

Multiple Taxation and Small and Medium Scale Enterprises (SMEs) Financial Performance in Abuja, Nigeria

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Abstract— The main objective of this study was to examine the impact of multiple- taxation on small and medium scale enterprise Finance performance, in Nigeria, particularly Abuja metropolis. This study, surveyed fifteen (15) selected SMEs within the Abuja metropolis precisely AMAC area, with a population of four hundred and fifteen (415) respondents and a sample size of two hundred (200), as calculated using RAOSOFT Sample Size Calculator. A total of two hundred (200) questionnaires were administered. One hundred and seventy-eight (178) copies representing (89%) of the questionnaire were properly completed and retrieved while twenty two (22) questionnaires representing (11%) were not retrieved. Primary source of data was used to gather information for the study and the main instrument of data collection was the questionnaire. The data were presented in tables as frequency distribution in the data analysis; the techniques of percentage frequencies were used. The hypotheses were tested using ANOVA (analysis of variance) at 5% significance level. Having analyzed the data, it was found that the majority of the respondents strongly agreed with all the questions posed with regards to the effects of multiple- taxation and disproportionate multiple- taxation on the finance performance of SMEs in Abuja. The study concluded that there is strong correlation between Multiple-taxation and the financial performance of SMEs in Abuja, Nigeria; there is also strong correlation between Disproportionate multiple taxation practices constitute a major challenge in the budgetary and planning performance of SMEs in Abuja, Nigeria. In view of these findings and conclusions, the researcher recommends, further studies on current taxation policies to ensure that they meet the criteria of good taxes according to Adam Smith in the wealth of nation. Training and awareness programs for tax agents, SMEs owners and their employees should be encouraged by the Nigerian Government. Comprehensive vetting of tax levies from government bodies and states by the federal government to weed out unnecessary multiple- taxation. Deregulation of disproportionate taxes to correlate with SMEs incomes. Consolidating all taxes as a lump paid directly to an assigned government account in correlation to income, after which the tax authorities can disseminate according to an agreed sharing ratio to various government purses instead of having multiple and closely related taxes at the same time.

Index Terms— Financial Performance, Multiple Taxation, and Small and Medium Scale Enterprises (SMEs).

I. INTRODUCTION

Highlight Taxes are compulsory levies imposed by government on business profits, personal income, dividends,

and commission necessary for the infrastructural and social development of the country. Taxes where not necessary can be dis-incentive and a hindrance to the development and growth of Small and Medium Enterprises. Multiple taxation, which is referred to as, “taxation of a single amount of money more than once, often by two more different government authorities” is even more die-incentive for SMEs in Abuja.

Several economic literatures recognize Small and Medium Enterprises (SMEs) as a catalyst for economic growth in every economy, Nigeria inclusive. “It is recorded that 99 per cent of the business bodies in Nigeria are SMEs which has been an instrumental component in GDP and hub for work opportunities” (Eniola and Entebang, 2015). Small and medium enterprises are better able to serve dispersed local markets than larger corporations; thereby facilitating the growth and development of human and capital resources towards general economic growth. In view of this, Nigerian government has been devising policies and incentives for the development of Small and Medium Scale Enterprises through programs which should assist them specifically in funding and advisory services, as well as provision of basic infrastructures.

Successive governments in Nigeria have shown interest in supporting SMEs by policies formulations and establishment of various schemes and specialized financial institutions to provide suitable financial support and policy directives to the sector. To protect SMEs from sliding, the government established Small and Medium Enterprises Development Agency of Nigeria (SMEDAN) which is supposed to stimulate, monitor and coordinate the development of the MSMEs sub-sector, the Bank of Industry (BOI) and the Nigerian Agricultural Cooperative and Rural Development Bank (NACRDB) meant to provide funds to small and medium scale enterprises by way of commercial loans, and adopted banning on a variety of industrial and agricultural products and increase in tariff rates to discourage importation of some of the industrial goods that could be produced domestically.

The promotion of Small and Medium Scale Enterprises by governments is based on the recognition, that a strong, successful and growing Small and Medium Enterprises sector is credible bedrock of growth and development for any country. However, in spite of efforts by the government to ensure the growth of SMEs in Nigeria, the sector is counter affected by other key factors, which require keen attention. The role of government is to create the rules and frameworks in which businesses are able to operate favorably in the

society but from time to time government changes these rules and frameworks, thus creating room for more taxation on businesses and thereby, forcing businesses to change the way they operate. Businesses are thus acutely affected by government policies.

This research aims at examining the impacts of multiple taxation and disproportionate multiple-taxation practices, as a product of multiple-taxation, on the financial performance of Small and Medium Scale Enterprises, in Abuja Nigeria. It is therefore very vital to understand and appreciate what constitutes of Small and Medium Scale Enterprises, their survival, their role in the economic development of a country and the challenges they combat that impede their growth and increase early mortality rate.

SMEs challenges can be grouped into internal and external. Some of the internal challenges include: stiff competition from larger corporations, capacity to source raw materials, low capacity utilization etc. While some of the external problems are; multiple taxation, and disproportionate multiple-taxation practices, inability to engage or employ the right caliber of staff, cut throat. In view of the economic situation and the alarming rate of businesses failure in Nigeria, it is important to determine the impact of government policies and Multiple-Taxation on the performance of Small and Medium Enterprises. These challenges, have been hampering the financial performance of SMEs in Abuja, thus the researcher was spurred to proffer solution to these problems.

For the purpose of this study, the following questions were reflected in the research work:

To what extent does multiple-taxation affect the financial performance of SMEs in Abuja, Nigeria? And To what extent does disproportionate multiple taxation practices affect the budgetary and planning performance of SMEs in Abuja, Nigeria? The main objective of this study is to examine the impact of multiple-taxation on SMEs financial performance in Abuja Nigeria. The specific objectives were: To-determine the effect of multiple- taxation on the financial performance of SMEs in Abuja, Nigeria. And To examine the extent to which Disproportionate multiple-taxation practices affect the budgetary and planning performance of SMEs in Abuja, Nigeria. In view of the above research questions and objectives the following null hypotheses were raised: H_0 :

There is no significant relationship between Multiple-taxation and the Financial Performance of SMEs in Abuja –Nigeria. H_0 : There is no significant relationship between Disproportionate Multiple Taxation practices and the Budgetary and Planning Performance of SMEs in Abuja, Nigeria.

II. LITERATURE AND THEORETICAL REVIEW

Conceptual Issues

Small and Medium Scale enterprises (SMEs) as a concept, is dynamic in definition and character; it varies with time, institution and national boundaries. Number of employees, assets and annual turnover are important parameters taken into consideration while defining it. For instance, Hatten

(2012) defines small company as “a business independently owned, operated, and financed; has fewer than 100 employees; and has relatively little impact on its industry.” Also, the Federal Ministry of Commerce and Industry of Nigeria defines small-scale business as “a business with capital investment that is not over seven hundred and fifty thousand naira (N750, 000), while the Central Bank of Nigeria (CBN) (2010) defines SMEs as business with asset base of between five and five-hundred million naira, and staff strength of between 11-300 people.”

According to Sule (1986) “a Small Scale Enterprise has a labor size of 11-100 workers or a total cost of not more than N50 million including working capital but excluding cost of land; while a Medium Scale Enterprise has a labor size of between 101-300 workers or a total cost of over 50 million, but not more than N200 million including working capital but excluding cost of land.” The study also reveals that about 50% are engaged in distributive trade, 10% in manufacturing, 30% in agriculture and the rest 10% in services. A unique feature of Nigeria SMEs is that they focus on a small number of products and services, which enable them to establish strong relationships with their customers, which in turn gives their businesses a competitive advantage. Typically, SMEs are flexible to make necessary changes in their services or products to suit customers' dynamic needs.

The very existence of SMEs has so many social and economic advantages, some of which are; “a source of employment, competition, economic dynamism and innovation, which stimulates the entrepreneurial spirit and the diffusion of skills.” Panitchpakdi (2006). SMEs also increases the range of income distribution due to their wider geographical presence as opposed to bigger organizations which are more sparsely present mostly in urban areas thereby restricting income distribution. Over the years SMEs have led to more utilization of natural resources and creation of startups and micro industries, thus increasing national wealth and improving standard of living especially in rural areas through high productivity.

In effect one can say that successful SMEs, can go along way towards poverty alleviation and as such reduce crime rates and increase GDP of a country. In view of this, Successive governments in Nigeria have always shown interest in supporting SMEs through policies formulation and establishment of several schemes and specialized financial institutions to provide financial support and policy direction to the sector as well as trying to provide of basic infrastructures.

Role of SMEs in Economy

Various scholars and studies affirmed that SMEs play an important role in the economic development of any country, both developed and the one in the course of development. Basil (2005) stated that “the Industrial Revolution of 1760-1850 represents a good testimony of the inherent innovative spirit of SMEs, which is increasingly challenged in the present century particularly after winds of economic change cum technological innovations and industrial liberalization have swept

various economies of the world. These challenges notwithstanding, SMEs have remained as important and relevant economic catalysts in industrialized countries as they are in the developing world. In many developed countries, more than 90% of all enterprises are within the SME sub-sector, while 80% of the total industrial labor force in Japan, 50% in Germany and 46% in USA small businesses contribute nearly 39% of the country's national income. Comparable figures in many other developed countries are even higher."

In Thailand, there are about 118,648 SMEs representing around 98% of total firms in manufacturing sector. Invalid source specified. "UK economy is 99 % SMEs, so out of the 4.8 million UK businesses less than 1% are large corporations with over 250 employees" (Rowe, 2009). "China is fast becoming the largest economies in the world and SMEs are key element in China's economy accounting for 99% of total number of firms and about 70% of overall employment (Tang, Paul and Yuli, 2007).

"Comparable data on SMEs for developing countries may not be easily available, but it is obvious that the role of SMEs is equally important in the economies of developing and developed countries alike. SMEs are important to almost all economies in the world, but especially to those in developing countries" (Berry, 2007). There is considerable interest in SMEs in developing countries. There are probably two main reasons for this. "One is the belief that SME development may prove to be an effective anti-poverty program. The second is the belief that SME development is one of the building blocks of innovation and sustainable growth. These two reasons are of course linked because most of the international evidence says that growth and real poverty reduction go hand in hand. If SMEs development helps growth, more than likely it helps reduce poverty as well" (Warner, 2001).

From all points of view, SMEs constitute an important solution to many economic problems. It has become main driving force behind job creation, poverty alleviation, Income distribution, development of entrepreneurship, production of intermediate goods and transformation of indigenous technology in every economy, development of entrepreneur and avenue for self-employment and provision of opportunity for training managers and semi-skilled workers.

These key identified areas in which the SMEs sub-sector contribute most to the economy are therefore briefly explained:

Job Creation:

Globally, unemployment is one the greatest challenges confronted by every economy, a very vital reason for the promotion and intended development of SMEs by government and international organizations. "SMEs account for well over half of the total shares of employment, sales and value added. From the viewpoint of economic development, small businesses create almost half of new jobs in the economy, and it is assumed that they are good jobs". (Davis et al., 1993). The Small and Medium Scale Enterprises Development Agency of Nigeria (SMEDAN) estimates that, SMEs employs 87.9%

of the workforce in the private sector. The stronger the SMEs sub-sector in an economy the less the challenge of unemployment and poverty prevalence.

Alleviation of Poverty:

"The development of SMEs is seen as the means to accelerating the achievement of wider socioeconomic goals, including poverty alleviation" (Cook and Nixon, 2000). To mitigate poverty, jobs must be created. Because the costs of starting SMEs are relatively small and less sophisticated in management, startup entrepreneurs are easily enabled to build small business with little resources and thereby create employment and improved standard of living in the economy. Also, the nature of small and medium enterprise allows the employment of both skilled and unskilled labor force. It enhances the earning capacity of citizens thereby reducing poverty and inequality gaps. This is an important role in any economic development process.

Income Distribution:

The growths of SMEs usually lead to a more equitable distribution of income. Because small and medium enterprise can easily be set up as they can survive on rudimentary management skill, they serve as major facilitators for entrepreneur spread to rural and urban areas alike and enhanced human development, thus helping in increasing standard of living. Resultant income from the development of SMEs spread to various managers and workers in the sector.

Transformation of Indigenous Technology:

Historically, a majority of today's large corporations began as SMEs. According to Kongolo (2010), "all economies have transited from household artisan industries over time to the modern industrial set-up which has witnessed phenomenal upgrading of skills, machinery and equipment, and management practices." SMEs in developing countries can adopt imported technologies, modernize their process and grow to become large corporation. In Nigeria, enterprises like Doyin Investment, Eleganza Nigeria Limited, Dangote Group of companies and Dantata Group of companies are indigenous businesses that started on small scale as prime movers of trades and imports before they grow into manufacturing business and become large-scale firms.

Production of intermediate Goods:

Since SMEs focus more on basic materials, ideas, process and service that large enterprises cannot do or do not want to do, instead of competing with large corporations, they produce intermediate and final consumption goods needed by these larger enterprises and the economic system as a whole. These include raw materials, machinery and equipment, spare parts and household goods. Thus, they create interdependence between both sectors, which an economy needs for sustainability. This symbiotic relationship is well recognized and promoted in advanced economy as the sectors extensively depend on each other for survival. In Japan, for example, "close to 70% of the value of exports of large firms are the products of SMEs" (Anthony, 2014).

SMEs Sector of Nigeria: An Overview

SMEs sub sector is recognized as the spine of Nigeria economy and is considered as a great source of reducing unemployment and poverty in the economy. In order to establish a clear data-driven basis for policy to support the SMEs segment of the Nigeria economy, the Pro-Poor Growth and Promotion of Employment Program in collaboration with Small and Medium Enterprises Development Agency of Nigeria, SMEDAN, and with support from the German Development Agency conducted an Enterprise Baseline Survey in 2012. According to the report “MSMEs represent the overwhelming majority of businesses and enterprises in Nigeria, and account for nearly half of its national economic output. Yet despite various past and recent surveys, data on MSMEs remain scanty, unspecific and patchy. As a result, the empirical base for policy and strategy formulation at federal and state level has been weak.”

The report further explained “currently available data on MSMEs in Nigeria come primarily from SMEDAN’s national policy documents (2007) and from a 2011 survey of MSMEs by SMEDAN and the National Bureau of Statistics (NBS)

To promote the SMEs sub-sector, successive governments in Nigeria initiate various schemes and incentive packages focus on enhancing its growth and development. Some of the institutions and opportunities introduced by the government to support SMEs in the past 30 years include:

- I. Small Scale Industries Credit Scheme (SSICS), established in the 1971
- II. Nigerian Bank for Commerce and Industries (NBCI), established in the 1973
- III. Nigerian Industrial Development Bank (NIDB), established in the 1964
- IV. SME Apex Unit of Central Bank established in the 1989
- V. National Economic Reconstruction Fund (NERFUND) established in the midst 1980s
- VI. The African Development Bank/ Export Stimulation Loan (ADB/ESL) 1989.
- VII. Nigerian Export Import Bank (NEXIM)
- VIII. National Directorate of Employment (NDE)
- IX. Industrial Development Co-coordinating Centre (IDDC)
- X. Community Banks.
- XI. People’s Bank of Nigeria
- XII. Nigeria Bank for commerce and industry (NBCI)
- XIII. The micro-finance initiative (MFI), introduced in 2005 with a policy to convert all the community banks to micro-finance banks, (Internet source).
- XIV. Family Economic Advancement Programme (FEAP)
- XV. State Ministry of Industry SME Schemes
- XVI. Small and Medium Industries Equity Investment Scheme (SMIEIS)
- XVII. Bank of Industry (BOI)
- XVIII. Raw Materials and Research Development Council (RMRDC)
- XIX. Small and Medium Enterprises Developing Agency of Nigeria (SMEDAN)
- XX. N200 billion Small and Medium Enterprises Credit Guarantee Scheme (SMECGS)

Government also promulgates different regulation, “favorable investment policies, institutional and fiscal policies, protective business law and financial incentives to encourage the development of SMEs sub-sector in Nigeria. Some which include Nigeria Enterprises Promotion No. 3 of 1977, Patent Right and Design Act No 60 of 1979, Custom Duties (dumped and subsidized goods Act No. 9 of 1959, Industrial Promotions act No. 40 of 1979 [24], Industrial development Tax Act No. 2 of 1971 among others,” (www.thecje.com).

In spite of all the interventions, effort, favorable schemes, preferential support and incentives aimed at improving SMEs sub-sector by succeeding administration in Nigeria, the sector has continued to perform below expectation. Arinaitwe (2006) emphasized “it appears that considering the enormous potentials of the SMEs sector, and despite the acknowledgement of its immense contributions to sustainable economic development, its performance still falls below expectation in many developing countries. This is because the sector in these developing countries has been be-devilled by several factors militating against its performance, and leading to increase in the rate of SMEs failure”. Okpara (2000), observed that “these factors include the unfavorable and very harsh economic conditions resulting from unstable government policies; gross under-capitalization, difficulty in accessing credits from banks and other financial institutions; inadequacies resulting from the highly dilapidated state of infrastructural facilities; astronomically high operating costs; lack of transparency and corruption; and the lack of interest and lasting support for the SMEs sector by government authorities.” Joshua (2008) also contends that about 70% of the small and medium scale enterprises in Nigeria are between operational or on the verge of folding-up, while the remaining 30% operate on low level capacity and are vulnerable to folding up in the nearest future.” To lift Nigeria SMEs from its abysmal level, it is expedient to identify the factors that have been frustrating various government efforts and formulate hands-on policies and strategies necessary to stop the impediments and allow plausible advancement of the sector.

result from lack of experience and competence.” this is caused by the lack of adequate finance to employ capable skills. Rogers (2012), also added that “inefficiency in overall business management and poor record keeping is also a major feature of most SMEs; technical problems/competence and lack of essential and required expertise in production, procurement, maintenance, marketing and finances have always led to funds misapplication, wrong and costly decision making.”

Most small and medium scale enterprises ignore basic management procedure in order to cut running and operational costs and thus run business as a family affair by undermining proper book keeping and accounting and managerial practice. “Because of the way the business management and accountability measures are ignored, reckless financial administration, wrong investment decision and corruption become the order of the day” (Omolola, 2008).

Disproportionate Multiple-Taxation Practices

Disproportionate Multiple Taxation Practices: this occurs when businesses are taxed fixed sums without regulated rates by multiple government authorities on their income irrespective of the fluctuations in revenue. This practice is often illegal.

In order to discuss disproportionate multiple taxation practices, the researcher first has to define the term proportional taxes; a proportional tax is a fixed tax rate irrespective of size of business or upward or downward fluctuation of the taxable base. As a result, such a flat marginal rate is consistent with progressive average tax rate. "Proportional taxes maintain equal tax incidence regardless of ability to pay and do not shift the incidence disproportionately to those with a higher or lower income well-being.

It is observed that the widespread harassment of SMEs and corruption by some employees of government agencies, vast number of government regulatory agencies, multiple taxes and levies by different levels of government resulting in high cost of running SMEs and so entrepreneurs often become unmotivated. As Ezema (2014), posits, "this is due to the absence of harmonized and gazette tax regime which would enable manufacturers to build in a recognized and approved, levies of tax payable". According to (FIAS, 2008), "The Nigerian Federation comprises three tiers of government—the federal government, 36 State governments and the Federal Capital Territory, and 774 local governments. The exact number of taxes, levied on businesses seems to vary significantly between various states and local governments throughout Nigeria and —businesses may be subjected to as many as but not limited to 30 different taxes, charges, fees and levies, per annum and in some instances taxed for the event or asset - that are levied by the three tiers of government." As a result, issues like management problems poor financial planning.

While large corporations have the ability to pay taxes as levied by the government, there are still grumbles among them about the financial burden of taxes and its impact on their financial performance budgetary performance and poor financial performance become prevalent leading to early demise of SMEs;

Disproportionate multiple taxation is often times an inhibitor of business sustenance and growth. The extent at which fund is siphoned from a business and is accessible determines the ease with which every business can grow and attain success or collapse.

Tax levies are disproportionate especially to SMEs when there are no specified taxation rates applied when levying taxes, instead flat levies are imposed on business without regard to their income, or ability to pay. This system of taxation adopted by various Government bodies is detrimental to the growth and longevity of SMEs in Abuja as most start-up do not have the ability to pay and should be taxed according to their incomes for sustainability or proportional tax rates should be applied. More often than not government agencies, in order to generate revenue impose tax levies on businesses based on how they are categorized, but not all business in the same category have the same level of

income and so such levies are disproportionate in comparison to the income of said businesses. (Tendler and Amorim, 2011).

"The cost of providing infrastructural facilities by SMEs in the absence of those facilities is estimated to be about 15-20 percent of the cost of establishing manufacturing enterprises in Nigeria" (Worldbank, 1989). For example, the cost of generator and its accompanying fuelling and maintenance, is bound to drain, significantly, the profit potential of any establishment. Unfortunately, the problem of power is the most critical of the Nigeria's infrastructural problem.

Poor financial planning and budgetary performance:

Unstable policy Environment

Instability in government policies has undermined the capacity of small and medium scale enterprises. As Ezema (2014), identifies, "inconsistencies in government policies is a major problem affecting small and medium scale enterprises." An example is the government policy of the 1980s, which specified that, cocoa should not be exported in raw or unprocessed form after a specified deadline. As a result, several SMEs in the industry decided to import processing machineries only for government to reverse this policy. This negatively affected so many businesses in the cocoa industry and reduces their confidence in government policies. In such cases government should take into consideration these setbacks in imposing taxes for the period. While this happens with respect to income tax, other taxes that are fixed by other government bodies do not.

According to (Ezema, 2014), "after the government introduction of Structural Adjustment Programme (SAP) in 1986, the strategy of liberalization and deregulation of interest rates have continued to increase, the small and medium scale enterprises (SMEs), which prior to the SAP had been granted concessionary rates of interest (particularly for agricultural and housing loans), have had great difficulties obtaining credit of a Stabilization Securities Account (SSA)". Whereby, the banks were debited with liquidity in their accounts with the Central Bank. The frequent changes, and sometimes-conflicting government monetary policies, have also tended to hurt the small and medium scale enterprises (SMEs). For example, while the government increased total credit allocation to small and medium scale enterprises (SMEs) from 16 to 20 percent, the same government removed excess liquidity in the banking industry through increase in the Minimum Rediscount Rate (MRR), transfer of government parastatals accounts to the Central Bank and the creation of Stabilization Security Account (SSA) whereby the banks were debited with excess liquidity in their accounts with Central Bank (de.slideshare.net).

Problems from Globalization

In order to enhance efficiency and better productivity, corporations in first world countries; constantly upgrade their machinery from time to time, on the other hand, SMEs of developing countries due to financing limitation and import taxes and taxes on assets are hard pressed to maintain old equipment and therefore find it really difficult to up-grade their machineries and technologies. Upgrading technology from time to time and coping up with market demand will generate highly positive results for SMEs.

SMEs in Nigeria depend mostly on imported raw materials and spare parts, which are also expensive because of custom taxes and importation levies. The attendant high foreign exchange cost and scarcity at times render their goods more costly and less competitive in the global market, sometimes; imported goods become cheaper than local ones.

These challenges, among others, left unsolved, will continue to impair the performance of SMEs in Nigeria. It is therefore imperative for government and other stakeholders to give it due attention and proffer quick solutions to enable Nigeria enjoy and explore the great contributory role of SMEs like developed economies.

Prospects of Small and Medium Scale Enterprises in Nigeria

The Nigerian government is making tremendous effort in ensuring that the sector emancipate through various scheme and incentives as early stated; The establishment of various finance organizations and, small and medium scale enterprises development schemes, at various levels of government indicate serious dedication to the growth and development of the sector.

As Omolola (2008) viewed it, “the current effort of government since 1999 towards revamping SMEs as a sustainable process capable of building the prospect of small and medium scale enterprises and a path to national recovery of the Nigeria ailing economy.” Correspondingly, the organized private sector is also making important contributions in the support of SMEs.

Onugu (2005) observed that, “the capital market driven by the Nigeria stock exchange (NSE) and the security and exchange commission (SEC) have not only been expanding its facilities, but also for cost effectiveness for small and medium scale enterprises to access funds from the market.”

In the same vein, “the government through SMEDAN has also called the G8 to assist in providing an enabling environment for small business to thrive in Nigeria. In a paper titled Developing Africa’s SME potential: How G8 can do more to help Africa organized by the African business Roundtable and Tony Blair commission for Africa in Lagos”. According to Mrs. Modupe Adelaja the then Director-General of SMEDAN, she sought support from the G8 to assist the effort of the stakeholder to streamline and simplify the procedure for business registration and taxation at the three tiers of government adding that this would allow SMEs to move from informal to formal level” (www.thecje.com).

There is no doubt that, if the current economic reform programme in Nigeria can be sustained, the capacity of small and medium scale enterprises would be enhanced and improved. Thereby, set Nigeria economy on the path of plausible growth and development.

The Relationship between Government Taxation policy and SMEs Financial Performance

Government policies for SMEs vary from country to country and are influenced according to prevailing social and custom values, and the extent amount of industry and business settings. Sathe (2006) argues, “Government regulations and their bureaucratic procedures can hinder as well as facilitate entrepreneurship activity such as new business origination.

The Government can formulate taxation policies that can boost and support the growth of novel technologies, products, and solutions.” Conversely, Government can, whether knowingly or unknowingly, hinders SME activities when it introduces taxation policies, which do not take into consideration income level or ability to pay and can adversely impact business overhead. The Government often promulgate laws in line with its political policies in which SMEs has to be compelled to sudden changes in the legal framework.

These policies will cause a substantial impact on the competitiveness, ambitiousness and expediency of SMEs. Zahra (1996) strongly claimed, “Firm operating in hostile environments may be reluctant to invest heavily in developing new technologies because hostility erodes profit margins and reduces the resources available for innovation.” The point, therefore, is that the environment in which the SMEs operate is as critical to their survival as taxation policies, funding and management capacities are. Although Nigeria government made a substantial effort on the development of small-scale industries, as seen in different schemes established to support the sector, nevertheless, majority of SMEs problems could be traced to the government itself at various levels. This is mostly in the area of improper implementation of its policies and the neglect of appropriate incentive and infrastructural development necessary to facilitate robust business activities of SME sub-sector.

The SMEs development strategy in Nigeria should, therefore, be holistic. Government should devise definite plans and effective actions to control price inflation, corruption; social justice; provide market information; infrastructure enhancements; training for SMEs and inspire personal investment; starting with the proper regulation of multiple taxation policies to make them less hostile, business friendly for easy and willing compliance taking into consideration business ability to pay and income level.

Akinbogun (2008) in his study examines the impact of infrastructure and Government policies on survival of small-scale ceramic industries in South-West of Nigeria, and found that infrastructural facilities and Government policies have not encouraged viable small-scale ceramic industries in Nigeria. He noted that while Nigerian physical environment and people’s culture have been favorable towards the business enterprises, infrastructural facilities and Government policies have not. This has serious implication for SMEs performance and survival. SMEs development does not take place in a void (www.hrmars.com). The better the business environment, as influenced by government policies, the faster the development of the sector.

Theoretical Review

Several theories were reviewed in order to lay a solid foundation for the study. The theoretical postulates of relevance to this study were:

Theory of Functional finance

Economists like Abba P. Lerner feel that public finance must be functional. Finance and that the prime objective must be that of the maintenance of inadequate level of national income as a means to cut down private spending. Taxation according to Lerner is important not as a means of raising

money but as a means of cutting down private spending. He feels that the tax system should be used as a vital tool of fiscal policy aimed at controlling the economy so as to keep it stable at a high level of production, employment and national income. More than its utility as a means of raising revenue, the tax is a method of persuading or compelling the society to vary the distribution of its expenditure and influence its propensity to earn and save.

“The first financial responsibility of the government is to keep the total rate of spending in the country on goods and services neither greater nor less than the rate at which the current prices would be for all the goods that it is possible to produce.” Disadvantages is that in applying the first law of functional finance, government may find itself collecting more in taxes than it is spending, or spending more than it collects and therefore providing the difference by borrowing or printing more money.

The advantage of the theory, is that it highlights the fact that taxing is never to be undertaken merely because the government needs to make money payments and taxation should therefore be imposed only when it is desirable the taxpayers shall have less money to spend to avoid inflation.

Lindahl's Model (Benefit Theory)

Under this theory developed by Erik Lindahl, tax levels are automatically determined, because taxpayers pay proportionately for the government benefits they receive.

“According to this theory, the government should levy taxes according to the benefit conferred and the benefits derived. That is, the more benefits a person derives from the activities of the government, the more tax he should pay to the government.

However, this theory has come under severe criticism on the following grounds:

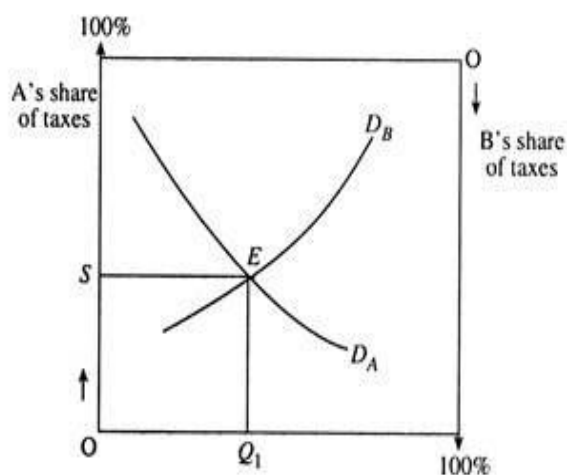


Fig. 1: Lindahl Equilibrium

Figure 1: Lindahl's Equilibrium Chart

Source: Google Images Dec.2018

Issues:

1. If the government maintains a certain connection between the benefits conferred and the benefits derived, it would be against the basic principle of taxation as taxation is a compulsory contribution by all to meet government expenses and provisions of general benefit. There is no direct quid pro

quo in the case of a tax.

2. Who can pay and who can benefit? This is a big issue as most expenditure incurred by the government is for the general benefit of its citizens and it is not possible to estimate the benefit enjoyed by a particular individual or organization per year.

3. If this principle is applied in practice, then the poor who are mostly the less able to pay, will have to pay the heaviest taxes, as they benefit more from the services of the government. If the poor are made to pay more by way of taxes, it is against the principle of Justice?

Arthur Cecil Pigou's Ability –To- Pay Approach

This theory teaches that the measure of general obligations to the support of government is in the state as in the family, the capacity on the part of the individual to contribute to that support. Corporations should be taxed; being affluent they can afford to pay taxes. The ability to pay, generally speaking derives from the economic condition of the individual or the corporation

It is widely believed that if taxes are levied on this principle as stated above, justice will prevail, but there are several issues with this theory as stated below;

1. The definition of ability to pay; economists are not unanimous as to what should be the exact measure of a person's ability to pay. The main viewpoints advanced in this connection are as follows;

2. Ownership of property: several economists suggest that property ownership is a good basis for determining ability to pay, but this notion is out rightly rejected as individuals or organizations earning high income but do not buy property will escape taxation while individuals earning low income but are able to save and buy property will be subjected to taxation.

3. Tax on the Basis of Expenditure: some economists also assert that the ability to pay tax should be judged by the expenditure which a person or organization incurs. The greater the expenditure, the higher the taxes and vice versa. This view is skewed unfair and unsound in all respects. A person or organization having a large family or number of employees to support tend to spend more than those with small family or employees and should not have to pay more for something that is already a burden.

However, there is one proposition by economists on the measurement of ability to pay that appears just and fair and that is:

Income as Basis for measurement of Ability to Pay: most economists are of the opinion that income should be the basis of measuring a person's or organizations ability to pay. If the income of a person or organization is greater than that of another, the former should be asked to pay more towards the support of the government than the latter.

Utility and Sacrifice Theory

Utility and Sacrifice theory has been used to justify progressive taxation and is also sometimes used to uphold proportional taxation. “The many variants of the sacrifice approach are akin to a subjective version of the ‘ability-to-pay’ principle. They all rest on three general premises; (a) that the utility of a unit of money to an individual diminishes as his stock of money increases; (b)

that these utilities can be compared interpersonally and thus can be summed up, subtracted, etc., (c) that everyone has the same utility-of-money schedule” (<https://mises.org/library/power-and-market-government>).

The first premise is valid in an ordinal sense whereas the other two premises are not as although the marginal utility of money does diminish, it is impossible to compare utilities between two people and valuations of utilities vary from one person to another. The sacrifice theory is divided into two main branches; The equal sacrifice principle and the minimum sacrifice principle. This principle states that, everyman should sacrifice equally in paying taxes. This principle states that, the society as a whole should sacrifice the least amount in paying taxes. Both principles treat the government and taxation as simply a burden and sacrifice that must be borne rather than seeing the government as a supplier of social benefits.

Proportionate Principle:

To satisfy the idea of justice in taxation, J.S Mill and other classical economists suggested the principle of proportionate taxation. These economists were of the opinion that if taxes are levied in proportion to incomes of the individuals, it will extract equal sacrifice. Modern economists, however differ in opinion as they assert that when income increases, the marginal utility of income decreases. The equality of sacrifice can only be achieved if persons with high incomes are taxed higher rates than those with lower income. They favor progressive system of taxation in all modern tax systems.

Cost of Service Principle:

This principle suggests that the cost incurred by the government in providing public goods to satisfy social wants should be regarded as the basis of taxation. Which means, tax should be paid in accordance to the cost of public goods and utilities enjoyed by citizens.

In effect the state is seen as a producer of social goods and levy taxes as the prices for their products.

From the above, the theory of Functional finance, the Benefit theory, the Ability to Pay Theory etc. it is true that not one of the pleas can exclusively form the basis for corporation tax. For this study the researcher used the ADAM SMITH four Maxims Theory of Taxation to buttress the point of this research. Smith’s argument in *The Wealth of Nations* (1776) that Good Taxes should follow the four principles of fairness: they are proportionate to income or abilities to pay, Certain rather than arbitrary, Payable at times and in ways convenient to the tax payers, Cheap to administer and collect. Adam Smith’s Maxims of taxation posit that:

“Taxes should be proportional to how much a person benefits from living in society,” (www.libertarianism.org). There should be proportionality across levels of income and sources of income such as rent, profit, and wages. Smith mentions how having some taxes fall disproportionately on the wealth, such as axes on luxuries is not so bad. ‘The subjects of every state ought to contribute towards the support of the government, as nearly as possible, in proportion to their respective abilities; that is, in proportion to the revenue which they respectively enjoy under the protection of the state.’ 2. “Tax, which each individual is bound to pay ought to be certain and not arbitrary,” (www.libertarianism.org). The time

of payment, manner of payment, quantity to be paid, ought to be clear and plain to the contributor, and to every other person.” When people know the rates of their taxes, what they are being taxed on, when they should pay, and where they should pay, they are better able to calculate their taxes, make better plans and pay as at when due to the right government accounts rather than to individual tax collectors ensuring that the money is fully and correctly remitted. Hayek comprehensively discusses the theme of predictability comprehensively in “his discussion of the rule of law in the constitution of liberty” (www.libertarianism.org). Unclear and unpredictable tax laws, leads to a rapid increase in abuse by tax collectors and corruption. The current abuses by tax agents in Abuja as shown by the response to the questionnaire show the truth and prescience of Smith’s maxims. With complex and arbitrary tax laws: “every person subject to tax is put more or less in the power of the tax gatherer, who can either aggravate the tax upon any obnoxious contributor, or extort, by the terror of such aggravation, some present or requisite to himself.”³. “Taxes ought to be easy and convenient for the taxpayer” (www.libertarianism.org), means, every tax ought to be levied at the time, or manner in which it is most likely convenient for the contributor to pay it. May not be realistic as taxes are never convenient and so, as is currently practiced in Nigeria, it is better if a middle ground is reached by applying the automatic withholding tax policy and also allowing a specific time frame for all to pay their taxes after which they would be in default. However, the automatic withholding tax has a disadvantage as it allows government to tax people more than they realised. Taxes should be efficient, cheap to collect which is limiting the deadweight loss: “every tax ought to be so contrived as both to take out and to keep out of the pockets of the people as little as possible, over and above what it brings into the public treasury of the state.” Smith uses the terms: “take out” to mean, money taken from contributors and “keep out” to mean unrealized income due to tax burdens, distortions and incentives. According to Smith, four ways in which taxes can create dead weight are; there is the cost of hiring tax collectors/agents to collect and process taxes as an increase in payment for tax collection leads to a decrease in revenue allocation to other areas.

Empirical Review

Different researchers in relation to the subject matter have conducted several studies. The researcher reviewed some of these studies to prove that Multiple Taxation affects SMEs financial, budgetary and planning performance. This study is outlined to identify the theme of the research.

Tony, (2017) *punch Newspapers*. At the Lagos Business school Alumni Day with the theme “the effects of Multiple Government Regulations and Taxation...” Posits that, 95% of SMEs fold up within a year in Nigeria due to Multiple-Taxation. He went on to point out the surviving 5% after one year was a big disincentive in terms of job creation”. He said that multiple taxation, multiple business regulations and inconsistent government policies all affect SMEs competitiveness and their ability to attract capital in their investment climate.” Businesses that are unable to attract capital in their investment climate are bound to have poor financial performance, poor financial planning and budgetary

performance and high and early mortality rate.

Ukpongand Edet(2016) posits that, “about 80% of Small and medium scale business enterprises are stifled because of poor financing and other associated problems.” The problem of financing SMEs is not so much the sources of funds but its loss to taxes and its accessibility. Most SMEs within the first year of business find that they require additional funds as loans from financial institutions due to high overhead and running costs part of which are a result of multiple taxation levies. ‘Factors identified inhibiting funds accessibility are the stringent conditions set by financial institutions, lack of adequate collateral and credit information and cost of accessing funds’ (www.ecsdev.org) in trying to ensure that the funds will be repaid irrespective of the performance of the business. Most SMEs in Abuja are folding up or lack competitiveness because they lack the much-required financial capacity to effectively perform the businesses efficiently and competitively. The stringent conditions from financial institutions inhibit most of these enterprises ability to access loan on a long and short term basis” .

“It is recorded that 99 per cent of the business bodies in Nigeria are SMEs which has been an instrumental component in GDP and hub for work opportunities” (Eniola and Entebang, 2015)

Ezema (2014), posits, “this is due to the absence of harmonized and gazette tax regime which would enable manufacturers to build in a recognized and approved levies of tax payable.” Ezema (2014), identifies, “inconsistencies in government policies is a major problem affecting small and medium scale enterprises in Nigeria.”

“Close to 70% of the value of exports of large firms are the products of SMEs” (Anthony, 2014).

Rogers (2012), also adds that “inefficiency in overall business management and poor record keeping is also a major feature of most SMEs; technical problems/competence and lack of essential and required expertise in production, procurement, maintenance, marketing and finances have always led to funds misapplication, wrong and costly decision making.”

SMEDAN, and with support from the German Development Agency conducted an Enterprise Baseline Survey (2012), Review that the report “MSMEs represent the overwhelming majority of businesses and enterprises in Nigeria, and account for nearly half of its national economic output. Yet despite various past and recent surveys, data on MSMEs remain scanty, unspecific and patchy. As a result, the empirical base for policy and strategy formulation at federal and state level has been weak.”

Hatten (2012) defines small company as “a business independently owned, operated, and financed; has fewer than 100 employees; and has relatively little impact on its industry.”

“The performance and growth of small and medium enterprises (SMEs) is a major driver and indices for the level of industrialization, modernization, urbanization, gainful and meaningful employment for all those who are able and willing to work, income per capital, equitable distribution of income, and the welfare and quality of life enjoyed by the citizenry”

Aremu (2011), says “SMEs contribute to employment growth at a higher rate than larger firms” (Farouk & Saleh, 2011). “SMEs (firms with 200 or less employees) make up the largest business sector in every world economy”

Aremu and Adeyemi, (2011) “most SMEs in Nigeria die within their first five years of existence, a smaller percentage goes into extinction between the sixth and tenth year while only about five to ten percent survive, thrive and grow to maturity.”

The Federal Ministry of Commerce and Industry of Nigeria defines small-scale business as “a business with capital investment that is not over seven hundred and fifty thousand naira (N750, 000), while the Central Bank of Nigeria CBN (2010), defines SMEs as business with asset base of between five and five-hundred million naira, and staff strength of between 11-300 people.”Kongolo (2010), said that “all economies have transited from household artisan industries over time to the modern industrial set-up which has witnessed phenomenal upgrading of skills, machinery and equipment, and management practices.

World Bank in 2001, (www.thecje.com), reported that “almost 50 percent of micro, 39percent and 37percent of the small and medium scale firms are financially constrained in Nigeria as oppose to 25 percent of the very large firm”. The report evinced that SMEs in Nigeria find it difficult to access funds at the credit market, are therefore discouraged.

According to (FIAS, 2008), “The Nigerian Federation comprises three tiers of government—the federal government, 36 State governments and the Federal Capital Territory, and 774 local governments.Tomlin (2008) postulates that, “economists argue that the resources SMEs direct towards tax compliance are resources that could otherwise be used for reinvestment, facilitating future growth”.

“Nigeria’s underdeveloped physical and social infrastructures create a binding constraint to SMEs growth, since; they heavily rely on the inefficiently provided state infrastructures and cannot afford the cost of developing alternatives.”

Joshua (2008) contends, “about 70% of the small and medium scale enterprises in Nigeria are between operational or on the verge of folding-up, while the remaining 30% operate on low level capacity and are vulnerable to folding up in the nearest future.”“Because of the way the business management and accountability measures are ignored, reckless financial administration, wrong investment decision and corruption become the order of the day” (Omolola, 2008).Akinbogun (2008) in his study examines the impact of infrastructure and Government policies on survival of small-scale ceramic industries in South-West of Nigeria, and found “that infrastructural facilities and Government policies have not encouraged viable small-scale ceramic industries in Nigeria”.“Currently available data on MSMEs in Nigeria come primarily from SMEDAN’s national policy documents (2007)

China is fast becoming the largest economies in the world and SMEs are key element in China’s economy accounting for 99% of total number of firms and about 70% of overall employment (Tang, Paul and Yuli, 2007). “Comparable data on SMEs for developing countries may not be easily

available, but it is obvious that the role of SMEs is equally important in the economies of developing and developed countries alike. SMEs are important to almost all economies in the world, but especially to those in developing countries” (Berry, 2007)

The very existence of SMEs has so many social and economic advantages, some of which are; “a source of employment, competition, economic dynamism and innovation, which stimulates the entrepreneurial spirit and the diffusion of skills.” Panitchpakdi (2006).Arinaitwe (2006), emphasizes “it appears that considering the enormous potentials of the SMEs sector, and despite the acknowledgement of its immense contributions to sustainable economic development, its performance still falls below expectation in many developing countries. This is because the sector in these developing countries has been be-devilled by several factors militating against its performance, and leading to increase in the rate of SMEs failure”

Okpara (2000), observed that “these factors include the unfavorable and very harsh economic conditions resulting from unstable government policies; gross under-capitalization, difficulty in accessing credits from banks and other financial institutions; inadequacies resulting from the highly dilapidated state of infrastructural facilities; astronomically high operating costs; lack of transparency and corruption; and the lack of interest and lasting support for the SMEs sector by government authorities.” Similarly, (Culkin and Smith, 2002).and “governments around the globe are increasingly promoting and supporting the SME growth as part of their overall national development strategy” (Abdullah, 2000).“The development of SMEs is seen as the means to accelerating the achievement of wider socioeconomic goals, including poverty alleviation” (Cook and Nixon, 2000).Zahra (1996) strongly claims that, “Firm operating in hostile environments may be reluctant to invest heavily in developing new technologies because hostility erodes profit margins and reduces the resources available for innovation.”

“SMEs account for well over half of the total shares of employment, sales and value added. From the viewpoint of economic development, small businesses create almost half of new jobs in the economy, and it is assumed that they are good jobs”. (Davis, S.J., Haltiwanger, J. and Schuh, S. 1993).Sule (1986), says that “a Small Scale Enterprise has a labor size of 11-100 workers or a total cost of not more than N50 million including working capital but excluding cost of land; while a Medium Scale Enterprise has a labor size of between 101-300 workers or a total cost of over 50 million, but not more than N200 million including working capital but excluding cost of land.

III. METHODOLOGY

Research Design

This study was conducted using primary data obtained using descriptive research design; a survey research involving the use of questionnaires. The selected SMEs were located within the Municipal Area Council of the Federal Capital Territory, Abuja, Nigeria. The study involved using RAOSOFT to determine sample size to represent the whole population. The

sample size was within what can effectively be managed given the time and resources available. The researcher believes this would be effective when seeking opinions, descriptions and attitudes. Questionnaires were used, as instruments of data collection, to extract information from the SMEs operators who are responsible for the running of the day-to-day administration of the enterprises in the study area in order to have relevant information on the impact of Multiple Taxation on the financial performance of small-scale enterprises in the area. The source of data used for this research was both primary and secondary data collated through self-administered surveys using questionnaires with selected SMEs in Abuja Metropolis and information collected electronically.

This study was conducted using returned questionnaires from selected SMEs registered businesses in Abuja FCT Nigeria, that have staff between 5 and 200, categorized as SMEs. Questionnaires were distributed and responses collated. The population estimated from the survey was seven hundred and thirty (415) and it was assumed that responses obtained from the sample respondents were a representative of the opinions of the majority of all SMEs operators in the city.

Table 1 Population of study

Business	Frequency	Percentage
Small enterprise	245	59.4%
Medium enterprise	170	40.6%
Total	415	100%

For this study the population of Small Enterprise is higher than the population of Medium Enterprise. For this study, the sample size from whole population was determined using RAOSOFT sample size calculator.

The researcher based the analysis on returned questionnaire. Sampling Technique will be with RAOSOFT Sample size calculator:

$$x = Z(c/100)2r(100-r)$$

$$n = N_x / (N-1)E^2 + x$$

$$E = Sqrt[(N - n)X / n(N-1)]$$

Where: N = population Size= 415
 r = fraction of response = 50%
 c = confidence level = 95%
 Z(c/100) = the critical value for the confidence level c
 Acceptable margin of error = 5%
 n = Sample size = 200

.Data analysis refers to techniques used by the researcher to retrieve new information that would enable a summary description of the study. The Data collected was tabulated and itemized according to the responses that were gotten in the questionnaire to test the hypotheses. The data was then analyzed by using percentage and inferential statistics, while the One - Way Analysis of Variance test (ANOVA) which is used to separate the total variation in a set of data into two or more components and to compare means where there are two

or more; statistical technique was used in accepting or rejecting of the stated hypotheses as the researcher expects that all assumptions were met. The calculated values were used with the following formula.

Formula: Model specification 1 is the analysis of variance (ANOVA) as follows:

For each group we need to find S_x, S_x^2 and n

Assumptions:

The Assumptions in ANOVA are;

m = normal distribution

m = independent simple random samples

m = constant variance

Hypothesis

H_0 : all means are equal H_A : not all means are equal

Statistical Test

Test statistic and distribution

The ANOVA statistic is the variance ratio, V.R., which is distributed as F with the appropriate number of numerator degrees of freedom and denominator degrees of freedom at the chosen a level.

Among groups means square

V.R. = *Withing groups means square*

Decision Rule:

A big value of F means to reject the null hypothesis

A small value of F means not to reject the null hypothesis

$$SSB = r \sum (X_{ij} - \bar{X})^2$$

$$SSB = \sum \sum (X_{ij} - \bar{X})^2$$

Where:

SSB = btw treatment sum of square

SSW = within treatment sum of the square

X_{ij} = individual observation around their column mean

\bar{X} = Grand mean column

□ = Summation r = Number of rows

The data presented here are those collated from the field survey on the study of the effect of Multiple Taxation on the performance of SMEs in Abuja Nigeria. The data was collected from fifteen (15) selected small and medium organizations, within the Abuja Metropolis FCT in Nigeria. This was geared towards testing the research hypothesis to arrive at findings, which led to final conclusions and recommendations.

Study Variables and Measurement/Model Specification

Dependent variable = SMEs financial Performance (SFP)

Independent variable = Multiple Taxation (MT)

Independent variable = Disproportional Multiple taxation practices (DMTP)

To test the hypothesis in this study, the relationship between the dependent variable (BFP) and the proposed independent variables (MT and DMTP) will be estimated using the model specified below:

$$SFP = f(MT, DMP)$$

IV. DATA ANALYSIS, FINDINGS AND DISCUSSIONS

Small and Medium Enterprises (SMEs) play a very important role in development of the Nigerian economy. Making up about 97% of the entire economy, they serve as a source of employment generation, innovation, competition, economic dynamism that ultimately leads to poverty alleviation and national growth. However, the rate of failure in the sector is colossal. This research work tries to establish if any relationship exists between multiple taxation and the financial performance of SMEs by requesting the respondents to rate the output of their responses on a scale range: Strongly disagreed (SD); Disagreed (D); No idea (NI); Disagree (D); strongly agree (SA).

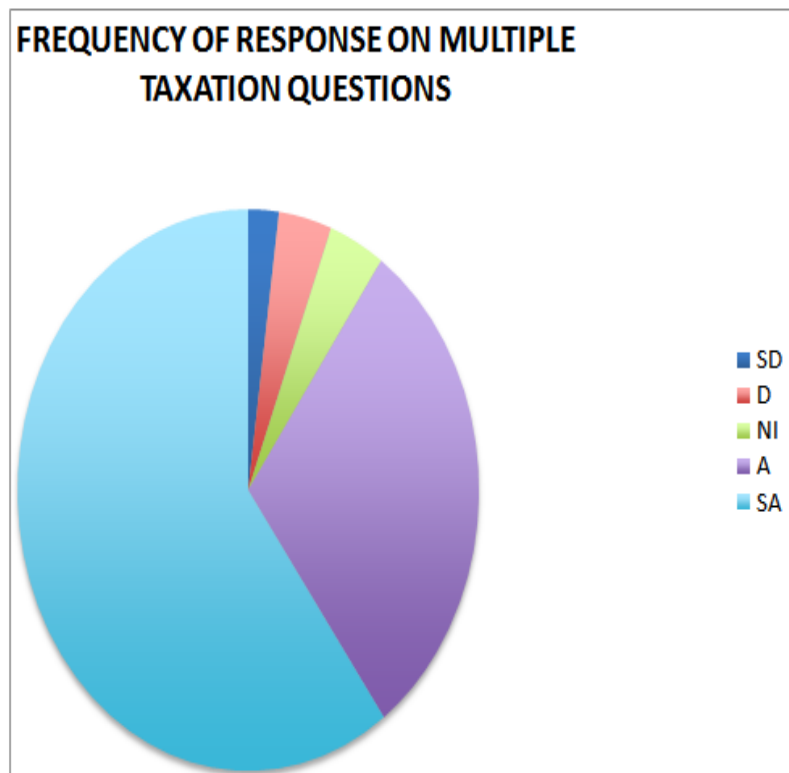
Table 2 Analysis of Response Rate

S/No.	Administered questionnaire	Frequency	Percentage
1.	Returned	178	89%
2.	Unreturned	22	21%
	TOTAL	200	100%

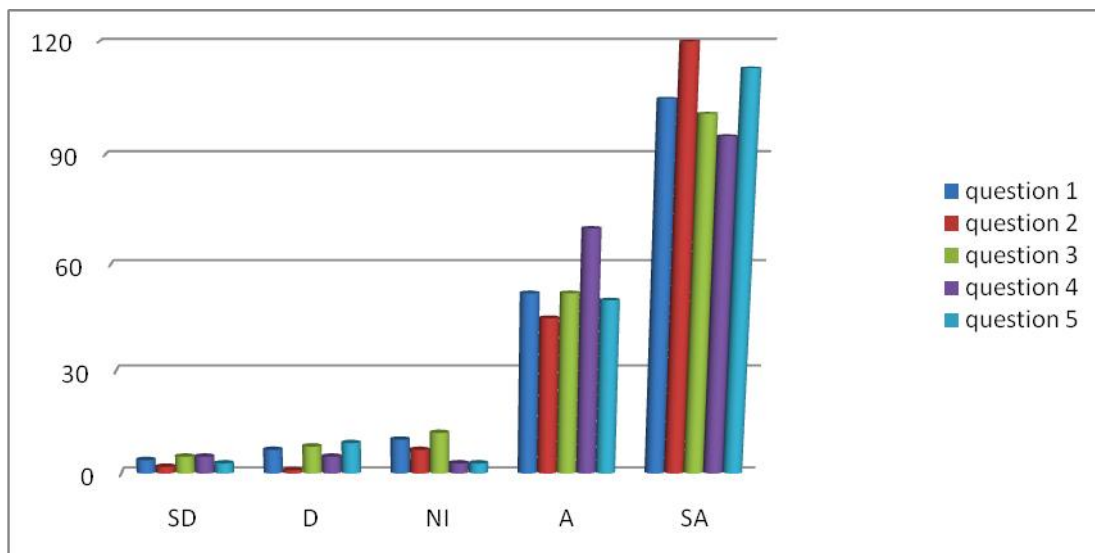
Table 2 above shows what was early stated that out of two hundred (200) questionnaires administered only one hundred and seventy-eight (178) was filled and returned. The rest of the chapter provides the result of socio-economic questions posed to the respondents.

Table 3 Summary of Response to the questions on the impact of multiple- taxation on SMEs

S/no	Questions	Frequency of response for Multiple taxation					
		SD	D	NI	A	SA	TO
1.	Multiple Taxation constitutes a major challenge to SMEs financial performance in Abuja	4	7	10	52	105	178
2.	Multiple Taxation reduces the much needed cash required for business growth	2	4	7	45	120	178
3.	Not all SMEs have the ability to comply with the multiple taxes imposed on them	5	8	12	52	101	178
4.	Most SMEs resort to illegal negotiations with agents pay cash to reduce their overhead and as such government coffers are short changed	5	5	3	70	95	178
5.	Government should introduce better SMEs friendly tax policies to reduce mortality rate	3	9	3	50	113	178
	Total	19	33	35	269	534	890
	Percentage of response %	2	3.7	3.9	30.2	60	100
	\bar{x} mean	3.8	6.6	7	53.8	106.8	178



The above chart 1 shows the total percentage frequency of response to all five questions and clearly shows that the largest percentage were all strongly agreed to all questions on multiple taxation.



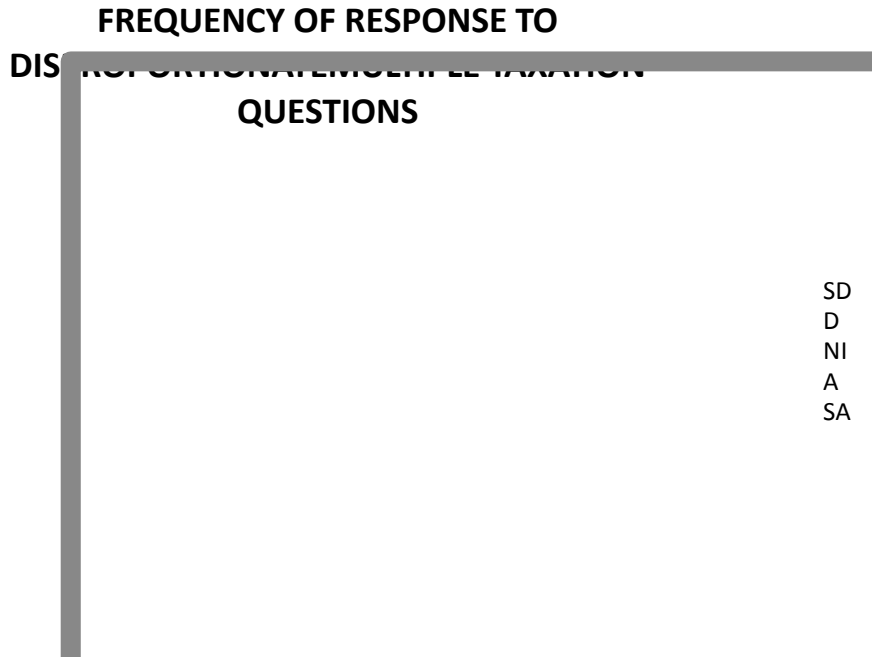
In the chart 2 above, every cylinder in the cluster depicts the question and the value of the number of respondents that gave one of the following answers; Strongly Disagreed, Disagreed, No Idea, Agreed or Strongly Agreed. From the results, the highest number of respondents answered Strongly Agreed to every question.

Table 4 is a summary of the data represent of all the other tables shows that majority of the respondents strongly agree with for all five questions on the impact of multiple taxation on SMEs,

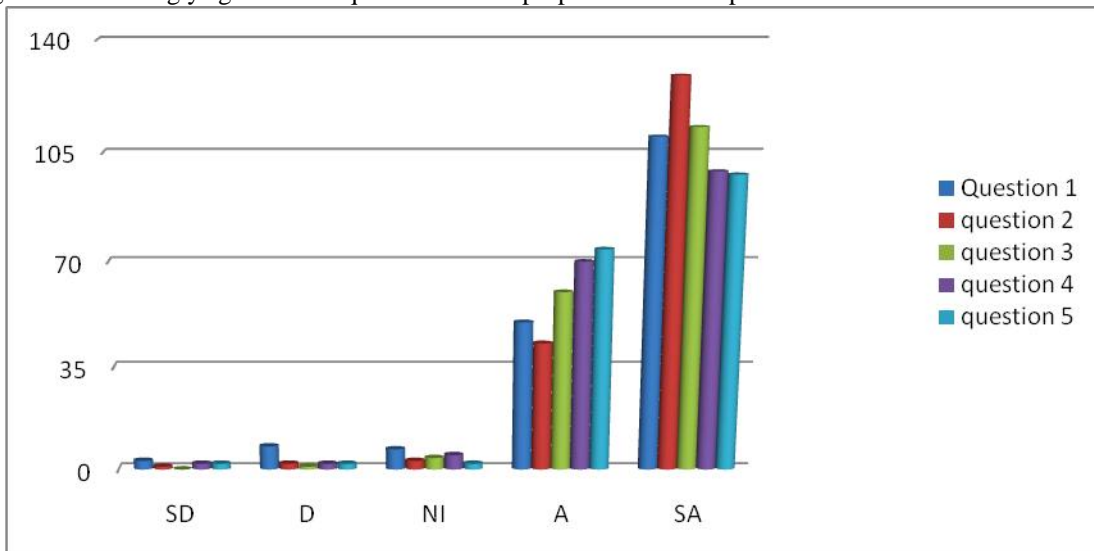
Table 4 Summary of response to questions on the impact of Disproportionate Multiple Taxation on SMEs

S/no	Questions	Frequency of response for Multiple taxation					TO
		SD	D	NI	A	SA	
1.	Disproportionate multiple taxation practices are detrimental to the budgetary and planning performance of SMEs.	3	8	7	50	110	178
2.	SMEs are taxed fixed levies without regards for ability to pay by government agencies	1	2	3	43	129	178
3.	Disproportionate Multiple Taxation increases running costs of SMEs	0	1	4	60	113	178
4.	Government need to restructure taxation policies to prevent multiple and or disproportionate multiple taxation to avoid high mortality rate of SMEs	2	2	5	70	99	178
5.	Inconsistent government policy are a catalyst for disproportionate and illegal taxation practices by agents and agencies	2	2	2	74	98	178
	Total	8	15	21	297	549	890
	Percentage of response %	0.9	1.7	2.4	33.4	61.6	100
	\bar{x} mean	3.8	6.6	7.7	53.8	106.8	178

Table 4, shows that majority of the respondents strongly agreed with all five of the questions on Disproportionate Multiple Taxation.



The above chart 3 shows the total percentage frequency of response to all five questions and clearly shows that the largest percentage were all strongly agreed to all questions on Disproportionate multiple taxation.



In the chart 4 above, every cylinder in the cluster depicts the question and the value of the number of respondents that gave one of the following answers; Strongly Disagreed, Disagreed, No Idea, Agreed or Strongly Agreed. From the results, the highest of respondents answered Strongly Agreed to every question.

Testing the Null Hypothesis

Using the data above the researcher tested the following null hypothesis as stated below using ANOVA:

1.H₀: There is no significant relationship between Multiple-taxation and the financial Performance of SMEs in Abuja –Nigeria.

2.H₀: There is no significant relationship between disproportionate Multiple Taxation Practices and the budgetary and planning performance of SMEs in Abuja, Nigeria.

Assumptions:

The Assumptions in ANOVA are;

m =normal distribution

m = independent simple random samples

m = constant variance

Hypothesis

H₀ : All means are equal

H_A : Not all means are equal

Statistical Test

Test statistic and distribution

The ANOVA statistic is the variance ratio, V.R., which is distributed as F with the appropriate number of numerator degrees of freedom and denominator degrees of freedom at the chosen a level.

V.R. = Among groups mean square

Within groups mean square

Calculations:

V.R = Variance Ratio
 E = Error
 Sx = sum of all the groups
 n = number of questions
 N = n(k)
 df = degrees of freedom
 ms = mean squares
 K = total nos. of groups
 SS = sum of squares
 S = standard deviation
 P = probability
 \bar{x} = mean average

$\sum x^2$ = sum of the square of the values

Testing Null Hypothesis 1 H_0

1.H₀: There is no significant relationship between Multiple-taxation and the financial Performance of SMEs in Abuja –Nigeria.

ANOVA: Single
 Factor: Multiple -Taxation

Summary of Data

**Table 5 Source: www.socscistatistics.com/tests/anova
 December 2018**

	FREQUENCY OF RESPONSE					
	1	2	3	4	5	TOTAL
N	5	5	5	5	5	25
$\sum X$	19	33	35	269	534	890
Mean	3.8	6.6	7	53.8	106.8	35.5
$\sum x^2$	79	235	311	14833	57420	72878
Std.D ev.	1.3038	2.0736	4.062	9.4974	9.859	41.4297

Table 6 ANOVA

Result Details				
Source	Ss	Df	Ms	
Between treatments	40354.4	4	10088.6	F = 240.3192
Within treatments	839.6	20	41.98	
Total	41194	24		

The f-ratio value V.R is 240.3192. the p-value is <.00001. the result is significant at p<.05.

Decision Rule:

A big value of F means to reject the null hypothesis

A small value of F means not to reject the null hypothesis

2.H₀: There is no significant relationship between disproportionate Multiple Taxation Practices and the budgetary and planning performance of SMEs in Abuja, Nigeria.

Summary of Data

Table 7 Source: www.sosscistatistics.com/tests/anova
December 2018

	FREQUENCY OF RESPONSE					
	1	2	3	4	5	TOTAL
N	5	5	5	5	5	25
$\sum X$	8	15	21	297	549	890
Mean	1.6	3	4.2	59.4	109.8	35.6
$\sum x^2$	18	77	103	18325	60915	79438
Std.D ev.	1.1402	2.8284	1.9235	13.069	12.5976	44.6066

Table 8 ANOVA

Result Details				
Source	Ss	Df	Ms	
Between treatments	46384	4	11596	F = 169.28467
Within treatments	1370	20	68.5	
Total	47754	24		

The f-ratio value V.R is 169.28467. The p-value is <.00001. The result is significant at p<.05.

Decision Rule:

A big value of F means to reject the null hypothesis

A small value of F means not to reject the null hypothesis

Findings of the Study

From the ANOVA conducted using the data collated from the returned questionnaires, the researcher’s findings were as follows;

The majority of respondents strongly agreed that multiple- taxation affects the financial performance of SMEs. In Abuja.

The majority of respondents strongly agreed that disproportionate multiple taxation impacts on the budgetary and planning performance of SMEs in Abuja. The Percentage difference between the respondents that strongly agreed and those that strongly disagreed is very highly significant at a percentage difference of above 50% for every question in favor of strongly agreed as shown in tables 4.1.8 and tables 4.1.7.

At 5% degree of freedom and 95% confidence level, the f-value is 240.3192

For the questions on multiple taxation f-value is 240.3192 which is a very large value of F and for the questions on disproportionate multiple taxation f –value

is 169.28467 which is also a very large value for f.

4.3 Discussion of the Findings

From the findings above and in view of the decision rule; A big value of F means to reject the null hypothesis and f being 240.3192 for 1.H₀ and 169.28467 for 2.H₀ which are both large values and the p-value <.00001, clearly indicated that the V. R is very significant and should be considered and null hypothesis rejected. Even giving allowances for respondents, bias as most businesses would rather not pay any taxes, and other research conclusions arrived at by other researches as shown in the literature review and the mortality rate of SMEs, the V.R is still very significant and therefore cannot be ignored.

V. CONCLUSIONS AND RECOMMENDATIONS

Conclusions

The study concludes therefore,

1. That there is strong correlation between Multiple-taxation and the financial performance of SMEs in Abuja, Nigeria:
2. There is strong correlation between Disproportionate multiple taxation practices constitute a major challenge in

the budgetary and planning performance of SMEs in Abuja, Nigeria.

3. SMEs are essential to the socio-economic development of Abuja and are expected to pay for taxes fairly levied by government for services consumed. However, the keyword is fairly. As the above research analysis shows, multiple taxation in all its forms are detrimental to the growth and development of SMEs thereby hastening their mortality and risking an increase in unemployment and a rise in crime rate by extension as unemployed youth tend to graduate towards crime. Thus, it is paramount that government takes steps to mitigate the effects of multiple-taxation on the financial, budgetary planning and therefore managerial performance of SMEs.

Recommendations

In view of the findings and conclusion, the researchers recommend;

1. More studies of current taxation policies to ensure that they meet the criteria of good taxes according to Adam Smith in the wealth of nation, training and awareness programs for both tax agents and SMEs owners and employees,

2. Comprehensive vetting of tax levies from government bodies and states by the federal government to weed out unnecessary multiple taxation and deregulate disproportionate taxes to correlate with SMEs incomes and, or consolidating all taxes as a lump paid directly to an assigned government account in correlation to income, after which the tax authorities can disseminate according to an agreed sharing ratio to various government purses instead of having multiple and closely related taxes at the same time.

3. Nigerian should government take steps to mitigate the effects of multiple- taxation on the financial, budgetary planning and therefore managerial performance of SMEs.

Areas for Further Study

The researcher recommends that there should be further study on the following areas:

Current taxation policies to ensure they meet the criteria of good taxes according to Adam Smith.

The effectiveness of the use of private contractor/taskforce in the assessment and collection of taxes from SMEs in order to proffer alternative solution.

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