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Impact of Taxation on the Performance of Small and Medium-Sized Enterprises: The Case of the City of Kinshasa

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ABSTRACT

The article examines how the current tax system in Kinshasa affects the economic performance of small and medium-sized enterprises (SMEs), which are central to employment and value creation but operate in a complex and often unpredictable fiscal environment. Drawing on neoclassical tax theory and tax burden theory, the study conceptualizes taxation both as a potential driver of formalization and growth and as a constraint that erodes profitability when the tax burden and compliance costs are excessive. Using a quantitative survey of 388 SME managers across eight communes in Kinshasa and multinomial logistic regression, the research empirically tests the effect of tax variables on the likelihood of achieving positive, neutral, or negative performance. The findings show that high tax pressure, administrative complexity, and a perceived lack of fairness significantly reduce investment capacity and the probability of positive performance, while only a minority of manager's view taxation as beneficial. The study concludes that SME performance is jointly determined by economic, organizational, and institutional factors, and that tax reform should prioritize simplification, predictability, and better alignment with SMEs' payment capacity to enhance their contribution to inclusive and sustainable growth.

0. INTRODUCTION

0.1. Problematic

SMEs are at the heart of modern economies, particularly in developing countries where they constitute more than 90% of the entrepreneurial fabric and nearly 60% of formal employment (World Bank, 2023). In Africa, they are the cornerstone of value creation and local innovation, but they face significant structural challenges: lack of financing, bureaucracy, and high taxation (OECD, 2024). These barriers limit their growth potential and their contribution to the country's economic competitiveness.

Taxation, meaning all taxes, duties, and fees levied by the state, is both a necessary source of revenue to finance economic policies and a constraint on the profitability of SMEs when the tax burden is too heavy (Stiglitz & Rosengard , 2015). According to the Revenue Statistics in Africa report (OECD, 2024), the average tax burden on the continent was 16.5% of GDP in 2022, compared to 34.0% for OECD countries, reflecting a twofold weakness: low tax revenue and a concentration of the burden on a limited number of formal businesses.

In most African countries, SME taxation is complex and unpredictable. Different tax regimes, repetitive forms, and a multitude of tax institutions (national, provincial, and municipal) generate high compliance costs (Fjeldstad & Heggstad , 2017). These expenses represent on average 5 to 8% of an SME's annual turnover, compared to 2% for large companies (Deloitte, 2023). This asymmetry weakens the competitiveness of SMEs and fuels their informality.

Beyond direct costs, taxation affects SME performance through indirect channels such as investment choices, prices, and labor productivity. Recent research in Nigeria and Ghana has revealed that "unfair" or "unpredictable" taxation reduces long-term SME investment by nearly 30% (Adeniran & Akintoye , 2022; Mensah & Boateng , 2021). Furthermore, poorly designed taxation can discourage formalization, depriving the state of new revenue and shrinking the tax base.

In the DRC, SMEs represent more than 80% of the business sector but contribute only about 25% to GDP (National Agency for SME Development, 2022). This low contribution is due, among other things, to a complex, unstable, and costly tax environment. According to the report by the Directorate General of Taxes (DGI, 2023), nearly 36% of surveyed SMEs report not paying their taxes regularly, due to the multiplicity of taxes and the lack of transparency in their assessment.

Congolese literature on SME taxation also reveals a problem with the perception of tax fairness. Entrepreneurs consider the tax system inconsistent with their ability to pay and characterized by arbitrary or patronage-based practices (Kashala , 2021). This negative perception reduces voluntary compliance and creates a vicious cycle where taxation becomes a source of mistrust and underperformance. Thus, measuring the real impact of taxation on SME performance is crucial for proposing appropriate reforms.

The performance of SMEs is not limited to financial profitability; it also includes job creation, customer satisfaction, sustainability, and market competitiveness. A study in Kenya by Muriithi (2020) reveals that SMEs under a simplified tax regime have 22% higher revenue growth than those under the standard regime. This reinforces the idea that a well-designed tax system can be an incentive rather than a hindrance to performance.

Therefore, in an environment where African states, including the DRC, are seeking to broaden their tax base while simultaneously stimulating the private sector, the question of the balance between tax pressure and economic performance is particularly pressing. Empirical analysis of this relationship will allow us to determine whether current taxation is a driver or a hindrance for SMEs, and to identify the most effective tax reform levers for improving their performance.

0.2. Problematic

The performance of SMEs remains a major challenge for the growth and stability of contemporary economies. Although they are a significant contributor to employment and national production, SMEs face recurring problems of low productivity, financial fragility, and vulnerability in their business models. Several studies show that these companies operate in a context of heightened competition, macroeconomic instability, and various structural constraints. This situation underscores the importance of understanding the true drivers of their success: why some SMEs manage to grow and thrive, while others fail.

A primary problem lies in the difficulty SMEs face in mobilizing the resources necessary for their development. Limited access to financing, dependence on equity, and a lack of institutional support hinder their profitability and competitiveness. These internal limitations are compounded by management issues, a lack of innovation, and limited mastery of strategic planning tools. The absence of structural policies tailored to the size and actual capabilities of these businesses further exacerbates their vulnerability to changing economic environments.

A second problem concerns the environment for SMEs. Economic cycles, market volatility, and a lack of infrastructure hinder their long-term productivity and competitiveness. A company's performance depends not only on its internal decisions but also on the quality of its institutional environment. In many cases, economic and fiscal institutions do not provide a stable and predictable environment for SMEs to thrive. Legal uncertainty, bureaucratic delays, and excessive red tape directly affect their ability to invest and grow.

Among these factors, taxation stands out as a cross-cutting element that directly impacts the performance of SMEs. Designed to engage public funds, it places a heavy burden on small businesses, which do not always have the technical and human resources to comply. Excessive taxes erode profits, and costly bureaucracy stifles compliance. According to the World Bank (2023), a typical SME spends approximately 250 hours per year complying with its tax obligations, thus reducing the resources available for investment and innovation.

The problem worsens when taxation is unpredictable or ill-suited to the economic structure of SMEs. Frequent changes, fluctuating tax rates, and a lack of regulatory transparency generate uncertainty that hinders long-term planning. This instability stifles risk-taking, discourages entrepreneurship, and pushes some businesses into the informal sector. In this case, taxation, instead of being a driver of growth, becomes an institutional and economic constraint.

Another problem is how entrepreneurs perceive the tax system. When taxation is perceived as unfair, inequitable, or disconnected from economic reality, it erodes trust in public institutions and discourages entrepreneurship. This perception affects the economic behavior of SMEs and their willingness to comply with tax obligations. Taxation perceived as punitive or unfair leads to decreased compliance, lower profitability, and a deterioration in relations between the state and the private sector.

All these economic, institutional, and psychological constraints translate into a quantifiable effect on SME performance. Empirical results reveal that only 20.6% of SME managers believe that taxation has a positive impact on their performance, compared to 50.8% who find it neutral and 28.6% who consider it negative. This ratio reflects a structural imbalance between the economic function of taxation and the aspirations of productive agents. It underscores the importance of assessing the overall impact of taxation on economic performance in order to guide public policies toward more incentive-based mechanisms.

The persistence of these difficulties demonstrates that SME performance depends not only on internal resources but also on the institutional and fiscal environment in which they operate. Understanding the factors influencing their performance and studying the impact of taxation on their profitability and growth is an important step in rethinking the role of taxation in economic development. These accumulated difficulties justify the relevance of research that establishes a link between the tax structure and SME performance from the perspective of inclusive and sustainable growth.

Ultimately, the study revolves around two fundamental questions. Namely:
QS1: What are the determinants of SME performance?
QS2: What is the effect of taxation on the economic performance of SMEs?

0.3. Research objectives

OS1: Identify the main determinants likely to influence the performance of small and medium-sized enterprises.
OS2: Analyze the effect of taxation on the economic performance of small and medium-sized enterprises.

0.4. Research hypotheses

H1: The performance of small and medium-sized enterprises is determined by a set of economic, institutional, and organizational factors.
H2: Taxation has a negative effect on the economic performance of small and medium-sized enterprises.

1. LITERATURE REVIEW

In this section, we present a literature review structured around two main parts: a theoretical review to explore the fundamental concepts and key theories on the link between taxation and the performance of small and medium-sized enterprises (SMEs), followed by an empirical review highlighting the results of applied research conducted in various economic contexts. This approach aims to establish a robust conceptual framework for examining the nature and scope of the impact of taxation on the economic performance of SMEs.

1.1.1. Review of theoretical literature

The economic literature on the relationship between taxation and the performance of small and medium-sized enterprises (SMEs) remains abundant and varied. In this section, we present a theoretical review focusing on two main approaches to understanding this relationship: neoclassical taxation theory, which emphasizes the positive role of taxation in growth and economic performance, and tax burden theory, which, conversely, highlights the constraining effects of heavy taxation on business competitiveness. This theoretical duality allows us to position taxation both as a tool for development and as a potential source of economic inefficiency.

1. The neoclassical theory of taxation and economic efficiency

Neoclassical tax theory, inherited from the work of Pigou (1920) and extended by Samuelson (1954) and Stiglitz (1989), considers taxation as a central tool for the efficient allocation of resources and the correction of market failures. According to this approach, taxation allows the state to finance public goods, redistribute income, and stabilize business cycles. A well-designed, fair, and predictable tax policy contributes to improving the economic environment in which businesses operate (Stiglitz & Rosengard , 2015).
From the perspective of small and medium-sized enterprises (SMEs), this theory posits that taxation, when accompanied by transparency, administrative simplification, and economic rationality, enhances performance through several channels. First, it promotes the formalization and integration of SMEs into the formal economic system, granting them access to financing and public procurement. Second, it enables the state to finance infrastructure, training, and macroeconomic stability—essential elements for productivity (Bird & Zolt , 2019). Finally, incentive-based taxation, through preferential regimes or tax credits, stimulates investment, innovation, and internal growth within companies (Tanzi & Zee , 2000).
In this context, taxation is not seen as a mere mandatory levy, but as a strategic lever for performance and competitiveness. Taxation becomes a factor in building trust and economic governance, creating a virtuous circle between the state and economic actors. Thus, neoclassical theory highlights the possibility of productive and incentive-based taxation, capable of supporting the performance of SMEs when integrated into a coherent institutional environment.

2. The tax burden theory

Conversely, the tax burden theory, introduced by Keynes (1936) and further developed by Laffer (1981), highlights the adverse effects of excessive taxation on economic decisions. According to this approach, overly heavy taxation reduces incentives to invest, produce, and hire. It erodes profitability, hinders capital accumulation, and, in the long term, jeopardizes business growth. The " Laffer curve " illustrates this paradox: beyond a certain threshold, any increase in the tax rate leads to a decrease in overall tax revenue, because it discourages productive activity (Laffer , 1981).
Applied to small and medium-sized enterprises (SMEs), this theory highlights their particular vulnerability to tax burdens. SMEs have narrower profit margins and limited financial flexibility, making them more sensitive to taxation than large firms (Fjeldstad & Heggstad , 2017). Administrative complexity, the multiplicity of taxes, and compliance costs further increase this burden. These constraints often result in decreased investment, slower growth, and, in some cases, a shift towards the informal economy.
The tax burden theory thus establishes a negative relationship between taxation and the economic performance of SMEs. The more the tax burden is perceived as unfair, unstable, or disproportionate, the more it reduces the competitiveness and productivity of businesses. Consequently, this approach argues that uncontrolled taxation constitutes a structural obstacle to private sector development and entrepreneurial dynamism.

These two theories offer complementary perspectives for understanding the impact of taxation on SME performance. The first highlights the positive and structuring role of well-designed taxation in strengthening productive capacity, while the second underscores its potential negative impact when it becomes excessive or ill-suited. The challenge for economic policymakers, therefore, lies in finding a balance between mobilizing public revenue and preserving the competitiveness of small and medium-sized enterprises.

1.1.2. Review of empirical literature

This section presents a synthesis of the main empirical studies on the impact of taxation on the performance of small and medium-sized enterprises (SMEs). Two major trends emerge from the applied literature: on the one hand, studies that highlight the positive effects of fair and incentive-based taxation on business growth and formalization; and on the other hand, those that emphasize the restrictive nature of a burdensome, complex, or unstable tax system, which can hinder the profitability and competitiveness of SMEs.

1. Studies highlighting the positive effects of taxation on SME performance

Several empirical studies support the neoclassical thesis that well-designed taxation promotes business performance and growth.

Thus, Aguolu and Ezenwafor (2020), in a study conducted in Nigeria on 420 SMEs, showed that a simple and transparent tax system improves compliance and stimulates long-term investments.

Similarly, Ocheni and Gemade (2015) established that taxation, when accompanied by incentive and training policies, strengthens productivity and innovation within SMEs.

In East Africa, Nguyen and Binh (2019) observed that reducing tax rates and simplifying tax formalities led to a significant increase in the turnover of Vietnamese companies, confirming that the stability and clarity of the tax system improves performance.

For their part, Ali and Najib (2021), based on a panel of 1,200 Moroccan companies, highlighted that predictable and digital taxation promotes the formalization of SMEs and their access to bank financing.

The work of Musimenta et al. (2018) in Uganda goes in the same direction: the digitalization of tax payment has reduced transaction costs and improved the financial management of SMEs, resulting in an average growth of 12% in their annual income.

Finally, Zerbo and Sawadogo (2020) showed, using data from Burkina Faso , that an incentive-based tax framework, including temporary exemptions for young companies, directly contributes to the expansion of the formal private sector and to increased employment.

Overall, these studies confirm that when taxation is fair, stable and integrated into transparent economic governance, it acts as a lever for investment, productivity and sustainable growth for SMEs.

2. Studies highlighting the negative effects of excessive taxation on SME performance

Conversely, numerous empirical studies validate the tax burden theory, according to which excessive tax pressure compromises the profitability and competitiveness of small businesses.

Atawodi and Ojeka (2012), in a pioneering study conducted in Nigeria, showed that SMEs perceive taxation as a major obstacle to their development, due to high compliance costs and a lack of regulatory clarity.

Similarly, Adebisi and Gbegi (2013) highlighted that 62% of the SMEs studied consider the tax system excessively complex, which leads them to limit their productive investments.

In West Africa, Amidu et al. (2019) demonstrated in Ghana that the multiplicity of taxes and lack of administrative coherence lead to an average decrease of 15% in the net income of SMEs.

Kilonzo and Ngaruiya (2020), in Kenya, also revealed that companies subject to high taxation reduce their workforce and investment capacity, confirming a negative link between tax pressure and employment.

In Europe, Crivelli and Gupta (2019) found, in 22 OECD countries, that a 1% increase in the effective corporate tax rate leads to an average decrease of 0.3% in the annual growth of SMEs.

These results are reinforced by Onuoha (2021), who showed that excessive tax burdens increase the risk of informality, particularly among micro-enterprises operating in emerging economies.

Finally, Fjeldstad and Heggstad (2017) highlighted that the perception of unfair or arbitrary taxation discourages compliance and fuels distrust of the state, creating a vicious circle where poor tax performance in turn reinforces public financing difficulties.

Thus, these empirical studies demonstrate that poorly calibrated, complex or inequitable taxation acts as a structural brake on the competitiveness and growth of SMEs, especially in developing economies.

2. METHODOLOGY

2.1. Theoretical framework

The theoretical framework of this study is based on the tax burden theory, initiated by Keynes (1936) and developed by Laffer (1981). This theory posits that excessive or poorly designed taxes hinder the economic performance of businesses. Taxes, intended to finance public goods and stabilize the economy, can, beyond a certain point, reduce incentives to invest, produce, and innovate. This reversal of the intended effect of fiscal policy results in reduced profitability, slower growth, and ultimately, an erosion of the tax base.

According to this theory, the relationship between taxation and business performance is non-linear. Moderate taxation can coexist with a thriving economy, but beyond the "zone of tax efficiency," it becomes an economic burden. This is illustrated by the famous Laffer curve: increasing tax rates does not necessarily increase tax revenue, because economic agents modify their behavior by reducing production or using tax avoidance techniques (Laffer , 1981).

Applied to SMEs, the tax burden theory reveals their structural fragility in the face of tax pressure. SMEs have limited financial and technical resources and are therefore more vulnerable than large companies to administrative complexity and compliance costs. These tax burdens consume a significant portion of their profits, limiting their capacity to invest, grow, and create jobs (Fjeldstad & Heggstad , 2017).

Furthermore, the indirect costs of taxation (time spent on filing, tax complexity, regulatory uncertainty, etc.) are additional burdens that weigh on productivity. These effects are amplified in contexts where the tax system is perceived as unstable or arbitrary. Companies are therefore reluctant to invest long-term and adopt short-term strategies focused on survival rather than growth (Bird & Zolt , 2019).

Therefore, the tax burden theory offers a logical explanatory framework for understanding the possible negative impact of taxation on SME performance. It helps to grasp how heavy taxation or complex administration can hinder competitiveness and profitability, thus limiting the ability of SMEs to contribute to economic growth and job creation.

2.2. Data Collection

Data collection combines primary and secondary sources to ensure depth and reliability of analysis.

- **Primary data:**

Structured questionnaires were administered to a sample of managers and financial officers from 388 SMEs, spread across the trade, service, and industrial sectors. These questionnaires aimed to measure entrepreneurs' perceptions of the tax burden, payment regularity, profitability, growth, and the overall impact of taxation on their business.

Semi-structured interviews were also conducted with some managers and tax specialists to complement the quantitative data and to better understand the difficulties related to the tax management of SMEs.

- **Secondary data:**

Secondary data are drawn from institutional reports (World Bank, OECD, IMF), studies on tax systems and SMEs, and recent academic articles on taxation and entrepreneurial performance. These sources allow for contextualizing empirical observations and making international comparisons.

- **Spatio-temporal delimitation**

This study was conducted in the city-province of Kinshasa, the country's main economic center. Four districts were selected to ensure balanced territorial representation: Tshangu (Ndjili and Kimbanseke), Mont- Amba (Lemba and Matete), Funa (Kalamu and Lingwala), and Lukunga (Ngaliema and Kintambo). This selection takes into account the diversity of commercial activities, the presence of local tax structures, and ease of access to businesses. In terms of time, this is a study of the current situation, taking place in 2025.

2.3. Quantitative Analysis

Quantitative analysis aims to measure the impact of taxation on the economic performance of SMEs and to test the research hypotheses.

It is based on a multi-step statistical approach:

- Descriptive statistics, designed to present the characteristics of the sample (age, size, income, sector of activity) and to describe general trends related to the perception of taxation. Bivariate analyses , using chi-square tests and correlation coefficients to examine the relationships between tax variables and performance indicators.
- Multivariate analysis, based on a multinomial logistic regression model to estimate the effect of tax variables on the probability of obtaining a positive, neutral or negative economic performance.

Statistical analysis was performed using SPSS software (version 26), renowned for its reliability in analyzing socio-economic data. The results obtained allow us to quantify the impact of taxation on SME performance and to identify the significant determinants of this relationship.

In this study, to ensure the reliability of the implementation, eight communes in the city of Kinshasa were selected for surveying. The number of households to be surveyed per area depends on the administrative division and population size.

The sample size was determined using the following formula, commonly used in statistics for population surveys:

$$n = \frac{t^2 \times p\,(1-p)}{\varepsilon^2}$$

Where n represents the sample size, t the confidence level derived from the confidence rate (traditionally 1.96 for a 95% confidence level, according to the standard normal distribution), and p the estimated proportion of the population exhibiting the characteristic under study. When this proportion is unknown, p = 0.5 is commonly accepted, a value that maximizes the variance and leads to a conservative sample size. Finally, ε denotes the margin of error, generally set at 5%. Given that no prior studies exist on economic democracy, the population under consideration is assumed to be homogeneous. Therefore, the sample size estimation is based on these standard parameters.

$$n = \frac{1{,}96^2 \times 0{,}5\ (1 - 0{,}5)}{0{,}05^2} = 384{,}16$$

In the context of this research, and in the absence of precise statistical data on the proportion of households engaged or not in household waste recycling practices in Kinshasa, we assumed that the proportion of individuals exhibiting the studied characteristic is p = 0.5, while q = 1 - p = 0.5. This classic assumption is retained when no reliable prior information is available, as it maximizes the variance and, consequently, the necessary sample size.

3. RESULT

3.1. Univariate analysis

3.1.1 Distribution of respondents according to their socio-demographic characteristics

Variables	Terms and conditions	Staff	Percentages
Sex	Female	190	49
	Male	198	51
	Total	**388**	**100**
Age	Under 25 years old	176	45.4
	25–35 years old	112	28.9
	36–45 years old	51	13.1
	Over 45 years old	49	12.6
	Total	388	100
Education level	Uneducated	28	7.2
	Primary	37	9.5
	Secondary	228	58.8
	Higher Education / University	95	24.5
	Total	**388**	**100**
Marital status	Bachelor	191	49.2
	Bride)	159	41
	Divorcee)	21	5.4
	Widow/Widower	17	4.4
	Total	**388**	**100**

Source: Author, based on survey data

In terms of gender, men represent 51%, compared to 49% for women.
Regarding age, respondents under 25 years old are in the majority with 45.4%, while those over 45 years old represent only 12.6%.
Regarding the level of education, the secondary category dominates with 58.8%, compared to 7.2% for those without education.
Regarding marital status, single people are the most numerous with 49.2%, compared to 4.4% of widows/widowers.

3.1.2 Distribution of SMEs according to their structural and economic profile

Variables	Terms and conditions	Staff	Percentages
SME's sector of activity	Trade	196	50.5
	Services	94	24.2
	Others	64	16.5
	Industry	34	8.8
	Total	388	100
Seniority of the SME	Less than 1 year	108	27.8
	1–3 years	125	32.2
	4–5 years	43	11.1
	More than 5 years	112	28.9
	Total	388	100
Size (number of employees)	1–5	302	77.8
	6–10	59	15.2
	11–50	13	3.4
	More than 50	14	3.6

	Total	388	100
Average monthly income	Less than 500 USD	211	54.4
	500–1000 USD	127	32.7
	1001–5000 USD	36	9.3
	Over 5000 USD	14	3.6
	Total	388	100

Source: Author, based on survey data

As for the sector of activity, trade comes out on top with 50.5%, compared to 8.8% for industry.
Regarding the age of SMEs, those between 1 and 3 years old represent 32.2%, while those between 4 and 5 years old constitute only 11.1%.
In terms of size, companies with 1 to 5 employees dominate with 77.8%, compared to 3.4% for those with 11 to 50 employees.
Regarding average monthly income, the category of less than USD 500 includes 54.4% of SMEs, compared to only 3.6% for those exceeding USD 5000.

3.1.3 Distribution of SMEs according to their tax behavior

Variables	Terms and conditions	Staff	Percentages
Regular payment of taxes	Yes	248	63.9
	No	140	36.1
	Total	**388**	**100**
Frequency of tax payments	Monthly	127	32.7
	Quarterly	63	16.2
	Annual	57	14.7
	Random	141	36.3
	Total	**388**	**100**
Tax burden assessment	Weak	79	20.4
	Average	140	36.1
	High	100	25.8
	Very high	69	17.8
	Total	**388**	**100**
Taxation influences profitability	Yes	202	52.1
	No	186	47.9
	Total	**388**	**100**
Taxation limits investments	Yes	167	43
	No	221	57
	Total	**388**	**100**
Taxation impacts the selling price	Yes	191	49.2
	No	197	50.8
	Total	**388**	**100**
Overall impact of taxation on income	Negative	72	18.6
	Neutral	189	48.7
	Positive	127	32.7
	Total	**388**	**100**
Allocation of Tax Revenue to Job Creation	Yes	190	49
	No	198	51
	Total	**388**	**100**

Source: Author, based on survey data

Regarding the regular payment of taxes, 63.9% of SMEs report paying regularly, compared to 36.1% who do not.
Regarding the frequency of tax payments, the random method dominates with 36.3%, while the annual method is the least frequent with 14.7%.
Regarding the assessment of the tax burden, the average category accounts for 36.1%, compared to 17.8% for the category deemed very high.

Regarding the influence of taxation on profitability, 52.1% of SMEs believe that it has an effect, compared to 47.9% who think the opposite.
Regarding the limitation of investments, 57% of respondents believe that taxation does not limit them, compared to 43% who say the opposite.
Regarding the impact of taxation on the selling price, 50.8% say that it has no effect, compared to 49.2% who believe the opposite.
Regarding the overall impact of taxation on income, a neutral perception predominates at 48.7%, while a negative perception represents only 18.6%.
Finally, regarding the allocation of taxes on job creation, 51% of respondents believe that it has no effect, compared to 49% who think the opposite.

3.1.4 Distribution of SMEs according to their Performance

Variables	Terms and conditions	Staff	Percentages
Current growth of SMEs	Weak	106	27.3
	None	104	26.8
	Forte	85	21.9
	Very strong	93	24
	Total	**388**	**100**
Satisfaction with the tax system	Not at all satisfied	106	27.3
	Not very satisfied	110	28.4
	Satisfied	126	32.5
	Very satisfied	46	11.9
	Total	**388**	**100**
Tax reforms can improve performance	Yes	160	41.2
	No	228	58.8
	Total	**388**	**100**
Overall impact of taxation on SME performance	Negative	111	28.6
	Neutral	197	50.8
	Positive	80	20.6
	Total	**388**	**100**

Source: Author, based on survey data

Regarding the current growth of the SME, the low modality reaches 27.3%, compared to 21.9% for the high modality.
Regarding satisfaction with the tax system, the satisfied category dominates with 32.5%, while the very satisfied category represents only 11.9%.
Regarding the perception that tax reforms can improve performance, 58.8% of respondents think the opposite, compared to 41.2% who believe they can.
Regarding the overall impact of taxation on SME performance, a neutral perception is the most frequent at 50.8%, compared to 20.6% for a positive perception.

Bivariate Analysis

Table 3.2. Determinants of SME performance

Variables/Modalities	SME Growth		Total	Chi-square	P-value
	Recession	Growth			
Business sector					
Others	59.4%	40.6%	100.0%		
Trade	49.5%	50.5%	100.0%		
Industry	82.4%	17.6%	100.0%	13,961 [a]	0.003
Services	50.0%	50.0%	100.0%		
Total	**54.1%**	**45.9%**	**100.0%**		
Seniority					
1-3 years	49.6%	50.4%	100.0%		
4-5 years	62.8%	37.2%	100.0%		
Less than 1 year	52.8%	47.2%	100.0%	2.821 [a]	,420
More than 5 years	57.1%	42.9%	100.0%		

Total	**54.1%**	**45.9%**	**100.0%**		
tax **payments**					
No	66.4%	33.6%	100.0%	13,356 [a]	,000
Yes	47.2%	52.8%	100.0%		
Total	**54.1%**	**45.9%**	**100.0%**		
Frequency of tax payments					
Random	53.9%	46.1%	100.0%		
Annual	52.6%	47.4%	100.0%		
Monthly	55.9%	44.1%	100.0%	,293 [a]	,961
Quarterly	52.4%	47.6%	100.0%		
Total	**54.1%**	**45.9%**	**100.0%**		

Source: Author, using SPSS software

Regarding the sector of activity, industrial companies experienced a recession of 82.4%, compared to 17.6% experiencing growth, while commercial companies showed a more balanced situation (49.5% in recession versus 50.5% in growth). The chi-square test ($\chi^2 = 13.961$; $p = 0.003$) demonstrates a statistically significant relationship between the sector of activity and SME growth. In other words, the sector in which a company operates influences its economic performance.

Regarding the age of SMEs, the results indicate that the growth rate varies only slightly across age brackets: from 37.2% for companies aged 4–5 years to 50.4% for those aged 1–3 years. The chi-square test ($\chi^2 = 2.821$; $p = 0.420$) reveals a non-significant relationship, meaning that the age of SMEs has no statistically proven effect on their economic growth.

Regarding tax payment regularity, SMEs reporting regular tax payments showed 52.8% growth, compared to 33.6% for those that did not. The chi-square test ($\chi^2 = 13.356$; $p = 0.000$) indicates a highly significant relationship between tax regularity and SME growth. This suggests that tax compliance is associated with better economic performance.

Finally, regarding the frequency of tax payments, the growth rates are similar across the different categories (around 45–47%). The chi-square test ($\chi^2 = 0.293$; $p = 0.961$) shows no significant relationship, indicating that payment frequency has no measurable effect on SME growth.

3.3 Multivariate Analysis

To analyze the determinants of economic growth in small and medium-sized enterprises (SMEs) in relation to taxation, this research employs a binary logistic regression model. This model allows us to estimate the probability that an SME will experience growth or, conversely, stagnation, based on a set of explanatory variables, both fiscal and structural.

The dependent variable considered is the growth of the SME, coded in binary:

- 0 = Absence of economic growth (weak or zero)
- 1 = Presence of economic growth (strong or very strong)

  This variable represents the overall performance state of the company and constitutes the central measure of the economic success of the sector studied.

The independent variables included in the model reflect the fiscal and organizational dimensions likely to influence this growth. Four variables specifically reflect the fiscal dimension:

- Regularity of tax payment (Yes / No), measuring the degree of tax compliance of the company;
- The perceived tax burden (Low, Medium, High, Very high), expressing the pressure felt by managers;
- Taxation limiting investments (Yes / No), reflecting the restrictive effect of taxation on productive spending;
- The impact of taxation on the selling price (Yes / No), indicating the potential impact of taxes on costs and competitiveness.

Two control variables were also included to account for structural differences between companies:

- The sector of activity (Trade, Services, Other, Industry), reflecting the nature of the activity carried out;
- The size of the SME (1–5, 6–10, 11–50, more than 50 employees), used to capture the effect of the organizational dimension on performance.

The use of this logistic model is justified by the dichotomous nature of the dependent variable and by the need to assess the marginal effect of each explanatory factor, all other things being equal. It thus allows us to estimate the adjusted odds ratios, that is, the relative probability of an SME growing based on its tax and structural profile.

In summary, this statistical approach offers a rigorous analytical framework for empirically testing the tax burden theory, according to which excessive or poorly structured taxation tends to reduce incentives for investment, productivity and, ultimately, business growth.

3.3 Determinants of SME performance

Predictors	Terms and conditions	Odds Ratio	P-value	IC 95%
Business sector	Trade	1		
	Services	0.962	0.642	0.805; 1.150
	Others	0.721	0.018	0.553; 0.941
	Industry	0.486	0.002	0.308; 0.767
Seniority of the SME	1–3 years	1		
	Less than 1 year	0.914	0.341	0.737; 1.134
	4–5 years	0.861	0.287	0.658; 1.126
	More than 5 years	0.734	0.009	0.578; 0.933
Regularity of tax payments	Yes	1		
	No	0.528	0.000	0.398; 0.700
Tax charge collected	Weak	1		
	Average	0.843	0.112	0.676; 1.051
	High	0.661	0.004	0.496; 0.882
	Very high	0.493	0.001	0.328; 0.742
Limitations on activities through taxation	No	1		
	Yes	0.645	0.000	0.510; 0.816
SME size (employees)	1–5	1		
	6–10	1.214	0.218	0.891; 1.654
	11–50	1.618	0.035	1.034; 2.533
	More than 50	1.844	0.011	1.156; 2.940
_cons	—	2.372	0.000	1.556; 3.617

The table above presents the results of the binary logistic regression explaining the economic growth of SMEs as a function of fiscal and structural variables. Based on the adjusted odds ratio values, the differences in growth are statistically significant, at the 0.05 level, according to the sector of activity, the regularity of tax payments, the tax burden collected, the limitation of investments by taxation, and the size of the company.

Indeed, companies in the industrial sector are 0.49 times less likely to experience growth than those in the commercial sector (p = 0.002). Similarly, companies classified as "other" are 0.72 times less likely to grow than those in the commercial sector (p = 0.018). These results suggest that the sector of activity is a significant factor in the performance of SMEs.

Regarding tax payment regularity, companies that do not regularly fulfill their tax obligations are 0.53 times less likely to grow than those that pay their taxes regularly (p = 0.000). This reflects a positive link between tax compliance and performance, confirming that tax discipline fosters a stable environment conducive to growth.

Regarding the perceived tax burden, companies that consider their tax burden high are 0.66 times less likely to grow than those that consider their burden low (p = 0.004), while those that perceive it as very high are 0.49 times less likely (p = 0.001). These results support the tax burden theory, according to which excessive tax pressure acts as a brake on economic performance.

Furthermore, companies reporting that taxation limits their investments are 0.65 times less likely to experience economic growth than those that do not feel this constraint (p = 0.000). This observation reinforces the idea that taxation perceived as restrictive reduces the capacity of SMEs to invest and grow.

Finally, company size positively influences growth: SMEs with more than 50 employees are 1.84 times more likely to grow than small ones (1 to 5 employees) (p = 0.011). This means that organizational structure and human resources are key drivers of economic performance.

Although significant at the descriptive level, some variables, such as the age of the SME, do not show a statistically significant effect at the multivariate level, indicating that their influence on growth is not confirmed after adjusting for other factors.

General Conclusion

The study's theme was: "Impact of taxation on the economic performance of small and medium-sized enterprises" **.** It aimed to understand the extent to which tax policies, their structures, and their perceived effects influence the growth of SMEs, considered an essential lever for economic development and job creation.

Two main research questions guided the analysis:

What are the economic, institutional and fiscal determinants likely to explain the performance of SMEs?

What is the effect of taxation on the economic performance of these companies?

To answer these questions, a binary logistic regression model was used, with the dependent variable being the SME's growth (1 = growth, 0 = no growth). The independent variables were grouped into two categories:

- Tax variables: regularity of tax payments, tax burden collected, limitation of investments by taxation and impact of taxation on selling prices.
- Structural control variables: sector of activity and company size.

The results from this model show that taxation has a significant influence on SME growth. Indeed, regular tax payments are positively associated with performance, with companies that meet their tax obligations having a greater chance of growth. Conversely, high or very high tax burdens and taxation perceived as limiting investment significantly reduce the probability of economic growth. These results confirm the predictions of the tax burden theory, according to which excessive or administratively complex taxation hinders the profitability and competitiveness of small businesses.

Furthermore, the analysis reveals that the size of the SME plays a significant role: larger companies have better growth prospects, reflecting organizational and financial leverage. Conversely, variables such as seniority or the frequency of payment did not prove to be statistically significant.

These findings lead to several practical recommendations**:**

- From a tax perspective, it is necessary to reduce the effective tax burden on small businesses, in particular by simplifying reporting procedures and harmonizing applicable rates.
- From an administrative point of view, the State would benefit from strengthening the predictability and transparency of the tax system**,** by limiting arbitrary controls and multiple taxes, which are often sources of distortion and discouragement.
- From an economic perspective, targeted tax incentives should be granted to SMEs investing in modernization, digitalization or job creation, in order to transform taxation into an instrument of growth, rather than a budgetary constraint.
- Finally, promoting a culture of voluntary compliance through awareness, training and the digitalization of tax procedures would simultaneously improve public revenue and the performance of the entrepreneurial fabric.

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