TITLE PAGE

MULTIPLE TAXATION OF SMALL AND MEDIUM SCALE ENTERPRISES;IMPLICATIONS FOR SURVIVAL OF BUSINESSES IN KOGI STATE

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COLLEGE OF MANAGEMENT AND SOCIAL SCIENCES,
SCHOOL OF POSTGRADUATE STUDIES,
SALEM UNIVERSITY, LOKOJA

January, 2019

DECLARATION

I declared that the contents of this thesis are my original work and that no part of it has been lifted or quoted from other source(s) without full and adequate citation of the source(s) and without due credit given to the original author (s) of the works cited or quoted. I also declare that this work has not been presented in any form for any award or publication elsewhere.

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CERTIFICATION

This thesis titled MULTIPLE TAXATION OF SMALL AND MEDIUM SCALE ENTERPRISES; IMPLICATIONS FOR SURVIVAL OF BUSINESSES IN KOGI STATE written by **OVAJIMOH Ipemida Shegun** meets the requirements of the regulations governing the Award of the Degree of Masters of Sciences (M.Sc.) in Accounting, of Salem University, Lokoja, and is approved for its contribution to knowledge and literary presentation.

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DEDICATION

I dedicate this Thesis to God Almighty for making this programme a huge success and His care throughout the period of this study.

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ABSTRACT

This research work examined multiple taxations of Small and Medium Scale Enterprises (SMEs) and its implications for survival of businesses in Kogi State. We employed a survey research designs with a population size of 15,250, from which we derived the sample size statistically by using Yaro Yamani formula to arrive at a sample size of 390 and a self administered questionnaire was used to collect data. A total of 390 questionnaires were distributed out of which only 380 were properly filled and retuned which represents 97% return rate. The empirical analysis carried out was based on the retuned and usable questionnaire numbering 380. These data was quantitatively analyzed with simple percentages and the research hypotheses were tested with ANOVA and Goodman's and Kruskal's Gamma statistical techniques. The Findings revealed that multiple taxations have negative effect on SMEs' survival and the relationship between SMEs' size and its ability to pay taxes is significant. The study therefore, recommends that government should come up with a uniform tax policy that will favour the growth and survival of SMEs in kogi state. Also government should put into consideration the profit position of SMEs when setting tax policies and more importantly the Federal government should legislate against illegal levies introduced at the state and local level of government to reverse the tax policy of foreclosure of SMEs by the lower tiers of government.

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CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

The study investigates multiple taxation on Small and Medium Scale Enterprises (SMEs) and its implications for business survival in Kogi State. Both tax revenue and SMEs are key element of economic development. The quest by the three tiers of government to fill in their revenue gap has resulted to multiple taxes on SMEs in Nigeria and these activities of revenue agencies has resulted to the closure of many businesses in Nigeria; thereby creating unemployment and deepening poverty ratio in the country.

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). Although smaller in size, they are the most important enterprises in the economy due to the fact that when all the individual effects are aggregated, they surpass that of the larger companies. The social and economic advantages of Small and Medium Scale Enterprises cannot be overstated. Panitchpakdi (2006) sees SMEs as a source of employment, competition, economic dynamism, and innovation which stimulates the entrepreneurial spirit and the diffusion of skills.

SMEsenjoy a wider geographical presence than big companies, SMEs also contribute to better income distribution. Over the years, Small and Medium Scale Enterprises has been an avenue for job creation and the empowerment of Nigeria's citizens providing about 50% of all jobs in Nigeria and also for local capital formation. 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 has undoubtedly improved the standard of living of so many people especially those in the rural areas (Ariyo, 2005).

Taxation is one of the major fiscal policies the government of any nation such as Nigeria can use to achieve economic stability and in the financing of capital expenditure. Taxation is a term used when tax authority, usually government agency, levies or imposes a tax which applies to all types of involuntary levies, from income to capital gains to estate taxes. Various taxes are levied on the income, wealth or gain of an individual, family and business firm by the government for the purpose or benefits of the general public.

Tax is a financial obligation or other levy imposed upon a taxpayer which could be an individual or a legal entity and failure to pay is punishable by law. Thus, taxation is not a voluntary payment or donation but an enforced contribution exacted pursuant to legislative authority. In modern taxation system such as Nigeria, taxes are levied, in money which could be used for myriads of functions or purpose such as expenditure on public order, protection of lives and property, economic infrastructure which include: roads, public works, social engineering and the operation of government itself (Ogbonna & Appah, 2012)

Tax is one of the major sources of generating revenue for the government for the aims of providing infrastructural need of the citizenry and running government. Ogbonna and Appah(2012), revealed in their study that, taxation is one of the major drivers of every economy. They further stated that taxation is an avenue for government to raise more revenue needed to performing its responsibility to the citizenry. Tax can also be to other purposes, for instance, monitoring the economy, stabilizing the economy and carrying out the goals of economic growth and development.

Tax Reforms protagonists have different objectives. Some seek to reduce the burden of taxation on the tax payers. While other are to make the tax structure efficient. Others are to make the tax system simple; easy for understanding; transparency; effectiveness; efficiency and accountability (Omesi & Njor, 2015).

Taxation is one of the means of raising revenue to finance public expenditure in both developed and developing countries (Saeed & Sheikh, 2011). According to (Taiwo, Samson & James, 2015) Nigeria has a very low tax to GDP ratio of 6.1% which is attributable to narrow tax base and inelastic tax system couple with multifaceted system of exemptions and compound tax laws. This condition is as a result of dependent on the oil revenue which accounts for almost 80 percent of government earnings. This huge tax revenue space shows that widen the Nigeria tax effort in an unfair and competent way needed the reforms of the entire tax structure.

The taxes collected by the government in Nigeria no doubt emanate from varying sources ranging from personal income tax, company income tax, capital gain tax, property tax, education tax and most times these taxes are in multiple and multiple taxation is when a single entity earned income is taxed more than once, often by two or more different taxing authorities in a way that may be unfair or illegal. The Nigerian government in attempt to raise revenue and enhance the economic development of Nigeria has subjected many Small and Medium Scale Enterprises (SMEs) to multiple taxations which they are mandated or made compulsory to pay irrespective of the sector the business firms operate else they are made to face the wrath of the law.

The Small and Medium Scale Enterprises (SMEs) is Generally used by European countries and some international organizations such as World Trade Organisation, World Bank and United Nations. The Small and Medium Scale Enterprises (SMEs) are businesses that employ a small number of workers and does not have a high volume of sales. Such enterprises are generally privately owned and operate most times as sole proprietorships, corporations or partnerships, but the legal definition of a Small and Medium Scale Enterprises varies by industry and country.

The Europeans' category of Small and Medium Scale Enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro. But in Nigeria, the National Economic Reconstruction Fund (NERFUND) put the ceiling for Small and Medium Scale Enterprises (SMEs) at 10 million naira. Section 37b (2) of the Companies and Allied Matters Decree of 1990 referred to a Small and Medium Scale Enterprises (SMEs) as one with an annual turnover of not more than 2 million naira and net asset value of not more than 1 million naira. Central Bank of Nigeria (2002) defined SME as a firm with capital outlay of not more than N200m with the staff base of not less than 50 and not more 200 employees.

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). In spite of this importance, the mortality rate is very high as stated in Small and Medium Scale Enterprise Development Agency of Nigeria (SMEDAN). SMEDAN has reported that about 80% of Small and Medium Scale Enterprises in Nigeria die before their 5th anniversary. Among the major factors responsible for these untimely shut-down is multiple taxations.

Also a study carried out by the Manufacturers Association of Nigerian (MAN) and Centre for International Private Enterprise (CIPE) which identified multiple taxation as the bane of Small and Medium Scale Enterprises growth in Nigeria (Anyanwu, & Onuoha, 1999). The study established the relationship between multiple taxations in the pilot state across the three tiers of government and re-affirmed its negative effects to Small and Medium Scale Enterprises growth in Nigeria. According to the study, it was established that multiple taxation adversely affects the Competitiveness and survival of Small and Medium Scale Enterprise in Nigeria.

Moreover, it was also established that currently most Small and Medium Scale Enterprises in Kogi State consider the tax environment as unfriendly and disincentive to business, which engender loss of man-hour to both the government parastatals and privately owned corporations or increasing the reservoir of unemployment in the State. According to Eftekhari (2009), tax environment in Nigeria especially the policy on multiple taxation increases the cost of doing business in the country. As a matter of fact, many Small and Medium Scale Enterprises (SMEs) have shut down production while in some cases, have relocated their factories to other West African countries which are considered to be more investment friendly. Against this back drop, this study examines the implications of multiple taxation for business survival in Nigeria.

1.2 Statement of the Problem

Although there was a general perception that tax is an important source of fund for development of the economy and provision of social services, 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. SMEs face other challenges which include; inadequate capital, poor technical and managerial skills, environmental effects and the government regulations. Operation of SMEs in kogi state is exposed to many setbacks especially the issue of multiple taxation which is a worm eating deeply into the revenues generated by these SMEs for their growth and survival. These have likely led to increase in record of dearth of Small and Medium Scale Enterprise (SMEs).

At the three tiers of government the following taxes or levies (as they are called by the government agents that impose them) are being paid by Small and Medium Scale Enterprises: personal Income tax, Sanitation fee, market toll, Business Registration fee, fire service fee, Development levy, Education levy, Advert fee, different types of permit fee paid according to occupation engaged in, produce levy and haulage fee. Some of these taxes are being unnecessarily split into many kinds of taxes that are largely detrimental to the survival of Small and Medium Scale Enterprises (Ariyo, 2005).

The question then is, does the multiplicity of taxes by the lower tiers of government enhance or constrain the survival of Small and Medium Scale Enterprises? Government tax agents justify the collection of these taxes by arguing that the infrastructure provided by government with tax revenue, in no little measure contribute to the growth of Small and Medium Scale Enterprises whereas, entrepreneurs on the other hand, argued that the government is not providing any infrastructure to attract the numbers of levies being imposed on them (Ariyo, 2005).

How then can one reconcile these two opposing views? Do these taxes really contribute to the increased productivity of the Small and Medium Scale Enterprises or do they hamper the survival of businesses as claimed by Small and Medium Scale entrepreneurs? Many advanced industrial economies of the world attained advanced industrial development because they started their industrial development with programmes in the Small and Medium scale Enterprises. These enterprises contribute to the long-run industrial growth by producing an increasing number of firms that grow up out of the Small and Medium scale Enterprises (Boettke and Christopher, 2004).

Why is it that in Nigeria and particularly at the State and local levels, this trend is not being observed? Ariyo (2005) rather than growing, most of the Small and Medium Scale Enterprises in the state likely died before their 5th anniversary and this is majorly due to multiple taxation. Does multiple taxation contribute significantly to the inability of SMEs survival in Nigeria? Government is to be a catalyst that provides the enabling environment for Small and Medium Scale Enterprises to thrive.

Taxes should be adopted as instruments to promote the growth and survival of business and not otherwise. It is important and necessary to find out how catalytic or distortionary, multiple taxes are to Small and Medium Scale Enterprises with respect to their survival and growth. This question and many more become the concern of this study.

1.3 Objective of the Study

The objective of this study is to establish multiple taxation on Small and Medium Scale Enterprises; the implication for the survival of businesses in Kogi State. But in order to complement the existing literature the study set out to consider the following specific objectives:

i. To examine the relationship between profitability and tax imposition on Small and Medium Scale Enterprises before tax them in kogi state;

ii. To determine the relationship between multiple taxation and the growth and survival of Small and Medium Scale Enterprises in kogi state; and

iii. To examine the impact of multiple taxation on investment decision of the Small and Medium Scale entrepreneurs in Nigeria.

1.4 Research Questions

The study seeks to find answers to the following research questions.

i. To what extent do tax agencies consider the profit position of SMEs before taxing them in Nigeria?

ii. To what extent multiple taxation affect the growth and survival of Small and Medium Scale Enterprises in Nigeria?

iii. To what extent do multiple taxation affect investment decision of the Small and Medium Scale entrepreneurs in Nigeria?

1.5 Research Hypotheses

In order to validate the above research questions, the following hypotheses will be empirically tested using various statistical methodologies.

i. **H_0:** Tax agencies do not consider the profit position of Small and Medium Scale Enterprises before taxing them in Nigeria;

ii. **H_0:** There is no significant effect of multiple taxation on the growth and survival of Small and Medium Scale Enterprises in Nigeria;

iii. **H_0:** Multiple taxation do not significantly affect the investment decision of the Small and Medium Scale entrepreneurs in Nigeria.

1.6 Significance of the Study

The finding from this study will be of good benefit to the general Nigerian populace and the business community as it will help the tax payers to have a deep understanding of their obligations and the need to meet such duties on tax liabilities.

Government and its agencies on their own part will equally see the need for effective planning, administration and collection of taxes and also providing incentive for tax payers so as to limit the problem of tax avoidance and evasion hence, achieving the overall macro-economic goals of the country.

It is hoped that this work will highlight on the essence of taxation and suggest for efficient tax system devoid of tax multiplicity. It will also help in resolving the conflicting objectives of the federal government and those of the lower tiers of government concerning tax relief and revenue maximization. Finally, it could serve as a possible benchmark for other further advanced studies in this regard.

1.7 Scope of the Study

This study investigated the implication of Multiple Taxation on the survival of SMEs in Kogi State. It covers the period from 2013 – 2017. This period was chosen because the federal allocation to states has reduced due to dwindling oil revenue and the global economic recession. The study covers the three senatorial districts in Kogi State.

1.8 The Limitations of the Study

This study was limited by poor book keeping and accounting records maintained by SMEs operators, negative attitude towards issue of taxation in Kogi State and the literacy level of the respondents did not make the work easy. These limitations were overcome through proper orientation/education of respondents with the explanation that the research exercise is strictly an academic exercise. They were also assured of no legal consequence on them or their business.

CHAPTER TWO

REVIEW OF LITERATURE

2.1 Introduction

An attempt is made in this chapter to identify and review in particular the previous studies or works that are related to this study. The review is broadly sub-divided into three sections: theoretical literature, conceptual literature and empirical literature. A large body of conceptual and empirical literature has accumulated over the various issues of multiple taxation and the survival of Small and Medium Scale Enterprises across the globe.

2.2 Conceptual Framework

Nigeria through National Policy on SMEs adopted a definition of SMEs on dual criteria; employment and assets (excluding land and building). The policy explained that Small and Medium Scale Enterprises has between five million naira (N5,000,000) to five hundred million naira (N500,000,000) with a total workforce of between fifty (50) and one hundred ninety nine (199) employees.

Nwokoye (2004), defines Small and Medium-Scale business as "any enterprise employing between five and one hundred workers with an annual turnover of about four hundred thousand Naira (N400,000). The National Directorate of Employment (NDE) defines Small and Medium-Scale business in the 1989 National Budget to include project with a capital investment as low as N3,000 and employing as few as three persons. The Federal Ministry of Commerce and Industry defines SMEs as firms with a total investment (excluding cost of land but including capital) of up to N750,000, and paid employment of up to fifty (50) persons. In a later report, the Federal Ministry of Industry (1988) defines a small-scale industry as those industries with a total investment of between N100,000 and N2,000,000 exclusive of land but including working capital. Okorie (2001), defines small-scale industry as wholly indigenous owned enterprises with less than fifty full time employees.

The Central Bank of Nigeria, in its monetary policy circular No. 25 of 1991, defines small-scale business as an enterprise whose capital investment does not exceed N5,000,000 (including land and working capital) or whose turnover is not more than N25,000,000 annually. Section 351 (1) of CAMD 1990 defines a small company as one which satisfies the following conditions: a private company with a share capital, an annual turnover not more than two million naira (N2m), net asset value not more than one million (N1m), the members are not alien, none of its members is a government corporation or agency or its nominees, and the directors between them holds not less than 51% of the equity capital.

Thus SMEs as a concept is without an acceptable universal definition, hence the classification of an enterprise into small, medium and large scale is relative and varies. The major criteria for classification are the number of employees, relative size, initial capital outlay, sales value and volume, financial strength and balance sheet size, ownership structure and industry type. From these views, it is convenient to broadly describe SMEs as enterprises with capital outlay of between N100,000 and N25,000,000.00 (excluding land) and workforce of between 1 and 100. What is agreed though is that SMEs are crucial in economic development (Boettke and Christopher, 2004).

In Nigeria SMEs are usually small in size and lack large organizational structure and management culture while the urban SMEs are more structural, the rural ones are less structured. This represents one of the most important characteristic of SMEs in Nigeria. SMEs are in most cases a one-man business or partnerships enterprise, although they may be registered as limited liability company, (Udechukwu, 2003). Olurunshola (2003) affirmed that this ownership style has led small and main enterprise to have a simple management structure and make it easiest to manage than that of large firms, and few numbers of staff and in some cases low level of education by some owners of SMEs.

The Small and Medium Scale Enterprises almost share the same characteristic with a sole proprietorship in that, there is no legal personality between the SMEs and their owners, which means that the life span of SMEs depends on the life of the owners; when the owner dies, if not properly taken care by the estate the business will die with the owner(s) Another feature of the SMEs sector in some countries is its heterogeneous nature, ranging from retail outlets to hugely paid professionals and substantially manufactured organisation small and medium enterprise are also likely to vary in organizational form, from sole proprietorship (one man business), scale corporations (public or private), professionals and partnerships.

Furthermore, the process of production in SMEs setting are Labour intensive and they always serve as supplier to the large manufacturing firms by depending on raw materials sourced locally (Hanefah, Ariff and Kasipfflai, 2002). Just like a one-man business SMEs also required low start-up capital than large companies (Atijosan, 2014). Also, the decision of manager has higher tendency to be subjective as they are controlled by the same person and the employees' employer relationship found in most SMEs is predominantly informal.

In addition, the contribution SMEs usually make to tax revenue is lower than its contributions to output and employment (International Tax Dialogue, 2007), that notwithstanding SMEs have not become competitive enough to increase their share of output even though they form three fifths of the number of manufacturing industries which are solely rely upon by large manufacturing companies for their supplies (products) (Hanafah *et al*. 2002).

Taxation is a compulsory transfer or Payment of money from private individuals, institutions, and corporations to the government. Anyanwu (2000) noted that taxation has three Principal objectives, which are regulation of the economy and economic activities, raising of revenue for the government and controlling of income and employment. Revenue realizable from taxation depends on some factors but principally on the tax base and rate. Tax base refers to the specification of the minimum amount above which is taxable, while tax rate is the amount, which is levied per unity of base. Tax bases simply are those objects upon which tax revenue is derived; (Mansfield,2003).

Tax Policy in Nigeria has been largely used to generate maximum revenue for the government and as a result its use for optimal allocation' of resources or redistribution of income is being neglected. Anyanwu (2000), noted that tax authority in Nigeria has concentrated on the manipulation of the rates and tax bases in order to generate enough revenue for the government. This has led to imposing of different types of taxes and levies by tax authorities. These different taxes, which should have otherwise come under one major type of tax but are split into many forms, are in this work referred to as "multiple tax".

Though taxation may not be the most important source of revenues to government in term of the magnitude of revenue derivable from taxation however, taxation is the most important source of revenue to the government, from the point of view of certainty, and consistency of taxation. In a social oriented economy, only a small percentage of revenue may be derived from taxation while in a capitalist oriented economy, a greater percentage of government revenue, is derivable from taxation (Osita, 2004). According to Eftekhari (2009), taxation has always been an issue for the government and taxpayer alike from the early years of civilization.

The issue of taxation has generated a lot of controversy and several political conflicts over time. According to its importance, several economic thrones have been proposed to run an effective system. Osita, (2004) sees taxation as a compulsory levy by government through its various agencies on the income, capital or consumption of its subjects. Tax is basically of three structures proportional, progressive and regressive. Proportional tax is defined as a type of tax in which tax payer is levy an amount in proportional to his earned, progressive tax levies are higher rate on higher income earners, while the regressive tax is the one that charges higher rate to person receiving lower income. Tax is classified into two broad categories as direct and indirect tax.

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.

2.3 Theoretical Framework

According to Eftekhari, (2009) taxation has always been an issue for the government and taxpayers alike from the early years of civilization. The issue of taxation has generated a lot of controversy and several economic theories as given: ability to pay principle, benefit approach and equal distribution principle. However, in this paper in this paper we shall be considering ability to pay principle.

2.3.1 Ability-to-pay Principle

As the name suggests, it says that 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 hat not". The principle originated from the sixteenth century, the ability-to-pay principle was scientifically extended by Swiss philosopher Jean Jacques Rousseau (1712-1778), the French political economist Jean-Baptiste Say (1767-1832) and the English economist John Stuart Mill (1806-1873). This principle is indeed the most equitable tax system, and has been widely used in industrialized economics. The usual and most supported justification of ability to pay on grounds of sacrifice. 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 use. However, there is no solid approach for the measurement of the equity of sacrifice in this theory, as it can be measured in absolute, proportional or marginal terms. Thus, equal sacrifice can be measured as (i) each taxpayer surrenders the same absolute degree of utility that she/he obtains from her/his income, or (ii) each sacrifices the same proportion of utility she/he obtains from her/his income, or (iii) each gives up the same utility for the last unit of income; respectively.

2.3.2 Optimal Tax Theory

The optimal taxation approach emphasizes the need to analyse the impact of tax reform and evaluate both its administrative costs and its effect on social welfare. The optimal taxation theory philosophizes that effort should be geared in optimizing tax revenue, reduce the cost of generating tax revenue on the part of generating authorities and avoid multiple taxation on the taxpayers. The optimal tax theory forms the basis or foundation of the effect of multiple taxation on Small and Medium Scale Enterprises.

By “tax reform” we mean a movement away from some given status quo through the employment of appropriate strategies, methods and techniques. According to the general theory of tax reform, it will be beneficial to switch taxation at the margin from A to B, if the marginal cost of tax A exceeds that of tax B. More generally, a tax reform is beneficial if it increases both revenue, social welfare and reduce tax burden on the taxpayers. In relation to shadow prices, a tax should be increased if the direct impact on households of making the change exceeds the cost at shadow prices of the extra demand generated. The shadow price of a good embodies the welfare consequences of the general equilibrium adjustments that flow from an extra demand for that good. Thus the shadow price depends on the way in which the economy adjusts (Stern, 1988)

2.3.3 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 then small firms.

Conversely, Elhiraika and Nkuriziza, (2006) states 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, give that younger firms are usually smaller than older ones (businesses) for the reasons discuss earlier; Jovanovich 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 longer firm in some sector as time goes by.

Olawale & Garvwe (2010) on the other hand claim that as a new small firm start and develops, it moves through some growth stages, such with its own distractive characteristics. He 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 start-up venture becomes a new business has not yet been theoretically determined. However, the ideal of business survival could be equated with a firm that has fully completed the transaction to stage - two organisation in the five stage of small business growth.

2.3.4 Small and Medium Scale Enterprises

Small and Medium Scale Enterprises has been defined variously by many individuals and institution using various yardsticks such as numbers of employees, volume of sales, value of assets, or the volume of deposit in banks (Ademola,2014). The National Economic Reconstruction Fund (NERF) defined small and medium enterprises with a criterion that projects to be financed by the firm should have a total fixed asset cost (including land) of not more than N10million.

The Federal Ministry of Industry (in respect of the small scale industries credit scheme) sees small scale industry as any manufacturing, processing or service industry with capital investment not exceeding N150,000 in machinery and equipment alone. According to Atijosan (2014), a small business is any manufacturing, processing or servicing industry that satisfies any or all of the following conditions:

i. Capital, but excluding cost of land and not excluding N750,000

ii. Staff strength not exceeding 50 persons and wholly Nigerian owned.

iii. A manufacturing, processing or servicing industry, exceeding the units of investment stated is relatively small compared to prevalent size of plant and the technology is fairly labour intensive.

According to Ademola (2014), Small scale enterprises are catalysts for world's economic growth and development which have dominated the industrial sector of both developed and underdeveloped countries. Aruwa (2013) believed that Nigeria's industrial sector is dominated by small and medium scale enterprises (SMEs) which accounts for 90% in terms of number of enterprises, as compared with other developed countries where more than 98% of all their enterprises belong to SME sector, about 80% of the total industrial labour force in Japan is SME, 50% in Germany, 46% in USA are employed in smaller firms. Central Bank of Nigeria defined small scale enterprises as all businesses with a total assets investment of less than one million, an annual turnover of less than one million and with a total number of employees of less than fifty (World Bank Mapping 2001).

In addition, the International Finance Corporation (IFC) and Corporate Affairs Commission in 2001 further justified that Nigeria's industrial sector is dominated by SMEs, estimated to be about 90% of the sector employing less than 50% of the people (Holban, 2007). Given the place occupied by the SMEs in Nigeria's industrial sector, it is expected that the success of the Nigerian economy would be partly dependent on the success of the SMEs. Nwonye (2014) pointed out clearly that SMEs are catalysts for Nigeria's economic growth and development. He believes that through so many SMEs, Nigeria has great potentials for success and growth, sales of large volume of goods etc. Even though, some of them have adequate capital, many of them fail due to poor financial management operations.

The Monetary Policy Circular No. 22 of 1988 of the Central Bank of Nigeria defined small-scale enterprises as enterprises whose annual turnover was not more than N500, 000. In the 1990 budget, the Federal Government of Nigeria defined small-scale enterprises for purposes of commercial bank loans as those with an annual turnover not exceeds N500, 000, and for Merchant Bank Loans, those enterprises with capital investments not exceeding 2 million naira (excluding cost of land) or a maximum of N 5 million. The National Economic Reconstruction Fund (NERFUND) put the ceiling for small-scale industries at N10 million. Section 37b (2) of the Companies and Allied Matters Decree of 1990 defines a small company as one with an annual turnover of not more than N 2 million and net asset value of not more than 1 million naira.

The Small and Medium Enterprise Equity Investment Scheme (SMEEIS) sees the SME as "any enterprise with a maximum asset base of N500 million (excluding land and working capital), and with no lower or upper limit of staff". However, for tax purposes, Section 40(6) of the Companies Income Tax Act Cap C21 LFN 2004 alludes to companies with a turnover of N1 million and below operating in the manufacturing, agricultural production, solid mineral mining, and export trade sectors as SMEs; While subsection 8 states that as from 1988 all companies engaged in trade or business with a turnover of N500,000 and below qualify as small and medium enterprises.

2.3.5 Multiplicity of Taxation

Multiple taxations in relation to a enterprise 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.

Tax Policy in Nigeria has been largely used to generate maximum revenue for the government and as a result its use for optimal allocation' of resources or redistribution of income is being neglected. Anyanwu (2000) noted that tax authority in Nigeria has concentrated on the manipulation of the rates and tax bases in order to generate enough revenue for the government.

This has led to imposing of different types of taxes and levies by tax authorities. These different taxes, which should have otherwise come under one major type of tax but are split into many forms, are in this work referred to as "multiple tax". Stephen (2015), observed that so many taxes are imposed at different or supplementary' rates and it involves different tax bases and different times of payment.

In Nigeria, tax policy planning is not clearly assigned to specific unit. Any change in tax law is usually designed in ad hoc manner and is based on expediency rather than on long-term studies, (Anyanwu 2000). Utomi (2000) in line with 'this view noted that Nigeria has a confused taxation philosophy. This results in proliferation of taxes and tax laws hence tax multiplicity.

Adepoju (2003), observed that over 300 different taxes are paid by tax payers in some African countries, while in some Asian countries, local officials impose dozen of an illegal charge from fees for growing bananas to taxes on slaughtering pigs-either to top up (increase) the local finances or pad their pockets.

Among the three tiers of government in Nigeria, the local governments involve themselves more in the issue of tax multiplicity. This according to Udechukwu, (2003), resulted from the expansion of local government responsibilities. Local government imposes various types of taxes and levies in order to cope with the added responsibilities expected of them to discharge.

Apart from personal and business income taxes, traders and small scale entrepreneurs are expected to pay other taxes and levies such as special levy, development levy, advert fee, stillage fee, market taxes, trade license such as business registration fees. These levies run counter to the economic objectives of the federal government, which clamours for rapid economic growth and reduction of inflation. Small-scale enterprise operators in Kogi State not only complain of government imposition of new taxes but also of increase in the rates of the existing ones.

The entrepreneurs transfer the burdens of these taxes to the consumers by a way of price hike hence inflation. Traders and entrepreneurs whose- elasticity of their goods and services do not permit the transfer of these taxes to the consumers most times are crowded out from operation. Yaobin (2007) observed that SMEs operators battle with high cost of production as a result of various taxes and levies that were slam on them by various agencies and tiers of government. According to him, "it sounds funny that" a company that reels under the burden of maintaining generators is subjected to pay what the government call generator levies".

Udechukwu, (2003), had earlier observed this view when he said that traders provide necessary facilities in the markets such as good stalls, health centres, toilets, water, car parks and roads because the markets are bereft of these facilities, yet they (traders) are forced by government to pay different levies in the name of providing these facilities. Obasanjo's Economic Direction (1999-2003) has observed the need for non-distortionary and non-retrogressive economic policies and as such has directed that an efficient tax system devoid of multiplicity of taxes be adopted for accelerated growth of small-scale enterprises and the economy as a whole.

2.4 Examine the Profit Position of SMEs before Tax

Gaskill, Auken & Manning, (2001) says that the desired capital stock depends not only on output, but also on the costs associated with investments. In other words, an economy on a rapid growth path attracts a high rate of investment, while a stagnant or shrinking economy offers no inducement for net investment aimed at the market.

From this basic condition one can readily incorporate tax considerations into the analysis. In particular, tax elements heavily influence costs of operation, which is the cost per year of deploying capital in an investment project. From the point of view of the investor, the effective return on capital is diminished to the extent of tax due on company income.

However, the cost of paying company tax is offset by any benefit which may accrue to the investor from tax incentives such as tax holidays, preferential tax rates, investment credits, or capital allowances in excess of economic depreciation. These benefits arise at different points in time and vary year to year. To handle this complexity, the standard approach is to take the present discounted value of the tax benefits, per unit of the investment outlay.

Okpara,(2000), argues that investment can be financed by equity or debt. Hence, the overall cost of funds depends on both the tax rate on debt financing and the risk adjusted real rate of return required by entrepreneurs who provide equity financing.

In this framework, investment takes place as long as the gross return on additional investment exceeds the *tax-adjusted* cost of capital. In effect, the hurdle value of investment rises with the company tax rate and the tax on dividends, and falls with the value of the tax incentive package.

A higher cost of capital reduces the set of viable investment projects. It also provides an incentive for companies to pursue more labor-intensive projects. Conversely, a lower cost expands the set of viable investment projects, and favors capital-intensive projects. The net impact of tax hence breaks on job creation.

The theoretical effect of taxation on investment is mediated by three other considerations. First, the gestation period for many investments may span several years, particularly for large projects. So there can be substantial lags before tax policies to stimulate investment have an actual impact. (Still, policy changes that worsen profitability may provoke an immediate cessation of planned investments.)

Second, recent models that highlight the effect of uncertainty show that investors may defer projects even if they are fundamentally viable. Faced with substantial uncertainty about economic stability or the sustainability of pro-investment policies, along with irreversible start-up costs, investors may choose to wait and see how events unfold before committing funds.

Implicitly, they demand a higher hurdle rate consisting of the standard value. The result may be a very sluggish investment response. The antidote is to reduce uncertainty by establishing a track record of dependable policy management.

Third, liquidity constraints and imperfections in the financial markets can enhance the effectiveness of tax cuts. The neoclassical model assumes that investors have access to debt and equity financing at a market-determined cost of funds (adjusted for risk). This is a reasonable assumption for SMEs. But for many companies the main source of funds for investment is retained earnings. In this case, tax cuts can foster investment by augmenting the company's net cash flow, providing the means to take advantage of viable investment opportunities that otherwise would be missed for lack of finance.

2.5 The Association of Multiple Taxation with Growth and Survival of SMEs

Olumelu (2017), said that 95 percent of Small and Medium Enterprises fold up within a year in Nigeria due to multiple taxes and levies. Five per cent of the small businesses that survived after one year were a big disincentive to the nation in terms of employment creation; multiple business regulation, multiple taxation and inconsistent government policies affect SMEs competitiveness; in addition to this multiple levies by the government and its agencies affect small businesses' ability to attract capital in their investment climate.

Mba and Izunwanne (2014), study issues, challenges and prospects of SMEs in Port-Harcourt city, Nigeria. Using descriptive statistics found that poor financing, inadequate social infrastructures, lack of managerial skills and multiple taxations are the major challenges confronting SMEs in Port-Harcourt. Based on their findings, they recommended that provision of soft loans, capacity building and tax incentives to SMEs operators is imperative to ensure sustained growth of SMEs in the city..

Similarly, Gbandi and Amissah (2014) study financing options for SMEs in Nigeria. Using descriptive statistics, found that SMEs in Nigeria have underperformed despite the fact that SMEs in Nigeria constitute more than 90 percent of the Nigerian businesses, but its contribution to GDP is below 10 percent. Based on their findings, they recommended that developing countries such as Nigeria requiring sustained economic growth must pay attention to SMEs sector and harness their great potential to employment generation and poverty reduction. In a related development, Kehinde and Sikiru (2014) study financial structure mix: effect on growth and earnings of SMEs in Nigeria. Using descriptive statistics, found that granting pioneering status for tax purpose will go a long way to create a strong earnings base for the SMEs. Therefore, on the basis of their findings, recommended professionalism should be adopted in financial structure mix and management of the SMEs for increased earnings and growth.

In contrast, Abubakar and Yahaya (2013) study strengthening SMEs as a strategy for poverty reduction in North Western Nigerian. Using T- test method of analysis, found that large enterprises contribute more in the area of employment provision than the SMEs. They therefore, on the basis of their findings recommended that government should make a practical approach to poverty alleviation by emphasizing on the strength of the poor and their productive capacity and not on their weaknesses.

Similarly, Michara and Irura (2012) study taxation and SMEs sector growth in Kenya.. Using binary logistic regression, found that there is a significant correlation between taxation and SMEs sector growth. On the basis of their findings, 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 said to be a level stable enough to sustain tax payment. In contrast, Ojochogwu and Ojeka (2012), study the relationship between tax policy, growth of SMEs and the Nigerian economy. Using spearman's rank correlation, found that although there is general perception that tax is an important source of fund for development of the economy and provision of social services, a significant negative relationship exists between taxes and the business's ability to sustain itself and to expand.

Based on their findings, recommended that in order to obtain a vibrant and flourishing SME sector, the tax policy needs to be appropriate such that it will not be an encumbrance to 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 multiple 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 labor income taxes and social contributions (International Tax Dialogue 2007).

In carrying out their responsibilities, tax administrations can also create problems for the business community when they impose burdensome reporting and record keeping requirements; conduct excessive inspections and audits; fail to deal with corrupt tax administration employees; and, fail to provide transparency in tax administration operations. This type of environment harms individual businesses and the overall economy. As a result, many in the business community react by taking steps which adversely affect the tax base. This typically includes underreporting profits and turnover; underreporting employee wages; and, by creating "phantom" employees. A significant number of businesses also fail to register or file tax declarations. This only increases the burden on those taxpayers who try to comply with the tax law, and discourages their future compliance. The result is a vicious cycle which tends to preserve the status quo. Only meaningful reforms to the tax system can break the cycle and result in an improved business climate which will stimulate economic growth. (Baurer, 2005) An overly complex regulatory system and tax regime or one opaque in its administration and enforcement makes tax compliance unduly burdensome and often have a distortionary effect on the development of SMEs as they tended to morph into forms that offer a lower tax burden or no tax burden at all (Masato, 2009), producing 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) because of 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; Yaobin, (2007).

Although some policy measures are geared towards SME growth in Nigeria, the support needs to be increased, standardized and systematic. Iwuji (2003) believes that it is the role of the government to provide the enabling environment and social services that support businesses and entrepreneurs, and thus enhancing the investment climate in Nigeria for increased economic growth and subsequent tax contribution from all citizens, since a good number of SMEs operate in the informal economy due to the fact that they deem the tax environment within which they operate as unfavourable. These SMEs constitute untapped revenue potential and an uneven playing field in many countries (International Tax Dialogue, 2007) as such they need to be captured by the tax net.

The legislation is a necessary regulator for protection of the business environment and security of the economic agents, for establishment of the necessary social security regulations but at the same time it hampers the business with additional expenditures and administrative obstacles, which place in different positions the SME. The big companies have more choices possibilities. They can either share part of the staff or hire people to deal only with studying the legal requirements and complying with the new regulations, or contract some personal service firm (like E&Y, Deloitte and Touché, Price Waterhouse etc) to deal with their tax compliance, planning etc. For SME this is a great expense out of their abilities. (Smatrakalev, 2006, Shahrodi, (2010) believes that for a tax system to be efficient, the tax policy needs to be designed such that the tax rates are appropriate and rational, the exemptions are lower in amount, the tax collection organization are more efficient, the tax burden of the indigent people should be lighter and the fight against corruption and tax evasion should be much more intense.

Tax policies can be designed in such a way that they do not only directly affect SMEs but also indirectly push for their growth for example the practice in China where tax policy has been designed to encourage SME financing by granting exemptions from business tax for financial corporations that provide guarantee for loans to SMEs and granting tax deductions to market entities and venture capitalists that invest in high-tech SMEs the tune of 70% of the investment value. Another way is by designing tax policies that encourage human capital training. (Yaobin, 2007)

Special tax regimes for SMEs may be appropriate policy instruments for minimizing the cost of collection. It is important to note that the awareness of the dangers of inadequate attention to the taxation of SMEs has grown. It can lead, for example, to distortions of competition as a result of uneven tax enforcement, with incentives created to limit growth and to avoid tax through artificial splitting of enterprises. Not least, voluntary compliance by larger enterprises themselves, and by wage earners, may be undermined by the (correct) perception that their smaller counterparts, or better-off neighbours, are getting away with poorer compliance. (International Tax Dialogue, 2007) Hence government intervention will help maintain balance while helping countries exploit the social benefits from greater competition and entrepreneurship.

The European Charter for Small Enterprises for instance, sets the objective that "Tax systems should be adapted to reward success, encourage start-ups, favour small business expansion and job creation, and facilitate the creation and the succession in small enterprises. Member States should apply best practice to taxation and to personal performance incentives." Arguments are sometimes made for preferential treatment of smaller enterprises on pure policy grounds: if they have difficulty raising external finance, for example, a reduced tax rate on retained earnings, freeing more internal finance, may seem useful. The importance of this and other possible market imperfections in impeding realization of the full potential of SMEs remains unclear. The crucial points, however, are that size itself may not be closely associated with the relevant market failure (some smaller enterprises may face no financial constraints, for example), and tax interventions will often be dominated by targeted spending measures (such as development loans). Inadvertent damage to smaller enterprises from flawed tax design should be avoided, but the case for preferential treatment is far from clear. (International Tax Dialogue, 2007).

Furthermore, policy incentives such as tax rebate for SMEs that put effort on local sourcing of raw materials, serious in adding value to commodities for exports and other business ethics, should be employed by government. Similarly, government could increase funding for the development of the sub-sector through direct budgetary allocations and enhance private sector investment opportunities that will focus on specific areas of capacity enhancement. The use of tax incentives are encouraged because they are "fiscal measures that are used to attract local or foreign investment capital to certain economic activities or particular areas in a country (SADC Memorandum of Understanding on taxation, 2002). They are deliberate reductions in tax liability to compensate for deficiencies in the investment environment and entry of players into the sector (Iwuji, 2003), thus attracting investment and creating a prospective source of tax revenue, encourage savings and stimulate investment that leads to a better economy (Bolnick, 2004).

Tax law should be simplified continuously, mainly for three reasons, namely to lower both compliance costs and administrative costs, to reduce uncertainty faced by taxpayers; and to improve the levels of voluntary compliance (Ekpenyong and Nyong (2000). Pro-business (and Pro-SME) Tax regimes and enforcement should be simple, consistent and predictable. In Uzbekistan for instance, one of the steps that promoted the development small businesses was the adoption of a simplified system of taxation for micro-firms and small enterprises in 1998. Tadjibaeva & Komilova (2009) reported that the simplified order of taxation proposed payment of a single tax in lieu of all federal and local taxes and payments (except trade, licensing and registration duties). The rates of single tax vary according to the industry in which the SME operates. The shift to a simplified system of taxation substantially reduced tax burden of small businesses and tax administration procedures became less cumbersome and costly, mainly in bookkeeping and reporting. SMEs were eligible to use either simplified or general accounting procedures based on their preference.

Encouraging SMEs to maintain good accounts is also a way to help the SMEs because the associated good record keeping for tax purposes is also beneficial to the businesses' financial health (Iwuji,2003). Others are continued reduction of tax rates for SMEs, improving the technological development of preferential tax policies which will invariably reduce the compliance costs of SMEs and strengthening the services of tax administration towards SMEs.

2.6 Examine the Impact of Multiple Taxation on SMEs

Nwankyo (2004) using the ordinary least square estimation, estimated the economic effects of tax (selected taxes) on selected Macroeconomic variables in Nigeria economy. His result showed that company income tax (CIT) has positive and significant effects on Gross Domestic Product. It also significantly reduced national unemployment while personal income tax and other taxes except custom and exercise duties, negatively but insignificantly affect unemployment in Nigeria.

Okolo, Okpalaojiego, and Chimaobi (2016), their study examines the effect of multiple taxation on the investment in Small and Medium Enterprises and the study used survey design with SMEs population of 80. The study used questionnaire to collect the data and simple percentage and frequencies were used to analyse the data and the research hypotheses were tested with ANOVA. It was discovered that multiple taxation has negative effect on SMEs investment and the relationship between investment and its ability to pay tax is significant. They recommend that, government should develop a tax policy that considers the enhancement of SMEs capital allowance when imposing taxes and more so, government should also consider a policy that encourages investment in SMEs by consolidating all taxes, levy and charges in one slot and latter disseminate to various government coffer rather than having many closely related but different taxes at the same time.

Uganda, Fisman and Svenson (2000) found that there is a statistically stronger relationship between taxation and growth. Using historical sales data as a measure of firm growth and the rate of growth as: Growth = (Log (sales in 1997 - Log (sales in 1995)) divided by 2. The coefficient on tax implies that a one-percentage point increase in the rate of taxation will reduce a firm's annual growth by about 0.5 Percentage Point.

Adebisi, & Gbegi, (2013), carried a study that examines the effect of multiple taxation on SMEs survival. Their study involved a survey research design with a population of 91. The researchers derived their sample size to arrive at 74 and a self-administered questionnaire was used to collect data. These data were quantitatively analysed with simple percentages and tested the research hypothesis with ANOVA. Their findings revealed that multiple taxation has negative effect on SMEs' survival and the relationship between SMEs' size and its ability to pay taxes is significant. they therefore, recommends that government should come up with a uniform tax policy that will favour the development of SMEs in Nigeria and government should put into consideration the size of SMEs when setting tax policies.

Osamwonyi, & Tafamel (2010), Their study therefore, focuses on three business activities in manufacturing: poultry farming, Garri processing and bakery industries in Edo State of Nigeria. Their major findings include lack of management skill, poor record keeping, weak access to financing, multiple taxation, and inconsistent policies. Seminars and workshops are recommended to improve SMEs' management capabilities, as well as the institutional co-ordination of the efforts of relevant agencies and institutions, and the streamlining of the myriad of taxes stifling SMEs.

Stephen (2015), his study revealed that there is no significant difference in the mean opinion scores of managers and accountants on the best tax policy that encourages tax compliance by SMEs in Nigeria. It was also revealed that there is no significant difference in the mean opinion scores of managers and accountants of the implications of tax policy on SMEs growth. The paper therefore recommended that the for Small and Medium Enterprises to get better equipped, have enough funds and survive in a competitive market, the rate of tax levied on the small business should be lower; The rate of tax incentives and exemptions which serve as catalysts and bait for attracting investors should be highly increased by them three tiers of government in Nigeria; Government should promulgate a policy that will help to avoid illegal taxes, such as community levy, boys or youth levy and as well as association or union levy; Any policy that will push for enough funds and other activities that will lead to Small and Medium Enterprises growth is good for promulgation and there should be consistency in tax policy that will cushion the effects of factors that militate against the expansion of SMEs in relation to their ability to pay taxes by government.

2.7 Summary of the Review

SMEs as a concept is without an acceptable universal definition, hence the classification of an enterprise into small, medium and large scale is relative and varies. The major criteria for classification are the number of employees, relative size, initial capital outlay, sales value and volume, financial strength and balance sheet size, ownership structure and industry type. In Nigeria SMEs are usually small in size and lack large organizational structure and management culture while the urban SMEs are more structural, the rural ones are less structured. This represents one of the most important characteristic of SMEs in

Nigeria. SMEs are in most cases a one-man business or partnerships enterprise, although they may be registered as Limited Liability Company.

The issue of taxation has generated a lot of controversy and several economic theories as given: ability to pay principle, benefit approach and equal distribution principle. 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. Ninety five percent of Small and Medium Enterprises fold up within a year in Nigeria due to multiple taxes and levies. Five per cent of the small businesses that survived after one year were a big disincentive to the nation in terms of employment creation; multiple business regulation, multiple taxation and inconsistent government policies affect SMEs competitiveness; in addition to this multiple levies by the government and its agencies affect small businesses' ability to attract capital in their investment climate.

From the literature reviewed so far, they did not cover the multiple tax and geographical disperse of SMEs in Kogi state. The gaps discovered in these literature is that, they did not examine how tax agencies do consider profit position of Small and Medium Scale Enterprises before tax them, evaluate the association of multiple taxation with the growth and survival of Small and Medium Scale Enterprises as well as examine the impact of multiple taxation on investment decision of the Small and Medium Scale entrepreneurs particularly in Kogi State.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter provided the empirical methodology to this study for the evaluation of research hypotheses. It states the sources of data used for the study. The population and the sample techniques used as well as the method of data collection and analysis.

3.2 Research Design

This study is a descriptive survey research, aimed at investigating multiple taxations of Small and Medium Scale Enterprises and its implication for survival of businesses in Kogi State. This research collects data and describes it in a systematic manner. Data is collected as is, analysed and reported without manipulation or distortion of any of the variables. Nwana (1981), defined this approach as research designed to gather systematic descriptions of existing phenomena in order to describe or explain it.

The choice of a descriptive survey method is borne out of the fact that, this method focuses on people and their attributes which will help the researcher to understand and explain the impact multiple taxes on Small and Medium Scale Enterprises. To achieve this, the study has used a survey questionnaire, observation schedule and document analysis.

3.3 Population of the Study

The population size for this study is 15250 Small and Medium Scale Enterprises (SMEs) in Kogi State.The population size was obtained from a brochure published in December 2017 by Kogi State Ministry of Commerce, Department of Small Business and Enterprise. However, they are unevenly distributed across the area of study.

3.4 Sample Size and Sampling Technique

From the total population stated above; 390 respondents were selected as the sample of the population using stratified random sampling which gives each item in the population an equal probability of being selected with the aid of Yaro Yamani method. By taking 97% as sample of the target population in each stratum; the random selection will be determined objectively by the means of random number selection to be used. Consequently, most of the respondents will be aware of the information required by the study and selection of 97% will be considered representative of each stratum, cheaper and cost effective beside the limited time the analysis is to be done. Since it would not be convenient for the researchers to study the entire population, the study derived the sample size statistically by using Yaro Yamani (Abdullahi, 2012) as follow:

$n= N/1+N(e)^2$

Where n = Sample size

N = Population

e = Margin of error (0.05)

Thus, the sample size is:

$n = 15250/1+15250(0.05)^2$

$n = 15250/1+15250(0.0025)$

$n = 15250/1+38.125$

$n = 15250/39.125$

$n = 390$

The sample size consists of three hundred and ninety (390) of small and medium scale enterprises spread unevenly across the area of study. The total of 390 questionnaires were distributed out of which only 380 were properly filed and retuned which represents 97% return rate. The empirical analysis was based on the retuned questionnaires.

3.5 Sources of Data Collection

The data for this study is primary in nature and were sourced through questionnaire. In addition we made use of secondary sources of data such as; journal articles, text books, Central Bank of Nigeria annual bulletin, National Bureau of Statistics and Publications of the

Department of Small and Medium Scale Enterprises, Kogi State Ministry of commerce and industry.

3.5.1 Validity of in Instrument

Validity is the objective of measurement to determine the true value of the variables for the individuals being measured. It is vital for a test to be valid in order for the results to be accurately applied and interpreted. Hence, validity is an important construct in the measurement of research variables. It is the extent to which a test measures what is supposed to measure. After developing the instrument, its face and content validity were established by subjecting it to a critical assessment by the researcher's supervisor and two other experts. They helped to ascertain that the contents of the instrument were in line with the purpose of the study, research questions and hypotheses.

3.5.2 Reliability of Instrument

In the measurement of research variables, reliability is another important construct. It is the extent to which measures give consistent results, confirmed that reliability refers to the consistency or precision of the measure. A measure is said to be reliable if it is consistently reproducible. Hence, to check the reliability of responses, each sample subject was cross-examined in order to ensure data collected are consistent and precise. For this reason, there is an acceptable reliability of data obtained. To ascertain that the instrument was reliable data generated via questionnaire are subjected to a reliability test using the Pearson Product Moment Correlation Analysis.

3.6 Method of Data Collection

The instruments for the study included an observation schedule, document analysis, and a ten (10) item survey questionnaire (effect of multiple taxation on Small and Medium Scale Enterprises and its implication for business survival; an Assessment Questionnaire) that used a modified Likert-type scale with four response options.

The questionnaire was divided into two sections. The first section was made up of five (5) items used to gather demographic information about the respondents, while the second section was made up of ten (10) items used to elicit information from respondents on their assessment of multiple taxation on Small and Medium Scale Enterprises and its survival in Nigeria.

The observation schedule included items used to collect concrete evidence on the availability, quantity and rate of tax in SMEs and factors in favour and militating against tax policy in Kogi State in assessed Enterprises, while document analysis was used to obtain information on the availability, quality, and tax compliance of SMEs.

3.7 Method of Data Analysis

The statistical tool of frequency tables and percentage were used to present and analyse data collected and also Analysis of Variance (ANOVA) was adopted to determine the nature of relationship between multiple taxation and Small and Medium Scale Enterprises survival in Nigeria i.e. to test the research hypothesis I. ANOVA model for hypothesis 1 is as thus:

Step I: Caculate the Correction Factor

$$CF = \frac{(\Sigma x)^2}{N}$$

Step II: Calculate the Sum of Squares Group

$$\text{SS Total} = \Sigma x^2 - CF$$

Step III: Calculate the Sum of Squares Group

$$\text{SS Group} = \sum \frac{(\Sigma x)^2}{n} - CF$$

Step IV: Caculate the Sum of Square Error

$$\text{SS E} = SST - SSG$$

Step V: Calculate the Mean Square Group

$$\text{MS Group} = \frac{\text{SS Group}}{df \text{ Group}}$$

Step VI: Calculate the Mean Square Error

$$\text{MS Error} = \frac{\text{SS Error}}{df \text{ Error}}$$

Step VII: Calculate the Variance Ratio

$$\text{V.R.} = \frac{\text{MS Group}}{\text{MS Error}}$$

Table 3.1: ANOVA Table as follow:

Source	df	SS	MS	F
Total	N-1	SST	-	-
Group	K-1	SSG	MSG	V.R.
Error	N-K	SSE	MSE	-

N-1 = Degree of Freedom of SST

N-K =Degree of Freedom of SSE

K-I = Degree of Freedom of SSG

N = K*n

K = The Number of Columns

n = Number of Rows

$\alpha = 0.05$

A hypothesis to determine the nature of relationship between multiple taxation and Small and Medium Scale Enterprises survival in Nigeria. The hypothesis is stated as follows:

H_0: $\mu = 0$

H_1: $\mu \neq 0$

A non-parametric method, the Goodman's and Kruskal's Gamma is adopted to determine the effects of multiple taxation on the growth and survival of SMEs and the impact of multiple taxation on investment decision of the Small and Medium Scale entrepreneurs in Nigeria. This is a useful non-parametric measure of association (Nwana,1981). Ordinal level of scaling was used for both variables. The basic formula for gamma is;

$$G = \frac{N_a - N_1}{N_a + N_1}$$

Where N_a = Number of agreements
N_1 = Number of inversions

Agreements and inversions can be understood as expressing the direction of correlation between the variables. The value of G ranges between +1 and -1 where +I denote perfect positive correlation and -1 indicates perfect negative correlation.

A hypothesis to determine whether the variables i.e. growth and survival of SMEs and multiple taxation are not associated in the population are tested. The hypothesis is stated as follows:

H_0: $\Upsilon = 0$
H_1: $\Upsilon \neq 0$

To test the above hypothesis, we have to convert our calculated 'G' to a Z-score by the following formula:

$$Z = G\sqrt{\frac{Na+N_1}{N(1 - G^2)}}$$

Where:

G = Calculated gamma coefficient N_a and N_1 are as defined before. N = Sample size: The null hypothesis is accepted if Z calculated is smaller than the required table value.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

4.1 Introduction

The data presented here are those collected from the field survey on the appraisal of the effect of multiple taxations on SMEs in Nigeria. The data were collected mainly from Lokoja, Okene, Anyigba, Ankpa inKogi State. This will be geared towards testing the research hypotheses leading to drawing conclusions, recommendations and suggestions.

4.2 Presentation of Results and Analyses

The following tables are presented and analysed based of the information gathered from the response to questionnaires distributed for the survey.

Table 4.1: Does your company pay tax

Responses		Frequency	Percentage
A	All the time	202	53%
B	Most of the time	110	29%
C	Less of the time	62	16%
D	Not at all	6	2%
Total		**380**	**100%**

Source: Field Survey, 2018.

From table 4.1above, 202 respondents representing 53% of the total sample size say their company pays tax all the time. 110 respondent representing 29% say most of the time, 62 respondents representing 16% say less of the time while only 6 of the respondents representing 2% of the sample size say not at all. From the score, we deduced that SMEs in Nigeria pay tax all the time given the amount of respondents that stood for it.

Table 4.2: How many agencies do you pay taxes to?

Responses		Frequency	Percentage
A	Above three	78	20.5%
B	Not less than three	170	44.7%
C	Above two	82	21.6%
D	Not less than two	50	13.2%
Total		**380**	**100%**

Source: Field Survey, 2018.

The table above shows the response rate of how many agencies collects taxes, 78 respondents representing 20.5% of the sample size say above three, 170 respondents representing 44.7% say not less than three, 82 respondents representing 21.6% say above two, 50 respondents representing 13.2% say not less than two, From the score, we deduced that at least not less than three agencies collect taxes from small and medium scale enterprises in Nigeria.

Table 4.3: Multiple Taxations Affects the Growth and Survival of your Business Negatively

Responses		Frequency	Percentage
A	Strongly agree	101	26.6%
B	Agree	235	61.8%
C	Disagree	44	11.6%
D	Strongly disagree	0	0%
Total		**380**	**100%**

Source: Field Survey, 2018.

The score on table 4.3 above revealed that multiple taxations affect the growth and survival of SMEs in Nigeria. This is based on the opinion of respondents, at least 101 of them representing 26.6% strongly agree, 235 of the respondents representing 61.8% also agree while only 44 respondent representing 11.6% disagree about the statement. Meanwhile, no respondent strongly disagrees on the statement.

Table 4.4: A Relationship between SMEs Sizes and Ability to Pay Taxes

Responses	Frequency	Percentage
Strongly agree	19	5%
Agree	43	11.8%
Disagree	236	62.1%
Strongly disagree	82	21.1%
Total	**380**	**100%**

Source: Field Survey, 2018.

From table 4.5 above, 19 respondents representing 5% strongly agree that there is a relationship between SMEs sizes and their ability to pay taxes. 43 respondents representing 11.8% followed by agreeing to it while, 236 respondents representing 62.1% disagree and 82 respondents representing 21.1% strongly disagree the relationship between the sizes of SMEs and their ability to pay. From the result; we deduced that the ability of SMEs to pay all taxes depends on their sizes, volume of business and level of revenue generation.

4.3 Test of Hypotheses

This section involves the test of the research hypotheses using the analysis of variance (ANOVA). The test is based on the data collected from the field survey on the study. The data is drawn from table 4.1, 2.4, 4.3 for hypothesis 1:

4.3.1 Test of Hypothesis I

Table 4.5: Sample Data 1

Table	A	B	C	D
4.1	78	170	82	50
4.2	101	235	44	0
4.3	19	43	236	82
$\sum x$	**198**	**448**	**362**	**132**
$\sum x^2$	**16,646**	**85,974**	**64,356**	**9,224**

Source: Author’s computation

Solution

CF = $(198+448+362+132)^2/12$

CF = $(1140)^2/12$

CF = 1,299,600/12

CF = 108,300

SST = 16646+85974+64356+9224-108300

SST = 176,200-108300

SST **= 67,900**

SSG = $(198)^2/3 + (448)^2/3 + (362)^2/3 + (132)^2/3 – 108,300$

SSG = 39204/3 + 200704/3 +131044/3 + 17424/3 – 108,300

SSG = 129,458.7-108300

SSG = 21,158.7

SSE = 67900-21158.7

SSE = 46,741.3

MSG = 21158.7/4-1

MSG = 21158.7/3

MSG = 7,052.9

MSE = 46,741.3/12-4

MSE = 46741.3/8

MSE = 5,842.7

V.R. = 7,052.9/5842.7

V.R. = 1.21

Table 4.6: ANOVA Table

Source	DF	SS	MS	F
Total	12	67900		
Group	3	21158.7	7052.9	1.21
Error	8	46741.3	5842.7	

Source: Author Computation

From the ANOVA test statistics above, F_{cal} is lesser than F_{tab}. That is, $1.21<4.07$. We therefore accept the null hypothesis (H_0) which state that Tax Agencies do not really consider the profit position of Small and Medium Scale Enterprises before taxing them in Nigeria and therefore reject the alternative hypothesis (H_1) at 0.05 level of significance. The implication of this decision is that, the tax administration in Nigeria is cruel to the growth and survival of SMEs. This result supports the assertion by Small and Medium Scale Enterprises Development Agency of Nigeria (SMEDAN) Nigeria, which stated that 80% of SMEs die before their 5^{th} anniversary due to multiple taxations.

4.3.2 Test of Hypothesis II

This section involves the test of the research hypotheses using the Goodman's and Kruskal's Gamma Coefficient the test is based on the data collected from the field survey on the study.

Table 4.7: Goodman's and Kruskal's Gamma Table

Growth of SMEs		**Multiple**	**Taxation**
	Very High	Moderate	Low
Very High	27	84	180
Moderate	95	64	80
Low	258	232	120

Source: Field Survey 2018

N_a:

VHT/VHG = 27(64+80+232+120) = 13,392

MT/VHG = 84(80+120) = 16,800

VHT/MG = 95(232+120) = 33,440

MT/MG = 64(120) = 7, 680

<u>71,312</u>

N_1:

LT/VHG = 180(95+64+258+232) = 116,820

MT/VHG = 84(95+258) = 29,652

LT/MG = 80(258+232) = 39, 200

MT/MG = 64(258) = 16,512

$$\underline{202,184}$$

$$G = \frac{N_a - N_1}{N_a + N_1} = \frac{71,312-202,184}{71,312+202,184} = \frac{-130,872}{273,496}$$

G = -0.479

This coefficient implies a negative correlation between multiple taxations and the growth of SMEs in Nigeria. A hypothesis to determine whether the variables i.e. growth of SMEs and multiple taxation are not associated in the population will be tested here. The hypothesis is stated as follows:

H_0: $Y \neq 0$ (there is no correlation)

H_1: $Y = 0$ (there is correlation)

To test the above hypothesis, the calculated Goodman's and Kruskal's gamma coefficient was converted to a Z-score using the formula:

$$Z = G\sqrt{\frac{Na+N_1}{N(1-G^2)}}$$

$Z = -0.625\sqrt{}71,312+202,184/380[1-(-0.625)^2]$

$Z = -0.625\sqrt{}273,496/380(1-0.391)$

$Z = -0.625\sqrt{}273,496/380(0.609)$

$Z = -0.625\sqrt{}273,496/231.42$

$Z = -0.625\sqrt{}1,181.82$

$Z = -0.625*34.378$

Z = -2.149

Testing at *5%* level of significance, Z table value is - 1.96

DECISION: Since the value of Z calculated (i.e. – 2.149) <the value of Z in the table (i.e. – 1.96), in absolute value 2.149>1.96 we rejected the null hypothesis which states that, there is no correlation between multiple taxation and the growth of SMEs. It has been observed that there is a negative correlation between multiple tax and growth of SMEs.

4.5 Discussions of Findings

Result from the field survey revealed almost all the SMEs in Nigeria pay taxes to government all the time. As revealed by table 4.2, not less than (3) three agencies collect taxes from SMEs in Nigeria. This means that all the tiers of government have their own form of taxes they do collect from SMEs. We also have some cases of community levy, youth levy and union or association levy that are also involve in tax collection in Nigeria. Iwuji (2003) believes that it is the role of the government to provide an enabling environment and social services that support businesses and persons. This means enhancing the investment climate in Nigeria for increased economic growth and subsequent tax contribution from all citizens which is necessary because a good number of SMEs operate in the informal economy due to the fact that they deem the tax environment within which they operate unfavorable.

Moreso, we found out that multiple taxation affects SMEs growth and survival negatively. This was made obvious by the correlation result obtained from Goodman's and Kruskal's gamma coefficient that was converted to a Z-score. 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

Findings from the field revealed that tax collectors do not consider the profit position of businesses in tax collection. From the test statistics, we deduced that there is a significant relationship between multiple taxation and SMEs survival. Hence, government should discontinue the excessive taxes they collect from the SMEs so that they can continue to exist as an entity. The test also revealed there is a negative correlation between multiple taxation and the growth of SMEs. 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),

CHAPTER FIVE

SUMMARY FINDINGS, CONCLUSION AND RECOMMENDATION

5.1 Introduction

Based on the literature reviewed in this study, the statistical analysis was conducted to test the hypothesis in order to validity the specific objectives and study discovered the stated major findings, therefore, the conclusion were drawn and appropriate policies were recommended. The contributions to knowledge from this study were clearly spelt out and suggestions were made for further study in relation to this line of study in order to provide accurate guide policy makers.

5.2 Summary of Findings

The result obtained from the analyses revealed the following. Government regulation and tax environment are bewildering and represent a very serious obstacle, to starting SMEs in Nigeria; because tax Agencies do not really consider the profit position of Small and Medium Scale Enterprises before taxing their income. The implication of this decision is that, the tax administration in Nigeria is cruel to the growth and survival of SMEs. This result supports the assertion by Small and Medium Scale Enterprises Development Agency of Nigeria (SMEDAN) Nigeria, which stated that 80% of SMEs die before their 5th anniversary due to multiple taxation.

The results revealed that SMEs in Nigeria pay tax all the time given the amount of respondents that stood for it. The study revealed that at least not less than three agencies collect taxes from one particular Small and Medium Scale Enterprises in Nigeria. Most of the SMEs declared that their profit has been reduced due to increase in tax and levy rates. The study also discovered that the ability of SMEs to pay all taxes depends on their sizes, volume of business and level of returns on their investment.

Large number of SMEs owners stated that the problems for not undertaken new investment activities are lack of saving due to high tax expenditure and Stiffed government regulations which are detrimental to investment decision of the entrepreneurs in Nigeria.

It was also discovered by the study that there is a negative correlation between multiple tax and growth of SMEs. This was made obvious by the correlation result obtained from Goodman's and Kruskal's gamma coefficient that was converted to a Z-score.

5.3 Conclusion

The study appraises effect multiple taxation on SMEs and its implication for business survival in Nigeria; and study area covered Abuja and Kogi State. From all literatures reviewed, the study deduced that the development and operation of SMEs has economic impact on the nation.

The study established relationships between SMEs' sizes and their ability to pay taxes, multiple taxations and SMEs survival. The study therefore, concludes that multiple taxations affect the survival and growth of SMEs in Nigeria.

5.4 Recommendations

This study therefore, recommends the following based on the outcome of the empirical investigation carried out on the effect of multiple taxes on Small and Medium Scale Enterprises in Nigeria.

1. Tax collection should be defined with respect to which government should collect certain taxes from SMEs. This will avoid the three tiers of government collecting taxes from the same particular organization.

2. Government should also put a policy in place to avoid illegal taxes, such as community levy, boys or youth levy and as well as association or union levy.

3. Taxes should he collected in relation to the sizes and profit of SMEs considering all other factors that can constrain the progress of such SMEs as there is a relationship between SMEs sizes and their ability to pay taxes.

4. The Federal government should legislate against illegal levies introduced at the state and local level of government and revised the tax policy of force closure of SMEs by the lower tiers of government.

5.5 Contribution to Knowledge

Based on the empirical literatures reviewed in this study, gaps of methodological inadequacy discovered were addressed by this study. The previous research studies did not use Pearson Product Moment Correlation Analysis which this study has been able to do.

The study contributed to the body of knowledge by modifying the existing models and made use of Pearson Product Moment Correlation Analysis. These models were modified and used to validity the specific objectives stated in this study which is different from the objectives of the previous study on SMEs and Multiple taxation.

This study revealed that Government at different tiers do not consider the profit position of SMEs in Kogi State when taxing the income and this has negative impact on their ability to pay taxes and survival in the business.

This study further demonstrated that multiple taxation exposed SMEs to untimely closure of business due to inability of the business to generate enough revenue to cover cost of operation. More so, investment decision in SMEs is very low as result multiple taxation that are being made to pay and this represent disincentive to investors in SMEs.

5.6 Suggestion for Further Study

We believe research work in the future on: tax evasion and avoidance and its implication on the volume of tax revenue collection in Nigeria, Tax incentives, growth and survival of

SMEs, and Gender sensitivity and tax system in Nigeria will contribute immensely to existing body of knowledge in this area and administration of Tax in Nigeria

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Appendix 1: Questionnaire

QUESTIONNAIRE ON THE EFFECT OF MULTIPLE TAXATION ON SMALL AND MEDIUM SCALE ENTERPRISES (SMEs); ITS IMPLICATION FOR BUSINESS SURVIVAL IN KOGI STATE.

C/O School of Postgraduate Studies

Salem University

Lokoja.

June, 2018.

Dear Respondent,

This is a public survey questionnaire which is aimed at identifying and collecting data about the effect of multiple taxation on Small and Medium Scale Enterprises (SMEs) and their survival in Kogi State. Your kind and objective response will significantly contribute towards reducing if not totally removing the problem of multiple taxation on SMEs in Kogi State.

In order to ensure confidentiality do not put down your name on the questionnaire but please answer the questions as honestly and objectively as possible.

1. Name of organization/Enterprise:…………………………………………………..

2. Address:………………………………………………………………………….

……………………………………………………………………………………

3. Date of Incorporation/Registration:……………………………………………….

4. Nature of Organization. Please tick as appropriate:

A. Private Limited Company

B. Partnership

C. Sole Proprietor

D. Family Owned Business

E. Others (please specify)

5. For how long has your company been in operations (please tick as appropriate)

A.Less than five (5) years

B. Between 5 and 10 years

C. Between 11 and 15 years

D. Between 16 and 20 years

E. Over 20 years

6. Your company deals in:

A. Finished Goods

B. Raw materials

C. Semi processed goods (intermediate)

E. All of the above

F. None of the above (Explain)…………………………………

7. Does your company pay tax?

A. All the time

B. Most of the time

C. Less of the time

D. Not at all

8. How many agencies do you pay taxes to?

A. Above three

B. Not less than three

C. Above two

D. Not less than two

9. Multiple Taxations Affects the Growth and Survival of your Business Negatively

A. Strongly agree

B. Agree

C. Disagree

D. Strongly disagree

10. What is the relationship between Business Size and Ability to Pay Taxes?

A. Strongly agree

B. Agree

C. Disagree

D. Strongly disagree

Thanks for your time and patience