



Effect of Government Regulations on the Growth and Sustainability of Small-Scale Business Enterprises in GA South Municipal Assembly

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ABSTRACT: This study examines the effect of government regulations on the growth and sustainability of small-scale business enterprises within the Ga South Municipal Assembly, Ghana. Specifically, it assesses how regulatory requirements such as taxation, licensing, compliance costs, and enforcement mechanisms influence operational efficiency, financial sustainability, and business expansion among small-scale enterprises. Small-scale enterprises play a critical role in employment creation and local economic development in Ghana. However, despite their importance, many continue to struggle with survival and growth due to regulatory pressures. While government regulations are designed to promote fairness, accountability, and sustainability, their implementation at the municipal level is often characterized by high compliance costs, bureaucratic complexity, and inconsistent enforcement. These challenges may undermine business performance, discourage formalization, and constrain enterprise growth, particularly among resource-constrained small-scale businesses. The study adopted a mixed-methods approach, utilizing an explanatory sequential research design. Quantitative data were collected through structured questionnaires administered to 300 owners and managers of small-scale enterprises operating in the Ga South Municipal Assembly. Qualitative data were obtained through in-depth interviews with five SME owners/managers and one senior government official. Quantitative data were analyzed using descriptive and inferential statistics with IBM SPSS, while qualitative data were analyzed thematically to provide contextual explanations for the quantitative findings.

The findings indicate that government regulations have a positive but statistically insignificant effect on the growth and sustainability of small-scale enterprises. High taxation, costly licensing procedures, and compliance-related expenses were identified as the most significant regulatory challenges. These burdens increase operational costs, reduce profitability, limit reinvestment, and constrain business expansion. Many business owners perceive regulatory compliance as a financial burden rather than a facilitator of growth. The study concludes that existing regulatory frameworks in Ga South place disproportionate burdens on small-scale enterprises, limiting their growth and sustainability. It recommends streamlining regulatory processes, simplifying tax structures, reducing compliance costs, and introducing targeted incentives to encourage formalization and support small-scale business development.

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1.1 INTRODUCTION

Government regulation plays a critical role in shaping market structures, entrepreneurial behaviour, and overall economic performance, positioning the state as a central actor in capitalist systems. Through instruments such as taxation, licensing, labour laws, and compliance standards, governments determine the conditions under which businesses operate, grow, or fail, particularly within the small-scale enterprise sector (Kraja, Osmani, & Molla, 2014; Eniola & Entebang, 2015). While regulations are intended to ensure market stability, protect consumers, and promote fair competition, they can impose unintended burdens when enforcement mechanisms are complex or poorly coordinated (Doh & Kim, 2014; Hoque, 2018). Small-scale enterprises often lack the financial capacity, managerial expertise, and technical knowledge required to comply efficiently, making regulatory demands disproportionately costly and potentially growth-inhibiting (Gbandi & Amissah, 2014; Ndesaulwa, Kikula, & Chao, 2017). In

developing economies such as Ghana, where small-scale businesses dominate economic activity and employment, the regulatory environment therefore has significant implications for business sustainability and local development.

Small and Medium Enterprises (SMEs) constitute the backbone of both developed and developing economies, contributing substantially to employment creation, income generation, and economic diversification. Globally, SMEs account for about 90 percent of businesses and over half of total employment, while contributing between 40 and 70 percent of GDP across income categories (World Bank Group, 2019; McKinsey, 2022). In Ghana, SMEs represent approximately 92 percent of all registered businesses and contribute nearly 70 percent of national GDP, with the manufacturing and service sectors relying heavily on small-scale enterprises for job creation (International Trade Centre, 2016; Adjabeng & Osei, 2022). Younger and service-oriented SMEs are particularly important for employment generation due to their flexibility and adaptability (Južnik Rotar, Kontosić Pamić, & Bojneč, 2019).

However, SMEs operate within an increasingly globalised and competitive environment characterised by technological change, financial volatility, and the dominance of multinational corporations (Naradda Gamage et al., 2020). These external pressures interact with domestic regulatory systems, often amplifying challenges faced by small-scale enterprises. Empirical evidence further shows that internal constraints such as limited skills, weak business networks, inadequate training, and restricted access to finance compound regulatory pressures (Meyer, Molefe, & De Jongh, 2018). Although Ghana has introduced initiatives such as NEIP, 1D1F, MASLOC, and tax incentives, high compliance costs, multiple taxation, and administrative inefficiencies continue to constrain SME growth (Oduro-Ofori et al., 2014; Anim et al., 2020; Kmecová et al., 2020; Bruce-Twum, 2023). These dynamics show the need for context-specific analysis of how government regulations influence the growth and sustainability of small-scale enterprises at the municipal level.

1.2 STATEMENT OF THE PROBLEM

Small-scale enterprises play a critical role in employment creation and economic development, yet they continue to face structural challenges that undermine their growth and long-term sustainability. Within an increasingly globalised economy, SMEs are exposed to intensified competition, financial volatility, rapid technological change, and the growing dominance of multinational corporations, all of which heighten operational uncertainty and market pressure (Naradda Gamage et al., 2020). These pressures are further compounded by shifting consumer preferences, trade disruptions, and geopolitical tensions, creating an unstable business environment in which small-scale enterprises struggle to survive and expand.

In addition to global pressures, small-scale enterprises face persistent internal and institutional constraints that limit their performance. Empirical studies consistently identify limited skills, weak business networks, inadequate market knowledge, labour shortages, and restricted access to training as key barriers to SME productivity and competitiveness (Meyer, Molefe, & De Jongh, 2018). These challenges are often intensified by regulatory frameworks characterised by high compliance costs, complex licensing procedures, and multiple taxation systems. Although government regulations are intended to create an enabling business environment, weak coordination, policy inconsistency, and administrative inefficiencies frequently transform regulation into a constraint rather than a catalyst for business growth (Abdullahi, Jakada, & Kabir, 2016).

Despite growing scholarly interest in the regulation–SME performance nexus, there remains limited empirical evidence on how government regulations specifically affect small-scale enterprises in Ghana. Much of the existing literature adopts a broad SME focus, overlooking the unique vulnerabilities of smaller firms and the localized nature of regulatory enforcement at the municipal level (Alabi, David, & Aderinto, 2019; Simiyu, Namusonge, & Sakwa, 2017). Moreover, empirical findings remain mixed, with some studies suggesting that regulations hinder growth through increased compliance costs, while others argue that well-designed regulations enhance stability and sustainability (Nieuwenhuizen, 2019; Adanlawo & Vezi-Magigaba, 2022; Twesige & Gasheja, 2019). In the Ga South Municipal Assembly, where small-scale enterprises are vital to local economic development, this lack of context-specific evidence limits effective policy formulation and underscores the need for focused empirical investigation.

1.3 RESEARCH OBJECTIVE

- I. To evaluate the influence of existing government regulations on the operational efficiency and growth potential of small-scale businesses in Ga South.
- II. To identify the specific government regulations that pose challenges to the establishment and sustainability of small-scale enterprises in the region.
- III. To analyze the costs associated with compliance to government regulations and how these affect the financial sustainability of small-scale businesses.

1.4 RESEARCH QUESTION

- I. How do existing government regulations influence the operational efficiency and growth potential of small-scale businesses in Ga South?

- II. What specific government regulations present challenges to the establishment and sustainability of small-scale enterprises in Ga South?
- III. How do the costs associated with compliance to government regulations affect the financial sustainability of small-scale businesses in the region?

2.1 THEORETICAL REVIEW/ FRAMEWORK

This study is anchored in the Resource-Based View (RBV), a strategic management theory that explains firm performance and competitive advantage based on the internal resources and capabilities firms possess. The RBV posits that organizational success depends not only on external market conditions but on a firm's ability to acquire, develop, and deploy resources that are valuable, rare, inimitable, and non-substitutable (VRIN) (Madhani, 2010; Lubis, 2022). These resources include tangible assets such as financial capital and infrastructure, as well as intangible assets such as human capital, managerial skills, knowledge, and organizational routines. Firms that strategically leverage these resources are better positioned to achieve sustained competitive advantage.

The RBV is built on key assumptions relevant to small-scale enterprises. Firms are heterogeneous, possessing different resource endowments that result in varied performance outcomes (Madhani, 2009). In addition, resources are often imperfectly mobile, meaning they cannot be easily transferred or replicated by competitors (Gerhart & Feng, 2021). For resources to generate competitive advantage, they must enable firms to exploit opportunities or mitigate threats and must be difficult to imitate or substitute (Brahma & Chakraborty, 2011; Saqib & Rashid, 2013). These assumptions explain why some enterprises perform better than others, even within similar regulatory environments.

In the context of this study, the RBV provides a useful framework for analysing how government regulations influence the growth and sustainability of small-scale enterprises in the Ga South Municipal Assembly. Regulatory policies related to taxation, licensing, registration, and access to finance shape the availability and effective use of SME resources. Small-scale enterprises that develop internal capabilities such as regulatory knowledge, financial management skills, and adaptive routines are better able to absorb compliance costs and leverage regulation to enhance legitimacy, market trust, and access to institutional support. By applying the RBV, this study examines how firm-level resources interact with government regulations to either constrain or enhance the competitive positioning and long-term sustainability of small-scale enterprises.

2.2 EMPIRICAL REVIEW

Empirical studies from developing economies provide substantial evidence that government regulations, policies, and public expenditure significantly influence the growth and sustainability of small and medium enterprises. Using a survey design, Adeniyi and Imde (2018) examined small-scale enterprises in Lagos Island Local Government Area and found that government policies had a positive and statistically significant effect on SME growth. Their findings showed that improvements in infrastructure and reductions in loan interest rates enhanced business expansion, with government policy explaining approximately 53 percent of the variation in SME growth. Similarly, Onyeje, Court, and Agbaeze (2022), employing a cross-sectional survey of 506 MSME operators in Nigeria, reported that national enterprise policy dimensions-including legal-regulatory frameworks, finance, infrastructure, human resource development, technology, marketing, and research and development-had a significant effect on the sustainability of MSMEs. These studies collectively demonstrate that supportive regulatory and policy environments play a critical role in strengthening SME performance and long-term viability.

Despite this general consensus on the importance of government intervention, empirical findings also highlight important variations depending on policy design and implementation. Adanlawo and Vezi-Magigaba (2022) investigated the effects of tax policies on SME performance in Lagos State using a survey of 110 SME owners and Chi-square analysis. Their study revealed that while tax policy significantly affects SME performance, multiple taxation and weak tax administration systems negatively constrain business growth. Although the authors acknowledged that well-structured tax policies could promote SME development, they emphasized that inconsistent implementation and overlapping tax obligations imposed by different levels of government undermine business performance. This finding introduces a critical nuance to the literature by suggesting that government regulation can simultaneously function as both an enabler and a constraint, depending on how policies are administered.

From a broader macroeconomic perspective, Nduka and Nwankwo (2023) examined the impact of government expenditure on SME performance in Nigeria using an ex-post facto research design and econometric analysis of secondary data. Their results showed that capital expenditure on infrastructure, agriculture, and education, as well as recurrent expenditure, had a positive and significant effect on economic performance, thereby indirectly supporting SME growth. However, the study also revealed that government borrowing had a negative and insignificant effect on SME performance. This finding diverges from the more optimistic conclusions of Adeniyi and Imde (2018) and Onyeje et al. (2022), indicating that not all forms of government financial involvement yield beneficial outcomes for SMEs. Instead, the effectiveness of public spending appears to depend on its composition and productive orientation rather than its magnitude.

2.3 CONCEPTUAL FRAMEWORK

The conceptual framework explains how government regulations influence the growth and sustainability of small-scale enterprises in the Ga South Municipal Assembly. Government regulations constitute the primary external institutional factor shaping the business environment and include registration and licensing requirements, taxation policies, labour and employment regulations, health, safety and environmental standards, as well as monitoring and enforcement mechanisms. While these regulations are intended to promote fairness and accountability, their effects on enterprise performance vary depending on their design and implementation.

Compliance costs are introduced as a mediating variable through which government regulations affect business outcomes. These costs include financial, administrative, and time-related expenses incurred in meeting regulatory requirements. High or poorly structured compliance costs reduce profitability, limit reinvestment, and weaken financial sustainability, whereas affordable and well-administered compliance processes can support formalization, efficiency, and long-term performance.

Entrepreneurial adaptability is incorporated as a moderating variable that influences how enterprises respond to regulatory pressures. Entrepreneurs who demonstrate flexibility, innovation, and effective resource deployment are better able to manage compliance demands and reduce negative regulatory effects. In contrast, low adaptability increases exposure to regulatory constraints. The dependent variable, growth and sustainability of small-scale enterprises, reflects outcomes such as expansion, profitability, continuity, and resilience. As illustrated in Figure 1, the framework posits that government regulations affect enterprise growth and sustainability both directly and indirectly through compliance costs, with entrepreneurial adaptability moderating this relationship within the Ga South Municipal Assembly.

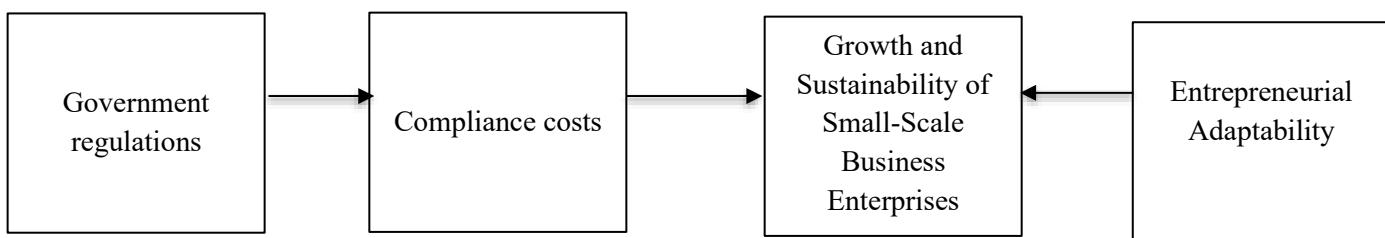


Figure 1: Conceptual Framework

3.1 RESEARCH METHODOLOGY

Research Approach

The study adopted a mixed-methods approach, integrating quantitative and qualitative techniques to provide a comprehensive understanding of how government regulations affect the growth and sustainability of small-scale enterprises. The quantitative approach enabled measurement of patterns and relationships, while the qualitative approach provided in-depth insights into business owners' experiences and perceptions (Migiro & Magangi, 2011; Turale, 2020).

Research Design

An explanatory sequential mixed-methods design was employed. Quantitative data were collected and analyzed first, followed by qualitative interviews to explain and contextualize the quantitative findings (Teddlie & Tashakkori, 2011).

Study Area

The study was conducted in the Ga South Municipal Assembly, Greater Accra Region, Ghana. The area was selected due to its high concentration of small-scale enterprises operating in retail, manufacturing, and service sectors, as well as its exposure to diverse regulatory requirements.

Study Population

The study population comprised small-scale business owners and managers operating within Ga South Municipal Assembly. In addition, one senior government official responsible for business regulation and enforcement was included to provide a regulatory perspective.

Sample Size and Sampling Technique

A total of 300 respondents participated in the quantitative phase, determined using Yamane's (1967) formula and drawn from an estimated population of 1,000 individuals across 50 SMEs. Stratified random sampling was used to ensure representation across retail, manufacturing, and service sectors. For the qualitative phase, purposive sampling was employed to select six participants (five SME representatives and one government official).

Data Collection Instruments

Quantitative data were collected using a structured questionnaire with closed-ended items on regulatory exposure, compliance costs, and business performance. Qualitative data were gathered through semi-structured interviews, allowing participants to elaborate on regulatory challenges and adaptive strategies.

Data Analysis

Quantitative data were analyzed using IBM SPSS, employing descriptive and inferential statistics. Qualitative data were analyzed using thematic analysis, involving coding, theme development, and interpretation of recurring patterns.

Ethical Considerations

Ethical principles of informed consent, confidentiality, and anonymity were strictly observed. Participants were informed of the study's purpose and their right to withdraw at any time. Data were anonymized and securely stored to protect participants' identities and ensure research integrity.

4.1 RESULTS AND DISCUSSIONS

4.1.1 Demographic Data

The study surveyed 300 respondents drawn from small-scale enterprises in the Ga South Municipal Assembly. As presented in Table 1, the gender distribution was relatively balanced, with 52.3% male and 47.7% female. With regard to age, the largest proportion fell within the 26–35 years age group (30.7%), followed by 18–25 years (25.0%). Respondents aged 36–45 years accounted for 22.7%, while those 46 years and above constituted 21.7%. In terms of educational attainment, 31.7% of respondents had secondary education, while 30.7% had tertiary education. Those with primary education constituted 23.0%, and 14.7% reported no formal education. Regarding business characteristics, the service sector accounted for the largest share of enterprises (30.3%), followed by retail (27.3%), manufacturing (23.7%), and agriculture (18.7%). Business experience varied, with 30.3% operating for more than six years, 29.7% for 1–3 years, 24.0% for 4–6 years, and 16.0% for less than one year.

Table 1: Demographic Data of Respondents

Variable	Category	Frequency (N)	Percentage (%)
Gender	Male	157	52.3
	Female	143	47.7
Age Group	18-25 years	75	25.0
	26-35 years	92	30.7
	36-45 years	68	22.7
	46 and above	65	21.7
Educational Level	No formal education	44	14.7
	Primary education	69	23.0
	Secondary education	95	31.7
	Tertiary education	92	30.7
Type of Business	Retail	82	27.3
	Manufacturing	71	23.7
	Services	91	30.3
	Agriculture	56	18.7
Years in Business	Less than 1 year	48	16.0
	1-3 years	89	29.7
	4-6 years	72	24.0
	More than 6 years	91	30.3

4.1.2 Influence of Existing Government Regulations on the Operational Efficiency and Growth Potential of Small-Scale Businesses in Ga South.

This is the first objective and it sought to assess how government regulations impact the ability of small-scale businesses in Ga South to operate efficiently and expand. The results indicate relatively high awareness of government regulations among respondents, with 75% reporting knowledge of the regulatory requirements applicable to their businesses. However, this awareness does not translate fully into compliance, as only 60% of respondents indicated that their businesses were officially registered with government authorities, while a substantial proportion (40%) continued to operate informally.

Regarding specific regulatory pressures, taxation and levies emerged as the most significant constraint on business operations, cited by 52% of respondents. Business registration and licensing requirements were identified as burdensome by 43%, while employment and labour laws affected 38% of enterprises. Health and safety regulations (32%) and environmental policies (28%) were also reported as notable concerns. Consistent with this pattern, a majority of respondents (65%) described compliance with government regulations as difficult or very difficult.

In terms of operational outcomes, more than half of respondents (51%) reported that government regulations negatively affected their business operations, while only 26% experienced positive effects in the form of improved efficiency. A further 23% indicated no observable impact. Compliance was also associated with increased operational costs, with 45% reporting significant cost

increases and 34% indicating slight increases. Taxation policies were perceived as particularly restrictive, with 60% of respondents stating that taxes limited their ability to expand, compared to only 12% who viewed taxation as supportive of business growth. Similarly, licensing and registration fees were considered expensive and restrictive by 47% of respondents, reinforcing perceptions that regulatory costs constrain expansion. Although some respondents (31%) acknowledged that regulations provide financial or technical support, the majority (69%) viewed government regulations primarily as obstacles rather than enablers of business growth. To further assess the relationship between government regulations and business outcomes, regression analysis was conducted to examine the effect of government regulations on business sustainability. As presented in Table 2, the results indicate a positive but statistically insignificant relationship between government regulations and financial sustainability ($B = 0.005$, $p = 0.959$).

Table 2: Effect of Government Regulations on Business Sustainability

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
1 (Constant)	3.720	.090		41.495	.000
government regulations	.005	.104	.003	.052	.959

a. Dependent Variable: Business Sustainability

4.1.2 Specific Government Regulations That Pose Challenges to the Establishment and Sustainability of Small-Scale Enterprises

Table 3 highlights the most critical government regulatory challenges affecting the establishment and sustainability of small-scale enterprises. The highest level of agreement was recorded for the statement *“The cost of complying with government regulations is a major financial burden for my business”* ($M = 4.15$, $SD = 1.04$), indicating that compliance costs constitute the most severe constraint on business operations and sustainability. This is followed closely by the statement *“Changes in regulations are frequent and unpredictable, making it difficult to plan for the future”* ($M = 3.88$, $SD = 1.07$), suggesting that regulatory instability significantly undermines long-term planning and discourages business expansion among small-scale enterprises. Conversely, the least agreement was observed for the statement *“Access to information about relevant regulations is limited and unclear”* ($M = 3.43$, $SD = 1.06$), indicating that although information gaps exist, they are perceived as less constraining compared to financial and structural regulatory burdens.

Table 3: Government regulations that pose challenges to the establishment and sustainability of small-scale enterprises

Statement	Mean	Standard Deviation
The process of registering my business was complex and time-consuming.	3.7667	.99104
Obtaining the necessary licenses and permits was a significant hurdle for my business.	3.4900	1.35500
Compliance with tax regulations is difficult and places a heavy burden on my business.	3.7367	1.20783
Labor laws and regulations make it challenging to hire and manage employees.	3.7033	1.26781
Environmental regulations are difficult to understand and comply with.	3.7700	1.10809
Regulations related to imports/exports pose significant challenges to my business operations.	3.4333	1.05638
The cost of complying with government regulations is a major financial burden for my business.	4.1467	1.04024
Changes in regulations are frequent and unpredictable, making it difficult to plan for the future.	3.8833	1.07404
Access to information about relevant regulations is limited and unclear.	3.4333	1.05638
Enforcement of regulations is inconsistent and sometimes unfair.	3.5100	1.21717
Corruption related to regulatory processes is a problem for small businesses.	3.4633	1.20838
Government support programs for small businesses are difficult to access due to regulatory requirements.	3.7633	1.00865

4.1.3 Compliance Costs and Financial Sustainability of Small-Scale Businesses

Table 4 presents respondents' perceptions of how compliance costs affect the financial sustainability of small-scale enterprises. The highest level of agreement was recorded for the statement *“My business has struggled to pay compliance-related expenses”* ($M = 4.12$, $SD = 1.05$), indicating that regulatory compliance places severe financial pressure on many businesses. This is followed closely by the statement *“The government provides sufficient financial support to help small businesses meet compliance costs”* ($M = 3.85$, $SD = 1.08$). While relatively high, this mean suggests mixed perceptions, with some respondents acknowledging support but many

finding it inadequate. Conversely, the lowest mean score was observed for the statement “*Reducing compliance costs would significantly improve my business's financial sustainability*” ($M = 3.43$, $SD = 1.06$). Although still above the neutral midpoint, this indicates comparatively weaker agreement relative to other items, suggesting that while cost reduction is important, businesses may also require complementary support measures to achieve sustainability.

Table 4: Compliance costs and business sustainability

Statement	Mean	Standard Deviation
The costs of compliance reduce my business's profitability.	3.7533	1.11503
High compliance costs prevent my business from expanding.	3.4600	1.06404
My business has struggled to pay compliance-related expenses.	4.1200	1.05323
The government provides sufficient financial support to help small businesses meet compliance costs.	3.8533	1.08123
Reducing compliance costs would significantly improve my business's financial sustainability.	3.4333	1.05954

Inferential Analysis

The coefficients table shows that compliance costs have a negative but insignificant effect on the financial sustainability of small-scale businesses ($B = -0.088$, $p = 0.677$). This means that higher costs such as registration and licensing fees, taxes, and environmental levies slightly reduce the financial sustainability of SMEs, but the effect is too weak to be statistically meaningful.

Table 5: Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error			
1	(Constant) 3.759	.095		39.630	.000
	Compliance costs -.088	.211	-.024	-.416	.677

a. Dependent Variable: Financial sustainability

4.2 Qualitative Result

4.2.1 Influence of Government Regulations on Operational Efficiency and Growth

Types of Government Regulations Encountered

The qualitative findings reveal that small-scale business operators in the Ga South Municipal Assembly encounter multiple forms of government regulation in the course of establishing and operating their businesses. The most frequently mentioned regulatory requirements include business registration and licensing, taxation policies, and environmental regulations and permits. Business registration emerged as a foundational regulatory process, often associated with significant financial and procedural demands. One respondent explained the cost implications of registration, stating,

“But before I started the business, I have to register with the Registrar General... about GH₵ 700 or so.” (Participant 2)

Others highlighted operational permits as an additional regulatory hurdle, noting that

“This kind of operating permit and some of these things sometimes affects the establishment of the business.” (Participant 4)

Taxation policies were also prominently cited, particularly local government revenue collection and national tax measures. Respondents frequently mentioned interactions with municipal revenue authorities, with one identifying revenue as a recurring regulatory obligation. The introduction of the electronic levy (e-levy) was perceived as especially challenging, with a respondent stating,

“Government regulation like the business operating permits, business registration, and even the e-levy, has made it difficult for people, and it made it difficult for me also to establish business.” (Participant 1)

Environmental regulations further added to the regulatory landscape, especially for businesses requiring permits from environmental authorities. One respondent recounted the process of dealing with the Environmental Protection Agency (EPA), noting,

“I remember I needed to get some permits at the EPA... they came, did the site plan and everything, you go there, they will say, come here, they will say, do this, do this.” (Participant 3)

Perceived Impact of Government Regulations on Business Operations

The findings indicate that many business owners perceive compliance with government regulations primarily as a civic obligation rather than as a source of direct business benefit. Several respondents expressed the view that adherence to regulations is driven by legal necessity rather than perceived operational advantages. One respondent articulated this sentiment by stating,

"Well, I don't honestly see any impact it has on my business. I'm just being... a good citizen because it's a law of the land and so we're complying or cooperating with the laws of the land." (Participant 1)

Closely related to this view is the widespread perception of limited or nonexistent tangible benefits from regulatory compliance. Respondents frequently indicated that compliance does not translate into improved efficiency, profitability, or market access. As one respondent stated bluntly,

"But actually, I don't see any positive impact it has on me." (Participant 2)

Another echoed this view when asked about benefits associated with compliance, responding simply, "Never." (Participant 4)

These responses suggest a disconnect between regulatory intent and business owners' lived experiences, reinforcing the perception that regulations impose costs without delivering commensurate advantages to small-scale enterprises.

Influence of Regulations on Business Growth and Expansion

The qualitative evidence further reveals a complex and often contradictory influence of government regulations on business growth and expansion. On the one hand, certain regulatory requirements, particularly business registration, were perceived as beneficial in establishing legitimacy and protecting business identity. One respondent highlighted the role of registration in brand protection, stating,

"With the business registration, it makes me feel the name of my brand is registered under the government, and that no one else can use my brand name." (Participant 3)

On the other hand, regulatory processes were widely viewed as barriers to business expansion due to their cost, complexity, and administrative burden. Respondents described the stress associated with acquiring permits and certificates, particularly environmental approvals, as discouraging entrepreneurial activity. One respondent noted,

"The stress you go through in acquiring business certificates, getting EPA to give you the permit... it's so robust that people don't want to go through those stress, so they got to back off from business." (Participant 5)

Financial regulations, including the e-levy, were also perceived as complicating transactions and constraining growth. Although some respondents acknowledged that regulatory compliance could facilitate access to formal credit, this benefit was often described as indirect and conditional. As one respondent observed,

"If maybe for those who go for loans from institutions, they would require such things... then fine." (Participant 6)

4.2.2 Specific Government Regulations That Pose Challenges to the Establishment and Sustainability of Small-Scale Enterprises

Taxation Challenges

The qualitative findings indicate that taxation constitutes one of the most significant regulatory challenges confronting small-scale enterprises in the region. Respondents consistently emphasized the burden of high taxes, particularly import duties, which substantially increase operational costs and reduce competitiveness. One respondent noted that:

"The taxes are too high... when you import things from outside, the import duties and stuff... those things are too expensive," (Participant 2)

In addition, the electronic levy (e-levy) emerged as a prominent concern, especially for enterprises reliant on mobile money and electronic transactions. Respondents described the levy as excessive and disruptive, with one stating that:

"The percentage at which we are paying the e-levy... is quite outrageous and it affects my business." (Participant 3)

Beyond the magnitude of taxes, respondents also raised concerns about the perceived unfairness of tax structures, particularly for startups and newly established businesses. Several participants indicated that local authority taxes are imposed irrespective of business performance or maturity. One respondent explained that:

"You haven't even started business, and business hasn't been that brisk, and they are coming to take [taxes]. " (Participant 1)

Business Registration and Licensing Difficulties

Business registration and licensing requirements were also identified as major regulatory barriers, particularly for startups and youth-led enterprises. Respondents frequently described the high cost of registration as a deterrent to formalization, especially for entrepreneurs with limited startup capital. One participant noted that:

"Just because of the registration and these policies... it's a big hindrance for any youth who wants to start business." (Participant 5)

In addition to cost-related barriers, delays in obtaining business certificates and operating permits were widely reported. Respondents expressed frustration with prolonged processing times, noting that certificates expected within weeks often took several months to be issued. One respondent stated,

"Because you don't have permits you cannot operate." (Participant 2)

Bureaucratic complexity further compounded these challenges, with participants describing difficulties in identifying the appropriate offices or officials to facilitate registration. In some cases, respondents suggested that informal networks or “insiders” were necessary to navigate the system effectively, pointing to inefficiencies and limited transparency within regulatory institutions.

Municipal and Regulatory Fees

Municipal and regulatory fees imposed by local authorities emerged as another significant challenge for small-scale enterprises. Respondents frequently cited the high cost of annual municipal charges, particularly those levied by metropolitan and municipal assemblies, as financially burdensome. One participant described the charges as “*quite outrageous*,” (Participant 3) explaining that annual fees exceeded their capacity to pay. The pressure associated with frequent enforcement visits further intensified these challenges, with some business owners reporting that repeated inspections disrupted operations and, in some cases, forced temporary closure of shops to avoid sanctions.

Perceptions of inequity in fee structures were also evident. Respondents expressed concern that businesses in less busy or low-revenue locations were required to pay the same municipal fees as those operating in prime commercial areas. One respondent remarked that:

“I paying the same amount as the other person at a very busy place... it’s not fair.” (Participant 1)

4.2.3 Compliance Costs and Financial Sustainability

Financial Costs of Regulatory Compliance

The qualitative findings indicate that compliance with government regulations imposes substantial financial costs on small-scale enterprises, significantly affecting their profitability and long-term sustainability. Respondents identified licensing fees, taxation, informal payments, and utility-related charges as major sources of financial strain. Several participants emphasized that regulatory costs are incurred even before business operations commence, particularly during registration and licensing. As one respondent noted:

“You haven’t started the business but then you are spending on the business.” (Participant 5)

Beyond formal fees, respondents reported the prevalence of informal payments made to expedite regulatory processes. These facilitation fees were described as unavoidable in some cases, with one participant explaining that:

“You just have to pay... in order to speed up some of the process for you.” (Participant 2)

Such informal costs were perceived to erode profits and foster a cycle of dependency on unofficial intermediaries. In addition, rising utility tariffs, particularly electricity costs, were cited as an indirect regulatory burden that increased operational expenses. One respondent indicated that escalating energy costs had become so severe that they were forced to reduce staff, underscoring the cumulative effect of compliance-related expenditures on business viability.

Impact on Profitability and Financial Sustainability

The findings further reveal that compliance costs have a pronounced negative impact on business profitability and financial sustainability. Respondents consistently reported reduced profit margins as a result of taxes, fees, and informal payments. One participant observed that:

“Most of the gains... go into taxes and other charges” (Participant 5). This financial pressure limits firms’ ability to save, plan, and reinvest, thereby weakening their growth prospects.

Increased operational costs also compelled businesses to make difficult decisions, including workforce reductions. Respondents described laying off employees as a coping strategy when regulatory and utility costs became unmanageable. Moreover, compliance costs were reported to drain working capital, leaving businesses unable to reinvest in inventory, technology, or expansion. As one respondent stated:

“These government regulations drain me a lot to the extent that I’m not able to even reinvest.” (Participant 3).

Collectively, these experiences illustrate how regulatory costs undermine not only short-term profitability but also the long-term financial sustainability and survival of small-scale enterprises.

Business Adjustments in Response to Compliance Costs

To cope with the financial strain imposed by regulatory compliance, businesses reported making significant operational adjustments. The most common responses included reducing staff numbers, adjusting prices, and restructuring operations to minimize expenses. Workforce reduction was frequently mentioned as a direct consequence of high taxes and operating costs, with owners opting to personally manage operations rather than maintain paid employees. Pricing adjustments were also reported, although respondents expressed concern that increasing prices could reduce competitiveness and customer demand.

In some cases, compliance pressures prompted businesses to consider alternative operational strategies, including partial or complete withdrawal from formal regulatory systems. Respondents described these adjustments as survival mechanisms rather than deliberate attempts to evade regulation, reflecting the severity of financial pressure faced by small enterprises.

Informal Operations as a Response to Compliance Costs

The findings indicate that the high cost of compliance has pushed some small-scale enterprises to consider operating informally as a coping strategy. Respondents described informal operation as a means of avoiding taxes, licensing fees, and frequent regulatory inspections. One participant explained that operating informally allows businesses to:

"Hide behind the scenes... nobody will be chasing you to come and pay operating permit." (Participant 2).

However, respondents also acknowledged the trade-offs associated with informal operation. While informality was perceived as financially advantageous in the short term, it was also associated with risks such as penalties, lack of legal recognition, and exclusion from formal support systems. Some participants emphasized that remaining formal was necessary for credibility, access to finance, and long-term growth, despite the costs involved. As one respondent stated:

"You won't be officially known in the business industry, so you just have to comply." (Participant 4)

These findings suggest that while informality may offer temporary relief from compliance costs, it undermines the broader objectives of business sustainability, legitimacy, and economic development.

4.3 DISCUSSION OF FINDINGS

The findings indicate that government regulations have a positive but statistically insignificant effect on the operational efficiency and growth potential of small-scale businesses in the Ga South Municipal Assembly. Although business registration was perceived to enhance legitimacy and brand protection, most respondents viewed taxes, licensing fees, and compliance costs as restrictive, increasing operational expenses and limiting expansion. This perception is reinforced by the regression results, which show a weak and insignificant relationship between government regulations and business sustainability ($B = 0.005$, $p = 0.959$), suggesting that regulatory compliance alone does not substantially improve business performance.

These findings partially align with Adeniyi and Imde (2018), who reported a positive effect of government policies on SME growth in Nigeria, though with a much stronger impact attributed to infrastructure and financial support. The weaker effect observed in Ga South suggests that existing regulations are not sufficiently supported by enabling mechanisms such as affordable financing, efficient administration, and infrastructure development. Similarly, the results contrast with Onyeje, Court, and Agbaeze (2022), who found that comprehensive enterprise policies significantly enhance MSME sustainability, indicating that Ghana's municipal regulatory framework may be more compliance-focused than growth-oriented.

Consistent with Adanlawo and Vezi-Magigaba (2022), taxation and licensing were identified as major constraints on business growth. Moreover, unlike the findings of Nduka and Nwankwo (2023), which highlighted the positive role of government expenditure, this study suggests that such benefits have not adequately reached small-scale enterprises in Ga South. Overall, the findings imply that without complementary support systems, government regulations are more likely to constrain than promote the growth and sustainability of small-scale businesses.

5.1 CONCLUSION

In conclusion, this study demonstrates that government regulations, while designed to promote fairness, accountability, and sustainable economic practices, currently impose substantial constraints on the growth and sustainability of small-scale businesses in the Ga South Municipal Assembly. High taxation, complex and costly licensing procedures, and bureaucratic inefficiencies were consistently identified as major impediments. Rather than fostering a supportive business environment, these regulatory pressures increase operational costs, limit expansion, and compel businesses to adopt coping strategies such as workforce reduction, price adjustments, and, in some cases, consideration of informal operations. The weak and statistically insignificant relationship between government regulations and business sustainability further indicates that existing regulatory frameworks are not effectively aligned with the operational realities of small enterprises.

Four key lessons emerge from this study. First, regulatory compliance is widely perceived by small-scale business owners as a financial burden rather than a catalyst for growth, highlighting a disconnect between regulatory intent and practical outcomes. Second, high compliance costs—particularly taxes, licensing fees, and municipal charges—significantly undermine profitability and restrict reinvestment, thereby weakening long-term business sustainability. Third, limited access to supportive mechanisms such as affordable credit, infrastructure, and technical assistance reduces the potential benefits of regulatory frameworks. Finally, the effectiveness of government regulation depends not only on enforcement but also on transparency, efficiency, and flexibility in administrative processes.

6.1 RECOMMENDATIONS

First, government should introduce tax reliefs or exemptions for startups and small-scale enterprises, particularly during their initial years of operation. Adopting a tiered tax system that aligns tax obligations with business size and growth stages would reduce financial pressure and encourage business expansion.

Second, business registration and licensing procedures should be simplified and digitized to reduce bureaucratic delays and costs. Lower licensing fees, transparent processes, and flexible payment options, such as installment plans, would promote formalization and ease compliance.

Third, municipal fees and regulatory inspections should be reviewed to ensure they are proportional to business size and location. Local authorities should prioritize supportive and educational inspections rather than punitive enforcement, thereby minimizing operational disruptions.

Fourth, government should strengthen communication and training programmes to improve understanding of regulatory requirements and demonstrate the long-term benefits of compliance, including access to finance and enhanced business legitimacy. Fifth, the establishment and expansion of targeted credit schemes with low-interest rates and flexible repayment terms are essential to support small-scale businesses in managing compliance costs and financing growth.

Finally, to discourage informality, government should focus on creating a business-friendly regulatory environment by reducing compliance costs, improving institutional transparency, and fostering trust between regulatory bodies and small-scale enterprises.

RECOMMENDATIONS FOR FUTURE STUDIES

Future studies should adopt longitudinal designs to examine the long-term effects of government regulations on the growth and sustainability of small-scale businesses. This would help establish clearer causal relationships and capture the impact of regulatory changes over time.

Further research is also encouraged to conduct comparative studies across different municipalities, regions, or countries to assess contextual differences in regulatory environments and improve the generalizability of findings.

In addition, sector-specific analyses should be undertaken to explore how regulatory impacts vary across industries such as manufacturing, services, retail, and agriculture.

Finally, future studies should examine the role of institutional quality and moderating factors, including access to finance, entrepreneurial capacity, and administrative efficiency, to provide a more comprehensive understanding of how regulations influence small-scale business sustainability.

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