

Taxation Policies and Its Effect on the Growth of Small & Medium Size Enterprises in Cameroon in the Midst of the Ongoing Sociopolitical Crisis

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Abstract

Tax policies have a great role to play on the growth of small and medium size enterprises in developing countries and Cameroon in particular. The objective of this paper is aimed at assessing the effect of tax policies on the growth of small and medium-sized enterprises in Bamenda Municipality, Northwest Region of Cameroon. Data for this study was collected with the help of questionnaires. A total of 300 questionnaires were distributed to owners of small and medium-sized enterprises in Bamenda municipality, Northwest Region of Cameroon. The data collected was analyzed with the use of SPSS for descriptive statistics, OLS regression and ANOVA. The results reveals that tax policies, including value added tax (VAT), income tax, and excise tax, have a significant impact on the growth of small and medium-sized enterprises (SMEs) in Bamenda. The findings indicate that a unit increase in VAT corresponds to a 0.513 increase in the growth of SMEs, while the impact of income tax is relatively weaker with a 0.082 increase. Similarly, excise tax shows a moderate impact on the growth of SME with a 0.378 increase. Based on the findings, it was recommended that policymakers should carefully evaluate the VAT rates and consider implementing measures that promote a favorable business environment. This may involve reducing VAT rates for SMEs or introducing incentives and exemptions to alleviate the tax burden on these enterprises. Such measures can help stimulate economic activity and encourage SMEs to expand their operations.

Keywords: Value added tax, income tax, excise tax, performance , Small and Medium size enterprise

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I. INTRODUCTION AND JUSTIFICATION OF THE RESEARCH

Taxation is a term for when a taxing authority, usually a government, levies or imposes a financial obligation on its citizens or residents. Paying taxes to governments or officials has been a mainstay of civilization since ancient times. Taxation can be perceived as the system of raising money to finance government or as a means by which governments finance their expenditures by imposing charges on citizens. It is a matter of general belief that taxes on income and wealth are of recent origin but there is enough evidence to show that taxes on income in some form or the other were levied even in primitive and ancient communities.

In most of the world's economies, small and medium-sized enterprises (SMEs) are regarded as vectors for job and wealth creation. Through their investments and consumption, they create value and produce a surplus of goods and services, thereby playing a significant role in funding public services and creating a dynamic local economy. In Sub-Saharan Africa (SSA), the SMEs sector accounts for more than 90% of all firms. Between 70% and 80% of SMEs are very small firms. They are the main source of jobs and income for Africans, following subsistence farming.

In Cameroon, SMEs officially make up 95% of the country's economy, affirms Laurent Serge Etoundi Ngoa, Minister of Small and Medium size Enterprises, Social Economy and Craft, in an interview. Fully aware of SMEs' importance in any development strategy, Cameroon has been increasing, in the last few years, its support for them. This includes the creation of the SME Bank on July 20th, 2015 in Yaoundé which was conceived to reduce the challenges faced by SMEs in Cameroon when seeking financing, and the opening of the Upgrading Office, with the EU's support, to reinforce the competitiveness of Cameroonians. In addition, Cameroon now has an Agency for the Promotion of SMEs, which aims to transition SMEs from an informal to a formal economy and Tax Management Centers put in place by the Finance Ministry, where SMEs receive tax advice to better play their part in the development of the Cameroonian economy. The government has also been cultivating small-business growth in recent years through initiatives such as one-stop business registration centers in all the 10 regions of the country.

However, despite the strong role SMEs play in the economy and the initiatives put forth by the government to promote them, these companies, which are unanimously considered to be engines of growth, only make up 36% of Cameroon's GDP. Minister Etoundi Ngoa states that "If SMEs were to contribute 50% of GDP; we would already be an emerging country. So, SMEs need to work harder to achieve the remaining 14%". This

notwithstanding, it will be essential for the government to recognize the fact that the reason why SMEs contribute modestly to the GDP is because of the challenges they still face; challenges that hinder their growth and performance, one of which is high taxes.

2. STATEMENT OF THE PROBLEM

SMEs faced with taxes burden like high taxes, multiple taxes, complex tax regulations and lack of education about tax are finding it difficult to grow and expand their business. Moreover, SMEs in Cameroon face numerous obstacle, such as a lack of available capital, lack of technical and management skills, poor infrastructural development, government restrictions that interfere with the operation of SMEs in the country etc. Research has shown that, it is the issue of tax expenditures that has eaten away at the revenues earned by SMEs that are essential for their growth and survival. SMEs have seen an increase in their debt record while others face substantial challenges in terms of tax compliance due to their nature and size.

With the ongoing socio political crisis in Cameroon which the Northwest and South regions are in the center of it all, Small and medium sized enterprises in these regions are unable or they find it hard to survive or expand their business operations. Can high taxes be a major cause for this?

In other to have more facts as to whether or not taxation policies have an effect on the growth of Small and medium size enterprises in the North West Region of Cameroon, the following questions were posed:

- What is the effect of taxation policies on the Growth of SMEs in Bamenda Municipality-North West Region of Cameroon?
- What is the effect of value added tax on the Growth of SMEs in SMEs in Bamenda Municipality-North West Region of Cameroon?
- What is the effect of income tax on the Growth of small and medium sized enterprises in North West Region of Cameroon?
- What is the effect of excise tax on the Growth of SMEs in Bamenda Municipality-North West Region of Cameroon?

In order to answer the above mentioned research questions, the following hypothesis has been formulated in this paper:

- **H₀₁:** Value added tax has no significant impact on the Growth of SMEs in Bamenda Municipality-North West Region of Cameroon.
- **H₀₂:** Income tax has no significant impact on the Growth of SMEs in Bamenda Municipality-North West Region of Cameroon.
- **H₀₃:** Excise tax has no significant impact on the Growth of SMEs in Bamenda Municipality-North West Region of Cameroon.

This Paper will be organized as follows; 1: Introduction 2. Statement of the problem, 3: Literature Review, 4: Research Method and Specification of Model, 5: Data Analysis and Discussion of Findings and 6: Conclusion, Recommendations And Policy Implications.

3. LITERATURE REVIEW

3.1 TAXATION POLICIES IN CAMEROON

3.1.1 Tax Returns

On or before 15 March, taxpayers are expected to submit to the tax administration the annual return of revenue derived from their business venture during the period serving as the tax base. This return must be presented in conformity with the OHADA accounting system. No one may invoke a claim on the state to shirk its return and payment obligations.

Despite the declarative tax system applicable in Cameroon, the tax administration may send a pre-completed return of collected revenue or any other taxable item, with the tax amount owed, to any natural or legal person paying taxes or duties as per laws and regulations in force.

The taxpayer that feels overtaxed or wrongfully taxed under a pre-filled tax return procedure shall submit a request for correction to the competent taxation centre within one month of receipt of such return. In such case, the tax authorities and the taxpayer shall have 30 days within which to decide the final taxes established by a collection notice (CN).

Failure to pay within 15 days of receiving the CN or respond to a pre-filled tax return in time shall be tantamount to accepting the terms thereof.

3.1.2 Other Tax Filings

Firms falling under a dispensational or special tax regime shall file, by 15 March, a summary declaration of transactions of the previous year for which they obtained tax benefits, including theoretical taxes and levies corresponding to the said transactions.

Firms shall, by 15 March, submit to the tax administration a summary of all the stock movements of the

previous year, together with the software used in managing the said stock. Approved intermediaries shall, through electronic means, provide the Directorate General of Customs, on a monthly basis, the information on the status of all foreign financial transactions carried out with their customers and on their personal behalf.

3.1.3 Payment of Tax

An installment representing the 2.2% or 5.5% minimum tax of turnover realised during each month shall be paid to the tax authorities not later than the 15th day of the following month. Advance payment of 0.5%, 2%, 5%, 10%, 14%, 15%, 15.04%, or 20% is withheld at source by the buyer or the customs administration on purchases and imports destined to be resold, depending on the tax regime applicable to the buyer or importer. The balance of CIT is paid, at the latest, on 15 March following the fiscal year-end, when submitting the CIT return.

3.1.4 Surplus Tax Payments

A surplus tax payment can be offset against future taxes of the same nature to be paid. Excess payments of CIT shall be reimbursed in case of cessation of activities. For the specific case of VAT, a reimbursement procedure is provided for by the GTC under certain conditions. Such VAT credit refund procedure shall depend on whether the taxpayer is classified in the category of low, medium, or high-risk company.

3.1.5 Tax Rates in Cameroon

i. Value Added Tax (VAT)

The VAT rate is 19.25% (17.5% plus a 10% local surcharge)

ii. Reduced Tax Rate

Exports and transactions carried out in free trade zones are zero-rated. Certain essential goods are exempt, including: transactions relating to the transfer of ownership of real estate and goodwill subject to transfer tax or equivalent taxation, provided such transactions are subject to registration duties; real estate transactions of all kinds carried out by non-professionals (if they are subject to registration duties); fees charged by educational institutions and universities; pesticides, fertilizers and their inputs, beef (except imported meat), pharmaceuticals, etc.; sales of petroleum products for the refueling of airplanes of companies based in Cameroon; supplies of water and electricity for domestic consumption up to 20 m³/month and 220 kW/ month respectively; medical services; materials and equipment for producing solar and wind energy; urban public transport by bus; contracts and commissions on life insurance products with a savings component; interest on negotiable debt securities issued by the state, regional and local authorities; interest on loans of less than XAF 2 million granted by category 1 micro-finance institutions.

iii. Other Consumption Taxes

An excise duty of 25% is applicable to cigarettes, drinks, cosmetics or luxury products, jewels, and precious stones. A reduced rate of 12.5% may apply to soft drinks and private vehicles with engine capacities of 2,000 cm³. Gambling activities, including lottery, are subject to a specific tax rate of 15% of turnover. Mobile telephone communications and Internet services are subject to an extra-reduced rate of excise duties at 2%. Some arms and their parts are also subject to a 25% excise duty.

iv. Company Tax

33% for companies with a turnover above 3 billions

30.8% for companies with a turnover below 3 billions

v. Capital Gains Taxation

Capital gains are treated as business income and taxed at the standard corporate tax rates. Capital gains arising from the sale of listed shares or the transfer of rights related to natural resources are subject to a 16.5% withholding tax. Gains derived from the transfer of stocks and shares and bonds are taxable even in the case of indirect disposals.

vi. Main Allowable Deductions and Tax Credits

Depreciation of tangible and intangible assets is tax-deductible at rates ranging from 1% to 100%. Deduction of depreciation can be carried forward indefinitely. Goodwill can also be amortized for tax purposes. The Cameroon Tax Code does not provide any mechanism for the deduction of start-up costs, but these may be deductible over a period of two to five years based on the accounting principles of the Organization for the Harmonisation of Business Law in Africa (OHADA).

Any payment made for the purchase of intellectual property (within the Central African Economic and Monetary Community) is deductible up to 2.5% of taxable income. Interest costs and bad debt are generally deductible. For bad debt deduction, companies must prove they have unsuccessfully carried out measures for debt recovery.

Donations to charities are not deductible. On the other hand, payments to research and development organizations, educational, sports, philanthropic and social organisations are deductible at the rate of 0.5% of the annual turnover (the rate goes up to 5% for donations to clubs participating in the elite national competitions or to recognised organisations responsible for the organisation of official sports competitions).

Fines and taxes paid are not deductible (with the exception of business taxes regarding operations in Cameroon). Tax losses can be carried forward for up to four years (six years for credit institutions and

companies in the State portfolio). The carryback of losses is not permitted.

3.2 Relationship Between Taxation and Growth of SMEs

According to Margaret.W(1994) when taxes are high companies try to reduce their burdens. They do this by reducing taxable capacity work effort purchases, Purchasing, saving and investment or by raising prices. All the above said leads to lower production hence low financial performance in business organizations in Uganda. Margaret when ahead to say that when taxes are high companies try to shift their taxes and that they are to a greater or lesser degree shifted forward on to customers in higher price or backward on to suppliers and employees. The impact said that a fall in sales and employment hence low production which affect financial performance negatively.

Tayebwa B. Mugisha Bernard (1992) points that in trying to avoid taxes produces decide to shift the burden to some other units such as customers, producers will be force to abandon the activity which in the long run will lower production and financial performance. However further suggested that taxes of imports can be used to protect domestic industries from foreign competition.

According to Lipsey.R.G (1979) taxes forces producers to shift the burden to customers in form of higher prices, customer will also hesitate from buying these goods whose are higher this will have to reduce the production of these products hence affecting production and financial performance levels.

Heady.L(1952) observed that taxes reduce income variability over time because the tax increases with incomes. This tendency itself cause producers to adopt less effective but stable production system. In this case progressive tax has an impact on the efficiency hence affecting production and financial performance negatively. Taxes directly affect the profitability of business resources (Mutebi 2004). Presumptive income taxation on small business enterprises greatly reduces their profitability, limits their leverage of growth and creates poor revenue performance, (Asio, 2004).

Furthermore, a study carried out by Tumwine (2001) revealed that high taxes hinder business expansions, with a big proportion of business profits ending up being paid as taxes. Therefore profits of small business enterprises may be greatly reduced because of the taxes paid by them. In order to survive, traders have been forced to increase prices of their commodities so as to incorporate the tax element but this has left most of them unhappy as the number of customers has decreased hence a reduction in their sales, (Kiiza,2003). In the recent surveys, small businesses in Uganda have blamed unfair taxes for taxes for their poor profits and in some cases, their business failure (Juliet 2014).

According to the report by ministry of Finance (2004) people are angry about the taxes. The plethora of local taxes more especially presumptive tax in damaging local enterprises and undermining the credibility of government (report by MOF, <http://www.afrika.no>).

4. DATA ANALYSIS

4.1 Methods of Data Analysis

4.1.1 Methods of Data Collection

The researcher used questionnaires as primary data collection instrument. In this study, due to specialized nature of SMEs, the questionnaires were self-administered by the researcher. Self-administered questionnaires are usually preferred for purposes of developing close relationship with the respondents and also assist in providing clarifications sought by respondents on the spot. 300 questionnaires were administered to owners of small and medium size enterprises in Bamenda municipality. The questionnaires were collected immediately after they were filled and any omission was detected. A five-point Likert scale used to answer questions from section 1 to 4 as it allowed respondents to give answers with a degree of agreement making answering the questions easier. Five choices provided for in every statement ranging from strongly disagrees to strongly agree.. The data collected was analyzed with the use of SPSS for descriptive statistics, OLS regression and ANOVA.

4.1.2 Choice of variables and specification of model

For the Independent variables(Taxation policies)

- A. Value added tax
- B. Income tax
- C. Excise Tax

For the Dependent Variable (Growth of SMEs)

- a. Acquisition of assets
- b. Expansion of operation
- c. Profitability of SMEs

4.1.3 Model of Specification

Multiple linear regression analysis was carried out to determine the form of the mathematical model that defines the relationship between the dependent variable and independent variables. The following model for the regression model was used to analyze the relationship: The multiple regression formula is presented as;

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e_i$$

Where:

Y = Growth of SMEs

β_0 = Constant

X1 = Value Added Tax

X2 = Income Tax

X3 = Excise Tax

e_i = Stochastic term

4.2 Data Analysis

4.2.1 Descriptive Analysis

Table 1: Business Existence

Duration of the business in existence	Frequency
0-5 years	115(38.33%)
5-10 years	20(6.66%)
10-15 years	41(13.67%)
15-20 years	25(8.33%)
20 years and above	31(10.33%)

Source: Field Work 2023

The table shows that most business respondents have in the business for a short period of time representing 38.33 % while 10.33 of the owners of small and medium size enterprise have been in the business for over 20 years.

Table 2: Transparency on Tax collection

There is transparency in the collection of taxes	Frequency
Strongly Disagree	150(50%)
Disagree	89(29.67%)
Neutral	10(03.33%)
Agree	35(11.67%)
Strongly Agree	16(05.33%)

Source: Field work, 2023

Table 2 reveals that majority of small and medium size business owners 239 of them out of 300 interviewed are of the opinion that there is no transparency in the collection of tax in the Bamenda, Northwest region of Cameroon.

Table 3: Effect of Excise taxes on the growth of SMEs in Bamenda Municipality.

	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Excise taxes charged are fair	115(38.33%)	56(18.67%)	44(14.67%)	55(18.33%)	30(10%)
The level of excise taxation has a great impact on investment and entrepreneurship	20(6.66%)	30(10%)	55(18.33%)	165(55%)	30(10%)
A simple tax base and a small number of excise taxes that is easily calculated can reduce administrative and compliance costs	41(13.67%)	45(15%)	27(09%)	168(56%)	19(6.33%)
DGT provides awareness on the excise tax payment processes	25(8.33%)	51(17%)	20(6.67%)	108(36%)	96(32%)
Lump-sum taxation is able to reduce excess tax burden because it does not affect the relative price rates, unlike an excise tax that distorts them	31(10.33%)	65(21.67%)	35(11.67%)	70(23.33%)	99(33%)

Source: Field survey, 2023

Table 3 to seeks to find answers as per the effect of excise taxes on the growth of SMEs in Bamenda Municipality. Some related questions were asked and the responses of the owners of SMEs in Bamenda Municipality were as follows:

In the first statement regarding the fairness of excise taxes charged, 115 individuals (38.33% of the total)

strongly disagreed, 56 individuals (18.67%) disagreed, 44 individuals (14.67%) were neutral, 55 individuals (18.33%) agreed, and 30 individuals (10%) strongly agreed. These responses indicate that opinions were divided, with a slightly higher percentage of individuals leaning towards disagreeing with the fairness of the taxes.

The second statement focuses on the impact of excise taxation on investment and entrepreneurship, 20 individuals (6.66%) strongly disagreed, 30 individuals (10%) disagreed, 55 individuals (18.33%) were neutral, 165 individuals (55%) agreed, and 30 individuals (10%) strongly agreed. These results indicate that a significant percentage of respondents believed that excise taxes have a considerable impact on investment and entrepreneurship.

The third statement discusses the benefits of a simple tax base and a small number of easily calculated excise taxes in reducing administrative and compliance costs, 41 individuals (13.67%) strongly disagreed, 45 individuals (15%) disagreed, 27 individuals (09%) were neutral, 168 individuals (56%) agreed, and 19 individuals (6.33%) strongly agreed. These results suggest that a majority of respondents recognized the potential advantages of a simplified tax structure.

The fourth statement evaluates the awareness provided by the Directorate General of Taxes (DGT) regarding the excise tax payment processes, 23 individuals (8.33%) strongly disagreed, 51 individuals (17%) disagreed, 20 individuals (6.67%) were neutral, 108 individuals (36%) agreed, and 96 individuals (32%) strongly agreed. These findings indicate that a substantial percentage of respondents (68%) acknowledged the efforts made by the DGT in providing awareness on excise tax payment processes.

The last statement focuses on the comparison between lump-sum taxation and excise taxes in terms of reducing tax burden and price distortions, 31 individuals (10.33%) strongly disagreed, 65 individuals (21.67%) disagreed, 35 individuals (11.67%) were neutral, 30 individuals (37.5%) agreed, and 99 individuals (33%) strongly agreed. These responses suggest that a significant portion of respondents recognized the potential benefits of lump-sum taxation in reducing tax burden without distorting relative price rates.

Table 4: Effect of income taxes on the Growth of SMEs in Bamenda Municipality

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Income tax charged by DGT is fair	132(44%)	83(27.67%)	30(10%)	34(11.33%)	21(07%)
The income tax charges have an impact on the cash flow of the business	34(11.33%)	138(46%)	23(7.67%)	34(11.33%)	71(23.67%)
DGT has provided a favorable environment for income tax processing	36(12%)	59(19.67%)	30(10%)	109(36.33%)	66(22%)
The income taxes charged are commensurate with the services provided by government	83(27.66%)	131(43.67%)	41(13.67%)	11(3.67%)	34(11.33%)
The Income Tax Act does contain a number of benefits for a taxpayer that is classified as a small business corporation, for example, special wear and tear rates	50(16.67%)	84(28%)	25(8.33%)	61(20.33%)	80(26.67%)

Source: Field survey, 2023

Table 4 to seeks to find answers as per the effect of income taxes on the Growth of SMEs in Bamenda Municipality. Some related questions were asked and the responses of the owners of SMEs in Bamenda Municipality were as follows:

For the statement "Income tax charged by DGT is fair, 132 participants (44%) strongly disagreed, 83 participants (27.67%) disagreed, 30 participants (10%) were neutral, 34 participants (11.3%) agreed, and 21 participants (10%) strongly agreed.

Regarding the impact of income tax charges on the cash flow of the business, 34 participants (11.33%) strongly disagreed, 138 participants (46%) disagreed, 23 participants (7.67%) were neutral, 34 participants (11.33%) agreed, and 71 participants (23.67%) strongly agreed.

In terms of the environment provided by the DGT (Department of General Taxes) for income tax processing, 36 participants (12%) strongly disagreed, 59 participants (19.67%) disagreed, 30 participants (10%) were neutral, 109 participants (36.33%) agreed, and 66 participants (22%) strongly agreed.

When asked about the perceived fairness of income taxes charged in relation to the services provided by the government, 83 participants (27.66%) strongly disagreed, 131 participants (43.67%) disagreed, 41 participants

(13.67%) were neutral, 11 participants (3.67%) agreed, and 34 participants (11.33%) strongly agreed.

Finally, regarding the benefits offered to small business corporations in the Income Tax Act, such as special wear and tear rates, 50 participant (16.67%) strongly disagreed, 84 participants (28%) disagreed, 25 participants (8.33%) were neutral, 61 participants (20.33%) agreed, and 80 participants (26.67%) strongly agreed.

Table 5: Effect of value added taxes on the Growth of SMEs in Bamenda Municipality

Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
The current VAT rate is favorable to my business	200(66.67%)	80(26.67%)	1(0.33%)	13(4.33%)	6(2%)
VAT taxation affects business operations	2(0.67%)	5(1.67%)	8(2.67%)	135(45%)	150(50%)
The VAT filing process is simple and user friendly	80(26.66%)	120(40%)	14(4.67%)	56(18.67%)	30(10%)
DGT officers have provided adequate information regarding VAT processing and filing	90(30%)	100(33.33%)	5(1.67%)	50(16.67%)	55(18.33%)
The size of an enterprise has a direct impact on its ability to administer and manage the VAT function internally	60(20%)	45(15%)	10(3.33%)	85(28.33%)	100(33.34%)

Source: Field survey, 2023

Table 5 to seeks to find answers as per the effect of value added taxes on the Growth of SMEs in Bamenda Municipality. Some related questions were asked and the responses of the owners of SMEs in Bamenda Municipality were as follows:

For the statement "The current VAT rate is favorable to my business," the majority of respondents, 200 (66.67%) strongly disagreed, 80(26.67%) disagreed, 1(0.33%) was neutral, 13(4.33%) agreed and 6(2%) strongly agreed showing that the current VAT of 19.25% is not favorable to many small and medium size enterprise in the Bamenda municipality.

Regarding the statement "VAT taxation affects business operations," the highest percentage of respondents 285 (95%), agreed that VAT taxation indeed affects their business operations.

When it comes to the statement "The VAT filing process is simple and user-friendly," the majority of respondents, comprising 200 (80%), are of the opinion that the VAT filing process is not simple and user-friendly.

For the statement "DGT officers have provided adequate information regarding VAT processing and filing," the largest percentage of respondents, making up 105(35% of the total, agreed that DGT (Directorate General of Taxes) officers have provided adequate information while 190(63.33%) were of the opinion that adequate information has not been provided to them.

Regarding the statement "The size of an enterprise has a direct impact on its ability to administer and manage the VAT function internally," the highest percentage of respondents agreed that the size of an enterprise directly affects its ability to manage the VAT function internally.

4.2.2 The Estimated Results and Hypothesis Testing.

Table 6: Summary of the Model

Model Summary					
Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.911 ^a	.829	.823		1.982
a. Predictors: (Constant), C, B, A					

Table 6 shows the ordinal least square result for the variables; income tax, value added tax, and excise tax and the result shows that, R² of 0.829 which indicate that 82.9% of changes in the growth of SMEs in Bamenda Municipality are as a result of join variation in, income tax, value added tax, and excise tax.

Table 7: ANOVA Regression

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5,439.615	14	388.615	123.057	.000 ^b
	Residual	1,119.836	285	3.929		
	Total	6,559.451	299			
a. Dependent Variable: D						
b. Predictors: (Constant), C, B, A						

Source: Field Survey, 2023

Table 7 show the Analysis of Variance (ANOVA), the sum of squares (SS) attributed to the model, residual and to the total. It is observed that the overall fit of the estimation model measured by the F-statistics with calculated value of 123.057 is statistical significant with a probability value of 0.0. This means that, overall the model is significant at the 1% level of significance. This means that overall variables included in the estimation have a significant on the growth of SMEs enterprises in Bamenda Municipality.

Table 8: Unstandardized and Standardized coefficients

Coefficients ^a						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.880	.948		.928	.356
	A	.513	.086	.505	5.937	.000
	B	.082	.033	.132	2.467	.016
	C	.378	.087	.376	4.346	.000
a. Dependent Variable: D						

Source: Field Survey, 2023

From Table 8, the unstandardized coefficients provide information about the estimated effect of each tax policy variable on the dependent variable (growth of small and medium-sized enterprises) while holding other variables constant. The unstandardized coefficient for the constant term is 0.880, indicating the expected growth of SMEs when all tax policy variables are zero. For variable A (value added tax), the coefficient is 0.513, suggesting that a one-unit increase in value added tax is associated with a 0.513 unit increase in the growth of SMEs. Similarly, for variable B (income tax), the coefficient is 0.082, implying that a one-unit increase in income tax corresponds to a 0.082 unit increase in growth. Lastly, for variable C (excise tax), the coefficient is 0.378, indicating that a one-unit increase in excise tax is associated with a 0.378 unit increase in the growth of SMEs.

The standardized coefficients provide a measure of the relative importance of each tax policy variable in influencing the growth of small and medium-sized enterprises. The standardized coefficient for variable A is 0.505, suggesting that value added tax has a relatively strong impact on performance compared to other variables. For variable B, the standardized coefficient is 0.132, indicating a weaker influence. Similarly, for variable C, the standardized coefficient is 0.376, highlighting a moderate impact.

The t-values are used to assess the statistical significance of the coefficients. The higher the absolute value of the t-value, the more significant the coefficient. In this case, all the coefficients have t-values greater than 2, indicating their statistical significance. The significance levels (Sig.) are all below 0.05 (indicated as ".000"), implying that the coefficients are significantly different from zero at the 5% level of significance.

4.3 Discussion of Results

From the results obtained above, it is seen as per the specific objectives that there is a significant increase on the results obtained in the study as compared to past results. This will be based on the specific objectives as follows;

To identify the effect of Value Added Tax on the growth of Small and Medium size enterprise in Bamenda Municipality

For variable A (value-added tax), the standardized coefficient (Beta) is 0.505. The t-value is 5.937, and the significance level (Sig.) is 0.000. Since the significance level is less than the conventional threshold of 0.05, we can reject the null hypothesis. Therefore, we can conclude that the value-added tax (A) has a significant effect on the growth of small and medium-sized enterprises in Bamenda Municipality.

To identify the effect of income tax on the growth of SMEs in Bamenda Municipality

For variable B (income tax), the standardized coefficient (Beta) is 0.132. The t-value is 2.467, and the significance level (Sig.) is 0.016. Similar to the previous case, the significance level is less than 0.05, indicating that the null hypothesis is rejected. Thus, we can conclude that the income tax (B) also has a significant impact

on the growth of SMEs in Bamenda Municipality.

To identify the effect of excise tax on the growth of SMEs in Bamenda Municipality

For variable C (excise tax), the standardized coefficient (Beta) is 0.376. The t-value is 4.346, and the significance level (Sig.) is 0.000. Again, the significance level is below the threshold of 0.05, leading us to reject the null hypothesis. As a result, we can conclude that the excise tax (C) significantly influences the growth of small and medium-sized enterprises in Bamenda Municipality.

5. CONCLUSION AND POLICY RECOMMENDATION

The current study sought to find out the effect of taxation on the growth of small and medium-sized enterprises in the Bamenda Municipality. In the statistical analysis of the data related to the effect of tax policies on the growth of small and medium-sized enterprises in Bamenda Municipality, three variables were considered: A (value added tax), B (income tax), and C (excise tax). The analysis includes unstandardized coefficients, standardized coefficients, t-values, and significance levels and the results reveals that, the null hypotheses were rejected for all three variables (A, B, and C). Therefore, we can conclude that the value-added tax, income tax, and excise tax have significant effects on the growth of small and medium-sized enterprises in Bamenda Municipality.

Based on the findings regarding the effect of tax policies on the growth of small and medium-sized enterprises (SMEs) in Bamenda Municipality, several recommendations can be made to support the growth and success of these Small and Medium size enterprises. They include:

Firstly, given the significant impact of value added tax (VAT) on growth of SMEs, policymakers should carefully evaluate the VAT rates and consider implementing measures that promote a favorable business environment. This may involve reducing VAT rates for SMEs or introducing incentives and exemptions to alleviate the tax burden on these enterprises. Such measures can help stimulate economic activity and encourage SMEs to expand their operations.

Secondly, while income tax was found to have a relatively weaker impact on SME performance compared to VAT, policymakers should still consider the implications of income tax policies. They should explore ways to simplify tax compliance procedures for SMEs and provide support in terms of tax planning and preparation. Additionally, targeted tax incentives or deductions for SMEs can be considered to incentivize entrepreneurship and investment.

Lastly, the moderate impact of excise tax on growth of SMEs suggests that policymakers should assess the appropriateness of excise tax rates and ensure they do not disproportionately burden SMEs. Engaging in consultations with industry stakeholders and conducting regular reviews of excise tax policies can help strike a balance between revenue generation and supporting SME growth.

Conflicts of Interest

The author declares no conflicts of interest regarding the publication of this paper.

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