



Journal of Economics, Business, and Commerce (JEBC)

ISSN: 3007-9705 (Online)

Volume 1 Issue 1, (2024)

 <https://doi.org/10.69739/jebc.v1i1.48>

 <https://journals.stecab.com/index.php/jebc>

 Published by
Stecab Publishing

Research Article

Impacts of Taxation on Small and Medium Enterprises in Makeni City, Northern Province of Sierra Leone: A Case Study of Ten SME's in Makeni City

*¹Samuel Karim

About Article

Article History

Submission: April 25, 2024

Acceptance : April 30, 2024

Publication : June 4, 2024

Keywords

Economy, Taxation, Small and Medium Enterprises, Revenue, Government

About Author

¹ Faculty of Business and Entrepreneurship, Ernest Bai Koroma University of Science and Technology and The College of Human Resources Development, Sierra Leone.

Contact @ Samuel Karim
samuelkarim94s@gmail.com

ABSTRACT

Small and Medium Enterprises are crucial to the Economic Development of any developing nation such as Sierra Leone, and as a result it is seen as a bridge or one of the major and significant drivers of an Economy to full industrialization. Taxation as it is known as the major source of revenue for Governments, and SME's are major contributors towards Government revenue mobilization, but not much is known about the impacts of Taxation on Small and Medium Enterprises in Sierra Leone but with emphasis on SME's in Makeni City.

Ten SME's were selected as case studies for the purposes of this research, and they were purposively selected as samples for the research. According to the research, it was discovered that SME's activities are hugely impacted by the many taxation regimes implemented on them, and that a little or know much knowledge is known about taxation policies by SME's in Makeni City. Furthermore, the many taxes levied on SME's affects their profits, and which also accounts for the closure and premature termination of Many SME's in Makeni City, and which has also resulted to the economic depression of the Economy of Makeni City.

Moreover, it was recommended on the research that Government must ensure that they educate the owners of SME's on the various taxation regimes applicable on Small and Medium Enterprises in Makeni City. Conclusively, Government must ensure that they reduce the tax burdens on SME's so that they could enhance the profitability of Small and Medium Enterprises in Makeni City.

Citation Style:

Karim, S. (2024). Impacts of Taxation on Small and Medium Enterprises in Makeni City, Northern Province of Sierra Leone: A Case Study of Ten SME's in Makeni City. *Journal of Economics, Business, and Commerce*, 1(1), 20-29. <https://doi.org/10.69739/jebc.v1i1.48>



1. INTRODUCTION

In most countries, tax policy is one prominent area where the legislator explicitly reserves special treatment to Small and Medium sized Enterprises (SMEs) (Roche, 2015; Vavryshchuk, 2003). In the face of a rather daunting array of issues that one encounters when thinking about SMEs, it opts for abroad, but still limited approach.

Small and Medium Enterprises have always been considered as an important force for economic development and industrialization in smaller economies (McIntyre, 2021).

There is a growing consensus that small enterprises contribute considerably to the creation of jobs, economic growth and eradication of poverty in Africa (Handley, Higgins, Sharma, Bird, & Cammack, 2009; North & Smallbone, 2015).

According to the World Development Report (2015), the creating of “sustainable” jobs and opportunities for smaller entrepreneurs is among the key strategies to take people out of poverty. Small and Medium Enterprises are mostly private enterprises and they face difficulties when dealing with the government in general and the tax administration in particular mostly the developing countries.

There is a substantial body of evidence to suggest that many of the difficulties with the tax authorities are the consequences of poorly conceived tax policies and a lack of certainty regarding future policy changes (Hansford & Hasseldine, 2012) (Hill, 2001; Tahi Hamonangan Tambunan, 2011). 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, eventually affecting the final consumer due to the shifting ability of tax.

According to a study report by (Mnewa & Maliti, 2008), the majority of 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). Small enterprises in Sierra Leone are said to be a characteristic feature of the production landscape and have been noted to provide about 85% of manufacturing employment in Ghana (Aryeetey, 2011). SMEs are also believed to contribute about 70% to Sierra Leone’s GDP and they account for over 90% of businesses in Sierra Leone (Aryeetey, 2021). In line with the various statements noted above, it is reasonable to state that SMEs therefore have a crucial role to play in stimulating growth, generating employment and contributing to poverty alleviation, given their economic weight in African countries.

Notwithstanding the contribution that taxation can make towards the Gross Domestic Product (GDP) of a country in general, much attention is also needed to the side effects of tax on the growth of SMEs. This is because SMEs play a crucial role in driving economic growth in both developing and developed

countries. As highlighted previously, as a group, they do not only generate more new jobs than large firms or macro-enterprises but also introduce innovative ideas, products, and business methods.

However, literature has not contributed much in exploring the negative effect of tax payment on the financial performance of SMEs in developing countries (Baurer, 2005).

This situation raises a serious concern about the issue of aligning the tax system to the specific requirements of a particular country’s growth need, as it has to balance both short-term and long-term impact of the policy. This also triggers the need for an in- depth study of how tax payments affect SME development.

2. LITERATURE REVIEW

2.1. Introduction

The starting point in this literature is Gibrat’s law: if the distribution of businesses’ growth rates is normal and independent of the initial size, then the limiting distribution of firm sizes in the economy is lognormal. While the result is simple and concise, it clearly suffers from a lack of realism given the strong assumptions taken.

A more recent strand of the theoretical literature on firm size thus tries to use less mechanical explanations: for example, Cabral and Mata (2013) replicate Portuguese data by stressing the interaction of wealth and resource inequality as well as credit constraints that force some firms to operate as SMEs below their optimal size.

Lahiri and Ono (2018) illustrate another approach to explain the existence of SMEs, considering them as disciplining devices on an imperfectly competitive market. In this approach, productivity endowments of businesses are taken as exogenously given but different across firms. As a result, the less efficient a firm, the smaller it will be. The authors consider that all these companies with different efficiency levels and thus different cost structures sell their products on a market characterized by Count competition. They show that the presence of SMEs is ambiguous from an economic welfare point of view. On the one hand, they decrease welfare as they are less efficient if they were replaced by their bigger counterparts. On the other hand, they serve to decrease the market power of the more efficient colleagues, and thus have the potential to increase aggregate welfare.

Policy makers and the wider public alike have a strong perception that SMEs play a particularly important role in the economy. And indeed, at first sight, the concept of SMEs may look very clearly defined and their special roles appear rather obvious. One key reason for this observation is that almost every person, based on his or her own personal experiences, has a strong preconceived view of what constitutes an SME.

Associated with it comes an equally strong belief that these SMEs are clearly “different” and thus deserve a special treatment. When stepping back a little and thinking in a more structured way about what exactly are the criteria determining an SME, it rapidly becomes clear that the topic is much more complex than originally thought. To start, it is far from a “unidimensional” problem, as size of businesses can be measured in many different ways. The wide variety of size criteria used in the real-world witnesses this in an extra-ordinary way.



Legislators and institutions around the world rely on a multitude of criteria to determine what constitutes an SME. The number of employees, the ownership structure, the turnover, the balance sheet total, the capital base, the legal form as well as the type of activity are only some of the most commonly used indicators to determine the SME "nature" of a business.

Depending on the context, the country and the author, businesses ranging from the (after-hours) one-man/woman enterprise up to companies employing several hundred people are frequently grouped under the same label of SMEs. As an illustration, the European Union uses a rather broad definition of the concept of SMEs for its policies ranging from the part-time self-employed worker to corporations employing up to 250 employees.

This finding was clearly novel, in the sense that it showed that a theory of firm size purely based on the life-cycle of a product or the relative maturity of an industry does not seem to be matched by the empirical evidence. The data further reveal that large degrees of heterogeneity exist not only in terms of firm size but are observable in the areas of productivity, job growth, wages, innovation, export performance, etc. within these same industry subgroups. Expressed differently, large degrees of heterogeneity are persistent and cannot be ignored. These empirical findings clearly illustrate that any policy guided by the notion that there is some typical producer or entrepreneur for any given industrial sector can only end up making misguided choices. These heterogeneous-firm models often rely on rather realistic notions of sunk costs, exogenous shocks and monopolistic competition.

In a typical result, Melitz (2013) predicts that it is only the more efficient/productive companies in any given sector that become exporters and operate on international markets. In the case of the most efficient businesses, they even go one step further and become multinationals physically operating in different countries. On the other extreme of the spectrum, the least efficient operators are limited to domestic production. These results have double policy relevance. First, they illustrate the importance of producer heterogeneity to be taken into account, even within very clearly and narrowly defined industry groups. In some sense it serves as a reminder that there is no such thing as the typical retailer, building contractor, etc. Large degrees of heterogeneity will inevitably remain, even in a steady state setting. Second, the predictions on the relative efficiency of exporters and purely national operators could again be seen as an argument against a privileged treatment of small operators, as those are the least efficient ones from a purely economic point of view.

2.2. Impact of taxation on Small and Medium Enterprises

Taxation is a compulsory contribution by citizens and organizations without expecting an equal return in form of goods and services provided by the government. It is a levy incurred by citizens to a certain extent for the public goods and services and for the good of all.

The issue of taxation dates back to many centuries in the history of humanity as confirmed in the Bible when the teachers of the law came to Jesus and his disciples to know his position on taxation.

In Sierra Leone taxation dates back to the colonial days when small and medium enterprises (SMEs) were regarded as informal and not a significant source of tax. As time went by the so-called informal sector grew rapidly and became a major source of income and employment for the greater majority of Sierra Leoneans.

To expand the tax base and increase revenue, the government developed policies to bring in SMEs into the tax burden. Much has been done to inform taxpayers on the current tax procedures but the extent of coverage of tax payers still remains a challenge.

2.3. Challenges faced by Small and Medium Enterprises

The major challenges facing entrepreneurs on the issue of taxation include high taxes, multiple taxes, changes in taxes, unreasonable taxes, and bureaucracy in paying taxes.

Other challenges include difficulty in paying taxes, complex tax computations, and unfriendly tax administrators. In effort to create a deeper and comprehensive understanding of each challenge, it is important to discuss these challenges. On the challenge of high taxes, some of the taxes charged by tax administrators were higher than the value of the total business. According to most of the small and medium entrepreneurs, the taxes charged are disproportionate to the revenue or the net profit earned from the business. As a result, it becomes difficult to settle these taxes without bribery of the tax officials. In some rare cases, some entrepreneurs decide to close down the business because the taxes levied are too high and threaten to bankrupt their businesses.

Multiple taxes are another area of concern for most small and medium business enterprises. For instance, some entrepreneurs complain that there several local and national taxes. The sum of these taxes is overwhelming to small and medium scale businesses. In this case, some entrepreneurs resolve to tax avoidance and evasion.

Specifically, entrepreneurs will use legal mechanisms to reduce the tax liability. For instance, small and medium scale entrepreneurs will use the incentivized tax schemes to avail of more favorable tax deductions and as a result lead to tax avoidance.

In addition, some entrepreneurs will take mislead, misinform, or even misstate their tax position to the National Revenue Authority in efforts to evade paying taxes. These are some of the desperate measures taken by entrepreneurs although they might be subjected to hefty fines, punishable offenses or even imprisonment. All these are results of multiple taxes imposed on small and medium entrepreneurs in Sierra Leone.

Another challenge is continuous changes in tax laws in Sierra Leone. There is a constant change in tax rules and regulation that becomes extremely difficult for entrepreneurs to maintain. The lack of stability in procedures and regulations in taxation has created uncertainty among small and medium enterprises. Several interviews revealed that most of the small and medium entrepreneurs are anxious about the changes of taxes which might results into higher taxes or even the introduction of new taxes. The interviews further revealed that entrepreneurs are even reluctant to open new business or even expand their business due to the unpredictability of tax law, rules, and



regulations in Sierra Leone. In this scenario, changes in tax laws are an eminent threat to small and medium business growth.

Unreasonable tax charges are an extra outstanding challenge for small and medium business in Sierra Leone. According to the interviews of several entrepreneurs, some the taxes charged are baseless and lack substantive reason to justify their computations. In other words, some the taxes charged do not have a proper basis or criterion for computation and therefore raise a lot of unanswered questions for entrepreneurs in small and medium enterprise business. For this reason, some entrepreneurs complain and become resentful in paying taxes to the National Revenue Authority and other local tax collectors.

Bureaucracy in tax payment is a daunting challenge facing entrepreneurs in small and medium scale business. From the interviews, it was realized that there is a Long procedure in paying taxes which creates frustrations among entrepreneurs. Sometimes, entrepreneurs are supposed to go through several tax administrators to ascertain the amount taxes due. As a result, entrepreneurs waste a lot of time to determine their tax liability. In turn, this practice affects their business.

An additional challenge is difficulty in paying taxes due to technological and technical deficiencies from the National Revenue Authority. For instance, some of their offices are not located in rural areas and therefore entrepreneurs travel a long distance in effort to settle their tax liability to the National Revenue Authority. Furthermore, the breakdown of online paying platforms due to power outage or even poor internet connection is another reason for difficulties in paying taxes. All these are among the challenges confronting small and medium scale business enterprises in Sierra Leone.

Entrepreneurs also identified the complexity in Tax computation. The interviews revealed that entrepreneurs are not in the position to determine the amount of tax liability owed to the National Revenue Authority and other local tax authorities. This is due to the complexity of the tax rules and regulations which results into extreme difficulties in tax computations or calculations. In light of these tax computations challenges, entrepreneurs have to seek assistance for tax expert or tax administrators which might be inconvenient, time consuming and even costly.

Unfriendly tax administrator is another concern identified for small and medium entrepreneurs in Sierra Leone. In the interviews, some entrepreneurs insisted that some of the tax administrators are not helpful on tax issues. Some the tax officials or administrators are not willing to assist entrepreneurs in tax determination and other related issues in settling the tax liability. As a matter of fact, some entrepreneurs claimed that some of the tax administrators are arrogant and unfriendly when dealing with taxpayers.

In summary, the eight challenges are interdependent and interconnected at the same time. This implies that one challenge can result into another challenge and vice versa.

Consequently, one challenge can trigger other challenges as well. Therefore, the solutions for these challenges can

2.4. Tax policy on Small and Medium Enterprises

According to Tomlin (2008), economists argue that the

resources smaller companies direct towards tax compliance are resources that could otherwise be used for reinvestment, facilitating future growth. Hence, there is a belief that taxes and a complex tax system put disproportionate pressure on smaller businesses. Small taxpayers under the regular system of taxation are discriminated against, since the compliance requirements, cost of compliance and tax rate are the same for both small and large enterprises. Reducing the compliance costs and tax rate increases the small enterprises profit margin. It also increases the Government's tax revenue, since the simplified provisions for a micro enterprise historically reduce the size of the shadow economy and the number of non-complying registered taxpayers (Vasak, 2008).

Policy on small businesses is being reviewed to make it more appropriate. However, more still needs to be done in this area so that the right policies are formulated that can move the sector forward. Policies that are small business focused need to be formulated in all areas of business and the economy. There is need for deliberate policies aimed at small business promotion. Sierra Leone recognized the need to diversify her economy and reduce over-dependency on mining exports. The preferred strategy was production of non-traditional export products and creation of Micro, Small and Medium Enterprises. This approach encouraged firms to produce for the domestic market, however, the capacity to grow and to export was still very limited.

2.5. Conceptual Framework

A conceptual framework represents the researcher's synthesis of literature on how to explain a phenomenon. It maps out the actions required in the course of the study given his previous knowledge of other researchers' point of view and his observations on the subject of research. According to (Kombo and Tromp, 2006), the conceptual framework can be defined as a set of broad ideas and principles taken from relevant field of enquiry used to structure a subsequent presentation. Conceptual framework of this study also explains relationship between independent variables and dependent variable. Independent variables in this study are Tax system, tax policy and perception of tax system. Dependent variable of this study is SMEs growth.

2.6. Tax system

Tax is a charge levied on the citizens by a country or state. Tax is an obligatory payment which the country imposes on its citizens, firms, and organizations not as a penalty for any offence or immediate exchange of goods but as income to enable government meet its expenditure (Ali-Nayea, 2008). A good tax system should meet five basic conditions: fairness, adequacy, simplicity, transparency, and administrative ease. Although opinions about what makes a good tax system will vary, there is general consensus that these five basic conditions should be maximized to the greatest extent possible.

2.7. Tax policy

Atawodi and Ojeka (2012) explained that, tax policy to employ depends on the use of one or both two groups of instruments. The first, being the use of special tax preferences and the other incentives to support start-up and growth of small companies



(Atawodi & Ojeka, 2012).

These incentives comprise of the lowering of corporate income tax rates, special tax exemptions or tax holidays and relieves for small businesses. The underlying reason for all these is to effectively raise revenue through measures that suit a country’s circumstances and administrative capacity (Atawodi & Ojeka, 2012).

Perception of tax system High tax rates and uncertainty tax policies are perceived to be greater problems in small and medium enterprises (Kolstad et al., 2000). There are three key situations Affecting SMES owners’ perceptions on tax are: meaningful tax knowledge; decisions that portray taxes as a painful loss; perception about non-compliance opportunities.

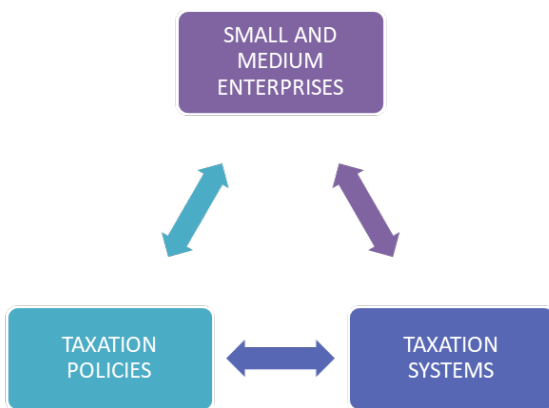


Figure 1. Conceptual Framework

From the literature review, a conceptual framework is used to figure out the relationship between tax system, Tax policies, and the consequent impacts on small and medium enterprises in Makeni City, Northern Province of Sierra Leone.

3. METHODOLOGY

3.1. Introduction

This chapter covers the description of the study area research approach, data types that will be used and their sources, research design, target population, sample and sampling technique, data collection method, data analysis, validity and reliability of data, ethical considerations that the study was guided with and finally the expected result of this research.

3.2. Area of the Study

The study was conducted in Makeni City. The selected area had the available data to fulfil the study needs, it is within the researcher’s reach. The researcher selected SMEs because of her familiarity and awareness of these businesses. Following the fact that SMEs are highly affected by tax administration of our country, which is the main concern of this research

3.3. Research Philosophy and Approach

3.3.1. Research Approach

This research will use a quantitative approach. The quantitative approach tends to approximate phenomena from a larger number of individuals using survey methods qualitative approach is a general way of thinking about conducting

qualitative research.

It describes, either explicitly or implicitly, the purpose of the qualitative research, the role of the researcher(s), the stages of research, and the method of data analysis.

Quantitative approach will be applied in this study to gather quantitative data through closed questions which appeared in questionnaires. This approach is used in this study to collect experience and opinion toward the impacts of tax on of small and middle -scale business enterprises in Makeni City.

3.4. Research Design

The researcher will use a cross sectional survey design basing on the use of descriptive and quantitative designs that will be used to establish the relationship between tax administration and the performance of small and middle -scale business enterprises.

This design will be used for estimating, predicting and examining associative relationships. Cross sectional studies easily provide a quick snapshot of what is going on with the variables for their search problem.

4. RESULTS AND DISCUSSION

4.1. Introduction

The motive of this chapter is to analyse the study data and interpret the results so as to answer the research questions. The research sought to examine the impacts of taxation on small and medium enterprises in Makeni City, taking ten (10) small and medium enterprises as case studies. The presentation will be made up of the demographic characteristics of the respondents and the findings collected from the fields through the use of questionnaires. The section of the research work is structured consistently with the research objectives in order to maintain internal consistency and hence to affect a workable research work and it is sub-divided into demographic characteristics of respondents and presentation of results are based on research objectives.

Table 1. Response on Years of Trading.

Response	Frequency	Percentage
1-5 years	1	10%
6-10 years	1	10%
11-20 years	2	20%
31 years and above	6	60%
Total	10	100

Source: Field Data, 2024.

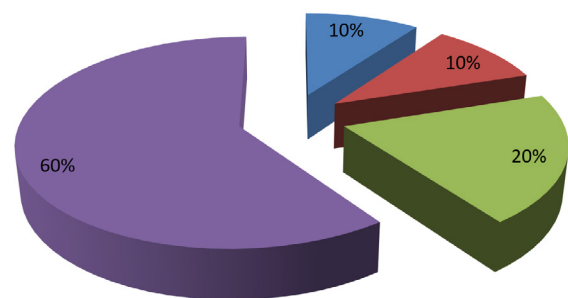


Figure 1. Response on Years of Trading.



According to the data shown above, 60% of the respondents did state that they have been on trading as small and medium enterprises for the 31 years.

20% of the respondents as well did state that they have been on trading as small and medium enterprises for 11-20 years.

Furthermore, 10% of the respondents did state that they have been doing trading activities for 6-10 years respectively.

According to the data shown above, 80% of the respondents did state that it is beneficial to paying taxes to the state.

20% of the respondents as well did state that that it is not beneficial to paying taxes to the state.

So, this data above indicates that 80% of the small and medium enterprises do pay taxes to the state and they believe that it is beneficial. On the other hand, 20% of the small and medium enterprises do not believe in to paying taxes to the state because they believe it is not beneficial.

Table 2. Response on the payment taxes

Response	Frequency	Percentage
Yes	8	80%
No	2	20%
Total	10	100

Source: Field Data, 2024

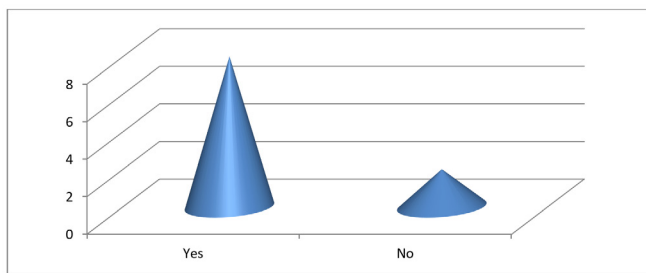


Figure 2. Response on the payment taxes

According to the data shown above, 90% of the respondents did agree that imposition of taxes do increases the prices of goods. 10% of the respondents did disagree that imposition of taxes

Table 3. Do you think the imposition of taxes increases prices of goods on SMES

Increases	Frequency	Percentage
Yes	9	90%
No	1	10%
Total	10	100

Source: Field Data, 2024

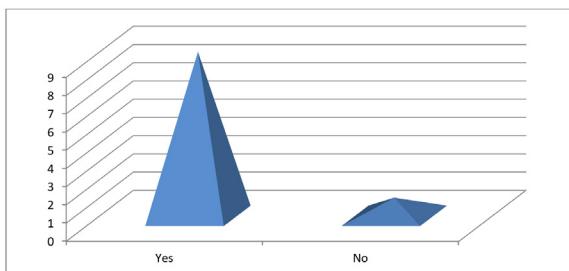


Figure 3. Do you think the imposition of taxes increases prices of goods on SMES

does not increase the prices of goods. This data clearly shows that small and medium enterprises in Makeni City did state that the imposition of taxes do increases the prices of goods.

According to the data shown above, 90% of the respondents did agree that Essential goods should Enjoy Exemption.

10% of the respondents did not agree for the Exemption of Essential goods from taxation. From the data shown above, 90% of the SMEs in Makeni City did agree for the Exemption of

Table 4. Do you Agree that Essential goods should Enjoy Exemption?

Enjoy	Frequency	Percentage
Yes	9	90%
No	1	10%
Total	10	100

Source: Field Data, 2024

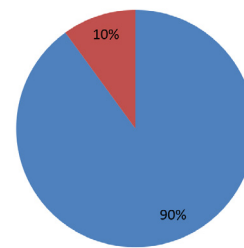


Figure 4. Do you Agree that Essential goods should Enjoy Exemption?

Essential goods from taxation.

Whilst 10% of SMEs did disagree on the exemption of taxes on essential good in Makeni City.

According to the data shown above, 50% of the respondents did state that the Current System of tax Collection is poor.

Table 5. Would you say That the Current System of tax Collection is Efficient.

Collection	Frequency	Percentage
Very Efficient	3	30%
Efficient	2	20%
Not Efficient	0	0%
Poor	5	50%
Total	10	100

Source: Field Data, 2024

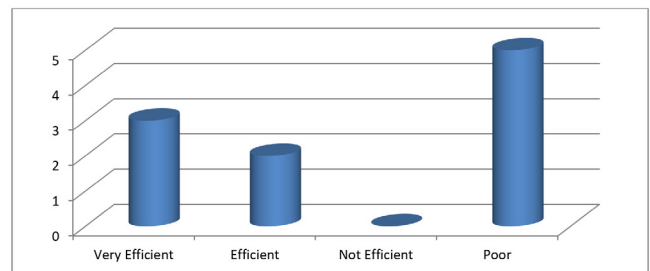


Figure 5. Would you say That the Current System of tax Collection is Efficient.



30% of the respondents state that that the Current System of tax Collection is very efficient, whilst, 20% of the respondents state that the Current System of tax Collection is efficient. Considering the data above 50% of SMEs in Makeni City did state that the Current System of tax Collection is poor.

According to the data shown above, 50% of the respondents did agree that the Medium of Communication on Tax Education that Impacts is through Radio Discussion.

40% of the respondents did state that Television broadcasts do impacts Tax Education, whilst 10% of the respondents did talk

Table 6. Medium of Communication that Impacts Taxation Education.

Communication	Frequency	Percentage
Television	4	40%
Radio	5	50%
Information	1	10%
Others	0	0%
Total	10	100

Source: Field Data, 2024

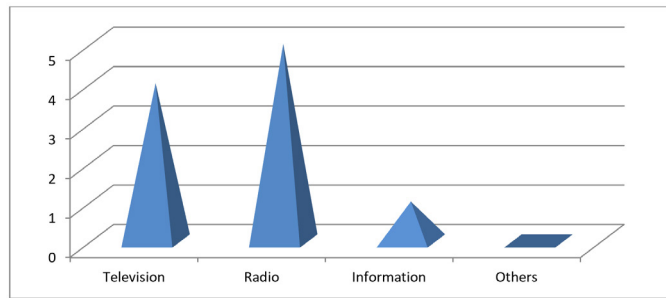


Figure 6. Medium of Communication that Impacts Taxation Education.

about information vans

According to the data shown above, 90% of the respondents did agree that SMEs are overburdened with taxes. 10% of the respondents did state that SMEs are overburdened with taxes.

Table 7. Do Believe that SMEs are Overburdened with Taxes?

Overburdened	Frequency	Percentage
Yes	9	90%
No	1	10%
Total	10	100

Source: Field Data, 2024

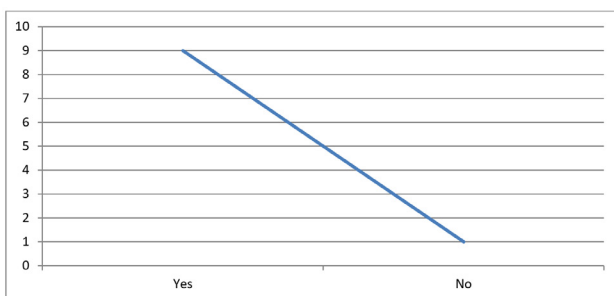


Figure 7. Do Believe that SMEs are Overburdened with Taxes?

From the data shows that SMEs are overburdened with taxes in Makeni City.

According to the data given above, 80% of the respondents did state that the National Revenue Authority (NRA) Performed below average on Tax Collection. 20% of the respondents did state that they satisfied with the performance of the NRA. Furthermore, the data clearly shows that SMEs are not satisfied

Table 8. How would you Rank NRA Performance of Tax Collection.

Collection	Frequency	Percentage
Very Good	0	0%
Satisfactory	2	20%
Below	8	80%
Total	10	100
Total	10	100

Source: Field Data, 2024

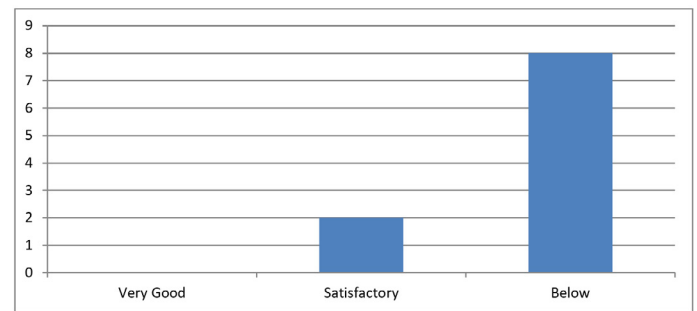


Figure 8. How would you Rank NRA Performance of Tax Collection.

with the performance of the NRA.

According to the data given above, 10% of the respondents did state that the National Revenue Authority (NRA) does not Organize Seminars and Workshops for SMEs in Makeni City. 90% of the SMEs did state that the National Revenue Authority (NRA) does not Conduct Seminars and Workshops for SME's in

Table 9. Do NRA Organize Seminars and Workshops for SMEs?

Workshop	Frequency	Percentage
Yes	9	90%
No	1	10%
Total	10	100

Source: Field Data, 2024

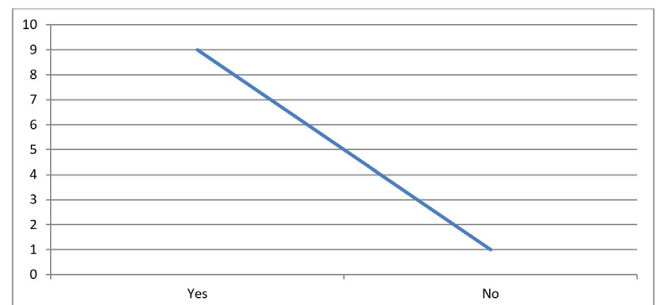


Figure 9. Do NRA Organize Seminars and Workshops for SMEs?



Makeni City on issues pertaining to tax. According to the data shown above, 60% of the respondents did state that there is a Poor Tax Education in Makeni City. Majority of the SMEs did state that there is not much on Tax Education in Makeni City. According to the data given above, 100% of the respondents did

Table 10. How would you Describe Tax Education in S/L.

Collection	Frequency	Percentage
Very Efficient	1	10%
Effective	1	10%
Not Effective	2	20%
Poor	6	60%
Total	10	100

Source: Field Data, 2024

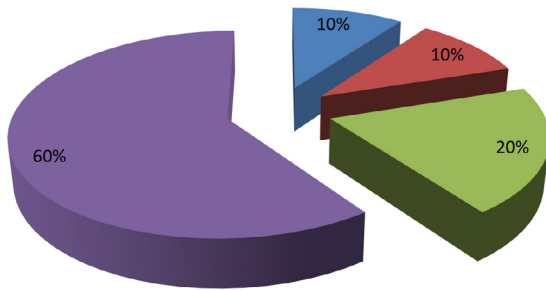


Figure 10. How would you Describe Tax Education in S/L.

state that there is not a Good Rapport them and Tax Collectors. This data above clearly shows that small and medium enterprises in Makeni City are not having a good relationship or rapport with the tax collectors in Makeni City.

Table 11. Do you have a Good Rapport with Tax Collectors.

Rapport	Frequency	Percentage
Yes	0	0%
No	10	100%
Total	10	100

Source: Field Data, 2024

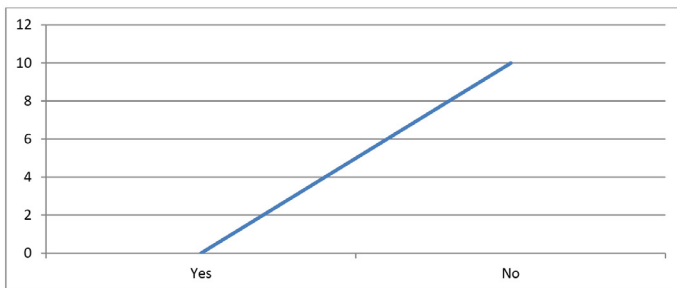


Figure 11. Do you have a Good Rapport with Tax Collectors.

From the data shown above, 80% of the respondents did state that SME's are given tax identification numbers, whilst 20% did state that more than half of the SME in Makeni City are registered and given tax identification numbers. Majority of the SMEs did state that there is not much on Tax

Table 12. Have all SME's been Registered and Issued with Tax Identification in Makeni City.

Registered	Frequency	Percentage
Majority	8	80%
More Than Half	2	20%
Less Than Half	0	0%
Total	10	100

Source: Field Data, 2024

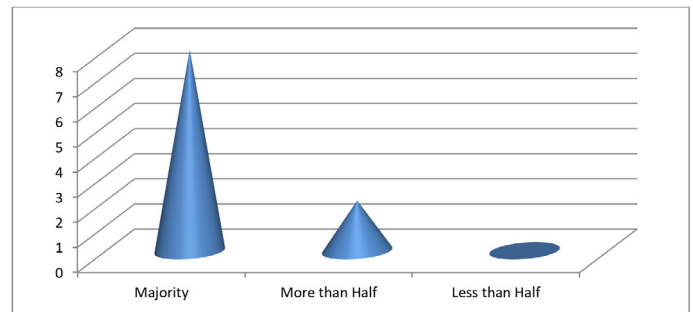


Figure 12. Have all SME's been Registered and Issued with Tax Identification in Makeni City.

Education in Makeni City. According to the data given above, 70% of the respondents did state they are not Paying Appropriate Taxes due. 30% of the respondents did state that they do Pay the Appropriate Taxes due to all time. SME's should pay their required taxes due, but for those in

Table 13. Are SME's Paying Appropriate Taxes?

Paying	Frequency	Percentage
Yes	3	30%
No	7	70%
Total	10	100

Source: Field Data, 2024

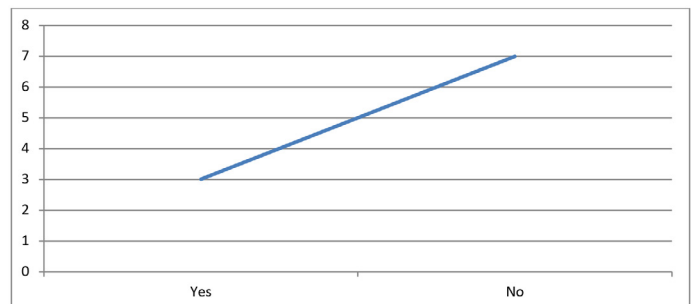


Figure 13. Are SME's Paying Appropriate Taxes?

Makeni City., they do not Pay their Appropriate Taxes.

Table 14. What do you suggest can be done to Enhance SME growth in Makeni City?

Lower the taxes on Small and Medium Enterprise (SME), and exempt essential products from tax.

4.4. Discussion on the Impacts of Taxation on Small and Medium Enterprises in Makeni City

According to the data shown above, 80% of the respondents did state that it is beneficial to paying taxes to the state. 20% of the respondents as well did state that that it is not beneficial to paying taxes to the state. So, this data above indicates that 80% of the small and medium enterprises do pay taxes to the state and they believe that it is beneficial. On the other hand, 20% of the small and medium enterprises do not believe in to paying taxes to the state because they believe it is not beneficial.

However, the data shows that 90% of the respondents did agree that imposition of taxes do increases the prices of goods. 10% of the respondents did disagree that imposition of taxes does not increase the prices of goods. This data clearly shows that small and medium enterprises in Makeni City did state that the imposition of taxes do increases the prices of goods.

Furthermore, the research revealed that 90% of the respondents did agree that SMEs are overburdened with taxes. 10% of the respondents did state that SMEs are overburdened with taxes. From the data shown above, one could simply understand that SMEs are overburdened with taxes in Makeni City.

Additionally, the research revealed that 60% of the respondents did state that there is a Poor Tax Education in Makeni City. Which means small and medium enterprises within Makeni City should be given opportunity to be educated about everything that has to do with tax, so that they could effectively manage their tax liabilities properly.

5. CONCLUSIONS

The on the previous chapter of the study, the summary of this research is as follows:

According to the data shown above, 80% of the respondents did state that it is beneficial to paying taxes to the state. 20% of the respondents as well did state that that it is not beneficial to paying taxes to the state. So, this data above indicates that 80% of the small and medium enterprises do pay taxes to the state and they believe that it is beneficial. On the other hand, 20% of the small and medium enterprises do not believe in to paying taxes to the state because they believe it is not beneficial.

However, the data shows that 90% of the respondents did agree that imposition of taxes do increases the prices of goods. 10% of the respondents did disagree that imposition of taxes does not increase the prices of goods. This data clearly shows that small and medium enterprises in Makeni City did state that the imposition of taxes do increases the prices of goods.

Furthermore, the research revealed that 90% of the respondents did agree that SMEs are overburdened with taxes. 10% of the respondents did state that SMEs are overburdened with taxes. From the data shown above, one could simply understand that SMEs are overburdened with taxes in Makeni City.

Additionally, the research revealed that 60% of the respondents

did state that there is a Poor Tax Education in Makeni City. Which means small and medium enterprises within Makeni City should be given opportunity to be educated about everything that has to do with tax, so that they could effectively manage their tax liabilities properly.

6. RECOMMENDATIONS

Based on the objectives of the study and the findings thereof, the researcher underpins and make the following recommendations:

I. Government must ensure that they develop flexible tax regimes for Small and Medium Enterprises in Makeni City, and Sierra Leone by extension.

II. Government must ensure that a robust tax education is employed in Makeni City, and Sierra Leone by extension.

III. Government must exempt essential goods that are sold by Small and Medium Enterprises in Makeni City, and in Sierra Leone by extension.

IV. Government must ensure that all Small and Medium Enterprises are registered and given Tax Identification Numbers (TIN).

REFERENCES

- Abdin, M. Z. & Ferdous, L. (2015). Promotional Strategies of Tax administration Awoko. Newspaper.
- Ahmed, S. & Fatawu, A. (2014). An Assessment Of Sales Promotion as Effective Tool for tax management. *International Journal of Economics, Commerce and Management United Kingdom*, II(10).
- Advertising and Sales Promotion Unit (2018).
- Government of Sierra Leone (2013). Sierra Leone's Third Generation Poverty Reduction Strategy Paper (2013-2018).
- Gschwandtner, G. (October 21, 2009). *10 Tough Challenges Salespeople Face Today and What to Do About It*. Selling Power.
- Healey, C. S. (2013). Marketing Modules Series
- Keogh, C. (2014). An Investigation into the Long Term Impact of Sales Promotions on a High Fashion Retailer's Brand Equity?
- Khan, M. M. & Safiuddin, S. K. (2016). Liquidity & Profitability Performance Analysis 9 Nigeria in the 21st century.
- Nazish Zehra, R., & Sadia, M. (2011). Impact of sales promotion on organizations' profitability and consumer's perception in Pakistan. *Interdisciplinary journal of contemporary research in business*.
- Odunlami, B. I. & Ogunsiji, A. (2011). Effect of Sales Promotion as a Tool on Organizational Performance (A case Study of Sunshine Plastic Company). *Journal of Emerging Trends in Economics and Management Sciences (JETEMS)*, 2(1), 9-13



- Quarshie, E. (2010). Role of Sales Promotion in Increasing Revenue: The Case Study of The Telephony Industry in Kumasi Metropolis.
- Rizvi, S. N. Z., Malik, S., & Zaidi, S. F. B. (2012). Short term and long term impact of sales promotion on organizations' profitability: A comparative study between convenience and shopping goods. *International Journal of Business and Management*, 7(5), 247.
- Shrestha, A. (2015). *Effects of sales promotion on purchasing decision of customer: a case study of Baskin Robbins ice-cream franchise Thailand* (Doctoral dissertation, Bangkok University).
- Sharma, K. J. & Husain, S. (2015). Marketing Expenses & Profitability.
- Tulsian, M. (2014). Profitability Analysis (A comparative study of SAIL & TATA Steel). *IOSR Journal of Economics and Finance (IOSR-JEF)*, 3(2), 19-22.
- Williams, O. O., Akinlabi Babatunde, H., & Sufian Jeleel, B. (2012). The impact of sales promotion on organization effectiveness in Nigerian manufacturing industry. *Universal journal of marketing and business research*, 1(4), 123-131.

