



# Effect Of Multiple Taxation On Growth Of Small And Medium Enterprises (SME's) In Nigeria

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## Abstract

*This study set out to ascertain the effect of multiple taxation on growth of SMEs in South-South States, Nigeria. A survey research design approach was adopted for the study. The population of this study comprised of seven thousand eight hundred and forty-four (7,844) Micro, Small and Medium Enterprises (MSMEs) enlisted with Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) in South-South States, Nigeria. The sample size of three hundred and eighty-one (381) SMEs was drawn using Taro Yamane sampling method but by aid of Bowley formular, the sample size was stratified to each of the five (5) States in South- South Nigeria. Data were sourced through a well structured questionnaire and test for validity using Cronbach Alpha test. Regression analysis by aid of SPSS version 22.0 was used to test the effect of Consumption taxes, Environmental & Sanitation levies, Infrastructural development levies and Property & land based charges on growth of SMEs in Nigeria. The results showed that Consumption taxes significantly affect growth of SMEs in Nigeria. The findings further revealed that Environmental and Sanitation levies significantly affect growth of SMEs in Nigeria. Again, the result also showed that Infrastructural development levies significantly affect growth of SMEs in Nigeria. Finally, the result established also that Property and land based charges significantly affect growth of SMEs in Nigeria. Consequent upon the findings, this study recommends among others; that government should review, improve and enforce multiple tax policies on SMEs in Nigeria in order to facilitate their continued growth.*

## I. Introduction

Over the years, the world economy has developed enormously and this has been linked with activities of Small and Medium Scale Enterprises

(SMEs), especially in developing countries. A Study carried out by the Federal Office of Statistics shows that in Nigeria, Small and Medium Scale Enterprises make up 97% of the economy (Ariyo, 2005 as cited in Adebisi, & Gbegi, 2013). Although smaller in size, they are the most important enterprises in the economy because when all the individual effects are aggregated, they surpass that of the larger companies. Ojochogwu and Ojeka(2011) maintained that Small and medium enterprises (SMEs) form the core of majority of the world's economies. The social and economic advantages of small and medium scale enterprises cannot be overstated. Panitchpakdi (2006) saw SMEs as a source of employment, competition, economic dynamism, and innovation which stimulates the entrepreneurial spirit and the diffusion of skills. Because they enjoy a wider geographical presence than big companies, SMEs also contribute to better income distribution. In recent time, SMEs have been considered as an avenue for job creation and the empowerment of Nigerian citizens, providing about 50% of all jobs in Nigeria and also for local capital formation (Adebisi, & Gbegi, 2013).Being highly innovative, they lead to the utilization of our natural resources, which, in turn, translates to increasing the country's wealth through higher productivity. Small and medium scale enterprises have undoubtedly improved the standard of living of so many people, especially those in the rural areas (Ariyo, 2005).

However, the mortality rate of these small firms is very high. According to the Small and Medium Scale Enterprises Development Agency of Nigeria (SMEDAN), 80% of SMEs die before their 5th anniversary. Among the factors responsible for these untimely close-ups are tax related issues, ranging from multiple taxations to complex taxation to enormous tax burdens among other issues (Yusuf, 2014). Complex taxation seems to be a major threat to the growth of SMEs especially in less



industrialized countries like Nigeria. Agot and Ugwuoke (2018) support this view when they opine that complex tax systems put disproportionate pressure on smaller business as SMEs resources directed towards multiple tax compliance are resources that could otherwise be used for re-investment to promote future growth. In Nigeria, taxes imposed on SMEs range from direct tax which includes income tax charged on corporation tax, business income, employment income; rent income, to indirect taxes such as Value Added Tax (VAT), Environmental and sanitation levy, Physical planning and Infrastructural development levy, Business Premises Registration tax and excise duties (Agot & Ugwuoke, 2018).

In many government policies, small and medium scale enterprises are usually viewed and treated in the same light as large corporations. However, their size and nature make them unique. Therefore, in dealing with small and medium scale enterprises, these unique qualities need to be considered. In levying of taxes on these enterprises in particular, issues that need to be considered are how these tax policies can be designed to bolster the growth of SMEs and the most effective ways to administer them. The importance of SMEs as a mechanism of economic growth and development is often ignored. They are perceived as minute establishments that have minimal effect on the state of the economy. However, if favorable environment is created for these SMEs to grow through proper regulation, the SMEs sector has the highest propensity to transform a nation's economy.

In the same light, taxes are important for the government as they are the major source of funds for government expenditure. Income obtained from taxation of individuals and businesses is used to run governments as well as provide infrastructure such as good roads, water supply, and electricity which are essential for the smooth running of these businesses that are mainly manufacturing companies and as such rely on these commodities to survive.

However, Holban (2007) posited that taxation can contribute to development and to welfare through three sources; it must be able to generate sufficient funds for financing public services and social transfers at a high level of quality, it should offer incentive for more employment and for an efficient and lasting use of natural resources, finally it should be able to reallocate income. But in the case of SMEs, tax must be done in such a way that puts their income and need for survival into consideration. It is expedient that enough profit is allowed them for the purpose of expanding their businesses. The tax

policy must be one that will not encourage SMEs to remain in the informal sector or to evade or avoid tax payments. More so, many small firms in Africa, including Nigeria, choose to remain in the informal sector because the perceived benefits outweigh the perceived costs. Firms rarely see their tax contributions at work and the compliance costs are high, thus discouraging compliance. The government is also discouraged from collecting taxes from small firms, because the cost of monitoring and collecting tax from small businesses by revenue authorities, whose resources are usually scarce, sometime outweighs the revenues generated by small businesses (Stem & Barbour 2005). The tax system in Nigeria on SMEs has been worsened by the multiple tax arrangement. Multiple taxation is a situation where tax collectors collect more than the stipulated market taxes and levies (given different names to the taxes and levies) to fund the state (Okolo, Okpalaojiego & Okolo, 2016). Multiple taxation is the arbitrary imposition of charges and levies by government arms which are inconsistent with the principles of fiscal federalism (Yomi, 2014). Multiple-taxation is defined here as all those fees and levies that fall outside the statutory taxes provided by law and chargeable by states, making taxable persons and entities to pay more than required taxes on same income.

Undoubtedly, there is the general perception that tax is an important source of fund for development of the economy and provision of social services; but the problems faced are in the area of negative relationship between taxes and the business' ability to sustain itself and to expand. SMEs are faced with the problem of high tax rates, multiple taxation, complex tax regulations and lack of proper enlightenment or education about tax related issues. Other challenges that SMEs are facing in developing countries like Nigeria include inadequate capital, poor technical and managerial skills, environmental effects and government regulations. This issue of multiple taxation is a worm eating deeply into large chunk of revenues generated by these SMEs for their growth and survival. These factors have led to increase in record of dearth of Small and Medium Scale Enterprise (SMEs). Most SMEs in Nigeria die within their first five years of existence, a smaller percentage goes into extinction between the sixth and tenth years while only about five to ten percent survive, thrive and grow to maturity. Many researchers have written about the effect of multiple taxation on SMEs in Nigeria.

Again, the tax law classifies different taxes to be collected by each tier of government.



However, the quest to exploit the provisions of tax laws by state governments has led to the duplication of taxes already levied by other tiers of government using different names as well as establishing other tax laws not included in the 1999 Constitution of the Federal Republic of Nigeria with respect to taxation, under the guise of maximizing the internally generated revenue (IGR). This has increased the problems faced by SMEs to include but not limited to multiplicity of taxes and levies, inadequate capital, environmental effects and government regulations which mostly affect their operations in various geo-political zones in Nigeria, especially States in South-South geo-political zone.

Finally, considering the population of Nigeria, even as the giant of Africa with a population of over 193.3m people (National Bureau of Statistics, NBS, 2018) and where SME is seen as the engine of growth and a catalyst for sustainable transformation and national development, there is need to look into how the growth of SMEs in Nigeria is influenced by the multiple taxation of the government. Predicated on these, the study set out to ascertain the effect of multiple taxation on growth of SMEs in Nigeria.

The broad objective of this study is to ascertain the effect of multiple taxation on growth of SMEs in Nigeria.

The specific objectives are to:

- ascertain the effect of Consumption tax on growth of SMEs in Nigeria.
- determine the effect of Environmental and Sanitation levy on growth of SMEs in Nigeria.
- evaluate the effect of Infrastructural Development Levy on growth of SMEs in Nigeria.
- examine the effect of Property and Land Based Charges on growth of SMEs in Nigeria

The following research questions were developed to guide the study:

- What is the effect of Consumption tax on growth of SMEs in Nigeria?
- To what extent does Environmental and Sanitation levy affect growth of SMEs in Nigeria?
- What is effect of Infrastructural Development Levy on growth of SMEs in Nigeria?
- How has Property and Land Based Charges affected growth of SMEs in Nigeria?

To achieve the above objectives, the following hypotheses are formulated and stated in null form for the research study:

- Consumption taxes do not significantly affect growth of SMEs in Nigeria
- Environmental and Sanitation levies do not significantly affect growth of SMEs in Nigeria
- Infrastructural Development Levies do not significantly affect growth of SMEs in Nigeria.
- Property and Land Based Charges do not significantly affect growth of SMEs in Nigeria

## II. Review of Related Literature

### 2.1 Conceptual Review

#### Tax

Tax is a compulsory contribution to government revenue, levied by the government on workers' income and business profits, or added to the cost of some goods, services, and transactions. Taxes may be levied by different levels of government, and the inclusion of "compulsory" serves to remind that evasion is punishable by law. It is also a payment exacted by legislative authority. The income of individuals and business entities, including corporations, are subject to tax. Tax is generally imposed on net profits from business, net gains and other income. The computation of income subject to tax may be determined under accounting principles and conventions. There are clear jurisdictions in respect of what is collectible by the federal government and what is collectible by the state and local governments. It is the responsibility of the Federal Board of Inland Revenue Services to collect the company income tax while the state governments are responsible for personal income tax (Abdullah, 2010). David (2016) posited that all subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state. This is regarded as the principle of equity or fairness in taxation. Secondly, tax which each individual is bound to pay, ought to be certain and not arbitrary. The time of payment, the manner of payment, the amount to be paid, ought all to be clear and plain to the contributor, and to every other person. Furthermore, every tax ought to be levied at the time, or in the manner, in which it is most likely to be convenient for the contributor to pay it. Finally, every tax ought to be so contrived, as both to take



out and to keep out of the pockets of the people as little as possible, over and above what it brings into the public treasury of the state. Tax, according to Njoku (2009), is compulsory contributions or payments of money or occasionally of goods and services from private individuals, institutions or groups to the governments for the defraying of expenditures incurred by the government in the common interest of all without reference to any special benefit conferred on any of the person or impersonal unit that made the compulsory contributions or payments. Soyode and Kajoka (2006) defined taxation as the process of levying and collection of tax from taxable persons. Nwachukwu (2006) defined taxation as a system of taxing and executing the collection of tax by the authorities. He defined tax as a compulsory payment made by a citizen for which there is no immediate commensurate return. Bhatia (2009) defined tax as a compulsory levy payable by an economic unit to the government without any corresponding entitlement to receive a definite direct quid pro quo from the government.

#### Double taxation

Double taxation occurs when taxes are paid on the same sources of earned income twice. As corporations are considered to have separate and distinct legal personalities from the shareholders, they are treated separately from the owners (Oseni, 2014). It can occur when income is taxed at both the corporate level and personal level. It also occurs in international trade or investment when the same income is taxed in two different countries. Shareholders of corporations, including individual investors and corporate executives, pay taxes on dividends they receive, representing a share of the corporation's earnings after the corporation has already paid tax on its profits or earnings. International double taxation involves the taxation of foreign income in the country where the income is derived, as well as the country where an investor is a resident.

#### Multiple Taxation

Multiple taxation is a phenomenon which describes an income that is subjected to tax more than once, often by two or more different authorities in a way that may be unfair or illegal. Illegality and unfairness distinguish multiple taxation from double taxation. Multiplicity of taxes connotes paying similar taxes on the same or substantially similar tax base (Oseni, 2014). Multiple taxations in relation to a company or individual is a situation where the same profit or income respectively which is liable

for tax in Nigeria has been subjected to tax by another tax authority in Nigeria or another country outside Nigeria (Osita, 2004). In such situations, relief is usually granted to that tax payer for the earlier tax paid or to which he may be liable. Specific arrangements are made with a view to preventing such multiple taxes or to provide relief as is appropriate in the circumstance. This is, however, not usually done in practice in many developing countries like Nigeria (Ocheni & Gemade, 2015).

#### Measurement of multiple taxes

For the purpose of this study, multiple tax has been proxied by the following:

- a) **Consumption taxes:** In most developing countries like Nigeria, consumption tax has been designated as one of the most prominent method of raising revenue to offset the major economic activities in the economy. This is because consumption tax seems to be yielding more revenue than other taxes in the economy. Consumption tax, according to Atlanta, Blumkin, Ruffle and Ganun (2008), is usually imposed not only to generate revenue to the government but also to discourage the consumption of harmful goods.
- b) **Environmental and Sanitation levy:** Sanitation is a basic necessity that contributes to better human health, dignity and quality of life. The economic and social benefits of sanitation interventions create more time for productive pursuits, higher productivity, better performance at school and work, lower medical costs. Closer access leads to a better living environment, dignity, safety, convenience, comfort and status. Environmental sanitation is among the powerful drivers of human development as it affects quality of life – improving health and rising wealth. It cuts across all sectors of the economy, including those that concern health, environmental protection, improvement of human settlements and services, tourism, and general economic productivity.
- c) **Infrastructural and Development Levy:** For the growth and development of any nation, it is expedient that infrastructural facilities are in place. By infrastructural facilities, we mean all activities that fall under the ambit of “Social Overhead Capital (SOC)”. According to World Bank (1994), SOC includes public utilities such as power, telecommunication, water supply, sanitation and sewerage as well as public works such as roads, dams, and drainage. Put differently, infrastructure may be argued to



include all public services meant to serve the populace (eg provision of law and order, education, health care, transportation and telecommunication, power, drainage, etc).

- d) **Property and Land Based Charges:** Land Use Charge (LUC), is a form of taxation, whose objective is to increase the generation of internal revenue for financing public spending (Adebayo, & Arimoro, 2018). Land Use Charge” includes all Property and Land Based Rates and Charges payable under the Land Rates Law, the Neighbourhood Improvement Charge Law and Tenement Rates Law as may now be computed on the basis of the Schedule to this Law (Lagos State Land Use Charge, 2018). It is annual tax mostly levied on landed property. Good property tax administration consists of property identification, assessment, collection, enforcement and appeal (Odimegwu & Odumodu, 2019). Property tax administration is the most crucial stage of property taxation because any error of omission or commission during formulation and assessment shows in the form of objection and nonpayment of tax (Ishaya, 2012). The efficiency of the tax administration in place would greatly determine the revenue buoyancy of a property tax system (Odimegwu & Odumodu, 2019)

#### 2.1.8 Effects of Taxation

The most important objective of taxation is to raise required revenues to meet expenditures. Apart from raising revenue, taxes are considered as instruments of control and regulation with the aim of influencing the pattern of consumption, production and distribution. Taxes thus affect an economy in various ways, although the effects of taxes may not necessarily be good. There are some bad effects of taxes too. Muley (2015) categorized the economic effects of taxation under the following headings:

1. **Effects on the Ability to Work Save and Invest:** Imposition of taxes results in the reduction of disposable income of the taxpayers. This will reduce their expenditure on necessities which are required to be consumed for the sake of improving efficiency.
2. **Effects on the will to Work, Save and Invest:** The effects of taxation on the willingness to work, save and invest are partly the result of money burden of tax and partly the result of psychological burden of tax. Taxes which are temporarily

imposed to meet any emergency or taxes imposed on windfall gain do not produce adverse effects on the desire to work, save and invest.

3. **Effects on the Allocation of Resources:** By diverting resources to the desired directions, taxation can influence the volume or the size of production as well as the pattern of production in the economy. It may, in the ultimate analysis, produce some beneficial effects on production. High taxation on harmful drugs and commodities will reduce their consumption.
4. **Effects of Taxation on Income Distribution:** Taxation has both favourable and unfavourable effects on the distribution of income and wealth. Whether taxes reduce or increase income inequality depends on the nature of taxes. A steeply progressive taxation system tends to reduce income inequality since the burden of such taxes falls heavily on the richer persons. But a regressive tax system increases the inequality of income.

#### Small and Medium Enterprises (SMEs)

The term ‘small and medium enterprises’ describes group of business organizations that are especially heterogeneous as they embrace broad varied forms ranging from hotels, manufacturing industries, agriculture, restaurants, computer software firms and small machine shops, among many others (Asaolu, Oladoyin, & Oladele, 2015). According to Nnanna (2012), the sole aim of the introduction of the concept small and medium enterprises into development scenery was to perk up trade and industrialization in today’s developed nations. The small and medium enterprise definitions are drawn from each country, based on the policies, agencies, programs and institutions, and the role of SMEs in the economy (Abdullah, 2000; Etuk, Etuk & Baghebo, 2014).

The survival of SMEs has been long recognized crucial to the growth of any economy in the world (Oba & Onuoha, 2013). Existing reports show that SMEs occupy 80% of the global economy (Nnanna, 2002). The categorization of business enterprises into large, medium or small scale has tagged along diverse decisive factors such as the total employment, revenue, assets or investment. According to existing studies, the characterization of SMEs varies in different economies although the core concept is similar (Adeyemi 2011; Ajayi, 2000; Ogechukwu, Oboreh, Umokoro & Uche, 2013). Okonkwo and Obidike (2016) opined that the



meaning given to small and medium enterprises varies with country, schools, context, scholars and author. In some countries, SMEs are defined in relation to their yearly turnover and number of staff. In other countries, SMEs are defined in terms of the industry and nature of businesses (Ibrahim, 2015). According to extant literature, the definition of SMEs varies in different economies but the underlying concept is the same.

Kozak (2007), cited in Fatai (2018) argued that the concept of SMEs cannot be explained other than to say they are companies with metric (usually number of employees or annual turnover that fall below certain threshold). Obafemi Awolowo University, Ile-Ife, Centre for Industrial Research and Development (CIRD, 2017) classified small scale business as an enterprise which has a working capital base not below ₦250,000 and employing not more than 50 workers on full-time basis. In 2005, the credit guiding principle to the commercial banks by the Central Bank of Nigeria (CBN) classified small scale enterprises as business whose annual turnover is below and not higher than ₦500,000, while the Merchant banks were to consider businesses with capital investment less than ₦2,000,000 (the cost of land not included) or turnover up to but not higher than 5 million Naira as small scale businesses (Solomon, 2011). The Federal Ministry of Commerce and Industries cited in Olabisi, Olagbemi, and Atere (2011), classified SMEs as a firm whose total investment (with the exclusion of the cost of land, however with capital included) is close to ₦750,000 and the maximum number of 50 persons as employees.

### Challenges of Small and Medium Scale Enterprises (SMEs) in Nigeria

The challenges of small and medium scale enterprises in Nigeria as enumerated by Daniel (2019) are as follows:

- i. **Inadequate Basic Infrastructure:** Government has not done enough to create the best conducive environment for the striving of SMEs, the problem of infrastructures ranges from shortage of water supply, inadequate transport systems, lack of electricity to improper solid waste management. Nigeria's underdeveloped physical and social infrastructures create a binding constraint to SMEs growth, since; they heavily rely on the inefficiently provided state infrastructures and cannot afford the cost of developing alternatives.
- ii. **Multiple taxation:** This has become a major problem especially given the role of tax

consultants and agents hired by local governments. They are often crude in their operation, excessive in their assessment and destructive in their relationship with the production process. They tax everything in their bid to generate revenue without considering the net effect to household revenues and employment (Okolo, Okpalaojiego & Okolo, 2016). The issues of multiple taxes on the same goods and services by different organs of government have now become a disincentive to business and commercial activities. Payment of normal taxes in one part of the country on goods is not an assurance of not paying similar taxes on the same goods en-route its destination across the country (Oseni, 2014).

- iii. **Financial Problems:** About 80% of Small and medium scale business enterprises are stifled because of poor financing and other associated problems. The problem of financing SMEs is not so much the sources of funds but its accessibility. Factors identified inhibiting funds accessibility are the stringent conditions set by financial institutions, lack of adequate collateral and credit information and cost of accessing funds.
- iv. **Socio-Cultural Problems:** Most Nigerian Entrepreneurs do not have the investment culture of ploughing back profits. The socio-political ambitions of some entrepreneurs may lead to the diversion of valuable funds and energy from business to social waste. The problem of bias against made in Nigeria goods is significant. Most Nigerians have developed a high propensity for the consumption of foreign goods as against their locally made substitutes.

### Growth of SMES

Growth in business is a process of improving some measure of an enterprise's success largely through cost minimization and profit maximization (Fasch, 2013). A growing enterprise tends to have profitable reinvestment and expansionary opportunity from its own retained earnings (Famolola, 2014). Lawal and Aduku (2016) described business growth as that stage where a business reaches the point of expansion and seeks additional options to generate more profits. Business growth can be described as a function of so many exogenous and endogenous factors of which taxation is one of the exogenous. Church and Lewis (1983) as cited in Olawale & Garire (2010) claimed that as a new small firm starts and develops, it moves through some growth stages. They also identified the stages of growth as: existence,



survival, success, take off and resource maturity. In each stage of development, as different set of factors is critical to the firm's survival and success, the Churchill Lewis model gives an insight into the dynamics of SMEs growth including the distinguishing characteristics, problems and requirement of growing SMEs and explains business growth process amongst SMEs. The precise moment in time in which a startup venture becomes a new business has not yet been theoretically determined. However, the ideal business survival could be equated with a firm that has fully completed the transaction to stage - two organizations in the five stages of small business growth.

Despite the numerous potential benefits that the growth of SMEs can bring to Nigeria's economy, Nigerian Government is perceived not to have fully utilized these potentials. According to Oyelaran-Oyeyinka (2003) SMEs contribute a much higher proportion to GDP than currently observed in Nigeria with countries at same levels of development with Nigeria. Adebisi and Gbegi (2013) posited the need to devise methods to encourage the growth and development of these enterprises so as to ensure that they reach their full potential. Subsequently, a favorable business and regulatory environment needs to be created for them to thrive. Most large companies have their roots in small and medium enterprises; they started out as SMEs before expanding. This means that future large corporations are the SMEs today that should be nurtured to ensure their growth. They are generally perceived to be the seedbed for indigenous entrepreneurship and generate all the many small investments, which would otherwise not have taken place (Aryeetey & Ahene, 2004). Nigeria needs to further the development of its private sector by creating an environment favorable to the growth of SMEs, strengthening the factors that lead to business success, and addressing the problems threatening the existence and advancement of small and medium enterprises (Chu, Kara & Benzing, 2008).

#### **Tax Policy and the Growth of SMEs**

According to Tomlin (2008), economists argue that the resources smaller companies direct towards tax compliance are resources that could otherwise be used for reinvestment, facilitating future growth. Hence, there is a belief that taxes and a complex tax system put disproportionate pressure on smaller businesses. Small taxpayers under the regular system of taxation are discriminated against, since the compliance requirements, cost of compliance and tax rate are the

same for both small and large enterprises. Reducing the compliance costs and tax rate increases the small enterprises' profit margin. It also increases the Government's tax revenue, since the simplified provisions for a micro enterprise historically reduce the size of the shadow economy and the number of non-complying registered taxpayers (Vasak, 2008). Furthermore, SMEs usually have to operate in an overbearing regulatory environment with the plethora of regulatory agencies, multiple taxes, cumbersome importation procedure and high port charges that constantly exert serious burden on their operations. Many SMEs have to deal with myriad of agencies at great cost; as stated earlier, they are heterogeneous and these differences in size and structure may in turn carry differing obligations for record-keeping that affect the costs to the enterprises of complying with (and to the revenue authorities of administering) alternative possible tax obligations. Public corporations, for example, commonly have stronger accounting requirements than do sole proprietorships, and enterprises with employees may be subject to the full panoply of requirements associated with withholding labour income taxes and social contributions (International Tax Dialogue 2007).

An overly complex regulatory system and tax regime or one opaque in its administration and enforcement make tax compliance unduly burdensome and often has a distortion effect on the development of SMEs as they are tempted to morph into forms that offer a lower tax burden or no tax burden at all (Masato, 2009) and this results in a tax system that imposes high expenses on the society. A poorly executed tax system also leads to low efficiency, high collection charges, waste of time for taxpayers and the staff, and the low amounts of received taxes and the deviation of optimum allocation of resources (Farzbod, 2000). Existing empirical evidence clearly indicates that small and medium sized businesses are affected disproportionately by these costs: when scaled by sales or assets, the compliance costs of SMEs are higher than for large businesses (Weichenrieder, 2007). Among the factors militating against SME tax compliance are: high tax rates, Low efficiency, high collection charges, waste of time for taxpayers and the staff, and the low amounts of received taxes and the deviation of optimum allocation of resources (Farzbod, 2000). Others, according to Yaobin (2007), are double taxation, no professional tax consultancy, weak tax planning, high taxation cost.



### 2.1.12 Schematic representation of the conceptual framework of the study

The conceptual framework for this research work is as summarized in figure 2.1 below which shows the

effect of multiple taxation on growth of SMEs in Nigeria.

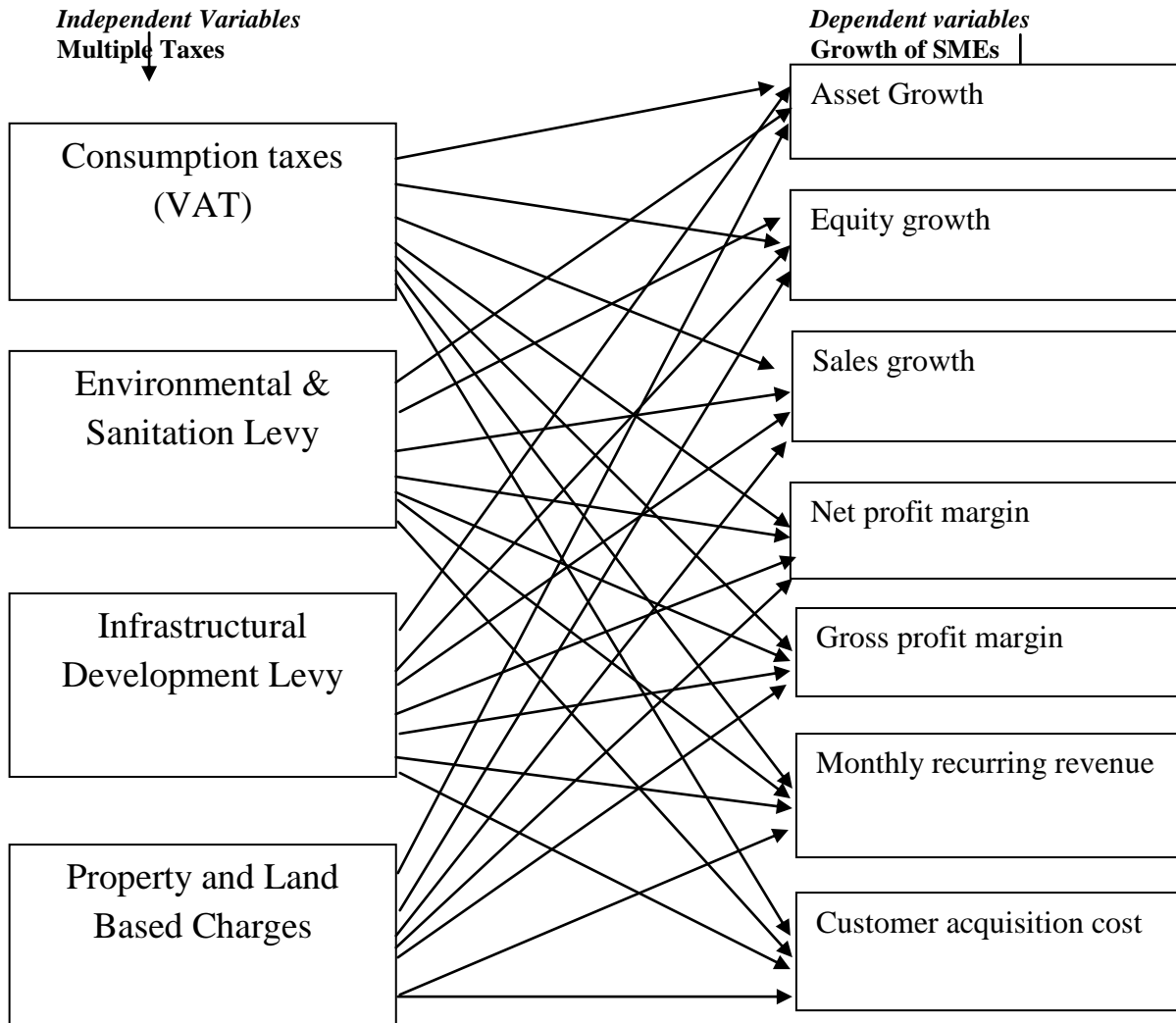


Figure 2.1: Schematic representation of the conceptual framework of the study

Source: Researcher's Innovation (2021)

## 2.2 Theoretical Review

Theories related to this study were closely examined.

### Ability to Pay Theory

The ability to pay theory was initially developed by Wicksell (1858) and Eric Lindahl (1919), who were economists of the Stockholm School. The theory was later extended in the work of Paul Samuelson and Richard Musgrave. According to Anyanfo (1996), this theory states that one should be taxed according to the ability to pay. It is simply an attempt to maximize an explicit value judgment

about the distributive effects of taxes. Ability to pay theory, as the name imply, says that the taxation should be levied according to an individual's ability to pay. It says that public expenditure should come from "him that hath" instead of "him that hath not". The payment of taxes is viewed as a deprivation to the taxpayer because he surrendered money to the government which he would have used for his own personal benefit or growth of the business.



### **Ibn-Khaldun's Theory of Taxation**

This theory was propounded by Ibn-Khaldun's in 1345. The theory of taxation was based on the need to lower as much as possible the amounts of tax levied upon persons capable of undertaking cultural enterprises. In this manner, such persons will be psychologically disposed to undertake them, because they can be confident of making profit from them. Therefore, he advocated for decreasing the burden of taxation on enterprises and producers, in order to encourage them by ensuring greater profits to entrepreneur and revenue to the government. He opined that when the tax assessments and imposed upon subjects are low, the latter have energy and desire to do things. As enterprises grow and increase, because the low taxes bring satisfaction, and when the enterprises grow, the number of individual imposts and assessments amounts also grow. In consequence, the tax revenue, which is the sum total of the individual assessments increases. Ibn-khaldun's theory of taxation has been considered one of Ibn-khaldun's most important contributions to economic thought.

Critics believe that revenue responses to a tax rate change will depend upon the tax system in place, the time period being considered, the ease of movement into underground activities, the level of tax rates already in place, the prevalence of legal and accounting-driven tax loopholes, and the proclivities of the productive factors. Laffer (2004) was of the view in this regard that the economic effect of tax cut would outweigh the arithmetic effect. From the review of relevant theories relating to taxation, it is evident that the most relevant theory to this study is the Ibn-Khaldun theory of lower taxes to enterprises. The theory adopted is Ibn-Khaldun's theory of taxation. This is because the theory advocated for a low tax rate in order to stimulate the growth of enterprises. According to Ibn-Khaldun (1332-1406), it is the nature of government spending and its policy of taxation that determine whether the economy is passing through the period of formation, prosperity and stability, or depression and decay. If the tax policy is favourable, it shows prosperity and stability. The studies of Chapra (2000) and Gwartney (2006) were in support of the Ibn-Khaldun theory of taxation of lowering taxes to enterprises for the prosperity of the enterprises and the growth of the economy at large.

### **Theory of Business Growth**

Various authors have postulated theories on business growth. The oldest and the most used theory, according to Elhiraika and Nkurunziza (2006), is Gibrat's law of proportionate effect LPE

(1931). Here, Gibrat stipulates that the rate of growth of a firm is independent of its initial size. By implication, it would mean that large firms are preferable in context of private sector development given that they create more employment than small firms. Conversely, Jovanovich (1982) stated in his learning model that younger firms learn over time, which helps them improve their performance as they accumulate market knowledge. According to this model, young firms grow faster than old ones. Moreover, given that younger firms are usually smaller than older ones (businesses) for the reasons discussed earlier, Jovanovic deduces that small firms grow faster than large ones. This is a convergence process where small firms will eventually become as large as any other larger firm in the same sector as time goes by.

This study is anchored on Ibn-Khaldun's Theory of Taxation in order to capture the main objective which was centered on the growth of SMEs as a dependent concept of this study. The theory was based on the need to lower as much as possible the amounts of tax levied upon person who is capable of undertaking cultural enterprises. Unarguably, this implies that by such tax incentives to SMEs, the perpetual existence, development and growth of such enterprise are secured, and by that means exert positive impact on Nigerian economy.

### **2.3 Empirical Review**

Empirical analysis is an important aspect of research which enables the researcher to discover what has already been done in the specific area of research. Various works of other researchers have been reviewed and are discussed below.

Adeniyi and Osazee (2018) conducted a research on effect of multiple tax regimes on sustainable development among small scale enterprises in Lagos State, focusing on Lagos Island Local Government. The paper made use of survey design approach through the administration of questionnaire to a sample of 250 respondents judgmentally selected from the target population. The hypotheses were analyzed using multiple regression technique. Findings reveal a significant relationship between multiple tax burden and performance variables of SMEs. The paper recommends the establishment of proper institution to manage the issue of multiple taxes in country.

Okolo, Okpalaojiego and Okolo (2016) investigated the effect of multiple taxation on investments of small and medium enterprises in Enugu State, Nigeria. A survey research design was applied on the population of 80 SMEs. Simple percentages/frequencies were adopted in analyzing



the primarily sourced data and the research hypotheses were tested using ANOVA. The study found a negative effect of multiple taxation on SMEs performance. Based on the findings, the paper recommends the development of tax policy that considers the enhancement of SMEs capital allowance when imposing taxes by the government.

In contrast, Ojochogwu and Ojeka (2012) examined relationship between tax policy, growth of SMEs and Nigerian economy. Using judgmental sampling as research design and Spearman Rank correlation, the study found a significant negative relationship between taxes and business performance of SMEs. Based on the findings, the study recommended that appropriate tax policy that will promote good business environment should be put in place to enable SMEs flourish.

Similarly, Machira and Irura (2012) studied taxation and SME sector growth in Kenya. The paper adopted binary logistics regression as a measure of analysis. The results of the analysis reveal a significant relationship between taxation and growth of SMEs. On the basis of their findings, they recommended that there should be a friendly tax policy for all start up business, preferably a tax holiday or an introduction of a growth limit which can be seen as a level stable enough to sustain tax payment.

Monteiro and Assuncar (2012) examined the effect of business registration tax on formal economy using micro and small enterprises in Brazil. Based on a cross sectional survey on firms in Brazilian state capitals and metropolitan areas, the study estimated the impact of business registration tax through natural experiments that compare firms in the informal sector. The findings indicate that business licensing among retail firms rose by 8% after relaxation of registration taxes indicating that tax simplification help expand the formal economy.

Karl and Andrei (2011) conducted a study on the effect of market taxes on the performance of businesses in the informal sector. The study made use of panel data. The findings revealed that after the government increased rates on market taxes from 45 percent in 1986, 60 percent of the active small businesses showed a negative performance. It was reported that out of these SMEs only a marginal fraction survived after five years, the result found the abuse to be statistically significant.

Twesige and Gasheja's (2019) study analysed the effect of tax incentive on the growth of small and medium-sized enterprises (SMEs) in Rwanda, taking SMEs in Nyarugenge as a case study. Qualitative and quantitative research

approach was adopted. The population included 49000 SMEs from agricultural, industrial, services and tourism sectors operating in Nyarugenge district. The results of the study revealed that wear and tear, loss carried forward and value-added tax (VAT) refund as the most tax incentives available to Rwandan SMEs as evidenced by 100, 94.1 and 95.6%, respectively. The study indicated that there was a strong positive and significant relationship between tax incentives and the growth of small and medium enterprises in Rwanda as approved by coefficients of correlation equal to 88.8% of R-square.

Agot, and Ugwuoke's (2018) study was on taxation and the growth of small and medium scale Enterprises (SMEs) in Nigeria. The study adopted multinomial logistic regression. The result of the multinomial regression, found that over the years the incessant death of SMEs is due to high and complex tax systems that appear to be more harmful than beneficial to SMEs as they increase running costs and slow down growth of SMEs.

Udofot (2017) carried out a study on the Effect of Tax Revenue Components from SMEs on the Economic Growth of Nigeria from 1980-2015. The research design adopted was an ex-post facto involving the use of secondary data sourced from the Central Bank of Nigeria (CBN) and Federal Inland Revenue Service's (FIRS) annual reports. The main objective of this study was to examine the relationship between tax policies evidenced by tax revenue and SMEs contribution to economic development of Nigeria from 1980-2015. The overall correlation coefficients ( $r$ ) showed 0.997, coefficient of determination ( $r^2$ ) 0.995,  $R^2$  -adjusted 0.994 implying a strong positive relationship between the variables studied. The study recommended that government should create favourable incentives to encourage SMEs participation in tax payment.

Isaac (2015) investigated the effects of government taxation policy on Uasin Gishu County, Kenya, SMEs sales revenue. The study adopted an exploratory research design. The data for the study were generated from secondary and primary sources; the primary data were extracted by administering 180 questionnaires, personal interviews and document analysis. The research findings showed that government tax policy has a direct significant impact on SMEs sales revenue. Furthermore, the study revealed that the effects of government taxation policy on SMEs sales revenue could either be positive or negative. The study concluded that the SMEs should be levied lower amount of tax payable in order to allow for them to



have as much necessary funds for other activities that will lead to growth in their business and yield profitability.

Yamoah, Arthur and Issaka (2014) carried out a study on the relationship between multiple tax and Growth of SMEs in Nigeria Economy. Descriptive survey design was adopted. The population of the study consisted of 2,344 SMEs. Primary data was generated through structured questionnaire and were analyzed using simple percentage and Pearson Product Moment Correlation with the aid of statistical package for social sciences. The findings revealed that there is a significant relationship between Tax Policy and Growth of SMEs in Nigeria Economy.

On the other hand, Lugo's (2014) findings in a study on how tax policy affects entrepreneurship in Canada showed that cutting taxes in order to improve entrepreneurial activities is not the most effective way. The research findings suggested that fostering economic growth might be a better alternative to accomplish improvement in entrepreneurial outcomes in Canada.

The results obtained from the study conducted by Kagame (2014) on the analysis of taxation policy and its effect on small businesses and entrepreneurial enterprises in Uganda revealed that high taxes and poor taxation policy consequentially reduced the capital base of SMEs and also hindered the performance of entrepreneurial enterprises in the country.

Aanu and Ojochogwu (2012) carried out a study on the relationship between Tax Policy and Growth of SMEs in Nigeria Economy. The study was guided by three research questions and descriptive survey design was adopted. The population of the study consisted of 1,800 SMEs. The study used primary data collected through structured questionnaire. The data collected were analyzed using simple percentage and Pearson Product Moment Correlation with the aid of statistical package for social sciences. The findings revealed that there is a significant relationship between Tax Policy and Growth of SMEs in Nigeria Economy.

Olawale and Garvwe (2010) carried out a study on the obstacles to the growth of new SMEs in South Africa. The study was guided by three research questions and descriptive survey design was adopted. The population of the study consisted of 2,200 SMEs. Primary data were collected through structured questionnaire and were analyzed using simple percentage and Pearson Product Moment Correlation with the aid of statistical package for social sciences. The findings revealed that high

taxation rate is the major factor affecting the growth of SME.

Shahrodi (2010) carried out investigation of the effective factors in efficiency of tax system. The study was guided by three research questions and descriptive survey design was adopted. The population of the study consisted of 1,500 SMEs. Primary data collected through structured questionnaire and were analyzed using simple percentage and Pearson Product Moment Correlation with the aid of statistical package for social sciences. The findings revealed that there is a significant relationship between Tax Policy and Growth of SMEs in Nigeria Economy.

Holban (2007) carried out a study on the Taxation of Small and Medium Sized Enterprise a hindering factor influencing the European economic growth. The study was guided by three research questions and descriptive survey design was adopted. The population of the study consisted of 821 SMEs. The study used primary data collected through structured questionnaire and was analyzed using simple percentage and Pearson Product Moment Correlation with the aid of statistical package for social sciences. The findings revealed that high taxation rate is the major factor mission to the growth of SME.

Barbour (2005) examined the designing of a small business tax system that enhances growth of SME. The study was guided by three research questions and descriptive survey design was adopted. The population of the study consisted of 2,344 SMEs. The study used primary data collected through structured questionnaire. The data collected were analyzed using simple percentage and Pearson Product Moment Correlation with the aid of statistical package for social sciences. The findings revealed that there is a significant relationship between Tax Policy and Growth of SMEs in Nigeria Economy.

Ariyo (2005) carried out a study on impact of tax on the development of SMEs in Nigeria. The study was guided by three research questions and descriptive survey design was adopted. The population of the study consisted of 2,000 SMEs. Primary data collected through structured questionnaire were analyzed using simple percentage and Z-test with the aid of statistical package for social sciences. The findings revealed that tax has a significant impact on the development of SMEs in Nigeria.

Onwe (2006) investigated the effects of multiple taxation on small scale enterprises in Ebonyi state. The aim of the study was to examine the impact of multiple taxation on investment



decision of operators. Using primary source, data were collected from a sample of operators of small scale business in Ebonyi state. The obtained data were analysed descriptively using God'sman and Kruskal's Gama of non-parametric measures. It was discovered that 60% of the respondents complained that tax expenditure takes between 50-60% of their turnover and that negative association exist between multiple taxation and growth of Small Scale Enterprises (SSEs). The study recommended introduction of simplified taxation for SMEs.

Oseni (2014) studied multiple taxation as a bane of business development in Nigeria. The aim of the study was to examine the appropriateness of multiple taxes in developing nations like Nigeria, given the ambiguous legislation that prescribes list of fees and taxes to be collected by all tiers of government in Nigeria. The study used content analysis method to highlight challenges that are peculiar to the country introducing taxes that are not backed by laws. The study recommended use of police to arrest those involved in collecting taxes outside the ones in tax laws of Nigeria.

Ebere, Eunice and Chimaobi (2016) conducted a study on effect of multiple taxation on investment in small and medium enterprises in Enugu State. The aim of the study was to examine the effect of multiple taxation on investments in SMEs. Using primary source through questionnaire distribution, data were obtained from a sample of 80 respondents. Obtained responses were analysed with the use of simple percentages. It was found that multiple taxation has negative effects on SMEs investments. The study recommended that government should evolve a tax policy that would encourage investment in SMEs.

Chukwuemeka (2017) conducted a study on multiple taxation and the operations of business enterprises in Aba metropolis. The aim of the study was to examine the effect of taxation on businesses particularly in Aba. Structured questionnaires were used to obtain data from selected private business operators in Aba metropolis. Analysis of the data was done using simple percentages. The findings suggest, among others, that multiple taxation has discouraged the springing up of new business enterprises in Aba metropolis.

James and Abiola's (2012) study of the impact of tax administration on government revenue in a developing economy, a case study of Nigeria economy applied descriptive statistics method to analyze usable response; the study found out, among other things, that increasing tax revenue is a function of effective enforcement strategy. The research study further recommended that the

government should review and restructure the nation's tax policy and administrative system.

Njuru, Ombuki, Wawire and Okeri (2013) investigated the impact of taxation on private investment in Kenya. Vector auto-regression technique was used to achieve study objectives. Time series research design was used covering period 1964-2010. The study found that VAT, income tax and establishment of Kenya Revenue Authority (KRA) had negative impact on private investment while excise tax, import tax and tax amnesty impacted positively on private investment. The study concluded that appropriate tax system and progressive tax reforms are necessary to ensure that private investors are given enabling environment to establish

Omokhuale (2016) evaluated empirically the contribution of value added tax (VAT) to Nigeria from 2000-2012. Data were collected from Central Bank of Nigeria's (CBN) statistical bulletin and Federal Inland Revenue bulletin. Ordinary least square techniques were used to estimate the model, which reveals a strong positive significant relationship between values added tax and Nigeria economy.

Abiola (2010) conducted a research work on the recent developments in company's income taxation in Nigeria and analyzed the variables with the use of quantitative survey method and found out that the Nigeria tax system is unduly complex, skewed, low revenue yielding, poorly administered, anti-federalism, largely inequitable and loaded with unduly large number of overlapping taxes which have more nuisance value than revenue value. The study recommended that the tax administrator should amend some of the penalties under CITA to reflect current realities and make them more administrable.

Àsa (2009), study on tax and firms performance concluded that corporate income taxes can be expected to be the most harmful for growth as they discourage the activities of firms that are most important for growth, investment in capital and in productivity improvements. Also, in practice, complex corporate tax codes cause high tax compliance costs for firms and reduce FDI.



#### 2.4 Summary of Literature Review and Gap in Literature

This study focused on the effect of multiple taxations on growth of SMEs in Nigeria. The study was anchored on Ibn-Khaldun’s Theory of Taxation. Different related studies were reviewed. From the reviewed literature, it is not arguable a lot of studies (Raza, Ali & Abassi, 2011; Beigi, Rafat & Panah, 2013; 2015; Maduga, Ekwe & Kalu, 2015; Gatsi, Gadzo & Kportorgbi, 2013) were carried out on Taxation and its effects in an organization but there are very few studies in Nigeria on multiple taxation; To the best of the researcher’s knowledge none of the studies focused on the effects of multiple taxation on the growth of SMEs carried out under survey research design approach. While scope of most of the existing studies, (Agot & Ugwuoke 2018, Egbesola 2018, Adebisi & Gbegi, 2013; Okpalaojiego & Okolo, 2016; Yamoah, Arthur, & Issaka, 2014) is limited to either a single category of SMEs, growth of SMEs was not adequately analyzed, as variables used to measure SMEs growth were not stated. Also, most of the studies suffered generalization of issue as studies were limited by the sample sizes used in the study. Also, some of the studies focused largely on a single firm in the SMEs sector and failed to analyze and clearly state the variables used to measure the dependent and the independent variables.

As the need to reduce the incessant folding up of SMEs in Nigeria as well as improve the country’s GDP, a comprehensive study on understanding the effect of multiple taxation on growth of SMEs becomes important. This study intends to fill this gap by empirically analyzing the effect of multiple taxation on growth of SMEs and covering a wider scope, as such covering all the

licensed and registered SMEs in South-South Geopolitical zone of Nigeria as published by the Small and Medium Scale Enterprises Development Agency of Nigeria (SMEDAN).

### III. Methodology

This study adopted survey research design approach. The choice of this method is because it is most suitable and effective for assessing opinions of respondents derived from a field work. The study is pegged on SMEs captured by Small and Medium Enterprise Development Agency of Nigeria (SMEDAN) National Survey, 2021, and is operational in Akwa-ibom, Bayelsa, Cross River, Delta, Edo and Rivers States. In aggregate, they are made of three hundred and eighty-one (381) sampled SMEs. The research is conducted to ascertain the effect of multiple taxation on growth of SMEs in Nigeria. The researcher selected South-South Geo-political zone, Nigeria, as the study States/Zone due to proximity and for easy accessibility of data. For the purpose of this study, the population constitutes of all SMEs enlisted with SMEDAN, 2021. The population size drawn from the South-South Zone is seven thousand, eight hundred and forty-four (7844) Micro, Small and Medium Enterprises (MSMEs). The sample frame for this study is determined from the population of registered SMEs as published by SMEDAN (2021). Given the population of 7844 SMEs operating in the six (6) States, the Taro Yamane’s formula (Yamane, 1967) for sample size determination was employed to reduce the number to manageable size. Taro Yamane’s formula (Yamane, 1967) for sample size determination is as follows:

$$n = \frac{N}{1 + N(e)^2}$$

Where	n	=	The relevant population sought or sample size
	N	=	Total population
	e	=	Limit of tolerable error @ 5%
1		=	Constant
	n	=	$\frac{7,844}{1+7844 (0.05)^2}$
	n	=	$\frac{7844}{1+7844 (0.0025)}$
	n	=	$\frac{7844}{1+19.61}$
	n	=	$\frac{7844}{20.61}$
	n	=	380.59
	n	=	381 nearest whole number



#### IV. Data Analysis and Interpretation Results

Table 1: Distribution of Respondents

No. of questionnaire administered	No. of questionnaire returned	No. of questionnaire not returned	Percentage of questionnaire returned	Percentage of questionnaire not returned
381	375	6	98.43	1.57

Source: Field Survey, 2021

#### Alpha Cronbach's Reliability Test

The responses of the respondents were checked for internal reliability through the alpha Cronbach's reliability test. The test result yielded over 0.90, suggesting that all the questionnaire items were valid and reliable. The alpha Cronbach for all the constructs and codes are presented in Table 9.

Table 9: Alpha Cronbach Reliability Test

Construct	Code	Items	Alpha Cronbach
Growth of SMEs	[GP1]	The SMEs has high sales growth despite multiple taxes paid	0.947
	[GP2]	There have been significant growth in equity of SMEs	
	[GP3]	There have been significant growth in assets of SMEs	
Consumption tax	[CT1]	Consumption taxes on SMEs exert negative influence on assets growth	0.920
	[CT2]	Consumption taxes imposed on SMEs affect negatively the growth in equity.	
	[CT3]	Consumption taxes imposed on SMEs exert negative effect on Sales revenue	
	[CT4]	Consumption taxes imposed on SMEs exert negative influence on Net profit and net profit margin	
	[CT5]	Consumption taxes imposed on SMEs have negative effect on Gross profit and gross margin.	
	[CT6]	Consumption taxes imposed on SMEs affect negatively the Monthly recurring revenue	
	[CT7]	Consumption taxes imposed on SMEs exert negative influence on Customer acquisition cost	
Environmental and Sanitation levy	[ESL1]	Environmental and Sanitation levy on SMEs exert negative influence on assets growth.	0.999
	[ESL2]	Environmental and Sanitation levy imposed on SMEs affect negatively the growth in equity.	
	[ESL3]	Environmental and Sanitation levy imposed on SMEs exert negative effect on Sales revenue	
	[ESL4]	Environmental and Sanitation levy imposed on SMEs exerts negative influence on Net profit and net profit margin	
	[ESL5]	Environmental and Sanitation levy imposed on SMEs have negative effect on Gross profit and gross margin.	
	[ESL6]	Environmental and Sanitation levy imposed on SMEs affect negatively the Monthly recurring revenue	
	[ESL7]	Environmental and Sanitation levy imposed on SMEs exert negative influence on Customer acquisition cost	
Infrastructural	[IDL1]	Infrastructural Development Levy on SMEs exert negative influence on assets growth.	
	[IDL2]	Infrastructural Development levy imposed on SMEs affect negatively the growth in equity.	
	[IDL3]	Infrastructural Development levy imposed on SMEs exert negative effect on Sales revenue	



Development Levy	[IDL4]	Infrastructural Development levy imposed on SMEs exert negative influence on Net profit and net profit margin	0.998
	[IDL5]	Infrastructural Development levy imposed on SMEs have negative effect on Gross profit and gross margin.	
	[IDL6]	Infrastructural Development levy imposed on SMEs affect negatively the Monthly recurring revenue	
	[IDL7]	Infrastructural Development levy imposed on SMEs exert negative influence on Customer acquisition cost	
Property and Land Based Charges	[PLC1]	Property and Land Based Charges on SMEs exert negative influence on assets growth.	0.893
	[PLC2]	Property and Land Based Charges imposed on SMEs affect negatively the growth in equity.	
	[PLC3]	Property and Land Based Charges imposed on SMEs exert negative effect on Sales revenue	
	[PLC4]	Property and Land Based Charges imposed on SMEs exert negative influence on Net profit and net profit margin	
	[PLC5]	Property and Land Based Charges imposed on SMEs have negative effect on Gross profit and gross margin.	
	[PLC6]	Property and Land Based Charges imposed on SMEs affect negatively the Monthly recurring revenue	
	[PLC7]	Property and Land Based Charges imposed on SMEs exert negative influence on Customer acquisition cost	

Source: SPSS 22.0 Data Output

### Principal Component Analysis Result

In an attempt to ensure that items in each of constructs are reduced to fewer variables which would fully capture the intent of objective or most of the variance in the study's specific objectives, the principal component analysis was performed and the result presented in Table 10. The result reveals that the number of items selected to reflect

the variables if the objective was adequate and inferences made are reliable and statistically robust. The varimax option of the principal component analysis rotation was utilized to ascertain the underlying dimensions of multiple tax and performance of SMEs in order to extract the dimensions of each construct.

**Table 10: Principal Component Analysis Result**

Constructs and Code	Factor Load	Eigenvalue	Cumulative % of Variance
Growth of SMEs		4.216	84.328
[GP1]	.947		
[GP2]	.886		
[GP3]	.897		
Consumption tax		3.306	82.651
[CT1]	.845		
[CT2]	.918		
[CT3]	.751		
[CT4]	.985		
[CT5]	.974		
[CT6]	.730		
[CT7]	.991		
Environmental and Sanitation levy		5.298	75.684
[ESL1]	.704		
[ESL2]	.817		
[ESL3]	.941		
[ESL4]	.782		



[ESL5]	.908		
[ESL6]	.904		
[ESL7]	.999		
Infrastructural Development Levy		4.858	80.970
[IDL1]	.901		
[IDL2]	.932		
[IDL3]	.883		
[IDL4]	.858		
[IDL5]	.838		
[IDL6]	.799		
[IDL7]	.981		
Property and Land Based Charges		3.906	78.110
[PLC1]	.791		
[PLC2]	.744		
[PLC3]	.918		
[PLC4]	.978		
[PLC5]	.963		
[PLC6]	.894		
[PLC7]	.821		
[PLC1]	.929		

Source: SPSS 22.0 Data Output

#### 4.5 Respondents Distribution on Growth of SMEs and Multiple Taxation Distribution of Respondents on Growth of SMEs

With respect to firms' growth of SMEs in Table 11, this study showed that "there have been significant

growth in assets of SMEs", the highest with a mean score of 14.39. Secondly, there has been significant growth in equity of SMEs (mean score of 14.07). "SMEs have high sales growth despite multiple taxes paid" was in third place with (14.04) as mean score.

Table 11: Responses on Growth of SMEs

Growth Performance Items	SA	A	U	D	SD	TS	M	R
The SMEs has high sales growth despite multiple taxes paid	140 37%	118 31%	26 7%	63 17%	28 8%	1404	14.04	3 <sup>rd</sup>
There have been significant growth in equity of SMEs	145 39%	125 33%	49 13%	42 11%	14 4%	1407	14.07	2 <sup>nd</sup>
There have been significant growth in assets of SMEs	128 34%	140 37%	32 9%	68 18%	7 2%	1439	14.39	1 <sup>st</sup>

Source: Field Survey, 2021

Note: SA = Strongly Agreed; A=Agreed; SD=Strongly Disagreed; D=Disagreed; U=Undecided; TS=Total Score; M=Mean and R=Rank

#### Pearson Correlation

Table 16 shows the correlation between growth of SMEs and multiple taxation. There is a positive correlation relation between growth of SMEs and consumption tax, environmental and sanitation levy, infrastructural development levy, and property and land based charges. The growth of SMEs and multiple taxation measured by consumption tax, environmental and sanitation levy, infrastructural development levy, and property and land based charges is statistically significant at 5%.



**Table 16: Correlation between Growth of SMEs and Multiple Taxation**

		Growth of SMEs	Consumption Tax	Environmental and Sanitation Levy	Infrastructural Development Levy	Property and Land based Charges
Growth of SMEs	Pearson	1	.922*	.979**	.980**	.997**
	Correlation					
	Sig. (2-tailed)		.026	.004	.003	.000
	N	4	4	4	4	4
Consumption Tax	Pearson	.922*	1	.840	.892*	.914*
	Correlation					
	Sig. (2-tailed)	.026		.075	.042	.030
	N	4	4	4	4	4
Environmental and Sanitation Levy	Pearson	.979**	.840	1	.978**	.985**
	Correlation					
	Sig. (2-tailed)	.004	.075		.004	.002
	N	4	4	4	4	4
Infrastructural Development Levy	Pearson	.980**	.892*	.978**	1	.992**
	Correlation					
	Sig. (2-tailed)	.003	.042	.004		.001
	N	4	4	4	4	4
Property and Land based Charges	Pearson	.997**	.914*	.985**	.992**	1
	Correlation					
	Sig. (2-tailed)	.000	.030	.002	.001	
	N	4	4	4	4	4

\*. Correlation is significant at the 0.05 level (2-tailed).

\*\*. Correlation is significant at the 0.01 level (2-tailed).

Source: SPSS 22.0 Data Output

#### 4.7 OLS Regression Result

**Table 29: Test of Hypotheses**

Hypotheses	Equation Estimated	Coefficient	P-Value	Decision
Hypothesis 1	Consumption taxes do not significantly affect growth of SMEs in Nigeria	+0.996	0.0000	Reject H <sub>0</sub> & Accept H <sub>1</sub>
Hypothesis 2	Environmental and Sanitation levies do not significantly affect growth of SMEs in Nigeria	-0.979	0.0040	Reject H <sub>0</sub> & Accept H <sub>1</sub>
Hypothesis 3	Infrastructural Development Levies do not significantly affect growth of SMEs in Nigeria	+0.980	0.0030	Reject H <sub>0</sub> & Accept H <sub>1</sub>
Hypothesis 4	Property and Land Based Charges do not significantly affect growth of SMEs in Nigeria	-0.956	0.0011	Reject H <sub>0</sub> & Accept H <sub>1</sub>

Source: OLS Output from Tables 19, 22, 25 and 28

#### V. Discussion of findings

This study examined the effect of multiple taxation on growth of SMEs in Nigeria with a view to explaining the extent of influence which multiple taxes have on growth of SMEs in Nigeria with evidences from SMEs in South-South geopolitical zone in Nigeria. After a detailed theoretical review, empirical analyses and have carried out statistical

analyses, the findings were made in line with the research objectives and hypotheses set and tested. The findings are hereby discussed in line with the objectives of the study.

The Ordinary Least Square (OLS) regression analysis of Hypothesis One in Table 19 indicates that if consumption tax is held constant, growth of SMEs would be -2.785. Consumption tax



has a positive and significant effect on the growth of SMEs in Nigeria. With Consumption tax coefficient of 0.996, it implies that a unit increase in consumption tax would increase growth of SMEs by a unit of 0.996. This has been upheld by the aggregate response rate of more than 77% of the sampled respondents of this study.

Again, The Ordinary Least Square (OLS) regression result of Hypothesis Two in Table 22 shows that there is a negative insignificant effect of environmental and sanitation levy on growth of SMEs in Nigeria. The coefficient of the constant unveils that growth of SMEs in Nigeria would be -2.866 if environmental and sanitation levy is constant. Therefore, with the environmental and sanitation levy coefficient of -0.979, it means that an increase in environmental and sanitation levy would result in a 0.979 factor decrease in growth of SMEs in Nigeria. This is in consonance with the aggregate response rate of more than 72% of the sampled respondents of this study.

Moreover, the Ordinary Least Square (OLS) regression result of Hypothesis Three in Table 25 reveals that keeping infrastructural development levy constant, growth of SMEs in Nigeria would be -1.938. Infrastructural development levy has positive significant effect on growth of SMEs in Nigeria. With the coefficient of 0.980 of the Infrastructural development levy, it suggests that a unit increase in infrastructural development levy would result in 0.980 factor rise in growth of SMEs in Nigeria. This finding is in line with the aggregate response rate of more than 76% of the sampled respondents of this study.

Finally, the Ordinary Least Square (OLS) regression result of Hypothesis Four in Table 28 presents that property and land based charges has significant negative effect on growth of SMEs in Nigeria. The coefficient of the constant means that growth of SMEs in Nigeria would be -3.761 if property and land based charges are kept constant. The property and land based charges coefficient of -0.956 reveals that a percentage increase in property and land based charges would result in -0.956 factor decline in growth of SMEs in Nigeria.

In general, it is not arguable that multiple taxes have significant effects on growth of SMEs in Nigeria. This affirms the research findings of Adeniyi and Osazee (2018); Adebisi and Gbegi (2013) and Segun and Osazee (2018)..

## VI. Summary of Findings

The following findings were made concerning effect of multiple taxation on growth of SMEs in South-South States in Nigeria:

- a. Consumption taxes significantly affect growth of SMEs in Nigeria.
- b. Environmental and Sanitation levies significantly affect growth of SMEs in Nigeria.
- c. Infrastructural development levies significantly affect growth of SMEs in Nigeria.
- d. Property and land based charges significantly affect growth of SMEs in Nigeria.

## VII. Conclusion

This study was conducted to ascertain the effect of multiple taxation on growth of SMEs in Nigeria. By this, the study established the effect of multiple taxes on consumption tax, environmental and sanitation levy, infrastructural development levy and property and land based charges on growth of SMEs in Nigeria.

In this research, four hypotheses were considered. Using the Ordinary Least Square (OLS) regression test, the first hypothesis established that Consumption tax has a positive and significant effect on the growth of SMEs in Nigeria. This implies that a unit increase in consumption tax would increase growth of SMEs. This does not differ from the respondents' view evident in an aggregate response rate of more than 77% agreed that Consumption tax has a significant effect on the growth of SMEs in Nigeria.

Again, The Ordinary Least Square (OLS) regression result of hypothesis two shows that there is a negative insignificant effect of environmental and sanitation levy on growth of SMEs in Nigeria. With the coefficient -0.979, it means that an increase in environmental and sanitation levy would result to a factor decrease in growth of SMEs in Nigeria. This is in consonance with the aggregate response rate of more than 72% of the sampled respondents of this study.

Moreover, the Ordinary Least Square (OLS) regression result of Hypothesis Three reveals that Infrastructural development levy has positive significant effect on growth of SMEs in Nigeria. With the coefficient of 0.980 of the Infrastructural development levy, it suggests that a unit increase in infrastructural development levy would result in 0.980 factor rise in growth of SMEs in Nigeria. This finding is in line with the aggregate response rate of more than 76% of the sampled respondents of this study.

Finally, the Ordinary Least Square (OLS) regression result of Hypothesis Four presents that property and land based charges has significant negative effect on growth of SMEs in Nigeria. It implies that a percentage increase in property and land based



charges would result in -0.956 factor decline in growth of SMEs in Nigeria.

In conclusion, it can be deduced that multiple taxes have significant effects on growth of SMEs in Nigeria. This affirms the research findings of Adeniyi and Osazee (2018); Adebisi and Gbegi (2013) and Segun and Osazee (2018).

### VIII. Recommendations

Based on the findings of this study, the researcher recommend that:

- a. The government should review and enforce a consumption tax policy that would encourage all SMEs in Nigeria to comply since it exert significant effect on growth of SMEs in Nigeria.
- b. There is need for the relevant tax authorities to effectively review Environmental and sanitary Laws and its enforcement to enable mandatory compliance of all SMEs in Nigeria since it has significant influence on growth of SMEs in Nigeria.
- c. The government should as well review and enforce infrastructural development levy policy that would encourage all SMEs in Nigeria comply since it exerts significant effect on growth of SMEs in Nigeria.
- d. The government should as well review and enforce policy that will improve property and land based charges among SMEs in Nigeria since it exerts significant effect on growth of SMEs in Nigeria.

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