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# EFFECT OF MULTIPLE TAXATIONS ON MICRO AND SMALL BUSINESSES IN NIGERIA

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## ABSTRACT

*This study was informed by perceived public outcry on the litany of tax burden which most often multiply collected from small businesses by government through different ministries and local government, thus indirectly stifling small businesses and limiting their growth and development. The study utilized the descriptive survey research design. The population comprised of 6698 registered micro and small enterprises in South-Eastern, Nigeria. The sample comprised of 384 respondents across the 5 South-Eastern States. The study relied on primary data; obtained from a structured questionnaire. The data was analysed using descriptive statistics; while, the t-test statistic is used to validate the hypotheses. The results revealed that there is a significant difference in the multiple taxes levied by tax agencies; and, such multiple taxations have a significant effect on micro and small businesses in South-Eastern, Nigeria. Based on these, the study recommended among others that government should consider increasing tax incentives and exemptions as this can attract investors who are potential tax payers; encourage voluntary compliance and ultimately lead to expansion of existing businesses in South-Eastern, Nigeria.*

**Keywords:** Multiple Taxation, Micro, Small and Medium Enterprises, Survey.

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## 1. Introduction

In most developed and even developing economies, taxes are some of the major sources of revenue generations to the governments. Most especially taxes from business and by extension income tax. Taxes given to businesses come in various forms like duty, levy, toll, dues, excise, tariff, income tax, strain etc. The various governments in both developed and developing economies mostly rely on taxes to provide the needed basic infrastructure and amenities for the citizens and also for the economic growth of their economies. According to Okolo, Okpalaojiego, and Okolo (2016) taxes are compulsory levies by the government on personal income (salaries), business profits, interest, dividends, and commissions. Tax may also be an incentive or a disincentive to investment and savings irrespective of whether the tax is direct or indirect. Taxes are crucial for any government as they often provide the major source of funds for government expenditure. Income obtained from taxation of individuals and businesses is used to run governments as well as provide infrastructures such as good roads, water supply, and electricity which are essential for the smooth running of these businesses that are mainly manufacturing companies and as such rely on these commodities to survive.

Micro, Small and Medium Enterprises (MSMEs) are generally referred to as enterprises with up to 250 employees. MSMEs are defined as follows: micro enterprises 1-9 employees; small: 10-49 employees; and, medium: 50-249 employees (Osunde, 2016). They currently represent 96% of the businesses in Nigeria and contribute 75% of the national employment (Osunde, 2016). Globally, MSMEs have helped in shaping and growing the Gross Domestic Product (GDP) and per capita income of many economies. In a collaborative report of SMEDAN and National Bureau of Statistics Collaborative Survey (2013) the total number of MSMEs as of 2013 stood at 37,067,416 (Micro-36,994,578, Small- 68,168, and Medium-4,670). The Survey further identified main challenges facing MSMEs as access to finance and poor infrastructure, inconsistency in government policies, poor support (business development services), access to market, multiple taxation and obsolete technology. However, the challenge of multiple taxations has been a recurring decimal that businesses face. According to Adebisi and Gbegi (2013), multiple taxations have been a major factor responsible for the untimely close-ups of most businesses.



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Nigeria as one of the emerging economies in sub-Saharan Africa has also emphasized the need to champion and support MSMEs in a bid to address the rising poverty and unemployment rate in the country, hence, the establishment of Small and Medium Enterprises Development Agency of Nigeria (SMEDAN). SMEDAN was established in 2003, to facilitate the promotion and development of a structured and efficient Micro, Small, and Medium Enterprises (MSMEs) sector that will enhance sustainable economic development. The Agency is the apex and coordinating institution for all matters relating to starting, resuscitating and growing MSMEs in Nigeria. The Agency is also saddled with the responsibility of contributing to the attainment of Vision 20-2020 of the Federal Government of Nigeria and the Cluster Development Approach of the Ministry of Trade and Investment (Ajayi, Ojelade, Adedokun & Oladeji, 2018).

This study is informed by the perceived challenges of MSMEs that have informed the rising mortality rate despite being described by researchers and policymakers as the engine of growth in both developed and developing economies. A number of studies have been carried out in this research area but available literature suggests that there a paucity of related research in South-Eastern, Nigeria thus warranting an empirical investigation into the research area. In many government policies, small and medium scale enterprises are usually viewed and treated in the same light as large corporations. However, their size and nature make them unique. Therefore, in dealing with small and medium scale enterprises, these unique qualities need to be considered. In levying of taxes for these enterprises in particular, issues that need to be considered are how these tax policies can be designed to bolster the growth of SMEs and the most effective ways to administer them.

Against this backdrop, the study evaluated the effect of multiple taxations on the performance of MSMEs in South-Eastern, Nigeria. Based on these, the study formulates the following hypotheses in the null form as follows:

$Ho_1$: There is no significant difference in the multiple taxes levied by tax agencies on micro and small businesses in South-East, Nigeria

$Ho_2$: Multiple taxations have no significant effect on micro and small businesses in South-Eastern, Nigeria



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## 2. Review of Related Literature

### 2.1 Conceptual Framework

#### 2.1.1 Taxation

The issue of tax has existed with man from time immemorial, manifesting itself in various forms. A relationship has always existed between citizens and public authorities whereby, the two parties have to contribute to providing economic and social services for the benefit of all (Sanusi, 2018). Taxation is a very important means by which governments raise revenue for financing their projects. Such projects include: construction of roads, provision of health care, provision of qualitative education, provision of water, provision of electricity which are common features of modern society today. Governments also use tax to regulate economic activities and the behaviour of economic agents in general (Nwamuo, 2017). According to Okolo, Okpalaojiego and Okolo (2016) taxes are compulsory levies by government on personal income (salaries), business profits, interest, dividends and commissions. Tax may also be an incentive or a disincentive to investments and savings irrespective of whether the tax is direct or indirect.

#### 2.1.2 Multiple Taxations

Multiple taxations refer to a situation where the same profit or income of a company or individual is respectively subjected to tax by another tax authority in Nigeria or another country outside Nigeria. In other words, it refers to the subjection of single income to more than one tax treatment by government (Adeniyi & Imade, 2018; Izedonmi, 2010; Aguolu, 2004). This situation consequently creates a tax burden for businesses and individuals concerned. Extant literature asserts that there is significant relationship between multiple tax burden and business performance of small scale enterprises (Adeniyi & Imade, 2018). According to Aguolu (2004), the firm-level findings suggest that the current system of taxation is characterized by a high incidence of "nuisance taxes", on mobility of goods and people across states and the prevalence of double taxation. Okolo, Okpalaojiego and Okolo (2016) posit that a situation where tax collectors collected more than the stipulated market taxes and levies (given different names to the taxes and levies) to fund the state can also be regarded as multiple taxations. Examples of multiple taxes for MSMEs include: Sanitation levy, Pollution control levy, Environment impact Assessment levy, Environment Auditing Report levy, Congestion levy, Ticket levy, Emblem levy, Waybill levy, Park levy, Park and third party permit, Fumigation levy, Produce levy, Agric licence, Agric ticket, Permit of



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sales, Signage levy, Projector levy, Stallage levy, Branding levy, Advertisement speaker levy, Business permit etc. These litany of tax burden are most often multiply collected from small businesses by government through different ministries and local government in different name, thus indirectly killing small businesses and limiting their growth and development in the country.

### 2.1.3 Micro, Small and Medium Enterprises (MSMEs)

MSMEs account for over 90% of enterprises in all countries and an important source of employment. They employ 33% of formal sector workers in low-income countries and 62% of such workers in high-income countries. Because poor countries have large informal economies, dominated by micro-businesses, the MSME portion of total employment is much higher (World Employment Report 2004-05). In Nigeria, Micro and Small Businesses are a very important part of the Nigerian economy. In countries at the same levels of development with Nigeria, SMEs contribute a much higher proportion to GDP than currently observed in Nigeria. Compared to other emerging markets, Nigeria has historically shown lack of commitment to building a strong SME sector; and these economies have shown consistent commitment to the development of SMEs by implementing: access to finance and financial incentives, basic and technological infrastructure, adequate legal and regulatory framework, and a commitment to building domestic expertise and knowledge. In light of recent events in the Nigerian macroeconomic environment, Micro and Small Businesses have compelling growth potential and like other emerging economies are likely to constitute a significant portion of GDP in the near future (Oyeyinka, undated).

## 2.3 Empirical Review

Tabet and Onyeukwu (2019) examined multiple taxations and small and medium scale enterprises (SMEs) financial performance in Abuja, Nigeria. They used ANOVA (Analysis of Variance) to analyse the data. 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 on the financial performance of SMEs. The study concluded that there is strong correlation between multiple taxations and financial performance of SMEs; also, the disproportionate multiple taxations constitute a major challenge in budgetary and planning performance of SMEs in Abuja, Nigeria.



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Adeniyi and Imade (2018) examined the effect of multiple tax regimes on sustainable development among small scale enterprises in Lagos State, Nigeria. The study utilized descriptive statistics, regression analysis and analysis of variance to analyse the data. The results showed that there is a significant relationship between multiple tax burden and business performance of small scale enterprises.

Wangeci and Kaplelach (2018) examined tax and growth of SMEs in Voi Sub County, Kenya. They used descriptive statistics and multiple regression in analysing the data. The results showed a significant correlation between taxation and growth of SMEs. The study concluded that high tax rates have a significant effect on the growth of SMEs.

Sanusi (2018) investigated the effect of multiple taxations on profitability of small scale businesses in Taraba State, Nigeria. The study used descriptive statistics to analyse the data. The results revealed that multiple taxes negatively affect profitability of small scale business. Thus, small scale businesses pay multiple taxes which in the long run significantly impair their profitability.

Nwamuo (2017) investigated the effect of multiple taxations on operations of business enterprises in Aba metropolis, Nigeria. The study utilised descriptive statistics to analyse the data. The findings of the study revealed that multiple taxations increased the cost of business operations, reduced profit margin of businesses, and discouraged the springing up of new enterprises, increased unemployment in Aba metropolis.

Ocheni and Gemade (2015) examined the effect of multiple taxations on the performance of small and medium scale enterprises in Benue State, Nigeria. They used descriptive statistics and ANOVA to analyse the data. The results revealed that multiple taxations have a negative effect on SMEs' survival.

Oboh, Yeye, and Isa (2013) examined multiple tax practices and taxpayers' non-compliance attitude in Nigeria using descriptive statistics and correlation statistics. Findings from the correlation analysis revealed that multiple tax practices significantly affect taxpayers'



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compliance attitude and that multiple tax practices in Nigeria are corollaries of corruption, poor tax administration, greed and unfair revenue allocation formula.

Adebisi and Gbegi (2013) examined the effect of multiple taxations on the performance of small and medium scale enterprises in Kogi State, Nigeria. The sample was drawn from West African Ceramics Ajeokuta. The study used descriptive statistics and ANOVA to analyse the data. The results revealed that multiple taxations have a negative effect on SMEs' survival.

Ojeka (2011) investigated tax policy and growth of SMEs in Nigeria using Spearman's rank correlation. They used a descriptive survey research design. The results showed that the SMEs surveyed were faced with the problem of high tax rates, multiple taxations, complex tax regulations and lack of proper enlightenment or education about tax-related issues. Also, the study revealed a significant negative relationship between taxes and a business's ability to sustain itself and to expand.

## 3. Design and Methodology

The study adopted a descriptive survey research design. The study was executed in South-Eastern Nigeria. The region houses two of largest markets in West Africa – Ariaria Market Aba, Abia State and Onitsha Main Market, Anambra State. The data for the study was obtained from the primary source; using a structured questionnaire designed by the researcher. The questionnaire was administered to registered micro and small businesses in South-Eastern, Nigeria. The instrument consisted of two parts; 1 and 2. Part 1 deals with background information of the respondents; while, Part 2 contains items that are used to test the hypotheses. The population of the study consisted of all registered Small Scale Enterprises in South-Eastern, Nigeria. The total number of registered small scale enterprises was 6698.

### 3.1 Sample Size of the Study

To determine the sample size, for the purpose of questionnaire distribution; the Taro Yamani (1967) formula was used. The formula is stated thus:

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



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Where:

| | | |
|---|---|---|
| n | = | sample size |
| N | = | population |
| e | = | Margin of error (5% or 0.05) |
| 1 | = | Constant |

Substituting in the above formula:

$$n = \frac{6698}{1+6698\,(0.05)^2}$$

$$= 384.35$$

$$= 384$$

For the purpose of the allocation of sample stratum, the researcher adopted R. Kumaison's formula. Below is the R. Kumaisons formula for sample size distribution:

$$nh = \frac{nNh}{N}$$

Where:

| | | |
|---|---|---|
| n | = | Total sample size (384) |
| Nh | = | The number of items in each stratum in the population |
| N | = | Population size |
| nh | = | The number of units allocated to each stratum (Economic areas of operation) |

**Table 1: Distribution of sample for the study**

| **States** | **Population** | **Sample** |
|---|---|---|
| Anambra State | 1950 | 115 |
| Abia | 1550 | 81 |
| Enugu State | 1127 | 68 |
| Imo State | 1249 | 69 |
| Ebonyi State | 841 | 51 |
| **Total** | **6698** | **384** |

Source: Field Survey (2019)

### 3.2 Method of Data Collection

The researcher used four research assistants personally trained by the researcher to help in the administration of the instrument. A period of two weeks was used for the exercise to ensure completeness and high response rate. Out of the 384 questionnaires distributed only 372 were duly completed and returned.



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### 3.3 Methods of Data Analysis

The data were analysed using descriptive statistics (mean and standard deviation) and inferential analysis. The inferential statistics used is the t-test to analyze the data collected and test the hypotheses. The mean was utilised to answer the research questions. Standard deviation was used to establish harmony in the mean ratings among the respondents. Any item that attracts mean score greater than 3.0 will be regarded as agreed while a mean score less than 3.0 will be regarded as disagreed. The rating is as follows: Strongly Agree (SA)-5 points; Agree (A)-4 points; Undecided (U)-3 points; Disagree (D)-2 points; and, Strongly Disagree (SD)-1 point

## 4. Data Presentation and Results

This section presents summaries of the analysis of the data collected from the field and they are presented in tables to highlight the major findings.

### 4.1 Demographic Profile

**Table 2: Demographic Profile of Respondents**

| Option | Frequency | Percentage (%) | Cumulative (%) |
|---|---|---|---|
| **Gender** | | | |
| Female | 116 | 31.2 | 31.2 |
| Male | 256 | 68.8 | **100.0** |
| **Age** | | | |
| ≤20 | 2 | 0.5 | 0.5 |
| 21-30 | 16 | 4.3 | 4.8 |
| 31-40 | 72 | 19.4 | 24.2 |
| 41-50 | 196 | 52.7 | 76.9 |
| 51-60 | 86 | 23.1 | **100** |
| **Marital Status** | | | |
| Married | 313 | 84.1 | 84.1 |
| Single | 42 | 11.3 | 94.4 |
| Widow/widower | 6 | 1.6 | 97.0 |
| Divorced | 11 | 3.0 | **100** |
| **Marital Status** | | | |
| Married | 313 | 84.1 | 84.1 |
| Single | 42 | 11.3 | 94.4 |
| Widow/widower | 6 | 1.6 | 97.0 |
| Divorced | 11 | 3.0 | **100** |
| **Business Experience** | | | |
| 1-5 | 4 | 1.1 | 1.1 |
| 6-10 | 27 | 7.3 | 8.3 |
| 11-15 | 73 | 19.6 | 28.0 |
| Above 15 | 268 | 72.0 | **100** |

Source: Field Survey (2019)



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The table above shows the demographic information of the respondents. The female gender constitutes 31.2% of the respondents; while, the male gender constitutes 68.8%. The table shows, with respect to age, majority 52.7% of the respondents fall within the age bracket of 41-50 years. 23.1% of the respondents are within the age bracket of 51-60 years. 19.4% of the respondents are within the age bracket of 31-40 years. 4.3% of the respondents are within the age bracket of 21-30 years. 0.5% of the respondents are less than or equal to 20years of age. From the table, with respect to marital status, 84.1% of the respondents are married, 11.3% of the respondents are single, and 1.6% of the respondents are widow/widower, while 3.0% are divorced. The table shows, with respect to educational qualification, all the respondents had formal education. 73.9% of the respondents had secondary education. 20.4% of the respondents had tertiary education while 5.6% of the respondents had primary education. The table shows, with respect to business experience, majority 72.0% of the respondents had over 15 years of business experience. 19.6% of the respondents had between 11-15 years of business experience. 7.3% of the respondents had between 6-10 years of business experience. While 1.1% of the respondents had between 1-5 years of business experience.

### 4.2 Frequency Distribution

**Table 3: Frequency of tax payments by MSMEs in South-Eastern, Nigeria**

| Performance | Frequency | Percentage | Cum (%) |
|---|---|---|---|
| Daily | 184 | 50 | 50 |
| Weekly | 102 | 27 | 77 |
| Monthly | 68 | 18 | 95 |
| Yearly | 12 | 3 | 98 |
| Not at all | 6 | 2 | 100 |
| Total | 372 | 100 | |

Source: Field Survey (2019)

The table reveals that 50% of the small scale businesses are frequently taxed on a daily basis. 27% are taxed on a weekly basis, 18% is taxed on a monthly basis while 3% is taxed yearly. About 2% do not pay tax at all.

**Table 4: Frequency of tax payments by various government ministries**

| Performance | Frequency | Percentage (%) |
|---|---|---|
| Ministry of Environment | 362 | 97.3 |
| Ministry of Commerce, Industry and Tourism | 348 | 93.5 |
| Ministry of Transport | 77 | 20.7 |
| Ministry of Information | 308 | 82.8 |
| Ministry of Agriculture | 65 | 17.5 |

Source: Field Survey (2019)



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From the table above, 97.3%, 93.5% and 82.8% respectively indicated that Ministry of Environment, Ministry of Commerce, Industry and Tourism and Ministry of Information are the major ministries that levy multiple taxes on small scale businesses in South-Eastern, Nigeria.

### 4.3 Descriptive Statistics

**Table 5: Descriptive statistics of multiple taxes levied by tax agencies in South-Eastern, Nigeria**

| S/N | Items | Means | Std. Dev | Decision |
|---|---|---|---|---|
| 1 | Sanitation levy | 3.75 | 0.530 | Agreed |
| 2 | Pollution control levy | 3.70 | 0.567 | Agreed |
| 3 | Environment impact Assessment levy | 3.49 | 0.907 | Agreed |
| 4 | Environment Auditing Report levy | 3.17 | 1.027 | Agreed |
| 5 | Congestion levy | 3.20 | 0.827 | Agreed |
| 6 | Ticket levy | 3.80 | 0.714 | Agreed |
| 7 | Emblem levy | 3.20 | 0.811 | Agreed |
| 8 | Waybill levy | 2.54 | 1.237 | Disagreed |
| 9 | Park levy | 3.84 | 0.984 | Agreed |
| 10 | Park and third party permit | 3.18 | 1.009 | Agreed |
| 11 | Fumigation levy | 2.77 | 0.462 | Disagreed |
| 12 | Produce levy | 2.67 | 0.641 | Disagreed |
| 13 | Agric licence | 2.52 | 0.746 | Disagreed |
| 14 | Agric ticket | 2.59 | 0.831 | Disagreed |
| 15 | Permit of sales | 3.18 | 0.844 | Agreed |
| 16 | Signage levy | 3.77 | 1.058 | Agreed |
| 17 | Projector levy | 3.82 | 0.705 | Agreed |
| 18 | Stallage levy | 3.85 | 0.836 | Agreed |
| 19 | Branding levy | 3.77 | 1.027 | Agreed |
| 20 | Advertisement speaker levy | 3.20 | 0.827 | Agreed |
| 21 | Business permit | 3.80 | 0.714 | Agreed |
| 22 | Market development levy | 3.20 | 0.811 | Agreed |
| 23 | Market traders levy | 3.74 | 1.237 | Agreed |
| 24 | Cyber cafe operation levy | 3.34 | 0.984 | Agreed |
| 25 | Registration of mechanical repair workshop levy | 3.17 | 1.027 | Agreed |
| 26 | Income tax levy | 3.20 | 0.827 | Agreed |

Source: SPSS ver. 23

As shown in Table 5 above, the respondents agreed that micro and small businesses in South-Eastern, Nigeria are multiply taxed tax by agencies on sanitation levy, pollution control levy, environment impact assessment levy, environment auditing report levy, congestion levy, ticket levy, emblem levy, park levy, park and third party permit, permit of sales, signage levy, projector levy, stallage levy, branding levy, advertisement speaker levy, business permit, market development levy, market traders levy, cyber cafe operation levy, registration of mechanical repair workshop levy and income tax levy. The levies all had mean scores greater



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than 3.00. Other levies such as waybill levy, fumigation levy, produce levy, agric licence, agric ticket, had mean scores less than 3.00.

**Table 6: Descriptive statistics on the effect of multiple taxes on MSMEs in South-Eastern, Nigeria**

| S/N | Items | Means | Std. Dev | Decision |
|---|---|---|---|---|
| 1 | High mortality rate of small scale enterprise | 3.76 | 0.664 | Agreed |
| 2 | High operating cost | 3.64 | 1.303 | Agreed |
| 3 | Erosion of profit | 3.40 | 1.150 | Agreed |
| 4 | Reducing incentives to expand the business | 3.75 | 1.297 | Agreed |
| 5 | Leading to high cost of goods | 3.72 | 0.554 | Agreed |
| 6 | Distorting factor income | 3.60 | 0.768 | Agreed |
| 7 | The cost of multiple taxations reduces size of capital stock | 3.46 | 0.900 | Agreed |
| 8 | It discourages investments in productivity-enhancing measures | 3.50 | 0.679 | Agreed |
| 9 | It leads to lower job creation and returns to human capital | 3.79 | 0.674 | Agreed |

Source: SPSS ver. 23

The table above shows that multiple taxations led to High mortality rate of small scale enterprise, High operating cost, Erosion of profit, Reducing incentives to expand the business, Leading to high cost of goods, Distorting factor income, The cost of multiple taxations reduces size of capital stock, It discourages investments in productivity-enhancing measures, It leads to lower job creation and returns to human capital.

### 4.4 Test of Hypotheses

#### 4.4.1 Test of Hypothesis One

$Ho_1$: There is no significant difference in the multiple taxes levied by tax agencies on micro and small businesses in South-Eastern, Nigeria.

This hypothesis was analysed using t-test; the result is shown in the table below.

**Table 7: Analysis of hypothesis one**

| S/N | Items | N | t | sig |
|---|---|---|---|---|
| 1 | Sanitation levy | 372 | 136.347 | 0.000 |
| 2 | Pollution control levy | 372 | 125.901 | 0.000 |
| 3 | Environment impact Assessment levy | 372 | 52.955 | 0.000 |
| 4 | Environment Auditing Report levy | 372 | 59.443 | 0.000 |
| 5 | Congestion levy | 372 | 51.328 | 0.000 |
| 6 | Ticket levy | 372 | 48.634 | 0.000 |
| 7 | Emblem levy | 372 | 52.374 | 0.000 |
| 8 | Waybill levy | 372 | 38.096 | 0.000 |
| 9 | Park levy | 372 | 55.606 | 0.000 |
| 10 | Park and third party permit | 372 | 60.851 | 0.000 |
| 11 | Fumigation levy | 372 | 157.718 | 0.000 |
| 12 | Produce levy | 372 | 110.447 | 0.000 |



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| | | | | |
|---|---|---|---|---|
| 13 | Agric licence | 372 | 85.743 | 0.000 |
| 14 | Agric ticket | 372 | 83.223 | 0.000 |
| 15 | Permit of sales | 372 | 72.609 | 0.000 |
| 16 | Signage levy | 372 | 50.507 | 0.000 |
| 17 | Projector levy | 372 | 49.876 | 0.000 |
| 18 | Stallage levy | 372 | 65.704 | 0.000 |
| 19 | Branding levy | 372 | 109.138 | 0.000 |
| 20 | Advertisement speaker levy | 372 | 114.301 | 0.000 |
| 21 | Business permit | 372 | 48.485 | 0.000 |
| 22 | Market development levy | 372 | 70.028 | 0.000 |
| 23 | Market traders levy | 372 | 157.718 | 0.000 |
| 24 | Cyber cafe operation levy | 372 | 93.271 | 0.000 |
| 25 | Registration of mechanical repair workshop levy | 372 | 62.7040 | 0.000 |
| 26 | Income tax levy | 372 | 109.138 | 0.000 |

Source: SPSS ver. 23

From the table above the *t-test* for a significant difference in multiple taxes levied by tax agencies on micro and small businesses in South-Eastern Nigeria were significant ($p<.05$). Therefore we reject the null hypothesis and accept the alternate hypothesis. Thus, conclude that there is a significant difference in the responses of the respondents on the multiple taxes levied by tax agencies on small scale enterprises in South-Eastern, Nigeria.

### 4.4.2 Test of Hypothesis Two

$Ho_2$: Multiple taxations have no significant effect on micro and small businesses in South-Eastern, Nigeria.

This hypothesis was analysed using t-test; the result is shown in the table below.

**Table 8: Analysis of hypothesis two**

| S/N | Items | N | T | sig |
|---|---|---|---|---|
| 1 | High mortality rate of small scale enterprise | 372 | 51.124 | 0.000 |
| 2 | High operating cost | 372 | 33.177 | 0.000 |
| 3 | Erosion of profit | 372 | 50.342 | 0.000 |
| 4 | Reducing incentives to expand the business | 372 | 30.884 | 0.000 |
| 5 | Leading to high cost of goods | 372 | 129.378 | 0.000 |
| 6 | Distorting factor income | 372 | 40.295 | 0.000 |
| 7 | The cost of multiple taxation reduces size of capital stock | 372 | 52.773 | 0.000 |
| 8 | It discourages investments in productivity –enhancing measures | 372 | 94.419 | 0.000 |
| 9 | It leads to lower job creation and returns to human capital | 372 | 36.912 | 0.000 |

Source: SPSS ver. 23

From the table above the *t-test* for a significant effect of multiple taxations on micro and small businesses in South-Eastern Nigeria were significant ($p<.05$). Therefore we reject the null hypothesis and accept the alternate hypothesis. Thus, conclude that multiple taxations have a significant effect on micro and small businesses in South-Eastern, Nigeria.



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## 5. Conclusion and Recommendations

The study concludes that MSMEs play an important role in the growth and development of the Nigerian economy. It can also be concluded that friendly tax policy is instrumental to the survival and growth of these small and medium enterprises. However, taxes for micro and small businesses have been more harmful than beneficial as they increase running costs and slow down growth. Most of the micro and small businesses surveyed are faced with the problem of high tax rates, multiple taxations, complex tax regulations and lack of proper enlightenment or education about tax-related issues. Therefore, if micro and small businesses in south-east, Nigeria are to flourish, an appropriate tax policy which will not be an encumbrance to SMEs and which will also encourage voluntary compliance needs to be on ground. Based on the findings the following recommendations were made;

1. The government should consider increasing tax incentives and exemptions as this will not only attract investors who are potential taxpayers, it will encourage voluntary compliance and ultimately leads to expansion of existing business interests of the micro and small businesses in south-east, Nigeria.
2. Tax collection should be defined with respect to which the government should collect certain taxes from micro and small businesses. This will restrain the three tiers of government collecting taxes from the same particular organization.
3. The 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 on SMEs



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