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Taxation and the Performance of Small and Medium Enterprises in Nigeria

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Abstract

This study critically investigated the relationship between taxation and the performance of small and medium enterprises in Lagos State, Nigeria. Specifically, the study investigated the relationship of tax policy and effectiveness of SMEs in Nigeria; investigated the impact of tax administration on profitability of SMEs in Nigeria; examined the effect of multiple taxation on productivity of SMEs in Nigeria; determined the effect of tax incentives on efficiency of SMEs in Nigeria. Survey research design was employed and the sample of three hundred and ninety-six (396) SMEs operators determined using Taro Yamane (1067) was drawn from fourty-two thousand and sixty-seven (42,067). Data were gathered through self-administered questionnaire and the hypotheses were tested using Correlation and Analysis of Variance with the Aids of SPSS (Statistical Package for Social Sciences). The findings revealed that tax policy has significant relationship with the effectiveness of SMEs. But tax administration was revealed to have had no significant impact on profitability of SMEs. It was furthered revealed that multiple tax has significant effect on the productivity of SMEs, and that tax incentives have significant effect on the efficiency of SMEs. Thus the study concluded that tax policy and multiple tax as well as tax incentives were capable of improving performance of Small and Medium Scale Enterprises in Nigeria. But tax administration seemed to have poor effect on the SMEs performance. It was therefore recommended that Governments should design targeted tax policies that will actively encourage investments in SMEs in Nigeria, and to create a tax friendly environment through wide publicity / sensitization exercise

Keywords: *Taxation, Small Medium Enterprises, Performance, Tax policy, Multiple Taxation, Administration, Incentives*

1. Introduction

Small and Medium Enterprises have always been considered an important force for economic development and industrialization in smaller economies. These small enterprises have increasingly been recognized as enterprises that contribute considerably to the creation of jobs, economic growth and eradication of poverty in Africa (Aryeetey & Ohene cited in Evans, Lawrence, & Richard 2016). According to the OECD (2016) report, in the OECD area, SMEs are the predominant form of enterprise, accounting for approximately 99% of all firms. They provide the main source of employment, accounting for about 70% of jobs on average, and are major contributors to value creation, generating 50% to 60% of value added on average.

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IFC (2010) as contained in the OECD (2017) report asserts that for emerging economies, SMEs contribute up to 45% of total employment and 33% of GDP. According to the Small and Medium Enterprises Development Agency of Nigeria (2020) and the National Bureau of Statistics (2022), there were 37,067,416 (Thirty-seven million, sixty-seven thousand, four hundred and sixteen). Micro, Small and Medium Scale Enterprise in Nigeria as at 2013 which employed over 84% of the total labour force, and contributing 48.47% to the Gross Domestic Product (GDP).

Today, 96% of businesses are SME's compared to 53% in the US and 65% in Europe (IFC, 2018). This, the International Council for Small Business (ICSB) affirms by asserting that SMEs make up over 90% of all firms and account for an average of 50% GDP of any economy. The Nigeria government however, in recognition of the vital role that SMEs play in an economy has designed policies and programmes to encourage their growth and development and to make them more vibrant (OECD, 2017). Given the immense contribution that small and medium scale enterprises are seen to be making, it is expected that a significant percentage of government revenue generated from taxation should be realized from this sector of the economy. That is SMEs are expected to contribute their quota towards the development of the economy by particularly paying taxes to the government from the income generated through their commercial activities (Odebode, Salisu, Shokunbi, & Oladayo-Ibrahim, 2019).

Taxation can contribute to development and to welfare through three sources; it must be able to generate sufficient funds for financing public services and social transfers at a high level of quality; it should offer incentive for more employment and for an efficient and lasting use of natural resources; finally, it should be able to reallocate income (Holban 2007 cited in Amewuda & David, 2021). Taxation is expected to contribute significantly and positively to the Performance of SMEs in any economy. This seems to be largely far from reality in the Nigerian scenario, the establishment of the new National Tax Policy (NTP) in 2012 which seeks to create robust and efficient tax system with focus on legislative amendments to reduce tax burden on SMEs so as to enable an effective and efficient operation as yet rewarding, combined with the financial states of most Small and Medium businesses in Nigeria having suffered Socio-economic crises (i.e, Covid-19 Pandemic, EndSARS protest, 8-month ASUU Strike, Cashless Policy, etc). The business lost a larger percentage of their working capital in the process. As a result, many Nigerian SMEs have return to the informal sector because the cost of compliance is prohibitively expensive (Olaleye, 2023).

At present, Nigerian businesses were subjected to an impromptu shock by the government through the cashless policy strategies and implementation. This policy coupled with the existing effect of EndSARS protests and Covid-19 pandemic had plotted devastating consequences on the tenacity of SMEs business survival in the country. The existing effects of Covid-19 pandemic and EndSARS protests are yet written off the business liabilities as some of SMEs involved in no business continuity management practice. Even before fully recovering, Russia's invasion of Ukraine in February 2022 heightened geopolitical tensions between the West and Russia, lowering global growth expectations due to uncertainty about the conflict's effects, particularly on the global Supply Chain, thereby lowering the ability of most companies, especially SMEs in paying their taxes.

In Nigeria, taxation accounts for a significant portion of firm costs and have the potential to reduce SMEs profitability; therefore, they must be kept to a bare minimum, particularly in a challenging business environment, but the tax administration and utilization of tax policy have denied the SMEs the benefit they ought to derive as tax payers. The Delloitte report (2018) has it that businesses that make profits are usually subjected to multiple taxation in their first three years of commencement due to the rules for taxation of a new business; thereby increasing the risk of failure of SMEs within the first few years of business. Also, exemption of companies with at least 25% imported equity from minimum tax is discriminatory to Nigerian owned businesses. More notably, it discourages investment and increases the risk of failure for companies in periods of little or no profitability in the case of SMEs. In the same vein, a good number of SMEs are not able to adequately benefit from tax incentives due to the small size of their operations.

The main objective of the study is to examine the impact of taxation and performance of Small and Medium and Micro Enterprises in Lagos State, Nigeria while the specific objectives are to:

i. investigate the relationship of tax policy and effectiveness of SMEs in Nigeria
ii. investigate the impact of tax administration on profitability of SMEs in Nigeria
iii. examine the effect of multiple taxation on productivity of SMEs in Nigeria
iv. determine the effect of tax incentives on efficiency of SMEs in Nigeria

Based on the objectives set out in this study, the following research hypotheses were formulated in null form and tested to provide empirical findings.

$H0_1$: Tax policy has no significant relationship with the effectiveness of SMEs in Nigeria

$H0_2$: Tax administration has no significant impact on profitability of SMEs in Nigeria
$H0_3$: Multiple taxation has no significant effect on the productivity of SMEs in Nigeria
$H0_4$: Tax incentives have no significant effect on the efficiency of SMEs in Nigeria
The paper is further divided into five sections. The second section examines the extant literature to provide the conceptual, theoretical and the empirical review relating to the impact of taxation on SMEs in Nigeria. The third section shows the research methods adopted in the study. The results obtained were presented and discussion of findings was done in the fourth section. The fifth section concludes the paper with recommendations and contribution to knowledge.

2. Literature Review

This chapter reviews the extant literature on the causal relationship between taxation and performance of Small and Medium Enterprises in Nigeria. It focuses on theoretical and empirical aspects of this study and it is done with the view to determine the causal relationship between the variables understudied. The basic theories adopted in the study such as: Agency Theory of Tax Incentive Normative Theory Optimal Tax Theory were discussed. It also presented several empirical evidences to establish literature comparison among the studies.

The Concept of Taxation

Taxation is the primary source of governmental revenue. It is the act of laying a tax, i.e., the process by which a local, state and central government, through its law-making body, raises revenue to defray the necessary expenses of the government (Agu, Onwuka, & Aruomah, 2019). Taxation can be defined as the compulsory transfer or payment (or occasionally of goods and services) from private individuals or groups to the government. The presence of tax distorts the Pattern of production, consumption, investment, employment and other similar patterns for good or for bad and these distortions are collectively viewed as the effects to taxation. Taxes are compulsory levies imposed by the government on business profits, personal income, dividends, and commissions necessary for the infrastructural and social development of the country. These taxes imposed by the government benefit the public in general rather than just those who bear the burden (Tabet, & Onyeukwu, 2019).

The fundamental purpose of taxation is to raise revenue effectively, through measures that suit each country's circumstances and administrative capacity. In fulfilling the revenue function, a well-designed tax system should be efficient in minimizing the distortionary impact on resource allocation, and equitable in its impact on different groups in society (Ojochogwu & Stephen 2012). The objectives of taxation include raising revenue, reducing inequality, regulating and controlling the consumption of certain goods, checking inflation, servicing the national debt, planning and directing the economy, protecting infant industries, promoting exports and curtailing imports, maintaining credit balance, etc. (Njoku, 2009).

For an economy such as Nigeria that is still in the throes of a recession, the tax regime must be versatile enough to encourage savings, stimulate investment and reward social responsibility and research funding. To widen the tax net, policy makers must never forget the urgency to provide infrastructure; create jobs and reduce unemployment; expand the productive sectors of the economy; stimulate exports, and substantially raise public revenues from non-oil sources (Ocheni, 2015). Hence, tax policies should aim at bringing all taxable adults into the tax net with a graduated rate that should ensure that the well-off pay their own share while the low income earners are given savings-enhancing incentives. An effective and efficient tax administration system is integral to any country's wellbeing, As a result, tax administration is believed to provide an even playing field for business by ensuring that all taxpayers meet their tax filing and paying requirements. The tax administration must balance its educational and assistance role with its enforcement role (Baurer, 2005).

The Nigerian Tax System

The four canons of taxation that is today called the fundamental principles of taxation was propounded by Smith (1776). This shaped the economic schools of thought regarding taxation from the days of Adam Smith and remains relevant till today. These canons include Equity/Ability, Certainty, Economy and Convenience. The canon of equity implies that the criterion for the imposition of taxes should be the ability to pay, and the sacrifice caused by taxation should be equal for everyone. The canon of certainty also implies that a good tax system should be such that the cost of collecting tax revenue should be as low as possible according to the canon of economy. If a large proportion of tax collected is used in defraying the cost of collection, such a tax system is said to be uneconomical and inefficient. Lastly, the canon of convenience states that the time and the mode of payment of taxes should be such that it causes minimum inconvenience to the taxpayer (Nnam, Amara, Ekete, Okeke & Chukwunwike, 2022).

The Nigeria tax system is basically structured as a tool for revenue generation. This is a legacy from the pre-independence government based on 1948 British tax laws and have been mainly static since enhancement (Leyira & Chukwuma 2012). The foundation of the Nigerian tax system is tax administration. It addresses relevant tax authorities' powers and duties as outlined in tax legislation. The procedures, principles, and strategies used by any government to achieve effective tax planning, mandatory tax levying, easy collection, proper accounting, and revenue utilization are referred to as tax administration (Ogbonna, & Appah, 2016; Bautigam, et al., 2005) The way a tax system is administered is an important factor. The administration of taxation in Nigeria is along the tier system in which the country is governed. Meaning, the Federal, State and Local government have their unique taxing powers and jurisdiction, making the tax net wider in coverage (Federal Ministry of Finance, 2012).

The importance of taxes and the tax system in the development of a country cannot be overstated. They are essential for the development of state capacity for real economic development. Any revenue authority's primary purpose is to collect taxes and duties due in accordance with the law. The system of the government levying a compulsory levy on all income, commodities, services, and properties of people, partnerships, trustees, executorships, and corporations is known as taxation.[1]It is worth noting that no tax is better than its administration, so tax administration is very important, and one essential goal of tax administration is to ensure that taxpayers of all types comply with their taxation obligations to the greatest extent possible. Unfortunately, in many countries, particularly in Nigeria, tax administration is typically weak and characterized by widespread evasion, corruption, and coercion (Olawale, 2022).

The Nigeria tax system is beset by a myriad of challenges, some of which are highlighted as follow: (Leyira & Chukwuma, 2012). Taxation has been the oldest governmental activity since the country's unification is 1914, so one would expect tax statistics to be readily available. This expectation, however, is misplaced. With the exception of the states of Delta, Lagos, Kaduna and Katsina and the Nigeria Customs Services, other agencies of the states and relevant federal tax offices have serious failures in data management. Moreover, there are no efforts to have the limited data that are available collated or analyzed on a routine basis, not to mention, having it stored, or made more easily assessable or retrievable. This situation does not provide much input to policy process.

Performance of Small and Medium Scale Enterprises (SMEs)

Small and Medium Scale Enterprise is an entity with a labour size of 1-100 workers or a total cost of not more than ₦50 million (122,000 USD) including working capital but excluding the cost of land; while a Medium Scale Enterprise is an entity with a labour size of 101 – 300 workers or total cost of over ₦50 million (122,000 USD) but not more than ₦200 million (490,000 USD) including working capital but excluding the cost of land. The study also stated that about 50% are engaged in distributive trade, 10% in manufacturing, 30% in agriculture and the rest 10% in services (Tabet and Onyeukwu 2019). Small and Medium Scale Enterprises is defined as an enterprise that has an asset base (excluding land) of between N5Million - N500 Million and a labor force of between 11 and 300 (Sanusi, 2003). The definition for emerging businesses in SMEs is defined as an enterprise with an asset base excluding land and building of N10 million to less than 10Omillion with 10-49 employees for "SMALL" and N10Omillion to less than N1 billion with 50-199 employees for "MEDIUM" (Mahohoma & Agbenyegah, 2020). SMEs was also defined as a business with a turnover of less than NI00 million and/or less than 300 employees (Lawal & Ajayi-Owoeye, 2020). SMEs are dynamic and relative (Dzomoda, 2022).

Tax Policy

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

Multiple Taxation

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. Multiple Tax or Multiplicity of Taxes (MT) refers to unlawful and compulsory payment collected mostly by local and state government without legal backing (Abiola, 2012) It is a situation where a tax payer is forced by two (2) or more levels of government to pay either the same or similar taxes in desperate bid to increase their revenue base (Folayin, 2015).

Tax Incentives

Tax incentive is a deliberate reduction in or total elimination of tax liability granted by the government in order to encourage a particular economic unit to act in some desirable ways. The desirable ways maybe to invest more, employ more, export more, sell more, consume less, import less and pollute less and so on (Nnubia, & Fabian, 2018). Tax incentive is an instrument that reduces the tax burden of any party in order to induce them to invest in particular projects or sectors. Tax incentives encompass all the measures adopted by government to motive tax payers to respond favorably to their tax obligations. It includes adjustments to tax policy aimed at lessening the effects of taxation on an industry, a group of persons or the provision of certain services. Such measures may subsume the adoption of benign low tax rate; the effective dissemination of fiscal information by tax authority; or the non-imposition of tax at all (Dickson & Presley, 2013).

Nigeria's experience in the granting of tax incentives is traceable to the inception of British Administration in the territory, when all sorts of reliefs, allowances, and tax holidays were granted to British Companies and individuals as an attraction to establish trade links with the country. Specifically, tax incentives for industrial development came on stream in 1958 and included:

1. Pioneer companies relief, which exempted companies operating in pioneer industries for up to 5 year from paying company income tax;
2. Companies Income Tax relief which gave capital allowances regarding investments in machinery, building, loss carry-forward facility, etc.;
3. Import duties relief which exempted selected pioneer companies from paying import duties on imported inputs; and
4. Approved user scheme, under which import duties were refunded to approved enterprises, which imports in the export-tuned production.

Theoretical Framing

The following theoretical framing provides the theoretical understanding of the relationship between taxation and performance of SMEs in Nigeria.

Agency Theory of Tax Incentive

The government continues to provide fiscal incentives to companies and other businesses to boost their production. This is in spite there being very little evidence in way of the efficacy and efficiency of the fiscal policies. The government creates a significant number of business challenges that can be compensated by tax incentives according to (Wells et al. 2011). The fiscal incentives therefore address challenges in the market that are created by the government much in the same way as they address market failure and are therefore a suitable way of reducing market and government failures.

Normative Theory

This theory is equally derived from practical approaches to tax administration but unlike other theories that have used the approach and found to have a number of significant shortcomings attributable to tax administration, it is less criticized when presented in textbooks and often forms the basis upon which policy makers are advised. According to this theory, government as an institutional structure development will lead to a number of incentives and also constraints that form the basis of the actions of the government and other actors. The incentives so developed will provide a breakthrough to development since it is common knowledge that different governments evolve with just a few operating efficiently regarding tax. Therefore, the process of creating tax policies and tax administration reforms may well lead to a link between tax policies and administrative reforms.

3. Research Methods

This section establishes the structure in which the methodology of the study can be reached. At first, research design is presented to plan for selecting the sources and types of information needed to answer the research questions concerning the study. The study also presents the target population as well as sample size determination and sampling technique. It further depicts the method of data collection adopted, the research instrument; validity and reliability of the instrument as well as the method of data analysis.

Sources of Data Collection

In the study, primary source of data collection was employed to gather the needed information directly from the SMEs owners in selected states in Nigeria through Google form. The instrument was administered through social media of some SMEs Social Media Platforms in Nigeria. The research instrument in this study is questionnaire. Questionnaire was preferred in this study because all the participants in the study are literate and therefore capable of answering the items adequately. The 5-Likert scale was used to assess respondents' opinions of the respondents regarding taxation and its impact on performance of SMEs.

Techniques for Data Analysis

The established hypotheses shall be analyzed using Correlation, Regression Analysis and Analysis of Variance (ANOVA) with the aids of Statistical Package for Social Sciences (SPSS). The analysis shall be employed to test the relationship that exists between variables. This allows inference to be drawn on the subject matter.

Limitations of the Research Methodology

The research method adopted for this research is not without its limitations. It is important to acknowledge these limitations as they provide a realistic assessment of the study's scope and potential implications. These limitations are some common that researchers often encountered. To begin with, due to time, resource constraints, or logistical challenges, the study might have used a limited sample size or focused on a specific geographic area or sector. This could restrict the generalizability of the findings to the broader population or different contexts.

4. Results and Discussion of Findings

This section examines the data obtained from the field to show the descriptive data and the empirical relationship between the variables. It presents the demographic information of the respondents, analysis of the research questions and the analysis of hypotheses as well as the discussion of results.

In the study, questionnaire was administered to the SMEs owners through Goggle form to some SMEs Social Media Platforms to target three hundred and ninety-six (396) respondents, from which three hundred and ninety (390) copies were correctly filled and retrieved, showing 98.49% of the total distribution. However, the first part of the data analysis was descriptive statistics which involved analysis and presentation of SMEs owners' bio data and the research questions using frequency and percentage (%) count while the second part of data analysis was inferential statistics which involved test of hypotheses using correlation and regression, and analysis of variance (ANOVA) with the aid of Statistical Package for Social Sciences (SPSS). The next table presents the respondents demographic data to show the related characteristics of the respondents used in the study

Table 1: Respondents' Demographic Data

Gender		**Frequency**	**Percent**
Valid	Male	266	68.2
	Female	124	31.8
	Total	**390**	**100.0**
Age		**Frequency**	**Percent**
Valid	Below 30 years	25	6.4
	31-40 years	33	8.5
	41-50 years	186	47.7
	51-60 years	126	32.3
	61 years and above	20	5.1
	Total	**390**	**100.0**
Ownership structure		**Frequency**	**Percent**
Valid	Sole Propietorship	200	51.3
	Partnership	186	47.7
	Others	4	.11
	Total	**390**	**100.0**
Capital base		**Frequency**	**Percent**
Valid	<50000	2	.5
	50,001- 500,000	172	44.1
	500,001- 950,000	121	31.0
	950,001- 1,400,000	40	10.3
	1,400,001–1,850,000	27	6.9
	> 1,850,000	28	7.2
	Total	**390**	**100.0**
Annual Tax Payable		**Frequency**	**Percent**
Valid	< N50,000	215	55.1
	50,001- 550,000	53	13.6
	550,001- 1,050,000	28	7.2
	1,050,001- 1,500,000	55	14.1
	>1,500,000	39	10.0
	Total	**390**	**100.0**
Work Experience		**Frequency**	**Percent**
Valid	1-5 years	88	22.6
	6 -10 years	150	38.5
	11-15 years	133	34.1
	16 years and above	19	4.9
	Total	**390**	**100.0**
Business Registration		**Frequency**	**Percent**
Valid	Yet registered	69	17.7
	In process	114	29.2
	Registered	207	53.1
	Total	**390**	**100.0**

Source: ***Field Survey Report, 2023***

In the Table 1, it was observed that 266 (68.2%) male respondents participated in the study, while 124 respondents representing 31.8 % were female. This implies that there are more male respondents than female in the study and both genders were incorporated. The results also indicated that 186 (47.7%) of the total number of respondents being the majority were between the 41 – 50 years. The next in terms of percentage is the age group 51 – 60 years which had a total of 126 respondents (32.3%). The age group 31 - 40 years recorded 33 respondents (8.5%) and 25 of the respondents were below 30 years covering 6.4% while only 20 respondents (5.1%) were 61 years and above. Thus, it is evident that majority of respondents constituted the matured and highly productive men and women who have been in the business for a while.

On the basis of ownership structure, the majority of the businesses were Sole proprietorship covering 200(51.3%) of the total distribution. 186(47.7%) were partnership while only 4(0.11%) covering "Others". This implies that there were many sole proprietorship business owners who participated in the study. However, the table further indicated that the majority of the respondents, on the basis of capital base, covering 172(44.1%) operating with between "₦50,001 to ₦500,000", followed by the capital of: ₦500,001- ₦950,000 representing 121(31.0%). 40 of the businesses covering 10.3% operating with between "₦950,001- ₦1,400,000", and 28 of the businesses covering 7.2% operating with more than ₦1,850,000, 27(6.9%) operating with between, "₦1,400,001–₦1,850,000" while only 2(0.5%) operating with less than ₦50000. Thus, it is evident that majority of businesses have enough capital to operate. On the basis of annual tax payable, the majority of the businesses paid less than ₦50,000 annually representing 215(55.1%). 55(14.1%) paid between ₦1,050,001 to ₦1,500,000 annually, 55 representing 13.6% paid between ₦50,001 to ₦550,000, and 28(7.2%) paid between ₦550,001- ₦1,050,000 while 39(10.0%) paid more than ₦1,500,000

Finally, it could be read from the table, that the majority of the respondents being 150(38.5%) have been working for between 6 – 10 years, followed by those who have been working for between 11 – 15 years representing 133(34.1%). 88 of the respondents covering (22.6%) have been working for between 1 – 5 years while 19(4.9%) have been working for more than 16 years. The table as also indicated that majority of the businesses covering 207(53.1%) were registered, followed by those representing 144 (29.2%) were in process, while only 69 covering 17.7 % were not registered businesses.

Descriptive Analysis

Table 2: Respondents View of Tax Policy

Statements	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree			
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Mean	Std.
Tax policies affects your investment decisions	152	39.0	170	43.6	14	3.6	5	1.3	49	12.6	3.95	1.27
The relevant tax authority has not shown proper conducts in the assessment of tax	173	44.4	158	40.5	11	2.8	3	.8	45	11.5	4.05	1.24
The procedure of tax assessment, collection and remittance is a whole lot of paper work	168	43.1	151	38.7	18	4.6	5	1.3	48	12.3	3.99	1.28
There is a better future for tax administrative system in Nigeria	36	9.2	186	47.7	63	16.2	74	19.0	31	7.9	3.31	1.12
The tax authority is very effective in the suppression of tax criminality.	72	18.5	215	55.1	40	10.3	27	6.9	36	9.2	3.67	1.13

Source: Field Survey, 2023

The Table 2 showed that 170 respondents covering (43.6%) agreed, 152 (39.0%) strongly agreed with the statement," Tax policies affects your investment decisions" and 49 (12.6%) strongly disagreed, 14 respondents covering (3.6%) were neutral while only 5(1.3%) were disagreed. The distribution further showed a mean value of 3.95 which deviated with 1.27. This indicated that tax policies affects business investment decisions.

The table also indicated that 173 representing 44.4% respondents strongly agreed and 158 covering (40.5%) agreed with the statement, "The relevant tax authority has not shown proper conducts in the assessment of tax". 45(11.5%) of the respondents strongly disagreed, 11(2.8%) were neutral while only 3(0.8%). The distribution further showed a mean value of 4.05 which deviated with 1.24. This indicated that the relevant tax authority has not shown proper conducts in the assessment of tax.

The table further indicated that 168 respondents covering (43.1%) strongly agreed, 151 representing (38.7%) agreed with the statement, "The procedure of tax assessment, collection and remittance is a whole lot of paper work" 48 covering (12.3%) respondents strongly disagreed, 18(4.6%) were neutral while 5(1.3%) disagreed with the statement. The distribution further showed a mean value of 3.99 which deviated with 1.28. This indicated that the procedure of tax assessment, collection and remittance is a whole lot of paper work.

186 respondents indicating (47.7%) agreed and 74 covering (19.0%) disagreed with the statement, "There is a better future for tax administrative system in Nigeria" 63 (16.2%) and 36 covering (9.2%) of the respondents were strongly disagreed and neutral while only 31 representing (7.9%) strongly disagreed with the statement. The distribution further showed a mean value of 3.31 which deviated with 1.12. This implied that There is a better future for tax administrative system in Nigeria. Similarly, the table depicted that 215 respondents covering (55.1%) agreed and 72 covering (18.5%) strongly agreed with the statement, "The tax authority is very effective in the suppression of tax criminality" 40 respondents representing (10.3%) were neutral, 36 (9.2%) strongly disagreed while only 27(6.9%) disagreed. The distribution further showed a mean value of 3.67 which deviated with 1.13. This showed that the tax authority is very effective in the suppression of tax criminality.

Table 3 Tax Administration

Statements	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree			
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Mean	Std.
There is effective and efficient tax administration system in Nigeria	58	14.9	144	36.9	41	10.5	93	23.8	54	13.8	3.15	1.32
Efficient tax administration increases revenues collection among SMEs	179	45.9	160	41.0	15	3.8	20	5.1	16	4.1	4.19	1.02
Effective tax administration system leads to tax compliance and reduces the risk of SMEs tax evasion	196	50.3	156	40.0	6	1.5	3	.8	29	7.4	4.25	1.08
Effective tax administration system enhances revenue mobilization	65	16.6	223	57.2	56	14.4	30	7.7	16	4.1	3.73	.96
Effective tax administration improves confidence in the system, promoting voluntary compliance among SMEs owners	185	46.2	162	41.5	20	5.1	10	2.6	13	3.3	4.27	.93

Source: *Field Survey, 2023*

The Table 3 showed that 144 respondents covering (36.9%) agreed, 93 (23.8%) disagreed with the statement," There is effective and efficient tax administration system in Nigeria" and 58(14.9%) strongly agreed, 54 respondents covering (13.8%) strongly disagreed while only 41(10.5%) were neutral. The distribution further showed a mean value of 3.15 which deviated with 1.32. This indicated that there is effective and efficient tax administration system in Nigeria. The table also indicated that 179 representing 45.9% respondents strongly agreed and 160 covering (41.0%) agreed with the statement, "Efficient tax administration increases revenues collection among SMEs". 20(5.1%) of the respondents disagreed, 16(4.1%) strongly disagreed while only 15(3.8%) were neutral. The distribution further showed a mean value of 4.19 which deviated with 1.02. This indicated that the efficient tax administration increases revenues collection among SMEs.

The table further indicated that 196 respondents covering (50.3%) agreed, 169 representing (50.3%) strongly agreed with the statement, “Effective tax administration system leads to tax compliance and reduces the risk of SMEs tax evasion” 29 covering (7.4%) respondents strongly disagreed, 6(1.5%) were neutral while 3(0.8%) disagreed with the statement. The distribution further showed a mean value of 4.25 which deviated with 1.08. This indicated that the effective tax administration system leads to tax compliance and reduces the risk of SMEs tax evasion. 223 respondents indicating (57.2%) strongly agreed and 65 covering (16.5%) strongly agreed with the statement, “Effective tax administration system enhances revenue mobilization” 56 (14.4%) and 30 covering (7.7%) of the respondents disagreed while only 16 representing (4.1%) strongly disagreed with the statement. The distribution further showed a mean value of 3.73 which deviated with 0.96. This implied that effective tax administration system enhances revenue mobilization.

Similarly, the table depicted that 185 respondents covering (46.2%) strongly agreed and 162 covering (41.5%) agreed with the statement, “Effective tax administration improves confidence in the system, promoting voluntary compliance among SMEs owners” 20 respondents representing (5.1%) were neutral, 13 (3.3%) strongly disagreed while only 10(2.6%) disagreed. The distribution further showed a mean value of 4.27 which deviated with 0.93. This showed that effective tax administration improves confidence in the system, promoting voluntary compliance among SMEs owners.

Table 4 Multiple taxations

Statements	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree			
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Mean	Std.
Multiple taxations affects the growth and survival of SMEs Negatively in Nigeria	152	39.0	170	43.6	14	3.6	5	1.3	49	12.6	4.32	.96
Multiple taxation constitutes a major challenge to SMEs financial performance in Nigeria	173	44.4	158	40.5	11	2.8	3	.8	45	11.5	3.76	1.11
Multiple taxation reduces the much needed cash required for business growth	168	43.1	151	38.7	18	4.6	5	1.3	48	12.3	4.02	1.07
Most SMEs resort to illegal negotiations with agents pay cash to reduce their overhead and as such government coffers are short changed	36	9.2	186	47.7	63	16.2	74	19.0	31	7.9	4.27	.84
Disproportionate multiple taxation practices are detrimental to the budgetary and planning performance of SMEs	72	18.5	215	55.1	40	10.3	27	6.9	36	9.2	4.08	.71

Source: Field Survey, 2023

The Table 4 showed that 170 respondents covering (43.6%) agreed, 152 (39.0%) strongly agreed with the statement," Multiple taxations affects the growth and survival of SMEs Negatively in Nigeria" and 49 (12.6%) strongly disagreed, 14 respondents covering (3.6%) were neutral while only 5(1.3%) were disagreed. The distribution further showed a mean value of 4.32 which deviated with 0.96. This indicated that multiple taxations affects the growth and survival of SMEs Negatively in Nigeria.

The table also indicated that 173 representing 44.4% respondents strongly agreed and 158 covering (40.5%) agreed with the statement, "Multiple taxation constitutes a major challenge to SMEs financial performance in Nigeria". 45(11.5%) of the respondents strongly disagreed, 11(2.8%) were neutral while only 3(0.8%). The distribution further showed a mean value of 3.76 which deviated with 1.11. This indicated that multiple taxation constitutes a major challenge to SMEs financial performance in Nigeria.

The table further indicated that 168 respondents covering (43.1%) strongly agreed, 151 representing (38.7%) agreed with the statement, "Multiple taxation reduces the much needed cash required for business growth" 48 covering (12.3%) respondents strongly disagreed, 18(4.6%) were neutral while 5(1.3%) disagreed with the statement. The distribution further showed a mean value of 4.02which deviated with 1.07. This indicated that multiple taxation reduces the much needed cash required for business growth.

186 respondents indicating (47.7%) agreed and 74 covering (19.0%) disagreed with the statement, "Most SMEs resort to illegal negotiations with agents pay cash to reduce their overhead and as such government coffers are short changed" 63 (16.2%) and 36 covering (9.2%) of the respondents were strongly disagreed and neutral while only 31 representing (7.9%) strongly disagreed with the statement. The distribution further showed a mean value of 4.27 which deviated with 0.84. This implied that most SMEs resort to illegal negotiations with agents pay cash to reduce their overhead and as

such government coffers are short changed. Similarly, the table depicted that 215 respondents covering (55.1%) agreed and 72 covering (18.5%) strongly agreed with the statement, "Disproportionate multiple taxation practices are detrimental to the budgetary and planning performance of SMEs" 40 respondents representing (10.3%) were neutral, 36 (9.2%) strongly disagreed while only 27(6.9%) disagreed. The distribution further showed a mean value of 4.08 which deviated with 0.71. This showed that disproportionate multiple taxation practices are detrimental to the budgetary and planning performance of SMEs

Table 5 Tax Incentive

Statements	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree			
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Mean	Std
Tax incentive improves SMES performance	179	45.9	160	41.0	15	3.8	20	5.1	16	4.1	3.46	1.19
Government grant SMES the VAT incentives of paying lower tax rate of 20% if annual turnover is below N1, 000,000	58	14.9	144	36.9	41	10.5	93	23.8	54	13.8	3.50	1.15
Tax incentives reduce economic burden on SMES	196	50.3	156	40.0	6	1.5	3	.8	29	7.4	3.62	.97
Tax incentives can be utilized by the government to encourage growth and expansion of SMES	65	16.6	223	57.2	56	14.4	30	7.7	16	4.1	3.56	1.07
Tax incentives is capable of improving the welfare of the payers	185	46.2	162	41.5	20	5.1	10	2.6	13	3.3	4.09	.93

Source: Field Survey, 2023

The Table 5 showed that 179 representing 45.9% respondents strongly agreed and 160 covering (41.0%) agreed with the statement, "Tax incentive improves SMES performance". 20(5.1%) of the respondents disagreed, 16(4.1%) strongly disagreed while only 15(3.8%) were neutral. The distribution further showed a mean value of 3.46 which deviated with 1.19. This indicated that tax incentive improves SMES performance. 144 respondents covering (36.9%) agreed, 93 (23.8%) disagreed with the statement," Government grant SMES the VAT incentives of paying lower tax rate of 20% if annual turnover is below N1, 000,000" and 58(14.9%) strongly agreed, 54 respondents covering (13.8%) strongly disagreed while only 41(10.5%) were neutral. The distribution further showed a mean value of 3.50 which deviated with 1.15. This indicated that government grant SMEs the VAT incentives of paying lower tax rate of 20% if annual turnover is below N1, 000,000. The table further indicated that 196 respondents covering (50.3%) agreed, 169 representing (50.3%) strongly agreed with the statement, "Tax incentives reduce economic burden on SMES" 29 covering (7.4%) respondents strongly disagreed, 6(1.5%) were neutral while 3(0.8%) disagreed with the statement. The distribution further showed a mean value of 3.62 which deviated with 0.97. This indicated that the Tax incentives reduce economic burden on SMES.

223 respondents indicating (57.2%) strongly agreed and 65 covering (16.5%) strongly agreed with the statement, "Tax incentives can be utilized by the government to encourage growth and expansion of SMES" 56 (14.4%) and 30 covering (7.7%) of the respondents disagreed while only 16 representing (4.1%) strongly disagreed with the statement. The distribution further showed a mean value of 3.56 which deviated with 1.07. This implied that tax incentives can be utilized by the government to encourage growth and expansion of SMES. Similarly, the table depicted that 185 respondents covering (46.2%) strongly agreed and 162 covering (41.5%) agreed with the statement, "Tax incentives is capable of improving the welfare of the payers" 20 respondents representing (5.1%) were neutral, 13 (3.3%) strongly disagreed while only 10(2.6%) disagreed. The distribution further showed a mean value of 4.09which deviated with 0.93. This showed that tax incentives are capable of improving the welfare of the payers.

Table 6 Effectiveness of SMEs

Statements	**Strongly Agree**		**Agree**		**Neutral**		**Disagree**		**Strongly Disagree**			
	Frequency	**Percent**	**Frequency**	**Percent**	**Frequency**	**Percent**	**Frequency**	**Percent**	**Frequency**	**Percent**	**Mean**	**Std**
Effectiveness evaluates the performance of business efforts with respect to strategic goals	196	50.3	156	40.0	6	1.5	3	.8	29	7.4	4.03	.925
Effectiveness ensures business development acceleration	65	16.6	223	57.2	56	14.4	30	7.7	16	4.1	3.99	.893
The ability to achieve business objectives and goals are products of its effectiveness	36	9.2	186	47.7	63	16.2	74	19.0	31	7.9	3.97	.849
Business effectiveness ensures high business profit	65	16.6	223	57.2	56	14.4	30	7.7	16	4.1	4.07	.933
Efficient supply chain management is a product of business effectiveness	185	46.2	162	41.5	20	5.1	10	2.6	13	3.3	4.14	.849

Source: Field Survey, 2023

The Table 6 showed that 196 respondents covering (50.3%) agreed, 169 representing (50.3%) strongly agreed with the statement, "Effectiveness evaluates the performance of business efforts with respect to strategic goals" 29 covering (7.4%) respondents strongly disagreed, 6(1.5%) were neutral while 3(0.8%) disagreed with the statement. The distribution further showed a mean value of 4.03 which deviated with 0.925. This indicated that the effectiveness evaluates the performance of business efforts with respect to strategic goals. 223 respondents indicating (57.2%) strongly agreed and 65 covering (16.5%) strongly agreed with the statement, "Effectiveness ensures business development acceleration" 56 (14.4%) and 30 covering (7.7%) of the respondents disagreed while only 16 representing (4.1%) strongly disagreed with the statement. The distribution further showed a mean value of 3.99 which deviated with 0.893. This implied that effectiveness ensures business development acceleration.

Furthermore, 186 respondents indicating (47.7%) agreed and 74 covering (19.0%) disagreed with the statement, "The ability to achieve business objectives and goals are products of its effectiveness" 63 (16.2%) and 36 covering (9.2%) of the respondents were strongly disagreed and neutral while only 31 representing (7.9%) strongly disagreed with the statement. The distribution further showed a mean value of 3.97 which deviated with 0.849. This implied that the ability to achieve business objectives and goals are products of its effectiveness. 223 respondents indicating (57.2%) strongly agreed and 65 covering (16.5%) strongly agreed with the statement, "Business effectiveness ensures high business profit" 56 (14.4%) and 30 covering (7.7%) of the respondents disagreed while only 16 representing (4.1%) strongly disagreed with the statement. The distribution further showed a mean value of 4.07 which deviated with 0.933. This implied that business effectiveness ensures high business profit. Similarly, the table depicted that 185 respondents covering (46.2%) strongly agreed and 162 covering (41.5%) agreed with the statement, "Efficient supply chain management is a product of business effectiveness" 20 respondents representing (5.1%) were neutral, 13 (3.3%) strongly disagreed while only 10(2.6%) disagreed. The distribution further showed a mean value of 4.14 which deviated with 0.849. This showed that efficient supply chain management is a product of business effectiveness.

Table 7 Profitability of SMEs

Statements	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree			
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Mean	Std
The business is capable to create more profit for the business	179	45.9	160	41.0	15	3.8	20	5.1	16	4.1	2.87	1.18
The business is experiencing a satisfactory trend of income over years	58	14.9	144	36.9	41	10.5	93	23.8	54	13.8	3.18	1.09
The profit generated is capable of paying taxes	196	50.3	156	40.0	6	1.5	3	.8	29	7.4	2.67	1.17
The business is highly competing in the product market.	65	16.6	223	57.2	56	14.4	30	7.7	16	4.1	3.11	1.11
High profit margin is a product of business continuity	185	46.2	162	41.5	20	5.1	10	2.6	13	3.3	3.08	1.10

Source: Field Survey, 2023

The Table 7 showed that 179 representing 45.9% respondents strongly agreed and 160 covering (41.0%) agreed with the statement, "The business is capable to create more profit for the business". 20(5.1%) of the respondents disagreed, 16(4.1%) strongly disagreed while only 15(3.8%) were neutral. The distribution further showed a mean value of 2.87 which deviated with 1.18. This indicated that the business is capable to create more profit for the business.

144 respondents covering (36.9%) agreed, 93 (23.8%) disagreed with the statement," The business is experiencing a satisfactory trend of income over years" and 58(14.9%) strongly agreed, 54 respondents covering (13.8%) strongly disagreed while only 41(10.5%) were neutral. The distribution further showed a mean value of 3.18 which deviated with 1.09. This indicated that the business is experiencing a satisfactory trend of income over years. The table further indicated that 196 respondents covering (50.3%) agreed, 169 representing (50.3%) strongly agreed with the statement, "The profit generated is capable of paying taxes" 29 covering (7.4%) respondents strongly disagreed, 6(1.5%) were neutral while 3(0.8%) disagreed with the statement. The distribution further showed a mean value of 2.67 which deviated with 1.17. This indicated that the profit generated is capable of paying taxes. 223 respondents indicating (57.2%) strongly agreed and 65 covering (16.5%) strongly agreed with the statement, "The business is highly competing in the product market" 56 (14.4%) and 30 covering (7.7%) of the respondents disagreed while only 16 representing (4.1%) strongly disagreed with the statement. The distribution further showed a mean value of 3.11which deviated with 1.11. This implied that The business is highly competing in the product market.

Similarly, the table depicted that 185 respondents covering (46.2%) strongly agreed and 162 covering (41.5%) agreed with the statement, "High profit margin is a product of business continuity" 20 respondents representing (5.1%) were neutral, 13 (3.3%) strongly disagreed while only 10(2.6%) disagreed. The distribution further showed a mean value of 3.08 which deviated with 1.10. This showed that high profit margin is a product of business continuity.

Table 8 Productivity of SMEs

Statements	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree			
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Mean	Std.
There have been a significant increase in the business productivity	11	2.8	87	22.3	87	22.3	133	34.1	72	18.5	2.57	1.11
The business is capable of meeting up with International Standard of Organisation (ISO)	74	19.0	74	19.0	73	18.7	113	29.0	56	14.4	2.99	1.35
There is efficient allocation of resource during production	80	18.5	233	59.7	39	10.0	19	4.9	19	4.9	3.84	.96
The company has no history of shortage supply over demand in the market	41	10.5	185	47.4	53	13.6	90	23.1	21	5.4	3.33	1.10
The business is highly competing in the product market.	14	3.6	188	48.2	87	22.3	89	22.8	12	3.1	3.26	.95

Source: Field Survey, 2023

The Table 8 showed that 133 representing 34.1% respondents disagreed and 87 covering (22.3%) agreed and the same number of respondents were neutral with the statement, "There have been a significant increase in the business productivity".72(18.5%) of the respondents strongly disagreed, while only 11(2.8%) strongly agreed. The distribution further showed a mean value of 2.57 which deviated with 1.11. This indicated that there has not been a significant increase in the business productivity. The table also showed that 113 representing 29.0% respondents disagreed and 74 covering (19.0%) strongly agreed and the same number of respondents agreed with the statement, "The business is capable of meeting up with International Standard of Organisation (ISO)". 73(18.7%) of the respondents were neutral, while 56(14.4%) strongly agreed. The distribution further showed a mean value of 2.99 which deviated with 1.35. This indicated that business is not capable of meeting up with International Standard of Organisation (ISO).

Further, 233 representing 59.7% respondents agreed and 80 covering (18.5%) strongly agreed with the statement, "There is efficient allocation of resource during production".39(10.0%) of the respondents were neutral, 19(4.9%) disagreed and the same number strongly disagreed. The distribution further showed a mean value of 3.84 which deviated with 0.96. This indicated that There is efficient allocation of resource during production. The table also showed that 185 representing 47.4% respondents agreed and 90 covering (23.1%) disagreed, 53(13.6%) were neutral with the statement, "The company has no history of shortage supply over demand in the market". 41(10.5%) of the respondents strongly agreed, while 21(5.4%) strongly disagreed. The distribution further showed a mean value of 3.33 which deviated with 1.10. This indicated that the company has no history of shortage supply over demand in the market. The table showed that 188 representing 48.2% respondents agreed and 89 covering (22.8%) disagreed, 87(22.3%) were neutral with the statement, "The business is highly competing in the product market.". 14(3.6%) of the respondents strongly agreed, while 12(3.1%) strongly disagreed. The distribution further showed a mean value of 3.26 which deviated with 0.95. This indicated that the business is highly competing in the product market.

Table 9 Efficiency of SMEs

Statements	Strongly Agree		Agree		Neutral		Disagree		Strongly Disagree			
	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Frequency	Percent	Mean	Std.
Business efficiency ensures innovation and improvement	152	39.0	170	43.6	14	3.6	5	1.3	49	12.6	3.99	1.05
Efficient utilization of resource has a positive impact on business success	173	44.4	158	40.5	11	2.8	3	.8	45	11.5	17.6	3.49
Business efficiency enhances the achievement of specific business goals	168	43.1	151	38.7	18	4.6	5	1.3	48	12.3	2.98	1.07
Efficiency in business reduces risk and ensures continuity	36	9.2	186	47.7	63	16.2	74	19.0	31	7.9	3.17	1.00
Business efficiency ensures high sales turnover	72	18.5	215	55.1	40	10.3	27	6.9	36	9.2	3.42	1.01

Source: Field Survey, 2023

The table 4.9 showed that 170 respondents covering (43.6%) agreed, 152 (39.0%) strongly agreed with the statement," Business efficiency ensures innovation and improvement" and 49 (12.6%) strongly disagreed, 14 respondents covering (3.6%) were neutral while only 5(1.3%) were disagreed. The distribution further showed a mean value of 3.99 which deviated with 1.05. This indicated that business efficiency ensures innovation and improvement. The table also indicated that 173 representing 44.4% respondents strongly agreed and 158 covering (40.5%) agreed with the statement, "Efficient utilization of resource has a positive impact on business success". 45(11.5%) of the respondents strongly disagreed, 11(2.8%) were neutral while only 3(0.8%). The distribution further showed a mean value of 17.6 which deviated with 3.49. This indicated that efficient utilization of resource has a positive impact on business success.

The table further indicated that 168 respondents covering (43.1%) strongly agreed, 151 representing (38.7%) agreed with the statement, "Business efficiency enhances the achievement of specific business goals" 48 covering (12.3%) respondents strongly disagreed, 18(4.6%) were neutral while 5(1.3%) disagreed with the statement. The distribution further showed a mean value of 2.98 which deviated with 1.07. This indicated that business efficiency enhances the achievement of specific business goals. 186 respondents indicating (47.7%) agreed and 74 covering (19.0%) disagreed with the statement, "Efficiency in business reduces risk and ensures continuity" 63 (16.2%) and 36 covering (9.2%) of the respondents were strongly disagreed and neutral while only 31 representing (7.9%) strongly disagreed with the statement. The distribution further showed a mean value of 3.17 which deviated with 1.00. This implied that efficiency in business reduces risk and ensures continuity.

Similarly, the table depicted that 215 respondents covering (55.1%) agreed and 72 covering (18.5%) strongly agreed with the statement, "Business efficiency ensures high sales turnover" 40 respondents representing (10.3%) were neutral, 36 (9.2%) strongly disagreed while only 27(6.9%) disagreed. The distribution further showed a mean value of 3.42 which deviated with 1.01. This showed that business efficiency ensures high sales turnover.

Test of Hypotheses

This section presents the results obtained the four hypotheses tested in this study.

Test of Hypothesis 1

H0$_1$: Tax policy has no significant relationship with the effectiveness of SMEs

Table 10: Correlations

		Tax Policy	Effectiveness of SMEs
Tax Policy	Pearson Correlation	1	.295**
	Sig. (2-tailed)		.000
	N	390	390
Effectiveness of SMEs	Pearson Correlation	.295**	1
	Sig. (2-tailed)	.000	
	N	390	390

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

In Table 10, a correlation analysis was conducted between the Tax policy and effectiveness of SMEs, resulting valuable insights into the relationship between these two key variables. The Pearson correlation coefficient, with a value of 0. 295** at 2-tail indicated a robust positive correlation between the Tax policy and effectiveness of SMEs. The associated p-value, which is remarkably low at .000, underscored the high level of statistical significance, emphasizing the strength and importance of this relationship. This means that, within the sample of 390 cases, there was a strong tendency for effective tax policy to enhance a higher degree of effectiveness of SMEs. In practical terms, this suggested that as tax policy implement are effective they more likely to engage SMEs effectiveness through effective system. Thus, Tax policy has significant relationship with the effectiveness of SMEs.

Test of Hypothesis 2

H0$_2$:Tax administration has no significant impact on profitability of SMEs

Table 11(a): Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.027[a]	.001	-.002	5.277

a. Predictors: (Constant), Tax Administration

This analysis showed valuable insights regarding Tax administration has no significant impact on profitability of SMEs. The model summary offered an overview into the performance of the regression model. The R-squared value, stood at 0.01, signifies that roughly 10% of the variability in profitability of SMEs can be explained by the tax administration. The Adjusted R-squared value, which took into account the number of predictors, arrives at -.002.

Table 11(b): ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	7.667	1	7.667	.275	.600[b]
	Residual	10805.677	388	27.850		
	Total	10813.344	389			

a. Dependent Variable: Profitability of SMEs
b. Predictors: (Constant), Tax Administration

The ANOVA (Analysis of Variance) table revealed that the regression model is highly significant significance (Sig. = .000), with a high F-statistic of 180.291. This indicated that tax administration impact on profitability of SMEs is statistically insignificant.

Table 11(c): Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	16.649	1.505		11.066	.000
	Tax Administration	.040	.076	.027	.525	.600

a. Dependent Variable: Profitability of SMEs

The table of coefficients presented exceptionally comprehensive insights regarding the equation of regression. The term constant (intercept) manifested at 16.649, whilst the coefficient pertaining to the Tax Administration assumed the value of 0.40. The Beta value for Tax Administration emerged as 0.027, thereby implying suggesting that there is a positive and relative impact of Tax Administration impact on profitability of SMEs. The t-statistic for the coefficient is .525, with the p-value standing statistically insignificant (Sig. = .600). This indicated that the tax administration has no impact on profitability of SMEs.

Test of Hypothesis 3

$H0_3$: Multiple taxation has no significant effect on the productivity of SMEs

Table 12(a): Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.174[a]	.030	.028	4.271

a. Predictors: (Constant), Multiple Taxation

The model summary showed that regression result of 0.028 which is 28.0% showed a positive linear effect of Multiple taxation on productivity of SMEs. The R square of 0.30 indicated that about 30.0% variations in the dependent variable (productivity of SMEs) is explained by the independent variable Multiple taxation which is moderate. And the adjusted R-squared statistics of the model is 28.0%, which indicated that the total variation of productivity of SMEs is explained by the variables in the model. Thus, the variables jointly, are partially explanatory variables to productivity of SMEs.

Table 12(b): ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	220.917	1	220.917	12.109	.001[b]
	Residual	7078.673	388	18.244		
	Total	7299.590	389			

a. Dependent Variable: Productivity of SMEs
b. Predictors: (Constant), Multiple Taxation

The regression F-statistic (12.109) in the table 12(b) determined the variance between the means of two models which is statistically significant at .000[b]. This shows that Multiple Tax has significant effect on the Productivity of SMEs.

Table 12(c): Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	15.206	1.336		11.380	.000
	Multiple Taxation	.188	.054	.174	3.480	.001

a. Dependent Variable: Productivity of SMEs

The table 12(c) showed the regression analysis of Multiple Tax has effect on the Productivity of SMEs. This results showed that the Multiple Tax has significant effect on the Productivity of SMEs with Beta (β) = .174, t-statistics of 3.480 and computed p-value of 0.001 which was far lower that the level of significant of 0.05. from the aforementioned statement. The model indicated a unit change in Multiple tax would lead to an increase Productivity of SMEs by 18%, hence, the null hypothesis is rejected. Therefore, multiple tax has significant effect on the productivity of SMEs.

Test of Hypothesis 4

$H0_4$:Tax incentives have no significant effect on the efficiency of SMEs

Table 13(a): Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.253[a]	.064	.061	4.197

a. Predictors: (Constant), Tax Incentive

The model summary showed that regression result of 0.253 which is 25.3% showed a positive linear effect of Tax incentives on efficiency of SMEs. The R-square of 0.64 indicated that about 64.0% variations in the efficiency of SMEs, is explained by the independent variable Tax incentive which is moderate. And the adjusted-R squared statistics of the model is 61.0%, which

Table 13(c): Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	13.889	1.168		11.890	.000
	Tax Incentive	.325	.063	.253	5.142	.000

a. Dependent Variable: Efficiency of SMEs

indicated that the total variation of efficiency of SMEs is explained by the variables in the model. Thus, the variables jointly, is strong explanatory variables to efficiency of SMEs.

Table 13(b): ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	465.640	1	465.640	26.437	.000[b]
	Residual	6833.949	388	17.613		
	Total	7299.590	389			

a. Dependent Variable: Efficiency of SMEs

The regression F-statistic (26.437) in the table 13(b) determined the variance between the means of two models which is statistically significant at .000[b]. This showed that Tax incentives have significant effect on the efficiency of SMEs.

This results showed that the tax incentives have significant effect on the efficiency of SMEs with Beta (β) = .253, t-statistics of 5.142 and computed p-value of 0.0000 which was far lower that the level of significant of 0.05. from the aforementioned statement. The model indicates a unit change in Tax incentives would lead to an increase efficiency of SMEs 25.3%, hence, the null hypothesis is rejected. Therefore, Tax incentives have significant effect on the efficiency of SMEs.

Discussion of Findings

In the analysis above, the results reveled that there was a positive correlation between the tax policy and effectiveness of SMEs. That is there was a strong tendency for effective tax policy to enhance a higher degree of effectiveness of SMEs. This suggested that if tax policy implements are effective they more likely to engage SMEs effectiveness through effective system. But the result does not maintained relationship with that of Zakariya'u, Muzainah & Abdurrahman (2015), who revealed that if there must be any actual application of Nigerian tax system or attainment of its goal, the use of the national tax policy manuscript remains indispensable. Nigerian needs a tax system that does not only designate the set of guiding rules and principle, but also provide a constant point of position for all the stakeholders in the country and upon which they can believe accountable. Gabriel, John, and Emmanuel (2020) revealed that Cross River State tax policy has significant negative effect on SMEs' investment decisions and the relationship between SMEs' size and its ability to pay taxes is significant. The research therefore, recommends that government should come up with uniform tax policies that will favour the development of SMEs in Nigeria and government should put into consideration the sizes of SMEs when formulating tax policies.

Also, the result that there was a positive and relative impact of Tax Administration impact on profitability of SMEs. The t-statistic for the coefficient is .525, with the p-value standing statistically insignificant (Sig. = .600). This indicated that the tax administration has no impact on profitability of SMEs. The study was not inline (Agu, Onwuka, & Aruomah, 2019) revealed that significant and positive relationship exist between taxation and the performance of SMEs and that tax assessment, tax collection and tax utilization significantly influence the performance of SMEs in Aba. It was recommended among others that the Nigerian tax system must seek to protect and promote the SMEs for them to contribute meaningfully to economic growth and that they should identify the agents responsible for illegal, multiple tax collections that seek to frustrate SMEs and deal with them accordingly. Further, the study revealed that Multiple taxation has significant effect on the productivity of SMEs. The result was not in line with Adebisi, & Gbegi, (2013) revealed that multiple-taxation has negative effect on SMEs' survival and the relationship between SMEs' size and its ability to pay taxes is significant. Finally, the result revealed that tax incentives have significant effect on the efficiency of SMEs which was also not in line with the study of Gabriel, John, & Emmanuel, (2020) revealed that tax incentives (Ti) have both negative and positive impacts. Among the positive benefits, if implemented and designed properly, tax incentives can attract more investments. However, tax incentives can cause negative effects if they are not properly designed and implemented. The implication is that tactful tax rate and entrepreneurial-friendly tax incentives demonstrate the likelihood of enhancing SMEs.

5. Summary and Conclusion

The study examined the taxation and the performance of small and medium enterprises in Nigeria and the objectives of the study specifically investigated the relationship of tax policy and effectiveness of SMEs in Nigeria; investigated the impact of tax administration on profitability of SMEs in Nigeria; examined the effect of multiple taxation on productivity of SMEs in Nigeria; and determined the effect of tax incentives on efficiency of SMEs in Nigeria. Alongside with these, four research hypotheses were presented. Attention was focused on the SMEs owners in Nigeria.

In the literature, the theory of optimal tax was established which revealed that the eligibility of SMEs firms on VAT Incentives and also Excise Tax Incentives enables these firms to pay much more less tax which eventually gives them a genuine upper hand to record increased return on assets as well as return on equity (ROE) both of which are arrived at from profit after tax. Also, tax incentives make investments more attractive and in turn enhance profitability of a firm. Further, ex-post-facto was employed and the data were collected through a self-administered questionnaires distributed to the SMEs owners. In order to evaluate the subject matter, correlation and Analysis of variance techniques were used. In the study, four hypotheses were tested to reach vivid conclusion.

The findings revealed that tax policy has significant relationship with the effectiveness of SMEs. But tax administration was revealed to have has no significant impact on profitability of SMEs. It was furthered revealed that multiple tax has significant effect on the productivity of SMEs, and that tax incentives have significant effect on the efficiency of SMEs.

In fulfilling the revenue function, a well-designed tax system should be efficient in minimizing the distortionary impact on resource allocation, and equitable in its impact on different groups in society, especially SMEs business as they play crucial role in economic development. The objectives of taxation as far as Nigeria is concerned has not been met on small and medium scale businesses as some of the regulations yet to balance up the illness or challenges facing the sub-sector since during the pandemic in Nigeria. This is the reason behind the study. In the study, the researcher established relationship between: tax policy and effectiveness of SMEs; tax administration and profitability of SMEs; multiple taxation and productivity of SMEs; and tax incentives and efficiency of SMEs. And with critical observations on analysis, the researchers therefore concluded that tax policy and multiple tax as well as tax incentives were capable of improving performance of Small and Medium Scale Enterprises in Nigeria. But tax administration seemed to have poor effect on the SMEs performance. Based the above conclusions, the following recommendations are hereby made:

i. Governments should design targeted tax policies to actively encourage investments in SMEs in Nigeria, and to create a tax friendly environment through wide publicity / sensitization exercise. This is one of the strategies to engage taxpayers to reduce tax avoidance and evasion in Nigeria.
ii. Government should modify the existing tax policy in favour of scaling back or eliminating some of the tax breaks/reliefs that currently exist in the tax laws. This would enable the SMEs owners to quickly recover from their losses during the last 5 years.
iii. There should be more improve in the effectiveness of tax administration by ensuring proper and equitable tax assessment and timely collection.
iv. Government should consider increasing tax incentives and exemptions as this will not only attract investors who are potential tax payers, it will encourage voluntary compliance and ultimately leads to expansion of existing business interests of the SMEs in Nigeria. If these are done all SMEs will willingly pay their taxes as at when due.
v. Creating a reasonable VAT registration threshold to remove VAT compliance burden for small businesses and insisting that every business whose turnover is above the threshold is VAT- compliant.

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