

ASSESSMENT OF TAX REFORMS ON THE FINANCIAL PERFORMANCE OF SMEs IN THE SOUTHWEST REGION OF CAMEROON

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Abstract

The study assesses the effects of tax reforms on the financial performance of small and medium size enterprises in the Southwest Region of Cameroon. Specifically, the study addresses how administrative tax reforms, technological tax reforms and policy tax reforms will affect the financial performance of SMEs in the Southwest Region of Cameroon. The study employed a mixed methodology approach. A sample of 395 SMEs was selected using the stratified sampling and purposive sampling techniques. The regression analysis results provided evidence that all the tax reforms variables; administrative tax reforms, policy tax reforms, and technological tax reforms have a positive and statistically significant effect on performance. The coefficient for administrative tax reforms (0.139) with a $p=0.04$ shows that administrative tax reforms have a statistically significant effect on performance. The coefficient for technological tax reforms (0.17) with $p=0.006$ indicates that technological tax reforms have a statistically significant effect on performance. The coefficient for policy tax reforms (0.146) with $p=0.035$ indicated that policy tax reforms have a statistically significant effect on SMEs performance.

Keywords: Financial Performance, Administrative Tax Reform, Technological Tax Reform, Policy Tax Reform.

JEL: G14, G38, H25.

INTRODUCTION

Since the 1960s to date, small and medium-sized enterprises (SMEs) have been given due recognition, especially in the developed nations for playing very important roles towards fostering economic growth, development, and stability within several economies. Small and Medium Enterprises have always been considered an important force for economic development and industrialization in smaller economies (Aryeetey, 2004). In most developed countries like the USA and France, they contribute greatly towards the gross domestic product (GDP) of the country, that is they contribute; 50-52% and 55-62% respectively to the total gross value added of their various countries (Oludele, 2012). Globally, the growth of any economy is dependent on vibrant SMEs and when the reverse is true, the economy suffers. In Africa, the same importance about SMEs have continued to top discussions among researchers and policy makers. It is recognised that these businesses contribute substantially to job creation, economic growth, and poverty alleviation. According to the 2005 World Development Report, the creating of “sustainable” jobs and opportunities for smaller entrepreneurs are the key strategies to take people out of poverty.

In Cameroon, SMEs constitute 95% of the country’s economy and helps in job creation especially among the youths (kum, 2021). These enterprises are taxpayers as justified by the source and residence principles of taxation. It is reasonable to state that SMEs have a crucial role to play in stimulating growth, generating employment, and contributing to poverty alleviation. As major economic agents, the growth and sustainability of SMEs is a major concern for owners and policy makers. The growth and sustainability of any SME is only dependent on her performance. Globally, the performance of SMEs is a major concern. Sefiani & Bown (2013) observed that performance is the indicator used to measure set goals and objectives. Business owners make performance an utmost priority. The authors further alluded

that performance measures market-related items such as sales growth and market share and future positioning of the firm. SMEs financial performance is the major outcome of organisational effectiveness. Accounting-based measures consider profitability in terms of Return on Sales (ROS), Return on Assets (ROA) and Return on Equity (ROE) to measure financial performance. Organizational effectiveness measures tend more towards stakeholders than shareholders. As corporations, partnerships, or sole proprietorships which have fewer employees and/or less annual revenue than regular-sized businesses, SMEs face major difficulties that are detrimental to their performance. The general performance of an organization is largely dependent on the right management approach but when it comes to SMEs, it's a more complex issue. This is because apart from choosing the right strategies to enhance the performance of the enterprise, SMEs are faced with constraints but not limited to limited capital, lack of opportunities and taxation issues. Out of all these constraints, business owners point out taxation as a major constraint in meeting optimal financial performance of enterprises. This is very evident in Cameroon as according to the Ministry of economy, planning and regional development (MINEPAT, 2022), the failure rate of SMEs within the first 5 years stands at 72%. Many of the difficulties with tax may be deemed as the consequences of poorly conceived tax policies, lack of awareness, and a lack of certainty regarding future policy changes. However, it would be rare indeed to not observe complaints about the complication and/or ambiguity of the tax laws as well as high tax rates (Baurer, 2005). If the tax structure is not adequately designed to the specific environmental conditions, it may create a greater burden to the tax-paying organizations and eventually affecting the final consumer due to the shifting ability of tax. According to a study report by Mnewa and Maliti (2008), most small businesses are less likely to attain or maintain their growing profitability due to factors including tax policies. This implies that as a policy maker and regulator, Government must consider the factors that could affect the competitiveness of the small enterprises. Small and medium enterprises (SMEs) are considered the backbone of economic growth in all countries. Smaller enterprises represent over 90% of private businesses and they contribute to more than 50% of employment and GDP in most African countries (UNIDO, 2009). Thus, considering their importance, the government seeks to make tax policies that favour the existence and flourishing of these businesses, hence the introduction of tax reforms.

Tax reform is a process of redefining the way taxes are collected or managed by regimes and usually seeks to enhance tax administration, to provide economic or social benefits, to discourage certain activities and to encourage investments. The quest for reforms is ignited by the need for a sustainable tax system that can generate adequate revenues to meet growing public expenditure demands in addition to solving the inequalities associated with old system. Tax reforms seek to enhance tax administration, increase tax productivity, and control economic distortions brought about by taxes. Besides aiding the government in meeting their expenditure projections, tax reforms are also designed with a motive to check inequalities, facilitate redistribution of wealth for the common good, control cyclical fluctuations, enhance price stability, boost the economy, and reduce unemployment. Tax reform is a main component of macroeconomic policy. Tax reforms are considered as the most important part of fiscal policy and in agreement with monetary policy (Holban, 2007). The aim of tax reform is to raise revenue effectively in consistence with each country's uniqueness and administrative capacity (Kanyinga, 2016). Analysing a country's situation before employing any tax reform results to a proper functioning tax system. The objective of tax reforms is to reduce the tax burden of SMEs, save collection cost while reducing the revenue loss as well as minimal economic disruption, and less inequity. Mostly, tax reforms seek to improve the efficiency and

productivity of taxation and the success of SMEs (Wagacha, 2009). However, mixed findings exist pertaining to the effect of tax reforms on the performance of SMEs.

Performance are measures that can be adopted independently by any business, and they include sales, employees, assets, profits, and equity. If an enterprise can make good sales, keep her employees, or make profits, she is said to be performant. However, literature has not contributed much to exploring the effect of tax reforms on the performance of SMEs in Cameroon. This situation raises a serious concern about the issue of the effectiveness of the current tax reforms and if the specific objective for their implementation is being achieved. This also triggers the need for an in-depth study of how tax payments affect SME development. In addition, most of the literature and research on the subject matter are mostly foreign. According to the Ministry of economy, planning and regional development (MINEPAT), the failure rate of SMEs in Cameroon within the first 5 years stands at 72%. SMEs continue to struggle to stay in business and can hardly compete locally or internationally. Performance is a leading concern for SMEs in Cameroon who face many challenges. According to 2016 statistics from the National Institute of Statistics in Cameroon (INS), economic operators pinpoint taxation as the leading obstacle to their struggle and failure with a representation of 53.5% of opinions, administrative formalities and tracasseries with an opinion rate of 14.2%, financing problems with an opinion rate of 12.7%, lack of opportunities representing an opinion rate 7.1%, corruption with an opinion rate of 6.4% and insufficient energy and water with an opinion rate of 6.1% (Nkafu Policy, 2019). It remains unclear whether the wide range of tax reforms introduced have helped in improving the state of performance among SMEs.

Tax reforms are meant to integrate the tax collection procedure, increasing revenue collection to the government while at the same time reducing bottlenecks in business. Uwaume and Ordu (2014), advocated for alignment of government tax policies to increase performance. The effective tax system is healthy for the prosperity and growth of businesses. In Cameroon, one of the main sources of revenue for government expenditure and infrastructural development is taxation. Hence, the importance of harmonizing the tax system to achieve the objectives of revenue collection and at the same time favouring the performance of SMEs. The harmonisation of the tax system is an entire process of administrative, technological and policy reforms. The good performance of SMEs relates to technological innovations which includes I-tax. In addition, the industrial prosperity and financial sustainability has been associated with compliance which translates to increased performance (Maithya, 2020). In order to tackle the problem of performance, the government has over the years instituted a number of tax reforms. Nevertheless, it has not yet been concretely established as to whether the said reforms have achieved targeted increase in performance and sustainability by SMEs as envisaged or not. The effect of various tax reforms such as the reduction of the Company Income Tax from 30% to 25%, introduction of the OTP service, introduction of management centres, exemption of newly created businesses from paying license taxes to name a few among SMEs remains evidently unexplored in Cameroon. Furthermore, there exist no concrete literature tackling the problem of the effects of tax reforms on the performance of SMEs in Cameroon. Scanty foreign literature shows there exist mixed findings on concepts such as compliance and revenue collection. Mukuri (2022) analysed the effects of technological tax reforms on the financial performance of SMEs in Kenya. The study delved into the effects of technological tax reforms which are useful undertakings in the elimination of manual operations, replacing with digitalised or computerised platforms in tax filing and payment to increase adherence to tax policies on the financial performance of SMEs in Kenya. The study ended by instantiating a positive association between technological tax reforms and the performance of SMEs. Mathenge (2021) analysed tax reforms versus tax compliance in Kenya. The study also

revealed a positive and significant relationship between tax reforms and tax compliance. However, Livoi (2017) carried out a study on the effects of tax reforms on corporate tax compliance to Kenyan Revenue Authority and found that iTAX system had no significant effect on tax compliance among SMEs. The review of existing literature has proven varying contexts, techniques, concepts, and results. Mukuri's study concentrated just on technological tax reforms leaving out administrative and policy reforms which are as important thereby leaving a conceptual gap. The other authors concentrated on the concept of tax compliance which also poses a problem of gaps. The almost inexistent empirical information on the effects of tax reforms on the performance of SMEs and the loopholes spanning from the contextual and empirical gaps makes the study of the effects tax reforms on the performance of SMEs necessary. This study shall have the following hypotheses.

H₁: Administrative tax reforms have significant effect on the performance of SMEs in Cameroon.

H₂: Technological tax reforms have significant effect on the performance of SMEs in Cameroon.

H₃: Policy tax reforms have significant effect on the performance of SMEs in Cameroon.

Considering SMEs as the backbone of the Cameroonian economy which occupies over 90% of the business atmosphere of the country, continuous efforts are being made by the government to ensure that these businesses survive and are profitable in the long-term. One of these measures is the institution of tax reforms owing to the fact taxation is a very important factor in the survival of SMEs in the world and in Cameroon in particular. These reforms are instituted with objectives such as to simplify the tax system, to reduce business cost of taxation, to encourage investments, to increase tax compliance of SMEs, to reduce the informal sector, and to encourage investments in disaster areas. However, it is not so much the case as SMEs continue to fail and run out of business. According to MINEPAT (2016), less than 27.7% of SMEs in Cameroon survived the first 5 years of existence. A similar study in 2016 shows that the summation of the failure rate of SMEs stands at 72.2% for enterprises created between 2010 and 2015 (CAMERCAP-PARC/study on SMEs' failure in 2016).

This study will determine if tax reforms are helping the business performance of SMEs positively. It will shed light on their effectiveness and how future policies can be designed taking into consideration the economic realities of the SME sector. It will also bring enlightenment to the owners of SMEs about current tax policies that concerns them. The performance of SMEs is not only affected by taxes. There are other factors such as difficulties in obtaining finance, corruption, lack of business support and lack of knowledge and expertise. Thus, if the tax reforms prove effective, policy makers can concentrate on the other factors to achieve a vibrant economic and business climate in Cameroon. The study will be helpful to policy makers, tax administrators, the Ministry of Finance (MINFI), the Directorate General of Taxation (DGI), the Ministry of Small and Medium-Sized Enterprises, Social Economy, and Handicrafts (MINPMEESA), owners of SMEs, potential investors, and other stakeholders. The MINPMEESA will get insights on the plights of SMEs concerning tax reforms and ways to better their sustainability as vital economic factors. The DGI and tax administrators will have a better understanding of the extent of effectiveness of implemented tax reforms and ways to improve the entire system. The policy makers will also benefit from recommendations on how to better restructure the taxation system, detect areas of lack and the implementation of future policies. The government in general will also be able to evaluate the effectiveness of the taxation system vis-à-vis international standards, and the level of achievement of their

developmental plans. The government will also be advised on plans to ensure the policies set are proficient to ensure that SMEs are sustainable and competitive both locally and globally. The study will also add value to both existing and potential investors. The existing owners of SMEs will be able to acquire knowledge of tax reforms implemented. The potential investors will be able to make financial decisions based on the existing tax system. Scholars and academicians will be able to understand existing gaps and how they can be addressed in future research. The study also enhances existing knowledge on tax reforms and business performance which might be insightful to the scholarly class.

LITERATURE REVIEW

Tax reforms

Tax reform is a main component of macroeconomic policy. Tax reforms are considered as the most important part of fiscal policy and in agreement with monetary policy (Holban, 2017). Tax policy depends on its use as special tax preferences and/or as an incentive to support start-up and business growth. The aim of tax reform is to raise revenue effectively in consistence with each country's uniqueness and administrative capacity. Analysing a country's situation before employing any tax reform results to a proper functioning tax system. The objective of tax reforms is to save collection cost while reducing the revenue loss as well as minimal economic disruption, less inequity and reduction in tax burden. Mostly, tax reform seeks to improve the efficiency and productivity of taxation (Wagacha, 2019). He said that tax reforms can be split into three as follows: custom reforms, VAT and excise duty reforms, and income tax reforms. According to Mathenge (2021), tax reforms can be classified into 3 groups: administrative tax reforms, national policy tax reforms and technological tax reforms respectively. Cobham (2014) said that to achieve the tax reforms, it's of great importance to first strengthen the administrative capacity of the tax institution. The strengthening measures that need to be taken include taxpayers' electronic registration, electronic tax filing, introduction of stifle tax penalties, taxpayer education and taxpayer services.

Cameroon has gone through some major tax reforms in her history like the 1994 tax reform. This reform came as a response to the World Bank's structural adjustment programme (SAP) and the UDEAC objective to promote regional economic integration. The overall objective was to improve the yield of tax revenue. More specifically, the reforms aimed to abolish anti-trade biases by increasing the share of domestic tax revenue and reducing tariffs. In addition, the reforms aimed to reduce inequality and distortions, and eliminate tax evasion through the harmonisation of tax regimes and general tax reductions (Fambon, Taxation in developing countries: Case study of Cameroon., 2006). The 1994 tax reforms included indirect taxation reforms such as:

- The elimination of all privileges on indirect taxes under special production regimes (taxe unique (TU), taxe intérieure à la production (TIP), Convention of Establishment), and the Investment Code except in the industrial free zone
- The introduction of a turnover tax (TT), a quasi-value added tax (VAT) applicable to domestic production, imported inputs, and intermediary products to replace sales and production taxes (Import Turnover Tax (ITT), TU, TIP).
- The creation of a mechanism for levying excise taxes on certain products.

Another important tax reform is the introduction of the Value-added tax (VAT) during the 1990s. Cameroon's VAT which came into effect on the 1 January 1999 is a reclaimable indirect tax which replaced the turnover tax. According to the positive theory of taxation, VAT is an indirect tax that is likely to minimise excess tax burdens substantially. Moreover, value-added is preferred to other taxes because of its greater allocative efficiency and higher yield. Furthermore, VAT conforms to a greater extent with the tax rules that had been accepted and reinforced since 1980 at the international level with SAP and trade liberalisation. In Cameroon, activities subject to VAT are production, provision of services, distribution, construction work, and real estate agencies. Other major tax reforms in the 1990s included administrative tax reforms which sought to improve the organisation and functioning of Cameroon's tax administration and increasing its capability to manage the tax system. Among the main measures implemented during the period is the creation of a service responsible for managing the taxation matters of major taxpayers and large enterprises. Until the 1990s, large enterprises from which bulk of taxes was collected were not closely monitored by tax authorities. Decisive measures in improving tax collection and initiating the reform of tax administration included: the organisation of external and central services within the government; the establishment of a taxpayer registration system; and improvement in taxpayer education and information, and the development of data processing capabilities to facilitate tax management.

From the 1990s till date, there has been many adjustments in the tax policies and structure of the Cameroonian taxation system principally to accommodate the changes in the economic environment, world pandemics such as the COVID-19, to foster economic growth and to achieve Cameroon's vision 2035. The years 2010 till date has seen the progressive increase in the creation of SMEs which has pushed the government to continuously improve her tax policy to accommodate these SMEs and to assure their sustainability as they are a major instrument of economic development. Law No 2010/010 of April 13, 2010, paved the way for the creation of start-ups and small businesses in Cameroon.

According to statistics by the Research and Analysis Centre on the Economic and Social policies of Cameroon (CAMERCAP-PARC), 61,366 SMEs were created in Cameroon between 2010 and 2016. Therefore, recent years have seen numerous reforms in the administration and application of taxes be it technologically, in the administration or the tax policy itself. For this study, the researcher focused on the major tax reforms which directly affect SMEs for the finance years of 2019-2023. The choice of these 5 years is because they contain majority of the reforms the government has made to encourage SMEs. Therefore, the study will outline the various reforms under their respective heading to analyse their effects on the performance of SMEs.

Administrative tax reforms

The administrative tax reforms address the implementation framework or simply the 'how to do it' aspect of a tax system. Administrative tax reforms mean improving the efficiency and effectiveness of the tax collection and enforcement system. Tax administration should be able to adapt to or make use of technological advancement to its advantage and at the same time align its policies and practices to international standards, minimise tax leakages and avoidance and enter tax treaties and conventions to avoid double taxation (Raposas, 2017). Administrative tax reforms are often motivated by their potential to improve tax revenue mobilisation (Nimonka Bayale, 2022). It has objectives such as to significantly improve the effectiveness of tax administration operations, to change the behaviour of the average taxpayer and to raise the compliance level of the general taxpayer population.

Among the administrative tax reforms implemented by tax authorities for the finance years of 2019-2023 include:

- Forwarding electronically of statistical and tax returns to the customs administration of persons engaged in import and/or export operations no later than 15 March of the following year in accordance with the conditions laid down by special instruments (Finance Law, 2019).
- The tax administration may at any time carry out a Validation check of a VAT credit presented by a taxpayer (Finance Law, 2019)
- Importers and/or exporters shall be required to provide information on their geographical, postal, telephone and e-mail addresses necessary informing the Customs Administration localisation system (Finance Law, 2020)
- VAT due on the sales of goods and services provided through e-commerce platforms shall be calculated, declared, and paid into the Treasury by operators of these platforms, on behalf of the suppliers. The VAT due on commissions received on sales in Cameroon through e-commerce platforms shall be declared and paid into the Treasury by the operators of these platforms. To fulfil the above-mentioned tax obligations, operators of e-commerce platforms shall be required to apply for registration with the tax authorities. The registration, declaration, and payment of taxes collected by operators of e-commerce platforms can be carried out online through the tax administration's internet portal (Finance law, 2020)
- Any natural or legal person liable, as a statutory or actual taxpayer, to payment of a tax, duty or levy or an instalment thereof, by virtue of the provision of the General Tax Code, shall be required to register within 15 (fifteen) working days following the start of his activities, and to provide the Tax Administration with a location map as well as a valid email address. At the end of the registration procedure, a registration certificate stating the single identification number, the tax system and the taxpayer's tax centre is issued to the taxpayer free of charge by the tax administration (Finance law, 2022).
- Documents relating to the various tax procedures may be notified electronically to taxpayers by the tax authorities under conditions laid down by regulation (Finance Law, 2022)
- At least fifteen (15) days before the date scheduled for the first intervention of an audit check, the Tad Administration sends by registered mail or by hand with acknowledgment of receipt or by discharge slip an accounting verification notice or verification of the overall tax situation and a copy of the Taxpayer's Charter which informs him of the possibility of being assisted by a CEMAC approved tax adviser and registered with the order or a Centre of approved management of their choice (Finance Law, 2022).
- The tax administration may establish partnerships with groups of taxpayers to foster compliance and support groups in fulfilling their tax obligations (Finance law, 2023).
- The obligations of group of taxpayers shall include commitments to broaden the tax base, fulfilment of declaration and payment obligations, and improved declaration quality (Finance Law, 2023).
- The obligations of the tax administration shall include tax control expenditure, grant of penalty remissions and preferential payment deferments (finance Law, 2023).

Technological tax reforms

Technological tax reforms are the improvements that take advantage of technological advancements to enhance the efficiency and effectiveness of the tax system. It is a major undertaking in eliminating manual operations and replacing with computerised or digitalised solutions and platforms to increase adherence to tax policies, facilitate tax operations, limit risk of fraud and smoothen the entire tax process. According to Ondimu 2015, technological tax reforms incorporate the efficient and systematic digitalisation of tax collection, registration and filing within stipulated time. The technological tax reforms are cardinal for improving the simplicity, fairness, and adherence to regulation (Keen & Slemrod, 2018). Mayende 2013 carved the cardinal part of technological innovation in the transformation, compliance, increasing efficiency and effectiveness. It simplifies and ease the tax process while reducing costly process of employing numerous personnel. Technological tax reforms strengthen operations of business through streamlining the process and minimising complications. Among the technological reforms implemented by Directorate General of Taxation (DGI) in Cameroon include introduction of an online tax and statistical returns declaration portal (www.impots.cm) since 2014, the access of making tax payments through bank transfers to a central account for businesses which fall under the reel regime and most recently the introduction of the mobile money payment system and the Online tax Payment (OTP) platform (www.teledeclaration-dgi.cm). All these measures seek to simplify the tax system and make it less costly for the taxpayer.

Policy tax reforms

Policy tax reforms entail development of general principles, guidelines, and procedures of a tax system (Keen & Slemrod, 2018). Tax policy involves the choice by a government as to what taxes to levy, in what amounts, and on whom. It has both microeconomic and macroeconomic aspects. Tax policy reforms aim at providing a wholesome approach to tax issues such as tax incentives, tax exemptions, tax breaks, tax rates, the form of taxes, promotion of certain business sectors and activities and achieving the objectives of the tax system in general. Policy reforms implemented within 2019-2023 finance years include reduction of the Company Income Tax, Creation of Approved Management Centres (AMC), promotion of the agricultural and local processing sector, support to the digital economy and incentives to rehabilitate disaster areas. The finance laws of 2019-2023 finance years carries policies that support SMEs such as:

Rehabilitation of Disaster Areas: According to finance laws 2019 and 2020, companies that carry out new investments in an economic disaster area shall be exempted from the following taxes and duties; in the installation phase that may not exceed 3 years:

- Business license tax waiver.
- exemption from VAT on purchases of goods and services;
- exemption from registration fees on project establishment-related property transfers;
- exemption from property tax on buildings used for the project
- During the first 7 years of operation:
 - exemption from business license tax;
 - exemption from VAT on purchase of inputs for production
 - exemption from company tax and minimum collection;
 - waiver from taxes and contributions on salaries paid to staff

Measures to support the rehabilitation of the production tool of enterprises in economically damaged areas. Existing enterprises whose registered office and activities are located in an economically affected area as at 31 December 2018 shall benefit from a 75% discount on their tax arrears as at 31 December 2018, with the possibility of spreading the payment of the balance over a period of 24 months without carrying it forward.

Measures relating to youth employment promotion. According to finance laws 2020, 2021 and 2022, firms falling under the actual income regime which recruit Cameroonian graduates below 35 years for first-time jobs or pre-employment internship under a contract of indefinite or definite duration shall be exempted from taxes and contributions on the salary or allowances paid to such young people, excluding social security contributions.

This measure shall apply for a period of 3 (three) years from the date of signature of the employment contract or admission to a pre-employment internship. Such exemption shall only be granted to firms falling under the actual earnings tax system or regime or members of an Approved Management Centre.

Company Income Tax (CIT) rate: In 2019, the CIT applicable to taxpayers with a turnover equal to or less than 3 billion FCFA was fixed at 30%. According to finance law 2021, the CIT was dropped by the government to 28% and another reduction was done in the finance law of 2023 to 25% with an additional council tax of 10% making it 27.5% in total.

Performance of SMEs

Performance is the strategic outcomes that organizations use to realize its goals, success or not (Davidsson.P, 2004) (Dess, 1984) (McMahon, 2001) (Ostgaard, 1995) (Brown, 2013). Business performance is the key interest of each business manager or owner. SMEs in developing countries suffer more than large firms from many policy and institutional constraints arising from imperfect markets, consequently, they benefit disproportionately from reforms. According to Dess 1984, the growth of small and medium-size enterprises is affected by its business climate. Wawire and Nafukho (2010) explains the methods to address the business performance and various approaches implemented by scholars and academicians to measure the performance aspect of an organization. Tolentino (2005) argues that various aspects that are considered while measuring the performance of small and medium-size enterprises are sales, employees, assets, profits, equity, and others. There is a time variation in the literatures that analyses the business performance aspect of an organization. The time variation is determined to be varying from one to several years (Shariff, 2013). Measurable characteristics like changes in turnover, change in productivity, change in employment, change in sales, profit and total assets are different ways of measuring firms' business performance. Rochaa (2014) noted that when compared to sales, employment is effective in terms of reliability and volatility as owners-managers make sure that the demand has expanded to a certain level before personnel are recruited. When compared to financial data, reliable information with respect to the employment performance is easy to access and collect. Peres and Stumpo (2010) conducted 50 case studies on small business units of Asia, Africa, Europe, and America by means of various measures of business performance. The study revealed the distribution of business performance measures were employment growth, sales growth, profitability growth, income growth and assets growth. Chong (2008) conducted a study on measuring performance of small-and-medium sized enterprises. Using the procedures stipulated by the grounded theory, this study reported the findings of in-depth semi-structured interviews with five owners-managers of small and medium enterprises on how performance is being measured. The findings revealed that the owners/managers use a hybrid approach

combining both the financial and non-financial measures to evaluate business performance against the predetermined goals and time. In line with the goal approach, the owners-managers focus their evaluation process on abilities to attain the internally generated goals and targets. The managers of these small enterprises use a hybrid approach on measuring performance due to their concerns on meeting the financial returns as well non-financial returns. Financial measures include profits and turnover while nonfinancial measures are the long-term growth indicators and survival of the organization. The SME Sector has attracted significant and increasing attention from policy makers in many jurisdictions. In the developed economies, this attention has focused on business birth rates, entrepreneurship, and SME's development. In developing economies, the SMEs sector is seen as the source of indigenous economic development to match the development achieved by inward investment activity. The study will measure the effects of tax reforms on the performance of SMEs with the use of a financial ratio such as the Return of Assets (ROA). The subject of tax reforms has attracted attention from many past theorists and researchers. Nevertheless, a wide range of issues remained unresolved or unaddressed. The gaps are mostly contextual and conceptual in nature. There were not so many differences in the empirical results of the various studies as they all but a few proved tax reforms were very effective in the increment of tax revenues, simplification of tax processes and the overall compliance of taxpayers which can translate to performance. Conceptual gaps emerge on need to consider an all-inclusive model of tax reforms for assessment, away from a narrow-oriented assessment. Conceptual gaps also concern the need to expand the conceptual representation of each reform component or variable to cover more aspects. Ndiaye (2019) considered tax administration reforms as the most important in tax structure design in Senegal. Other researchers such as Milton Ayoki (2008) focused on the tax rates and taxbases as the most important aspects of tax reforms. Contextually, gaps also emerge on need for updated studies as considerable time has elapsed since some studies were carried out, challenging their applicability in the current environment. Considerable time has passed since Milton Ayoki (2008) study on the revenue effects of Uganda's tax reform efforts between 1990-2008. Same as that for Fambon (2006) and Ndiaye (2019). In Cameroon, there is little or no studies on the effects of tax reforms on the performance or growth of SMEs, tax revenue, or tax compliance of SMEs. Considering also worldwide events such as the COVID-19 pandemic, the Russian-Ukraine war, and the global inflation in economies, it is important to carry out recent studies on the effects of implemented tax reforms to ameliorate future reforms and improve the economic growth of the country.

METHODOLOGY

Research design

This study adopted a descriptive survey research design. This design was adopted because the study sought to determine conditions as they were and explain relations as they existed regarding the effects of tax reforms on the performance of SMEs in Cameroon, Southwest region. The study also adopted a quantitative research methodology. This is because the study entails the collection of quantifiable data without manipulating any variables to determine the effects of tax reforms on the performance of small and medium-sized businesses. This will lead to a deeper understanding of the subject matter and the basis of future quantitative research. The quantitative research methodology is seen to have an advantage as it carries out straightforward analysis, it can be checked and tested and favours large quantity of data. The research methodology adopted for this study is the most preferred since it has also been used by several authors such as Evans et al. (2016) to investigate the effect of tax payment on the performance of SMEs, Chytos, and Koumanakos, (2013) on the article deferred tax positions

under the prism of financial crisis and the effects of a corporate tax reform, Binh & Glover (2002) in the study of tax reform in Australia and Yongzheng and Jie (2019) in how do tax incentives affect investment and productivity? Financial evidence from China. Since the study involved collecting the responses of participants regarding tax reforms, the research employed the survey method that uses questionnaire. The choice of this method was because the survey method is very effective in reaching large samples of participants as well as getting cause and effect relationships. The study will be conducted in the Southwest region of Cameroon. The southwest region comprises of six divisions which are Fako, Ndian, Meme, Kupe-manengouba, Lebalem and Manyu with the administrative capital of the region being the town of Buea. These divisions are further divided into 31 sub-divisions and the entire region covers an area surface of 25 410km². According to Cameroon's National Institute of Statistics, the Southwest region has a population of about 1, 553,320 inhabitants (2015). The most renowned towns include the capital Buea, Mamfe, Limbe, Tiko, and Kumba which are known for their historical, colonial, and economic prowess in the region. These towns have developed into cosmopolitan settlements for the autochthon, nonnative, and foreign populations mostly from countries like Nigeria, Ghana, and Guinea. The choice of the southwest region as the area of study was influenced by several factors. The Southwest region has a predominantly youthful population which has in turn led to the setting up of many businesses as youths tend to dive more into entrepreneurship. Tax reforms aim to foster entrepreneurship and majority of the youths are the owners or managers of these businesses. The second reason is that the southwest region is a region which has been marred by socio-political upheavals which provides a good basis to assess how tax reforms aid businesses to be resilient in the face of crisis. Furthermore, the southwest region has an estimated number of 24,481 registered SMEs which means data can be readily available for the purpose of this study. In the same light, the researcher's own interest formed the choice of the localization. The southwest region is a familiar territory and given the constraints of money and time, it is a prudent choice of study area. Finally, multiple studies have been carried out on the effects of taxation on the performance of small and medium size enterprises in the Buea municipality but very few have investigated the effects of tax reforms on the performance of small businesses and covered the entire region. The sample size references the total number of respondents included in a study, and the number is often broken down into sub-groups by demographics so that the total sample achieved represents the entire population (Kibuacha, 2021). Sample size is a vital aspect in research because of its effect on statistical power. Data from the Ministry of small and medium size enterprises, Social Economy, and Handicraft analysis report for 2022 reveals that there are 24,481 registered SMEs in the Southwest region and 714 medium enterprises included. Therefore, the researcher will use the Yamane Equation Formula for sample size to determine the sample size for the study with a confidence level of 95% and a margin of error of 0.05. (Yamane, 1967)

$$n = \frac{N}{1 + N (e)^2}$$

Where;

n = Sample size

N = Population size

e = Margin of error

Therefore, sample size is equal to $24,481 / 1 + 24,481 (0.05)^2 = 395$. The sample size of SMEs for the study is 395 SMEs.

Table 1: Sample distribution table

Type	Number	Sample
Small size enterprises	23,767	383
Medium size enterprises	714	12
TOTAL	24,481	395

Source: Authors' Elaboration (2024)

Method of data collection

This study will be conducted using questionnaires as primary method of data collection. Section explains what the questionnaires contain and how they will be utilised in this study. A questionnaire is a set of questions that assess beliefs, Opinions, and biographical information about a subject. This study will utilise questionnaires because of their conveniency to reach large samples, use of standardised questions, ease of scoring, uniform procedures, and the allowance to provide time for the subject to reflect on their responses. Questionnaires also provide great anonymity. This is extremely important in this study as data regarding taxation and financial statements are confidential and may invoke some reticence from the respondents. The questionnaires contained closed-ended questionnaires which will be administered. The questionnaires were submitted to a sample of SMEs in the southwest region to be filled by their owners or managers. The nature of the study will be explained to the respondents, hence the respondents' confidentiality of any information provided is assured. The researcher will conduct a pilot study to find out if the questionnaires can gather the required information they are meant to gather. The questionnaire was designed to attain the main and the specific objectives of the research. Part one of the questionnaire sought to obtain data relating to the general background of the participating SMEs; Part two was designed to obtain data to meet the general and specific objectives of the research which is to assess the effects of tax reforms on the performance of SMEs in Cameroon, to assess the effects of administrative tax reforms on the performance of small and medium-sized enterprises in Cameroon, to assess the effects of technological tax reforms on the performance of small and medium-sized enterprises in Cameroon, and to assess the effects of policy tax reforms on the performance of small and medium-sized enterprises in Cameroon. Part three was dedicated to the assessment of the performance of SMEs in the Southwest region of Cameroon. To analyse the effects of tax reforms on the performance of SMEs, descriptive statistical analysis tools will be used. The data will be summarised and described with the use measures of central tendency, measures of variability and graphical methods.

The descriptive statistical analysis method was used to investigate the relationship between the dependent variable, Performance (Return on Assets) and independent variables (tax reforms). Descriptive statistics were used to effectively describe measurements using statistics and the output were presented in the form of tables, graphs, and figures. Questionnaires were checked and edited for consistency and completeness. The analysis attempted to answer the research questions and to explain the strength of association between the independent and dependent variables.

The dependent variable is performance. This will be measured by the Return on Assets financial ration which will be captured from responses in the questionnaire and the financial statements. The independent variables for the study are administrative tax reforms, technological tax reforms and the policy tax reforms which will be measured with the available information gotten from the responses and opinions of respondents of the selected sample size. This relationship was captured as follows

$$P (ROA)_{it} = \beta_0 + \beta_1 ATR_{it} + \beta_2 TTR_{it} + \beta_3 TPR_{it} + SIZE_{it} + TO_{it} + \varepsilon$$

Where:

P= Performance (Return on Assets)

B1, β_2 , β_3 are coefficients of the independent variables

ATR = Administrative tax Reforms

TTR = Technological tax Reforms

TPR = Tax Policy Reforms

Control Variables

SIZE = size of enterprise (total assets)

TO = Turnover of the enterprise

ε = Error term

Table 2: Operationalisation of the variables and measurement

Variable	Dep./Indep.	Indicator	Measure	Data source
Performance	Dependent	Return On Asset	Net Income/Total Assets	Financial statement obtained from entities
Administrative tax reforms	Independent	Decentralized services. Proximity of tax centres to SMEs	Likert scale	(Mathenge, 2021)
		Taxpayer education, Seminars, and sensitisation campaigns by tax authorities	Likert scale	
		Penalty remissions and preferential payment deferments	Likert scale	
		Technical support Extent of support offered on technical issues	Likert scale	
Technological tax reforms	Independent	Cost of use; Time used to access the system. Financial cost of using the system Buffer for errors correction Ease of unblocking accounts	Likert scale	(Mathenge, 2021)
		Technological innovations Use of the online declaration website (www.impots.cm) Use of the online tax payment system (www.teledeclaration-dgi.cm OTP platform	Likert scale	
		Training and empowerment Seminars on how to use the system. Setup of accounts with the help of tax administrators	Likert scale	
Policy tax reforms	Independent	Revised tax rates CIT 25%	Likert scale	Mathenge, 2021
		Simplicity of tax regimes Introduction of specialised management centres	Likert scale	
		Other related incentives Youth employment promotion Incentives for rehabilitation of disaster areas	Likert scale	

Source: Authors' Elaboration (2024)

DATA ANALYSIS

Response Rate

The researcher administered 400 questionnaires. A total of 350 questionnaires were filled, picked and collected from the respondents which translate to an 87.5% response rate. Babbie (2010) recommends that a return rate above 60% is good. This therefore indicates that the response rate was sufficient and is above the recommended threshold.

Table 3: Show the response rate of the questionnaires administered for the study

Questionnaires	Numbers
Number of questionnaires administered	400
Number of questionnaires returned	350
Number of questionnaires not returned	50
Response rate	87.5%

Source: Authors' Elaboration (2024)

Characteristics of Respondents

Table 4 presents the frequency distribution for gender of the respondents, age group, marital status, level of education, current position at work and longevity as tax payer. It shows that there were 227 male respondents accounting for 65% of the total respondents while there were 123 female respondents accounting for 35% of the total respondents included in the study. There majority of the respondents for this study were males. Also, 125 respondents were within the age group of 26 to 35 years while 127 and 98 respondents were of the age group 36 to 45 years and above 45 years respectively. Majority of the respondents included in this study were of the age group 36 to 45 years. Table 4.2 also shows that at the time this data was collected, 175 respondents were single, 105 respondents were married, and 70 respondents were divorced. It was also observed that in terms of highest level of education, 102 respondents had high school diplomats, 161 respondents had undergraduate degrees, and 87 respondents had master's degrees. Thus, majority of the respondents in the study had an undergraduate degree. Furthermore, table 4.2 indicates that 192 respondents were owners while 88 respondents were managers, and 88 respondents were accountants in the respective enterprises.

Table 4: Characteristics of Respondents

Variable	Range	Frequency	Percent
Gender	Male	227	65.0
	Female	123	35.0
Age group	26 to 35	125	35.70
	36 to 45	127	36.0
	above 45	98	28.0
Marital status	Single	175	50.0
	Married	105	30.0
	Divorced	70	20.0
Level of Education	Higher School	102	29.0
	Undergraduate Degree	161	46.0
	Master Degree	87	25.0
Current position	Manager	88	25.0
	Accountant	70	20.0
	Owner	192	55.0
Age of enterprise	Less than 1 year	75	21.4
	1 to 5	100	50.0
	6 to 10	92	28.5
	11 to 15	48	13.7

	Above 15	35	10.0
Total assets of the enterprise	Less than FCFA 1000 000	199	57.0
	1000 001 to 10 000 000	107	31.0
	10 000 001 to 50 000 000	32	9.1
	Above 50 000 000	12	3.4
Business turnover	Less than FCFA 1000 000	118	33.7
	1000 001 to 10 000 000	172	49.1
	10 000 001 to 50 000 000	48	13.7
	Above 50 000 000	12	3.4

Source: Authors' Elaboration (2024)

Furthermore, it was also observed that 75 enterprises have been operating for less than a year, 100 enterprises had been operating for between 1 to 5 years, while 92 enterprises have been operating for between 6 to 10 years, and 48 enterprises have operated for between 11 to 15 years, while 35 have been in operation for above 15 years.

Also, in terms of total assets, 199 enterprises had total assets of less than FCFA 1000 000, while 107 enterprises had total assets of between FCFA 1000 000 to FCFA 10 000 000, 32 enterprises had total assets of between FCFA 10 000 000 to FCFA 50 000 000, and 12 enterprises had total assets of above FCFA 50 000 000.

Furthermore, in terms of the turnover of the enterprises, 118 enterprises had turnover less than FCFA 1000 000, while 172 enterprises had annual turnover of between FCFA 1000 001 to FCFA 10 000 000, 48 enterprises had turnover of between FCFA 10 000 001 to FCFA 50 000 000, and 12 enterprises had turnover of above FCFA 50 000 000

Summary Statistics

The summary statistics for administrative tax reforms (ATR), technological tax reforms (TTR), Tax Policy reform (TPR), and performance (P) are presented in table 5 below.

Table 5: Summary Statistics

Variables	Observations	Mean	Standard Deviation	Minimum	Maximum
ATR	350	10.06087	3.434444	0	16
TTR	350	10.28261	3.140544	0	16
TPR	350	10.1	3.422696	0	16
P	350	12.15217	4.255833	0	20

Source: Authors' Elaboration (2024) STATA 16

As can be seen in table 5 there were 350 observations. ATR had a mean value of 10.06; TTR had a mean value of 10.2, while TPR and P had mean values of 10.1 and 12.15 respectively. On the other hand, the standard deviation of ATR, TTR, TPR, and P were 3.43, 3.14, 3.42, and 4.25 respectively.

The values of the standard deviation for each variable shows that the data are more concentrated around their mean values. The minimum value for all the variables was 0 while the maximum value for ATR, TTR, and TPR respectively was 16 except for P which had a maximum value of 20.

Administrative Tax Reforms

Questions 1 to 5 under section B of the research instrument were used to capture this variable. The result is as presented in table 6 below.

Table 6: Administrative Tax Reform

S/N	STATEMENTS	Agree	Disagree	Neutral	Strongly agree	Strongly disagree	Mean	Std. Dev.
1	As an enterprise, we receive technical support from our local tax centre whenever needed when we face challenges in the process of paying taxes.	120 (34.3%)	88 (25.1%)	55 (15.7%)	43 (12.3%)	44 (12.6%)	2.5043	1.366
2	You or anyone in your enterprise has attended Programs that were organized by the administrators meant to directly assist taxpayers who face difficulties in fulfilling their tax obligations.	131 (56.3%)	65 (9.4%)	66 (12.3%)	55 (9.4%)	33 (12.6%)	2.447	1.365
3	You or a representative of your enterprise has attended tax payer education programs organized to educate tax payers about the tax reforms.	197 (56.3%)	33 (9.4%)	43 (12.3%)	33 (9.4%)	44 (12.6%)	2.495	1.500
4	You understand the tax system and the tax reforms of the Cameroon system such that you do not make mistakes that can lead to sanctions relative to your tax payments.	154 (44.0%)	109 (31.1%)	77 (22.0%)	10 (2.9%)	0 (0%)	2.613	1.312
5	The decentralization of the tax system in Cameroon allows for an easy payment of taxes.	164 (46.9%)	21 (6.0%)	110 (31.4%)	44 (12.6%)	11 (3.1%)	2.4130	1.45043

Source: Authors' Elaboration (2024).

Technological Tax Reform

Questions 6 to 10 under section B of the research instrument were used to capture this variable. The result is as presented in table 7 below.

Table 7: Technological Tax Reform

S/N	STATEMENTS	Agree	Disagree	Neutral	Strongly agree	Strongly disagree	Mean	Std. Dev.
1	You declare tax of the business online.	142 (40.6%)	76 (21.7%)	11 (3.1%)	121 (34.6%)	0 (0%)	2.4696	1.38817
2	It is more efficient to do online filing of tax returns than manual filing.	99 (28.3%)	32 (9.1%)	44 (12.6%)	143 (40.9%)	32 (9.1%)	2.8043	1.32855
3	Uploading income and tax information of the business on the online platform is more efficient and effective.	143 (40.9%)	43 (12.3%)	55 (15.7%)	88 (25.1%)	21 (6.0%)	2.6043	1.31001
4	Online declaration of taxes has improved the efficiency and effectiveness of the tax system	142 (40.6%)	22 (6.3%)	88 (25.1%)	88 (25.1%)	10 (2.9%)	2.4043	1.39775
5	The cost of using the online platforms to pay taxes is simple and less costly.	132 (37.7%)	54 (15.4%)	110 (31.4%)	44 (12.6%)	10 (2.9%)	2.6000	1.34001

Source: Authors' Elaboration (2024)

Tax policy Reforms

Questions 11 to 16 of the research instrument were used to capture this variable. The result is as presented in table 8 below.

Table 8: Tax policy Reforms

S/N	STATEMENTS	Agree	Disagree	Neutral	Strongly agree	Strongly disagree	Mean	Std. Dev.
1	The general principles of action or policy adopted by the government to collect taxes are more efficient and effective.	152 (43.4%)	99 (28.3%)	88 (25.1%)	11 (3.1%)	0 (0%)	2.4739	1.37244
2	Your enterprise has benefited from the exemption of paying business license tax for the first 3 years of its creation and for another 7 years of operation.	44 (12.6%)	164 (46.9%)	44 (12.6%)	11 (3.1%)	87 (24.9%)	2.5348	1.40371
3	The current policy reforms of the tax system have influenced your business positively.	110 (31.4%)	75 (21.4%)	110 (31.4%)	11 (3.1%)	44 (12.6%)	2.4652	1.37543

4	The reduction of the company income tax is a good initiative that encourages the growth of your enterprise.	230 (65.7%)	76 (21.7%)	33 (9.4%)	11 (3.1%)	0 (0%)	2.6261	1.33126
5	The exemption of paying business license tax for new enterprises in disaster areas is a good initiative to encourage the sustainability and expansion of your business in such areas.	197 (56.3%)	22 (6.3%)	33 (9.4%)	65 (18.6%)	33 (9.4%)	2.3696	1.44414
6	The reduction of the company tax rate from 30% to 28% has affected your business positively.	154 (44.0%)	20 (5.7%)	88 (25.1%)	77 (22.0%)	11 (3.1%)	2.4783	1.43778

Source: Authors' Elaboration (2024)

Performance

Questions 1 to 6 of section C of the research instrument were used to capture this variable. The result is as presented in table 9 below.

Table 9: Performance

S/N	STATEMENTS	Agree	Disagree	Neutral	Strongly agree	Strongly disagree	Mean	Std. Dev.
1	The enterprise's ROA has improved over the years.	98 (28.0%)	76 (21.7%)	110 (31.4%)	33 (9.4%)	33 (9.4%)	2.9217	1.30934
2	The institution had a positive financial performance last year and is expected to have this year.	197 (56.3%)	54 (15.4%)	77 (22.0)	11 (3.1%)	11 (3.1%)	2.7348	1.35237
3	We as an enterprise are satisfied with the ROA of the enterprise of the previous year.	198 (56.3%)	43 (12.3%)	87 (24.9%)	11 (3.1%)	11 (3.1%)	2.6696	1.39068
4	The firm has attained all its financial goals for the previous and are certain that this year will be better than last year.	153 (43.7%)	33 (9.4%)	120 (34.3)	33 (9.4%)	11 (3.1%)	2.7348	1.32629

5	Customers have increased overtime since creation of the business and customers are satisfied with our products and services.	154 (44.0%)	43 (12.3%)	87 (24.9%)	55 (15.7%)	11 (3.1%)	2.6000	1.34001
6	We as an enterprise are satisfied with the business growth and ROA over the last 3 years of operation.	231 (66.0%)	33 (9.4%)	54 (15.4%)	11 (3.1%)	21 (6.0%)	2.4565	1.44335

Source: Authors' Elaboration (2024)

Presentation of Inferential Results

In order to verify the usefulness of the regression analysis, some pertinent pre-tests and post-tests were conducted namely, reliability tests, multicollinearity test, test of heteroscedasticity, model specification test and test for normality of error term. After these tests the regression test was conducted.

Reliability test

In order to verify the consistency of people's responses across the questions on a multiple-question measure, the Cronbach's alpha was used. The rationale for conducting this test was that when a set of questions that was combined into an overall score was devised, it was necessary to make sure that all the questions really do reflect the same thing. A value of +0.8 or greater is generally taken to indicate good internal consistency. Table 10 shows the value of Cronbach's alpha for the various variables used in this study.

Table 10: Reliability Tests

Variable	Number of items	Cronbach alpha
Administrative Tax Reform	5	0.855
Technological Tax Reform	5	0.820
Tax Policy reform	5	0.832
Performance	6	0.942

Source: Authors' Elaboration (2024).

Reliability tests measure the reliability of the questionnaire which is the instrument of data collection used in this study. A questionnaire is said to be reliable if a respondent's answer to a question is consistent or stable. Reliability testing in this study was done using the coefficient alpha or Cronbach alpha that is equal to 0.6. If the value of Cronbach's alpha is more than 0.6 then it is considered reliable according to Cronbach (1947). Based on reliability testing using SPSS 26, it shows that the variables are reliable because the Cronbach alpha value of the four variables was greater than 0.6. Thus, the instrument was reliable to carry out the regression analysis.

Multicollinearity Test

Multicollinearity test was conducted to ensure that there is no high correlation among the independent variables of the study. Multicollinearity was tested using variance inflation factor in STATA 16. The result is shown in table 4.8 below.

Table 11: Multicollinearity test

Variable	VIF	1/VIF
SIZE	1.52	0.656257
TURNOVER	1.50	0.666706
ATR	1.13	0.887054
TPR	1.11	0.898704
TTR	1.02	0.982230
Mean VIF	1.26	

In general, a mean VIF above 10 is a call for concern (Miles, 2014). The VIF of ATR (administrative tax reform), TTR (technological tax reform), TPR (tax policy reform), SIZE (size of enterprise), and TURNOVER (turnover) was 1.13, 1.02, 1.11, 1.52, and 1.50 respectively. The mean VIF (1.26) was below the threshold of 10 which implies that there were no multicollinearity problems.

Heteroscedasticity Test

The assumption of the absence of heteroscedasticity was tested using the Breusch-Pagan / Cook-Weisberg test for heteroscedasticity presented below as output of STATA 16.

Table 12: Heteroscedasticity Test

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of P

chi2(1) = 0.01

Prob > chi2 = 0.9409

Breusch-Pagan / Cook-Weisberg test the null hypothesis that the error variances are all equal versus the alternative that the error variances are a multiplicative function of one or more variables. Since the Chi-square value (0.9409) is greater than the significance level (0.05), it indicates that heteroscedasticity was not a problem.

Model specification Test

Model specification test was conducted to verify whether the model was correctly specified. This was done in STATA 16 as seen below.

Table 12: Model specification test

Ramsey RESET test using powers of the fitted values of P

Ho: model has no omitted variables

F(3, 343) = 1.89

Prob > F = 0.1308

In order to test whether model was correctly specified, the Ramsey RESET test for omitted variable was conducted. The null hypothesis of the test is that the model has no omitted

variable. Since the probability value (0.1308) is greater than 0.05, we do not reject the null hypothesis. This implies that the model has no omitted variable, and it is correctly specified.

Normality Test of Error term

One pertinent assumption of OLS regression model is that the error terms should be normally distributed. A chi square value less than the significance level at 5% indicates that the error term is not normally distributed. On the other hand, a chi square value greater than the significance level at 5% indicates that the error terms are normally distributed. This assumption was verified using Skewness/Kurtosis tests for Normality as presented in table 4.9 below.

Table 13: Normality Test of Error Term

Variable	Skewness/Kurtosis tests for Normality				
	Obs	Pr(Skewness)	Pr(Kurtosis)	adj chi2(2)	joint Prob>chi2
residual	350	0.2711	0.3450	2.11	0.3476

Table 13 shows the number of observations which is 350 and the probability of skewness which is 0.2711 implying that skewness is asymptotically normally distributed (p -value of skewness > 0.05). Similarly, the probability value for kurtosis $Pr(Kurtosis) = 0.3450$ indicates that kurtosis is also asymptotically distributed (p -value of kurtosis > 0.05). Finally, $chi(2)$ is 0.3476 which is greater than 0.05 implying its insignificance at a 5% level. Consequently, the null hypothesis cannot be rejected. Therefore, according to the Skewness test for normality, residuals show normal distribution.

Main Regression Result

The regression result of the effect of tax reforms on the performance of small and medium size enterprises in Cameroon is presented in table 14 below as output of STATA 16.

Table 14: Main Regression Result

	(1)
VARIABLES	P
ATR	0.139** (0.0675)
TTR	0.171*** (0.0619)
TPR	0.147** (0.0692)
SIZE	0.291 (0.198)
TURNOVER	-0.358 (0.353)
Constant	6.907*** (1.262)
Observations	350
R-squared	0.073

Standard errors in parentheses

*** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$

Table 4.10 shows the regression results of the study. TTR is the variable technological tax reform, ATR is the variable administrative tax reform, TPR is the variable tax policy reform, P stands for performance, SIZE is size of the enterprise, and TURNOVER is the turnover of the enterprises. SIZE and TURNOVER are control variables used in the model to moderate the effect of tax reforms on the performance of small and medium size enterprises in Cameroon. A coefficient with three asterisks implies significance at 1% while coefficients with one and two asterisks imply significance at 10% and 5% respectively.

Source	SS	df	MS	Number of obs	=	350
Model	424.461366	5	84.8922733	F(5, 344)	=	5.39
Residual	5416.93578	344	15.7469063	Prob > F	=	0.0001
				R-squared	=	0.0727
				Adj R-squared	=	0.0592
Total	5841.39714	349	16.7375276	Root MSE	=	3.9682

P	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
ATR	.1392416	.0675356	2.06	0.040	.006407	.2720762
TTR	.1706861	.061935	2.76	0.006	.0488671	.2925051
TPR	.1466075	.0691632	2.12	0.035	.0105714	.2826435
SIZE	.2914519	.1984147	1.47	0.143	-.0988067	.6817106
TURNOVER	-.3581823	.3528422	-1.02	0.311	-1.052182	.3358174
_cons	6.907357	1.261749	5.47	0.000	4.425642	9.389072

DISCUSSION

Administrative Tax Reforms

The regression result in table 4.10 shows that the coefficient of administrative tax reform was positive and statistically significant at a 5% level of significance since the P-value (0.04) was less than 5%. Hence, administrative tax reforms have a positive effect on the performance of small and medium size enterprises in Cameroon. This technically implies that a unit increase in administrative tax reforms will lead to a unit increase in performance of small and medium size enterprises in Cameroon by 0.139 units and vice versa. Thus, the null hypothesis that administrative tax reforms have no significant effect on the performance of small and medium size enterprises in Cameroon was rejected. Therefore, an enhancement in administrative tax reforms will also lead to a great improvement in the performance of SMEs. The study findings agree with Mathenge (2021), Ndiaye (2019) and Milton (2008) who all agree on the importance of administrative tax reforms and its influence on revenue, compliance, and performance. However, the results conflicted with the findings of Livoi (2017) who stated that administrative tax reforms had an inverse relationship with compliance. Hence, the study concludes that administrative tax reform has a positive effect on the performance of small and medium size enterprises in Cameroon.

Technological Tax Reforms

Furthermore, according to the results in table 4.10 technological tax reforms had a positive and statistically significant effect on the performance of small and medium size enterprises in Cameroon at a 5% level of significance since the P-value at 0.006 was less than 5%. This

implies that there was a positive effect of technological tax reforms on performance of small and medium size enterprises in Cameroon. Technically it implies that an increase in technological tax reforms will lead to an increase in the performance of small and medium size enterprises by 0.17 units if all other factors that can as well influence performance are held constant and vice versa. Thus, the hypothesis that technological tax reforms have no significant effect on the performance of small and medium size enterprises in Cameroon was rejected. The finding agrees with Mukuri (2022) who studied the effects of technological tax reforms on the financial performance of SMEs in Kenya though contextually no other study has been carried on the subject in Cameroon. Hence, the study concludes that technological tax reform has a positive effect on the performance of small and medium size enterprises in Cameroon.

Tax Policy Reforms

Similarly, the coefficient of tax policy reform was positive and statistically significant at 5% level since the p-value at 0.035 was less than 5%. Thus, tax policy reform had a positive effect on the performance of small and medium size enterprises in Cameroon. This technically implies that an increase in tax policy reforms will lead to an increase in performance of small and medium size enterprises in Cameroon by 0.146 units if all other factors that can also influence performance are held constant and vice versa. The study agrees with past studies carried out by Mathenge (2021) who conducted a study of tax reforms and tax compliance among small and medium enterprises in Nyeri county, Kenya, Ndiaye (2019) on the effects of reforms on tax revenue performance in Senegal, Milton (2008) studied the revenue effects of Uganda's tax reform efforts between 1990-2008, and Fambon (2006) studied taxation in developing countries with a case study in Cameroon. All of whom agreed on the importance of policy reforms in the shaping of the tax system and how it affects revenue and performance. Nevertheless, it conflicted with the study of Livoi (2017) who confirmed existence of a negative effect of policy tax reforms on compliance which can translate to performance. Thus, the hypothesis that tax policy reforms have no significant effect on the performance of small and medium size enterprises in Cameroon was rejected. Hence, the study concludes that tax policy reforms have a positive effect on the performance of small and medium size enterprises in Cameroon. Furthermore, the value of the adjusted R-squared ($R^2 = 0.0592$) in appendix 1 shows that 5.92 % of the variations in the performance of the Small and medium size enterprises was jointly explained by changes in the constructs of the independent variable namely administrative tax reforms, technological tax reforms, and tax policy reforms while the remainder 94.08 is explained by other factors affecting the performance of SMEs not included in this model but are however captured by the error term denoted in the original model specified as ε . Furthermore, the F-value at numerator degree of freedom 5 and denominator degree of freedom 344 (5, 344) in appendix was 5.39 and with its probability value (Prob>F) of 0.0001, shows that the model was overall significant. This means that the independent variables when used together reliably predict what will happen to the performance of SMEs.

CONCLUSION

Several conclusions were made regarding tax reforms and the performance of SMEs. The study concluded that there was a moderate performance of SMEs in the Southwest region of Cameroon. Regarding administrative tax reforms, regression analysis concluded that administrative tax reforms play a significant role in determining the level of performance among SMEs. The STATA 16 output regression results concluded that administrative tax reforms were strongly and positively related with the performance of SMEs. Nonetheless, it was concluded that the tax authority was only moderately effective and efficient in

implementing the administrative tax reforms in the southwest region as seen by the respondents' responses. It was further concluded that the technical support offered to SMEs was inadequate. Further, the benefits of the decentralisation of tax centres have not reached its optimum. Regression analysis results led to a conclusion that technological tax reforms play a key role in determining the level of performance of SMEs. On the same note, the STATA 16 regression analysis informed a conclusion that technological tax reforms and performance were strongly and positively related though with a lesser level of influence (0.01). Although results indicated a high level of efficiency and effectiveness in implementation of technological tax reforms in the southwest region, it was concluded that the tax authority still had a lot to do to encourage the use of technology to meet tax obligations. Participants were satisfied with the use of the online platform to pay taxes and were satisfied with its level of effectiveness and efficiency. Regression analysis results informed a conclusion that Tax policy reforms was a useful influence on the performance of SMEs. The STATA analysis results revealed that tax policy reforms have a coefficient of 0.147 which is the second highest with an influence level of 5%. Therefore, there is a statistically significant effects of tax policy reforms on the performance of SMEs in Cameroon. In addition, participants were welcoming to the idea of the reduction of company income tax and some participants have benefited from the exemption from paying license taxes.

Recommendations

The study recommends enhanced implementation of tax reforms, and particularly the administrative tax reforms which were found to be inadequately entrenched yet has the potential to greatly influence the performance of SMEs. Tax administrators should organise regular seminars and trainings on accurate financial reporting and timely remittance of tax dues by SMEs to avoid penalties. They should also educate the business owners on tax services and any new tax policies that engages them and that they are liable to benefit from. The tax authorities should ease communication between their office and those of businesses under their jurisdiction by responding timely to complaints and challenges. They should make use of social media by creating WhatsApp groups, google classrooms to explain frequent challenges faced in the tax process and answering frequently asked questions. The study recommends that the tax administrators carry out regular training to empower SMEs on use of technology to meet tax obligations. Specifically, the study recommends enhanced training on the OTP platform which causes some confusion. Although the OTP platform has top-notch security, it is less user-friendly hence not easy to navigate. The site should be updated regularly with advanced technology. With regards to tax policy reforms, the study recommends the steady implementation of the reforms. After tax policy reforms are signed into decree, they should be given a timeframe to see their effects and these effects should be measurable by key indicators. It should not be more of a theory but should be practised with the tax authorities and enterprises working in cohesion. The implementation of these reforms should also see a reduction in procedures to benefit from policies like business license (patent) exemptions.

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