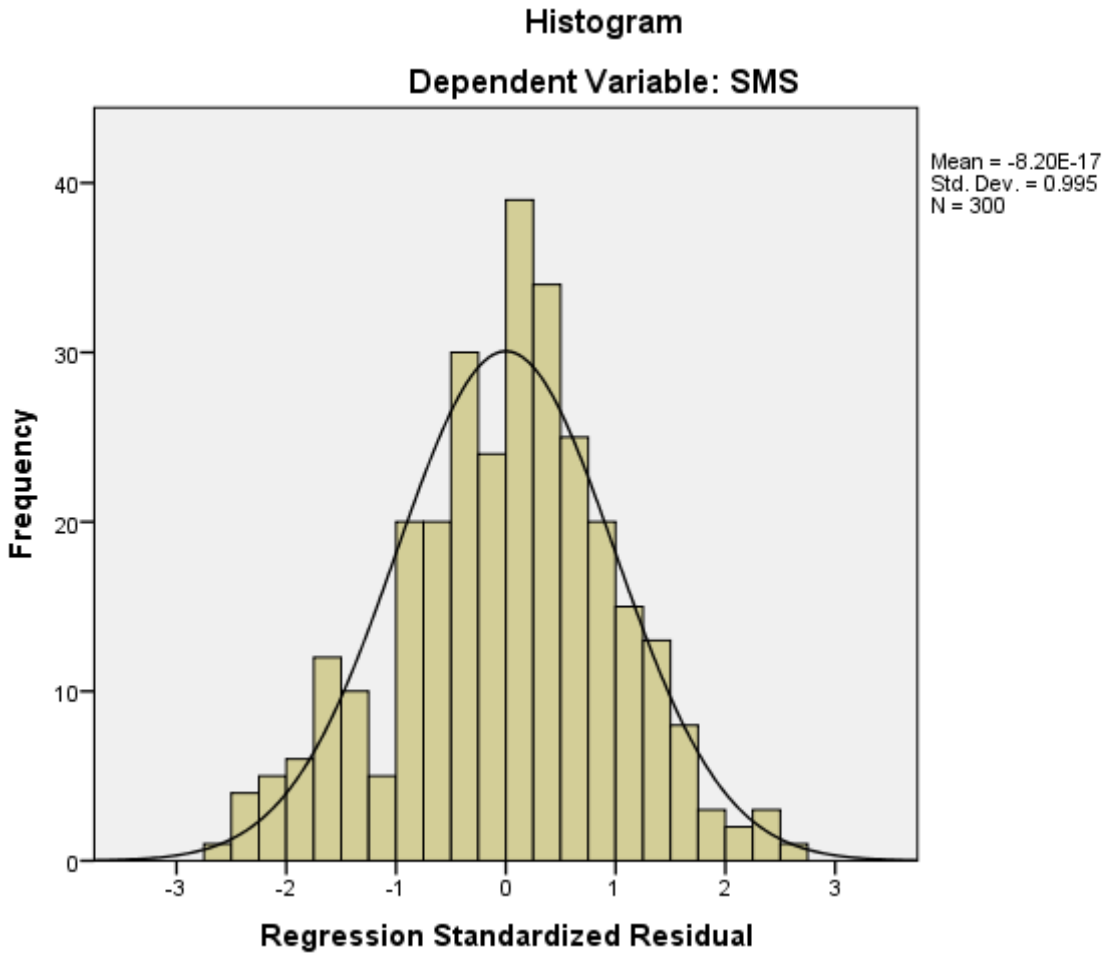


Source: Own survey data, 2024

Figure 1: Linearity Assumption test

Figure 2 above illustrates how a visual examination of the Normal Probability plot produced by the Statistical Package for Social Science (SPSS) indicates that each independent variable's relationship to the dependent variable appears to be linear.

2. Normality assumption: A bell-shaped distribution that is symmetrical and has the highest frequency of data points in the center and decreasing frequencies toward the tails is referred to as normal. It is expected that the variables in multiple regression analysis have a normal distribution. According to this supposition, the residuals have values that approximate a normal curve and are normally distributed. One common method to assess the normality assumption is to look at a histogram that has a normal curve superimposed on it.



Source: Own survey data, 2024

Figure 2: Normality Assumption Test

Figure 3, the image above, demonstrates that all requirements are satisfied with no appreciable departure from normalcy. To put it simply, the image's histogram demonstrates that the data used for this investigation's error terms are consistently distributed, guaranteeing normalcy.

3. Multi-collinearity assumption: In terms of the multi-collinearity assumption, linear regression postulates that the data have little to no correlation or none at all. It's critical to look for any abnormal correlations between the independent variables in the model before presenting the regression models. It may be incorrect to draw conclusions about the relationship between the dependent variable and predictor variables if there is a perfect or exact relationship (i.e., if r=1) between predictor variables or at least one independent variable with a combination of other

independent variables (Alibuhtto and Peiris, 2015). Determining the precise role that each independent variable has in forecasting the dependent variable's results can be difficult in situations when the independent variables have a high degree of correlation. Collinearity diagnostics can help identify problems with multicollinearity that may not be apparent in the correlation matrix.

Reddy et al. (2013) state that, the most popular method for identifying multicollinearity is the Variance Inflation Factor. Multicollinearity is generally indicated by VIF values more than 5 or 10 (Reddy et al., 2013). Following is the calculation of the VIF: Tolerance / VIF = 1. In addition, Field (2009) noted that tolerance values below 0.1 indicate significant problems. Nevertheless, some statisticians contend that tolerance values below 0.2 indicate a high degree of multiple correlation with other independent variables, suggesting the possibility of multicollinearity (Field, 2009).

Table 4. 7: Multi-collinearity Test Result

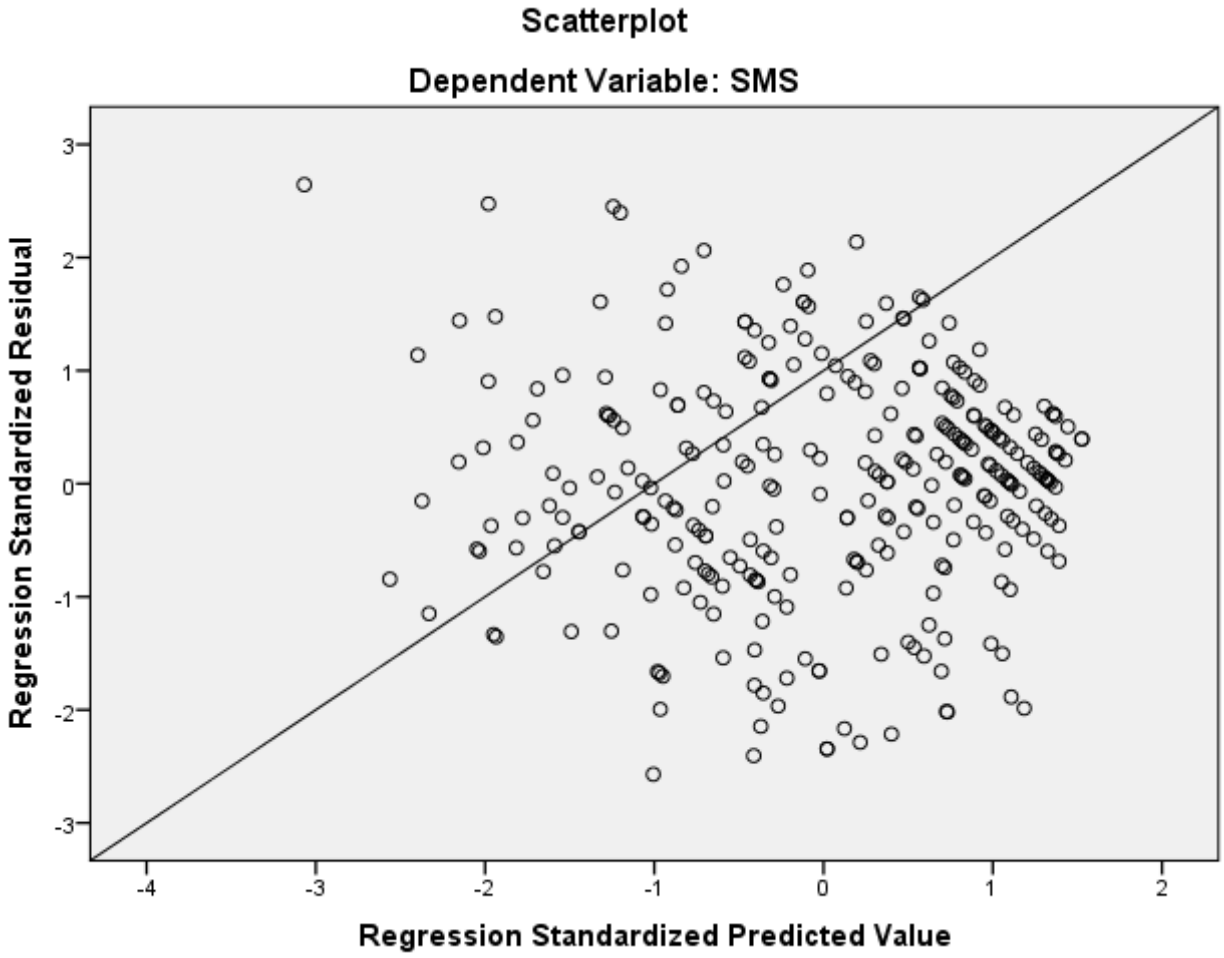
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Tax Policies	.441	2.265
	Tax Rates	.400	2.499
	Tax Reforms	.463	2.162

Source: Own survey data, 2024

It is clear from the multi-collinearity test table (table 4.7) that multi-collinearity problems are not present in the multiple linear regression model. This is because the tolerance is not less than 0.20 and the model's variance inflation factor (VIF) is below 5.0. The tolerance values of the variables range from 0.400 to 0.463, and the VIF values span from 2.162 to 2.499. The independent variables do not overlap or have a strong correlation as a result. They do not have multi-collinearity issues, which may impair the multiple linear regression model's ability to predict outcomes.

4. Homoscedasticity assumption: All levels of the independent variables have the same variance for errors, according to the homoscedasticity assumption. This indicates that the distribution of

the errors among the variables is constant. To find homoscedasticity, plot the standardized residuals against the regression standardized predicted value. Heteroscedasticity, which defies the assumption, is seen in a scatter plot that shows patterns other than an even distribution, such as fans or butterflies. For this inquiry, the researcher created a scatterplot of standardized residuals versus standardized anticipated values using the SPSS software.



Source: Own survey data, 2024

Figure 3: Homoscedasticity Assumption Test

As demonstrated in Figure 4, the standardised residuals in this study are evenly distributed, and it is inferred that heteroscedasticity is not a significant issue for this data.

5. Autocorrelation Test: To determine whether the residuals are not independent, the autocorrelation test is employed. The data must have little to no autocorrelation in order to do a multiple linear regression analysis. The residual autocorrelation can be evaluated using the Durbin-Watson test. A result of 0 indicates the absence of autocorrelation. This test examines the covariance of error components across time. Researchers can obtain the computed result by using the Durbin-Watson option available in the regression analysis portion of the SPSS software program. In this investigation, the Durbin-Watson test was utilized to evaluate autocorrelation.It is anticipated that the Durbin-Watson value will fall between 0 and 4, with values close to 2 indicating no autocorrelation.

Table 4. 8**: Autocorrelation Test**

Model Summary[b]					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.796[a]	.634	.630	3.18390	2.277
a. Predictors: (Constant), Tax Policies, Tax Rates, Tax Reforms b. Dependent Variable: SMEs Performance					

Source: Own survey data, 2024

The conclusion that can be drawn from the Durbin-Watson statistics of 2.277 is that the result is close to 2, falling between 1 and 3. This demonstrates that the assumption of residual independence has been satisfied.

Following an analysis of the five test results, it is evident that none of the following scenarios would indicate a serious violation of the multiple regression assumptions: (A) the regression model's goodness of fit (Model Summary); (B) the independent variables' ability to predict the dependent variable (ANOVA); and (C) the statistical significance of each independent variable (Regression Coefficients).

4.5.1. Model Summary

The study sought to establish the relationship between SEMs performance and taxation in the Agency. Table 4.9 shows the outcomes of the SPSS software program.

Table 4. 9: Model summary

Model Summary[b]				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.796[a]	.634	.630	3.18390

a. Predictors: (Constant), Tax Policies, Tax Rates, Tax Reforms
b. Dependent Variable: SMEs performance

Source: Own survey data, 2024

As per the model summary table (table 4.9), the multiple correlation coefficient, or R, is represented by the value in the "R" column. Strong correlation, as indicated by a R value of 0.796, suggests a high degree of predictability between the three independent components and the performance of SMEs. The R2 value, also known as the coefficient of determination, is displayed in the "R Square" column. This number represents the proportion of the dependent variable's variance that the independent factors can account for. In this case, the independent variables may account for 63.4% of the variance in the model, according to the R2 value of 0.634. Simply put the taxation variables included in the model (tax policies, tax rates, and tax reforms) account for 63.4% of the variation in Kirkos subcity administration's SMEs performance. However, it is vital to highlight that the remaining 36.6% of changes in SMEs' performance in Kirkos subcity administration are driven by non-model elements or variables. As a result, the selected taxing characteristics of Kirkos subcity administration are useful explanatory variables for predicting SMEs' success in the subcity administration.

4.5.2. ANOVA Model Fit

The regression model's fit is assessed by the F-ratio in the ANOVA table below. An outcome that is statistically significant ($P < 0.05$) is indicated by a Sig. value less than 5%.The following SPSS software results are shown in Table 4.10:

- The "R" column shows the multiple correlation coefficient (R), which measures the strength of the association between the independent and dependent variables.

- The "F" column displays the F-Ratio value, which measures the appropriateness of the regression model fit.
- The "DF" column displays the degrees of freedom (DF), which are the number of independent variables that can change without breaching any limitations.
- The "Sig. F" column displays statistically significant values (P < 0.05) showing substantial correlations between variables and the predictive ability of independent factors over dependent variables.

Table 4. 10: ANOVA model fit

ANOVA[a]						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5202.057	3	1734.019	171.054	.000[b]
	Residual	3000.623	296	10.137		
	Total	8202.680	299			

a. Dependent Variable: SMEs
b. Predictors: (Constant), Tax policies, Tax rates, Tax reforms

Source: Own survey data, 2024

Regression model fits the data well at a 5% level of significance with F = 171.054 and an estimated significance level of 0.000 (p<0.001); the statistics in the table indicate that the significance level of 0.05 is more than the predicted significance level of 0.000, indicating the presence of statistically significant correlations between the variables. This suggests that the independent factors can accurately predict the dependent variable.

4.5.3. Regression Coefficients

The data in table 4.11 below was created by the study using the SPSS software program to ascertain the statistical significance of each independent variable in the Kirkos subcity administration:

Table 4. 11: Regression coefficients

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	T	Sig.
		B	Std. Error	Beta		
1	(Constant)	3.861	.843		4.579	.000
	Tax Policies	.344	.052	.351	6.635	.000
	Tax Rates	.280	.051	.303	5.455	.000
	Tax Reforms	.215	.047	.238	4.610	.000
a. Dependent Variable: Performance of SMEs						

Source: Own survey data, 2024

Standardized Coefficient (Beta)

The information provided by the standardised coefficients is helpful in determining the relative significance of different independent variables. They are employed in evaluating the impact of every independent variable on the dependent one. We can ascertain the degree of influence that any independent variable (predictor) has on the dependent variable (criteria) using the standardized beta coefficient. Put otherwise, the average amount of change in the dependent variable that follows a unit change in the independent variable is described by the regression coefficient. With a beta value of (B=.351), tax policies had the biggest impact on predicting the performance of SMEs in Kirkos subcity administration, according to the regression coefficients table (table 4.11) above. The second most significant indicators of SMEs' performance in Kirkos subcity administration are tax rates (B=.303) and tax reforms (B=.238).

According to the regression coefficient table, all selected taxation variables, namely tax policies, tax rates, and tax reforms, have statistically significant contributions to the performance of SMEs in Kirkos subcity administration at a 95% confidence level. This is demonstrated by their p-values of.000,.000, and.000, respectively. These variables have a significance level of less than 5% ($p < 0.05$).

In conclusion, tax policies are the most significant independent variable, with a statistically significant effect to the performance of SMEs in Kirkos subcity administration (p-value =.000).

Unstandardized Coefficients

The regression coefficient outputs represent the unstandardized coefficients (β) for the independent variables. These coefficients (B) represent the change in the dependent variable as a unit change in the independent variable. As described in Chapter 3, the study used the multiple regression model below to establish the statistical significance of the independent factors on the dependent variable.

$$Yi=\alpha+\beta 1X1i+\beta 2X2i+\beta 3X3i+\varepsilon i$$

Where;

Y= Dependent variable (SMEs Performance)

α= constant

β= (Beta value) coefficient of slope of regression model

X1= Tax Policies

X2= Tax Rates

X3= Tax Reforms

εi= error terms

The explanatory variables are X1 through X3, whereas the random variable is the error term ε, which is the Greek letter epsilon.

The intercept in the model (Yi=α+β1X1i+β2X2i+β3X3i+εi) is represented by the constant β0. Holding all independent variables constant, the regression coefficients β1 to β3 represent the average change in the dependent variable for a one-unit change in the independent variable. In the model, unexplained variability is represented by the error term εi. After the independent variables' unstandardized coefficients (β) were added to the model (Yi=α+β1X1i+β2X2i+β3X3i+ςi), the formulation that was produced was as follows:

Yi equals 3.861 + 0.344X1i + 0.280X2i + 0.215X3i + εi.

Based on the model calculation, the constant value (β0 = 3.861) indicates that SMEs in Kirkos subcity administration would perform at 3.861 if all other variables were zero.A beta coefficient (β) of 0.344 shows that a one-unit rise in tax policies results in a 34.4% improvement in the performance of SMEs in Kirkos subcity administration. Similarly, a beta coefficient of 0.280

indicates that a one-unit change in tax rates causes a 28.0% change in SMEs' performance, followed by tax policies.

Furthermore, a beta coefficient of 0.215 indicates that a one-unit adjustment in tax reforms results in a 21.5% improvement in the performance of SMEs in Kirkos subcity administration. Furthermore, the regression model formula above assumes a zero error term (ε). The regression coefficients show that all six independent factors have a statistically significant effect on the performance of SMEs in Kirkos subcity administration.

4.6. Hypothesis Testing

A well-founded and validated guess regarding the response to a research topic is called a hypothesis. Generally speaking, it is described as the researcher's attempt to explain the phenomenon they are studying. The researcher's attempt to explain the phenomenon under examination is represented by these hypotheses, which should contain a forecast regarding the components being examined. The next step in evaluating these forecasts is to gather and analyze data, and based on the findings, the hypotheses may be confirmed or denied. Regression coefficient data were therefore used to test the four hypotheses that were developed in the previous chapter.

Table 4. 12: Summary Result of Regression Analysis

Model		Beta	Statistical significance
1	(Constant)	3.861	.000
	Tax Policies	.344	.000
	Tax Rates	.280	.000
	Tax Reforms	.215	.000
a. Dependent Variable: SMEs Performance			

Source: Own survey data, 2024

The study's hypothesis is tested and given as follows, based on the results of the regression analysis shown in table 4.12 above:

Hypothesis 1:

H1: Tax policies have a significant and positive relationship with the SMEs performance.

The findings demonstrated that tax policies have a considerable and favourable effect on the performance of SMEs. The beta coefficient for tax policy was determined to be 0.344 with a p-value of 0.000 (less than 0.05). This shows that tax policy changes can account for 34.4% of the improvement in SMEs' performance, provided all other variables remain constant. As a result, it is possible to conclude that tax policies have a considerable effect on the performance of SMEs, supporting Hypothesis 1

Hypothesis 2:

H1: Tax rates have a significant and positive relationship with the SMEs performance.

Similarly, the investigation revealed that tax rates have a strong and positive link with SMEs' success. The regression coefficient for tax rates was 0.280, with a p-value of 0.000 (less than 0.05). This suggests that changes in tax rates in Kirkos subcity administration account for 28% of the improvement in SMEs' performance, provided all other variables remain constant. As a result, it is possible to conclude that tax rates have a significant effect on the performance of SMEs, which supports Hypothesis 2.

Hypothesis 3:

H1: Tax reforms have a significant and positive relationship with the SMEs performance.

Finally, the study found that tax modifications had a considerable and favourable effect on SMEs' performance. The regression coefficient for tax reform was found to be 0.215, with a p-value of 0.000 (less than 0.05). Assuming all other variables remain constant, improvements in tax reforms in Kirkos subcity administration account for 21.5% of the rise in SMEs' performance. As a result, it is possible to conclude that tax modifications have a considerable effect on the performance of SMEs, hence supporting Hypothesis 3.

Table 4. 13: Summary of Tested Hypothesis

Hypothesis	Results
Ho: There is no significant and positive relationship between **tax policies** and SMEs performance. **H1:** There is significant and positive relationship between **tax policies** and SMEs performance.	**Ho:** Rejected **H1:** Accepted
Ho: There is no significant and positive relationship between **tax rates** and SMEs performance. **H1:** There is significant and positive relationship between **tax rates** and SMEs performance.	**Ho:** Rejected **H1:** Accepted
Ho: There is no significant and positive relationship between **tax reforms** and SMEs performance. **H1:** There is significant and positive relationship between **tax reforms** and SMEs performance.	**Ho:** Rejected **H1:** Accepted

Source: Own survey data, 2024

CHAPTER FIVE

Summary of Major Findings, Conclusion and Recommendations

5.1. Introduction

This section summarised the study's primary discovery. Furthermore, the part includes conclusions based from the important findings. To improve the performance of SMEs, this section also includes proposals for improving the Kirkos subcity administration's tax system. Furthermore, recommendations for future research are presented.

5.2. Summary of Findings

- Examining the effect of taxes on the performance of SMEs in the Kirkos subcity administration was the aim of this study. In order to collect data for the study, a predetermined sample of SMEs in the Kirkos subcity administration were given questionnaires. A total of 314 surveys were sent out, and 300 of those were returned, yielding a 95.5% response rate. The obtained Cronbach's alpha value was more than 0.70, demonstrating the strong dependability of the research tools.
- After reviewing the background data of the SME respondents in the Kirkos subcity administration, it was discovered that 186 (62%) of the total respondents were female. Age distribution-wise, 131 (43.7%) of the total replies came from those in the 26–35 age range. Of the 119 responses, or 39.7%, the majority were single. Regarding educational background, most of the participants had completed their technical, vocational, or diploma-level coursework within the Kirkos subcity administration.
- Descriptive statistical analysis was performed on each independent variable (tax policies, tax rates, and tax changes) and dependent variable (SMEs' performance), yielding mean scores and standard deviations. The study found that tax policies had the greatest mean score (3.79), followed by tax rates (3.65), while tax reforms had the lowest mean score (3.56) among the taxation variables. The mean score for SMEs performance was 3.73, showing that respondents had good agreement on SMEs performance indicators.

- Pearson coefficients showed a statistically significant positive relationship between the performance of SMEs and all three factors at a significance level of 0.01. In particular, when compared to other taxation variables, tax policies have a favorable and statistically significant link with the performance of SMEs. Like tax policies, tax rates and reforms have a somewhat beneficial relationship with the success of SMEs.
- Earlier to doing multiple regression analysis, the researcher verified that the data met the preliminary assumptions required for the study to be trustworthy and valid. Several regression tests, including linearity, normality, multicollinearity, homoscedasticity, and residual independence tests, were run, and the study model met all of the assumptions.
- Multiple regression analysis was done to see if the independent variables influenced the dependent variable. The R square value from the regression model summary (R2 = 0.634) indicated that tax policies, tax rates, and tax reforms of taxation factors can explain 63.4% of the variation in the SMEs performance of Kirkos subcity administration, while the remaining 36.6 percent may be explained by other variables in Kirkos subcity administration. The independent variables strongly predict the dependent variable using the ANOVA test (F=171.054), (P<0.001). From a statistical sense, this indicates that the model is significant and acceptable
- Regression analysis results showed that all selected taxation factors (tax policies, tax rates, and tax reforms) had predictor variables that contributed statistically significantly to the performance of SMEs at the 95 percent confidence level. These predictor variables had p-values of.000,.000, and.000, respectively, and the significance level was less than 0.05 (p<0.05). When it comes to taxing factors, tax policies are the most significant independent variable. They have a statistically significant impact on the performance of SMEs (p-value = 0.000).
- The null hypothesis for each variable was rejected, and all alternative hypotheses on the relationship between taxing factors and the performance of SMEs were accepted. At p<0.05, the significance thresholds for each of the independent variables (tax policies, tax rates, and tax changes) were.000,.000, and.000. This suggests that the performance of SMEs in Kirkos subcity administration is positively and significantly impacted by all of the tax variables that were chosen.

5.3. Conclusion

This study aimed to investigate the effect of taxation on the performance of SMEs in Kirkos subcity administration. Based on the results of descriptive and inferential statistics, as well as a summary of the major findings, the following conclusions have been reached:

- The study finds that tax laws, tax rates, and tax modifications improve small and medium-sized businesses' performance. The study also came to the conclusion that SMEs' profitability is negatively impacted by the taxes they pay, and that small enterprises pay an excessive amount of taxes. The study comes to the conclusion that while tax policies and reforms have not been able to address SME pricing concerns, which has resulted to lower sales revenue, tax policies and tax rates do help to SME compliance.
- In summary, it is clear that SMEs pay taxes to the government and its related agencies, but the biggest motivator for this tax complaint behavior is the threat of penalties. It is also clear that the nation's tax code currently offers SMEs a number of tax breaks, including tax holidays, tax refunds, income exemptions, capital allowances, and tax rate reductions.
- It is also concluded that the tax system in the nation does not always support the growth of SMEs because it negatively impacts their choices about financing, including how many employees to hire, how much profit they can retain, how much working capital they can invest in, and how much corporate profit they can make. Most of these SMEs choose for a combination of loan and equity capital structure due to taxation.
- Ultimately, the research comes to the conclusion that the performance of small SMEs is impacted by the tax risks that are present in their operations. The performance of SMEs is hampered by the regressive and unclear nature of taxes, thus the subcity government must assist people who engage in SMEs' operations generally.

5.4. Recommendations

Based on the study's results and conclusions, the researcher made many recommendations to top management to improve employees' job performance inside the organisation.

- The government must prioritise individuals involved in SME activity by modifying tax regulations and rate systems in the country.
- SME tax laws need to be simplified in order to encourage expansion and adherence. This includes simplified tax filing procedures and uncomplicated tax rules. Information technology utilization ought to be promoted.
- Additionally, tax administration should concentrate on assisting taxpayers with their tax returns while utilizing continuing tax innovations to expedite tax procedures with tax authorities.
- Subcity tax administrations should improve their support services for SMEs, including teaching small business owners on their tax requirements and the benefits and exemptions that are available to them.
- Every small and medium-sized company should make an effort to pay its taxes on schedule. The government ought to create an environment where SMEs may prosper and regard paying taxes as a benefit. The government should also raise awareness of the importance of SMEs correctly filing their taxes. Increasing tax breaks and incentives will draw in prospective taxpayers while also promoting voluntary compliance, which will lead to the expansion of SMEs under the Kirkos subcity administration. Putting these systems into place will motivate SMEs to make their tax payments on schedule.

5.5. Future Research Directions

To supplement the existing knowledge base on the subject, future researchers may investigate the following areas: Significant problems were raised in the study; however they were not adequately investigated. These difficulties could be investigated by future researchers. Some potential subjects for further research include assessing the effect of taxation on the growth of SMEs in Kirkos subcity administration from various viewpoints, as well as analysing the perspectives of tax authorities/regulatory organisations on the development of Small and

Medium Enterprises (SMEs). The study advised additional research into the effects of Tax Awareness/Knowledge on the financial performance of enterprises, including SMEs. Furthermore, it proposed looking into the effect of taxation on the financial performance of both large and small businesses. Future research should include more variables to better understand SME performance, as tax rates, policies, and reforms can only account for 63.4% of SME performance.

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APPENDIX: QUESTIONNAIRES

COLLEGE OF BUSINESS AND ECONOMICS

MASTERS OF BUSINESS ADMINISTRATION (MBA) PROGRAM

Name of student: Kidist Adane

Telephone: +251-942-857-224

Email address: adanekidist51@gmail.com

Dear Respondents:

This questionnaire is designed to collect primary data for thesis entitled **"The effect of taxation on the performance of small and medium business enterprises: The case of Addis Ababa city administration Kirkos sub city administration."** The research is conducted as a partial fulfilment of the requirement for the Masters of Business Administration (MBA). This study is purely for academic purpose and in no ways affects the respondent personally. It will be kept confidential. So, your genuine view, honest & timely responses are very valuable in determining the success of the study. Therefore, you are kindly requested to extend your cooperation by frankly providing relevant information.

I thank you in advance for your anticipated cooperation and participation in this study.

GENERAL INSTRUCTION

- Please put a **"√"** mark on your choice on the space provided.
- You don't need to write your name on the questionnaire.

PART ONE

DESCRIPTION OF DEMOGRAPHICS

1. Sex

A. Male ☐ B. Female ☐

2. Age (in year):

A. 18-25 ☐ B.26-35 ☐ C. 36-50 ☐ D. More than 50 ☐

3. Marital status:

A. Single ☐ B. Married ☐ C. Divorce ☐ D. Widowed ☐

4. Educational background:

A. 10+1 ☐ D. Diploma ☐

B. 10+2 ☐ E. 1st Degree ☐

C. 10+3 ☐ F. Masters & above ☐

If your education level is just below the above levels, please write the highest-grade level you have completed…….

5. What is the form of ownership in this business?

A. Sole proprietorship ☐ B. Partnership ☐ C. Share Company ☐

6. What is the type of business you are involved in?

A Manufacturing ☐ B. Construction ☐

C. Trade ☐ D. Service ☐ E. Urban agriculture ☐

If other, specify…….

7. How many employees did the enterprise have?.....

8. What were the sources of your start-up capital?

A. Personal saving ☐ B. Equib ☐

C. Assistance from NGOs ☐ D. Microfinance ☐

E. Borrowed from friends & relatives ☐ F. others (please specify) …….

9. What was the average annual revenue of your enterprise? ……..

10. What was the average annual cost of your enterprise? ……

PART TWO

Tax Policies

Please indicate the extent in which you agree with the following statements on the tax policies on SMEs. Using the following scale:

1=strongly disagree, 2=disagree, 3=Neutral, 4=agree, 5=strongly agree.

NO.	Tax Policies Questions	Strongly Disagree (1)	Disagree (2)	Neither Agree nor Disagree (3)	Agree (4)	Strongly Agree (5)
1.	Since the business's taxes are straightforward, tax consulting services are not necessary.					
2.	SMEs don't need complex tax documentation.					
3.	SMEs typically charge VAT at the time of sale on all of their goods.					
4.	The activities of SMEs are typically impacted by penalties for noncompliance with VAT laws.					
5.	For SMEs, information on income tax legislation is easily accessible					
6.	Changes in income tax rates have an impact on SMEs' performance.					

Tax Rates

Please indicate the extent in which you agree with the following statements on the tax rates on SMEs. Using the following scale:

1=strongly disagree, 2=disagree, 3=Neutral, 4=agree, 5=strongly agree.

NO.	Tax Rates Questions	Strongly Disagree (1)	Disagree (2)	Neither Agree nor Disagree (3)	Agree (4)	Strongly Agree (5)
7.	Low marginal tax rates are necessary for SMEs in order to guarantee that revenue declines in line with inflation.					
8.	To improve tax collection by ECRA, SMEs must pay at a specific tax rate.					
9.	Tax rates for SMEs ought to be lowered in order to promote an entrepreneurial culture in the community.					
10.	SMEs' tax rates ought to fluctuate periodically in accordance with the state of the economy.					
11.	For SMEs, tax rates are calculated without taking into account the actual revenue assessment.					
12.	Rationalization of the VAT tax rate has increased the SME's sales revenue.					

Tax Reforms

Please indicate the extent in which you agree with the following statements on the tax reforms on SMEs. Using the following scale:

1=strongly disagree, 2=disagree, 3=Neutral, 4=agree, 5=strongly agree.

NO.	Tax Reforms Questions	Strongly Disagree (1)	Disagree (2)	Neither Agree nor Disagree (3)	Agree (4)	Strongly Agree (5)
13.	For SMEs, the tax rates sent to ECRA have been advantageous.					
14.	To avoid paying tax penalties, SMEs consistently submit their taxes on time and before the deadline.					
15.	The SMEs are aware of the regulations and sanctions for enforcement.					
16.	A few of the ECRA's enforcement guidelines prevent SMEs in the community from expanding.					
17.	The ECRA's online tax system training is beneficial for SMEs since it enhances their tax complaint.					
18.	SME comprehension of national tax laws and rates has been aided by the technical training team of ECRA.					

SMEs Performance

Please indicate the extent in which you agree with the following statements on the SMEs Performance. Using the following scale:

1=strongly disagree, 2=disagree, 3=Neutral, 4=agree, 5=strongly agree.

NO.	SMEs Performance Questions	Strongly Disagree (1)	Disagree (2)	Neither Agree nor Disagree (3)	Agree (4)	Strongly Agree (5)
19.	SMEs' tax payments lower their profitability.					
20.	The amount of taxes imposed on small businesses is excessive.					
21.	Tax laws and rates play a part in SMEs' noncompliance.					

22.	Since tax laws and changes haven't addressed SMEs' pricing issues, their sales revenue has decreased.					
23.	The portfolio of small SMEs' operations is vulnerable to tax concerns, which has an impact on their profitability.					
24.	The performance of SMEs is hampered by tax uncertainty and repressiveness.					

If you have any additional comment or suggestion, please add in the given space below

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Thank you very much for filling the questionnaire!!!!!

መጠይቅ

Addis Ababa University
አዲስ፡አበባ፡ዩኒቨርሲቲ
Seek Wisdom, Elevate your Intellect and Serve Humanity

COLLEGE OF BUSINESS AND ECONOMICS

ውድ ምላሽ ሰጪዎች፡-

ይህ መጠይቅ የተዘጋጀው በአዲስ አበባ ዩኒቨርሲቲ የ MBA የመጨረሻ ዓመት ተማሪ፡ ታክስ በጥቃቅንና አነስተኛ ኢንተርፕራይዞች ልማት ላይ ያለው ተጽእኖ፡ የአዲስ አበባ ከተማ አስተዳደር የቂርቆስ ክ/ከተማ አስተዳደር ጉዳይ በሚል ርዕስ የተዘጋጀ ነው። ለትምህርቱ MBA ተሲስ ከፊል ማሙያ ይሆናል። በእርስዎ የቀረበው መረጃ በጥብቅ ሚስጥራዊ እና ለአካዳሚክ ዓላማ ብቻ ጥቅም ላይ ይውላል። ለሚፈጠረው ማንኛውም ነገር ተጠያቂ አይሆኑም። መጠይቁን በትክክል ለመሙላት እና ለመመለስ ላደረጋችሁት ከፍተኛ ጥረት ከወዲሁ አመሰናለሁ። ለተጨማሪ ጥያቄ በሚከተለው አድራሻ ሊያገኙኝ ይችላሉ።

የተማሪ ስም፡ ቅድስት አዳነ

ስልክ: +251-942-857-224

ኢሜል አድራሻ፡ adanekidist51@gmail.com

መመሪያ፡-

- ***መጠይቁ ላይ ስምዎን መጻፍ አያስፈልግዎትም***
- ***እባክዎን ምላሽ ለመስጠት (√) ምልክት ያድርጉ***
- ***መጠይቁን በተገቢው ጊዜ እና በትክክል በመሙላት ይመልሱ***

ክፍል አንድ

የምላሾች የስነ ሕዝብ መረጃ

1. ጾታ

ሀ. ወንድ ☐ ለ. ሴት ☐

2. ዕድሜ

ሀ. 18-25 ዓመት ☐ B.26-35 ዓመት ☐ ሐ. 36-50 ዓመት ☐ መ. ከ50 ዓመት በላይ☐

3. የጋብቻ ሁኔታ

A. ሀ. ያላገባ ☐ ለ. ያገባ ☐ ሐ.የፈታ ☐ መ.መበለት/የትዳር አጋሩ የሞተበት ☐

4. የትምህርት ዳራ፡-

ሀ. 10+1 ☐ መ. ዲፕሎማ ☐
ለ. 10+2 ☐ ሠ. የመጀመሪያ ዲግሪ ☐
ሐ. 10+3 ☐ ረ. ሁለተኛ ዲግሪ እና ከዛ በላይ☐
የትምህርት ደረጃዎ ከላይ ካሉት ደረጃዎች በታች ከሆነ፣ እባክዎ ያጠናቀቁትን ከፍተኛ-ክፍል ደረጃ ይፃፉ.....

5 የንግድዎ ቅርጽ ምን እይነት ነው ? ሀ. ብቸኛ ባለቤትነት ☐ ለ. ሽርክና ☐ ሐ. አጋራ ኩባንያ ☐ ሌሎች ____

6. የንግድዎ ተፈጥሮ ምን እይነት ነው? ሀ. ማኑፋክቸሪንግ ☐ ለ. ኮንስትራክሽን ☐ ሐ ንግድ ☐ መ. አገልግሎት ☐ ሠ. የከተማ ግብርና ☐ ሌላ ከሆነ ይግለጹ .....

7. የተቀጠሩት ሰራተኞችዎት ብዛት ስንት ናቸው ? .....

8. የመነሻ ካፒታልዎ ምንጭዎ ምንድን ነው? ሀ. የግል ቁጠባ ☐ ለ. እቁብ ☐ ሐ. መንግሥታዊ ያልሆኑ ድርጅቶች እርዳታ ☐ መ. ማይክሮ ፋይናንስ ☐ ሠ. ከጓደኞች እና ከዘመዶች የተበደረ ☐ ረ. ሌሎች (እባክዎ ይግለጹ) .

9. የድርጅትዎ አማካኝ አመታዊ ገቢ ስንት ነው? .....

10. የድርጅትዎ አማካኝ አመታዊ ወጪ ስንት ነው ? .....

ክፍል ሁለት

የግብር ፖሊሲዎች

የሚከተሉት መግለጫዎች **ታክስ በጥቃቅን እና እነስተኛ የንግድ ኢንተርፕራይዞች ልማት ላይ የሚያሳድረውን ተጽእኖ** ደረጃ ይገልፃሉ። እባኮትን አምስት ነጥብ ያለውን ቅጽ በመጠቀም እያንዳንዱ መግለጫ ለእርስዎ የሚያስቡትን ደረጃ በማመልከት ምላሽ ይስጡ፡

1= በጣም አልስማማም፣ 2=አልስማማም፣ 3=ገለልተኛ፣ 4= እስማማለሁ፣ እና 5=በጣም እስማማለሁ

እባክዎ የመረጡትን ምርጫ በሚወክል ምርጫ ስር ምልክት (√) ምልክት ይጠቀሙ።

ያስታውሱ, ትክክለኛ ወይም የተሳሳተ መልስ የለም.

ተ.ቁ	የግብር ፖሊሲ ጥያቄዎች	በጣም አልስማማም (1)	አልስማማም (2)	ገለልተኛ (3)	እስማማለሁ (4)	በጣም እስማማለሁ (5)
1.	በንግዱ ላይ የሚጣለው ቀረጥ ቀላል ስለሆነ የምክር አገልግሎት አያስፈልግም					
2.	ጥቃቅን እና እነስተኛ የንግድ ኢንተርፕራይዞች የተብራራ የግብር መዝገቦችን አያስፈልጋቸውም።					
3.	ጥቃቅን እና እነስተኛ የንግድ ኢንተርፕራይዞች በአብዛኛው በሚሸጡት ሁሉም ምርቶች ላይ ተጨምሪ እሴት ታክስ እያስከፈሉ ነው።					
4.	የተጨማሪ እሴት ታክስን አለማክበር ላይ የሚደረጉ ቅጣቶች አብዛኛውን ጊዜ በጥቃቅን እና እነስተኛ የንግድ ኢንተርፕራይዞች ስራ ይጎዳሉ።					
5.	የገቢ ግብር ፖሊሲ ላይ መረጃ በጥቃቅን እና እነስተኛ የንግድ ኢንተርፕራይዞች በቀላሉ ይገኛል።					
6.	የገቢ ግብር ተመኖች መለዋወጥ በጥቃቅን እና እነስተኛ የንግድ ኢንተርፕራይዞችአፈጻጸም ላይ ተጽዕኖ ያሳድራል።					

የግብር ተመኖች

እባክዎን በጥቃቅን እና እነስተኛ የንግድ ኢንተርፕራይዞች ላይ ባለው የግብር ተመኖች ላይ ከሚከተሉት መግለጫዎች ጋር የሚስማሙበትን መጠን የሚከተለውን መለኪያ በመጠቀም ያመልክቱ።

1= በጣም አልስማማም ፣ 2= አልስማማም ፣ 3= ገለልተኛ ፣ 4= እስማማለሁ ፣ 5= በጣም እስማማለሁ ።

ተ.ቁ	የግብር ተመን ጥያቄዎች	በጣም አልስማ	አልስማማም	ገለልተኛ (3)	እስማማለሁ	በጣም እስማማለሁ

		ማም (1)	(2)		(4)	(5)
7.	የተመጣጠነ የዋጋ ግሽበትን መቀነሱን ለማረጋገጥ ጥቃቅን እና እነስተኛ የንግድ ኢንተርፕራይዞች ዝቅተኛ የጎዳና ታክስ ተመኖች ያስፈልጋቸዋል					
8.	በጉምሩክ የግብር አሰባሰብን ለማሻሻል ለ ጥቃቅን እና እነስተኛ የንግድ ኢንተርፕራይዞች የተወሰኑ የግብር ተመኖች አስፈላጊ ናቸው።					
9.	በከተማው ውስጥ የስራ ፈጠራን ባህልን ለማበረታታት ለ ጥቃቅን እና እነስተኛ የንግድ ኢንተርፕራይዞች የግብር ተመኖች መቀነስ አለበት።					
10.	ለአነስተኛና ጥቃቅን የንግድ ኢንተርፕራይዞች የግብር ተመኖች እንደየወቅቱ የኢኮኖሚ ሁኔታ በየጊዜው መቀያየር አለባቸው					
11.	ለ ጥቃቅን እና እነስተኛ የንግድ ኢንተርፕራይዞች የግብር ተመኖች ስሌት የሚሰላው የገቢው ትክክለኛ ግምገማ ሳይደረግ ነው።					
12.	የተጨማሪ እሴት ታክስ ተመን ምክንያታዊነት የአነስተኛና ጥቃቅን ኢንተርፕራይዞችን የሽያጭ ገቢ አሻሽሏል።					

ታክስ ማሻሻያ

እባክዎን በአነስተኛ እና ጥቃቅን ንግድ ኢንተርፕራይዞች ላይ በሚደረጉ የግብር ማሻሻያዎች ላይ ከሚከተሉት መግለጫዎች ጋር የሚስማሙበትን መጠን ያመልክቱ።

1= በጣም አልስማማም ፣ 2= አልስማማም ፣ 3= ገለልተኛ ፣ 4= እስማማለሁ ፣ 5= በጣም እስማማለሁ

ተ.ቁ	የታክስ ማሻሻያ ጥያቄዎች	በጣም አልስማማም (1)	አልስማማም (2)	ገለልተኛ (3)	እስማማለሁ (4)	በጣም እስማማለሁ (5)
13.	ለ ጉምሩክ የተላከው የግብር ተመኖች ለጥቃቅን እና እነስተኛ የንግድ ኢንተርፕራይዞች ናቸው።					

14.	ጥቃቅን እና እነስተኛ የንግድ ኢንተርፕራይዞች የግብር ቅጣቶችን ለማስቀረት ሁልጊዜ በጊዜው ወይም ከቀኑ በፊት ግብራቸውን ያስተላልፋሉ					
15.	ጥቃቅን እና እነስተኛ የንግድ ኢንተርፕራይዞች ማስፈጸሚያ ደንቦች እና ቅጣቶችን ያዉቋቸዋል					
16.	አንዳንድ የጉምሩክ ማስፈጸሚያ ደንቦች በከተማው ውስጥ ላሉ የአነስተኛ እና ጥቃቅን ተቋማት እድገትን ይከለክላሉ					
17.	በ ጉምሩክ በመስመር ላይ የታክስ ስርዓት ላይ የሚሰጠው ስልጠና አነስተኛና አነስተኛ የግብር ተገዢነትን ስለሚያሻሽል ዋጋ ያለው ነው።					
18.	የ ጉምሩክ ቴክኒካል ማሰልጠኛ ቡድን ጥቃቅን እና እነስተኛ የንግድ ኢንተርፕራይዞች የግብር ፖሊሲዎችን እና የአገሪቱን ዋጋዎች እንዲረዱ ረድቷቸዋል።					

ጥቃቅን እና እነስተኛ የንግድ ኢንተርፕራይዞች አፈጻጸም

እባክዎን በ ጥቃቅን እና እነስተኛ የንግድ ኢንተርፕራይዞች አፈጻጸም ላይ ከሚከተሉት መግለጫዎች ጋር የሚስማሙበትን መጠን በሚመለከተው መለኪያ ያመልክቱ።

1= በጣም አልስማማም ፣ 2= አልስማማም ፣ 3= ገለልተኛ ፣ 4= እስማማለሁ ፣ 5= በጣም እስማማለሁ

ተ.ቁ	የጥቃቅን እና እነስተኛ የንግድ ኢንተርፕራይዞች አፈጻጸም ጥያቄዎች	በጣም አልስማማም (1)	አልስማማም (2)	ገለልተኛ (3)	እስማማለሁ (4)	በጣም እስማማለሁ (5)
19.	በ ጥቃቅን እና እነስተኛ የንግድ ኢንተርፕራይዞች የሚከፈለው ግብር ትርፋማነታቸውን ይቀንሳል					
20.	በእነስተኛ እና ጥቃቅን ንግድ ላይ የሚጣለው የታክስ መጠን በጣም ብዙ ነው					
21.	የግብር ፖሊሲዎች እና የግብር ተመኖች በ ጥቃቅን እና እነስተኛ የንግድ ኢንተርፕራይዞች ተገገቢ አለመሆን አስተዋፅዖ ያደርጋሉ					
22.	የግብር ፖሊሲዎች እና ማሻሻያዎች የጥቃቅን እና አነስተኛ የንግድ ኢንተርፕራይዝ አቅራቢዎችን የዋጋ አወጣጥ ሂደት መፍታት አልቻሉም እና በዚህም የሽያጭ ገቢያቸውን ዝቅ ያደርጋሉ።					
23.	በስራቸው ውስጥ ያሉ ዝቅተኛ ጥቃቅን እና አነስተኛ የንግድ ኢንተርፕራይዞች ለግብር ስጋቶች የተጋለጡ ስለሆኑ አፈፃፀማቸውን ይጎዳል።					
24.	የታክስ እርግጠኛ አለመሆን እና ወደኋላ የመመለስ ባህሪ በ ጥቃቅን እና እነስተኛ የንግድ ኢንተርፕራይዞች አፈጻጸም ላይ ጣልቃ ይገባል።					

ማንኛውም ተጨማሪ አስተያየት ወይም አስተያየት ካሎት እባክዎን ከዚህ በታች ባለው ቦታ ላይ ይጨምሩ ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---------- ---

መጠይቁን ስለሞሉ ጠቃሚ ጊዜዎን ስለወሰዱ በጣም እናመሰግናለን!!!!!