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**Investigating the impact of government tax policies on the performance of small and medium enterprises of West Azarbaijan with considering the mediating role of entrepreneurial orienteering**

Farid Haddadzadeh Hendou  
PhD Student, Production Management and Marketing Department, Ataturk University,  
Erzurum, Turkey  
farid.haddadzadeh@gmail.com

Editor Científico: José Edson Lara  
Organização Comitê Científico  
Double Blind Review pelo SEER/OJS  
Recebido em 025.03.2019  
Aprovado em 05.08.2019



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## Abstract

The main objective of this research is to investigate the impact of government tax policies on the performance of small and medium enterprises of West Azarbaijan, considering the mediating role of entrepreneurial orienteering. The research method is descriptive-survey and in terms of purpose it is an applied research. The statistical population of the study is managers of small and medium enterprises of West Azarbaijan province those number is 1126 people. The sample size was 286 using Cochran formula, which was selected by stratified random sampling. In order to collect information, a questionnaire was used. In order to measure government tax policies, the standard questionnaire of Levin et al. (2002) was used to measure the performance of small and medium enterprises from Drinney et al. (2015) and to measure entrepreneurship trends the Wood et al. (2010) questionnaire was used. The validity of the questionnaires was confirmed by the supervisor and one of the management professors. Reliability of the questionnaires by Cronbach's alpha test was 0.85 for the government's tax policy questionnaire was 0.89 for the organizational performance questionnaire and 0.87 for the entrepreneurial orientation questionnaire. In order to analyze the data, the structural equation method was used with the help of LISREL software. The results showed that government tax policies affect the performance of small and medium enterprises in West Azarbaijan Province with regard to the mediating role of entrepreneurial orientation.

**Key words:** Government tax policies, performance, entrepreneurial orientation, SME.

## **Investigando o impacto das políticas tributárias públicas sobre o desempenho das pequenas e médias empresas do Azerbaijão Ocidental, considerando o papel mediador da orientação empresarial**

### Resumo

O principal objetivo desta pesquisa é investigar o impacto das políticas tributárias governamentais no desempenho das pequenas e médias empresas do Azerbaijão Ocidental, considerando o papel mediador da orientação empresarial. O tipo de pesquisa é de levantamento descritivo e, em termos de propósito, é uma pesquisa aplicada. A população estatística do estudo é gerentes de pequenas e médias empresas da província do Azerbaijão Ocidental, o número é 1126 pessoas. O tamanho da amostra foi de 286 utilizando a fórmula de Cochran, que foi selecionada por amostragem aleatória estratificada. Para coletar informações, foi utilizado um questionário. Para medir as políticas fiscais do governo, o questionário padrão de Levin et al. (2002) foi usado para medir o desempenho de pequenas e médias empresas de Drinney et al. (2015) e para medir as tendências de empreendedorismo, Wood et al. (2010) foi utilizado. A validade dos questionários foi confirmada pelo supervisor e um dos professores da gerência. A confiabilidade dos questionários pelo teste alfa de Cronbach foi de 0,85 para o questionário de política fiscal do governo foi 0,89 para o questionário de desempenho organizacional e 0,87 para o questionário de orientação empreendedora. Para analisar os dados, o método da equação estrutural foi utilizado com a ajuda do software LISREL. Os resultados mostraram que as políticas fiscais do governo afetam o desempenho de pequenas e médias empresas na Província do Azerbaijão Ocidental no que diz respeito ao papel mediador da orientação empreendedora.

**Palavras-chave:** Políticas fiscais do governo, desempenho, orientação empreendedora, PME.

## **Investigando el impacto de las políticas tributarias gubernamentales sobre el desempeño de las pequeñas y medianas empresas del Azarbaiyán Occidental considerando el papel mediador de la orientación empresarial**

### **Resumen**

El objetivo principal de esta investigación es investigar el impacto de las políticas fiscales del gobierno en el desempeño de las pequeñas y medianas empresas del oeste de Azarbaijan, considerando el papel mediador de la orientación empresarial. La investigación es descriptiva-encuesta y en términos de propósito es una investigación aplicada. La población estadística del estudio son gerentes de pequeñas y medianas empresas de la provincia de Azarbaijan Occidental, ese número es de 1126 personas. El tamaño de la muestra fue de 286 utilizando la fórmula de Cochran, que se seleccionó mediante muestreo aleatorio estratificado. Para recopilar información, se utilizó un cuestionario. Para medir las políticas fiscales del gobierno, el cuestionario estándar de Levin et al. (2002) se utilizó para medir el desempeño de las pequeñas y medianas empresas de Drinney et al. (2015) y para medir las tendencias empresariales, Wood et al. (2010) se utilizó el cuestionario. La validez de los cuestionarios fue confirmada por el supervisor y uno de los profesores de gestión. La confiabilidad de los cuestionarios mediante la prueba alfa de Cronbach fue de 0.85 para el cuestionario de política fiscal del gobierno fue de 0.89 para el cuestionario de desempeño organizacional y 0.87 para el cuestionario de orientación empresarial. Para analizar los datos, se utilizó el método de ecuación estructural con la ayuda del software LISREL. Los resultados mostraron que las políticas fiscales del gobierno afectan el desempeño de las pequeñas y medianas empresas en la provincia de Azarbaijan Occidental con respecto al papel mediador de la orientación empresarial.

**Palabras clave:** políticas tributarias gubernamentales; desempeño; orientación empresarial; PYME

### **1. Introduction**

Small and medium-sized enterprises have a remarkable role in the national economy, and it is estimated that around 80% of global economic growth will be made up of small and medium enterprises (Simson & Paula, 2014). These industries are most important for developing countries in terms of job creation, entrepreneurship and the growth of non-oil exports (Sanchez, 2011).

Despite the government's assistance to small and medium-sized enterprises, small and medium-sized manufacturing units play the expected role in the country's economy, compete with similar industries abroad and large domestic industries, as well as gaining competitive

advantage that requires a strong presence in global markets. In our country, despite the significant presence of small and medium industries in the industrial structure (about 95%), these units are facing problems, and Iran's small enterprises have not been able to have comparative advantage over large firms in industrial development And economical country. Also, the marketing power of these firms is relatively weak due to the lack of sufficient information about market needs in all parts of the country as well as overseas markets, and therefore, these firms face the problem of shortage of demand for their products and This is effective in reducing their sales and profits (Fattah, 2016). Meanwhile, environmental variables that affect the performance of these companies, such as government tax policies, may also affect the performance of small and medium enterprises. On the one hand, theories state that any increase in taxes leads to a reduction in the funds for saving, private investment and private consumption, and it affects financial markets in the first place (Friend, 2015). On the other hand, they say that tax, which is a good source of government spending and transparency, reduces market volatility by preventing financial crises and reducing additional transactions (Bierbrauer, 2014). The findings of Adfos (2018), Bagherzadeh and Vali Pour (2018) and Dashti Shahrokh (2017) showed that tax policies affect the performance of organizations. Another variable that appears to be effective on the performance of small and medium enterprises, but less attention is paid, is entrepreneurial. Most academic studies consider entrepreneurial tendencies to be of a complex nature, and consider the following key triangular elements: innovation, risk taking and pioneering. Innovation involves interest in ideas, new experiences and creative processes that may result from the development of new products / services or new technologies. Risk taking refers to supporting projects despite existing the probability of failure. Pioneering also means getting ahead to face up to possible future events and overcoming rival activities (Benito et al, 2009).the findings of Khorram et al (2018), Maria et al (2015), Zahra (2013),Vikland and Scheerd (2015), Farahani et al (2014), Kolah Kaj and Darzian Azizi (2014), Sajjad (2015),Elhami and Sadeghi (2016) and Rashidi (2012) showed that entrepreneurial orientation affects the performance of organizations.

Regarding the importance of the activities of small and medium enterprises in each country's economy, as well as the importance of government policies, including government tax policies, it is questioned how the tax policies of the state how the company's performance Considering the mediating role of entrepreneurial orientation in small and medium enterprises of West Azarbaijan province, is it influencing them? Therefore, this study seeks to answer this question.

## **2. Research methodology**

The research method is descriptive-survey and in terms of purpose it is an applied research. The statistical population of the study is managers of small and medium enterprises of West Azarbaijan province those number is 1126 people. The sample size was 286 using Cochran formula, which was selected by stratified random sampling. In order to collect information, a questionnaire was used. In order to measure government tax policies, the standard questionnaire of Levin et al. (2002) was used to measure the performance of small and medium enterprises from Drinney et al. (2015) and to measure entrepreneurship trends the Wood et al. (2010) questionnaire was used. The validity of the questionnaires was confirmed by the supervisor and one of the management professors. Reliability of the questionnaires by Cronbach's alpha test was 0.85 for the government's tax policy questionnaire was 0.89 for the organizational performance questionnaire and 0.87 for the entrepreneurial orientation questionnaire. In order to analyze the data, the structural equation method was used with the help of LISREL software.

## **3. Findings**

### **Descriptive findings**

The frequency distribution of statistical sample of managers of small and medium enterprises of West Azarbaijan province based on gender showed that 81% of the statistical samples of managers were male and 19% were female. And 17% under the age of 5, 51% 5 to 10 years, 22% 11 to 15 years, and 10% over 15 years of work experience. And 5% of postgraduate degrees, 67% of bachelor's degrees, 28% of master's degrees and more. And 8% 30 years and younger, 29% 31 to 40 years old, 52% 41 to 50 years old and 11% older than 50 years old.

### **Inferential Findings**

#### **Kolmogorov-Smirnov Test**

The results of Kolmogorov-Smirnov test in Table 1 show that in all of the variables present in the structural model of the research, the significance level of the test for the Kolmogorov-Smirnov statistics ( $Z$ ) is greater than the error level of 5% that is, The distribution

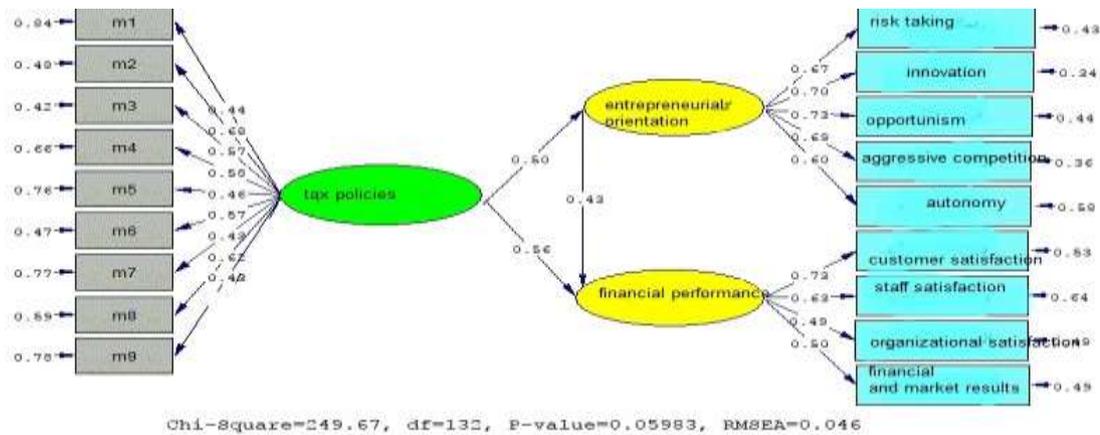
of all variables in the structural variables of the research is not significantly different from the normal distribution with 95% confidence, which is the result of the hypothesis of the zero test (the assumption of normalization), thus the assumption of the normal distribution of the statistical variables in the structural model of the research in The error level is 5%.

**Table 1**  
Results of the Kolmogorov-Smirnov test

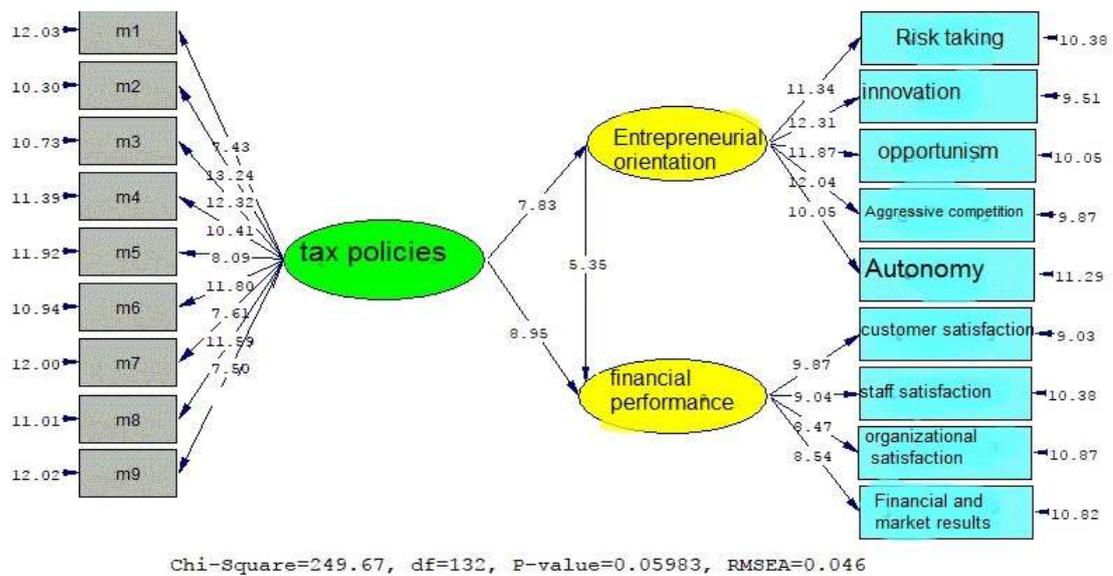
Variable	Kolmogorov-Smirnov (Z) test	sig
Tax policies	0.764	0.189
Entrepreneurial orientation	1.761	0.074
Financial performance	0.822	0.117

**Fitness of the Structural Model of Research**

The fitting of the structural and conceptual model of research in the LaserL software environment in the standard estimation (path coefficients) and the significant test of the paths (T test) are shown in Figures 1 and 2, respectively.



**Figure 1:** The fitting of the structural model of research in the standard estimation mode (path coefficients)



**Figura 2:** The fitting of the structural pattern of the research in the T test state

The most important fitness indicators obtained by Lisrel software such as GFI, IFI, CFI, RMSEA CMIN / df, and AGFI are presented in Table 2 to measure the appropriateness of the fitting of the structural pattern of the research as well as the approximate range of acceptance of each of the indicators.

As we can see, the fitting goodness indicators obtained by Lisrel software are acceptable to assess the appropriateness of the structural model of research in the range of approximation, that is, the observed data in the statistical sample are largely consistent with the structural pattern of the research. In other words, the values of goodness fit attributes indicated that the structural model of the research is fit for fit, and it can be said that in general the proposed structural model is relatively suitable model and the ability to explain the structural relations between the variables of the present or the existing structures in the model.

**Table 2**

Estimation of fitness indicators to assess the appropriateness of the structural model of research

Indicator	Approximate range of acceptance	Estimated value
Chi-square to degrees of freedom (CMIN/DF)	Less than 3	1.89
Root Mean Squares of Estimated Error (RMSEA)	Less than 0.08	0.046
Adaptive fit index (CFI)	0.8 to 1	0.95
Incremental fitting index (IFI)	0.8 to 1	0.94
Goodness of fit index (GFI)	0.8 to 1	0.91
Modified goodness of fit index (AGFI)	0.8 to 1	0.88

## **Test of research hypotheses**

### **Test the main hypothesis of the research**

The government's tax policies affect the financial performance of small and medium-sized enterprises in West Azerbaijan, with regard to the mediating role of entrepreneurial orientation. To test the main hypothesis of the research, structural equation modeling in a structured structural model is used. The research is based on Figures (1) and (2). As can be seen, at the level of error of 5% (95% confidence level), government tax policies with entrepreneurial orientation and entrepreneurial tendencies with financial performance has a positive and significant relationship. That is, the tax policy has a positive and significant effect through entrepreneurial orientation on the financial performance of the small and medium enterprises of West Azarbaijan province. The standard coefficient of indirect effect of tax policies on financial performance through the entrepreneurial orientation is 0.21, that is, by improving the tax policies of the state as much as a standard deviation, the financial performance of small and medium-sized enterprises in the West Azerbaijan province through mediation The entrepreneurial orientation is significantly higher than 0.20 standard deviations, so it is 95% sure that the government's tax policies affect the financial performance of small and medium-sized enterprises in West Azarbaijan, considering the mediating role of the trend Entrepreneurship has a positive impact and the main hypothesis of the research is confirmed.

## **Testing the hypothesis of the research**

### **Testing the first hypothesis of the research**

Government tax policies affect the financial performance of small and medium-sized enterprises in West Azarbaijan.

In order to test the first sub-hypothesis of the research, the structural equation modeling model in the fitted structural pattern of research is used based on Figures (1) and (2). As can be seen, the standard coefficient of the path between government tax policies and financial performance is 0.56, where the value of the obtained t statistic (8.95) is higher than the critical value of 1.96 (96.1 t-value ) Means that there is a positive and significant relationship between government tax policies and financial performance in the small and medium enterprises of West Azarbaijan, and by improving the tax policies of the state as much as a standard deviation, the level of

financial performance of the company Small and medium enterprises in West Azarbaijan province increase by as much as 0.35 standard deviations, so it is concluded that with 95 percent confidence in the government's tax policies Financial performance in the small and medium enterprises of West Azarbaijan province has a positive effect and the first hypothesis of the research is confirmed.

### **Testing the second hypothesis of the research**

Entrepreneurial orientation affects the financial performance of small and medium enterprises in West Azarbaijan province.

To test the second hypothesis of the research, structural equation modeling in a structured structural model is used. The research is based on Figures (1) and (2). As can be seen, the standard coefficient of the path between entrepreneurial tendency and financial performance is 0.43, which means that the value of the obtained t statistic (5.35) is higher than the critical value of 1.96 (1.99-t value) There is a positive and significant relationship between entrepreneurial orientation and financial performance in small and medium enterprises of West Azarbaijan province. As entrepreneurship tends to increase by a standard deviation, the level of financial performance of small and medium enterprises in West Azarbaijan province is as high as 0.43 increases the standard deviation, so it is concluded that with 95 confidence the entrepreneurial tendency is on financial performance in small and small companies. West Azerbaijan province in terms of entrepreneurial orientation on the financial performance of small and medium companies in Western Azerbaijan province has a positive effect and the second sub-hypothesis research confirms elderly.

### **Test of the third sub-hypothesis of the research**

Government tax policies affect entrepreneurial attitudes in small and medium-sized enterprises in West Azarbaijan province.

In order to test the third sub-hypothesis of the research, structural equation modeling in a structured structural model is used. The research is based on Figures (1) and (2). As can be seen, the standard coefficient of the path between the tax policies and the entrepreneurial trend is 0.05, where the value of the obtained t statistic (83.7) is higher than the critical value of 1.96 that Means that there is a positive and significant relationship between tax policies and

entrepreneurial tendencies in small and medium enterprises of West Azarbaijan Province. By improving tax policies as much as a standard deviation, the level of financial performance in small and medium enterprises of the province West Azerbaijan exits as much as 50% of the standard deviation, so it is concluded that with 95% confidence of the state tax policy on entrepreneurial tendency Nune small and medium sized companies in West Azarbaijan province has a positive effect and the third sub-hypothesis research confirms elderly.

#### **4. Discussion and conclusion**

The main purpose of this study was to investigate the effect of government tax policies on the performance of small and medium enterprises in West Azarbaijan, considering the mediating role of entrepreneurial orientation. The results showed that the government's tax policies affect the financial performance of small and medium enterprises in West Azarbaijan, with regard to the mediating role of entrepreneurial orientation. These results are partly to the findings of Khorram and others (2018), Maria and others (2015), Zahra (2013), Vikland and Shefferd (2005), Farahani and others (2013), Keeper hat and Azizi (1392), Sajjad (2014), Alhami and Sadeghi (2016), Rashidi (2011), Evans and others (2016), Adfsu (2018), Bagherzadeh and Valipour (2018) and Dashti Shahrokh (2017). In explaining such findings, it can be said that tax policies, as a set of decisions taken by the government, are, if they are to a large extent costly and complex, the ability to innovate and apply risk from companies. Interfere with or limit, will lower the entrepreneurial orientation of the companies and, as a result, their financial performance will decrease. Conversely, if such policies are appropriate and in order to encourage innovation and riskiness of companies, they will improve the entrepreneurial orientation and, as a result, the financial performance of the companies will also be.

The results also showed that the government's tax policies affect the financial performance of small and medium enterprises in West Azarbaijan province. And this is consistent with the findings of Evans and others (2016), Adfos (2018), Bagherzadeh and Vali Pour (2018) and Dashti Shahrokh (2017). In explaining the findings of this hypothesis, it can be said that if tax policies are not costly and complex for companies, so as not to have a negative effect on financial variables of companies and their productivity, Implementing such policies will increase their financial performance.

The results also showed that entrepreneurial orientation affects the financial performance of small and medium enterprises in West Azarbaijan Province. This is due to the findings of Khorram and others (2018), Maria and others (2015), Zahra (2013), Vikland and Shepherd (2005), Farahani and others (2013), Kaleh and Azizi (2013), Sajjad (2014), Alhami and Sadeghi (2016) and Rashidi (2011). In explaining these findings, it can be stated that the existence of an entrepreneurial orientation in the company, with product innovation, encouragement of risk taking and active behavior in the organization, has the opportunity to earn more profit and higher productivity in the company's control and As a result, it will increase the company's financial performance.

The results also showed that the government's tax policies affect the entrepreneurial orientation of small and medium-sized enterprises in West Azarbaijan. And this is consistent with the findings of Samadi and Mir Hashemi (2017). In justifying these findings, it can be said that tax policies as a set of decisions taken by the state to try to achieve certain economic goals can be innovation in product, risk appetite and the active behavior of companies Affect the small and medium size and affect the entrepreneurial orientation of the companies.

### **Suggestions**

- According to the results of the research on the impact of government tax policies on entrepreneurial orientation in small and medium-sized enterprises in the West Azerbaijan province, it is recommended that tax policy makers adopt their tax policies based on a detailed study of entrepreneurial orientation In organizations, they have to work in ways that help to promote entrepreneurial tendencies in organizations and strengthen them.
- Considering the results of the research on the effect of entrepreneurial orientation on financial performance, it is suggested that managers and responsible managers in small and medium enterprises of West Azarbaijan are offered to provide entrepreneurship training to their employees through conducting classes Education, books, pamphlets, social networks, etc., as well as to encourage entrepreneurial tendencies and award rewards and give them the opportunity to promote entrepreneurship talents in the organization.

According to the results of the research on the impact of government tax policies on the financial performance of small and medium-sized enterprises in the West Azerbaijan province, it is suggested to tax policy makers that their tax policies are based on a detailed study of small

companies And moderate, and take into account their financial situation and their local and native conditions, and that they should work in ways that will enhance corporate productivity and strengthen their financial performance.

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