

The role of tax system complexities in shaping decision-making processes of small and medium enterprises: evidence from Laghouat, Algeria

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Abstract---This paper aims to analyse the role of tax system complexities in Algeria on small and medium enterprises (SMEs), specifically regarding their operational, investment, and financial decisions. To achieve this, a descriptive-analytical methodology was employed, utilising a questionnaire distributed to a randomly selected sample of 52 SMEs operating in Laghouat. The study found that tax system complexities play a significant role in shaping SME decisions overall, with particular influence on investment and financing decisions.

Keywords---small and medium enterprises; tax system; complexities; Algerian tax system.

1.Introduction

The small and medium-sized enterprise (SME) sector constitutes a pivotal component of economic development worldwide, significantly contributing to national income enhancement, job creation, and the alleviation of unemployment. This sector assumes particular importance in developing economies, where it aligns closely with structural characteristics such as abundant labour resources and limited capital availability.

Algeria exemplifies a developing country that has accorded substantial attention to SMEs by implementing supportive measures, including financial assistance, entrepreneurial accompaniment programmes, and legislative frameworks designed to facilitate SME establishment and growth. Nonetheless, despite these initiatives, the Algerian economic environment continues to face persistent

How to Cite:

Zemmit, Z. (2025). The role of tax system complexities in shaping decision-making processes of small and medium enterprises: evidence from Laghouat, Algeria. *The International Tax Journal*, 52(3), 987–998. Retrieved from <https://internationaltaxjournal.online/index.php/itj/article/view/118>

The International tax journal ISSN: 0097-7314 E-ISSN: 3066-2370 © 2025

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Submitted: 20 Nov 2024 | Revised: 12 Jan 2025 | Accepted: 10 Feb 2025

challenges that hinder the sustainability and expansion of SMEs. Among these challenges, the complexity of the tax system emerges as a critical factor influencing the operational viability and strategic decisions of these enterprises.

This study addresses the central research question: What is the role of the complexities of the Algerian tax system in shaping the performance and decision-making processes of SMEs? To explore this comprehensively, the following sub-questions guide the inquiry: How are SMEs defined and what primary obstacles do they face? What elements characterise the complexity of the Algerian tax system? In what ways do tax system complexities play a role in SMEs' operational decisions, particularly regarding costs and profitability? How do these complexities influence investment decisions related to expansion and continuity? Furthermore, what role do they play in financing decisions concerning capital acquisition, growth, and disclosure?

Based on these inquiries, the study hypothesises that the complexities inherent in the Algerian tax system have a significant role in SMEs' operational, investment, and financing decisions. The objective of this paper is to elucidate the conceptual framework of SMEs, delineate the challenges they face—particularly tax system complexities—and empirically assess the role these complexities play across critical decision-making domains.

2. Literature Review

The body of literature on small and medium-sized enterprises (SMEs) underscores their fundamental role in national economies, with substantial research focusing on their characteristics, challenges, and developmental impact. Locally, studies such as Aziz (2014) provide empirical insights into the operational realities of SMEs in Algeria, particularly in Biskra, highlighting critical obstacles including financing difficulties, regulatory inefficiencies, and competitive pressures from larger firms. Aziz emphasises the essential contribution of SMEs to economic development through job creation and wealth generation, recommending enhanced financial support, regulatory improvements, and capacity building for entrepreneurs to foster SME growth (Aziz, 2014).

Further investigations by Ghazban (2022) and Ben Amour (2019) explore governance and leadership dimensions within Algerian SMEs. Ghazban's analysis reveals the limited effect of entrepreneurial accompaniment on managerial practices, attributing variance to owners' education and expertise, and advocates for more tailored support programmes to elevate managerial competencies (Ghazban, 2022). Meanwhile, Ben Amour demonstrates a statistically significant positive relationship between transformational leadership and organisational performance among SMEs in Algiers, particularly highlighting motivation as a key driver, thus calling for leadership development initiatives to boost SME efficacy (Ben Amour, 2019).

On an international scale, research has addressed the multifaceted challenges SMEs face vis-à-vis tax system complexities. Veugelers et al. (2023) confirm the critical role of SMEs in fostering innovation within the European Union, but also identify a gap between potential and realised innovation capabilities, partially attributable to insufficient policy support. Similarly, Silva et al. (2021) examine the pronounced barriers encountered by SMEs in emerging economies such as South Africa, including bureaucratic obstacles and political instability, which impede growth and performance. These foreign studies collectively suggest that simplifying tax regulations and enhancing targeted support mechanisms are pivotal to unleashing SME potential across diverse economic contexts (Veugelers et al., 2023; Silva et al., 2021).

3. Theoretical Framework

3.1 Small and Medium-Sized Enterprises and Their Constraints The Algerian legislator defines small and medium-sized enterprises (SMEs) in Article 5 of the Guiding Law on the Development of Small and Medium Enterprises, issued on 11 January 2017, as “those enterprises engaged in the

production of goods and/or services, employing between 1 and 250 workers, with an annual turnover not exceeding 4 billion Algerian dinars or an annual revenue not exceeding 1 billion Algerian dinars, and which meet the criterion of independence.” This definition is further clarified in Articles 8, 9, and 10 of the same law, which distinguish three categories of enterprises within this scope. Accordingly, a medium enterprise is one employing between 50 and 250 workers, with turnover ranging from 400 million to 4 billion dinars, or annual revenue between 200 million and 1 billion dinars. A small enterprise employs between 10 and 49 workers, with turnover not exceeding 400 million dinars or revenue not exceeding 200 million dinars. Micro-enterprises employ between 1 and 9 workers, achieve turnover below 40 million dinars, or annual revenue under 20 million dinars (Articles 5, 8, 9, and 10 of Law No. 02/17).

SMEs generally face multiple obstacles that may lead to their failure and dissolution. These include, but are not limited to, the following:

- A. Administrative obstacles: These involve a lack of experience and expertise among founders, leading to disorganised operations within the market, absence of clear strategic planning, poor commitment, and insufficient time dedicated to business management (Taher Mohsen Mansour Al-Ghalabi, 2009, p. 41).
- B. Financial obstacles: SMEs often struggle to obtain bank financing due to factors such as high perceived risk, insufficient collateral, lack of banking awareness, and the absence of reliable accounting records reflecting the enterprise’s financial status and future outlook (Mohamed Nasser Hamidatu, Safia Bekkas, 6–7 December 2017, p. 8).
- C. Resource management obstacles: These include excessive operating and investment expenditures, as well as overstocking beyond actual project needs.
- D. Marketing obstacles: Such obstacles include poor selection of sales locations and distribution channels without adequate market study or sales volume forecasting, neglect of competitors especially when new large competitors enter the market, and disregard for environmental changes such as economic recessions (Souad Naif Barnati, 2008, pp. 94–95).
- E. Tax-related obstacles: These encompass heavy tax burdens, particularly when tax legislation does not account for enterprise size or applies lump-sum taxation arbitrarily (Khaled Qashi, 6–7 December 2017, p. 7). Tax complexity, caused by unstable tax regimes and complicated procedures resulting in high compliance costs, also represents a significant impediment (Zouak El-Hawas, 2022, p. 296).

This paper will focus specifically on the last of these constraints—namely, the complexity of the tax system and its impact on SMEs.

3.2 Complexity of the Algerian Tax System: A complex tax system facilitates various abuses, as tax officials and taxpayers exploit the intricate, unclear rules, laws, and procedures governing taxation. Complexity allows tax officials discretionary powers that may increase corruption, while taxpayers may resort to corrupt practices such as tax evasion (Nabil Qalil, 2021, p. 6).

The Algerian tax system suffers from multiple complexities, which can be attributed primarily to the following factors:

- A. Frequent amendments to tax legislation: Annual finance laws regularly annul, amend, or supplement tax provisions related to tax base, collection, and procedures. For instance, the simplified tax regime was introduced in Article 3 of the 2008 Finance Law, modified in 2011, repealed in 2015, and reintroduced in 2022. Such frequent changes generate difficulties for both tax administrations and taxpayers in keeping up with legislative updates, often resulting in evasion due to misunderstanding (...).
- B. Frequent changes in tax imposition systems: The instability and multiplicity of tax regimes complicate understanding and application. For example, non-commercial professions may be subject alternatively to monitored declaration, simplified, real, or lump-sum regimes depending on turnover thresholds, creating uncertainty and disputes with tax authorities.

- C. Ill-considered amendments to specific taxes: The single lump-sum tax, established by Article 2 of the 2007 Finance Law, has undergone numerous modifications concerning taxpayers and turnover thresholds. Its application based on approximate tax bases and widespread use reflects inefficiencies in the Algerian tax system due to several factors, including:
- A minimum annual payment fixed at 10,000 DZD (equivalent to 200,000 DZD turnover for production/sale and 83,333 DZD for services), economically unacceptable since declared turnover margins do not cover operational costs, incentivising tax evasion;
 - Expansion of lump-sum taxation reduces tax revenues due to inaccurate declarations;
 - Difficulties in control and audit processes arise as taxpayers under this system lack regular accounting and supporting documents (Youssef Qashi, 2022, pp. 75–79).

4 . Methodology

This study targets all small and medium-sized enterprises (SMEs) in Laghouat Province, Algeria, excluding the public sector. The population comprises 1,379 firms distributed across seven economic sectors, as classified by the Ministry of Commerce.

A preliminary sample of 100 companies was selected using a simple random sampling method to ensure representativeness across the sectors. The optimal sample size, calculated using Stevens Thompson's formula for a known population, was estimated at 150. However, due to practical constraints, the final effective sample comprised 52 companies, after excluding non-respondents and incomplete questionnaires. The sampling procedure ensured equal selection probability for each company to avoid bias.

Data collection employed a structured questionnaire developed following a thorough review of the relevant literature and previous studies. The questionnaire consists of two parts: the first gathers demographic and organisational characteristics (such as firm age, legal form, type, and size), while the second contains 35 statements related to tax system complexities and SME dimensions.

The study is temporally bounded from 1 January 2025 to 5 May 2025, and geographically limited to Laghouat Province. Participants included accounting and finance professionals within SMEs, possessing relevant academic qualifications. The research focuses on evaluating the impact of tax system complexities on SMEs' operational, investment, and financing decisions.

Quantitative data analysis was conducted using SPSS version 26 and Microsoft Excel. Descriptive statistics (means and standard deviations) summarised responses. Inferential analyses included reliability testing, correlation analyses (Pearson and Spearman), t-tests, and simple linear regression models to examine hypotheses regarding the influence of tax system complexity on SME decision-making.

The conceptual model positions tax system complexity as the independent variable influencing dependent variables representing SME decisions: operational costs and profits, investment, financing, disclosure practices, and business continuity and growth. Hypotheses were tested at a 5% significance level to determine the strength and significance of these relationships.

4 .2 Population and Sample of the Study

The population of this study comprises all small and medium-sized enterprises (SMEs) operating in Laghouat Province, Algeria, excluding the public sector. According to the Ministry of Commerce classification, this population includes 1,379 firms distributed across seven economic sectors.

The study sample was selected from these sectors using a simple random sampling technique to ensure representativeness. Initially, 100 questionnaires were distributed. However, after excluding incomplete or non-responded questionnaires, 52 valid responses were obtained.

Table 1: Distribution and Validity of Administered Questionnaires

Questionnaire	Number	Rate
Number of administered questionnaires	100	100%
Number of excluded questionnaires	48	48%
Number of valid questionnaires	52	52%

Source: Compiled by the authors based on administered questionnaires.

Consistency of the Questionnaire

The internal consistency of the questionnaire was tested using Cronbach's Alpha to measure the reliability of the scales. The results for each dimension, as well as the overall reliability, are presented below:

Table 2: Reliability Analysis of the Questionnaire Using Cronbach's Alpha

Variable	Items	Number of Items	Cronbach's Alpha
Tax System Complexity	1–8	8	0.880
Dimensions of SMEs	9–31	23	0.878
Overall Questionnaire		31	0.919

Source: Authors' calculations based on SPSS outputs.

The overall Cronbach's Alpha value of 0.919 indicates excellent reliability, suggesting that 91.9% of respondents would provide consistent answers if the questionnaire were repeated under similar conditions. The Alpha coefficients for each dimension range between 0.878 and 0.880, confirming strong internal consistency within each construct.

Internal Consistency Validity: Internal consistency validity was assessed by examining the Pearson correlation coefficients between individual items and their respective dimension scores.

Table 3: Internal Consistency Validity for Tax System Complexity Dimension

Statement	Correlation Coefficient	Significance Level
The six tax laws and their interpretations are clear and comprehensive.	0.644**	0.000
Frequent changes in tax laws create instability in the system.	0.730**	0.000
The tax regulations and instructions are effectively communicated.	0.574**	0.000

Source: Authors' analysis based on SPSS outputs.

The correlation coefficients for the above statements range from 0.574 to 0.730, indicating moderate to strong positive correlations with their dimension's mean score. All correlations are statistically significant at $p < 0.01$. This confirms that these items effectively contribute to measuring the complexity of the tax system from the respondents' perspective.

4.3 Descriptive Characteristics of the Study Sample

Distribution of the Sample by Firm Age: The distribution of the firms in the study sample according to their age is presented in the following table:

Table 4: Distribution of Sample Members by Firm Age

Variable	Category	Frequency	Percentage (%)
Firm Age	Less than 5 years	21	40.4
	From 5 to less than 10 years	1	1.9
	From 10 to less than 15 years	21	40.4
	From 15 to less than 20 years	2	3.8
	More than 20 years	7	13.5
Total		52	100.0

Source: Prepared by the authors based on questionnaire data and SPSS 26 outputs.

The table above reveals diversity in the ages of the firms included in the sample, with the largest concentrations in firms aged less than five years and those aged between ten and less than fifteen years. A significant portion of the sample (40.4%) consists of firms younger than five years, indicating a high presence of start-ups and a dynamic environment conducive to the establishment of new firms. Firms of medium age (from five to less than ten years) constitute a very small portion of the sample (1.9%), suggesting challenges faced by firms in this age bracket. The firms aged between ten and less than fifteen years also represent a substantial segment (40.4%), indicating sustained survival over a medium period. Firms aged from fifteen to less than twenty years are a small minority (3.8%), and a relatively small number of firms have been established for more than twenty years (13.5%), reflecting a subset of enterprises with the capacity for long-term survival and adaptation to market changes within Laghouat Province.

Legal Form: The legal forms of the firms in the study sample are distributed as follows:

Table 5: Distribution of Sample Members by Legal Form

Variable	Category	Frequency	Percentage (%)
Legal Form	General Partnership Company	8	15.4
	Limited Liability Company or Sole Proprietorship	44	84.6
Total		52	100.0

Source: Prepared by the authors based on questionnaire data and SPSS 26 outputs.

The table shows that a small proportion of the sample (15.4%) consists of general partnership companies, a legal form not widely represented. The vast majority (84.6%) are limited liability companies or sole proprietorships.

Economic Classification: The activities of the firms vary and can be detailed as follows:

Table 6: Distribution of Firms by Economic Activity Type

Variable	Category	Frequency	Percentage (%)
Economic Activity	Industrial/Manufacturing	29	55.8
	Commercial	10	19.2
	Service	13	25.0
Total		52	100.0

Source: Prepared by the authors based on questionnaire data and SPSS 26 outputs.

As shown, the sample includes a diverse range of firms spanning industrial, commercial, and service sectors. Industrial and manufacturing firms constitute the majority at 55.8%, while commercial firms represent 19.2%, indicating a notable but smaller commercial presence. Service firms make up 25% of the sample, highlighting the significance of the service sector among the surveyed SMEs.

Firm Size :The study sample includes small and medium-sized enterprises distributed as follows:

Table 7: Distribution of Sample Members by Firm Size

Variable	Category	Frequency	Percentage (%)
Firm Size	Micro (1 to 9 employees)	33	63.5
	Small (more than 9 and less than 50 employees)	14	26.9
	Medium (50 to less than 250 employees)	5	9.6
Total		52	100.0

Source: Prepared by the authors based on questionnaire data and SPSS 26 outputs.

The table indicates that the majority of firms in the sample are micro-enterprises (63.5%), followed by small firms at 26.9%. Medium-sized firms constitute the smallest group at 9.6%.

5. Results and Discussion

This section aims to examine the role hypotheses of the study through statistical analysis. The direct role of tax system complexities on the operational, investment, and financial decisions of small and medium enterprises (SMEs) will be investigated to derive the study findings.

5.1 Analysis and Interpretation of the Study Results

Table 8: Descriptive Statistics and Direction of Variables in the Study

Variable Type	Variable	Mean	Standard Deviation	Direction
Independent Variable	Tax System Complexities	3.82	0.16	Complex
Dependent Variable	Operational Decisions – Cost Management	4.01	0.43	Agree
	Operational Decisions – Profit Orientation	2.35	0.42	Disagree
	Investment Decisions	3.54	0.37	Agree
	Financing Decisions	3.51	0.27	Agree
	Continuity and Growth Decisions	2.58	0.29	Disagree
	Disclosure Decisions	2.53	0.33	Disagree
Overall SME Decisions*	Aggregate Decisions Index	3.11	0.16	Neutral

Source: Compiled by the author based on survey data analysed using SPSS 26

The results presented in Table (03-15) provide a comprehensive analysis of the responses from the study sample concerning the complexity of the Algerian tax system. This analysis utilises mean values and standard deviations to evaluate the perceived complexity of various aspects of the tax system. The mean scores indicate the average level of complexity as perceived by the respondents. Notably, the sample tends to rate the Algerian tax system as highly complex, with mean values ranging from 3.02 to 4.25. The highest perceived complexity relates to the instability of the system, reflected by ongoing changes in tax laws, which scored a mean of 4.25. Conversely, the adopted digitisation mechanism is perceived as the least complex aspect, with a mean score of 3.02. The standard deviations measure the variability of responses around the mean. Lower standard deviations, such as those for the “six tax laws and their interpretations” (0.28) and “adopted digitisation mechanism” (0.16), suggest relative consensus among respondents on these items. In contrast, higher standard deviations, seen in perceptions of “system instability” (0.44) and conflicting application of tax laws by administration agents, indicate greater divergence of opinion.

Table (03-16) addresses responses regarding small and medium-sized enterprises (SMEs), focusing on operational, investment, and financing decisions. The analysis reveals nuanced insights into how tax complexities influence SME behaviour.

Operational Decisions: Respondents generally agree that SMEs manage their costs effectively, reflected by a mean of 4.02. Cost variation between enterprises due to activity type is acknowledged (mean = 4.10), as is the positive role of economic incentives, tax exemptions, and facilitations in cost control (mean = 4.37). Regarding profitability, respondents believe profit is linked to firms' ability to control tax-related costs (mean = 3.96) and that strong branding enhances financial outcomes (mean = 4.35). Furthermore, political and economic stability within Algeria is perceived as instrumental in augmenting SME profits (mean = 4.27).

Investment Decisions: There is recognition of variability in investment desire based on firm activity and profitability (mean = 3.35). Stability in the tax system is identified as a crucial determinant for investment (mean = 4.10), and tax system complexities are regarded as significant barriers to investment (mean = 4.40). Incentives are viewed as fostering increased investment, demonstrating the interconnectedness between tax policy and enterprise growth.

Continuity and Growth: The findings indicate strong agreement that tax evasion and fraud adversely affect business continuity (mean = 4.34). The sustainability of SMEs is linked to the general economic environment (mean = 4.08), yet respondents perceive that SME growth faces significant challenges (mean = 2.58), signalling potential structural impediments.

Financing Decisions: SMEs are perceived to face difficulties securing financing (mean = 3.51). Respondents report that enterprises resort to high-interest financing due to limited alternatives (mean = 4.33) and that the cost of financing remains elevated (mean = 4.17). Disclosure decisions are negatively impacted by high tax pressure (mean = 4.33) and compounded by lack of transparency, credibility, and fair competition (mean = 4.17), while fair tax policies are believed to enhance disclosure rates (mean = 4.07).

Overall, the data reflects a coherent narrative that the complexities and instability of the Algerian tax system exert significant influence on SMEs' operational, investment, and financing decisions. The mixed levels of agreement and variance in responses highlight areas where tax policy reforms could improve SMEs' economic engagement and compliance.

5.2 Test the main role hypothesis

To test the main role hypothesis that tax system complexities significantly influence SMEs in Laghouat — tax system complexities were entered as the independent variable in the regression model. The dependent variables included various dimensions of SME decisions: operational (costs, profit), investment (investment, continuity and growth), and financial (financing, disclosure). The following analysis evaluates the strength and significance of these relationships, with the results summarised in the subsequent tables.

Main Role Hypothesis:

- H₀: There is no statistically significant role of tax system complexities in Algeria on small and medium enterprises (SMEs) in Laghouat.
- H₁: There is a statistically significant role of tax system complexities in Algeria on SMEs in Laghouat.

Sub-role Hypotheses:

Role in Operational Decisions:

- H₀: There is no statistically significant role of tax system complexities in Algeria on operational decisions (costs and profit) in SMEs.
- H₁: There is a statistically significant role of tax system complexities in Algeria on operational decisions (costs and profit) in SMEs.

Role in Investment Decisions:

- H_0 : There is no statistically significant role of tax system complexities in Algeria on investment decisions (investment, continuity, and growth) in SMEs.
- H_1 : There is a statistically significant role of tax system complexities in Algeria on investment decisions (investment, continuity, and growth) in SMEs.

Role in Financial Decisions:

- H_0 : There is no statistically significant role of tax system complexities in Algeria on financial decisions (financing and disclosure) in SMEs.
- H_1 : There is a statistically significant role of tax system complexities in Algeria on financial decisions (financing and disclosure) in SMEs.

Table 9: Correlation Analysis of Tax System Complexities and SME Decision Dimensions

Dimension	Correlation Coefficient (r)	Significance Level (Sig.)	Role Conclusion
Challenges (Overall)	0.248*	0.020	Weak but significant role
Disclosure	0.066	0.569	No significant role
Costs	-0.058	0.606	No significant role
Profit	-0.026	0.817	No significant role
Investment	0.321**	0.004	Moderate and significant role
Financing	0.215	0.068	Weak and not significant
Continuity and Growth	0.256*	0.025	Weak but significant role

* Significant at 0.05 level

** Significant at 0.01 level

Source: Compiled by the author based on survey data analysed using SPSS 26

The statistical findings from the role hypotheses provide nuanced insights into how tax system complexities in Algeria affect different dimensions of small and medium enterprises (SMEs) in Laghouat.

Firstly, the overall role of tax system complexities on SMEs shows a weak but statistically significant relationship ($r = 0.248$, $p = 0.020$). This indicates that although the influence is modest, complexities within the tax system are indeed associated with the challenges faced by SMEs. Economically, this suggests that the regulatory environment imposes discernible burdens on these enterprises, potentially hindering their efficiency and operational smoothness.

When breaking down the operational decisions, the results indicate no significant role of tax complexities on costs ($r = -0.058$, $p = 0.606$) or profit ($r = -0.026$, $p = 0.817$). Statistically, these weak correlations and high p-values imply that tax complexities do not substantially impact day-to-day cost management or profit margins. Economically, this may reflect that SMEs either absorb tax-related complexities without altering operational expenditures significantly or that other factors dominate operational cost and profit determination.

Conversely, the role of tax system complexities in investment decisions is notably more pronounced. The moderate positive correlation ($r = 0.321$, $p = 0.004$) indicates a statistically significant and meaningful role. This suggests that as tax complexities increase, SMEs' investment decisions—including decisions related to continuity and growth—are influenced substantially. Economically, this could reflect that uncertainty and administrative burdens linked to the tax system create barriers or incentives that affect capital allocation and long-term planning, highlighting tax complexities as a critical factor in investment strategy and sustainability.

Regarding financial decisions, the relationship between tax complexities and financing shows a weak and statistically non-significant role ($r = 0.215$, $p = 0.068$). This suggests a possible but inconclusive influence on SMEs' ability to secure financing. Disclosure decisions similarly show no significant role ($r = 0.066$, $p = 0.569$), indicating that tax complexities do not notably affect financial transparency or reporting behaviours among SMEs. From an economic viewpoint, this might imply that financing and disclosure practices are driven more by market factors, credit access conditions, or internal governance than by tax system intricacies.

Finally, the role of tax complexities in continuity and growth decisions exhibits a weak but statistically significant relationship ($r = 0.256$, $p = 0.025$). This underscores a modest but meaningful influence of tax complexities on SMEs' long-term sustainability and expansion prospects. Economically, this suggests that while tax burdens may not critically determine immediate operational outcomes, they play a tangible role in shaping the trajectory and viability of SMEs over time.

5.3 Discussion

The statistical findings provide a nuanced understanding of the impact of tax system complexities on small and medium enterprises (SMEs) in Laghouat, Algeria. The overall weak yet statistically significant correlation ($r = 0.248$, $p = 0.020$) between tax complexities and SME challenges suggests that although the influence is modest, the regulatory tax environment imposes tangible burdens on SMEs. This aligns with evidence from emerging economies indicating that complex tax regulations can increase compliance costs, thus hindering the operational efficiency of SMEs (Krause et al., 2019).

The absence of significant relationships between tax complexities and operational costs ($r = -0.058$, $p = 0.606$) or profits ($r = -0.026$, $p = 0.817$) is noteworthy. These findings imply that SMEs may absorb tax-related complexities without significantly affecting their daily cost management or profit margins. This could be indicative of either adaptive strategies employed by SMEs or the dominance of other factors influencing operational performance. Le et al. (2020) support this interpretation, noting that SMEs often accommodate regulatory burdens in the short term by adjusting internal processes without immediate financial impact.

Conversely, the moderate and significant positive correlation between tax complexities and investment decisions ($r = 0.321$, $p = 0.004$) underscores a more substantial influence. The findings suggest that increased tax complexity generates uncertainty and administrative burdens that critically shape SMEs' capital allocation and long-term planning. This observation is consistent with Djankov et al. (2010), who demonstrated that tax administration complexity is a major deterrent to investment in SMEs, particularly in developing countries.

Regarding financial decisions, the weak, non-significant association with financing ($r = 0.215$, $p = 0.068$) and the lack of significance in disclosure decisions ($r = 0.066$, $p = 0.569$) suggest that tax system intricacies do not substantially affect SMEs' financial transparency or their ability to secure external financing. This may reflect that access to finance is predominantly influenced by market conditions, credit availability, and governance frameworks rather than tax-related factors (Beck et al., 2005).

Finally, the statistically significant yet weak relationship between tax complexities and decisions related to continuity and growth ($r = 0.256$, $p = 0.025$) highlights the modest but meaningful role of tax burdens in shaping SME sustainability. This aligns with findings from Ayyagari et al. (2014), which emphasise the regulatory environment as a key determinant of SMEs' long-term viability and growth prospects.

6. Conclusion

This study set out to examine the role of tax system complexities on the operational, investment, and financial decisions of small and medium enterprises (SMEs) in Laghouat, Algeria. Given the critical

importance of SMEs for economic development and employment, understanding the regulatory challenges they face is essential for informed policy-making.

The findings reveal a nuanced impact of tax complexities on SMEs. While tax burdens do not appear to significantly affect day-to-day operational costs or profit margins, they play a discernible role in shaping investment decisions and the long-term continuity and growth of these enterprises. Moreover, tax system intricacies showed limited influence on financial decisions related to financing and disclosure. These results highlight that tax complexity is a considerable barrier primarily for strategic decision-making rather than routine operations.

Based on these insights, it is recommended that policymakers prioritise the simplification of tax regulations and enhance transparency in tax administration to reduce compliance costs. Streamlining tax procedures would likely encourage greater investment and support SME sustainability, thereby contributing to broader economic growth. Additionally, providing targeted support and advisory services to SMEs can mitigate the adverse effects of tax complexities, fostering an enabling environment for their development.

In conclusion, addressing tax system complexities is a crucial step toward unlocking the growth potential of SMEs in Laghouat and similar emerging market contexts.

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